

## Shale Discoveries: Global Transformations, Regional Impact

How do global energy shifts affect the Middle East energy landscape?

### Key Points

- The shale gas revolution in the United States is a game changer – and the revolution could spread to other parts of the world. Worried Gulf exporters of petrochemicals, particularly Saudi Arabia, should remember they have many competitive advantages.
- There is no such thing as an energy independent country. The “golden rule” for energy security is diversification – including diversification of exports.
- Fears that the shale revolution in the United States will drive oil prices down are overblown.

### Synopsis

The shale gas revolution in the United States is a game changer – and the revolution could spread to other parts of the world. It is changing the way oil and gas is produced and changing pattern of trade for North America, which affects the rest of the world. However, panellists reassured participants that although United States may import less oil from the Middle East, it will continue to embrace interdependence in its energy security strategy.

Worried Gulf exporters of petrochemicals, particularly Saudi Arabia, should remember they have many competitive advantages besides price, including economies of scale, infrastructure and proximity to markets in Asia and China. They should also remember that there is no such thing as an energy independent country. The “golden rule” for energy security is diversification – including diversification of exports.

If US demand falls off, there is plenty of demand from energy-hungry countries such as India and China, both of which are eager to accelerate economic development and grow their middle classes. LNG (liquefied natural gas) demand is ongoing in the wake of the nuclear disaster at Fukushima. Extracting and producing shale gas in China would be a costly endeavour both because of where the reserves are located and the amount of water needed to extract the gas.

According to one panellist, China does not have a foreign policy, it has a “resource acquisition policy” and it is seeking energy where ever it can. China is also grappling with its “Strait of Malacca Dilemma” The bulk of Middle Eastern oil to China passes through the Straits of Malacca, Lombok and Sunda. Whoever controls the Strait of Malacca effectively controls China’s energy security. China is also importing oil and gas from Central Asia. However, it is not going to stop importing oil from the Middle East. The country’s rapid economic development is coming with a heavy price – it is totally dependent on the import of raw materials, particularly oil

Fears that the shale revolution in the United States will drive oil prices down are overblown. As one panellist noted, oil prices will not go down or drop regardless of what happens in the United States. As another pointed out, it is always “adventurous” to predict oil prices. History has taught us that lesson.

The worrisome shale revolution could be good news for Jordan, which has few resources of oils and gas and no commercial deposits of coal. However, there are about 26 known deposits of oil shale – the fourth largest shale oil accumulation in the world. For a country that spend some US\$\$ billion a year on energy imports, the shale revolution could be a real game changer.

### Disclosures

This summary was written by Dianna Rienstra. The views expressed are those of certain participants in the discussion and do not necessarily reflect the views of all participants or of the World Economic Forum.