



Saudi Arabia's Oil Production Cuts and Global Repercussions

Saudi Arabia has pledged to cut oil production output starting in July, with plans to extend it well into 2024. This reduction would equate to 1 million barrels a day being cut, with this decision being made apart from the initial OPEC+ announcement this past April to reduce 3.66 million barrels per day (bpd) of production, resulting in an almost 3.6% decrease in the global supply. Saudi Energy Minister Prince Abdulaziz bin Salman remarks this decision as one necessary to help stabilize the price of gas and the market overall, calling the state's additional output cuts the "icing on the cake" of the initial OPEC+ pledge. While OPEC+ is responsible for over 40% of the global crude oil supply, Saudi Arabia is the only member state with large enough production capabilities to reduce and increase their oil production at their independent will with most other member state reductions (such as Russia, Nigeria, and Angola) being reflective of true production rates.

The effects of these output cuts on global gas are estimated to boost the prices in the upcoming weeks, with the revenue from this being primarily used by Saudi Arabia to balance their funds and allocate portions to new development and technology. The IMF estimates the Saudis need to sell at a rate of about \$80 per barrel to finance these projects. Oil cuts aim to help inflate the price to remain within this range. In the days following the announcement, Brent Crude, the standard global benchmark company for oil production, rose to \$77.20 a barrel on June 8th indicating some immediate success for the Saudi strategy. With these cuts remaining throughout the next year, only time will tell if this approach succeeds and shifts the Brent Crude to the desired price. A White House Official remarked that the United States' primary concern is "not barrels, but prices" as millions of barrels have been released from the U.S. Strategic Petroleum Reserve to accommodate for previous production cuts since last year and attempt to keep gas prices stagnant. By the end of this year, U.S. production is expected to rise 5.1% as a result of shifting global output.

The spat between the United States and Saudi Arabia regarding oil production serves as a greater reflection of current relations. As U.S. Secretary of State Antony J. Blinken embarks on a visit to Saudi Arabia on June 6th, a variety of political concerns and contentions are hoped to be remedied through meetings with top Saudi officials and Crown Prince Mohammed bin Salman. Besides the current oil situation, another topic of great concern to American interest is the formalization of Israeli-Saudi relations, as Blinken regards this as a "real national security interest." This, combined with the current U.S.-Iran relations (hindering Saudi Arabia's demands for U.S. backing regarding nuclear development in opposition to Iran) and the growing relationship between China and Saudi Arabia calls into question Blinken's projected effectiveness with the current strains between the U.S. and Saudi Arabia. With another primary area of contention being Saudi Arabia's alleged human rights violations during both the bombings in Yemen and the assassination of journalist Jamal Khashoggi, Blinken's actions and discourse within Saudi Arabia may conflict with bi-partisan opposition to growing engagement with the Middle Eastern power. During a June 7th meeting with Crown Prince Mohammed bin Salman, Blinken remarked

the improvement of relations between the U.S. and Saudi Arabia was “strengthened by progress on human rights”, citing recent efforts by Saudi Arabia to evacuate U.S. citizens from Sudan as well as a bilateral commitment to mediating peace in Yemen.

As recent Saudi rapprochement efforts within the Middle East have garnered relationships absent of American influence, these connections have provided a sense of independence for the Kingdom to engage as a political power player. Most notably, Saudi Arabia’s recent joint operation and intervention in Sudan alongside Iran reflects a recent stride towards cooperation, especially since the agreement between the two states (facilitated by China) was signed in March. This, combined with the re-engagement efforts with both Turkey and Syria mirror a similar purpose of Saudi Arabia re-establishing its role within the region while simultaneously diminishing U.S. presence. As the market readjusts to Saudi Arabia’s output cuts, the true scope of this economic power move will demonstrate on a global scale. As Blinken has stated his commitment to “deepen and broaden the Abraham Accords,” with support for this rapprochement strategy and normalization between Israel and Saudi Arabia, the extent of the U.S.’s ability to remain present within Saudi policy remains in question. Whether his visit plays a role in any U.S.-Saudi relations, gas production-related or not, will once again redefine the current affinity between the two global power players.