

ISRAELI NATIONAL DEFENSE COLLEGE

Research Plan

Future energy markets demand/supply trends and their geopolitical consequences on the Middle East

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Background

The Middle East is a complex geopolitical entity characterized by a geographic area that, historically, has always been of great strategic importance. A gateway between three continents, devoid of natural, solid boundaries, the Middle East is a completely open passageway between Asia, Europe and Africa. Here, for as long as it can be recorded, human societies have always lived the space as a crossway not only between territories but also between cultures. Invasions and infiltrations of different populations have been the norm for all of its history.

In the past century an important ingredient has been added to the mix when the Middle East has become the geographic “core” of the entire world oil industry. The oil economy has moulded the region, guiding and shaping the creation of national states, at the same time acting as a stabilizing and destabilizing factor, while also modeling the strategy of the great superpowers which, during the course of history, have competed with each other for the political control of the region and its resources. Today, oil is of essential importance for nearly every country in the region, regardless if an oil exporter or importer. This natural resource is the undisputed, single driver in the discussions on both foreign and domestic politics becoming, depending on the circumstances, both a blessing or a curse, an invitation to foreign intervention, a multiplier of political corruption and an incentive to militarization.

Purpose of the Paper

The purpose of this paper is to verify if a disruption of the world oil market, caused by the future trends in energy supply and demand, is coming into being and, if it is, what will be the geopolitical consequences on the Middle East.

A number of indicators will be proposed to indicate, as early as possible, if and when the disruption might happen, in order to determine which key actions and strategies would be the best to protect national interests and increase Israeli National Security.

Research questions

1. What are the current relations between energy and the geopolitical position of the Middle East?
2. What are the trends regarding energy demand/supply of different sources: oil, gas, renewables. Is a disruption of the oil market occurring/imminent?
3. What are the possible impacts of this disruption on the geopolitical position of the Middle East?
4. Examine how different states in the Middle East are preparing themselves to these changes.
5. Which actions/strategies should Israel adopt, in light of these changes, from a National Security point of view?

Conceptual Framework

The paper will be structured in the following way:

Introduction

Chapter One: Energy and the current geopolitical situation in the Middle East

The current geopolitical situation in the Middle East will be illustrated, with the main focus on the importance of oil in the social and political development of the region, by reviewing how oil affects the international relations of the Middle East.

Chapter two: Future trends regarding energy supply/demand of different sources: oil, gas, renewable energy

An analysis of future trends on energy markets will be performed by presenting current studies¹ showing the evolution of the new technologies related to renewable energies, such as photovoltaic, wind, energy storage systems, electric vehicles, and their impact on fossil fuel global demand. The scope is to verify if the speed of the penetration of renewables to energy market worldwide is fast and large enough to cause a disruption.²

Chapter three: Possible impacts of future energy trends on the geopolitical position of the Middle East

A survey of the economies of some of the major oil-exporting countries in the Middle East, Saudi Arabia, Iraq, Iran, UAE and Kuwait, will be conducted with the intent to predict the social and economic consequences that a disrupted oil market will cause. The survey will analyze how important

¹ - R. Cherif, F. Hasanov, A. Pande, IMF Working Paper - Riding the Energy Transition: Oil Beyond 2040, International Monetary Fund, 2017;

- Energy Information Agency, (US Department of Energy), www.iea.doe.gov.

² J. Arbib, T. S eba, Rethinking Transportation 2020-2030, Amazon Fulfilment, USA, 2017.

is oil in those economies mainly by examining their state budgets

quantitatively:

- % of export/import quotas related to oil/gas and its evolution in time;
- % of GDP, total and *per capita*, related to oil/gas and its evolution in time;

The possible major geopolitical changes in the region caused by those affected economies will be presented.

Chapter four: How different countries in the Middle East prepare themselves for future changes in the energy market

The disruption of the global fossil fuel market, albeit with uncertainty on its timeline, is a serious possibility and the oil exporting Gulf countries are aware of the danger it may cause to them and are already taking action to minimize the effects on their economies, typically by trying to diversify away from an oil only dependency.

These actions will be evaluated and an analysis on their predicted effectiveness will be presented.

Chapter five: Possible actions/strategies for Israel from a National Security point of view

Some recommendations for the State of Israel to follow in order to increase the level of National Security during the Middle East transition away from economies based on fossil fuels will be suggested.

Importance of the paper

Both oil-exporting and non oil-exporting countries in the Middle East will be affected from a drastic reduction in global fossil fuel demand. Although Israel economy is solid and not based on natural resources, the social and geopolitical consequences of a disrupted oil market will have important repercussions in the whole region.

It will be critical to be able to see the changes ahead and be prepared to react to them in a timely and effective manner.

Selected Bibliography

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