

## Why Is the UAE Worried About an Oil Supply Shortage?

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The UAE's top energy official has warned that a lack of supply, and not any variance in demand, is the biggest threat to the oil industry in the immediate future. Suhail Al Mazrouei, the current Energy Minister for the Emirates, made the statement on Bloomberg TV and warned that insufficiency could drive prices up in the coming year.

Al Mazrouei's predictions were made against the backdrop of a fairly balanced oil market at the present time, but declining production in many countries around the globe, including Russia. Moscow announced last month that it planned to cut its production for the month of March by some 500,000 barrels per day (bpd).

### Supplies in doubt?

Al Mazrouei's comments came in the middle of February as he discussed the oil industry's prospects with Bloomberg TV. "I'm not worried about demand — what worries us is whether we are going to have enough supplies in the future," he explained. "What worries me is the decline that I see in many countries' production."

While that is something of a global trend, it has been most noticeable in recent weeks from Russia. According to Deputy Prime Minister Alexander Novak, the Kremlin has been forced into cutting its production by half a million barrels per day in March due to the price caps imposed by Western nations.

### OPEC unmoved

That announcement had an immediate impact on oil prices, driving a 10% surge across the board in mid-February. With Chinese demand projected to experience a resurgence soon too, there could be a dearth in supplies in the near future. Nonetheless, the market remains fairly balanced for the time being and no immediate reactionary moves are expected.

Indeed, two delegates from the OPEC+ alliance indicated that they would not deviate from the course of action already agreed upon at this time. It's believed that while Russia did discuss its plans with some members of the bloc before making the announcement, no formal consultations were held. Now, the UAE – one of OPEC's most influential members – believes that falling production in Russia and elsewhere could spell trouble for the oil market going forward.

## Underinvestment an issue

Aside from the Emirati concerns, the Secretary General of OPEC Haitham Al Ghais also opened up on another topic. Fears over the environmental repercussions of fossil fuel extraction have led to, in his words, “chronic underinvestment” in the sector for several years now.

Although Al Ghais acknowledges the need to transition to cleaner sources of energy in the long term, he believes that a bias against the industry among Environmental, Social and Governance (ESG) schemes is harming energy security and affordability in the short term. This, alongside the falling production quotas in many countries, spells a slightly uncertain future for oil in 2023 and beyond.