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# What can stabilize the Middle East region; Military Power or Soft Power?



# COVID-19 and oil shock: the matrix of medium -term oil price scenarios

	OPEC + complies with quotas; non-OPEC + reduce production by 2.3 mbd	Quotas are fully respected	Total War
<b>Decrease in demand by 6-8 mbd</b>	The excess supply on the market excluding storage facilities is from -4 to +0 mbd	The excess supply on the market excluding storage facilities is from 7 to -3 mbd	OPEC increases production by 5 mbd. The volume of supply on the market is from +8 to +9 mbd
	<b>2020 average price</b>	<b>2020 average price</b>	<b>2020 average price</b>
	28-30 \$/bbl	30-35 \$/bbl	20-22 \$/bbl
	2021: 32-35 \$/bbl	2021: 35-40 \$/bbl	2021: 22-25 \$/bbl
<b>Decrease in demand by 8-11 mbd</b>	The excess supply on the market excluding storage facilities is from 0 to +3 mbd	The volume of excess supply on the market excluding storage facilities is from -3 to +0.1 mbd	OPEC increases production by 5 mbd. The volume of supply on the market is from +10 to +13 mbd
	<b>2020 average price</b>	<b>2020 average price</b>	<b>2020 average price</b>
	23-25 \$/bbl	25-28 \$/bbl	16-18 \$/bbl
	2021 : 25-30 \$/bbl	2021: 28-33 \$/bbl	2021: 18-20 \$/bbl

In all scenarios, prices in 2020-2021 will not return to the pre -crisis level and will be in the range of 16-40 \$/ bbl depending on the speed of recovery in demand and the stringency of compliance with the production reduction agreement

# OPEC+, is it forever?

Only strict compliance with the quotas could provide an acceptable price level

Extraordinary deal without exit

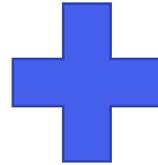
If OPEC + just open the taps at the end of a deal , we will find ourselves in the situation of an “ideal market”. Which , by the way, no one liked in March 2020....

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# COVID-19 as an “energy transition test -drive” (impact on the stability in the resource -rich countries)

- Oversupplied oil and gas (and coal) markets and expectations of stranded assets lead to “lower-for-longer” prices
- Growing share of RES limits the demand growth for fossil fuels, thus resulting in lower than expected export volumes for hydrocarbons



- Creation of border carbon adjustments (BCAs) as part of the carbon taxation mechanism might become a long-term source of instability for economies relying on fossil fuels
  - Banks and financial institutions are assessing climate risks and becoming more reluctant to provide financing for fossil fuel projects
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# What is the expected role of different countries to ensure stability in the Middle East region as well as in the international energy market?



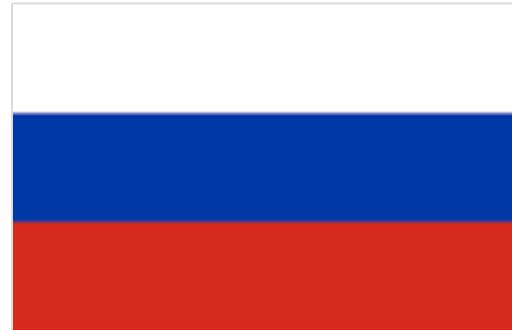
Financial and technological support for diversification and decarbonization, oil market stabilization



Financial and technological support for diversification and decarbonization



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Oil market stabilization