

Saudi Arabia Replaces Naimi with Falih as Oil Minister

Ken Koyama, PhD
Chief Economist, Managing Director
The Institute of Energy Economics, Japan

On May 7, Saudi Arabia announced a large-scale cabinet reshuffle as ordered by Saudi Arabian King Salman bin Abdulaziz Al-Saud. The most attention-attracting change in the reshuffle was the replacement of the oil minister. The Saudi government dismissed Ali al-Naimi who served as minister of petroleum and mineral resources for more than 20 years and was one of the most famed ministers in the international oil market.

Naimi, born in 1935, is more than 80 years old. After being named Saudi oil minister in 1995, he remained active as the lynchpin of Saudi oil policy management and one of the most famous persons in the international oil market. Naimi joined Aramco, the predecessor of Saudi Aramco, in 1947 and built his career at the company before becoming its chief executive officer in 1983. After replacing Hisham Nasser as Saudi oil minister in 1995, he remained the oil policy front man of Saudi Arabia, the world's largest oil-exporting country leading the Organization of the Petroleum Exporting Countries, for more than 20 years.

Major international oil market changes during his term as oil minister include crude oil prices' plunge triggered by the Asian currency crisis in the late 1990s, the 2003 Iraq war, oil prices' upsurge from 2004, oil prices' rise above \$140 per barrel in 2008, oil prices' plunge below \$40/bbl after the Lehman Shock, the Middle East's destabilization amid the Arab Spring democratic movement, oil prices' stay above \$100/bbl between 2011 and the first half of 2014, U.S. shale oil production expansion responding to oil prices' stay above \$100/bbl, the oil supply-demand balance's subsequent easing, and oil prices' plunge and stay at low levels under the Saudi Arabia-led market share strategy. Naimi addressed these changes as Saudi oil minister and faced the market. As his response and approach to and communications with the market grew more skillful, his remarks attracted growing attention from international oil market participants. Naimi was once considered to be the Alan Greenspan (former chairman of the U.S. Federal Reserve Board) of the international oil market.

Over the past several years, however, there was speculation that Naimi was willing to leave the oil minister post. Many international oil market players expected an oil minister

replacement in the near future. In this sense, the actual replacement was not necessarily any surprise. However, the announcement of the replacement came suddenly, creating headlines for major media organizations throughout the world. Meanwhile, the replacement was announced as one of many replacements in the large-scale cabinet reshuffle. My personal sentiment is that some splendor should have accompanied the departure of Naimi who remained at the center of talks on global oil market and price problems.

As far as the oil price problem is the central topic in the world economy and international politics, as a matter of course, the implications of Saudi Arabia's oil minister replacement are more important. New oil minister Khalid al-Falih immediately stated that Saudi Arabia's stable oil policy would be maintained. Given this, Saudi Arabia is expected to make no major revision to its oil policy in immediate future. This means that Saudi Arabia will maintain the strategy of putting priority on its market share in response to market conditions, instead of cutting production to raise oil prices. Like Naimi, Falih is a well-experienced oil market veteran who has served at Saudi Aramco as CEO and chairman. His skill and performance have been rated high. In this sense, Saudi Arabia's oil policy will maintain its continuity in certain degree before and after the oil minister replacement.

However, experts say that Saudi Arabia's recent oil policy has reflected top government leaders' intentions more clearly, directly and deeply than ever. Among Saudi Arabian government leaders attracting global attention is Deputy Crown Prince Mohammad bin Salman Al Saud. Some oil market sources say that Mohammad's stance of conditioning Iran's participation on an agreement on a freeze on oil output expansion had great influence on a meeting of major oil producing countries in Doha on April 17. The recent large-scale cabinet reshuffle is seen as one of the strategic moves to realize the deputy crown prince's Vision 2030 initiative to reduce Saudi Arabia's dependence on oil and diversify its economic structure. Incidentally, Saudi Arabia took the opportunity of the cabinet reshuffle to rename the Ministry of Petroleum and Mineral Resources as the Ministry of Energy, Industry and Mineral Resources to take charge of energy, electricity and industry as well as oil. Falih heads the reorganized ministry.

Given that oil minister Falih reportedly has close relations with Deputy Crown Prince Mohammad, we may have to closely watch what policies or strategies the new power structure for oil policy would adopt. In this respect, some experts say that future policies and strategies may be influenced not only by the viewpoint of oil and energy markets but also by the greater viewpoints of geopolitics and international relations. Attracting attention particularly will be how oil and energy policies will be coordinated with Saudi Arabia's relations with and policy on Iran.

New Saudi oil minister Falih will make his OPEC debut at the oil cartel's general meeting in Vienna on June 2. Attracting global attention will be what policy stance Saudi Arabia would take in response to the changing international oil situation including the global demand trend, production of the United States and other non-OPEC oil producers, Iran's comeback to the market and supply

interruptions in oil producing countries.

Contact: report@tky.ieej.or.jp

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