

# Bahrain Enters the Oil Big League

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Apr 4, 2018

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Simon Henderson is the Baker fellow and director of the Bernstein Program on Gulf and Energy Policy at The Washington Institute, specializing in energy matters and the conservative Arab states of the Persian Gulf.



Brief Analysis

## The kingdom's discovery of a huge new oil field could change the economic and political fortunes of a key Gulf ally.

**O**n April 1, Bahrain announced a major oil find in its shallow western waters, apparently south of the causeway joining the kingdom with Saudi Arabia. Although oil was first discovered on the island in 1932, this is the first time it has approached the quantities seen in Saudi Arabia, Iran, Iraq, and Kuwait, all of which have reserves over 100 billion barrels. If Manama's announced figure of 80 billion barrels can be confirmed as proved reserves (i.e., capable of being recovered under existing economic and operating conditions), then its total reserves will be close to those of the United Arab Emirates, which has 97 billion barrels.

Flanked by representatives of international energy consultants, Oil Minister Muhammad bin Khalifa al-Khalifa told a news conference on April 4 that the discovery consisted of "tight oil" and "deep gas." This indicates that production will be more difficult and costly than other fields in the Persian Gulf region. But the new field's proximity to Bahrain's existing oil and natural gas infrastructure "provides potential for significant cost optimization," according to oil consultant Halliburton. Some drilling has already taken place, and an agreement has been reached for two further appraisal wells this year. Officials said the field could be "on production" within five years.

Bahrain's current oil production stems from the Awali field in the center of the island. A refinery in the east coast town of Sitra also processes oil from Saudi Arabia's offshore Abu Safa field; revenues from that field are divided between the two countries, providing key economic support to Bahrain. Current gas production fuels all of the island's power plants, and the new finding could address the shortage of gas needed for other purposes, perhaps allowing Manama to shelve proposed plans for importing liquefied natural gas.

More broadly, if the discovery proves to be as sizable as hoped, it will change the fortunes of a country with the smallest economy in the Gulf Cooperation Council. In financial terms, it could alter the perceptions of foreign

bankers, who often regard the island as a mere appendage of Saudi Arabia.

Given the geopolitical stakes, however, it is unclear whether the discovery will affect Riyadh's outside political influence on Manama. In 2011, for example, the Saudi Arabian National Guard sent troops and tanks across the causeway to reinforce Bahraini security forces coping with wide-scale disturbances. Today, both governments remain worried about Iranian-instigated subversion by the island's majority Shia population, who feel politically and economically marginalized. Just last year, the pipeline carrying Saudi oil to Sitra was blown up in a significant escalation of the background unrest.

As for U.S. policy, the new discovery is unlikely to affect Washington's excellent relations with Bahrain or the fact that the Fifth Fleet is headquartered there. Concerns persist about the island's human rights record, but the overt tension that damaged Manama's ties with the Obama administration has faded. King Hamad bin Isa al-Khalifa has promised elections for later this year and articulated a vision of friendliness to all religions—a strategy that led to a Bahraini civil-society delegation visiting Israel in 2017 despite the lack of official relations. With the possibility of a huge increase in oil revenues, Bahrain could become a fairer society internally, and a much more significant player externally.

*Simon Henderson is the Baker Fellow and director of the Gulf and Energy Policy Program at The Washington Institute.* ❖

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