

# Oil and Islam: Saudi Policy Post-JCPOA

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Jul 15, 2016

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Brief Analysis

**Disappointed with the nuclear deal and sensing that Iran is challenging its leadership role in Islam, Riyadh seems prepared to ramp up bilateral tensions via oil production increases, sectarian provocations, and other tactics.**

**J**uly 14 marked one year since the announcement of the Joint Comprehensive Plan of Action (JCPOA), the nuclear agreement with Iran. This article is part of [a series of PolicyWatches \(http://www.washingtoninstitute.org/policy-analysis/view/twi-series-on-the-jcpoa-at-one-year\)](http://www.washingtoninstitute.org/policy-analysis/view/twi-series-on-the-jcpoa-at-one-year) assessing how the deal has affected various U.S. interests.

Along with proxy battles across the Middle East and verbal confrontations in the media, Saudi Arabia appears to be using its oil as a weapon to limit Iran's economic gains from the JCPOA, stoking quiet fury in Tehran. In addition to perpetual ethnic and religious differences -- Arab vs. Persian, Sunni vs. Shiite -- the longstanding political tensions between the two hydrocarbon-rich rivals have been sharpened by low oil prices over the past two years, providing an under-recognized backdrop to their proxy confrontations in Syria, Iraq, Yemen, and Bahrain.

Twelve months ago, the price of the widely traded oil type known as Brent Crude was around \$57 per barrel. It fell to under \$30 per barrel this January before recovering somewhat, though it has yet to regain its July 2015 level (yesterday it closed at around \$47). Prices for Saudi and Iranian crudes are usually lower but roughly track Brent prices.

For Riyadh, the result has been a painful fall in revenues. For the Iranians, the expected post-JCPOA bump in oil export revenue has been much lower than they hoped -- another disappointment for regime officials who wanted to show a quick and discernible economic benefit from the restraints placed on the nuclear program.

Given that the principal cause of the weakening prices has been increased U.S. shale oil production, Saudi Arabia's

official policy has been to retain market share by not allowing its exports to be undercut. At an OPEC meeting last month, Riyadh promised not to flood the market, yet according to Saudi figures supplied to the cartel, the kingdom has now expanded production to almost 10.6 million barrels/day. After keeping volumes steady during months of price drops, it increased production by more than 260,000 b/d in June alone. In part, this move was intended to meet higher demand for electricity in the peak summer air conditioning season, but it also fits with Riyadh's apparent wider strategy.

Iran's own production has increased by 750,000 b/d since nuclear sanctions were lifted in January, but Riyadh still wields far greater market influence because its production is more than that of its two closest OPEC rivals combined (Iran at 3.66 million b/d and Iraq at 4.43 million). While the motivation behind Saudi tactics cannot be categorically confirmed in the absence of an official statement, there is little doubt that the kingdom's top oil decisionmaker -- Deputy Crown Prince and Defense Minister Muhammad bin Salman, known as MbS -- is determined to counter Tehran in every arena. In Riyadh's eyes, the main fault of the JCPOA was that it bolstered rather than stopped Iran's emergence as a quasi-nuclear power.

For its part, Tehran has been silent on the oil issue. This is probably because it sees greater utility in maintaining the fragile unity of OPEC, which has proposed allocating a larger quota to Tehran in the future.

## Sectarian Friction

Since the JCPOA was finalized, various Islam-related developments have served to exacerbate Saudi-Iranian discord even beyond their proxy war zones. The deadly stampede of pilgrims in Mecca last September increased tensions because Iranians were the largest contingent of casualties, spurring Tehran to publicly accuse the Saudi government of gross negligence and question its ability to administer the annual Hajj. In January, diplomatic relations were formally broken off after the Saudi embassy in Tehran was attacked -- an incident that followed the kingdom's execution of a leading Shiite cleric and activist. More recently, the two countries failed to agree on arrangements for this year's Hajj, so no Iranians will be taking part. Tehran has also made inflammatory statements about actions taken against a Shiite leader in Bahrain, Saudi Arabia's Shiite-majority island neighbor and close security client.

The latest verbal battle broke out on July 12, when Iranian foreign minister Mohammad Javad Zarif claimed the kingdom was linked to terrorism. The accusation came after Prince Turki al-Faisal, a former Saudi intelligence chief and ambassador to the United States, addressed a meeting of the exiled Iranian opposition group Mujahedin-e Khalq (MEK) in Paris. Son of the late King Faisal, Prince Turki no longer holds a formal position in the kingdom but seems to have license to engage in public debate. While in France, he acerbically criticized a range of Iranian actions and described the clerical regime as a cancer. And his [past public appearances with Israeli officials](http://www.washingtoninstitute.org/policy-analysis/view/a-conversation-on-security-and-peace-in-the-middle-east) (<http://www.washingtoninstitute.org/policy-analysis/view/a-conversation-on-security-and-peace-in-the-middle-east>) have always underlined that, despite their differences on other issues, Riyadh and Jerusalem share similar perspectives on Iran -- an impression also left by MbS during his official visit to Washington last month.

At the same time, Prince Turki's address at the MEK conference broke new ground by apparently dabbling in Iranian domestic affairs. After Zarif's condemnation, anonymous Saudi and Iranian spokespeople attempted to downplay the incident's significance. But the obvious alternative explanation is that Saudi Arabia -- disappointed with the JCPOA and sensing that Iran is challenging its leadership role in Islam -- is prepared to ratchet the crisis upward.

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

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