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The Attack on Abiqaiq

What we learned. Or more to the point, what
we remembered that we had forgotten.

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The Attack on Abiqaiq: top ten main points

1. The Aramco IPO is worth less it used to be. Investors like high returns. But investors also like reliable return. And safe returns. So an oil company that is operating in a war zone will be valued far lower than a similar operation that is not located in a war zone. The Aramco operation is located in a war zone.
2. Tanks, Patrol Boats, and Jet Fighters are not effective against cruise missiles and drones. This is asymmetric warfare. The \$110 Billion in US weapons that Saudi Arabia already bought from the US will be useless against asymmetric warfare. Ditto for the additional \$250 billion that the Saudis have committed to buy over the next ten years.
3. Crude Oil supply is still too unreliable to be the basis of a cost effective alternative to electric vehicles (EV). Every time motorists awaken to an over-night price spike those already driving an EV reaffirm that they are never going back. And those still driving internal combustion engines (ICE) wonder why they have not yet switched to an EV.
4. I have read estimates that, at current levels of EV technology, for ICE to be cost effective with EVs the price of crude oil will need to be near \$10.00 per barrel. Every new wave of crude supply fears drives home the point that such a price outcome is wildly unrealistic.
5. There is an old proverb “bombers will be bombed.” The Saudis have been bombing Yemen since 2015. Yemen was one of the poorest countries on the planet before the Saudis bombing campaign. Now Yemen is a humanitarian disaster. One would think that by know the Saudis would have learned a few things about how poverty and violence breed terrorism. However expecting human beings to learn from their mistakes may be asking too much of them.
6. I do not think it is being too judgemental to remember that Saudi Arabia is the home of the violent Wahabi sect, and the home of 15 of the 19 attackers on 9/11. So we should never be the least bit surprised whenever violence flares up in this part of the world. This point is also relevant to all four previous points.

7. The fears of future crude oil supply interruptions outlive any price impact from the last supply interruption. Price spikes tend to be short lived affairs. But fears linger. Fears get imbedded in the collective mood and are very difficult to neutralize. Unless of course one's mode of transportation no longer requires regular trips to a gasoline station.
8. Fears that the future economy will be worse than the past are the lifeblood of recessions. Any reminder that the great majority of the world supply of crude oil comes from a perpetual war zone will not help efforts to avoid the next recession.
9. Supply fears that manage to stabilize the price of crude oil at higher levels are not in the best interests of OPEC. The impetus behind the discovery of every major oil field outside of an OPEC country was violence within OPEC countries. The result: loss of OPEC market share.
10. To blame Iran for all of this is a fruitless exercise. Looking for a superficial scapegoat or a military option to deeply rooted issues is no solution.

