

Smoke and Mirrors

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MATTHEW R. SIMMONS, *Twilight in the Desert: The Coming Saudi Oil Shock and the World Economy* (Hoboken, NJ: J.W. Wiley and Sons, Inc., 2005), 448 pp., \$24.95.

In *Twilight in the Desert*, energy investment banker Matthew Simmons lays bare several important—and disturbing—facts about Saudi Arabia's energy future.

The first deals with the complete lack of transparency of the Saudi oil industry. Simmons states, and convincingly shows, that what information is released by the Kingdom's oil authorities is carefully tailored to the perceived needs of the Saudi royal family and their interests, and bears little, if any, resemblance to reality. According to Simmons, Saudi authorities “refus[e] to provide credible data to support [their] claims about reserves, production rates, and costs.” As a result, there is no reliable estimate of Saudi oil reserves. While the Kingdom claims to have 260-plus billion barrels, Simmons tells us that this assertion could “merely reflect the *competitive need* of an otherwise minor nation to remain at the top of the OPEC reserves pecking order,” or serve as “an *optimistic best guess* as to how many barrels might ultimately be produced.”

Simmons' second charge deals with the remarkable inability of the

ARAMCO state oil company to make any major new discoveries over a very long period of time. “After 25 years of increasingly intense geological and geophysical efforts and equally intense exploratory drilling,” Simmons writes, “Saudi Arabia failed to discover any significant new fields other than the series of complex, low-productivity, tight reservoirs in the Hawtah Trend.” Indeed, what discoveries have been made fall far short of the size and quality of the super-giant oil fields upon which ninety-five percent of Saudi output relies.

The third claim made by Simmons is that Saudi oil output has already peaked, and whatever returns it now yields will be diminishing. His technical argument is that the major oil fields of Saudi Arabia—Ghawar, Safaniya, Abqaiq and Berri—are “now becoming mature,” meaning that they have been in production for a period typically associated with maturing (peaking). According to Simmons, a too-high pace of oil recovery, and an excessive injection of water to boost pressure, has watered down reserves and led to too-rapid depletion of recoverable petroleum. As a result, he predicts that Ghawar (the so-called “King of Oil Fields”) and other major fields are nearing peak production levels, and that the era of cheap Saudi oil is coming to a close. In the process, he sweeps away the absurd and comforting (and politically-biased) forecasts



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of an unlimited potential increase in Saudi capacities and output.

Simmons' conclusions are striking. "The twilight of oil that is approaching in Saudi Arabia and across the entire Middle East will certainly make oil products much scarcer and less affordable," he writes. "As twilight descends upon Saudi Arabia and other Middle East oil producers and they can no longer furnish as much oil as the world might need, energy planners and political leaders around the world must start preparing for the likely consequences of the growing scarcity and higher costs of the commodity that underpins modern society. Once Saudi Arabia's oil output does start to fall, whenever that may happen, it will signal definitively that the world's oil supply has peaked... To ignore the risk posed by this event any longer is foolish."

True enough. But predicting the end of Saudi oil is a bit like predicting the "Big One" in California. "Nothing is so useless as a general maxim," Lord Macaulay once wrote. In the end, knowing something without knowing the "when" is close to knowing nothing.

Simmons correctly warns that the oil data is fraught with malicious manipulation, and is therefore utterly unreliable: nobody can realistically base a policy on it. He also warns that there are problems in the oil industry in the Middle East at odds with the rosy picture painted by ARAMCO and by OPEC. Indeed, the fact that for the longest of times the Saudis have enjoyed a pass on oil information (as well as on just about everything else) is both alarming and unacceptable. It ought to be U.S. policy that genuine, verifiable information on such a key commodity is indispensable. And the corresponding pressures should be put on the Saudis to make that happen.

But in order to share Simmons' conclusions, we would have to be given more information. A comprehensive comparison between Saudi statistics and known data concerning geologically-similar and geographically-close oil fields in the rest of the Gulf would have helped to lift at least part of the veil of secrecy and obfuscation—and to buttress his assessments.

Another problem is present as well. Simmons' technical expertise and familiarity with his subject is undeniable. But when he ventures into the political history of Saudi Arabia and the Middle East, the results are nothing short of disastrous. Simmons undertakes to dispel what he calls "negative stereotypes... ignorance and prejudice" regarding the Kingdom and its rulers. But in fact, he buys into the mythographic versions of Saudi history dispensed by the royal family and their propagandists lock, stock and barrel. King Abdelaziz ibn Saud is thus described as being "acutely aware of the potential for political disruption and violence stalking his kingdom as a result of Zionist efforts to create a Jewish homeland in Palestine"—a ludicrous claim which smacks of the standard ARAMCO/State Department talking points, not to mention the violently-anti-Semitic hagiographies of Ibn Saud penned by Harold St. John Philby and other pro-Nazi converts to Islam. In this retelling, King Faisal is repeatedly exonerated, and his orchestration of the oil crisis depicted as post-facto punishment of the United States "for its support for Israel in the 1973 Middle East war." This line of argument is laughable: anyone with knowledge of recent Middle East history knows that King Faisal knowingly funded the war *preparations* of Anwar Sadat. He was one of the two main *causes* of

that war. A closer reading of history tomes (such as John B. Kelly's meticulous *Arabia, the Gulf and the West*, perhaps) would have given Simmons the political and historical perspective his book sorely lacks.

In 1973, a Congressional investigation into the Oil Crisis criticized the (then-American) ARAMCO companies for having been "blinded by a film of oil." We can thank Mr. Simmons for partially removing some of the smudge that has been deposited over the decades by the Saudi rulers. His book ought to spur Congress and public opinion to demand that the Executive Branch wake from its complacent slumber.



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