

Conference

Political & Economic Impacts of Lower Oil Prices on the Middle East

TIME AND VENUE

Wednesday, 16 September 2015

9:00 to 17:30

Mövenpick Hotel – Beirut

ORGANIZED BY

The Lebanese Center for Policy Studies
Natural Resource Governance Institute

Draft Concept Note

The recent drop in oil prices from more than \$100 per barrel in 2012 to around \$50 today has had a major impact on the global economy. While oil consuming countries seem to benefit from lower energy prices, the effects on oil-producing countries seem to vary. This conference will focus on various aspects of the new oil price reality including the nature of oil price dynamics and the impact lower oil prices have on both the oil sector and Arab economies. Additionally, the conference will reflect on the conditions that need to be in place to reduce the political and economic vulnerability of Arab countries. The three major themes of the conference are as follows:

Theme 1: Oil Price Dynamic

Key to assessing the nature of oil price dynamics and its impact on both the oil sector and the economy at large is understanding the nature of the oil market, as well as the causes of the drop in global oil prices. Is the decline in oil prices due to an increase in oil supply or is it driven by lower economic activity?

Additionally, is a new price dynamic shaping oil markets and is the drop in oil prices permanent or temporary? What is the impact of oil prices on the oil sector? What is the role of OPEC in influencing the oil market?

Theme 2: Economic and Sector Impact On the Region

The decline in oil prices is having an effect across numerous sectors on a regional scale. In this context, it will be necessary to consider the impact of lower prices on the macroeconomy, including budgets, consumption, and investments. Furthermore, could lower prices boost production in the non-oil sector? As for the oil sector, what is the impact on it in terms of capital expenditure, decisions on exploration, and extraction initiatives? In turn, how will this affect oil prices and production in the future?

Given that the profitability of the sector is declining, will International Oil Companies attempt to renegotiate their oil contracts? What effect will that have on the fiscal and contract terms? And, what are the wider implications of these changes, if they occur?

To flesh out these ideas, and offer specific examples through which they can be understood, leading figures from Arab states will offer their thoughts on the effects of lower oil prices in Iraq, Algeria, and Lebanon.

Theme 3: Governance and Diversification

No doubt, the drop in oil prices will present many challenges to Arab countries as well as expose their political and economic vulnerabilities. After all, most, if not all, Arab countries are not properly governed and their economies are largely dependent on oil, despite several popular calls for better governance and more diversified economies. To this end, this theme aims to tackle the following:

How can the governance of the oil sector be improved? How should this be linked to the overall governance structure? What are the key principles that need to be in place? What role should CSOs play in the decision-making process?

The call for economic diversification is not a technical challenge but rather a political one. Accordingly, some of the issues that need to be raised are the following: What have been the core political constraints to diversification in Arab resource rich economies? Is there a regional dimension to the challenge of diversification or is diversification purely a national political challenge? Is the nature and organization of politics different in successful diversifiers? Do lower oil prices afford new opportunities for economic diversification?