

Energising Bahrain's Future: The Impact of the Khaleej Al-Bahrain Oil Find

On 4 April 2018, Bahrain's Minister of Oil, Shaikh Mohammed bin Khalifa Al-Khalifa, unveiled that Bahrain's newfound Khaleej Al-Bahrain oil field contains some 80 billion barrels of oil, which is as much as Russia's entire oil reserve. This puts Bahrain into the competition with the major oil producing powers in the world.

Prior to this discovery, the non-OPEC Gulf producer obtained its oil revenues from two fields discovered in the 1930's: the onshore Bahrain field, and the off shore Abu Safah field (jointly shared with Saudi Arabia). Bahrain currently pumps about 45,000 barrels of oil a day from its fields. The new tight oil and deep gas resource is expected to contain many times the amount of oil produced by Bahrain's existing oilfields.

The Khaleej Al-Bahrain basin is located off the country's West coast, exclusively in Bahrain's territorial waters. This shields the Kingdom from any potential predatory claims from neighbouring hostile countries, like Iran and Qatar. The new basin is capable of supporting the long-term extraction of light crude and deep gas. Light crude is the easiest to access making it the most valuable energy asset for exportation. Since 80% of the country's revenues come from oil, this new source will undoubtedly boost state revenues and reduce the budget deficit and generate jobs in the upstream, downstream and domestic energy sector, adding new layers to the country's economy.

The social and economic benefits related to the new discovery are set to impact the Kingdom immediately. As Bahrain's Vision 2030 programme — to increase economic diversification and reduce dependence on the energy exports — continues, Bahrain's Crown Prince, Salman bin Hamad bin Isa Al-Khalifa, has vowed to use the new oil and gas state revenues to promote new social security programmes across Bahrain. Past initiatives promoted by the Crown Prince have been key to reduce Sunni-Shiite sectarian tensions in the Kingdom, which are often fomented by Iran.

Bahrain will be able to produce, in the short-medium term, an additional 200,000 barrels per day from the Khaleej Al-Bahrain field once the Kingdom's authorities decide to make the basin fully operational for extraction. The amount of barrels produced per day is expected to gradually increase afterwards.

Bahrain has often been characterised as a vulnerable small state in the region. Enhanced prosperity for the archipelago will offset efforts at foreign destabilisation since it reinforces individual states in national stability and growth. In the 1980's the Kingdom spearheaded efforts to achieve closer Gulf integration and cooperation with European countries as insurance against regional predators. Bahrain's transformation into a major regional energy power is likely to boost efforts to achieve Gulf unity and increase Euro-Gulf synergy to stabilise the region and balance against Iran.

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