

# Sheikh Zaki Yamani, former Saudi oil minister denounces speculation: Different Role for OPEC in the Future

By [Global Research](#)

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Opec will play a different role in the future, says Sheikh Yamani

50 years ago, five oil-producing nations of the world met in Baghdad for a conference which led to the creation of OPEC. Five decades later, the 12 nation group is sitting on around three quarters of the world's proven reserves.

Sheikh Zaki Yamani, former Saudi oil minister was made famous by being the face of the 1973 oil embargo and was also taken hostage by Carlos the Jackal. CNN's Marketplace Middle East's John Defterios sat down with the architect of Saudi Arabia's energy policy in an exclusive interview, aired Friday, to discuss OPEC and its past 50 years.

A full transcript of the Sheikh Yamani interview is below.

John Defterios: The first thing I wanted to talk to you about is in fact you coming in to the organisation, you were 32 a very, can I say, you were a young chap when you took the post as Oil Minister and were instrumental in formulating the original OPEC founding in 1960. That was a young period in life and a very important period for OPEC.

Sheikh Yamani: Well I was a member of the cabinet when I was 29 and I was involved with the beginning of OPEC and all the oil affairs in the office of the Prime Minister.

JD: So at 32 did you feel it was a great deal of responsibility only two years into the history for OPEC to have that role for the kingdom of Saudi Arabia?

SY: No I was a very ambitious person and I had certain plans in my mind so I was working very hard for that to implement it.

JD: What were those plans when you first decided to take the position?

SY: Well I, first I wanted to have the human resources and I established the University of Oil and minerals, this is number one and then I wanted to have the knowledge, practical knowledge so we established petrol min and this is how I was planning to do it step by step. I was against those who really wanted to have nationalist with talks, this is not true you have to have the knowledge, people they want to nationalise the oil companies, who is going to run it? So, I was a different person for that.

JD: Interesting, OPEC today as you know, OPEC sits on three quarters of the world's

reserves, what's going to be the role, the essential role of OPEC in the future?

SY: Well I think, OPEC will not have the same role as it had started, well they went from one phase to another but now on the economy of the world, the alternative sources of energy and then the pricing system. What is prevailing now is not really a good pricing system. It involves those who like to speculate and make money so it's not the supply-demand as it should be.

JD: So you're suggesting that this range of around \$80 a barrel is artificial today?

SY: It does not represent the exact situation; it represents the speculation of what we call them the non-commercial and they put billions of dollars and

JD: So you're suggesting it's the Hedge-funds in particular, who are at play?

SY: It's the hedge-funds, the insurance companies, anyone who wants to make quick money but he will lose money as well.

JD: So within OPEC do you think some of the countries have gotten too complacent with this price and think this is the new floor: \$80 per barrel?

SY: Well I don't take it this way, I mean if anyone is knowledgeable about oil, whether it is 80, it is 70, it is whatever it is, it doesn't represent the exact facts

JD: What do you mean by that?

SY: I mean supply demand and how they move, so much depends. We don't what will be the economy of the world are going to have a recession. Right now if the dollar comes down, oil goes up. So it is not oil, it is the currency and I don't think that will really representing the exact situation with the pricing situation right now.

JD: So you're suggesting we could see a correction and that perhaps we're a bit too complacent that we have entered a new era?

SY: I don't rule out this possibility but it can go one way or another. It can go up or it can go down.

JD: In fact there are some in fact, most in the community, the energy community believe that within a five to ten year window, we could hit the century mark and hold it not spike up to US\$140 a barrel and come back down again but that will be the new reality in the energy business. So do you think that within a five to ten year window, we could enter a new era where US\$100 dollars is the baseline for the energy business or is that being too optimistic?

SY: I should say unrealistic, we don't know and don't forget that politics is important. Anything can happen and it can either ruin the oil business or bring it up.

JD: Now remember thirty years ago you were very concerned that the high oil price would lead the G7 nations to seek alternative energy, the predictions are that about 30% of global demand and supply will come from alternative energy by the year 2030. Is that where we're going?

SY: Well I don't know about the time but definitely alternative sources of energy are in the

horizon and the climate change is an incentive. The problem is gasoline. Transportation is one sector for energy and then electricity. Most of the alternative sources of energy is now for electricity. What they are doing for gasoline is only to reduce the consumption. Until they can use hydrogen, gasoline is a must and oil is a must.

JD: So we're looking at a horizon where hydrocarbons remain at least 70% of the global supply for the next 25-30 years. You're quite confident of that?

SY: I am not really confident, I don't know what will happen with hydrogen whether because they are working, they are studying this but they don't talk about it

JD: The OPEC of today seems almost too business-like, too technocratic: vis-a-vis to the days of the 1970s and 1980s when you were involved and quite a strong personality for the organisation. How has OPEC changed most recently in the last decade would you say?

SY: Well with the change of the pricing system but even in the past so much depends on politics. If you look at what happened in the increase in the price of oil, it's either a political decision or a political event. The Arab oil measures, then the relationship between Iran and the United States to rise the price of oil and then all of a sudden you have the Islamic revolution '79, and then the war between Iraq and Iran also pushed the price but this is not really anything but politics but when the price of oil goes up unnecessarily, the consumption of oil comes down and this is what happened, and this what happened in '85 and the crash of '86, so it's always politics.

JD: Going back to 1986, there is a window in time here that you thought Saudi Arabia could control the oil market and keep a stable price for the global market but then you had a perfect storm. So in 1986, you almost had a perfect storm, Russia was coming on strong, Mrs Thatcher was pushing oil out from the North Sea. And it almost caught Saudi Arabia flat-footed and oil fell to US\$7 per barrel in reality it cost you your job, did you mis-calculate what was happening in the market at that time?

SY: It gave me my freedom by the way but I tell you, I think America was behind it, America when the price of oil came down and if you remember President Bush, the father said any price of oil below US\$18 is against the national interest of the United States and they worked very hard with the Saudi government to push the price up. Which they did but the price went up but it came down after that.

JD: So what was the lesson learned out of that process after you left the ministry, the king stepped in and took four million barrels off the market and prices still tumbled down through 1988 and 1989?

SY: Well he did not take four million barrels, the market took away from Saudi Arabia that much, they realised and they went back to the market price after this. I think that is a serious lesson if we learn from lessons.

JD: 1973, the Arab oil embargo you were a key player during that process. The former US Secretary of State Henry Kissinger said it was political blackmail what Saudi Arabia and OPEC were doing to the rest of the world. In retrospect how did you see it?

SY: That's a very long story and the reaction of America of what happened is not a one reaction it's one after the other and it needs even a book, it's not a blackmail, the need to

raise the price of oil even before that. There is a book called a Century of War and it gives you the story of a meeting at an island in Sweden, attended by Henry Kissinger and they decided to raise the price of oil 400 times, 400% and this is a very important incident. They needed and that is one of the reactions of America is to help the oil companies to invest outside OPEC in Mexico, in North Sea and so on; and this will not happen without a high price of oil. And this is how they deprived OPEC from their strategical power and that's another thing and I really highly respect Henry Kissinger he is really a planner and strategically he is a man to be respected

JD: So you're suggesting it wasn't the Arab oil embargo that was political blackmail but this was a plan by the US oil industry to push prices up.

SY: Not really much but the plan was there and I separate between the two. The Arab oil was meant and I was behind it, not to hurt the economy just to attract the national public opinion that there is a problem between the Palestinians and the Israelis that's the only thing and we were against what happened after that. Unfortunately money is very attractive, numbers in OPEC, they love money and revenue and this is why they pushed the price up as quickly as possible and they paid the price for what they did

JD: You would suggest though that 1973 was really the first time that OPEC flexed its muscles as an organisation, you'd agree with that?

SY: Unfortunately that's what happened but sometimes you cannot really manage the price. It was a mis-management of price, a mis-management of power, you have to respect facts and what will happen, you don't run after money only

JD: Do you regret the actions of 1973?

SY: No, I don't regret that, I regret what OPEC did

JD: Which is taking it a step further there after

SY: Yes and there was an agreement between the Shah of Iran and between Dr. Henry Kissinger to raise the price of oil

JD: 1975, two years later, you were subject of a kidnapping by Carlos the Jackal, that must have been extraordinary. At that stage did you say that the politics around oil were basically too thick. You didn't know what you got yourself into?

SY: I don't think it was about oil. There were two Arab countries, two Arab presidents who behind this. And it was politics between these two Arab countries and Saudi Arabia and they found me to be the scapegoat

JD: What did you think during the process of the kidnapping?

SY: Well I learnt a lot from that. I knew from the beginning that I would be killed. Carlos told me that they would take me at the very end in the South of Yemen and they would execute me there with the Iranian minister.

JD: You really did think you were going to die during that stage

SY: Oh, I was positive I wrote my will, yes.

JD: Oh my goodness, if I could shift attention now. This is a fascinating interview and so I appreciate your insights

SY: OPEC stands by this number of 1.2 trillion barrels of reserves, as you know many outside of OPEC don't agree with that total, they think that perhaps Iran and Iraq are inflating their numbers. Who should we believe?

I don't take that seriously really. We have to make a study by some people outside the countries you've mentioned. So we have to know as a matter of fact when it came to Saudi Arabia and I was an oil minister, I engaged the services of some American experts and they came and they studied. So the Saudi announcement of the reserve was based on what a neutral body gave us

JD: So an independent study should be done of the OPEC reserves

SY: I think so. I don't know whether they exaggerated or they did not? I want, I need a neutral one.

JD: So a third party would be very sufficient in your view?

SY: Oh yes, it's not difficult really.

JD: A US geological study recently upped it's projected reserves around the world for potential to find oil above three trillion barrels, what should we make of that? Are we going to get much better at finding oil in the next thirty years?

SY: You know I did work with the American geological survey and I know how they act but there are possibilities to find oil. For instance we have in Brazil an area, don't forget what Canada has they have a reserve which can have even be greater than what Saudi Arabia has and other areas. I mean oil is there I don't find a problem in finding oil, they have to find alternative sources of energy.

JD: To be able to stretch out the resources.

SY: That's for the climate change

JD: But three trillion barrels seems reasonable to you or over that amount

SY: I don't say yes or no unless I see the facts. If sometimes you have what we call it a structure, you don't know whether there is oil in that structure or not. The geologist will tell you this is for oil, you have to drill and when you drill maybe you find oil you don't know how much is there. You have what we call it the delineation of that. Until we do that then we know how much oil we have, before this I don't take what they say seriously.

JD: But King Abdullah made an interesting point a couple of years ago that fair price oil was around US\$75-US\$80 a barrel to in fact go after the new discoveries that are more expensive. Is that reasonable than this price to work with ?

SY: Well, this is what he was told by the experts in Aramco and the oil ministry, but in my opinion, I don't give what is a fair price, what is needed ..... after we drill.

JD: But one would suggest that to drill into the hard to reach areas like Nigeria, off Kosovo

Nigeria, so one would suggest to go after the deep salt oil in Brazil, or off the coast of West Africa you do need a base of 75, 80 dollars a barrel. That doesn't seem like a realistic base to you?

SY: Well maybe a bit less than 75 can still give us some oil. I take Saudi Arabia for instance you can increase the oil reserve with doing very little, for instance what we are doing, we call it- if you raise the recoverable oil, a little bit 1%, in Saudi Arabia it is 30% in place, you cannot produce it all, you produce only a percentage of that, which is recoverable oil, we call it reserve. In the north sea, it's 45% sometimes 60%, so what you need is to raise the recoverable oil, and this is technology, so if you raise it in Saudi Arabia, at 1% point, you have about 26 billion barrels of oil without really doing much.

JD: So that is 10% with technology alone?

SY: Yes

JD: One trend I've seen recently is natural resource nationalism where the national oil companies want to retain more of the rights and push out the international oil companies. Is there a danger in that because of the technology that is still needed by the IOC in your view?

SY: Well, the oil companies, they need a high price in oil, and they work for that after all they're after money, national oil companies are now relaxed a little bit.

JD: One would argue differently that they're more aggressive than the market.

SY: I think the oil companies...

JD: ...Are a bit more aggressive, is what you are saying?

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