

Oil Diplomacy

Oil Diplomacy or Petroleum Politics has been an important aspect in the geopolitics of the Middle East since the early 20th century. But with the advent of alternative sources of fuel and concerns regarding climate change, the balance of powers regarding Oil Diplomacy is likely to change in the 21st century.

This article will give details about Oil Diplomacy within the IAS Exam.

Overview of Oil Diplomacy

Oil became an important commodity during the later stages of the Industrial Revolution in the early 20th century. When modern warfare evolved to accommodate the growing demand for petroleum, it became an important aspect in diplomacy. Thus oil plays a key role in geopolitics as nations around the world seek to secure oil supplies through trade, diplomacy, armed conquest or any other method it sees fit to employ. Usually, the country that has the largest number of oil reserves can virtually dictate any terms it sees fit. Such petrol-rich nations can also initiate international conflicts, which is termed as petro-aggression.

An example of this is the Iraqi invasion of Iran and the Gulf War of 1991.

Nationalisation of Oil Supplies

Nationalisation of oil supplies refers to the process of asserting complete control over oil production methods or reports related to the said production in order to obtain revenue. This is different from restriction on crude oil exports. Nationalisation removes any private business operations and allows oil producing countries to gain total control over methods of production, which was earlier a monopoly of private energy companies. Once these countries become the sole owners of these confiscated resources, they have to decide how to maximize the net present value of their known stock of oil in the ground.

Politics on Alternative Resources

It has been argued that the political interests of environmental advocates, agricultural businesses, energy security advocates and automakers, are all aligned for the increased production of ethanol. The reason can vary from climate change apprehensions to geopolitical necessities. In addition, alternate fuels such as ethanols are far more cheaper to produce and safe for the environment as they can reduce greenhouse gases by 80%.

From around 2015 onwards, there was increasing discussion about whether the geopolitics of oil and gas would be replaced by the geopolitics of renewable energy resources and critical materials for renewable energy technologies.

Some experts are of the opinion that compared to the geopolitics of fossil fuels, renewable energy may cause more small-scale conflicts but reduce the risk of large inter-state conflicts.

Conclusion

Oil Diplomacy can have macroeconomic implications on account of the inflow and outflow of petroleum money. This gives oil producing nations an undue advantage when it comes to exerting their influence on the world stage.

But the rise in alternative fuels has the potential to render Oil Diplomacy Obsolete as former oil producing countries are expected to lose e power, while the positions of former fossil fuel importers and countries rich in renewable energy resources is expected to strengthen.

Relevant Questions related to Oil Diplomacy

Who controls most of the World's oil reserves?

Mostly OPEC nations (Saudi Arabia, UAE etc) and Russia. According to BP, the global authority on the subject, this collective group of 16 countries owns 1.35 trillion barrels of proven oil reserves, or nearly 80 percent of the world's total.

How will OPEC benefit politically by controlling the production of oil?

OPEC aims to regulate the supply of oil in order to set the price on the world market. OPEC came into existence, in part, to counteract other nation's capacity to produce oil, which could limit their ability to control supply and price.

Who is the largest consumer of oil?

The United States and China are two of the largest consumers of oil in the world, totaling 19.4 million barrels per day and 14 million barrels per day, respectively.