

# Company Updates and Monthly Insights

August 2015



# **Insights from the “Geopolitics of Energy” Simulation**

August 2015



## The likelihood of a significant price fluctuation in oil and gas over the next six months due to geopolitical events is low.



- Markets can expect \$40–50 per barrel of crude oil for the remainder of 2015.
- Even in case of significant geopolitical events, prices are unlikely to move higher than \$60 per barrel, due to present inventories (at levels not seen in at least 80 years), weak demand and OPEC’s desire to maintain production levels in the face of resilient non-OPEC supply.

## **Sanctions will continue to have a long-term impact on investment in Russian oil and gas fields, particularly in the Arctic.**



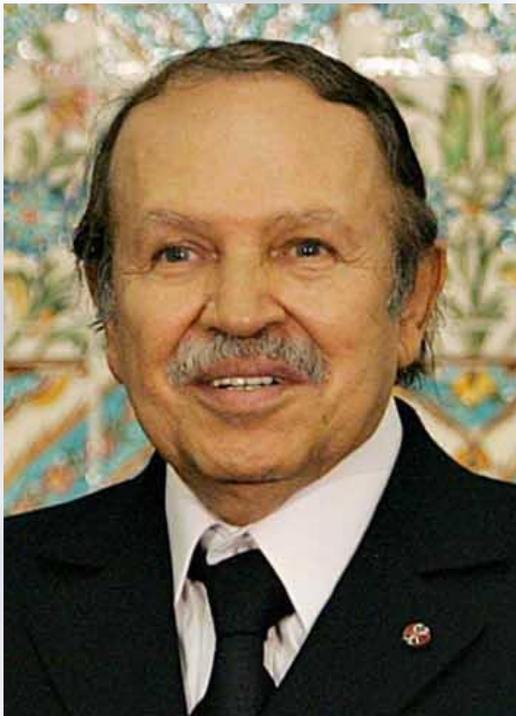
- Gazprom pricing policies and some evidence of European stockpiling mean that gas prices are likely to remain low even into the winter months.
- Over the long run, additional sanctions could impact production, causing global oil prices to rise progressively as Russian production drops.
- This is especially so as Russia remains dependent on Western exploration and production firms to support drilling and other routine activities in the aging western Siberian and other workhorse production fields.

**The market has sufficient oversupply that the impact on global prices of the deteriorating situation in Venezuela is likely to be low.**



- Declining social and economic conditions might push Venezuela to sell assets more aggressively – particularly its refineries in Europe and Citgo Petroleum (its U.S. refining unit), which is currently valued at more than \$10 billion.
- This would offer an opportunity for those who are willing to take the risk and buy those assets below market price to gain over the long term.
- Venezuela's Latin American competitors – such as Bolivia and Peru in natural gas, and Colombia and Brazil in oil – might see some gains if they can secure market share quickly.

## The potential crisis in Algeria is overlooked by the market at present.



- Algeria is Europe's third-largest gas supplier after Russia and Norway; it is the 18<sup>th</sup> largest oil producer in the world and the second largest in Africa.
- If Algeria descends into chaos following President Abdelaziz Bouteflika's death, Russia will likely benefit since it will be the most likely substitute for Algerian liquefied natural gas when EU demand increases during the winter.
- Qatar is also likely to see an opportunity to increase its liquefied natural gas exports.
- An escalation in the security situation in Algeria would pose a significant cost to companies already invested in the country, such as BP, Norway's Statoil, Sonatrach and Hess Corp.

# **Mapping Iran's Eurasian Interests – from the “Iran's Eurasian Options” Simulation**

August 2015





## Iran's Interests in Eurasia vis-à-vis the “Big Three”

### **Russia:**

Iran wants Moscow's support in resisting a re-imposition of sanctions, limiting Western military presence in Eurasia, supporting Iran's nuclear and other energy development, arms imports, and backing Iran's full membership in the Shanghai Cooperation Organization (SCO).

### **China:**

Iran wants Beijing's support in resisting a re-imposition of sanctions, limiting Western military presence in Eurasia, promoting regional economic integration, developing and purchasing Iran's energy exports, selling weapons to Iran, and backing Iran's full membership in the SCO.

### **United States:**

Iran wants Washington to reduce its military presence in Eurasia, accept Tehran's legitimacy as a regional actor, and potentially serve as a future de facto off-shore balancer should Russia or China turn hostile.





# Iran's Eurasian Options

## Iran's Interests in Eurasia

### Azerbaijan:

Iran wants Baku to limit its security ties with the West, Israel and Turkey; to not challenge Iran's territorial integrity by encouraging irredentist sentiments among Iran's Azerbaijani minority; and to not develop trans-Caspian energy pipelines.

### Kazakhstan:

Iran wants to gain Astana's support to become a full SCO member, for its regional economic integration, and to encourage Central Asian use of Iranian territory for commercial transit between landlocked Central Asia and global markets accessible through the Persian Gulf and other global maritime networks.

### Tajikistan:

Iran wants Dushanbe to back its bid to become a full SCO member, to support its regional economic integration, and to further the Iranian assertion of close historical and cultural ties between Tajiks and Persians.



# **Insights from the “Globalization of Crime” Simulation**

August 2015





# Globalization of Crime

**Law enforcement agencies are about to find themselves on the losing side of technological improvements.**



- The use of advanced technology will further professionalize crime, increasing incentives for criminals to be well-educated (or for well-educated individuals to become criminals) and consequently increasing the difficulties of capturing them.
- 3D printing will allow criminals to create goods rather than procure them. For law enforcement, this will shift discovery and interdiction efforts from a longer, vulnerable supply chain to the single point of initially procuring the new technology.
- Criminal organizations will no longer have to hold distinct territories, and crime will spread to previously untarnished regions. As a result, trafficking routes will no longer be an opportunity for law enforcement to discover and interdict crime.