

Thursday, June 8th 2017

Dear Mustafa,

Something important is happening today, and I am not talking about the voting in the 650 constituencies across the UK. No - my thoughts are on Qatar and on the piece we wrote in June 2015 called Combustible Sheikhdoms.

Saudi Arabia, other members of the GCC and Egypt have all broken off diplomatic relations with Qatar. This move, for people in the West, seemed to come out of the blue. However, as we wrote, when we transition from an oil-based world to a natural gas world, political tensions and fissures will appear, especially in the producing countries.

Saudi Arabia represents the old regime of Oil; Qatar, represents the new regime of Gas. Interestingly Iran, who has been identified as the leading villain in the current Saudi-American narrative, has both oil and gas, with a foot in both worlds.

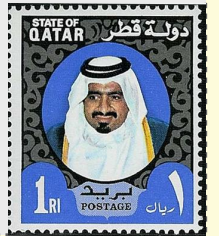
Qatar and Iran share the immense Pars gas field. To put this in an 'oil barrel' perspective, it is approximately 200 billion barrels, just shy of the entire oil reserve of Saudi Arabia. It is huuuuuge. Iran's ability to extract their gas remains mired in sanctions. Qatar, with a consortium led by Exxon Mobil (under Rex Tillerson - who is now US

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Secretary of State) has been able to withdraw and sell their gas, maybe even sell some of Iran's gas - although this latter point is all conjecture.

What is true is that Qatar is a defenceless pimple on the backside of Saudi. Qatar's 62 German leopard tanks are 20 years old and will provide zero protection against the fourth largest military budget on the planet. Perhaps Trump's visit to Saudi in May had more than military deals behind it? Perhaps it was to bless the course of action that is now unfolding. On top of this, the attack on the Iranian Parliament and Ayatollah Khomeini's mausoleum yesterday (surely no coincidence) may be an opening salvo for the restructuring of the region.

We will probably never know. What is clear though is that the fuse has been lit for these combustible sheikhdoms. The speed and timing of this even surprises me.

Speak tonight as the votes are counted.

Chris.