

[Oil Prices Climb as OPEC+ is Unable to Reach a Deal on Output Levels Amid Rising Tensions Between Saudi Arabia and the UAE](#)

Earlier this week, oil prices climbed substantially after OPEC+ was unable to reach a deal on output levels amid rising tensions between Saudi Arabia and the United Arab Emirates (UAE). Saudi Arabia and the UAE have increasingly drifted apart in politics, power projection, and diplomacy, as highlighted by the most recent example of this via the blocking of the OPEC+ deal by the UAE. The members of OPEC+ had cut production of oil by 10% last year due to the global health pandemic and the decrease in demand that it brought with it. In total, oil production was slashed by nearly 10 million barrels a day. Now, the UAE has blocked the increase in production until its baseline can be renegotiated. OPEC+ determines the output in different nations by the maximum amount of oil each can produce, and the UAE's marker has not been updated since 2018. This prompted the UAE to oppose an increase in production until that baseline is redetermined, as the country's officials argue that its capabilities should be modified. Some analysts project that the conflict will continue to cause prices to skyrocket until a deal is reached, and if that does not occur soon, then a price war is possibly on the horizon.

The UAE has invested billions of dollars into their oil production, and the baseline set in 2018 is the new limiting factor. This investment into their production was made with the goal of producing more oil within OPEC+ and the increased returns that come with it. While the UAE says it is committed to negotiating a deal and increasing production, they feel that the current one needs to be updated before it can continue. The UAE claims that the terms of the arrangement are unfair, and they feel that they possess the power to be a roadblock within OPEC+ if necessary.

Saudi Arabia is currently the most prominent member of OPEC+, in addition to Russia. These two nations have the most clout within the organization and play a major role in controlling the production of all members. This control allows Russia and Saudi Arabia to benefit significantly from the existing structure of the group. The argument that Saudi Arabia has made in response to the UAE's demands is that if they rework their baseline, then every member will demand an update. Saudi Arabia contends that this will foster chaos and would be unproductive. In fact, multiple other members have demanded updates in the past such as Azerbaijan, Kazakhstan, Kuwait, and Nigeria.

Relations have recently soured between Saudi Arabia and the UAE, two nations that have traditionally formed a powerful partnership in the region. The differences have stemmed from trade and diplomacy concerns to military interests. Since both hold a considerable degree of influence, competing strategies have emerged. For example, regarding the humanitarian crisis in Yemen, disagreements exist on how to proceed in the country. Saudi Arabia and the UAE have also increasingly attempted to extend their influence in the region at the other's expense. Last year, the UAE normalized diplomatic relations with Israel, while Saudi Arabia expressed reservations with the move because of an absence of fair Israeli concessions to the Palestinians. Additionally, Saudi Arabia had indirectly placed tariffs on the UAE when it sanctioned Israel's trade partners, and the overall decline in relations between the two Gulf nations has reached the oil industry sector with this week's latest developments.