# Country Risk & Threat Advisory Briefing
# Qatar

December 2021

**Introduction**

Diversification is a common watchword in the resource-related world of today, perhaps matched only by divestment: the ideas that nations dependent on oil & gas should seek alternative means of propping up their economies, and that investment in, and sponsorship of, fossil fuels should be stopped as soon as possible. Certainly, there is merit in the latter idea given the climate crisis and a growing 'green' mentality – and as for the former, eventually nations' hands will be forced by the simple fact that resources will run out. However, in the meantime, there is still much to be gained by exploring opportunities in the oil & gas sector – and indications that a natural tendency to 'go green' is already happening. Qatar represents a perfect meeting point for both sides of the coin – although not without reservations.

**A welcoming environment with a few bumps**

Qatar has done a great deal of work to enshrine itself as a safe, stable, and welcoming state. Excellent literacy rates and university attendance have created a highly skilled workforce (not least through the policy of '*Qatarization*', employing national citizens in a largely expat-based society). The political aspect, governed by the al-Thani family, is absolutely secure and has a commitment to placing Qatar at the forefront of regional, and international, economic development. And the commitment is reflected in both the infrastructure on-the-ground, and the higher-level polices and working environment in which companies operate, something of particular relevance in the current Covid climate.

This is particularly true for the oil & gas sector, on which Qatar puts a lot of dependence. The facts and figures will come later, at present it is enough to note that, whether through the five-year-plans encapsulated in National Development Strategies, or specialist investment in appropriate petrochemical infrastructures, and laws designed to make investment in/engagement with the sector easier, Qatar knows on which side its bread is buttered and is highly unlikely to do anything that will prejudice or diminish its competitiveness, and attractiveness, in this sector.

There are, however, always some downsides. In broad terms, those in Qatar revolve around the degree to which centralisation and nepotism pave the way for corruption, and how comparatively unlikely it is for redress to be gained against any arm of the state.

Given that al-Thani family members hold almost all of the major ministerial posts, dissenting politics is not allowed, and the influence of the elite extends into every meaningful facet of economic and social life so that very few decisions can be taken in isolation without causing a ripple-effect across others' interests or desires. This is a world where having the right people on side can make you untouchable and having the wrong people against you can mean failure every time.

**Oil, Gas & Renewables**

That the national hydrocarbons firm changed its name from Qatar Petroleum to QatarEnergy – to 'better reflect' the strategic directions offered by alternative fuels – is to be welcomed by those interested in pursuing this avenue, but equally is not something over which the oil-specific interests should be concerned. Oil remains the lifeblood of the Qatari economy, and with over 25 billion barrels left in the reserves, the attitude is very much a dual-path one: embrace alternatives by all means but make use of the oil while it is there for national benefit.

A key element of this push is infrastructure. For instance, the expansion of the Al-Shaheed oilfield requiring significant platform and undersea construction, or the rapid progress at the ISND in the two years since project assumption, and the investment of $11bn USD in redevelopment of the Bul Hanine project that will require infrastructure for 150 further wells and the subsequent transportation/exploitation.

Given that Qatar is the only Middle Eastern country that can fully supply its domestic energy needs through gas alone, its entire oil sector can be devoted to profit, another key element. Additionally, not participating in OPEC means that Qatar is not bound either by production limits or price fluctuations and can act on its intentions with far greater independence and focus than otherwise.

Qatar has notably been proactive in pursuing deals worldwide through QatarEnergy. The firm now has a presence across Africa and all three of the Americas and is seeking further expansion all the time, even when this causes controversy such as the current efforts (in Moroccan territory) just to the south of the Canary Islands.

Notably, at the time that Qatar left OPEC in January 2019, this was hyped as part of the country's new 'strategic direction' to focus more on gas. Although, of course, the country did not need to leave OPEC to do this and the politicisation of the move (primarily 'cocking a snook' at Saudi Arabia) remains the underlying factor. However, gas is undeniably at the forefront of Qatari thinking ever since a self-imposed moratorium on exploration & expansion ended in 2017. Expansion plans have since tripled with a target of over 100m tonnes per annum being sought in the next five years. Already, Qatar is the single biggest supplier of Liquified Natural Gas (LNG) in the world and, with collective known reserves covering an equivalent area of the country itself, has decades of fruitful activity ahead.

The time is certainly right. Asian demand for LNG has grown to the extent that 95% of the industry's demand growth comes from Asia between 2020 and 2022, meaning that the biggest market in the world is there for the Qatari taking. Moreover, the UK has specifically asked Qatar to become London's 'supplier of last resort', fearing both extreme winters ahead and an inability to trust that Russia will continue to supply the existing quantities. America has expressed support for Qatar becoming the dominant supplier to all of Europe in a clear attempt to push the Russians out of the game. This could lead to a trade war, extra tariffs, and actions by Russian cyber groups to damage the Qatari industry and any firm involved in it. On the other hand, such action is always to be expected with the extension of politics into the economic sphere. The fact that both Europe and America are taking a closer interest in Qatari LNG indicates that opportunities within the sector are almost certain to reach a wider, and more engaged, audience.

Qatar's deep commitment to LNG means that it is the pre-eminent gas destination for partners and investors. Not only will opportunities be available across the extractive, transportation, bunkering and construction divisions of the sector - allowing for an extraordinarily broad range of skills to be applied - but the capacity for these is only going to increase (through both pre- and post-extraction). From a purely stats-based view, a 40% increase in LNG production capacity to 110m tonnes per year by 2024, and the construction of four new facilities and six ships to meet this, is to be embraced. Gas is a success story in theoretical terms too: offering Qatar a key point of 'differentiation' to what other Middle Eastern states have and is seen as a more socially acceptable investment in line with the diversification and divestment mentioned at the start.

Oil & gas remain the cornerstones, but renewables are of increasing importance. QatarEnergy itself is leading the way in the drive to become environmentally friendly, establishing a ‘green bond’ system not only in pursuit of environmentalism for its own sake, but to become more attractive to climate-conscious firms going forwards. The North Field expansion will, for the first time, incorporate ‘carbon capture’ technology and be itself partially powered by renewables, while ventures incorporating solar and wind power are of increasing interest (not least through the development of the Al Kharsaah solar plant) and the drive to explore how such new technologies and opportunities can be melded with existing infrastructure, such as the plan to partially run the Doha Light Rail network on solar power. These types of ventures might not be directly associated with oil & gas but prove that Qatar is impressively diverse in the kind of future it envisions – good news for a firm looking to expand its own portfolio of interests. Moreover, Qatar is not beholden to headline-grabbing pledges at the expense of meaningful action, with ministers stating that provable aims such as a 25% cut in greenhouse gas emissions rather than broad ‘net zero’ are where their focus lies – but also, that this ‘realism’ approach is matched by the ability of the state to fund any project, due to its energy independence and willingness to explore new avenues.

**The business environment and industrial problems**

As has been mentioned, the Qataris have attempted to make their business environment as welcoming as possible. Qatar is the second-most agreeable performer by the Corruption Perceptions Index, with ‘63’ being a good score for the region, and much was made locally that, in January 2021, Qatar cracked the Transparency International ‘Top 30’ for fighting corruption, for the first time. Undoubtedly, this is broadly reflective of the business climate as a whole. The second National Development Strategy (running to 2022) is drawing to a close and has been responsible for four key planks of Qatari openness: further liberalisation of the FDI process, improvements to World Bank financial standards, more thorough implementation of the Competition & Investment Law, and greater liberalisation of trading activity.

Notably, the Saudi blockade led to further liberalisation of law that perhaps, was not due otherwise: in January 2019 the law changed to allow for 100% ownership of companies in Qatar by foreign parties, contingent upon official approval, recognising that if the Middle East was taking a step back from Qatar, then it would double-down on attracting foreigners. This is just the latest in a string of investment incentives and is a match for the establishment of two

Free Zones, the Qatar Financial Centre, and the Qatar Science & Technology Park (with more to come) that further capabilities in, and contributions to, technology and development.

The problem lies, as always, in the corruption and the high level of opaqueness surrounding the higher echelons of government, decision-making and appointments. The furore over the World Cup has been well-documented, but at every level of politics and business, one can find examples of alleged fraud and abuse of power. Most notably in March of this year at the highest level, the finance minister Ali Shareef al-Emadi, also serving as chairman of Qatar Bank and board member of the Sovereign Wealth Fund, was arrested over allegations of misuse of funds. While in general corruption in Qatar is lesser than elsewhere, in terms of bureaucracy and red tape, it remains a moderate concern in procurement and the extractive industry – because of the importance of these sectors to the profits of those involved in them, and the subsequent likelihood of exploitation, and the lack of a hard legal framework or regulatory body that oversees the sector which enables further corruption. The lack of independent anticorruption mechanisms to enforce accountability, is also an issue.

Added to this, the elite and the state are one and the same, and neither the judiciary nor the media are truly independent enough to provide a countermeasure. The headline statistics of Qatar's transparency figures clearly do not tell the full story.

**Foreign affairs**

Qatar's recent place in the geopolitical landscape has been heavily based around its dispute with the Gulf Cooperation Council, which – heavily led by Saudi Arabia - instituted a two-year blockade and diplomatic cold war on Qatar for alleged terrorist financing and supporting Iran. The practical effect of this for Qatar was minimal – it simply found new international partners, and Saudi Arabia never followed through on its plan to turn their shared border into a nuclear-waste-filled trench. However, Qatar is still seen as an outlier in the Middle East, and not without reason – its support of Iran, in opposition to every other country in the region (along with their shared Sunni faith) still causes significant disquiet and the ease and enthusiasm with which Qatar forged its own path following the blockade will not have been lost on Saudi Arabia, which sees itself not only as the Middle East's pre-eminent power, but also one which does not take kindly to getting its own way.

Such bad feeling is likely to be heightened by Qatar's continuing absence from OPEC and the vanishingly small chance that it will return, given how well Qatar has coped with both the blockade and in cementing relations with alternate partners. The question will be how regional displeasure with Qatar will be met.

One strategy, already being trialled by the Saudis, is to attempt to force businesses to KSA and away from anywhere else by threatening to make this a zero-sum game: either your headquarters are in Saudi Arabia, or none of your operation is. But during the blockade, Qatar was also subject to cyber-attacks on its media outlets and outright IP theft (the BeIN Sports network), both widely suspected to originate from Saudi Arabia. Clearly, there is precedent here for outright action to be taken against Qatar at the geopolitical level, something unlikely to have ended when the blockade did. And as oil & gas is the pre-eminent industry in Qatar, it is this sector (and the foreign companies operating within it) that could well be targeted for industrial espionage, intentional disruption, or simply because the Saudis want to prove a point.

At present, the Saudi ultimatum is the only official one of its kind and it remains to be seen to what degree any other divisions may emerge. Few states would be in a position to turn down valuable business, particularly in the Covid environment, and foreign companies are in no way responsible for the Saudi-Qatari schism. However, politics is nothing if not unpredictable and companies engaging in a joint venture with a Qatari company (particularly one with associations to the royals or other elite) could be considered fair game if tensions were to take a downward turn.

**Conclusion: Optics vs Opportunity?**

Undoubtedly, Qatar's global narrative at present is shaped by the upcoming 2022 World Cup and the continuing outcry over not only the bribes allegedly paid to secure the tournament in the first place, but the human-rights plight of the migrant workers building the stadiums. Both of these are genuine concerns, and there is no way of putting this lightly: entry into the Qatari market will bring with it long-standing criticisms of participation in, or tacit endorsement of, corruption and human rights abuses. While the former can, in some part, be mitigated by extensive diligence and scrutiny of contacts/practices to ensure 'clean hands' in-country, the latter cannot be ignored and the mere association of an organisation with a presence in Qatar, could be enough to cause reputational damage and pressure.

However, this should not dissuade clients and investors from choosing Qatar. Not only is it making drives forward in the oil, gas, and renewables sectors, while untroubled by debt and neat avoidance of the political crises that afflict the region, it is by its own nature different, unique and independent: tending to take the opposing path to its regional neighbours in almost everything and pursuing political and economic goals regardless of the cost or consequence. This was first expressed when it refused to join the UAE, was highlighted most prominently in the Saudi blockade crisis, and continues to be seen in its economic position on matters from OPEC to LNG. Qatar always goes its own way, and a company willing to make the journey alongside it will find that, by this approach, there is much to be gained.