

Lecture Notes

NAVIGATING ENERGY DIPLOMACY & GEOPOLITICS IN THE GULF

Fiker Institute hosted Bahraini diplomat and Al-Khaleej Fellow Ahmed Buhejji to discuss energy diplomacy in the Gulf. Below are the key takeaways from the lecture.

WHAT IS ENERGY DIPLOMACY & AND WHY DOES IT MATTER TO THE GCC?

Energy diplomacy refers to how states use foreign policy to secure their energy demands. While energy diplomacy in the 20th century primarily revolved around bilateral treaties, the creation of alliances, and military intervention, in the 21st century the focus turned to renewable energies, critical minerals, and deep-sea mining in the Atlantic and Pacific oceans. Diplomatic attention to energy carries weight in the Gulf Cooperation Council (GCC) states, considering the region is home to approximately 35% of the world's oil reserves. Geopolitically, this is significant, as there has been a movement towards the politicization and securitization of energy supply; the use of economic sanctions in the Russia-Ukraine war is an important example of this. In this context, the GCC could utilize its regional energy reserves to become a more coordinated diplomatic force in the immediate and short term.

HOW HAS ENERGY BEEN USED AS DIPLOMATIC LEVERAGE?

The timeline of significant events in the history of energy diplomacy in the region started with the Red Line Agreement, an accord signed in July 1928 between several Western oil companies about oil exploitation in the territories that had made up the Ottoman Empire. In 1960, Iraq, Iran, Kuwait, Saudi Arabia, and Venezuela founded the Organization of the Petroleum Exporting Countries (OPEC) to ensure they received a fairer share of oil revenues. Subsequently, in the context of the 1973 Arab-Israeli war, the Organization of Arab Petroleum Exporting Countries (OAPEC) imposed an oil embargo on supporters of Israel which destabilized oil prices and led to the formation of the International Energy Agency (IEA) by Western states to counteract the embargo. 1979 witnessed another oil crisis, stemming from internal instabilities and political disorder in Iran, resulting in an increase in oil prices. The rise of China as an economic powerhouse around the year 2000 was another key event, when Beijing imported approximately 1.4 million barrels of oil a day. With the adoption of the Paris Agreement in 2015, the shift towards green energy and renewables gathered steam. Finally, the Russia-Ukraine war is a key example of ongoing conflicts with ramifications for the oil sector.

SHOULD THE GCC STATES IMPLEMENT A COORDINATED ENERGY STRATEGY?

In 2008, the Gulf's GDP dependence on oil reached significant levels with at least half of the products produced during that year derived from oil or hydrocarbons. In recognition of this issue, GCC states have taken several diversification measures, resulting in their GDP dependence on oil being reduced to 24% today. Recent years have also witnessed policies to reduce government dependencies on hydrocarbons with the introduction of value-added tax (VAT). However, fiscal balances in the GCC are still highly dependent on oil. Fluctuations in the price of oil in recent years demonstrate the risks of GCC states' fiscal exposure. According to the Statistical Department of the GCC Secretariat, between 2020 and 2024, oil prices increased 60% and then decreased by 20% to an average of \$80 per barrel, with the price further falling in 2025. The ability to respond to global changes in the oil market is particularly important in the Gulf considering JP Morgan's oil outlook, which predicts that in 2026 oil will average \$58 globally, and \$57 in 2027. This will also impact GCC states' revenues.

Although the GCC does not have a universal energy strategy, there are strong incentives for implementing one. Existing frameworks to base this on could include the European Union's energy strategy, the Association of Southeast Asian Nations' plan of action for energy cooperation, the Shanghai Cooperation Organization's energy strategy, and the BRICS roadmap for energy cooperation. The GCC should have a similar strategy within OAPEC, especially in light of its potential expansion from focusing on oil to the wider umbrella of energy.

WHERE DOES THE GCC SIT ON GLOBAL DEBATES?

The 2025 US National Security Strategy issued by the White House highlighted the US-China rivalry as a vital issue in geopolitics. China was redefined from a primary threat to an economic competitor presenting supply chain vulnerabilities. This is relevant when looking at the Gulf's approach to energy security because, while GCC states are US-centric in their security architecture, China is their main importer of oil. This poses a dilemma for the region, raising questions including about China's presence in the Gulf and its resulting leverage. That said, relations between the Gulf and China have always been purely economic and have never revolved around security, mitigating the perceived impact of increased Chinese influence.

On the global climate debate, Gulf states do acknowledge that renewables are expected to be a primary energy source in the future. For this reason they have invested in renewable energy, making this a priority through their involvement in the in the COP process across different presidencies. However, oil reserves are necessary for

GCC states' economic and market stability.

WHERE IS GULF ENERGY DIPLOMACY HEADING?

In the immediate term, there will be a focus on deep sea mining for minerals such as lithium, which supports the move towards renewable energy. There have been developments both regionally and internationally to focus on deep sea mining within the Atlantic and Pacific oceans, which is an important outlook in the short term. It remains to be seen how the GCC will respond to the change in oil prices and the resulting government budgeting that would also have to be addressed.

Navigating Energy Diplomacy & Geopolitics in the Gulf

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