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Expectations of Saudi oil shake-up stir uncertainty

DUBAI/RIYADH (Reuters) – A shake-up of Saudi Arabia's oil leadership by King Salman has introduced a new element of unpredictability to its energy policymaking at a moment when Riyadh is grappling with slumping crude prices and its war in neighbouring Yemen.

State oil giant Aramco has been without a permanent chief executive since April, when Khalid al-Falih was made health minister, and the old Supreme Petroleum Council, where energy policy was historically made, was abolished in January.

While the world's top crude exporter has always prized stability and consistency in crafting oil policy, the changes, alongside a shift in market strategy that contributed to the world price slump, have left analysts and traders guessing as to King Salman's long-term vision.

The main tenets of Saudi oil policy -

maintaining the ability to stabilise markets via an expensive spare-capacity cushion and a reluctance to interfere in the market for political reasons – are still set in stone, say market insiders.

However, the uncertainty has led to speculation over the fate of both veteran Oil Minister Ali al-Naimi and the wider composition of the kingdom's energy and minerals sectors, with rumours abounding that a sweeping restructure could be imminent.

"There will be changes (at the oil ministry), but no one knows when or what will happen next. It could be tomorrow, next week or a month from now," said a Saudi insider.

"The decisions are being taken by a small circle of people and a few advisers."

The key person in that small circle is Prince Mohammed bin Salman, the young deputy crown prince who with-

out having any previous oil experience has emerged since his father's accession to power as the most powerful figure in Saudi economic and energy policy.

The prince heads both an economic development supercommittee and a new council overseeing Aramco, making him the first royal ever to directly supervise the state oil giant, the world's biggest energy company.

The sense of unpredictability has only been sharpened by the wider geopolitical and market climate.

"It's anybody's guess what will happen next," said a Western diplomat in Riyadh.

While Riyadh's launch of airstrikes in Yemen on March 26 stunned observers of a country more noted for its use of backroom chequebook diplomacy, its shift in oil market policy in November was equally surprising – and arguably more important.