



May 30, 2019

Iran Crisis Guide: Things That Matter

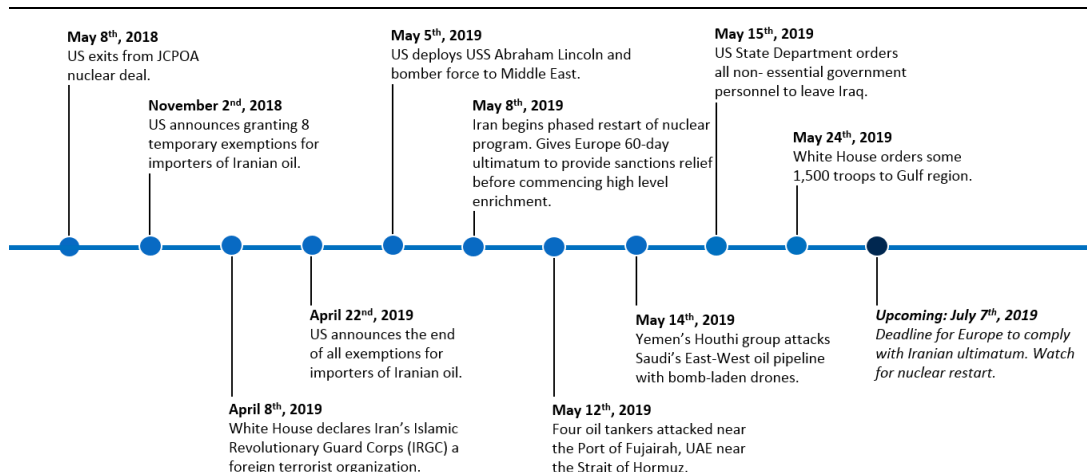
Commodity Strategy

- A number of important themes are currently at play in the oil market, but we contend that the Iran crisis and the rapidly evolving events in the Middle East represent an extremely tumultuous environment for market participants to navigate. In our view, the situation on the ground presents an intensely significant risk to oil markets that could unfold this summer.
- This piece serves as something of a guide to the important personalities, events, context, and strategic sites that could determine the course of events over the coming months—all of which merit intensely close attention in our analysis.

People, Places, and Very Important Things

Though trade war concerns are roiling the oil market at the moment, we continue to contend that events in the Middle East warrant very close watching over the course of the summer. The King of Saudi Arabia will convene an emergency Arab summit in Mecca on Thursday in an attempt to forge a united front to deal with the Iran threat in the wake of the attacks on the four tankers in UAE's territorial waters and the sabotage of the East-West pipeline in Saudi Arabia earlier this month. The Emir of Qatar is reportedly attending, marking the first time that he will set foot on Saudi soil since the 2017 blockade severed all commercial and transportation links between the Gulf neighbors. While many market participants see the recent security incidents as business as usual for the region, we see an abundance of escalation risks in large part because the US sanctions are subjecting Iran to almost unprecedented economic pain. President Trump continues to insist publicly that he is not seeking regime change, rather merely a better nuclear deal. However, from Tehran's vantage point there is probably an extremely thin line between measures designed to cause an economic collapse and explicit calls for new leadership. If Washington holds the line on the sanctions and sticks with its 12 hardline conditions for economic relief, it is difficult to envision a diplomatic breakthrough emerging in the near term, particularly given the Iranian Supreme Leader's marked preference for showing strength and avoiding concessions during a crisis. We also see certain upcoming events, including the July 7 deadline for Europe to find a sanctions workaround, as representing important inflection points. Similarly, certain events, such as surge in Houthi attacks on Saudi infrastructure, could bring the region closer to a full-blown conflict. This piece serves as something of a guide to the key personalities, events, and strategic sites that could determine the course of events over the coming months.

Figure 1: Timeline of the evolving situation



Source: RBC Capital Markets

RBC Capital Markets, LLC
Helima Croft
 Global Head of Commodity Strategy
 (212) 618-7798
 helima.croft@rbccm.com

Christopher Louney
 Commodity Strategist
 (212) 437-1925
 christopher.louney@rbccm.com

Michael Tran
 Commodity Strategist
 (212) 266-4020
 michael.tran@rbccm.com

Megan Schippmann
 Associate Strategist
 (212) 301-1531
 megan.schippmann@rbccm.com

All values in USD unless otherwise noted.

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For Required Conflicts Disclosures, please see page 11.

People to Watch

Key political, policy, and military leaders who merit watching amid the evolving Iran crisis

Qasem Soleimani: Dark Arts Master – Described by a former CIA officer in Iraq as the “single most powerful operative in the Middle East,” Qasem Soleimani has headed the IRGC Quds Force since 1998. The Quds Force is charged with exporting the revolution abroad—with Hezbollah being its most important agent of influence—and its operational structure is seen as analogous to a combined CIA and Special Forces. The 62-year-old Soleimani was born in Rabor, an impoverished village in Eastern Iran, and his formal education ended after high school. He joined the newly created IRGC in 1979 and his first job was crushing a Kurdish uprising in northwestern Iran. Soleimani’s star really rose during the Iran-Iraq War, where he earned a reputation for being an exceptional fighter and strategist. During his Quds career, Soleimani orchestrated lethal attacks in far-flung locations such as Buenos Aires, New Delhi, and Nairobi as well as much closer to home in Lebanon, Syria, and Iraq. He armed Iraq’s Shiite militias with the improvised explosive devices that were responsible for nearly 20% of the American combat deaths in the country. Soleimani reportedly met with these militias in Baghdad recently and told them to “prepare for proxy war.” In the wake of the US exit from the JCPOA nuclear deal, Soleimani has seen his popularity rise sharply in Iran, while the more moderate foreign minister and president have seen an erosion of public support, according to polling data.



Ayatollah Ali Khamenei: Supremely Powerful – As the ultimate decider on Iran’s nuclear program and its military posture, Supreme Leader Ayatollah Ali Khamenei is one of the most important individuals to monitor. Enmity toward America is one of his core organizing principals, as is a belief that one should never compromise under pressure. He famously remarked that when the Shah began making concessions to the demonstrators in 1978, they knew that his days were numbered and they would eventually prevail. Khamenei was born in 1939 in the northeastern shrine town of Mashad to a clerical father. He began his formal religious education at the age of five and went on to study in the major centers of Shia religious



learning in Najaf and Qom. In Qom, he became a protégé of the revolutionary leader Ayatollah Khomeini, and he was later jailed six times and tortured by the shah’s secret police. Part of his antipathy toward the United States and Israel reportedly stems from their support of the Shah’s security forces. Khamenei later lost the use of his right arm in a 1981 bombing carried out by the radical opposition group Mojahedin-e Khalq. Before becoming Supreme Leader in 1989, Khamenei served briefly as defense minister (1980) and later as President (1981–89). It is worth noting that he only held the rank of a mid-level cleric before being elevated in 1989 and his lack of religious credentials has reportedly been the source of some friction with the clerical establishment.

Benjamin Netanyahu: Leader of the Pack? – Benjamin Netanyahu once again finds himself at the center of an escalating regional security crisis involving Iran and is having to contend with holding fresh elections this year. Netanyahu has long been an ardent foe of the Iranian regime, calling its nuclear program as an “existential threat” and pushing the Trump administration to exit the JCPOA nuclear deal and declare Iran’s Revolutionary Guards as a Foreign Terrorist Organization. Israeli security agencies have provided much of the recent intelligence indicating Iranian culpability in the tanker attacks and the recent transfer of missiles to Iraqi militias. The Iranian leadership has accused Netanyahu of conspiring with US National Security Advisor John Bolton, Saudi Crown Prince Mohammad bin Salman, and Abu Dhabi Crown Prince Mohammed bin Zayed to provoke a war between the United States and Iran (“the 4 Bs”). And yet, reports indicate that Netanyahu, a decorated Special Forces commander, is not necessarily keen to be seen as the leader of such a war camp. Southern Syria could emerge as a key flashpoint. Israel has launched multiple military strikes to degrade Iran’s presence near the Golan Heights and prevent the shipment of weapons to Hezbollah.



HRH Prince Mohammad bin Salman: The Disrupter – The ascendancy of Saudi Crown Prince Mohammad bin Salman (MbS) has sent shock waves through Saudi Arabia and in the wider region. The 33-year-old has shattered the consensus-driven model of royal family governance, monopolizing all of the important levers of power and dealing harshly with dissent. The son of the ailing King Salman and his favored third wife, Fahda, MbS was raised and educated locally in

Riyadh. Trained as a lawyer, MbS has spent almost his entire career at his father's side, serving as his defacto gatekeeper, before becoming the world's youngest defense minister in 2015 and Crown Prince two years later. His Vision 2030 aims to radically overhaul the statist economy and provide new private sector employment opportunities and social freedoms for the 70% of the population that is under the age of 30. MBS has adopted a very activist foreign policy of rolling back Iranian influence in the region, most notably by launching the costly military intervention in Yemen. He has previously likened the Iranian Supreme Leader to Hitler. Media outlets with ties to the Crown Prince have called for surgical strikes on Iranian targets following the tanker attacks.

HRH Sheikh Mohammed bin Zayed Al Nahyan: Top Gun – The UAE is officially ruled by President Khalifa bin Zayed, but the 58-year-old Crown Prince of Abu Dhabi and the Deputy Supreme Commander of the Armed Forces, Mohammed Bin Zayed (MbZ), is seen as the driving force behind foreign policy, calling the shots. Under his watch, UAE has become one of the most formidable military powers in

the region and is flexing its diplomatic muscle by building a series of Red Sea bases along the Horn of Africa. Dubbed "little Sparta" by former US Defense Secretary James Mattis, UAE's military spending climbed from \$7.94bln in 1998 to \$15.7bln in 2009 and to \$24.4bln in 2014, making it the third-largest arms buyer in the world. MbZ, the third son of the country's founder, was educated locally before attending the Royal Military Academy at Sandhurst and training as an Airforce pilot. He has forged a very close relationship with Saudi Crown Prince Mohammad bin Salman and they share an extremely strong antipathy toward Iran and the Muslim Brotherhood. This world view has guided their collaboration on the Yemen invasion, blockade of Qatar, and support for the Libyan militia leader General Haftar.

John Bolton: Hawkeye – US National Security Advisor John Bolton has spearheaded the effort to isolate Iran and pushed for the coercive policies—including eliminating all exemptions for importers of Iranian oil and declaring Iran's Revolutionary Guards a Foreign Terrorist Organization—that have helped set the stage for the current crisis. While

President Trump has publicly insisted that he is not seeking regime change, Bolton has never hidden his desire to see the current Iranian government fall. In a January 2018 WSJ op-ed, he wrote, "America's declared policy should be ending Iran's Islamic Revolution before it reaches its 40th birthday." He has appointed like-minded Iran hawks to key positions on the National Security Council staff and reportedly scaled back the number of principals meetings (the inter-agency forum for the President's top foreign policy advisors to debate critical matters). As Under Secretary of State for Arms Control (2001–05), he was principal proponent of the military intervention in Iraq, and he continues to defend the decision to go to war. Not only has Bolton's ultra-hardline stance on Iran seemingly put him at odds with President Trump and the Chairman of the Joint Chiefs of Staff Joseph Dunford, but his sharp-elbowed management style has also

reportedly caused a rift with US Secretary of State Mike Pompeo. If Bolton is exited, it could be a signal that Trump is seeking a diplomatic off-ramp.

Secretary of State Mike Pompeo: Inside Man – Secretary of State Mike Pompeo sits squarely in the Iran hawk camp but is considered a consummate team player and a Trump loyalist. As a Kansas Congressman, Pompeo was highly critical of the 2015 JCPOA nuclear deal, and following Trump's election he tweeted, "I look forward to rolling back this disastrous deal with the world's largest state sponsor of terrorism." Unlike National Security Advisor John Bolton, Pompeo has been careful not to

publicly get ahead of President Trump on Iran, reportedly viewing his role as executing, not necessarily shaping, the president's foreign policy directives¹. He has publicly echoed the President's position that the US is not seeking regime change and that the administration is "not going to do a military exercise in Iran." And yet, the differences with Bolton may be more stylistic than ideological. Pompeo recently stated, "our best interest is a non-revolutionary set of leaders leading Iran," and he has insisted that "there is no such thing as a moderate inside the Iranian regime today."² Moreover, Pompeo's state department has been ground-zero for the policy of "coercive diplomacy" toward Iran. Hence, Pompeo may be the ultimate practitioner of "an iron fist in a velvet glove" strategy.



¹ Politico, May 17, 2019. ² Axios, April 21, 2019.

Source: Wikimedia (photos), RBC Capital Markets

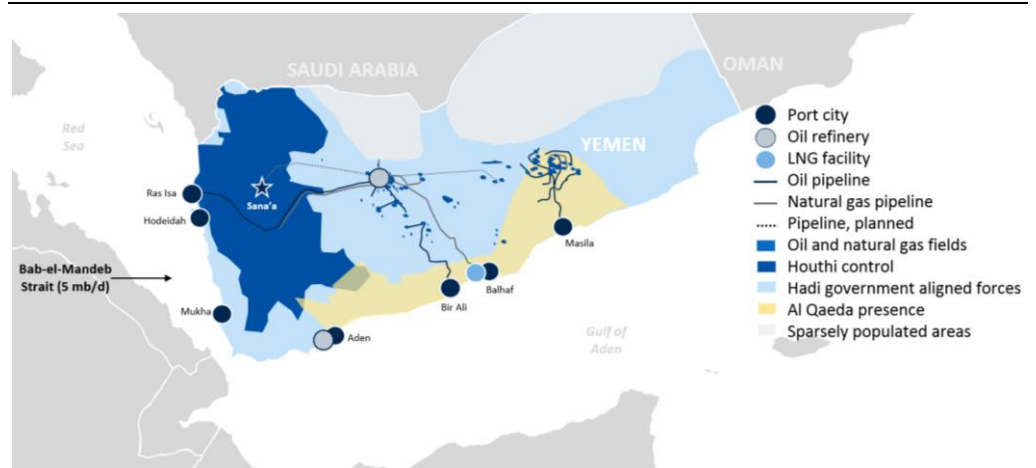
Strategic Sites

The following infrastructure, chokepoints and military and economic assets merit watching.

Hodeidah Port: Location Is Everything

The battle for the port city of Hodeidah has become one of the most protracted campaigns of the four-year Yemen war. The Houthis seized the port in 2014, giving them a strategic Red Sea foothold near the Bab-el Mandeb strait, through which ~5 mb of oil passes on a daily basis. Around 70% of Yemen's imports come through Hodeidah, including about 37% of the country's fuel and 69% of its food supplies. Saudi Arabia and UAE contend that the port is the principal way via which the Houthis receive missiles and other arms from Iran, though a UN panel of experts disputes the assertion that Hodeidah is a weapons transit point. The Saudi-UAE led coalition began efforts in 2016 to retake Hodeidah, yet it still remains under Houthi control. In May 2018, a senior Houthi fighter warned the coalition forces advancing into Hodeidah that they would "step into hell and meet their demise." After UN-mediated discussions in December of 2018, the two parties agreed to the Stockholm Agreement, which named the mutual redeployment of forces from Hodeidah as one of its three pillars. The peace agreement, however, remains very precarious, with reports of fighting between Houthi fighters and Saudi-backed pro-government forces (*Reuters*, May 14, 2019), potentially breaching the ceasefire and complicating the withdrawal agreement intended to lead to peace.

Figure 2: Yemen control map, overlay with critical energy infrastructure

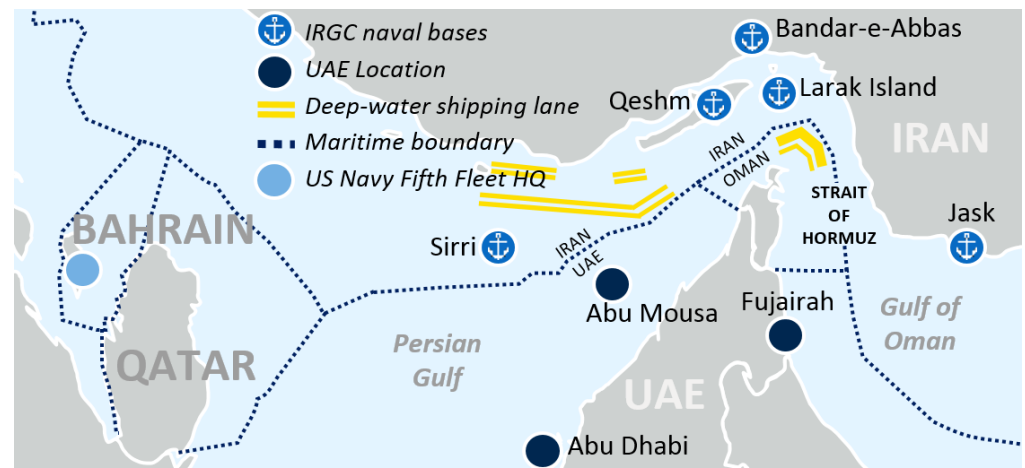


Source: News, country and government sources, EIA, Al Jazeera, RBC Capital Markets

Strait of Hormuz: Critical Chokepoint

The Strait of Hormuz remains the world's most important energy chokepoint, with around 30% of the world's seaborne barrels traveling through the narrow waterway every day. Its security remains of paramount importance for Middle Eastern energy exporters and the US. While Iranian officials have made a number of threats to close the Strait, and Iran's Revolutionary Guards has multiple naval bases around the waterway, it would be very difficult for Tehran to actually carry out this threat and completely choke off the ~18.5 mb/d of oil due to the presence of the US Fifth Fleet. That said, Iran retains the capacity to harass vessels and carry out one off attacks on tankers. The May 12 maritime attack raises the specter of a potential return to a tanker war scenario if the current crisis deepens. During the Iran-Iraq War (1980–88), hundreds of international vessels and oil installations were targeted by the warring sides in an effort to deprive their rivals of trade revenue, and ultimately the US Navy was forced to intervene to protect Kuwaiti ships in what was at the time the largest US naval convoy operation since WWII.

Figure 3: Iranian naval posts in Strait of Hormuz

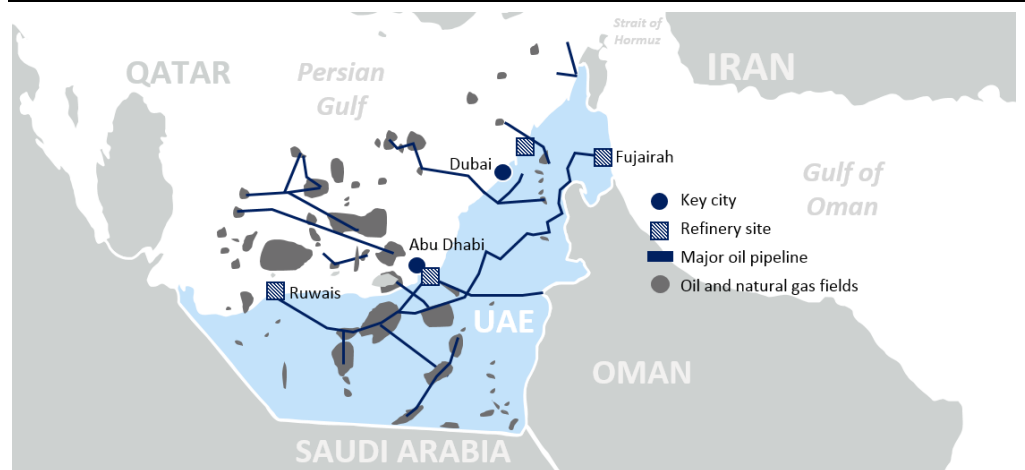


Source: News, country and government sources, RBC Capital Markets

Port of Fujairah: The Alternative

The Port of Fujairah is the world’s second-largest bunkering hub and is located on the eastern seaboard of the United Arab Emirates. Fujairah is the only emirate whose coastline is entirely on the Gulf of Oman rather than the Persian Gulf, and its Port of Fujairah is the only multi-purpose port on the country’s eastern seaboard. The port was developed during the Iran-Iraq war to provide access to open waters in the Gulf of Oman and effectively bypass the Strait of Hormuz, from which it is approximately 70 nautical miles away. UAE’s leadership views Fujairah’s development as a key to the nation’s energy security, helping to mitigate the threat potentially posed to maritime traffic. Hence, there was plenty of concern after the attacks on the four tankers off the coast in open waters earlier this month. Despite the worrying incident, versus the Strait of Hormuz and Bab el-Mandeb Strait, it arguably still provides a relatively safer option for transporting oil to the all-important Asian market. There are ongoing government efforts to make Fujairah the world’s largest crude oil storage facility and double its crude storage capacity by 2022. In February, KKR and Blackrock announced a landmark \$4bln investment in UAE’s 1.5 mb/d capacity Abu Dhabi Crude Oil Pipeline (ADCOP), which runs from the western Habshan onshore field in Abu Dhabi to Fujairah. The port complex also has two refineries that can produce 0.5% sulfur marine fuels that are IMO compliant—one of the first of its kind in the Middle East.

Figure 4: Map of UAE oil infrastructure

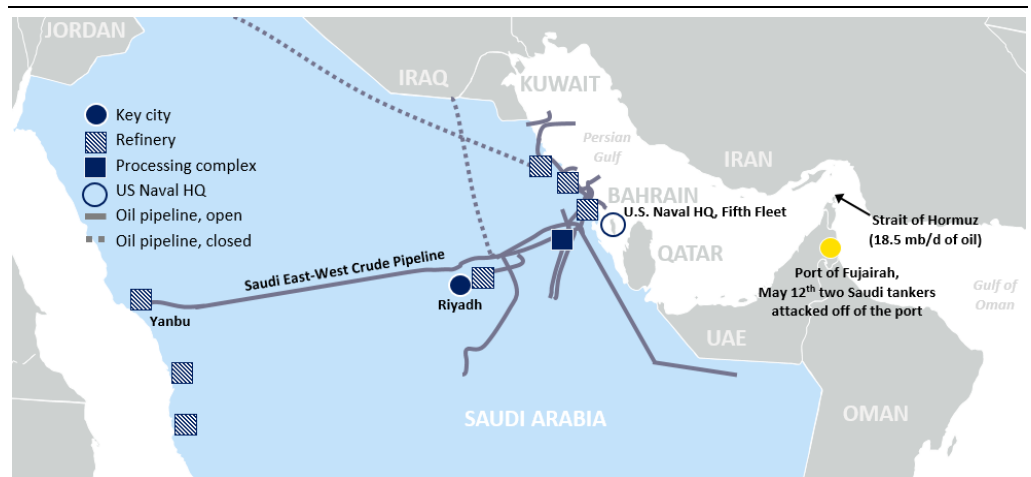


Source: EIA, RBC Capital Markets

US Fifth Fleet: Forward Ambassador

Based in Bahrain, the US Naval Forces Central Command (NAVCENT) consists of the US Fifth Fleet and Combined Maritime Forces, which together comprise the US's "most forward ambassadors" to the Central Region. Led by Vice Admiral James Malloy, Commander of US Naval Forces Central Command, the Fifth Fleet is committed to securing freedom of the seas across the 2.5 million square miles of the water in the Central Region (which includes Arabian Gulf, Red Sea, Gulf of Oman, and parts of the Indian Ocean). Given the region's strategic importance as the connection between the Mediterranean and the Pacific through both the Indian Ocean and three strategic chokepoints (Strait of Hormuz, the Suez Canal, and Bab el-Mandeb Strait), the Fifth Fleet is the defacto protector of oil traversing these key chokepoints. In May, the Abraham Lincoln Carrier Strike Group was deployed to the region in response to "credible threat indicators." This was around the same time that B-52 bombers were deployed to the to the US Al Udeid airbase in Qatar. The US Maritime Administration (MARAD) warned that since early May, there has been an increased possibility of Iran (or regional proxies) acting against US or partner interests, including on oil infrastructure and the Strait of Hormuz.

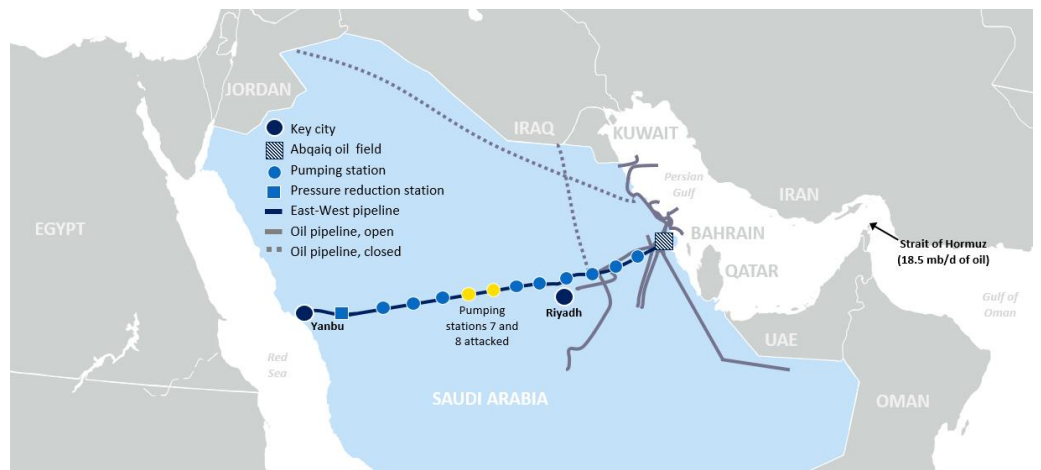
Figure 5: US Fifth Fleet position in Gulf region



East-West Pipeline: Not Immune

On Tuesday, May 14, Saudi Arabia's East-West pipeline was attacked by the Iran-backed Houthi rebels using drones laden with explosives, which Saudi's Energy Minister Khalid al-Falih called an "act of terrorism." Specifically, the drones targeted two pumping stations along the line at Dawadmi and Afeef, both just west of Riyadh. The attacks caused the pipeline to shut that day after a fire erupted at one of the stations, and they occurred only two days after Iranian action in the Strait of Hormuz assailed four vessels off the eastern coast of UAE. The East-West Crude Oil Pipeline is the critical, solitary artery that connects Saudi's eastern pipeline system to the western Yanbu export terminal in the Red Sea. From the Red Sea, oil can either traverse the Bab-el-Mandeb strait to Asia, or head north through the Suez Canal and into the Mediterranean, Europe, and beyond. Built during the Iran-Iraq war in the 1980s, the pipe is a 746-mile-long, 48-inch pipe and originates directly from the Abqaiq oil field, which is near Bahrain and Qatar on the coast of the Persian Gulf. Currently the pipeline has a capacity of 5 mb/d, yet according to the most recent bond prospectus, Aramco is aiming to expand the capacity to 6.5 mb/d by 2023. The system transported an average of 2.1 mb/d in 2018.

Figure 6: Targeted sites (yellow) of Saudi's East West pipeline



Source: News, EIA, RBC Capital Markets

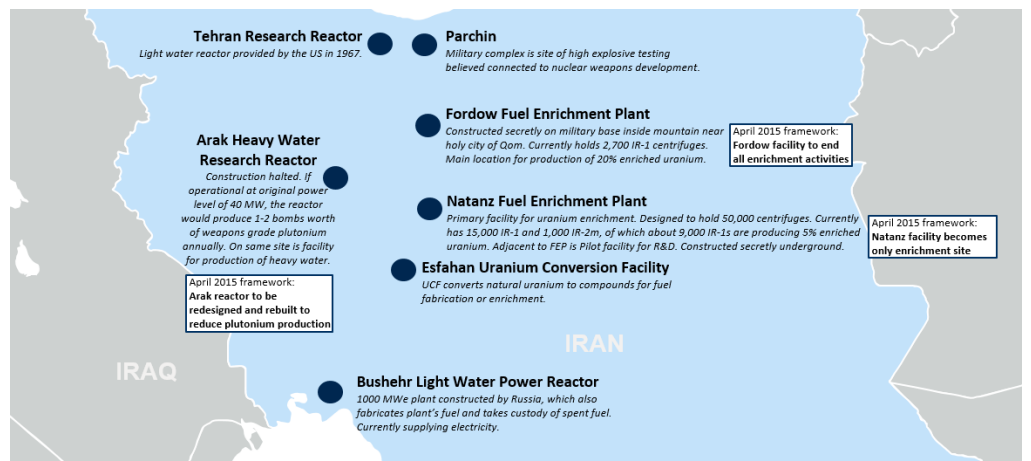
Themes to Follow

The following events and themes represent a number of fundamental issues at hand.

The Joint Comprehensive Plan of Action (JCPOA): Backing Away from Breakout

The principal achievement of the 2015 Joint Comprehensive Plan of Action (JCPOA) was to extend the time that Iran would need to accumulate enough fissile material for one weapon from 2–3 months to one year. In order to lengthen this breakout time, Iran agreed to reduce the number of installed centrifuges from 19,000 to 6,104, with only 5,060 first generation IR-1 devices enriching for ten years at the Natanz facility. Iran removed the much faster IR-2 and placed them in IAEA-monitored storage for ten years. Iran also agreed to cap enrichment at 3.67 percent, remove its stockpile of 20 percent of highly enriched uranium, and reduce its stockpile of about 10,000 kg of low-grade enriched uranium to 300 kg for ten years. In addition, Iran agreed to forgo enrichment at the more fortified Fordow facility and redesign the Arak heavy water reactor to ensure that it will not be able to produce weapons grade plutonium for 15 years. Critics of the agreement contend that it is too narrow in scope and does not address Iran’s ballistic missile program or regional meddling. They also object to fact that the nuclear restrictions are not permanent.

Figure 7: Key Iranian nuclear sites

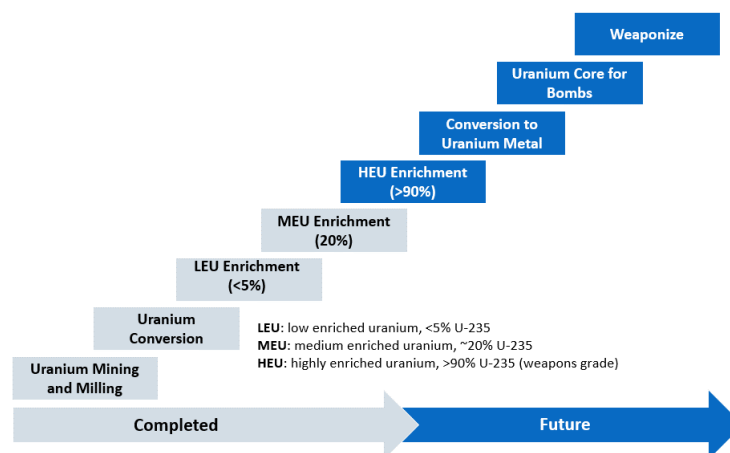


Source: Harvard Kennedy School Belfer Center, RBC Capital Markets

Nuclear Restart: Ticking Clock

Iranian officials declared last week that they had quadrupled production of low-grade enriched uranium, raising the prospect that the country will soon breach the 300kg limit established by the 2015 JCPOA nuclear agreement. Earlier this month, Tehran announced that it would resume amassing a stockpile of 3.67% enriched uranium and heavy water and gave European leaders until July 7 to provide sufficient economic incentives, including facilitating energy and banking transactions, to remain within the nuclear deal. As it will be very difficult for the EU to undercut the effectiveness of US secondary sanctions and provide sufficient economic relief, Iran may soon commence enriching uranium at 20% levels, which is 90% of the way to weapons grade, and once again begin spinning the high-speed centrifuges that are currently under lock and key and subject to international inspection. While a staged nuclear restart would certainly raise tensions, a withdrawal from the 1968 Nuclear Non-Proliferation Treaty (NPT) would set the stage for a serious regional showdown. While the NPT recognizes the “inalienable right” of states to research, develop, and use nuclear energy for civilian purposes, signatories agree to forgo developing or acquiring nuclear weapons. Hence, an Iranian withdrawal would be an explicit signal that its nuclear programs have a military dimension.

Figure 8: Iran’s path to a nuclear weapon

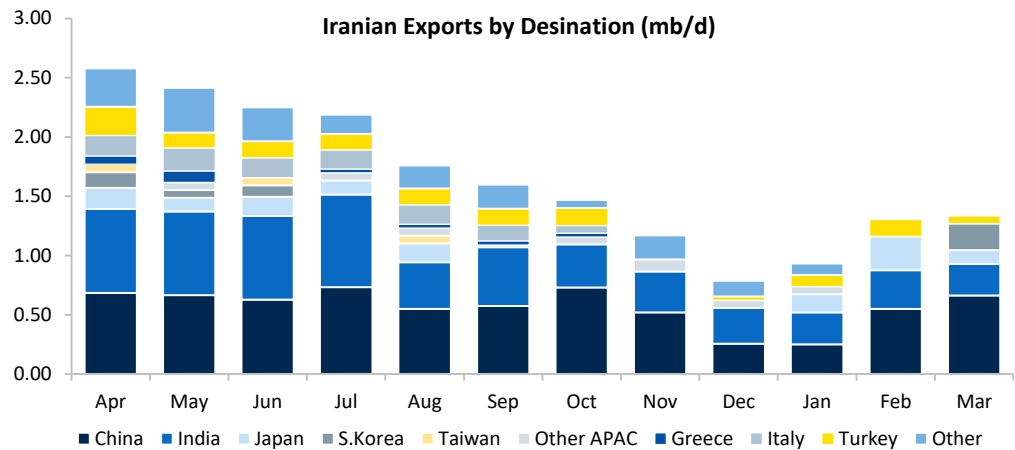


Source: Harvard Kennedy School Belfer Center, Nuclear Threat Initiative, RBC Capital Markets

Iran Sanctions: Snapback

The White House’s April decision to eliminate all exemptions for importers of Iranian oil presents a catastrophic blow to the entire economy. According to the IMF, oil accounts for almost 80% of Iran’s tax revenue, and the country has already lost \$10bln since the US sanctions took effect on November 4, 2018 (*Reuters*). Iran’s exports will not go to zero overnight, with the White House affording a wind-down period as well as the fact that not all nations will necessarily be fully compliant. We believe that Iranian exports will bottom at 500–600 kb/d in the very near term, which represents a reduction of around 700–800 kb/d in Iranian exports from March levels of 1.33 mb/d (already lower versus the spring 2018 high of 2.58 mb/d). We expect the countries that are most dependent on accessing US capital markets and military support to swiftly wind down all Iranian purchases. Hence, we anticipate that South Korea and Japan will likely zero out quickly, jointly removing more than 300 kb/d. India will likely seek more time to wrap up purchases due to concurrent pressure to reduce purchases of Venezuelan barrels, but it will ultimately come close to zero. The major challenge will be Chinese compliance, and while China may cut purchases by 200 kb/d, we do not anticipate full adherence. Even before the waivers decision was made, the IMF predicted a 6% contraction in the Iranian economy over the course of 2019, along with inflation reaching 40% or higher. In the wake of the decision, those numbers seem optimistic.

Figure 9: Iranian crude oil exports by destination



Source: Petro-Logistics SA, RBC Capital Markets

The 12 Demands: An Offer Hard to Accept

Secretary of State Mike Pompeo detailed 12 demands in May 21, 2018 that Iran would need to accept in order to receive relief from sanctions and normalize relations with the United States. If accepted, they would essentially end the revolutionary nature of the Iranian regime. Hence, we believe they are a non-starter for Supreme Leader Khamenei. They are:

1) First, Iran must declare to the IAEA a full account of the prior military dimensions of its nuclear program, and permanently and verifiably abandon such work in perpetuity. 2) Second, Iran must stop enrichment and never pursue plutonium reprocessing. This includes closing its heavy water reactor. 3) Third, Iran must also provide the IAEA with unqualified access to all sites throughout the entire country. 4) Iran must end its proliferation of ballistic missiles and halt further launching or development of nuclear-capable missile systems. 5) Iran must release all U.S. citizens, as well as citizens of our partners and allies, each of them detained on spurious charges. 6) Iran must end support to Middle East terrorist groups, including Lebanese Hezbollah, Hamas, and the Palestinian Islamic Jihad. 7) Iran must respect the sovereignty of the Iraqi Government and permit the disarming, demobilization, and reintegration of Shia militias. 8) Iran must also end its military support for the Houthi militia and work towards a peaceful political settlement in Yemen. 9) Iran must withdraw all forces under Iranian command throughout the entirety of Syria. 10) Iran, too, must end support for the Taliban and other terrorists in Afghanistan and the region, and cease harboring senior al-Qaida leaders. 11) Iran, too, must end the IRG Qu ds Force's support for terrorists and militant partners around the world. 12) And too, Iran must end its threatening behavior against its neighbors, many of whom are U.S. allies. This certainly includes its threats to destroy Israel, and its firing of missiles into Saudi Arabia and the United Arab Emirates. It also includes threats to international shipping and destructive—and destructive cyberattacks.

The Houthis: Mountain Men

One of the most important ways that Iran can project strategic depth in the region is through its relationship with the Houthis in Yemen. Saudi Arabia, UAE, and certain senior Trump administration officials have portrayed the Houthis as the Yemeni equivalent to Hezbollah. However, Iran does not exercise full command and control over these mountain fighters although their ties have been steadily strengthening over the course of the four-year war. In particular, Tehran has allegedly been providing the Houthis with advanced missile technology used to target Saudi cities and critical infrastructure. It claimed responsibility for the May 14th attack on the Saudi East-West pipeline and for last summer's strikes on two Saudi tankers in the Red Sea. The Houthis emerged in 2004 in Yemen's northern mountains as a revivalist Zaidi Shia movement fueled by local fears of encroachment by Sunni ideologies. They gained control of Saada Governate in 2011 before seizing control of the capital city Saana with the help of fighters loyal to former President Saleh. After President Haadi was forced to flee into exile in March 2015, Saudi Arabia, UAE, and a number of other Sunni states formed a coalition to restore the Haadi government to power. While this coalition was

able to regain much of the south, the Houthis remain in control of the north, Saana, and the key Red Sea port of Hodeidah.

Figure 10: Houthi attacks on Saudi Arabia

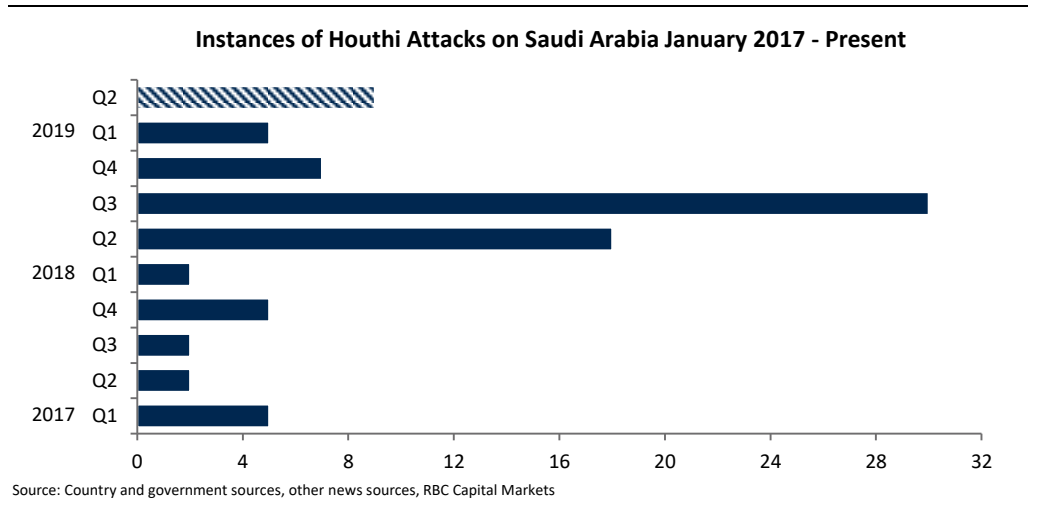


Figure 11: OPEC Watch List

Country	Oil production (mb/d)		Geopolitical risk		Comment
	2018 avg	Last month	Past year	This year	
Saudi Arabia	10.31	9.79	8	8	Ambitious reforms, disruptive foreign policy, regional risk rising
Iraq	4.54	4.59	8	8	Security, economic and political challenges still persist
Iran	3.56	2.63	10	10	Economic gains imperiled, risk of regional confrontation rising
UAE	2.99	3.07	2	4	Best in class in OPEC but high foreign policy expenditures
Kuwait	2.76	2.72	3	4	Financially flush but the population does not want austerity
Venezuela	1.39	0.84	10	10	With few economic options left, oil production is plummeting
Nigeria	1.75	1.90	8	8	The oil region remains restive and politics pose a key risk
Angola	1.51	1.38	6	6	Angola continues to face strong economic headwinds
Algeria	1.04	1.02	6	8	Algeria faced regime change on the back of mass protests
Libya	0.97	1.19	8	8	The country remains at risk for an unfavorable reversal of fortune
Ecuador	0.52	0.52	5	5	Courting new investment but lies in the middle of our risk spectrum
Gabon	0.18	0.18	7	7	Low production amid political turmoil and an attempted coup
Scale:			High -> Low	High -> Low	

Source: Bloomberg (production data), RBC Capital Markets

Note that for Kuwait and UAE we have raised the geopolitical risk floor in our OPEC Watch List to 4 for reasons discussed herein.

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Global Macro, Economics & Rates Strategy Research Team

Europe

RBC Europe Limited:

Vatsala Datta	UK Rates Strategist	+44 20 7029 0184	vatsala.datta@rbccm.com
Cathal Kennedy	European Economist	+44 20 7029 0133	cathal.kennedy@rbccm.com
Peter Schaffrik	Global Macro Strategist	+44 20 7029 7076	peter.schaffrik@rbccm.com

Asia-Pacific

Royal Bank of Canada – Sydney Branch:

Su-Lin Ong	Head of Australian and New Zealand FIC Strategy	+612-9033-3088	su-lin.ong@rbccm.com
Robert Thompson	Macro Rates Strategist	+612 9033 3088	robert.thompson@rbccm.com

North America

RBC Dominion Securities Inc.:

Mark Chandler	Head of Canadian Rates Strategy	(416) 842-6388	mark.chandler@rbccm.com
Simon Deeley	Rates Strategist	(416) 842-6362	simon.deeley@rbccm.com

RBC Capital Markets, LLC:

Michael Cloherty	Head of US Rates Strategy	(212) 437-2480	michael.cloherty@rbccm.com
Jacob Oubina	Senior US Economist	(212) 618-7795	jacob.oubina@rbccm.com
Tom Porcelli	Chief US Economist	(212) 618-7788	tom.porcelli@rbccm.com

Commodities Strategy Research Team

North America

RBC Capital Markets, LLC:

Helima Croft	Global Head of Commodity Strategy	(212) 618-7798	helima.croft@rbccm.com
Christopher Louney	Commodity Strategist	(212) 437-1925	christopher.louney@rbccm.com
Michael Tran	Commodity Strategist	(212) 266-4020	michael.tran@rbccm.com
Megan Schippmann	Associate	(212) 301-1531	megan.schippmann@rbccm.com