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# Chancellor Scholz's gas-related visit to the Arabian Peninsula

Lidia Gibadło , Michał Kędzierski

On 24–25 September, Olaf Scholz visited Saudi Arabia, the United Arab Emirates and Qatar. In Jeddah, he met with heir to the throne Crown Prince Mohammad bin Salman. They discussed energy and economic cooperation, particularly hydrogen production and Saudi energy imports to Germany. The war in Ukraine and human rights were also discussed.

In Abu Dhabi, the German chancellor spoke with UAE President Sheikh Mohamed bin Zayed Al Nahyan about extending bilateral economic cooperation, especially concerning power generation. With the two leaders present, an intergovernmental agreement on cooperation in energy security and industrial development was signed, as well as contracts between companies from both countries. Germany's RWE has signed a contract with the Abu Dhabi National Oil Company (ADNOC) for the delivery of 137,000 $m^3$ of liquefied natural gas to the floating LNG terminal in Brunsbüttel. The companies have further agreed on the terms of a preliminary agreement for further deliveries starting in 2023 (details on the volume and duration were not provided). The Emirati energy company also signed a contract with Hoyer to supply 33,000 tonnes of diesel fuel later this September and 250,000 tonnes per month until the end of 2023. In turn, German energy company Steag and copper products manufacturer Aurubis have reached agreements with ADNOC to provide Germany with low-carbon hydrogen-based ammonia. Delivery volumes and the duration of the agreement were not disclosed.

At the end of his stay on the Arabian Peninsula, Scholz met with Emir of Qatar Sheikh Tamim bin Hamad Al Sani in Doha. They mainly discussed extending energy cooperation in the area of supplying Qatar's liquefied natural gas to Germany, as well as joint projects in the fields of renewable energy and hydrogen technology to accelerate the decarbonisation of economies.

Scholz was accompanied by a delegation of representatives of leading German companies. It included executives from energy (RWE, Steag) and metals (Aurubis) companies, as well as those representing hydrogen technology providers (Siemens Energy, ThyssenKrupp) and financial sector institutions (state development bank KfW).

**Commentary**

- Contrary to expectations, Scholz's visit to the Arabian Peninsula did not result in the signing of contracts for the large-scale supply of natural gas, which would measurably replace that from Russia and improve Germany's supply in the coming years. RWE's deal

in Abu Dhabi is symbolic – it covers only one delivery to the floating terminal leased by Germany (this is due to come online in Brunsbüttel in late 2022/early 2023). No specific results on the issue of LNG supply, however, came from Scholz's talks in Qatar. Negotiations between RWE and Uniper and Qatar Energy have been ongoing since Germany's Vice Chancellor and Minister of Economic Affairs and Climate Action Robert Habeck's visit to Doha in March (see *Niemcy: kryzysowa dyplomacja gazowa*). The parties are having particular problems reaching an agreement on how to set prices and the length of the contracts (Qatar insists on up to 20-year contracts, while Germany, due to its stringent national climate policy goals, is opting for shorter and more flexible commitments). According to Reuters, these negotiations should be concluded this autumn.

- Visits by German politicians to potential energy supplier countries – primarily of gas – are part of an internal gambit within the ruling coalition. While in the first months of the energy crisis gas diplomacy was practised mainly by Vice Chancellor Habeck (Greens), which gained him a lot of popularity, now Scholz (SPD) is increasingly active in this field. On the one hand, this is due to the strategic importance of the issue of replacing the supply of Russian gas and the need for the highest level of government to demonstrate the political commitment to help German importers sign contracts. On the other hand, it is intended to bolster the low ratings of both the chancellor himself and his party in the polls. Scholz's performance is viewed positively by only 37% of Germans, and 17% of respondents want to vote for the SPD (DeutschlandTrend poll for ARD TV on 1 September).
- In addition to the key short- and medium-term guarantee of liquefied natural gas supplies, Berlin is clearly betting on expanding cooperation with Arab countries into joint long-term ventures that fit into Germany's energy transition model. Hydrogen technologies are especially favoured in this since Germany sees them as key to carrying out the decarbonisation process. The interests of Germany and the countries of the peninsula are complementary in this regard – Berlin is looking for future sources of imports of low-carbon hydrogen (and products based on it, such as ammonia, methanol or synthetic fuels), and is also counting on the expansion of the local industry in the area of hydrogen technology (see *Wodór – nadzieja niemieckiej polityki klimatycznej i przemysłowej*). Saudi Arabia and the UAE – due to favourable conditions for producing both green and blue hydrogen at attractive prices – are potential future exporters. The hydrogen partnerships concluded by Berlin with Riyadh and Abu Dhabi in 2021 serve to strengthen cooperation in this field. They are intended to facilitate joint projects in the Arab countries that would use German technology. These ventures can be supported by the recently established H2Global Foundation (see *The H2Global Foundation: an instrument of Germany's external hydrogen policy)*.
- Scholz's visit is a starting point for improving Germany's relations with Saudi Arabia (as the region's leader) and the Sunni Arab states. The deterioration of these relations occurred in February 2018, when the CDU/CSU and SPD wrote the so-called Yemen clause into the coalition agreement, providing for the immediate cessation of the issuance of licences for arms exports to countries "directly" participating in the war in Yemen. An exception was made for orders which the companies could prove had

"already been approved supplies and remain exclusively in the recipient country." The breakdown in relations, however, occurred in October 2018, when, following the murder of Saudi journalist Jamal Khashoggi on the premises of the Saudi consulate in Istanbul, Berlin suspended already-approved arms contracts and placed an entry ban on 18 Saudi nationals suspected of being linked to the murder. The CDU/CSU and SPD line was upheld by the government of the SPD, Greens and FDP, who also entered the so-called Yemen clause into the coalition agreement. As a result, the Ministry of Economic Affairs and Climate Protection has not issued new licences for arms exports to Saudi Arabia in 2021 (except for contracts carried out in a multilateral format).

- The chancellor's visit is part of a relaxation in Western relations with Saudi Arabia (bin Salman has already held meetings with Presidents Joe Biden and Emmanuel Macron and former Prime Minister Boris Johnson). In the face of the EU embargo on Russian oil imports and jittery crude prices, Germany – like the rest of the G7 – is keen to strengthen ties with this key OPEC member and runner-up in global oil production (see *The G7 has reached a political deal concerning a price cap on Russian oil and petroleum products*). Contentious topics in Riyadh's relations with the group's countries (including its relations with Tehran, the war in Yemen and human rights) were to be addressed only in a non-public meeting.