

THE PETROPOWER WAR ON FRACKING

How the world's biggest energy exporters are sabotaging Western energy independence.

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In London late last month, NATO's Secretary General revealed what many in the energy industry have long suspected: that Moscow has been backing anti-fracking activists in Europe to sabotage Western energy independence. Anders Fogh Rasmussen told the British audience that NATO member states "can report that Russia, as part of their sophisticated information and disinformation operations, engages actively... environmental organizations working against shale gas -- obviously to maintain European dependence on imported Russian gas."¹

Such activities are only the tip of the iceberg in a broader campaign by some of the world's biggest exporters of oil and natural gas. America's closest allies in the Persian Gulf have been bankrolling several other prominent efforts to undermine America's new energy windfall.² Thanks in large part to new extraction techniques such as hydraulic fracturing and horizontal drilling, it's the dawn of a new energy era for the United States.

Due to their abundance of energy resources, these Arab Gulf countries have historically been some of America's closest allies in the Middle East. The United States has provided them with a security umbrella -- protecting them from would-be conquerors like former Iraqi dictator Saddam Hussein and Iran's ayatollahs -- in exchange for a steady and (relatively) affordable supply of oil. But now, as the United States makes strides toward certain kinds of energy independence, these Gulf states are meddling in the U.S. political debate to promote their own interests.

Saudi Arabia, the United Arab Emirates, and Qatar all seem to be bankrolling efforts that would undermine U.S. energy independence. These efforts include lobbying campaigns designed to influence federal regulations, as well as quietly sponsoring American film production and media coverage intended to turn U.S. public opinion against greater domestic energy production.

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These countries -- the three biggest energy producers among Washington's Gulf allies -- have all formally accepted America's nascent energy revolution. In the last year, the energy ministers of all three have made public statements emphasizing that they do

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1. Anders Fogh Rasmussen, "The Future of NATO: A Strong Alliance in an Unpredictable World," *Chatham House*, June 19, 2014, page 10. (http://www.chathamhouse.org/sites/files/chathamhouse/field/field_document/20140619RasmussenQ%26A.pdf)
2. David Andrew Weinberg, "The Gulf Cooperation Council: Deepening Rifts and Emerging Challenges," *Testimony before the House Committee on Foreign Affairs*, May 22, 2014, page 14. (<http://docs.house.gov/meetings/FA/FA13/20140522/102257/HHRG-113-FA13-Wstate-WeinbergD-20140522.pdf>)

not feel threatened by America's growing energy production.³ Some of them have even welcomed this development as a way to stabilize oil prices and meet global demand.⁴

Gulf leaders, however, have good reason to be concerned that U.S. energy production could affect their bottom lines. Last year, the United States became the world's biggest total energy producer and just this month displaced Saudi Arabia and Russia as the top oil producer as well.⁵ This energy boom is expected to help reduce America's dependence on crude oil imports from 60 percent of U.S. consumption in 2005 to only 28 percent this year.⁶ Saudi princes and government bodies have already raised the alarm that this could strain the Saudi budget by reducing the value of their main revenue source.⁷

It makes perfect sense that foreign producers of oil and natural gas would be interested in finding discreet ways

to influence the contentious domestic debate in America about fracking, fuel choice, and energy independence. Several are identified here, but there may be more.

The liberal advocacy group Americans United for Change (AUGC), for example, alleges that Saudi Arabia has been funding the American Petroleum Institute (API), a trade association for the petroleum industry, which has been leading a "massive" campaign that would increase American oil imports.⁸ API is spending a "significant" dollar amount on lobbying and advertising campaigns to roll back environmental protections that require a limited percentage of clean, renewable fuels to be blended into gasoline.⁹ AUGC concludes that this sort of deregulation would mean an extra \$2.5 billion in revenues for foreign oil exporters in 2014 alone. In other words, as the group's president claimed in a recent statement, critics believe Saudi Arabia is investing money in a domestic American political campaign that will "force us all to buy more Saudi oil."¹⁰

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Of course, API is simply promoting oil over ethanol, not imports over domestic production. But America lacks the ability to add extra production on short notice the way the Saudis can, making at least the immediate effect of eliminating the renewable fuel standard a likely increase in imports.

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3. "Kingdom Welcomes New Source Of Energy Supplies," *Arab Times*, January 19, 2014; (<http://www.arabtimesonline.com/NewsDetails/tabid/96/smId/414/ArticleID/203061/reftab/36/t/Saudi-oil-min-says-US-shale-oil-helps-keep-markets-stable/Default.aspx>) Andrew Critchlow, "U.S. Shale No 'Game Changer' For LNG, Say Qatar Energy Minister," *The Telegraph*, February 2, 2014; (<http://www.telegraph.co.uk/finance/newsbysector/energy/oilandgas/10611960/US-shale-no-game-changer-for-LNG-say-Qatar-energy-minister.html>) & Sri Jegarajah, "U.A.E 'Not Threatened' By U.S. Shale Boom, Oil Minister Says," *CNBC*, October 29, 2013. (<http://www.cnn.com/id/101150324>)
4. "Kingdom Welcomes New Source of Energy Supplies," *Arab Times*, January 19, 2014. (<http://www.arabtimesonline.com/NewsDetails/tabid/96/smId/414/ArticleID/203061/reftab/36/t/Saudi-oil-min-says-US-shale-oil-helps-keep-markets-stable/Default.aspx>)
5. Ed Morse, "America the Oil Exporter: The recent debate over sending U.S. oil abroad misses the point: The United States is already a budding export powerhouse," *Politico*, July 9, 2014.
6. Christine Harvey & Asjylyn Loder, "Fracking Boom Pushes U.S. Oil Output to 25-Year High," *Bloomberg*, December 11, 2013. (<http://www.bloomberg.com/news/2013-12-11/fracking-boom-pushes-u-s-oil-output-to-25-year-high.html>)
7. "Shoura Seeks Study On Shale Oil Impact," *Arab News*, April 2, 2014; (<http://www.arabnews.com/news/549516>) & Summer Said & Benoit Faucon, "Shale Threatens Saudi Economy, Warns Prince Alwaleed," *The Wall Street Journal*, July 29, 2013. (<http://online.wsj.com/news/articles/SB10001424127887323854904578635500251760848>)

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8. "Saudi Oil Money Helps Finance Attacks on American Ethanol, IRS Records Show," *Americans United for Change*, accessed June 27, 2014. (http://aucf3cdn.net/4ca8d30688c1fd3311_o7m6ivyyd.pdf)
9. "Take Action," *Fuel for Thought Website*, accessed June 27, 2014. (<http://filluponfacts.com/take-action/>)
10. Timothy Cama, "Progressive Group Ties Oil Lobby to Saudi Arabia," *The Hill*, April 30, 2014. (<http://thehill.com/policy/energy-environment/204860-progressive-group-ties-oil-lobby-to-saudi-arabia>)

What makes this particularly striking is that, according to IRS tax records, API had a seat on its board assigned to a foreign petropower since at least 2009. Specifically, that seat has been held by subsidiaries of Saudi Arabia's state-owned oil company, Saudi Aramco.¹¹ In fact, for several years, Aramco's representative on the API board, Tofiq Al-Gabsani, was simultaneously registered as a foreign agent for the kingdom.¹²

The Washington Post reported that API's largest members pay an estimated \$20 million per year to fund the organization's operations.¹³ Given that Saudi Aramco is the world's largest energy company and has been a longtime member of API's board,¹⁴ AUFC concludes that the Saudi firm is "almost certainly" paying a similar amount to API.¹⁵ In spite of repeated requests from FDD, API declined to comment on its relationship with Saudi Aramco.

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11. "American Petroleum Institute," *Guide Star Website*, accessed June 27, 2014; (<http://www.guidestar.org/organizations/13-0433430/american-petroleum-institute.aspx#forms-docs>) & "Saudi Oil Money Helps Finance Attacks on American Ethanol, IRS Records Show," Americans United for Change, accessed June 27, 2014. (http://aufc.3cdn.net/4ca8d30688c1fd3311_o7m6ivyyd.pdf)

12. American Petroleum Institute, "Annual Report Online Filing," March 27, 2012; (<http://www.thenation.com/sites/default/files/2012-gabsani-apiboard.pdf>) & T.H. Al-Gabsani, "Short-Form Registration Statement to the U.S. Department of Justice," November 18, 2009; (<http://www.fara.gov/docs/4184-Short-Form-20091118-6.pdf>) & "Historical List of All Short Form Registrants," *U.S. Department of Justice Website*, accessed June 27, 2014. (https://efile.fara.gov/pls/apex/f?p=171:120:2906147811939747::NO::P120_DATERANGE:N)

13. Steven Mufson, "Jack Gerard, The Force Majeure Behind Big Oil," *The Washington Post*, April 7, 2014. (http://www.washingtonpost.com/business/economy/jack-gerard-the-force-majeure-behind-big-oil/2012/04/06/gIQA1hjC0S_story.html)

14. "Top 10 Oil & Gas Companies: Number 1 - Saudi Aramco," *Oil and Gas IQ Website*, accessed June 27, 2014. (<http://www.oilandgasiq.com/integrity-hse-maintenance/articles/top-10-oil-gas-companies-in-the-world-1-saudi-aram/>)

15. Americans United for Change, Press Release, "AUFC & Vote Vets Reveal Saudi Oil Money Bankrolling Smear Campaign against America's Renewable Fuels," April 30, 2014. (http://www.americansunitedforchange.org/press/releases/aufc_vote_vets_reveal_saudi_oil_money_bankrolling_smear_campaign_against_am/)

But the Gulf states aren't only looking for influence in the White House and on Capitol Hill -- they're also trying to shape American public opinion. And that has led them to invest in at least one Hollywood production, featuring some of America's biggest movie stars.

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Matt Damon starred in *Promised Land*, a 2012 film about a well-meaning salesman who seeks to convince the residents of a small Pennsylvania town to sell their land to his employer, a multibillion-dollar energy corporation. The movie ultimately preaches the supposed evils of fracking, suggesting that big business may be engaged in conspiracies to deliberately mislead the public about the drilling technique's environmental risks.

Understandably, that message was almost certainly music to the ears of the oil-rich Gulf states. There is no evidence to suggest the movie's content was affected by its funders, but the film received funding from a government-backed production company in the United Arab Emirates called Image Nation Abu Dhabi.¹⁶ That firm also helped buy the rights for a potential film project about the Deepwater Horizon oil rig explosion, which resulted in a massive oil spill in the Gulf of Mexico.¹⁷ Image Nation is a subsidiary

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16. Susan Schmidt, "Lobbying through the Silver Screen," *The National Interest*, October 23, 2012; (<http://nationalinterest.org/commentary/lobbying-through-the-silver-screen-7647>) & "Image Nation," *Image Nation Abu Dhabi Website*, accessed June 27, 2014. (<http://www.imagenationabudhabi.com/>)

17. B. Alan Orange, "Deepwater Horizon's Final Hour' Goes to Summit and Participant," *Movie Web*, March 8, 2014. (<http://www.movieweb.com/news/deepwater-horizons-final-hour-goes-to-summit-and-participant>)

of Abu Dhabi Media,¹⁸ which is a government-owned media company.¹⁹

Then there is Qatar, which arguably faces the greatest challenge from increased U.S. energy production. Most of Doha's energy revenues come from natural gas rather than oil. It dominates the market for liquefied natural gas (LNG) because the infrastructure required for liquefaction costs so much that it is only profitable for states that have a massive gas surplus and no immediate neighbors to supply via pipelines.

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Due to the sudden and significant recent increase in America's natural gas production, private companies have submitted 21 different applications to construct multibillion-dollar facilities around the country for cooling and exporting this gas as LNG.²⁰ Economists expect new LNG competition from America and Australia to markedly reduce Qatar's economic surpluses, cutting into the stratospheric premiums it now makes in Europe and East Asia.²¹

Al Jazeera America (AJAM), whose corporate owners are backed by Qatar, has run at least 50 television and online stories on America's increasing energy

18. Steve Hargreaves, “Matt Damon Fracking Film Backed by Big OPEC Member,” *CNN*, October 1, 2012; (<http://economy.money.cnn.com/2012/10/01/matt-damon-fracking/>) & “Our Company,” Abu Dhabi Media Website, accessed June 27, 2014. (<http://www.admedia.ae/about-us/our-company/>)

19. Michael Cieply, “Uneven Growth for Film Studio with a Message,” *The New York Times*, June 5, 2011. (<http://www.nytimes.com/2011/06/06/business/media/06participant.html?pagewanted=all& r=0>)

20. Coral Davenport & Steven Erlanger, “U.S. Hopes Boom in Natural Gas Can Curb Putin,” *The New York Times*, March 5, 2014. (<http://www.nytimes.com/2014/03/06/world/europe/us-seeks-to-reduce-ukraines-reliance-on-russia-for-natural-gas.html? r=0>)

21. Robert Tuttle, “Qatar's LNG Dominance Challenged,” *The Washington Post*, April 19, 2014. (http://www.washingtonpost.com/business/qatars-lng-dominance-challenged/2014/04/18/90b06cda-c66c-11e3-9f37-7ce307c56815_story.html)

production since its debut in August, with a particular focus on fracking. AJAM stepped up its coverage in the end of April 2014, airing a series of hard-hitting investigative stories by the channel's flagship news program, *America Tonight*,²² and promoting both new and pre-existing web articles on “America's quest for energy independence,” billed as an examination of “the rewards -- and the risks -- of the choices at hand.”²³ However, it often appears that Qatar's U.S. network is only interested in exploring the risks. Even the title of its new energy campaign suggests a particular point of view: “Dirty Power: America's Energy Revolution.”²⁴

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The “Dirty Power” campaign assembles a panoply of “not in my backyard” complaints from local neighborhoods about the purported evils of fracking and other U.S. energy production.²⁵ Fifteen videos or web articles have been grouped together under this series on the question of fracking, and a careful review shows that every such piece seems to take the side of fracking's opponents. Dozens of other stories on fracking have been similarly one-sided.

AJAM's critical coverage conveniently ignores the role of the channel's own patron in the petroleum

22. Sarah Hoye, “David vs. Goliath: A Tiny Tribe Takes On Big Energy,” *Al Jazeera America*, April 29, 2014. (<http://america.aljazeera.com/watch/shows/america-tonight/articles/2014/4/29/david-vs-goliathatinytribetakesonbigenergy.html>)

23. “Dirty Power,” *Al Jazeera America Website*, accessed June 27, 2014. (<http://america.aljazeera.com/topics/topic/issue/energy-revolution.html>)

24. “Dirty Power,” *Al Jazeera America Website*, accessed June 27, 2014. (<http://america.aljazeera.com/topics/topic/issue/energy-revolution.html>)

25. Sarah Hoye, “David vs. Goliath: A Tiny Tribe Takes On Big Energy,” *Al Jazeera America*, April 29, 2014. (<http://america.aljazeera.com/watch/shows/america-tonight/articles/2014/4/29/david-vs-goliathatinytribetakesonbigenergy.html>)

industry. One story warns that increasing production of LNG in North America could have negative repercussions for greenhouse gas emissions -- but makes no mention of the fact that Qatar is the world's leader in LNG exports and has the world's highest greenhouse gas emissions per capita.²⁶ Another article gives voice to worries that "Big Oil" facilities in Port Arthur, Texas, are making local residents sick -- but conveniently ignores that Qatar has committed to a joint venture that would invest billions of dollars in the Port Arthur area's petroleum infrastructure, pending U.S. government approval.²⁷

Responding to these concerns, AJAM's Executive Vice President for Corporate Communications Dawn Bridges told FDD that "there is a strong firewall between our business side and our editorial side. Our editorial decisions come from within the editorial team at AJAM, not from our corporate owners."

Bridges also indicated that the network's pieces on fracking "never took a position" and "let the voices be heard" for perspectives on both sides of the issue.

However, while it is true that the network's coverage generally provides a platform for opposing views, the framing of AJAM's pieces almost always seems to come down in favor of those who oppose U.S. energy production. Similarly, the network only seems interested in covering those stories that emphasize potential costs of these new extraction techniques.

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To be sure, America's increasing energy production comes with risks as well as benefits. The recent derailment of a train carrying crude oil in Virginia is a timely reminder that the federal government needs to keep industry in line through environmental and safety regulations.²⁸ But these apparent attempts by Gulf countries to undermine U.S. energy independence likely have very little to do with their concerns for U.S. security or its environmental footprint. And they dismiss the simple fact that the United States would be missing a significant opportunity if it did not use increased domestic energy production as a bridge to more sustainable long-term solutions.

Moving forward, foreign petropowers can be expected to do what they can to keep the United States addicted to their oil. It is ultimately Americans' own responsibility to break this cycle.

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26. Travis Lupick, "Fracking Comes to the World's 'Greenest City,'" *Al Jazeera America*, April 28, 2014; (<http://america.aljazeera.com/articles/2014/4/27/fracking-in-the-worldsgreenestcity.html>) & Tim Herzog, Jonathan Pershing & Kevin A. Baumert, "Navigating Numbers," *World Resources Institute*, December 2005, pages 21-24. (http://pdf.wri.org/navigating_numbers_chapter4.pdf)

27. Sameen Amin, "Living in the Shadow of Big Oil," *Al Jazeera America*, February 13, 2014; (<http://america.aljazeera.com/watch/shows/america-tonight/america-tonight-blog/2014/2/12/living-in-the-shadowsofbigoil.html>) & Angel Gonzales & Ben Lefebvre, "Qatar Petroleum-Exxon Venture Requests Permit to Export U.S. Natural Gas," *The Wall Street Journal*, August 17, 2012. (<http://online.wsj.com/news/articles/SB10000872396390444375104577595760678718068>)

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28. Elizabeth Barber, "Virginia Oil Train Fire: Why Cities Are Eager for Tighter Oil Transport rules," *The Christian Science Monitor*, May 1, 2014. (<http://www.csmonitor.com/USA/USA-Update/2014/0501/Virginia-oil-train-fire-why-cities-are-eager-for-tighter-oil-transport-rules-video>)



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