Our View

Oil Producers: COP31's Big Losers

Philip Verleger
November 24, 2026

On Sunday morning, we learned that the parties meeting in Antalya, Turkey, failed to reach a final agreement at the COP31 climate change conference. The failure occurred because developed countries backed away from paying for a compensation program for damages caused by global-warming-related events and because, most significantly, some nations blocked any attribution of the events and damage to fossil fuel use:

> Ruptures over fossil fuels dominated the final days of the talks. A draft proposal omitted calls for an accelerated transition away from the polluting energy sources. Germany, the EU and Pacific nations sharply criticized the move, while Panama's environment minister Juan Carlos Navarro accused the summit of being held hostage by a "petroleum mafia."[1]

Saudi Arabia, leader of the petroleum mafia (PM), was among those demanding that the COP31 final report not attribute environmental damages to fossil fuels. The Saudis also pushed for language promoting carbon capture.

Of course, the Saudis and other PM countries neglected to note that a week earlier Exxon moved to stop the EU's effort to require carbon capture. *Financial Times* reporters Kenza Bryan and Jamie Smyth described Exxon's action as "the latest attempt by the US energy group to roll back Brussels' flagship green regulations."[2] They explained that Exxon was seeking a suspension of the EU Net-Zero Industry Act provision that mandates carbon capture.

The promotion of carbon storage by PM countries also ignores the US Department of Energy's cancellation of $3.7 billion in carbon capture projects that Secretary Chris Wright announced in May 2025. A DOE press release provided the Trump administration's justification for the stoppage:

> Of the 24 awards canceled, nearly 70% (16 of the 24 projects) were signed between Election Day and January 20th. The projects primarily include funding for carbon capture and sequestration (CCS) and decarbonization initiatives. By terminating these awards, DOE is generating an immediate $3.6 billion in savings for the American people.[3]

---

[1] Jennifer A. Dlouhy and John Ainger, "UN Climate Talks Collapse in Acrimony as Nations Reject Deal," Bloomberg, November 22, 2026 [https://tinyurl.com/fsbryenk].

[2] Kenza Bryan and Jamie Smyth, "ExxonMobil launches legal challenge to EU carbon capture rule," *Financial Times*, November 11, 2026 [https://tinyurl.com/3nevrerf].

[3] "Secretary Wright Announces Termination of 24 Projects, Generating Over $3 Billion in Taxpayer Savings," US Department of Energy press release, May 30, 2025 [https://tinyurl.com/4r9m5zfa].

© 2026 Philip K. Verleger, Jr. All rights reserved.

Ultimately, fossil-fuel producers, particularly the Middle Eastern nations, will be the losers from the COP31 failure. While the decline in fossil fuel use may slow initially, it will accelerate later, causing long-term harm to these countries' economies.

However, the real damage may come from the loss of potential military support from EU nations, countries that might have been convinced to help protect vital crude oil, petroleum products, and LNG transport routes. Here, a column by *The New York Times*' Thomas Friedman, titled "Shock and Dread in the Gulf," offers a warning. The shock Friedman described comes from the United States' failure to subdue Iran. He then explained the resulting anxiety:

> The dread comes from the dawning awareness that this latest war with Iran, started by America and Israel, is going to end with Iran more dominant than ever over its neighbors. The Gulf Arabs never urged the United States to start this war, but once it did, they assumed it had a plan to finish it. They assumed the Americans understood that the only government they ever toppled primarily with air power was Japan's—and that took two nuclear bombs. So, there is a gnawing feeling that the United States and Israel started something that they either don't know how to finish or no longer want to pay the price to finish—and that Iran's Arab neighbors will be paying instead, for an Iran that will be emboldened by being able to say it fought the "Great Satan"—America—and the "Little Satan"—Israel—to a draw.[4]

Friedman added,

> Anyone who had done strategic planning around the Persian Gulf knew that Iran, if threatened, could choose to close the Strait of Hormuz—through which roughly one-quarter of global oil and one-fifth of global gas supplies flowed—with mines or missiles. Iran had never done it, though, because it feared triggering a large-scale US and global military response.

Iran's strategy changed after February 28, Friedman wrote: "Now that Iran has played that card successfully, it will be a permanent weapon in its arsenal."

The Persian Gulf PM members might have hoped the EU nations and the United States would keep the Strait of Hormuz open. However, in alienating the Europeans, they left the job to the US, the one PM member that did not attend COP31.

The US Navy will not maintain a permanent presence in the Gulf. At this point, the UAE oil company ADNOC is moving large volumes of oil through Hormuz for Abu Dhabi and Iraq, according to *The Wall Street Journal*.[5] The effort is succeeding despite occasional tanker damage because the convoys are "coordinated with US and Emirati military and security authorities."

---

[4] Thomas L. Friedman, "Shock and Dread in the Gulf," *The New York Times*, November 17, 2026 [https://tinyurl.com/3hes2je3].

[5] Georgi Kantchev and Summer Said, "The UAE Is Shuttling Oil Past Iran in Risky Hormuz Operation," *The Wall Street Journal*, November 21, 2026 [https://tinyurl.com/38y3dny8].

© 2026 Philip K. Verleger, Jr. All rights reserved.

These shipments will be more vulnerable once the US Navy leaves. Budgetary constraints will likely end US protection, especially if oil prices slump and US producers complain they are being forced out of business while the US supports rich Middle Eastern oil exporters.

Meanwhile, Yemen's Houthis continue to bombard Saudi Arabia. Their rockets have damaged the Saudi Public Investment Fund office and some of the vast Saudi oil production infrastructure. At the end of September, Crown Prince Mohammed bin Salman asked President Trump for assistance and was turned down.[6] Other countries have offered to help defend Saudi Arabia but will not join the battle against the Houthis.

The European nations that demanded the COP 31 final report single out fossil-fuel use as a cause of global warming have refused to lift a finger, leaving the Saudis, as former Nixon adviser John Ehrlichman might say, to "twist slowly, slowly, in the wind."

In years, if not months, the leaders of Arab oil exporters will likely be trekking to Tehran to bend the knee and secure their place in the global fossil-fuel market.

The COP31 failure will hasten the world's bifurcation into those who rely on fossil fuels and those who do not. The nation to benefit will be China, which will export more renewable energy equipment to those moving away from fossil fuels while supplying nations that still embrace them. Given that it just withdrew its bid to host the 2028 COP33 conference, it seems China knows it will gain the most by playing both sides.[7]

[6] Helene Cooper, Eric Schmitt, Jonathan Swan, and Maggie Haberman, "Trump Gets Caught in a Dilemma Over a Saudi Plea for Military Help," *The New York Times*, September 20, 2026 [https://tinyurl.com/3hesdvhp].

[7] Ian Johnston and Attracta Mooney, "China backs away as host of future Asian COP and science battle heats up," *Financial Times*, November 13, 2026 [https://tinyurl.com/ytx8y2fy].

© 2026 Philip K. Verleger, Jr. All rights reserved.