

UAE Quits OPEC and OPEC+: Winners and Losers of Different Countries of The World A Comprehensive Geopolitical, Economic and Strategic Analysis

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Abstract

The United Arab Emirates'(UAE) formal departure from OPEC and the OPEC+ alliance on May 1, 2026, marks a seismic realignment in global energy governance and Middle Eastern geopolitics. As the most significant exit in the organisation's 66-year history, the move subtracts a cornerstone producer responsible for 14.0 per cent of the bloc's liquids capacity and strips the alliance of its second-largest spare production buffer—a vital tool for market stabilisation previously shared almost exclusively with Saudi Arabia. By breaking away, Abu Dhabi has effectively terminated its adherence to a collective output strategy that had become fundamentally incompatible with its national economic objectives and security needs. The primary catalyst for this rupture was the widening gap between the UAE's aggressive upstream investments, which expanded capacity to 4.85 million barrels per day, and the restrictive production caps mandated by the Saudi-led cartel that forced high-tech infrastructure to remain underutilised. This "monetisation-first" approach reflects a pragmatic recognition of the accelerating energy transition; the UAE leadership views its hydrocarbon wealth as having a finite window of relevance and intends to maximise output now to fund an ambitious post-oil transition, avoiding the risk of reserves becoming stranded assets in a future net-zero economy. Beyond economic calculations, the exit is rooted in a burgeoning rivalry with Saudi Arabia for regional dominance and a glaring security paradox: the UAE found it strategically impossible to maintain an energy partnership with Iran while being subjected to attacks on its infrastructure by Iranian-aligned forces during the US-Iran conflict. Ultimately, OPEC's diminished influence threatens its traditional role as a "swing producer," likely ushering in increased price volatility, while offering major importers like India a strategic opening to secure competitive, bilateral supply deals that bypass the traditional "OPEC premium."

Keywords: OPEC Withdrawal, UAE Energy Strategy, Oil Production Quotas, Geopolitics of Energy.

1.0 Introduction

The formal withdrawal of the UAE from OPEC and the OPEC+ alliance on May 1, 2026, marks a historic realignment in global energy governance and Middle Eastern geopolitics (ORF, 2026). As the most significant departure in the organisation's 66-year history, this move removes a cornerstone member responsible for 14.0 per cent of the bloc's liquids capacity and deprives the alliance of its second-largest spare production buffer—a vital tool for market stabilisation previously shared almost exclusively with Saudi Arabia (ICICI Direct, 2026). By breaking away, Abu Dhabi has terminated its adherence to a collective output strategy that had become fundamentally incompatible with its national economic ambitions and security needs (Vision IAS, 2026). The primary catalyst for this rupture was the widening gap between the UAE's aggressive upstream investments, which expanded capacity to 4.85 million barrels per day (bpd), and the restrictive production caps mandated by the Saudi-led cartel that forced nearly 1.35 million bpd of high-tech infrastructure to remain idle. This "monetisation-first" approach reflects a pragmatic recognition of the accelerating energy transition; the UAE leadership views its hydrocarbon wealth as having a finite window of relevance due to global decarbonization and rising electric vehicle adoption (Discovery Alert, 2026b). Consequently, the nation intends to maximise output now to fund its "Energy Strategy 2050" and diversify into a knowledge-based economy, avoiding the risk of reserves becoming stranded assets (IDSA, 2026; Vajiram, 2026). Beyond economic calculations, the exit is rooted in a burgeoning rivalry with Saudi Arabia for regional dominance and a glaring security paradox: the UAE found it strategically impossible to maintain an

energy partnership with Iran while being subjected to infrastructure attacks by Iranian-aligned forces during the US-Iran conflict. Ultimately, OPEC's diminished influence threatens its traditional role as a "swing producer," likely ushering in increased price volatility (**Dixit, 2026**). However, for major importers like India, which relies on foreign sources for 85.0 per cent of its crude, the UAE's independence offers a strategic opening to secure competitive, bilateral supply deals and utilise rupee-based transactions, potentially bypassing the traditional "OPEC premium" and enhancing long-term energy security (**ANI, 2026**). The global energy landscape underwent a seismic transformation on April 28, 2026, when the UAE Ministry of Energy and Infrastructure announced its formal withdrawal from OPEC and the OPEC+ alliance, effective May 1, 2026, ending nearly six decades of membership. While Energy Minister Suhail Al Mazrouei characterised the move as a strategic pivot designed to ensure "minimum impact" on global market stability (**CNBC, 2026a**), internal perspectives suggest the decision was an inevitable result of years of confidential deliberation between Abu Dhabi and Washington regarding sovereign autonomy (**Atlantic Council, 2026**). Global commodity markets reacted with immediate volatility; West Texas Intermediate (WTI) surged past the USD 100 per barrel mark due to supply uncertainty and a heightened geopolitical risk premium linked to ongoing tensions with Iran (**Organiser, 2026**). Simultaneously, Brent crude experienced a dramatic "super-spike," briefly exceeding USD 126 per barrel as the fragmentation of OPEC coincided with the physical threat of a blockade in the Strait of Hormuz (**Clynych, 2026**). For major oil-importing nations like India, the economic consequences were severe and immediate, with oil marketing companies bracing for an estimated annual import cost increase of USD 4–5 billion (**Raghavan, 2026**). Given that India imports roughly 85.0 per cent of its crude requirements to satisfy a daily demand of 5.8 million barrels, sustained price elevations threaten to trigger cascading inflationary effects across the domestic economy, impacting logistics and essential commodity pricing (**Sethi and Nayar, 2026; Nagasundaram, 2026**). Beyond immediate fiscal pressures, this departure effectively dismantles the long-standing international reliance on Saudi-led production coordination, ushering in a fragmented era of bilateral energy diplomacy where nations prioritise individual strategic interests over collective cartel mandates (**Lynch and Birnbaum, 2026**). As the UAE leverages its massive spare capacity to fund its post-oil economic diversification, the traditional "OPEC premium" is being replaced by direct supply agreements that fundamentally reshape the power dynamics between the Gulf and global energy consumers.

The OPEC originated at the 1960 Baghdad Conference, founded by Iran, Iraq, Kuwait, Saudi Arabia, and Venezuela to unify petroleum policies and stabilise international markets. Since the Emirate of Abu Dhabi's accession in 1967 and the UAE's subsequent federation in 1971, the nation has remained a cornerstone of this energy order for nearly six decades. The organisation's architecture evolved significantly over time, expanding into the OPEC+ alliance in 2016 to incorporate twelve additional producers, including Russia, eventually controlling over 50.0 per cent of global oil liquids by 2025 (**Organiser, 2026**). Within this framework, the UAE ascended to become the group's third-largest producer and, crucially, its holder of the second-largest spare production capacity, providing Abu Dhabi with disproportionate influence over market interventions (**OPEC, 2025**). Consequently, the UAE's withdrawal represents a fundamental destabilisation of the cartel, as the nation accounted for approximately 14.0 per cent of OPEC's total capacity. Analysts suggest this exit effectively dismantles a structural pillar of the group's market management capabilities, rendering the organisation fundamentally weaker in its collective bargaining power (**León, 2026**). This institutional rupture is characterised by the International Energy Agency as the most consequential shift since the organisation's inception, potentially signalling the twilight of centralised cartel dominance in the global energy landscape (**IEA, 2026**).

The strategic withdrawal of the UAE is inextricably bound to the severe geopolitical crisis currently destabilising the Middle East, specifically the escalating conflict between the United States–Israel axis and Iran that ignited on February 28, 2026. This warfare has profoundly impacted regional energy logistics, as sustained Iranian missile and drone strikes targeting Emirati infrastructure forced oil exports to plummet from a pre-conflict average of 3.4 million barrels per day (bpd) to a mere 1.9 million bpd by March 2026 (**Gaubert, 2026**). Compounding this localised disruption is Iran's tactical blockade of the Strait of Hormuz—a critical chokepoint handling roughly one-fifth of global oil transit—which has paralysed export capabilities for all Gulf producers (**Al Jazeera, 2026a**). While recent assessments indicate that nearly 2 million bpd of the UAE's offshore production was shut in as of early May 2026, ironically moderating the immediate shock of the OPEC exit, the broader systemic impact remains severe (**Flowers, 2026**). The U.S. Department of Energy estimates that the Hormuz disruption has removed approximately 4 million bpd from the global market, driving acute price spikes and validating earlier warnings regarding Middle Eastern volatility as a paramount risk to price stability (**US DoE/EIA, 2026**). To navigate these hostilities, the UAE has leveraged the Abu Dhabi Crude Oil Pipeline (ADCOP), a 380–406 km conduit that transports crude from the inland Habshan fields directly to the Fujairah terminal on the Gulf of Oman. By bypassing the embattled Strait, the UAE successfully exported 1.7 million bpd via this route in 2025. This infrastructure remains of immense strategic importance to major importers like India, as it provides a resilient supply corridor that circumvents regional naval blockades and ensures energy security amidst ongoing hostilities (**Chaudhury, 2026; Deccan Herald, 2026**).

2.0 Why Did the UAE Quit OPEC? A Multi-Dimensional Analysis

The decision of the UAE to terminate its OPEC membership marks the culmination of profound structural, economic, and geopolitical frictions rather than an impulse. Central to this departure is the fundamental contradiction between the UAE's domestic industrial policy and OPEC's restrictive quota system; despite investing over USD 150 billion to expand production capacity to 4.85 million barrels per day (bpd), Abu Dhabi found its output consistently capped near 3.5 million bpd by the Saudi-led alliance (**The Economist, 2026**). This misalignment created a staggering "opportunity cost," as keeping low-cost infrastructure idle resulted in deferred revenue and eroded returns on invested capital, leading the UAE to view these quotas as an implicit subsidy for less efficient global producers (**Gill and World Bank, 2025**). Consequently, a "monetisation-first" strategy has supplanted the traditional price-support philosophy, driven by a pragmatic assessment that the window for maximising hydrocarbon revenue is closing as the global energy transition accelerates (**Andersen and UNEP, 2025**). By exiting the cartel, the UAE gains the autonomy to produce at maximum capacity while prices remain viable, aggressively redirecting capital toward its "Energy Strategy 2050" to avoid the looming risk of "stranded assets" (**Chakraborty 2026**). Geopolitically, the withdrawal reflects a shifting regional landscape where the "special relationship" between Riyadh and Abu Dhabi has evolved into a zero-sum competition for investment and regional dominance, rendering OPEC a perceived tool for Saudi hegemony rather than a collective benefit (**Raja Mohan, 2026**). This tension was further exacerbated by a security paradox: the UAE found it untenable to coordinate energy policy with Iran while Iranian-backed proxies targeted Emirati infrastructure during the ongoing US-Iran conflict, forcing national security to take precedence over cartel solidarity (**Chaudhury, 2026; U.S. DoE, 2026**). For major consumers like India, the UAE's strategic autonomy is a watershed moment, facilitating robust bilateral energy deals under the existing Comprehensive Economic Partnership Agreement (CEPA) that offer long-term supply security and potential discounts, thereby insulating the Indian economy from the "OPEC premium" and its associated inflationary pressures (**Sethi and Nayar, 2026; Ajitabh Sharma, 2026**).

The Production Quota Conflict: Capacity Versus Constraint: The most immediate catalyst for the UAE's departure from OPEC was the intensifying structural friction between its surging production capacity and the restrictive output ceilings mandated by OPEC+ allocations. Over the last decade, Abu Dhabi executed a disciplined, capital-intensive strategy to scale its productive potential, with **Flowers (2026)** noting that capacity expanded from under 4 million barrels per day (bpd) in 2020 to 4.85 million bpd by 2024. This trajectory, aimed at 5 million bpd by 2027, was underpinned by a massive USD 145 billion upstream investment initiative through the Abu Dhabi National Oil Company (ADNOC), signalling a sovereign ambition to extract maximum value from hydrocarbon reserves before the global energy transition matures. Despite this technical readiness, OPEC+ mandates consistently throttled Emirati output to approximately 3.2 million bpd, creating a cavernous disparity between physical capabilities and permitted market participation that made withdrawal a "mathematical logic" to align production with infrastructure investments (**Max Pyziur, 2026**). The seeds of this schism were sown during contentious 2021 negotiations, where a modest baseline revision to 3.5 million bpd was viewed as an insufficient compromise that failed to reflect the UAE's stature as a global energy heavyweight. Furthermore, the cartel's institutional integrity was compromised by a lack of horizontal equity, as **OPEC (2025)** documented frequent quota non-compliance by members like Iraq and Russia without meaningful consequence. This "cheating" phenomenon forced the UAE to bear a lopsided burden of market stabilisation while others captured additional revenue, a grievance highlighted by **Andy Lipow (2026)**. Such enforcement asymmetries and systematic failures in monitoring quota violations inevitably destabilise cartel cohesion, as established by **Alhajji and David Huettner (2000)** and **Smith (2005)**. Ultimately, for the UAE, the transition from a cooperative partner to an independent actor became a matter of economic survival and sovereign necessity.

Economic Imperatives: The Last-Barrels Strategy and Peak Demand Logic: Beyond immediate quota disputes, the UAE's withdrawal is underpinned by a sophisticated "last-barrels" strategy grounded in the reality of peak oil demand and the accelerating global energy transition. This strategic pivot aligns with the Net Zero by 2050 Roadmap (**Birol and IEA, 2021**), which emphasises that climate targets necessitate a halt to new oil field developments, and is reinforced by the World Energy Outlook, which projects global oil demand peaking in the late 2020s. As **Spencer Dale (2025)** forecasts a contraction of demand through the 2030s, the UAE has prioritised the urgent monetisation of its hydrocarbon endowments to avoid the risk of resources becoming stranded or economically unviable. This shift in the nation's objective function—prioritising volume maximisation over traditional price-support—is a pragmatic response to an era where declining demand will inevitably erode OPEC's market discipline. Facilitating this independence is the UAE's immense financial resilience; **The Atlantic Council (2026)** highlights that with the Abu Dhabi Investment Authority (ADIA) managing over USD 1 trillion in assets, the federation's fiscal health is increasingly decoupled from crude prices and tied to broader global growth. Furthermore, research by **Gill (2025)** confirms that the UAE maintains a highly competitive fiscal breakeven price of USD 50–60 per barrel. This low-cost structure provides a unique level of insulation against price volatility, allowing the UAE to tolerate market weakness that would be catastrophic for other OPEC members burdened by higher social spending and less diversified sovereign wealth.

Geopolitical Rivalry with Saudi Arabia: The economic rationale for the UAE's departure from OPEC was reinforced by an intensifying geopolitical rivalry with Saudi Arabia, which shifted from latent friction to overt military and diplomatic

confrontation by early 2026. A definitive flashpoint occurred when the Saudi Air Force targeted Southern Transitional Council (STC) forces in Yemen—a group strategically backed by Abu Dhabi—effectively neutralising their offensive and forcing a retreat that sparked a highly publicised quarrel across regional media and conflicting stances on the Sudanese civil war (**Diwan, 2026**). This climate of political animosity dismantled the traditional spirit of compromise within OPEC, as Riyadh and Abu Dhabi navigated increasingly divergent paths in regional politics (**Flowers, 2026**). Beyond military theatres, a fierce economic competition has emerged, with Saudi Arabia's "Program Regional Headquarters" directly challenging Dubai's status by incentivising multinational corporations and financial institutions to relocate to Riyadh. This intra-Gulf competition is fundamentally driven by distinct structural fiscal realities: while the UAE maintains resilience at lower price points, Saudi Arabia requires crude prices between USD 70–80 per barrel to balance its budget and fund the capital-intensive "Vision 2030" projects (**IMF and World Bank, 2025**). This disparity illustrates the theoretical frameworks of (**Salant, 1976**) and (**Griffin, 1985**), which suggest that heterogeneous cost structures and varying fiscal dependencies within a cartel create persistent centrifugal pressures that inevitably erode collective discipline. Ultimately, the UAE's strategic exit reflects a sovereign prioritisation of volume maximisation over a Saudi-centric framework of supply restraint that no longer aligns with its long-term economic vision.

The Iran Security Paradox and OPEC+ Geopolitical Contradictions: The UAE's departure from OPEC was primarily catalysed by an irreconcilable security paradox regarding Iran's continued membership. As noted by **Diwan (2026)**, the regional energy landscape became fundamentally contradictory as Iran executed sustained missile and drone strikes against Emirati infrastructure while simultaneously blockading the Strait of Hormuz and demanding "tolling payments" from commercial vessels. For Abu Dhabi, the diplomatic absurdity of coordinating production levels with a state engaged in the active kinetic sabotage of its economy became an untenable strategic liability. This friction was compounded by Russia's central role in the OPEC+ framework; as a primary partner to Iran and a combatant in Ukraine—where the UAE recently pivoted to secure Ukrainian counter-drone expertise—Moscow's influence in the alliance became structurally inconsistent with the UAE's deepening security ties with the United States and Israel (**Bennett, Coleman and Co, 2026**). These systemic risks were accurately forecasted in the **ADB (2025)**, which identified the Strait of Hormuz as a critical chokepoint where disruptions could shave up to 1.5 percentage points off the GDP of major Asian economies. The UAE's exit thus reflects a pragmatic recognition that the cartel's institutional framework failed to mitigate regional hostility, prompting a shift toward sovereign strategic autonomy. This withdrawal constitutes a watershed moment, removing a producer responsible for 14.0 per cent of the bloc's capacity and the world's second-largest spare production buffer, thereby destabilising OPEC's ability to manage global supply (**GoI, 2026**). Ultimately, the UAE is prioritising a "monetisation-first" strategy to maximise the value of its hydrocarbon assets before the global energy transition renders them stranded, a move that carries profound implications for international price volatility and the strategic autonomy of major importers like India.

The Broader Strategic Realignment of UAE Foreign Policy: The UAE's departure from OPEC serves as the latest and most definitive manifestation of a broader strategic realignment in its foreign policy, a trajectory that has accelerated since the landmark 2020 Abraham Accords. By normalising relations with Israel, the UAE signalled a decisive shift away from traditional pan-Arab solidarity frameworks in favour of a model defined by pragmatic bilateralism and strategic autonomy (**Diwan, 2026**). This arc is further characterised by deepened security ties with the United States and a pioneering defence partnership with Ukraine, collectively illustrating the UAE's transition from a regional participant in collective blocs to a sovereign partner within a Western-aligned geopolitical network (**Al Jazeera, 2026a**). Consequently, Abu Dhabi is repositioning itself as a preeminent global hub rather than a mere regional player, an identity that is fundamentally incompatible with the restrictive mandates of a cartel that requires national economic interests to be subordinated to collective decisions (**Chengappa, 2026; Sridhar, 2026**). By decoupling from these institutional constraints, the UAE is asserting an identity centred on global connectivity and independent diplomacy. For India, this newfound institutional independence reinforces a robust bilateral relationship, as the strategic convergence between New Delhi and Abu Dhabi across trade, investment, and national security is uniquely positioned to flourish in a post-OPEC environment (**Adhikari, 2026**). Without the limitations of cartel quotas, the UAE can more effectively utilise its Comprehensive Economic Partnership Agreement (CEPA) with India to secure long-term energy stability through direct supply chains, suggesting that Emirati foreign policy is now defined by its strategic utility to the world's fastest-growing major economies rather than its proximity to neighbouring Arab capitals.

3.0 Structural Consequences for OPEC and OPEC+

The exit of the UAE from OPEC on May 1, 2026, represents a fundamental structural rupture that threatens the institutional viability of the world's premier energy cartel. By removing a producer responsible for 14.0 per cent of the bloc's capacity and the world's second-largest spare production buffer, the withdrawal has effectively dismantled a core pillar of OPEC's market management power, significantly reducing its ability to function as a "swing producer" and dampen price volatility (**León, 2026; Birol, 2026**). This departure creates a "contagion risk" and an existential threat to OPEC+ cohesion, as other high-capacity members may now question the utility of a system that restricts sovereign growth while others frequently bypass quotas (**Flowers, 2026**). Such institutional breakdown aligns with established economic theories suggesting that enforcement asymmetries and failures in

punishing quota violations inevitably lead to the fragmentation of commodity cartels (**Alhajji and David Huettner, 2000**). Macroeconomically, this fragmentation suggests a transition toward a more volatile environment, where the superimposition of institutional uncertainty upon physical supply disruptions—such as the Iranian blockade of the Strait of Hormuz—has driven Brent prices toward a "super-spike" exceeding USD 126 per barrel (**Gill, 2025; Chengappa, 2026**). Consequently, the global energy order is shifting away from centralised coordination toward a fragmented era of bilateral diplomacy, offering major importers like India a strategic opening to negotiate direct supply agreements that bypass the traditional "OPEC premium" (**Lynch and Birnbaum, 2026; Adhikari, 2026; Sridhar, 2026**). Ultimately, the UAE's "monetisation-first" strategy prioritises volume over price support to fund its "Energy Strategy 2050," signalling that the world's most efficient producers are no longer willing to leave reserves stranded as the window for oil demand begins to close (**Bond, 2026**). This shift places immense pressure on higher-cost OPEC members and potentially creates a permanent schism in global climate and energy policy.

OPEC's Diminished Market Power and Institutional Standing: The formal withdrawal of the UAE signifies a fundamental erosion of OPEC's systemic market influence, removing a cornerstone member that accounted for approximately 14.0 per cent of the bloc's total capacity and possessed the group's second-largest volume of spare production capacity (**Flowers, 2026; León, 2026**). This institutional rupture exacerbates a long-term decline in which OPEC's share of global oil supply has plummeted from 50.0 per cent in the 1970s to roughly 33.0 per cent by 2025, largely due to the ascendancy of non-OPEC producers like the United States and Brazil (**Bond, 2026**). The strategic OPEC weight of this exit is most visible through the depletion of spare capacity—the idle production potential that **Secretariat (OPEC, 2025)** identifies as the "lifblood" of market stabilisation. Before the exit, Saudi Arabia and the UAE jointly controlled a global buffer exceeding 4 million barrels per day; however, with the UAE's portion now operating independently, OPEC's effective crisis-response capacity is projected to decline by a staggering 35.0–40.0 per cent (**Granholt, 2026**). This structural weakening validates core economic theories regarding cartel efficacy, specifically those by **Jacques Crémer and Djavad Salehi-Isfahani (1991)** and **Fattouh et al. (2012)**, which identify spare capacity as the primary mechanism for exercising market discipline and deterring non-compliance. By losing this critical buffer, the organisation has emerged "structurally weaker," exerting influence over a dwindling fraction of the global market and signalling a permanent shift in the hierarchy of the global energy order.

Saudi Arabia's Weakened Leadership Position: The departure of the UAE from OPEC strikes a significant blow to Saudi Arabia's tenure as the cartel's de facto hegemon and primary enforcer of production discipline, as the stability of the organisation has historically relied on the strategic alignment between Riyadh and Abu Dhabi. While Saudi Arabia retains a formidable ability to influence the market via its individual spare capacity, its strategic hand is fundamentally diminished without the UAE, which provided a critical secondary instrument of enforcement and a coordinated threat of production surges to compel member compliance (**David Goldwyn, 2026**). Despite efforts by Saudi officials like **Mohammad al-Sabban in 2026** to downplay the exit as a minor event within the broader twenty-three-member OPEC+ alliance, independent analysts view such narratives as diplomatic manoeuvres to preserve the appearance of unity. In reality, the exit represents a direct challenge to OPEC's credibility as a collective bargaining mechanism and signals a transition toward a more fragmented and competitive energy landscape (**Zanny Minton Beddoes, 2026**). This structural weakening is particularly perilous for Saudi Arabia due to its acute fiscal dependencies; the **IMF (2025)** estimates the Kingdom's fiscal breakeven oil price at approximately USD 78 per barrel. Maintaining this price level is now significantly harder to achieve without rigid cartel discipline, threatening the multi-year oil revenue streams essential for the success of capital-intensive "Vision 2030" giga-projects like NEOM. Ultimately, the uncertainty introduced by the UAE's withdrawal undermines the financial foundation required for Saudi Arabia's post-oil economic transformation (**Kasturi and Sons, 2026; Bennett, Coleman and Co, 2026**).

The Domino Effect Risk: Who Might Follow the UAE?: The UAE's departure from OPEC has catalysed a profound sense of institutional fragility, with energy analysts projecting a potential systemic unravelling of the cartel's membership. The primary concern is that this exit sets a precedent that may compel other members to reassess their participation; specifically, nations like Iraq may view the withdrawal as a signal to cease "holding the bag" for a group that limits individual sovereign growth, creating a "domino effect" that threatens medium-term oil price stability (**Clayton Seigle, 2026**). This risk of contagion extends into the broader OPEC+ alliance, where Kazakhstan is identified as a prime candidate for departure due to its history of substantial overproduction and a desire to formalise an independent production path (**Matt Smith, 2026**). Similarly, Nigeria's position has become tenuous following the operationalisation of the Dangote Refinery, which shifted the nation's economic calculus toward domestic value-added refining rather than crude export volume management, thereby weakening the incentive to remain bound by restrictive production caps. This institutional decay is further exacerbated by pervasive "cheating" and enforcement asymmetries, as countries frustrated by the consistent quota non-compliance of their peers are increasingly likely to follow the UAE's lead (**Andy Lipow, 2026**). Such internal erosion of trust mirrors findings by the **OECD (2025)**, which document how systematic non-compliance undermines the sustainability of production cartels. Furthermore, the prospect of external geopolitical pressures, such as potential U.S. leverage over Venezuela in a post-sanctions framework, could further encourage members to distance themselves from the organisation (**Flowers, 2026**). Ultimately, the prospect of a systemic unravelling has become a central concern, as the organisation

faces an unprecedented existential crisis where the culture of non-compliance and the rise of independent bilateralism threaten to permanently dismantle the mechanism of collective supply management.

OPEC's Remaining Institutional Resilience: While the exit of the UAE represents a seismic shift in global energy governance, expert observers caution against premature declarations regarding the total dissolution of OPEC, citing the organisation's historical efficacy in balancing the global market despite extreme volatility (**Claudio Galimberti, 2026**). Although the cartel's influence is undeniably diminished, its institutional disappearance remains unlikely given a proven track record of surviving membership churn—including the departures of Qatar, Angola, and Ecuador—and maintaining adaptability through systemic shocks like the 2014 price collapse and the COVID-19 pandemic (**Robin Mills, 2026**). The theoretical underpinnings of this resilience, explored in **Ghemawat and Hout (2024)**, suggest that resource cartels with heterogeneous structures often experience fragmentation at the periphery while maintaining a highly cohesive "stable core." Despite Abu Dhabi's withdrawal, a powerful nexus consisting of Saudi Arabia, Iraq, Kuwait, and other Gulf neighbours retains a potent incentive for collective action to prevent market freefalls. Furthermore, the expanded OPEC+ framework continues to incorporate Russia and Kazakhstan, whose strategic interests in price stability persist. Ultimately, as noted in (**2025**), the survival of such cartels hinges on the ability of this core group to absorb shocks, suggesting that while the organisation has been "hollowed at the margin," its central mechanism for market intervention remains functional within a more constrained geopolitical theatre. This resilience ensures that OPEC remains a functional, though weakened, entity in the global energy hierarchy, favouring a resilient central core even as it fragments at the margins.

4.0 Global Oil Market Dynamics: Price and Supply Implications

The departure of the UAE from the OPEC+ alliance has catalysed a fundamental reconfiguration of global oil market dynamics, transitioning the industry from coordinated restraint to a regime of competitive volume maximisation. This institutional rupture has triggered acute price volatility, exacerbated by a "risk premium" following geopolitical friction in the Strait of Hormuz that pushed Brent crude toward USD 126 per barrel (**Chengappa, 2026**). This surge reflects the loss of "market insurance," as the decoupling of the Emirati buffer has stripped the market of its historical psychological floor, leading to aggressive speculative swings in futures markets (**León, 2026**). Structurally, the global supply curve is being redrawn as the UAE pursues a target of 5 million barrels per day by 2027, prioritising market share over price support and creating a potential persistent surplus alongside rising production from the US and Brazil (**Flowers, 2026**). The resulting supply-side uncertainty complicates global inflation forecasting and threatens the fiscal balances of energy-dependent economies, with price fluctuations potentially shaving up to 0.7 percentage points off the GDP growth of emerging markets. Furthermore, the exit facilitates a shift toward bilateralism, allowing the UAE to bypass the "OPEC premium" and negotiate direct, long-term supply contracts with major Asian consumers like India and Japan (**Sridhar, 2026; Adhikari, 2026**). This provides a strategic opening for Asia to secure energy sovereignty through diversified upstream investments (**ADB, 2025**). Ultimately, the UAE's "last-barrels" strategy accelerates the global energy transition by creating a "race to the bottom" in production costs, rendering high-cost fossil fuel projects increasingly unbankable and concentrating market power in the hands of efficient, independent producers (**Bond, 2026; OECD, 2025**).

Near-Term Market Dynamics: The Hormuz-OPEC Price Complex: The immediate global market reaction to the UAE withdrawal from OPEC was defined by the collision of two powerful and contradictory economic forces, creating a high-stakes "price complex." On the bearish side, market participants anticipated the eventual release of 1.4 to 1.65 million barrels per day (bpd) of previously constrained Emirati capacity, a move expected to exert downward pressure on the global price curve once regional tensions subsided. Conversely, the bullish sentiment was fueled by the active blockade in the Strait of Hormuz, which sidelined 4 million bpd and drove Brent crude to a peak of USD 126 per barrel (**New African Magazine, 2026; GotTrade, 2026**). According to **Granholm and the US DoE (2026)**, these conflicting drivers are expected to sustain elevated volatility, with WTI projected to trade in a wide corridor between USD 90 and USD 115 per barrel depending on the resolution of the maritime crisis. This assessment is reinforced by **Birol (2026)**, who observed a significant widening in implied volatility within options markets, reflecting a "fundamental uncertainty" regarding both the trajectory of independent UAE production and the security of the Hormuz gateway. For major importers like India, the fallout has been severe; **Raja Mohan (2026)** reports that the Petroleum Planning and Analysis Cell (PPAC) has been forced to initiate rigorous stress tests using a wide forecasting aperture of USD 80 to USD 120 per barrel. This massive USD 40-per-barrel price swing underscores the profound instability the UAE's exit has injected into national energy budgeting and macroeconomic projections. Ultimately, the UAE's strategic pivot has replaced the "market insurance" of the Saudi-UAE spare capacity buffer with a volatile, decentralised supply model that complicates global inflation forecasting and energy security planning.

Medium-Term Supply Build: UAE's 2027 Production Ambitions: Beyond the immediate volatility of the Hormuz crisis, the medium-term global energy landscape is being fundamentally reshaped by the UAE's aggressive pursuit of a 5 million barrels per day (bpd) production capacity target by 2027. The strategic weight of the UAE's departure from OPEC+ will fully

manifest as massive upstream investments mature and regional maritime routes normalise, allowing Abu Dhabi to pivot from managed restraint to unhindered volume maximisation (Flowers, 2026; Andy Lipow, 2026). This "defection" from cartel discipline carries profound structural implications; modelling suggests that a high-capacity producer adopting such a strategy could depress medium-term oil prices by USD 15–25 per barrel (WEC, 2025). Such a price correction would trigger a global wealth redistribution, providing a fiscal stimulus to energy-intensive importers while inducing severe trauma for high-cost exporters. The UAE is uniquely positioned to weather this shift, as its lifting costs—as low as USD 5–10 per barrel for established ADNOC fields—ensure profitability at price points that would be catastrophic for its regional peers (Energy Institute, 2025). Ultimately, this trajectory risks a "supply glut scenario" where an escalated market-share war could push medium-term prices into the USD 50–60 range by 2028–2029. While this downturn would temper global inflationary pressures, it would be existentially damaging for high-fiscal-breakeven nations like Nigeria, Iraq, and Venezuela, which rely on higher price floors to maintain social stability and national budgets (Gill, 2025). Consequently, the UAE's move signals a transition toward a more competitive and decentralised energy order, favouring efficient producers at the expense of traditional cartel cohesion.

Long-Term Price Trajectory: Peak Demand and the Energy Transition: The strategic withdrawal of the UAE from OPEC is fundamentally anchored in a long-term economic logic necessitated by the global energy transition and the approaching era of "peak demand." Projections from Birol and the IEA (2025) indicate that global oil demand is poised to plateau between 2028 and 2033, driven by the rapid penetration of electric vehicles and the aggressive substitution of hydrocarbons with renewable energy. This shift, contextualised by the WEC (2025), forces producers to make radically different strategic calculations based on their specific positions on the global cost curve. For the UAE, the calculus is decisively skewed toward volume maximisation; by leveraging exceptionally low production costs and a mature diversification roadmap under Vision 2071, Abu Dhabi aims to monetise its reserves before the demand window closes. In contrast, Saudi Arabia contends with higher fiscal breakevens and a larger hydrocarbon endowment that necessitates decades of sustained production to fully monetise, leading Riyadh to favour price maximisation through supply restraint (Kasturi and Sons, 2026). Such institutional instability is a predictable outcome of asymmetric cost structures, as documented in Osborne and Pitchik (1987, where members with divergent financial imperatives eventually break collective agreements. With the OECD (2025) forecasting that oil's share in the global primary energy mix will contract from 32.0 per cent in 2024 to as low as 24.0 per cent by 2035, the UAE is adopting a "last-barrels" logic. As highlighted in the World Bank (2026), low-cost producers are increasingly incentivised to capture market share in a "twilight" oil market, ensuring their assets do not become stranded as the global economy pivots toward a net-zero future. Ultimately, this strategic pivot replaces collective cartel discipline with a rational, sovereign economic imperative aimed at long-term sustainability.

5.0 Winners: Nations and Entities That Stand to Gain

The structural fragmentation of OPEC following the UAE's departure has established a new hierarchy of "winners," transitioning the global energy landscape from a cartel-driven monolith to a decentralised, bilateral model. India emerges as a primary beneficiary, leveraging its Comprehensive Economic Partnership Agreement (CEPA) to secure direct, long-term supply contracts that bypass "OPEC premiums" and enhance national energy sovereignty (Adhikari, 2026; V. Sridhar, 2026). This shift is further bolstered by the move toward "rupee-dirham" trade, which insulates the Indian economy from dollar volatility and strengthens strategic reserves (Kasturi and Sons, 2026; GoI, 2026). Simultaneously, the UAE reclaims its sovereign economic autonomy, accelerating toward a 5 million barrels per day (bpd) capacity target to fund its Vision 2071 roadmap. By utilising exceptionally low lifting costs—estimated at USD 5–10 per barrel—the UAE can outcompete less efficient producers and maximise revenue before the window for oil demand closes (Bond, 2026; BP Statistical Review, 2025). Other major importers, including Japan, South Korea, and the European Union, also stand to gain from a more competitive supply environment that acts as a global "disinflationary force," lowering industrial input costs and stimulating GDP growth (The Economist, 2026; Gill, 2025). Furthermore, the UAE is utilising this final era of oil dominance to funnel billions into green hydrogen and renewable infrastructure, positioning itself as a global laboratory for the energy transition and a primary market for international technology firms (UNEP, 2026). Finally, the weakening of cartel discipline benefits independent non-OPEC producers in the Americas and Africa, as market dynamics shift toward transparency and supply-demand fundamentals, favouring entities capable of rapid, technology-driven production adjustments (León, 2026; Fattouh et al. 2012). Ultimately, this reconfiguration empowers efficient, independent actors at the expense of centralised institutional control.

The UAE: Strategic Autonomy, Revenue Maximisation, and Diplomatic Flexibility: The UAE stands as the primary beneficiary of its OPEC withdrawal, gaining total liberation from production quotas to align its operational strategy with an ambitious 5 million barrels per day (bpd) capacity target by 2027. This shift is supported by a massive USD 145 billion upstream investment program (Flowers, 2026). The fiscal impact is transformative, as the 1.4 to 1.65 million bpd gap between previous quotas and actual capacity represents an incremental annual revenue stream of USD 45–65 billion—capital vital for national reconstruction, economic diversification, and expanding geopolitical influence (Clayton Seigle, 2026). This decoupling is backed by years of infrastructure readiness, notably the Habshan–Fujairah (ADCOP) pipeline, which enables crude exports to bypass the volatile Strait

of Hormuz entirely (**Marwan Alblooshi, 2026**). By exiting the cartel, the UAE can now negotiate customised bilateral supply agreements with major consumers like India, China, Japan, and the EU, utilising favourable energy terms as instruments for broader diplomatic and trade engagement. Furthermore, the **Atlantic Council (2026)** notes that even if increased Emirati production lowers global prices, it enhances supply security for key partners like China, fostering significant diplomatic goodwill. Ultimately, as analysed by **Adhikari 2026**, the UAE has transitioned into a "sovereign energy power," capable of moving global markets independently while maintaining direct, flexible relationships with major consumers, effectively transcending the systemic constraints of collective cartel membership.

India: Energy Security, Import Cost Relief, and Bilateral Opportunity: India stands as a premier beneficiary of the UAE's departure from OPEC, a move that directly addresses the nation's acute energy vulnerability stemming from its 85.0 per cent dependence on crude imports (**NITI Aayog, 2024; Ministry of Petroleum and Natural Gas, 2025**). This institutional shift is projected to catalyse a more competitive oil market, where a sustained USD 10 per barrel reduction in crude prices could slash India's annual import bill by USD 13–15 billion, temper inflation by 0.4 percentage points, and significantly improve the current account balance (**Suman Bery, 2023**). Beyond immediate fiscal relief, the UAE's independence facilitates a unique logistical advantage through the Habshan–Fujairah (ADCOP) pipeline, which allows India to bypass the volatile Strait of Hormuz and secure an uninterrupted supply via the Arabian Sea (**Dixit, 2026**). This qualitative leap in supply resilience has already prompted high-level government-to-government dialogues to establish a dedicated, long-term supply framework through the Fujairah terminal (**Chaudhury, 2026**). Furthermore, the **ADB (2025)** forecasts that a 10.0 per cent decline in oil prices could boost India's GDP growth by up to 0.3 percentage points by stimulating industrial production and reducing logistics overheads. Ultimately, as analysed by **Nayyar and Singh 2025**, the transition to bilateral energy trade with Abu Dhabi offers progressive economic benefits, providing essential cost relief to lower-income households and expanding the fiscal space required for public infrastructure investment (**Bennett, Coleman and Co, 2026**). This reconfiguration not only bolsters India's energy security but also aligns with its broader macroeconomic objectives of inclusive growth and energy sovereignty.

China: Supply Security and Competitive Procurement Leverage: As the world's preeminent oil importer, requiring 11 to 12 million barrels per day, China is positioned to capture substantial strategic dividends from the UAE's withdrawal from OPEC, an event that aligns perfectly with Beijing's long-standing policy of "energy multi-alignment" (**Atlantic Council, 2026**). By fostering bilateral ties that undermine the traditional "OPEC premium," China can now negotiate bespoke pricing and volume arrangements directly with Abu Dhabi, free from the collective constraints of Vienna. This provides Chinese state-owned enterprises—including CNOOC, CNPC, and Sinopec—unprecedented procurement leverage, especially given their existing equity in Emirati upstream and refining sectors (**The Economist, 2026**). Furthermore, the **OECD Energy Policy Review (2025)** emphasises that China's Strategic Petroleum Reserve (SPR) program, which targets 90 days of import cover, is a primary beneficiary of this decentralised market, as access to higher volumes of competitively priced crude enhances national energy resilience at a significantly lower unit cost. From a macroeconomic perspective, every marginal improvement in procurement competitiveness translates into billions of dollars in savings, which are vital for maintaining industrial competitiveness and consumer price stability in a post-pandemic economy (**World Development Report, 2026**). Ultimately, as highlighted by **Gill (2025)** the UAE's "sovereign energy" pivot provides China with the reliable, large-scale supply necessary to ensure long-term energy security while fostering a more fragmented and competitive global oil market that favours major consumers over centralised cartels. This reconfiguration effectively institutionalises a more transparent, supply-demand driven market that rewards efficiency and strategic bilateralism.

United States: Energy Producers, Geopolitical Gains, and Supply Chain Benefits: The UAE withdrawal from OPEC facilitates a multi-dimensional strategic advantage for the United States, providing immediate fiscal windfalls for the domestic energy sector and enabling a long-term reconfiguration of Middle Eastern diplomacy. In the short term, the surge in global benchmarks—catalysed by geopolitical friction in the Strait of Hormuz—acts as a direct stimulus for American upstream entities, with major corporations such as ExxonMobil, Chevron, and Occidental Petroleum emerging as primary beneficiaries of robust cash flows (**GotTrade, 2026**). This profitability is underpinned by technological efficiencies, as average breakeven prices for shale producers in the Permian Basin have settled between USD 45–55 per barrel, rendering the current high-price environment exceptionally lucrative (**Granholm, 2026**). Geopolitically, the structural fragmentation of OPEC aligns with the U.S. "energy dominance" doctrine, which seeks to weaken adversarial price-fixing cartels that unilaterally dictate global energy costs (**Al Jazeera, 2026**). This shift effectively dismantles the traditional U.S. reliance on Saudi-led coordination, paving the way for a more flexible, bilateral energy diplomacy with Abu Dhabi that allows for the synchronisation of production decisions through direct diplomatic channels rather than opaque cartel mechanisms (**Lynch and Birnbaum, 2026**). Furthermore, the exit is driving a broader industry trend toward supply diversification, as evidenced by U.S. energy majors aggressively expanding their international portfolios in a post-cartel landscape. By engaging with an independent UAE, the United States gains a reliable, large-volume supply partner unencumbered by the systemic constraints of the Saudi-dominated OPEC framework. Ultimately, this reconfiguration enhances the

resilience of the American energy supply chain, offering a strategic buffer against regional volatility while promoting a decentralised, competitive global market that favours U.S. industrial cost-efficiency and energy security.

Japan and South Korea: Manufacturing Competitiveness and Energy Cost Relief: Japan and South Korea, burdened by near-total reliance on imported crude, are positioned for substantial strategic gains following the UAE's withdrawal from OPEC, a move that promises critical macroeconomic relief and enhanced industrial competitiveness (Biol, 2025). With Japan importing 3.5 million barrels per day and South Korea 2.8 million barrels per day, their manufacturing-intensive economies—spanning automotive, semiconductor, and petrochemical sectors—remain acutely sensitive to energy input costs. As analysed in the ADB (2025), a sustained 10.0 per cent reduction in crude prices is projected to increase Japan's GDP by 0.3 per cent and South Korea's by 0.4 per cent through reduced industrial overheads and tempered inflation. For Japan, this offers a vital counter-inflationary buffer against yen depreciation, while South Korean exports stand to gain a competitive edge in global markets via lower logistics and production costs. Furthermore, the UAE's institutional independence facilitates deeper bilateral synergies, allowing national firms like JOGMEC and KNOC to leverage their long-standing investment ties with ADNOC for preferential procurement arrangements unencumbered by OPEC's restrictive pricing mandates. Ultimately, the WEC (2025) identifies these East Asian powerhouses as primary beneficiaries of cartel fragmentation, as the transition to a decentralised and more competitive global oil market provides a natural strategic hedge for their export-oriented industrial models. This reconfiguration ensures the secure, low-cost energy inputs necessary to sustain long-term economic resilience and industrial growth in a post-cartel era.

European Union: Energy Security Diversification and Industrial Relief: The European Union emerges as a critical beneficiary of the UAE withdrawal from OPEC, a move that provides a strategic pillar for the bloc's urgent energy diversification and industrial recovery efforts following the 2022 supply chain disruptions. By operating as a major independent producer, the UAE offers a reliable, market-driven alternative that directly supports the EU's policy of energy multi-alignment and reduces dependence on traditional cartel-driven pricing (Biol, 2026). This shift is macroeconomically vital, as European manufacturing has faced an 8.0 per cent to 12.0 per cent competitiveness erosion due to high energy costs relative to global peers (OECD, 2025). The anticipated downward pressure on global crude prices—catalysed by unhindered Emirati production expansion—serves to partially alleviate this "competitiveness penalty," particularly for Mediterranean refiners whose technical configurations are optimised for Emirati crude slates. Furthermore, the World Bank (2026) emphasises that lowering these industrial input costs is essential for preventing de-industrialisation and stabilising the eurozone's trade balance. Strategically, the UAE's sovereign energy pivot bolsters the REPowerEU initiative by expanding procurement horizons and diluting the centralised pricing power of traditional blocs. According to the OECD (2025), this decentralised supply model provides the fiscal breathing room necessary for Europe to sustain its ambitious transition toward renewable energy while insulating the core economy from future global supply shocks. Ultimately, as highlighted by Gill (2025), the UAE's transition toward independent volume maximisation fosters a more transparent and competitive global energy architecture, ensuring long-term security and economic resilience for the European Union.

6.0 Losers: Nations and Entities That Face Adversity

The structural fragmentation of OPEC following the UAE strategic departure creates a distinct class of "losers," primarily high-fiscal-breakeven exporters such as Nigeria, Algeria, and Iraq, who lack the diversified financial buffers necessary to survive a market deprived of a price-supportive "OPEC floor". Without the cartel's price-support mechanism, these vulnerable nations face systemic budget deficits, currency devaluations, and potential social unrest as their national social contracts are predicated on high hydrocarbon valuations. Simultaneously, Saudi Arabia confronts the erosion of its traditional hegemony; as the sole remaining "swing producer," it must bear the solitary burden of supply restraint while losing its most vital partner in regional market management (Kasturi and Sons, 2026; Flowers, 2026). This "institutional unravelling" is consistent with asymmetric cost theories documented in Osborne and Pitchik (1987), which suggest that divergent financial imperatives eventually destabilise collective agreements. Furthermore, the UAE's exit acts as a "force multiplier" for sanctioned states like Iran and Venezuela, which rely on high global benchmarks to circumvent the high costs of their restricted trade; they are fundamentally ill-equipped for a competitive, low-cost "supply glut" environment (Clayton Seigle, 2026; World Bank, 2026). Beyond individual states, OPEC as an institution faces a crisis of relevance, potentially transitioning from a market regulator to a mere consultative body as participants shift toward supply-demand fundamentals (Fattouh et al. 2012). Paradoxically, the global environmental agenda may also suffer; Dixit (2026) warns that a sustained era of low-cost fossil fuels reduces the economic attractiveness of renewable energy and electric vehicle adoption, potentially stalling the global energy transition through a "rebound effect" in hydrocarbon consumption. Ultimately, the move favours a decentralised market that rewards low-cost efficiency but threatens the fiscal stability of high-cost producers and the cohesive prestige of the OPEC secretariat.

Saudi Arabia: Strategic, Institutional, and Fiscal Losses: Saudi Arabia emerges as the primary structural casualty of the UAE's departure from OPEC, an event that directly challenges Riyadh's long-standing regional energy hegemony and its role as

the definitive arbiter of Gulf energy politics (**Atlantic Council, 2026**). For decades, the Kingdom's economic and geopolitical architecture has been anchored in the principle of managed oil supply, a strategy now threatened at a time of acute vulnerability as Riyadh remains committed to the massive, capital-intensive "Giga-projects" under **Vision 2030**. These initiatives require sustained, high-level oil revenues that are increasingly precarious in a decentralised and competitive market. According to the **IMF's Article IV Consultation (2025)**, Saudi Arabia's fiscal breakeven price is approximately USD 78 per barrel; however, this stability is jeopardised by the medium-term supply surge anticipated from the UAE's expansion to a 5 million barrels per day capacity. The **World Bank (2025)** posits that a resulting USD 20 per barrel decline in average oil prices could slash Saudi fiscal revenues by **USD 40–50 billion annually**, necessitating a significant deceleration of the Vision 2030 roadmap. Beyond these fiscal strains, the institutional "unravelling" of OPEC strips Riyadh of its primary instrument of soft power—the collective capacity to exercise production authority over global supply. Ultimately, as noted by **Al Jazeera (2026b)**, this dissolution of a unified Arab influence over the global energy order forces Saudi Arabia to navigate a fragmented landscape where its ability to discipline the market and project regional unity is fundamentally compromised. This shift effectively marks the transition from Saudi-led market management to a more volatile, supply-demand driven environment that rewards individual sovereign imperatives over collective cartel discipline.

Russia: Weakened OPEC+ Position and Fiscal Vulnerability: The UAE's departure from the OPEC+ alliance presents Russia with profound institutional and economic challenges, significantly diluting Moscow's capacity for market management and strategic energy diplomacy (**Birol, 2026**). Since 2016, this partnership has been a vital instrument for Russia, providing a formal mechanism to coordinate production with major Gulf producers and sustain the oil revenues necessary to offset the massive costs of the Ukraine conflict and persistent Western sanctions. The fiscal implications are increasingly precarious; with a fiscal breakeven price estimated at USD 65–70 per barrel under current conditions, Russia's federal budget—which remains 40.0 per cent dependent on hydrocarbon revenues—is highly susceptible to a sustained price correction triggered by Emirati supply expansion (**World Bank, 2025; Granholm, 2026**). A potential retreat into the USD 50–60 range would lead to a severe deterioration of the national fiscal position at a time when military expenditures are at historic highs. Furthermore, the UAE's strategic pivot carries heavy geopolitical weight, as evidenced by defence cooperation agreements with Ukraine, signalling a broader diplomatic isolation of Russia within the Gulf energy landscape (**Kasturi and Sons, 2026**). Ultimately, as analysed by **Gill (2025)**, the transition from a managed OPEC+ framework to a decentralised, competitive environment leaves Russia increasingly vulnerable to price volatility, compromising its long-term regional influence and its ability to fund domestic and external priorities in a post-cartel energy order.

Iraq: High Fiscal Breakevens and the Production Temptation Trap: Following the UAE's departure from OPEC, Iraq faces a volatile paradox of strategic opportunity and existential risk, as its status as the organisation's second-largest producer clashes with its exceptionally high fiscal requirements. According to the **IMF's Iraq Article IV Consultation (2025)**, the nation's fiscal breakeven oil price is estimated at USD 87 per barrel—one of the highest in the Gulf—reflecting the heavy burden of public sector payrolls, infrastructure deficits, and post-conflict reconstruction costs. The erosion of the "OPEC floor" directly threatens Iraq's internal social stability, yet the UAE's exit has sparked a "contagion of thought" regarding sovereign production rights, leading to a burgeoning sentiment that Iraq should not remain the "last man standing" under restrictive quotas (**Clayton Seigle, 2026**). However, analysts warn that following the Emirati lead would be economically self-defeating; a simultaneous production surge from both nations would likely precipitate a global supply glut, driving benchmarks well below Iraq's breakeven point and catalysing a fiscal catastrophe far more severe than any quota-induced constraint. The **ADB (2025)** estimates that Iraq's public debt dynamics would become unsustainable within three years if prices settle into a sustained **USD 55–60 per barrel** range. Furthermore, the **World Bank (2026)** underscores that fragile states lacking diversified sovereign wealth buffers are most vulnerable to the "institutional unravelling" of price-fixing cartels. Ultimately, Iraq is caught in a "production temptation trap": while it possesses the physical reserves to expand output, the resulting market fragmentation would destroy the very price levels required to fund its national budget and maintain social order. This shift from managed markets to decentralised competition marks a perilous transition for high-cost producers reliant on collective cartel discipline.

Venezuela: Existential Fiscal Threat: Venezuela confronts a uniquely acute existential fiscal threat following the UAE's departure from OPEC, an event that strips Caracas of its primary shield against global market volatility. As a founding member whose petroleum sector has been ravaged by decades of mismanagement, stringent U.S. sanctions, and a critical lack of reinvestment, Venezuela's recovery to 900,000 barrels per day remains a mere fraction of its historical peak (**Granholm, 2026**). The nation's fiscal fragility is underscored by a breakeven oil price estimated at over USD 100 per barrel—the highest within the OPEC framework—necessitated by the demands of sovereign debt servicing, social programs, and the high costs of operating a degraded infrastructure (**IMF, 2025**). Consequently, any structural weakening of the "OPEC floor," exacerbated by the UAE's shift toward independent volume-maximisation, directly jeopardises the Venezuelan government's capacity to maintain basic sovereign functions. From a macroeconomic perspective, the outlook is dire; the economy, which contracted by 75.0 per cent between 2013 and 2021, remains exclusively dependent on hydrocarbon revenues for stability (**World Bank, 2026**). As analysed by **Gill (2025)**, fragile states with high production costs and no financial buffers are the primary victims of "cartel unravelling." Without the

collective bargaining power of a unified OPEC, Venezuela is fundamentally ill-equipped to compete in a decentralised, low-margin environment. Ultimately, the UAE's pivot threatens to strand Venezuela in a permanent fiscal crisis where production and debt-service costs consistently outpace the market value of its primary export, effectively removing the final line of defence for its devastated energy economy.

Airlines, Shipping, and Global Transport Sectors: The global transportation sector is currently enduring acute fiscal adversity due to the oil price surge precipitated by the UAE withdrawal from OPEC and the accompanying disruptions in the Strait of Hormuz. In the aviation industry, where jet fuel accounts for 25.0–30.0 per cent of operating expenses, benchmarks exceeding **USD 100 per barrel** have rendered traditional cost-hedging strategies unsustainable (**GotTrade, 2026**). Consequently, the sector faces a staggering annualised increase of USD 80–100 billion in fuel expenditures, threatening to erase post-pandemic profit margins and necessitating sharp increases in passenger fares (**Willie Walsh, IATA, 2026**). Similar pressures afflict the trucking and maritime shipping industries; as diesel and bunker fuel prices escalate, they permeate the global supply chain, driving a 0.5–0.8 percentage point rise in global consumer inflation through transportation cost pass-through (**World Bank, 2025**). This inflationary shock falls disproportionately on lower-income households, as the price of food and essential goods—which possess high logistics cost content—rises in tandem with energy inputs. Furthermore, the maritime sector faces a "double blow" of high fuel costs and geopolitical risk premiums, complicating long-term procurement in an increasingly uncertain market. Ultimately, as analysed by **Gill (2025)**, the "unravelling" of the OPEC price floor impacts the very "connective tissue" of the global economy, forcing the transport sector to absorb the shocks of a fractured energy order until market stabilisation occurs through independent production surges. This transition marks a painful macroeconomic adjustment, where the costs of a decentralised energy landscape are inevitably passed down to the global consumer.

Nigeria and African OPEC Members: Institutional Vulnerability: For the African cohort within OPEC—including Nigeria, Algeria, Libya, Congo, Gabon, and Equatorial Guinea—the UAE withdrawal represents a profound institutional and economic vulnerability rather than a transitory crisis, as it erodes the collective leverage these nations require to negotiate with international oil companies and major consumers (**New African Magazine, 2026**). Historically, OPEC membership has functioned as a critical geopolitical mechanism for smaller producers; however, a structurally diminished cartel leaves these states exposed to market forces they are ill-equipped to manage individually. Nigeria's position is particularly precarious; as Africa's largest producer, it must balance cartel discipline against the operational demands of the massive Dangote refinery and urgent domestic industrialisation. According to **Gill and the World Bank (2025)**, Nigeria's fiscal breakeven oil price has surged to approximately **USD 92 per barrel**—driven by fuel subsidy reforms, exchange rate volatility, and infrastructure gaps—rendering the nation critically dependent on the price-supportive "OPEC floor" for sovereign solvency. The UAE's exit serves as a cautionary strategic lesson, demonstrating that only nations possessing a specific "quadrant of readiness"—ultra-low production costs, vast fiscal buffers, and advanced infrastructure—can afford to operate as independent energy powers. For the majority of African members who lack such diversified wealth and resilient systems, the risks of market independence far outweigh the perceived benefits of autonomy. Ultimately, as warned in the **World Bank (2026)**, the fragmentation of the cartel threatens to strand these high-cost exporters in a "volatility trap," where they lose both the protection of collective bargaining and the ability to compete in a decentralized, low-margin global market, highlighting that for the continent, the security of the collective remains far more valuable than the hazardous pursuit of sovereign isolation.

Oil-Dependent Developing Nation Importers: Oil-importing developing nations represent the most vulnerable short-term casualties of the current energy crisis, as negligible fiscal buffers, fragile external balances, and a lack of hedging capacity leave them exposed to the price surges following the UAE's OPEC departure and regional supply shocks. For economies like Pakistan, which faces an additional USD 3–4 billion in annualised oil import costs, and Sri Lanka, which remains structurally vulnerable after its 2022 debt crisis, these market shifts present an immediate threat to sovereign solvency (**IMF, 2025**). Other importers, including Bangladesh, Egypt, and numerous sub-Saharan African states, face similar acute fiscal stresses that jeopardise recent stabilisation efforts. The macroeconomic scale of this "wealth drain" is staggering; the **ADB (2025)** projects a collective increase in developing Asia's oil import bill of USD 120–150 billion annually, a massive resource transfer to oil-exporting nations that hollows out regional GDP growth and forces central banks to hike interest rates to defend local currencies (**Kasturi and Sons, 2026**). Furthermore, the **OECD (2025)** and **Dixit (2026)** highlight a severe regressive distributional impact, as higher energy costs erode the purchasing power of the poor—who spend a disproportionate share of income on fuel and food—leading to widespread energy poverty and food insecurity. Ultimately, as emphasised by the **UNDP (2026)**, the fragmentation of the global energy order risks widening the international inequality gap, forcing oil-dependent developing states to sacrifice long-term developmental funding for short-term survival in a volatile, post-cartel landscape characterised by decentralised and high-cost energy procurement.

7.0 India's Special Case: Strategic Calculus and Policy Options

India occupies a unique strategic position within the global energy reconfiguration triggered by the UAE's departure from OPEC, offering New Delhi a historic opportunity to transition from a "seller-dictated" to a "buyer-centric" procurement model. As the world's third-largest oil consumer, importing 85.0 per cent of its requirements, India's pursuit of "Energy Sovereignty" allows it to leverage its massive market size to secure long-term bilateral agreements outside traditional cartel restrictions (**Gill, 2025**). The macroeconomic advantages of this decentralised market are profound; according to the **Reserve Bank of India (2026)** and **Bennett, Coleman and Co (2026)**, every USD 10 decline in crude prices potentially shaves 0.3 percentage points off inflation and narrows the Current Account Deficit by approximately USD 10–12 billion. This fiscal relief, resulting from reduced "cartel premiums" as the UAE expands production, is essential for sustaining India's infrastructure-led growth and funding its transition to renewable energy (**NITI Aayog, 2026**). However, the divergence in energy pathways between Riyadh and Abu Dhabi necessitates a careful recalibration of India's "Look West" diplomacy. By deepening its Comprehensive Economic Partnership Agreement (CEPA) with the UAE—specifically through upstream equity and strategic petroleum reserves—India establishes a vital buffer against supply shocks (**Kasturi and Sons, 2026; Raja Mohan, 2026**). Furthermore, India's role as a major refiner enables it to act as a "swing consumer," absorbing excess capacity to stabilise its domestic energy basket (**Asian Development Bank, 2025**). Ultimately, New Delhi must navigate the "Energy Trilemma" by balancing security, affordability, and sustainability, ensuring that the savings from a fractured OPEC are redirected into the **GoI (2026)**. By transforming the "OPEC unravelling" into a catalyst for industrial resilience, India is positioned to achieve long-term energy independence in an increasingly volatile global landscape (**Dixit, 2026; UNDP, 2026**).

India's Energy Security Architecture and Vulnerabilities: India's energy security framework is defined by a structural complexity nearly unparalleled in the global landscape, reflecting a delicate equilibrium between its high-velocity growth aspirations and a profound dependence on foreign crude. According to the **NITI Aayog (2023)** and the **Ministry of Petroleum and Natural Gas (2025)**, the nation consumed approximately 5.8 million barrels per day (bpd) in 2025, of which a staggering 85.0 per cent—roughly 4.94 million bpd—was imported. This reliance imposes a massive fiscal burden, with an annual import bill ranging between USD 120 billion and USD 150 billion, serving as the primary driver of India's Current Account Deficit and a persistent source of external economic vulnerability. While New Delhi has aggressively pursued geographical diversification by sourcing crude from Iraq, Saudi Arabia, Russia, the UAE, and the United States, the institutional capacity for short-term insulation remains modest. Current estimates from **NITI Aayog (2024)** indicate that India's Strategic Petroleum Reserve (SPR) capacity provides only about 9.5 days of import cover, highlighting a critical lack of deep physical buffers. Critiquing this architecture in **Raghuram (2024)** characterises India's energy security as "structurally fragile," noting that despite diversification efforts, the country remains heavily exposed to the geopolitical temperature of the Persian Gulf, which still supplies approximately 60.0 per cent of its crude requirements. As emphasised by **Gill (2025)**, this concentration in a volatile corridor means any significant regional upheaval could trigger severe inflationary consequences, potentially derailing the long-term development trajectory documented by the National Knowledge Commission. Ultimately, India's energy architecture necessitates a strategic transition toward a more decentralised and resilient procurement model to safeguard its industrial continuity against unavoidable West Asian geopolitical shocks.

Near-Term Challenges: Price Spike and Supply Disruption: India is currently navigating a multifaceted economic crisis triggered by an elevated oil price environment and systemic supply chain disruptions, with the **Petroleum Planning and Analysis Cell (2026)** reporting a 35.0 per cent year-on-year surge in the national oil import bill for the first quarter of 2026. This escalation is primarily driven by the Strait of Hormuz blockade—which has constricted supply from Iraq and Saudi Arabia—and a ballooning geopolitical risk premium (**Kasturi and Sons, 2026**). To maintain industrial continuity, state-owned refiners have pivoted to emergency procurement of U.S. WTI, Norwegian, and West African grades, though these alternatives carry heavy price premiums and exorbitant freight costs (**The Deccan Herald, 2026**). The macroeconomic fallout has forced the government into a defensive fiscal posture; while retail price spikes are partially buffered by excise duty reductions and managed pricing, the Ministry of Finance estimates the revenue foregone at USD 8–10 billion annually (**Bennett, Coleman and Co, 2026**). This loss of fiscal space occurs at a precarious juncture, as the convergence of oil-driven inflation and a decelerating global economy creates a "stagflationary" trap for policymakers. As analysed by **Gill (2025)** and the **World Economic Outlook (2025)**, these energy shocks function as a regressive tax that dampens private consumption and inflates manufacturing costs. Ultimately, as documented by **Raja Mohan (2026)** and the National Knowledge Commission, India's immediate challenge lies in balancing fiscal prudence with the protection of vulnerable populations against the cascading effects of a fractured global energy market, underscoring the urgent need for a more resilient, decentralised energy architecture.

Medium-Term Strategic Opportunities from the UAE's OPEC Exit: Beyond the immediate market volatility, the UAE's OPEC exit provides India a historic window to overhaul its energy procurement architecture by deconstructing the traditional seller-buyer hierarchy in favour of bilateral strength. As analysed in **Dixit (2026)**, this shift facilitates three strategic channels: competitive bilateral pricing, the utilisation of the Abu Dhabi Crude Oil Pipeline (ADCOP) to bypass the vulnerable Strait of

Hormuz, and enhanced leverage as a "preferred buyer" of Emirati crude—advancements that were structurally impossible under the OPEC quota regime. The institutional scaffolding for this transition is the **India-UAE Comprehensive Economic Partnership Agreement (CEPA)**, which is currently being refined to include a dedicated "Energy Security Annex" to formalise a long-term partnership with ADNOC outside of cartel pricing frameworks (**Shashank Mattoo, 2026**). This aligns with the GoI Knowledge Commission objectives of using bilateralism to insulate the domestic economy from collective production cuts. Furthermore, India is pivoting toward "asset-backed energy security," transitioning from a mere purchaser to an equity holder in upstream production, as recommended by **NITI Aayog (2024)**. In this context, ONGC Videsh and Indian Oil Corporation are evaluating multi-billion-dollar upstream investments in Abu Dhabi projected to generate "equity crude" returns of up to 300,000 bpd, providing a price-insulated cushion for Indian refiners (**Sanjay Dutta, 2026**). Ultimately, as highlighted by the **World Bank (2026)**, India's capacity to capitalise on the "OPEC unravelling" depends on integrating these gains into a decentralised energy security model that prioritises national economic resilience and "Energy Sovereignty" over global cartel discipline.

India's Diplomatic Positioning and Multi-Alignment Energy Strategy: India's hallmark foreign policy of multi-alignment is uniquely positioned to navigate the tectonic shifts in the energy landscape precipitated by the UAE's departure from OPEC. By maintaining robust, independent bilateral ties with the UAE, Saudi Arabia, Russia, and the United States, New Delhi has cultivated a diversified energy portfolio that serves as a strategic bulwark against localised disruptions and pricing shocks. As characterised by **Deepak Nayyar and Satyaki Singh (2025)**, this approach constitutes a "structural non-alignment in energy"—a paradigm that prioritises commercial engagement across geopolitical fault lines while strictly avoiding restrictive commitments that could hamper national interests. In the immediate term, India's response must be dictated by a clear-eyed assessment of domestic requirements, leveraging its status as a high-volume consumer to negotiate emergency supply agreements with Abu Dhabi via the Fujairah terminal to bypass Strait of Hormuz disruptions. Looking toward the medium-term horizon, the **GoI (2026)** and **Sridhar (2026)** suggest formalising a dedicated bilateral energy partnership with the UAE by expanding the existing **Comprehensive Economic Partnership Agreement (CEPA)**. This deepened framework should encompass long-term volume commitments, innovative pricing mechanisms, joint infrastructure ventures, and enhanced cooperation in strategic petroleum reserves (SPR). The geopolitical intricacies of this strategy require a delicate balancing act: managing a deepening relationship with a UAE increasingly aligned with the U.S. and Israel, while maintaining longstanding ties with Saudi Arabia and pragmatic engagement with Russia (**Raja Mohan, 2026**). This "strategic autonomy," as analysed by **Gill (2025)**, ensures India avoids exclusive alignments that would compromise its bargaining power. Ultimately, as highlighted in the **World Bank (2026)**, India's success will depend on its ability to remain an "omni-directional" energy partner, transforming the fragmentation of global cartels into a catalyst for its own national economic resilience and energy sovereignty.

8.0 Environmental and Climate Change Dimensions

The fragmentation of the OPEC cartel, precipitated by the UAE's departure, introduces profound environmental risks that threaten the stability of the **Paris Agreement** and the global transition to a low-carbon economy. The UAE's "volume-first" pivot presents a significant hurdle; the **UNEP Emissions Gap Report (2025)** warns that a sustained low-price environment may incentivise continued reliance on internal combustion engines and carbon-intensive infrastructure. This creates what **Dixit (2026)** describes as a "climate paradox," where a nation positioning itself as a green energy leader simultaneously accelerates the extraction of vast oil reserves to secure market share. For India, the **NITI Aayog National Energy Strategy (2026)** and the **GoI(2026)** highlight a dual-edged reality: while cheaper oil offers a "fiscal dividend," it risks "policy complacency" that could delay the economic parity of green hydrogen and electric vehicles. To safeguard the Net Zero 2070 commitment, India must direct the savings from lower import bills into the **Kasturi and Sons, 2026**. Furthermore, the **OECD (2025)** cautions that "institutional unravelling" could trigger a "race to the bottom" in environmental standards, as producers in a low-margin market might neglect methane leak detection or carbon capture investments. Ultimately, as noted by **Mint (2026)**, the transition to a post-OPEC world necessitates a new global governance framework to ensure the "production temptation trap" does not result in an irreversible climate catastrophe.

Carbon Emissions Implications of Increased UAE Production: The UAE withdrawal from the OPEC framework and its subsequent drive to expand production capacity to 5 million barrels per day (bpd) poses a direct threat to the **Paris Agreement's** 1.5°C target, as the resulting surge in oil supply threatens to escalate global \$CO_2\$ emissions (**IEA, 2021**). According to an environmental audit by **Gaubert (2026)**, the combustion of a single barrel of crude generates approximately 0.43 tonnes of \$CO_2\$, suggesting that any sustained escalation in Emirati production will elevate aggregate greenhouse gas levels if it fuels additional consumption. This trajectory fundamentally contradicts the **IEA's Net Zero Emissions by 2050 Roadmap (2021)**, which asserted that maintaining climate safety requires a cessation of all new oil and gas field developments. With **ADNOC** committing a massive **USD 145 billion** to upstream capital expenditures, the global energy landscape faces a severe "carbon lock-in" risk, where fossil fuel assets with 30-year operational lifespans ensure continued emissions deep into the 2050s—a period by which the **World Bank (2026)** and the **UNEP Emissions Gap Report (2025)** mandate that the global economy must achieve net-zero status (**Carbon Tracker, 2024; Flowers, 2026**). By making cheap fossil fuels readily available to price-sensitive global markets, the UAE's strategic

pivot threatens to stall the momentum for renewable energy adoption and creates a global negative externality that makes the path to decarbonization increasingly narrow and technologically demanding (**OECD Report on Sustainable Infrastructure, 2025; UNDP Human Development Report, 2026**).

The UAE's Dual Energy Identity: Fossil Expansion and Clean Energy Investment: The climate credentials of the UAE present a paradox that defies simple narratives of fossil fuel expansion, positioning the nation as a pivotal yet controversial architect of global climate policy. Despite its aggressive push to increase crude production following its departure from OPEC, the UAE remains tied to the "Global Stocktake" agreement brokered at **COP28**, which explicitly advocates for a transition away from fossil fuels. As reported by **Gaubert (2026)**, the UAE Energy Ministry maintains a dual-track commitment, investing across the entire energy spectrum—including oil, gas, and low-carbon technologies—through the **Abu Dhabi National Oil Company (ADNOC)** and its renewable affiliate, **Masdar**. This strategy is identified by the **WEC (2025)** as "energy bifurcation," a model where a state optimises declining fossil fuel assets to generate the immense capital required to scale clean energy capacity and secure future revenue streams. By removing OPEC-imposed quota constraints, the UAE can now funnel larger oil revenues into carbon capture, green hydrogen, and utility-scale solar projects, suggesting that its path to a post-carbon future is, ironically, "paved with oil wealth" (**Gill, 2025**). However, the ultimate environmental impact remains a subject of intense debate. While the UAE's low production emissions intensity could theoretically displace more carbon-intensive crude from other producers, **Andersen and the UNEP (2025)** caution that a price collapse triggered by increased supply could stimulate incremental global demand, resulting in a net negative for the planet. The **International Energy Agency (2025)** views this demand elasticity as the "critical uncertainty" in the UAE's expansion. Ultimately, as documented in **The Economist (2026)** and the **World Bank (2026)**, the UAE's dual identity serves as a high-stakes experiment to determine if a petro-state can successfully dismantle the carbon-based order that created its wealth without precipitating a global climate catastrophe.

OPEC Fragmentation and the Pace of Energy Transition: The structural fragmentation of OPEC and the resulting intensified supply competition present a complex paradigm for the global energy transition, as lower oil prices create a "dual-track" impact on decarbonization efforts. As analysed by the **International Renewable Energy Agency (2024)**, sustained downward pressure on fossil fuel prices threatens to diminish the relative economic competitiveness of green technologies, particularly in sectors like space heating and industrial processing where direct price parity is difficult to achieve without "cartel-induced premiums." This correlation between cheap fossil energy and decelerated renewable adoption risks blunting the financial incentives for private capital to transition toward hydrocarbons (**Andersen, UNEP, 2025; Dixit, 2026**). Conversely, the **OECD (2025)** offers a more optimistic perspective, arguing that lower energy prices provide a "fiscal dividend" that facilitates the political pace of the transition. By reducing the regressive tax burden on households and industries, a decentralised oil market makes "just transition" imperatives less politically volatile and can widen the consensus for ambitious climate legislation. Ultimately, as highlighted in the **World Bank (2026)** and **The Economist (2026)**, the post-OPEC landscape shifts the responsibility of the green transition from market-dictated prices to robust sovereign policy frameworks. For emerging economies like India, the challenge lies in decoupling growth from cheap oil by redirecting these fiscal savings into initiatives like the **National Green Hydrogen Mission (NITI Aayog, 2026; Government of India Knowledge Commission, 2026)**. By implementing carbon taxes or green infrastructure subsidies during periods of low prices, policymakers can ensure that the "OPEC unravelling" catalyses a net-zero future rather than a hindrance (**Kasturi and Sons, 2026; Mint, 2026**).

9.0 Geopolitical Realignments and Regional Power Dynamics

The UAE's departure from OPEC on May 1, 2026, represents a transformative moment in Middle Eastern and global geopolitics, signalling a transition from an open, market-based energy order toward a landscape defined by competing regional coalitions and security-led mandates (**Slaughter and May, 2026**). As analysed by **Jason Bordoff (2026)**, this withdrawal underscores that structural tensions between Saudi Arabia and the UAE remain insurmountable even amid the existential threats posed by the ongoing Iran conflict. This Saudi-Emirati schism extends far beyond oil quotas into a decade-long rivalry characterised by economic zero-sum games, such as Saudi Arabia's "Vision 2030" directly challenging the UAE's hub status, and divergent foreign policies in regional theatres like Sudan and Yemen (**Middle East Council on Global Affairs, 2026; Deccan Herald, 2026**). Furthermore, the UAE's strategic exit is viewed as an alignment with Washington and the **Abraham Accords**, aiming for enhanced security guarantees from the American-Israeli alliance (**Middle East Council on Global Affairs, 2026; Modern Diplomacy, 2026**). Globally, energy markets are shifting from globalisation to fragmentation, with "energy sovereignty" now outweighing the efficiency of globalised sourcing—a trend accelerated by the energy demands of Artificial Intelligence (**Slaughter and May, 2026**). For India, this regional friction and the blockade of the Strait of Hormuz present significant risks to fuel and fertiliser security, requiring a delicate diplomatic balancing act to maintain energy flows via a multi-alignment strategy (**Kasturi and Sons, 2026**). However, the **World Bank (2025)** warns that such volatility continues to jeopardise macroeconomic stability and foreign investment in emerging markets. Ultimately, the "institutional disruption" caused by the UAE's exit may weaken the Gulf Cooperation Council and empower paramilitary control over national wealth in fragile states like Libya (**Middle East Council on Global Affairs, 2026; Security**

Council Report, 2026). This fragmenting order necessitates a new global governance framework that reconciles national strategic autonomy with collective market stability and climate responsibility.

Reshaping Middle East Energy Politics: The departure of the UAE from the OPEC framework signals a tectonic restructuring of Middle Eastern energy politics, decisively shattering sixty years of **Gulf Cooperation Council** consensus and ushering in an era of competitive diplomacy unseen since the 1970s oil shocks. As characterised by **The Economist (2026)**, this development represents the most consequential shift in the region since the 1973 embargo, forecasting intensified rivalry across economic and security domains. This burgeoning friction—extensively analysed by the **Atlantic Council (2026)**, **Flowers (2026)**, and **Al Jazeera (2026)**—is exacerbated by fundamentally incompatible strategies: Riyadh's preference for supply restraint to defend price floors directly clashes with Abu Dhabi's volume-maximisation paradigm. Such institutional unravelling, as noted by **Gill (2025)**, shifts the burden of energy security from collective management to individual sovereign manoeuvrability, potentially accelerating the fragmentation of the broader **OPEC+** alliance. Furthermore, the **OECD (2025)** suggests this schism reflects a global trend where national economic survival takes precedence over cartel discipline. For emerging economies like India, this necessitates a pivot toward bilateralism; as highlighted by **Kasturi and Sons (2026)** and **Mint (2026)**, the collapse of Gulf unity allows major consumers to negotiate more favourable, direct terms with individual producers, effectively ending the era of unified pricing. Ultimately, as documented by the **GoI. (2026)**, the reshaping of Middle East energy politics demands that consumer nations construct resilient, multi-aligned diplomatic frameworks to navigate the volatility of a post-consensus Gulf.

US Energy Diplomacy in the Post-OPEC Landscape: The exit of the UAE from the OPEC framework presents a transformative juncture for United States energy diplomacy, offering significantly greater manoeuvrability for the **Trump administration** to manage a high-stakes relationship with a major producer independent of Saudi-led mandates. As observed by **Lynch and Birnbaum (2026)**, this transition is exemplified by corporate shifts like **Chevron's** shale exploration memorandum with **Libya's National Oil Corporation**, signalling a landscape where direct bilateral coordination between Abu Dhabi and Washington replaces traditional Saudi-mediated OPEC channels. From a geostrategic perspective, a UAE operating outside the cartel aligns more closely with American interests, specifically supporting the administration's "maximum pressure" campaign against Iran and its "drill, baby, drill" domestic production agenda. Ultimately, as documented in the **World Bank (2026)** and by the **GoI. (2026)**, this shift signals the end of "monolithic Gulf influence." The **OECD (2025)** reports that the U.S. is leveraging this fragmentation to promote "energy sovereignty" among its allies, forcing major consumers to recalibrate their diplomatic strategies toward individual bilateral pacts rather than the collective stability once promised by the OPEC framework (**Kasturi and Sons, 2026; Raja Mohan, 2026**).

Russia's Diminished Gulf Influence: The strategic withdrawal of the UAE from the OPEC+ alliance has profoundly eroded Russia's standing in Gulf energy politics, dismantling the primary vehicle for Moscow's diplomatic and economic engagement in the Middle East. For a decade, the UAE functioned as a pivotal moderator within this framework, bridging the gap between the Saudi-Russian axis and other members; however, its departure leaves Russia increasingly dependent on a precarious bilateral relationship with Saudi Arabia (**Gill, 2025**). This consolidation reduces the Kremlin's capacity to exploit competing regional interests and weakens the institutional cohesion of the remaining alliance. This shift extends into hard security, as evidenced by the UAE's landmark defence cooperation agreement with Ukraine—exchanging counter-drone expertise for security arrangements—which directly challenges Russian interests in the Persian Gulf (**The Economist, 2026; Varadarajan, 2026**). As noted by **Raja Mohan (2026)**, Abu Dhabi is signalling a "strategic autonomy" that involves countering Russian military paradigms in exchange for technological benefits. Furthermore, the **World Development Report (2026)** and the **GoI. (2026)** highlights that Russia's diminishing influence creates a vacuum for powers like the United States and India to fill. The **OECD (2025)** reports that this "institutional unravelling" forces Moscow to operate in a fragmented, hostile market, while **Kasturi and Sons (2026)** and **Mint (2026)** document how the UAE's "volume-first" strategy neutralises Russia's ability to use oil as a diplomatic lever. Ultimately, this transition marks the end of an era where Moscow could dictate global supply trends through Gulf proxies, necessitating a fundamental rethink of Russian foreign policy in a post-OPEC+ landscape.

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10.0 Analytical Synthesis: A Comparative Winners and Losers Framework

The dissolution of the unified OPEC front, precipitated by the UAE strategic exit, has inaugurated a profound re-equilibration of the global political economy, transitioning from a managed cartel to a decentralised, volume-driven market. As analysed by **Gill (2025)**, this shift from "price-making" to "market-taking" creates a distinct "Winners and Losers" framework based on fiscal resilience and diplomatic agility. Major energy consumers like India and China emerge as primary beneficiaries, utilising a "fiscal dividend" from lower prices to reduce current account deficits and fund initiatives like the **National Green Hydrogen Mission (Government of India's Knowledge Commission, 2026; NITI Aayog, 2026; Kasturi and Sons, 2026)**. The UAE also secures a strategic victory,

reclaiming sovereign production rights to fund its "energy bifurcation" through **Masdar**, while U.S. shale producers benefit from a competitive environment that offers the market clarity needed for upstream investment (**The Economist, 2026; Flowers, 2026**). Conversely, rent-dependent economies like Saudi Arabia face heightened execution risks for projects such as "Vision 2030," as the loss of "swing producer" status creates severe fiscal strain (**The Varadarajan, 2026; Al Jazeera, 2026**). Russia similarly suffers as the institutional unravelling of **OPEC+** neutralises its primary diplomatic lever in the Middle East, forcing a precarious dependency on Riyadh (**Raja Mohan, 2026**). Fragile petro-states like Libya and Venezuela remain highly vulnerable to a "race to the bottom" in pricing, which the **World Bank (2026)** warns could trigger internal conflict over dwindling rents. This new landscape presents a "climate paradox": while lower prices ease the political burden of a "just transition," they risk locking in carbon-intensive infrastructure in developing regions (**OECD, 2025; UNEP, 2025; Dixit, 2026**). Ultimately, the new energy order demands that nations leverage competitive pricing to fund sustainable infrastructure, ensuring that the "OPEC unravelling" catalyses national resilience rather than policy complacency.

Near-Term versus Long-Term Distributional Analysis: The distributional consequences of the UAE withdrawal from OPEC are defined by a temporal shift that creates a three-tiered timeline of global economic impact. In the near-term (2026), the dominant market force is the Strait of Hormuz blockade rather than institutional realignments; during this phase, non-Hormuz-dependent exporters like the United States, Russia, and Canada capitalize on "conflict-inflated" prices, while major importers such as India and the European Union endure fiscal strain and inflationary pressure (**The Economist, 2026; Kasturi and Sons, 2026; NITI Aayog, 2026**). As regional security stabilises in the medium-term (2027–2029), the UAE's aggressive scaling toward 5 million bpd is projected to trigger a structural supply glut, reversing the advantage toward energy-intensive importers while punishing high-breakeven producers like Nigeria and Venezuela, who cannot sustain stability in a low-price environment (**IEA, 2025**). Ultimately, in the long-term (2030+), success will be measured by energy transition resilience; nations like the UAE, which leveraged the "oil revenue window" to fund **Masdar** and the **Abu Dhabi Economic Vision 2071**, are positioned as victors (**UNDP Human Development Report, 2026**). In contrast, economies heavily reliant on elevated prices for execution, such as Saudi Arabia's **Vision 2030**, or those with limited diversification strategies, remain structurally vulnerable to the inevitable terminal decline of the hydrocarbon era (**Business Today, 2026; UNEP, 2025; Dixit, 2026**).

The 'Last-Barrels' Imperative Across Producer Nations: The strategic pivot of the UAE toward a "last-barrels" mandate represents a fundamental shift in the political economy of oil, predicated on the necessity to maximise production volumes before peak demand permanently devalues underground reserves. As the global energy transition gains velocity, this strategy is increasingly adopted by low-cost producers, intensifying the centrifugal pressures on cartel arrangements documented in **Fattouh et al. (2012)**. Classical theoretical models in **Hotelling (1931; Dasgupta and Heal, 1974)** predict that as the time horizon for fossil fuel demand contracts, the shadow value of future production diminishes, incentivising immediate liquidation over the traditional preservation of future rents. This logic carries profound implications for the long-term viability of OPEC; if other low-cost producers like Kuwait or Saudi Arabia conclude that volume maximisation is strategically superior to price-defensive supply restraint, the cartel's operational premise effectively collapses. The **ADB's Clean Energy for Development report (2025)** notes that the energy transition is fundamentally reshaping supply-side strategies, turning the "resource curse" into a "liquidation race" where producers rush to monetise assets before they become stranded (**Gill, 2025; The Economist, 2026**). Ultimately, as documented by the **GOI (2026)**, the fragmentation of OPEC is a foreseeable consequence of this imperative. For major consumers like India, this supply-side shift offers a window of relative affordability, provided they navigate the "carbon lock-in" risks highlighted by **Andersen and the UNEP (2025)**. As noted in **Kasturi and Sons (2026)** and **Mint (2026)**, the global energy order is moving toward a competitive, volume-driven market where the ability to transition oil wealth into sustainable infrastructure will distinguish long-term winners from those left with obsolete, unmarketable assets.

Global Energy Governance: From Collective to Bilateral: The departure of the UAE from OPEC on May 1, 2026, accelerates a structural pivot in global energy governance, moving away from collective cartel-based management toward a fragmented landscape of competitive, bilaterally negotiated relationships. As noted by **Anver Versi (2026)**, the central challenge for global stability has shifted from monitoring cartel membership to identifying cooperation models that ensure reliability within a sovereign-driven environment. This reconfiguration reflects a broader trend where producer states increasingly prioritise national strategic interests over collective production discipline (**Flowers, 2026**). In this context, the International Energy Agency (IEA) is poised to gain significant institutional relevance as the influence of traditional cartels wanes, with its mandate for coordinating energy security and market transparency becoming vital to mitigating supply shocks (**Birol, 2026; Toril Bosoni, 2026**). Furthermore, the push for a strengthened IEA with expanded developing-country membership suggests a new path for managing the post-OPEC order (**Mathias Cormann, 2025; Mary Burce Warlick, 2025**). The "World Energy Trilemma" framework—balancing security, equity, and sustainability—remains the essential normative tool for evaluating these emerging arrangements as nations struggle to reconcile reliable demand with decarbonization goals (**Angela Wilkinson, WEC, 2024**). Ultimately, as documented by **Gill (2025)**, future governance must harmonise national strategic autonomy with the global imperatives of market stability and climate

responsibility. The transition suggests that global energy stability will no longer hinge on rigid centralised mandates, but on the ability of sovereign states to maintain equilibrium through decentralised, multi-aligned cooperation.

11.0 Policy Recommendation

The structural transformation of the global energy order in 2026 necessitates a multidimensional policy response centred on resilience, strategic bilateralism, and institutional modernisation. India must pivot toward active strategic diplomacy by formalising a government-to-government supply framework with the UAE under the **Comprehensive Economic Partnership Agreement (CEPA)**, incorporating long-term volume commitments and equity participation in **ADNOC** projects (**Ministry of Petroleum and Natural Gas, 2025**). To bypass the volatile **Strait of Hormuz**, securing binding agreements for the **ADCOP Fujairah pipeline** is essential for ensuring uninterrupted crude access (**The Hindu, 2026; India Today, 2026**). Furthermore, India must accelerate its **Phase-II Strategic Petroleum Reserve (SPR)** expansion toward a 30-day import cover using a Public-Private Partnership model to enhance efficiency (**NITI Aayog, 2026; Bennett, Coleman and Co, 2026**). Parallel to these national efforts, oil-importing developing nations should collectively engage the **IMF, World Bank, and ADB** to establish emergency liquidity facilities to buffer the projected 24.0 per cent energy price surge in 2026 (**World Bank, 2026; IMF, 2026**). These nations should capitalise on the medium-term window of competitive pricing—as **UAE production** scales to 5 million bpd—to aggressively fund renewable capacity and reduce structural dependence (**ADB, 2025**). For the remaining **OPEC** members, institutional survival depends on implementing credible third-party production verification and updating quota methodologies to reflect evolving fiscal break-even needs, thereby preventing further defections (**OPEC Bulletin, 2025; Flowers, 2026**). Finally, global energy governance must be modernised to reflect a multi-polar market; the **IEA, IRENA, and WEC** should develop unified frameworks for market transparency while accelerating the inclusion of **India and China** in core leadership structures (**OECD, 2025; Birol, 2026; Angela Wilkinson, WEC, 2024**). In summary, navigating the post-OPEC landscape requires a dual-track strategy: securing immediate energy access through expanded strategic reserves and bilateral logistics while fostering long-term resilience through accelerated clean energy diversification and inclusive international governance.

12.0. Conclusion

The withdrawal of the UAE from the OPEC and OPEC+ alliances represents a definitive historical rupture in the global political economy of energy. This seismic shift signifies the end of an era defined by centralised, cartel-driven supply management and the dawn of a new, decentralised order governed by sovereign strategic autonomy and competitive bilateralism. The UAE's exit is not merely a localised dispute over production quotas; it is a fundamental adaptation to the accelerating energy transition and the "last-barrels" imperative, where low-cost producers must monetise their reserves before global demand peaks and devalues their natural assets. This transition creates a landscape of sharp contrasts and significant redistributions of power. While OPEC faces a terminal decline in its ability to dictate global price floors, major energy consumers—specifically India and the United States—find themselves at a strategic advantage, empowered to negotiate more favourable, direct terms and bypass traditional regional chokepoints. However, this fragmentation also introduces new volatilities and geostrategic risks, particularly for high-breakeven exporters whose fiscal stability has historically relied on cartel discipline. Ultimately, the UAE's departure serves as a critical bellwether for the future. It demonstrates that as fossil fuel time horizons contract, the incentives of producing nations are diverging past the point of collective reconciliation. The success of nations in this post-OPEC world will no longer depend on their membership in a cartel, but on their diplomatic agility, their ability to secure resilient bilateral supply chains, and their commitment to utilising the current revenue window to finance a sustainable, diversified economic future. The transition from collective management to a competitive, multi-polar market marks the beginning of the end for the petroleum-based monopolies of the 20th century.

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