US President Donald Trump says he had a “BIG” talk with Russian President Vladimir Putin and Saudi Arabia’s King Salman over oil production. According to the news, a deal was reached where Russia and the Saudis would cut back production by 10 million bpd from global supply beginning in May. If the deal pans out, Vladimir Putin will have thrown a lifeline to Trump and his shale oil friends.

OPEC just issued a press release, that tells of all producers cutting back from a baseline of their average for October 2018, with the exception of Russia and Saudi Arabia. The announcement lays out a framework for cutbacks, and reads, in part:

“Adjust downwards their overall crude oil production by 10.0 mb/d, starting on 1 May 2020, for an initial period of two months that concludes on 30 June 2020. For the subsequent period of 6 months, from 1 July 2020 to 31 December 2020, the total adjustment agreed will be 8.0 mb/d.”

The coronavirus pandemic has turned the world energy market upside down owing to the almost total stoppage of free movement, and because of the looming economic disaster. The situation has become a kind of perfect storm for all concerned, but especially for President Trump’s shale oil constituencies. Demand is cut down to a bare minimum, and the end is not in sight despite Trump’s promises of opening the economy back up. The COVID-19 nightmare has not even peaked yet.

Meanwhile, Russia and the Saudis were already in the midst of a price/production war where Russia had already squeezed Aramco out of the Asia market. Russia had the Saudis on the ropes back in December of 2019, when the international benchmark for Brent crude traded at $64.70. Brent stands at $31.48 as I write this. That’s less than the
cost to produce a barrel in the US Today, Reuters is reporting:

“Major US lenders are preparing to become operators of oil and gas fields across the country for the first time in a generation to avoid losses on loans to energy companies that may go bankrupt.”

Bankrupt! We need to focus on just how ludicrous the idea of a US shale boom was for American policy and for her people. Those who proclaimed they would make American great again may just as well have prophesied her destruction. Russia was already winning the LNG war with the United States as of February 2020, which is when experts began speculating the coronavirus pandemic might destroy America’s shale boom. The aggressive energy strategies Mr. Putin put in place by the end of 2019 were taking a toll, especially on Saudi Arabia. In the midst of Saudis’ declining influence, with rumors of “peak oil” having already been reached, Russia has to emerge to a rightful place. Somehow, today’s crises seem to revolve around the west trying to prevent the inevitable.

Now, COVID-19 has gripped the American administration by the throat, spelling the end of the US unsustainable shale gamble loomed. So, with ghastly western sanctions gripping his own country, why would Russia’s president throw perceived economic enemies a life preserver? The answer is deceptively simple. Vladimir Putin has always had a better understanding of what a global economy should look like. While his western counterparts have been practicing exclusivism through curtailing Russia, Iran, and other perceived competitors through weaponized economics, Putin’s long view was always about cooperation and fair competition. I’ve reported dozens of times on the so-called “Third Way” of Putin. But today’s events make me recall his Lisbon to Vladivostok, which was an extension of the Eurasian Union envisioned to create a harmonized community of economies.

Putin’s ideology and strategy are so simple. He only wants Russia to sit in its proper prosperous seat in the world. Every move he has made since the 2014 Winter Games in Sochi has shown this. The “lifeline” is simply a pragmatic reaction to the situation. If Putin were Stalin or Nikita Khrushchev, as some idiots suggest, he’d starve his own people to run the American’s and the Saudis out of the oil business for good. The “mission” is not that, contrary to popular western beliefs. No, Putin’s pandemic aid to Italy and other nations is not a soft power mechanism as much as it is a European community effort. The Washington think tanks never seem to be able to connect the cultural/tradition dots between Moscow and the European capitals. A few battalions of military medical help looks like a Russian invasion to Cold War mentalities. But to dying Italians, it looks like mercy. Again, America and her allies just cannot translate Russian.

According to the Reuters sources, JP Morgan Chase & Co, Wells Fargo & Co, Bank of America Corp and Citigroup Inc are in the process of setting up independent companies to own oil and gas assets once touted as the engines of America’s resurgence. Whiting Petroleum Corp was the first producer to file for Chapter 11 bankruptcy on April 1. According to the reports, Chesapeake Energy Corp, Denbury Resources Inc, and Callon Petroleum Co are panicked into hiring debt advisers. So much for squeezing the last drop of greatness out from under Texas. To make matters even worse, the banks taking over these assets will be left holding an oily bag of nothing. More jobless workers will hit the unemployment lines.

The carnage of America’s disastrous foreign policy does not just destroy the United States’ dream of unbridled shale oil prosperity. On the frontiers of Russia, the Estonians copycat shale operations are a disaster too. State-owned energy company Eesti Energia just got the green light for a €286 million euro oil shale plant. Since 2012, 70% of Estonia’s oil shale was used for producing almost 90 percent of the country’s electricity generation. Now it will be cheaper for Estonia to buy natural gas or oil from Russia. Which, ironically, might have happened under better circumstances anyway, had NATO not needed to play war. Plugin just about every eastern European nation you can think of here. The propaganda we read now seems idiotic, like this Balkan Insight story about Romania’s “failing” to be like the Americans in shale oil brilliance. The story begins with:

“Badly thought-out politically driven interventions in Romania’s energy sector have pushed up the price of gas – and risk leaving the country worryingly dependent on Russia.”

Excuse me, but in a globalized situation, wouldn’t energy from the most sustainable, cheapest, and most stable source be the right move? I mean, if Europe decided to include Russia as a member of the community, wouldn’t all this friction disappear?

Maybe President Trump will accept this olive branch from Mr. Putin in the best possible light. Perhaps the world can finally reach some accord on the best way to proceed past the looming Great Depression II. America cannot, Russia
cannot, no country on this world can truly be great without the cooperation of the other nations. Instead of American dominance, we need nature to dominate our actions going forward. Russia, Iran, and Venezuela have “the gas” - why not let these nations and their people benefit? As an American, I can see the United States prospering using something else. Maybe old fashioned ingenuity, like my grandfather preached.

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