

OPEC · THE SAUDI-EMIRATI RIFT

The end of a *one-way bargain*

Abu Dhabi spent a decade subsidising Riyadh's budget through forgone barrels. The Iran war revealed how little it received in return — and why leaving OPEC was the only rational answer.

For the better part of a decade, the United Arab Emirates underwrote Saudi Arabia's fiscal arithmetic. Riyadh, whose budget balances only with Brent near \$80 a barrel, leaned on OPEC+ to throttle supply. Abu Dhabi, having sunk billions into lifting capacity towards 5m b/d, was obliged to leave much of it in the ground. The transfer was implicit but substantial: forgone Emirati barrels in exchange for a Saudi price floor that financed Vision 2030.

Reciprocity never followed. Flush with the revenues its restraint had helped secure, Riyadh turned the proceeds against its benefactor. The 2024 headquarters rule — relocate to the Saudi capital or forfeit state contracts — was a deliberate raid on Dubai's regional hub franchise, financed in part by the very prices Emirati discipline had sustained.

The Iran war laid the asymmetry bare. The UAE, courtesy of its alignment with Washington and Jerusalem, absorbed the heaviest retaliation of any state bar Israel: hundreds of missiles and drones, a paralysed Dubai International, hotel occupancy down four-fifths, an estimated \$60bn in infrastructure damage and \$120bn evaporated from local equity markets. Saudi Arabia, less

exposed to tourism, aviation and footloose capital, watched Brent vault past \$100 and saw its chronic deficit problem dissolve in the smoke. The same conflict that hollowed out Dubai's service economy refilled Riyadh's treasury.

The diplomatic split followed the economic one. When Abu Dhabi pressed at the UN for force to reopen the Strait of Hormuz, Riyadh declined to back the push, preferring back-channel diplomacy; the use-of-force resolution was ultimately blocked by Russia, China and France. The Saudi preference was rational: every additional week of disruption was a transfer from global consumers to its exchequer. The Emirati preference was equally rational, and pointed in the opposite direction.

Hence the OPEC exit. The cartel offered Abu Dhabi no mechanism to recoup what discipline had cost it, and no insurance against a partner whose interests now ran the other way. ***In benign markets the UAE subsidised Saudi solvency; in hostile ones Saudi solvency was subsidised by Emirati pain.*** Leaving is not pique. It is the recognition that the arrangement was always a one-way ratchet, and that an economy with fiscal surpluses, surplus capacity and a shrinking demand horizon has no further use for it.

Anatomy of a *one-way bargain*

A decade of quiet sacrifice, a war absorbed alone, and a partner Abu Dhabi could no longer afford. The argument in four panels.

01 · THE SUBSIDY

UAE underwrote Saudi solvency

Saudi Arabia's budget balances only with Brent near \$80, the level Vision 2030 requires. To defend that floor, OPEC+ throttled supply — and Abu Dhabi, having invested heavily in lifting capacity, was forced to leave much of it idle. The transfer was implicit but real: Emirati barrels forgone, Saudi revenues preserved.

UAE CAPACITY

~5m b/d

Built towards capacity it could not freely use under quota.

SAUDI BREAK-EVEN

~\$80

Brent level Riyadh's budget requires.

02 · THE WEAPONISATION

Riyadh turned the proceeds against Dubai

The revenues Emirati restraint helped secure financed Vision 2030 — including measures aimed squarely at Dubai. The 2024 Regional Headquarters rule required multinationals to base their regional HQ in Riyadh or forfeit Saudi state contracts: a deliberate raid on the UAE's hub franchise.

2024 RHQ RULE

Relocate or lose contracts

Multinationals required to move regional HQs from Dubai to Riyadh to remain eligible for Saudi government tenders — financed in part by the very oil prices Emirati discipline had sustained.

03 · THE ASYMMETRY

In war, the pain flowed one way; the windfall, the other

■ UAE · ABSORBED

- 398 ballistic missiles, 1,872 drones — most-targeted state after Israel
- ~\$60bn estimated infrastructure damage
- ~\$120bn wiped from UAE-listed equities (ADX + DFM)
- Dubai hotel occupancy down 70–80%; DXB shut

■ SAUDI · BENEFITED

- Brent above \$100 for sustained period
- Chronic budget deficit erased by price surge
- Tadawul resilient; less tourism / aviation exposure
- Vision 2030 funding pressure eased materially

04 · THE EXIT

When interests diverged, so did the alliance

Abu Dhabi pressed at the UN for force to reopen the Strait of Hormuz. Riyadh declined to back the push, preferring back-channel diplomacy — the use-of-force resolution was ultimately blocked by Russia, China and France. Every additional week of disruption was a transfer from global consumers to Saudi's exchequer. The UAE, bleeding tourism revenue daily, calculated the opposite.

In benign markets the UAE subsidised Saudi solvency. In hostile ones, Saudi solvency was subsidised by Emirati pain.

OPEC offered no mechanism to recoup what discipline had cost. With fiscal surpluses, surplus capacity, and a shrinking demand horizon, Abu Dhabi exited the cartel effective 1 May 2026.