Negative Brief: Saudi Oil / Energy Independence

By “Coach Vance” Trefethen

AFF Plan declares a boycott on importing oil from Saudi Arabia and possibly other countries to try to achieve "energy independence" as if that were a goal worth achieving, though the plan probably gives no justification for why that's a good thing.

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Negative: Saudi Oil / Energy Independence

GOAL / CRITERION RESPONSES - "Energy Independence" is a bad goal

"Energy Independence" is a bad goal. We should want "Energy Interdependence" instead because it produces the best net benefits

Simon Lester 2013. (Former Associate Director, Herbert A. Stiefel Center for Trade Policy Studies, Cato Institute) 22 Nov 2013 "The Goal Should Be Energy Interdependence" (accessed 27 Mar 2023) https://www.cato.org/commentary/goal-should-be-energy-interdependence

Over the past several years, there has been a boom in energy production in the United States, as new technology has allowed the industry to access previously unrecoverable oil and gas reserves. Some have suggested that these new resources will allow the United States to become “energy independent.” In my view, though, whether this happens — and it may — is purely an academic exercise. Energy independence should not be a policy goal, and energy interdependence actually makes us better off.
**END QUOTE. HE EXPLAINS WHY LATER IN THE SAME ARTICLE, WRITING QUOTE:**
Turning to the core issue — independence versus interdependence — the argument for trading energy is the same as the argument for trading any goods or services. Drawing on some very basic economic principles, the only way we should want the United States to be “energy independent” — that is, buying all its energy from domestic sources — is if we had a comparative advantage in producing these resources. If that were the case, then yes, we should buy only domestic energy. But if not, Americans are better off buying their energy from whomever can produce it relatively most efficiently. Sometimes that will be an American producer, but sometimes not. Trading energy in this way will bring lower prices, and, furthermore, diversifying our supply brings greater energy security and stability. Thus, trading energy resources is not something to worry about. Rather, it is something to celebrate.

HARMS / SIGNIFICANCE

1. Saudi oil insignificant

Saudi oil is 6.6% of US oil imports (520,000 divided by 7.86 million barrels /day)

Christopher Wolf 2022 (journalist) 28 Feb 2022 US NEWS & WORLD REPORT "Where Does the U.S. Get Its Oil?" (accessed 19 Dec 2022) https://www.usnews.com/news/national-news/articles/2022-02-28/where-does-the-u-s-get-its-oil

Of the 7.86 million barrels per day the U.S. imported in 2020, the majority came from its North American neighbors: Canada, with 4.13 million barrels (52.5%), and Mexico, with 750,000 (9.6%). But imports coming from outside North America are significant. Russia, with 540,000 barrels a day (6.6%), was the top non-continental contributor. Roughly 11% of the imports came collectively from OPEC countries, including 520,000 from Saudi Arabia.

Saudi oil is 2.6% of total US consumption (520,000 divided by 19.89 million barrels/day)

US Energy Information Administration 2022 (agency of the US Dept of Energy) "How much oil is consumed in the United States?" Last updated: September 19, 2022, with final annual data for 2021 (accessed 19 Dec 2022) https://www.eia.gov/tools/faqs/faq.php?id=33&t=6

In 2021, the United States consumed an average of about 19.89 million barrels of petroleum per day, or a total of about 7.26 billion barrels of petroleum. This was an increase in consumption of about 1.6 million barrels per day over consumption in 2020.

2. Imports have no impact on oil prices

"Energy Independence" has nothing to do with the price of oil because oil is priced on global markets

Justin Logan 2022 (master’s degree in international relations from University of Chicago ) "Middle East Security" (accessed 27 Mar 2023) https://www.cato.org/cato-handbook-policymakers/cato-handbook-policymakers-9th-edition-2022/middle-east-security#oil

When the price of oil in one country rises, it rises in all countries—even those that claim to have achieved the Shangri‐​La of “energy independence.” There is no way to make a country independent from the world price of oil. When supply decreases, price goes up, and producers have an incentive to produce more oil to reap the higher profits.

SOLVENCY

1. Some refineries can't use domestic oil

Some US refineries can't process crude oil from the US because they're designed for heavier foreign oils

Scott Lincicome 2022 (Director, General Economics and the Herbert A. Stiefel Center for Trade Policy Studies, Cato Institute) "Actually, America Isn’t ‘Energy Independent.’ (And That’s a Good Thing.)" 16 Mar 2022 (accessed 27 Mar 2023) https://www.cato.org/commentary/actually-america-isnt-energy-independent-thats-good-thing

Second, there’s the issue of refineries. For example, North America’s biggest refinery—[Motiva’s Port Arthur, Texas, facility](https://en.wikipedia.org/wiki/Port_Arthur_Refinery)—is owned by Saudi oil giant Saudi Aramco and imports crude from its overseas affiliate. (Total oil imports from Saudi Arabia, however, are low by historical standards.) Also, and as numerous commentators have noted recently, many U.S. refineries were built before the shale boom and remain optimized to process different (heavier) oils than the lighter stuff than comes from much of the United States. This last point is particularly an issue for a few refiners on the Gulf Coast, which have been importing Russian feedstocks ever since U.S. sanctions on Venezuela effectively banned that heavy crude from the market. For those refineries, an easy American substitute isn’t available.

Impacts: Dilemma. Give up "independence" goal or shut down the refineries

Refineries that can't process US-sourced crude oil will shut down when the AFF's plan takes away their only source of inputs. That won't be good, since then the supply of refined oil products like gasoline and jet fuel will be reduced, and reducing the US national supply of energy probably wasn't what they wanted to accomplish with their plan. Or, the refineries can keep importing, but that defeats the goal of the AFF plan. And that suggests that their Goal isn't a good one, or at least not an achievable one.

2. Won't solve for gasoline prices

U.S. gasoline prices have nothing to do with U.S. "energy independence" because it's a global market

Scott Lincicome 2022 (Director, General Economics and the Herbert A. Stiefel Center for Trade Policy Studies, Cato Institute) "Actually, America Isn’t ‘Energy Independent.’ (And That’s a Good Thing.)" 16 Mar 2022 (accessed 27 Mar 2023) https://www.cato.org/commentary/actually-america-isnt-energy-independent-thats-good-thing (ellipses in original)

Surely, U.S. production and policy can influence global (and domestic) prices over the medium‐ to long‐​term, but they can’t control it — especially not quickly. Or, as Rapidan Energy’s Bob McNally [told CNN](https://www.cnn.com/2022/03/10/politics/record-gas-prices-wont-be-solved-by-drilling-more-oil-climate/index.html) last week:
What Americans and US officials really care about is the price of gasoline, and that has almost nothing to do about whether we’re energy independent or not… Can the US wall itself off from volatility in the global oil market? The answer is “no.”

DISADVANTAGES

1. Higher oil prices

Replacing imported oil with US domestic oil is more expensive because of the Jones Act

Colin Grabow 2022 (research fellow at the Cato Institute’s [Herbert A. Stiefel Center for Trade Policy Studies](https://www.cato.org/herbert-stiefel-center-trade-policy-studies)) 9 March 2022 "Russian Oil Is Off the Table but the Jones Act Serves as a Barrier to Using Domestic Supplies" (accessed 20 Dec 2022) https://www.cato.org/blog/russian-oil-table-jones-act-serves-barrier-using-domestic-supplies

With imports of Russian oil (as well as coal and natural gas) now [banned](https://www.whitehouse.gov/briefing-room/speeches-remarks/2022/03/08/remarks-by-president-biden-announcing-u-s-ban-on-imports-of-russian-oil-liquefied-natural-gas-and-coal/), the country’s refineries must decide on alternative sources. The good news is that there are U.S. grades of crude oil [well‐​suited](https://rbnenergy.com/were-not-gonna-take-it-what-do-us-refineries-import-from-russia-and-what-if-they-stop) for refineries on the East and West Coasts. The bad news is that the protectionist [Jones Act](https://www.cato.org/project-jones-act-reform) stands in the way of getting this oil from where it is produced in the United States to other parts of the country where it is needed. Passed in 1920, the Jones Act restricts the domestic waterborne transportation of goods—including energy products—to vessels that are U.S.-flagged and built as well as mostly U.S.-crewed and owned. Meeting these requirements isn’t cheap. A U.S.-built tanker is estimated to cost nearly four times more than one built overseas ([$150 million](https://www.americanshippingco.com/wp-content/uploads/sites/2/2022/01/AMSC-Company-Presentation-Jan-2022.pdf) versus [$40 million](https://compassmar.com/reports/Compass%20Maritime%20Weekly%20Market%20Report.pdf)) while operating costs are also [significantly](https://www.gao.gov/assets/gao-18-478.pdf) higher. The inevitable result is expensive shipping rates that can make it [cost‐​prohibitive](https://www.ft.com/content/b1ea86dc-ade6-11e7-aab9-abaa44b1e130) to transport oil within the United States, thus tipping the scales in favor of imports.

West Coast refineries will have higher costs because, for them, imported oil is cheaper than oil from the US (due to added transportation costs of railroads and the Jones Act)

Scott Lincicome 2022 (Director, General Economics and the Herbert A. Stiefel Center for Trade Policy Studies, Cato Institute) "Actually, America Isn’t ‘Energy Independent.’ (And That’s a Good Thing.)" 16 Mar 2022 (accessed 27 Mar 2023) https://www.cato.org/commentary/actually-america-isnt-energy-independent-thats-good-thing

Petroleum products also need ships, pipelines, trucks, trains, and related facilities to be transported around the country or the world, and this can affect trade flows. Sometimes, this is just a matter of availability or geography—transporting liquids across the Rocky Mountains by rail, for example, isn’t cheap or easy, so West Coast refiners often rely on imports of light crude that’s also produced in the United States. Other times, however, it’s regulatory: Oil and gas pipelines and LNG export terminals, for example, are subject to lengthy, often burdensome reviews. And, of course, the Jones Act makes transporting crude, refined products, and natural gas (LNG) from the Gulf to certain U.S. destinations cost‐​prohibitive, so these consumers buy from foreigners instead, while U.S. refineries export the same products elsewhere.

2. Increased price volatility and supply vulnerability

"Energy independence" actually makes us more vulnerable: For example, when a hurricane hits the US Gulf Coast, imports would solve for supply shortages (but not after AFF bans them)

Scott Lincicome 2022 (Director, General Economics and the Herbert A. Stiefel Center for Trade Policy Studies, Cato Institute) "Actually, America Isn’t ‘Energy Independent.’ (And That’s a Good Thing.)" 16 Mar 2022 (accessed 27 Mar 2023) https://www.cato.org/commentary/actually-america-isnt-energy-independent-thats-good-thing

This rather disappointing conclusion might lead some to suggest that the United States would have been better off if we limited trade (imports and exports) and embraced isolationism instead. But, even leaving aside that prices in isolated energy markets (for example, the United States’ [natural gas market](https://ourworldindata.org/grapher/natural-gas-prices) in the early 2010s before we had substantial LNG export capacity online) still generally track global prices, there is plenty of evidence that “energy autarky” would make things worse, not better for U.S. producers, consumers, and broader national interests.  First, economic isolation would exacerbate domestic economic shocks. We covered this generally just last week, but the U.S. energy market provides a real‐​world lesson every time a major hurricane hits the Gulf of Mexico (where a lot of U.S. energy production is located). Then, domestic petroleum supplies taken offline by storm‐​related shutdowns are rapidly replaced by imports, leaving the U.S. market generally stable overall. (See, for example, [Hurricane Ida in 2021](https://www.reuters.com/business/energy/shell-declares-force-majeure-some-oil-deliveries-after-hurricane-ida-2021-09-09/) and [the role](https://twitter.com/scottlincicome/status/1299042844540362753) financial traders play in this “market calming” process.)

3. Higher refinery costs

Cross apply the Solvency card link: Some US refineries can't use US oil, because they're designed for foreign oils

Impact: Higher consumer prices, because total production goes down due to refineries not able to work

Scott Lincicome 2022 (Director, General Economics and the Herbert A. Stiefel Center for Trade Policy Studies, Cato Institute) "Actually, America Isn’t ‘Energy Independent.’ (And That’s a Good Thing.)" 16 Mar 2022 (accessed 27 Mar 2023) https://www.cato.org/commentary/actually-america-isnt-energy-independent-thats-good-thing

Second, isolation can actually discourage domestic production. For starters, refiners benefit from unfettered access to cheap feedstocks from around the world—feedstocks that often are supplied (in optimal form, at least) by only foreign producers. Limit that access, and these companies decrease production or pass on their higher costs to American consumers.

4. Overall negative net benefits

Federal micromanagement of US energy markets leads to more instability and everyone worse off in the long run

Scott Lincicome 2022 (Director, General Economics and the Herbert A. Stiefel Center for Trade Policy Studies, Cato Institute) "Actually, America Isn’t ‘Energy Independent.’ (And That’s a Good Thing.)" 16 Mar 2022 (accessed 27 Mar 2023) https://www.cato.org/commentary/actually-america-isnt-energy-independent-thats-good-thing

Finally, efforts to micromanage U.S. and global energy markets would surely generate broader economic and geopolitical harms. As the Trump “trade wars” and early days of the pandemic taught us (when medical goods export restrictions temporarily proliferated), for example, U.S. trade restrictions would likely breed foreign copycats, as short‐​term political or economic factors pushed other governments to respond in‐​kind. Mandates, meanwhile, could produce supply gluts (and eventual cuts). Either way, the result would be even more instability and even less investment/​production (except, perhaps, for state‐​owned producers abroad that lack typical market incentives!), leaving almost everyone worse off in the long run.

BIG LINK & BRINK TO DA's 5 and 6 ABOUT SAUDI RETALIATION

Link: AFF directs policy against Saudi Arabia and calls them bad guys

That's all throughout their case

Brink: US/Saudi relations are on the brink

NEW YORK TIMES 2022 (journalist Peter Baker) 11 Oct 2022 "Biden Vows ‘Consequences’ for Saudi Arabia After Oil Production Cut" (accessed 27 Mar 2023) https://www.nytimes.com/2022/10/11/us/politics/biden-saudi-arabia-oil-production-cut.html

President Biden vowed on Tuesday to impose “consequences” on Saudi Arabia for teaming up with Russia to cut oil production, signaling a rupture in the relationship between two longtime allies and a reversal of his own effort to cultivate the energy-rich kingdom. Amid deep anger over [last week’s decision by the Saudi-led OPEC Plus](https://www.nytimes.com/2022/10/05/business/opec-russia-oil-output.html), Mr. Biden’s staff announced that he would re-evaluate the entire relationship with Saudi Arabia and expressed openness to retaliatory measures offered by congressional Democrats such as curbing arms sales or permitting legal action against the cartel.

5. Terrorism

Link: US alliance with Saudi Arabia is key to fighting terrorism

Deborah Amos 2018 (International Correspondent for National Public Radio (NPR). She covers the Middle East for NPR News; degree in broadcasting from the Univ. of Florida) 19 Mar 2018 “Saudi Arabia: The White House Loves It. Most Americans? Not So Much,” <https://www.npr.org/sections/parallels/2018/03/19/595018861/trump-may-love-saudi-arabia-but-many-americans-do-not> [brackets added] (accessed 13 Oct 2022)

Backers of a close U.S.-Saudi relationship note that Riyadh has been a strong strategic partner for decades thanks to oil and regional politics. Saudi Arabia serves as counter-balance to Iran and the Saudis have helped the U.S. battle extremism. The U.S. needs Saudi assistance in a battle of ideas against al-Qaida and ISIS, says [professor of international affairs at Texas A&M, F. Gregory] Gause: "Liberal democracies are not going to talk them out of what they are doing. The Saudis can rebut them with their own language." "If the Saudis don't succeed, what does it mean for the region?" asks [retired intelligence officer who served with the CIA in the Middle East, Norman] Roule. He believes Saudi Arabia is too big to fail. "To me the answer is clear. We have to do everything we can to support him."

Impact: Reduced US national security. The Saudis greatly enhance America’s security

Thomas J. Barrack Jr. 2016 (International private equity investor and the founder and executive chairman of Colony Capital; foreign policy and economic advisor to Donald Trump), 22 Oct 2016, “What the Middle East Needs Now from America,” <http://fortune.com/2016/10/22/middle-east-isis-syria/> (accessed 13 Oct 2022)

Through the safeguarding of the Holy Cities of Mecca and Medina, which remain open to tens of millions of foreign visitors and differing Islamic beliefs, the Kingdom has a unique window into the actions and motivations of radical fundamentalists who pass in and out of those always accessible cities. By sharing that intelligence, the Saudis greatly enhance America’s security.

Impact: American lives. Good relationship with Saudi Arabia saves American lives by stopping terrorist attacks

Frank G. Wisner 2016 (Former ambassador to Zambia, Egypt, the Philippines and India. He served as Under Secretary of Defense for Policy and as Under Secretary of State for International Security Affairs. He is chairman of the board of the Arab Gulf States Institute in Washington) 5 May 2016 “America Still Needs Saudi Arabia,” <https://nationalinterest.org/feature/america-still-needs-saudi-arabia-16074> (accessed 13 Oct 2022)

As the world’s largest swing producer of crude oil, Saudi Arabia fuels the economies of our key trading partners in East and South Asia. It is an essential partner in our global counterterrorism effort; on more than one occasion, Saudi intelligence has enabled us to thwart terrorist attacks designed to kill American citizens in large numbers. It wields enormous influence across the Muslim world and can help determine the outcome of conflicts in places like Syria and Iraq—and ensure that key countries like Egypt remain stable. The relationship we maintain with Saudi Arabia provides us an opportunity we simply wouldn’t have otherwise to shape this influence.

Backup Link: The U.S. relies on Saudi Arabia’s help in going after al Qaeda and Islamic State

Dion Nissenbaum 2018 (national security reporter based in Washington for The Wall Street Journal. He covers the defense industry and the Pentagon. Previously based in Kabul, Afghanistan as a senior correspondent for The Wall Street Journal; graduated from the Univ of California, Berkeley) 18 Mar 2018, “In a Saudi War Room, Generals Grapple With Ways to Protect Civilians in Yemen,” <https://www.wsj.com/articles/in-a-saudi-war-room-generals-grapple-with-ways-to-protect-civilians-in-yemen-1521370801> (accessed 13 Oct 2022)

The U.S. relies on Saudi Arabia’s help in going after al Qaeda fighters in Yemen and Islamic State forces across the region. Prince Mohammed is working closely with White House adviser Jared Kushner, President Donald Trump’s son-in-law, on a new Middle East peace plan. And Riyadh has emerged as Washington’s most reliable ally in containing Iran’s influence across the Middle East.

Backup Brink: Impossible to fight Islamic terrorism anywhere in the world without Saudi Arabia’s help

Thomas J. Barrack Jr. 2016 (International private equity investor and the founder and executive chairman of Colony Capital; foreign policy and economic advisor to Donald Trump), 22 Oct 2016, “What the Middle East Needs Now from America,” <http://fortune.com/2016/10/22/middle-east-isis-syria/> (accessed 13 Oct 2022)

The Kingdom of Saudi Arabia has been our longest and strongest ally and, to many Westerners’ amazement, it is impossible for the US to move against any hostile Islamic group anywhere in the world without Saudi support. Almost two billion Muslims look to Mecca and Medina as their spiritual heartland and challenging any faction of Islam without the support of its guardian, Saudi Arabia, would be foolhardy.

6. Oil Weapon Backlash

Link: Saudis would retaliate Impact: Consumers and US economy harmed by higher oil prices

Rob Davies 2018. (reporter on the business deck for the Guardian) “How much damage can Saudi Arabia do to the global economy?” October 15, 2018. The Guardian. <https://www.theguardian.com/world/2018/oct/15/how-much-damage-can-saudi-arabia-do-to-the-global-economy> (accessed 13 Oct 2022)

Saudi Arabia enjoys a privileged position both in geopolitical and economic terms. It will have a powerful hand to play if tensions with the US and the west escalate and it follows through with Sunday’s warning of retaliation. **[END QUOTE**] Its vast oil reserves – it claims to have about 260bn barrels still to extract – afford the most obvious advantage. The kingdom is the world’s largest oil exporter, pumping or shipping about 7m barrels a day, and giving Riyadh huge clout in the global economy because it wields power to push up prices. An editorial in Arab News by Turki Aldhakhil, the general manager of the official Saudi news channel, Al Arabiya, offers a hint of what could be in the offing. He said Riyadh was weighing up 30 measures designed to put pressure on the US if it were to impose sanctions over the disappearance and presumed murder of Jamal Khashoggi inside the country’s Istanbul consulate. [**HE GOES ON TO SAY QUOTE**:] These would include an oil production cut that could drive prices from around $80 (£60) a barrel to more than $400, more than double the [all-time high of](https://www.theguardian.com/business/2008/jul/12/oil.commodities) $147.27 reached in 2008. This would have profound consequences globally, not just because motorists would pay more at the petrol pump, but because it would force up the cost of all goods that travel by road.

Impact: Consumers harmed. Higher oil prices = higher gasoline prices, which leaves less money for the rest of the things you want or need

Federal Reserve Bank of San Francisco 2007. “What are the possible causes and consequences of higher oil prices on the overall economy?” Nov 2007 https://www.frbsf.org/education/publications/doctor-econ/2007/november/oil-prices-impact-economy/ (accessed 13 Oct 2022)

As a consumer, you may already understand the microeconomic implications of higher oil prices. When observing higher oil prices, most of us are likely to think about the price of gasoline as well, since gasoline purchases are necessary for most households. When gasoline prices increase, a larger share of households’ budgets is likely to be spent on it, which leaves less to spend on other goods and services. The same goes for businesses whose goods must be shipped from place to place or that use fuel as a major input (such as the airline industry). Higher oil prices tend to make production more expensive for businesses, just as they make it more expensive for households to do the things they normally do.

Impact: Global economic damage.

Adam Vaughan 2018. (journalist) 25 Sept 2018 THE GUARDIAN (British newspaper) “Rising oil prices fuel fears of damage to global economy” <https://www.theguardian.com/business/2018/sep/25/rising-oil-prices-fuel-fears-damage-global-economy> (PetroMatrix is an oil industry research group) (accessed 13 Oct 2022)

The global economy could be damaged if oil prices return to $100 (£76) a barrel, experts have warned, after crude prices hit a four-year high of $82.16. Some market watchers have predicted prices between $90 and $100 by the year’s end after [Opec](https://www.theguardian.com/business/opec) last weekend rebuffed Donald Trump’s demands for the oil cartel to rein in prices by expanding production. Now after Tuesday’s high a leading analyst has said that if prices climbed to $100 – a level not seen since September 2014 – growth in oil demand would be “annihilated” and demand would fall sharply. Moreover, PetroMatrix said, emerging economies’ growth could suffer because of steep crude prices causing inflationary pressures that lead to interest rate rises. Those countries could also be forced to cut oil taxes, widening budget deficits. Any slowing in emerging markets would add to the recent economic challenges [facing countries including Turkey and Argentina](https://www.theguardian.com/business/2018/sep/08/emerging-economies-crisis-looms-shadow-america-boom-interest-rates).