

# Saudi Arabia Threatens to Ditch USD Oil Trades if NOPEC Passes



The time of the United States dollar (USD) being the world's main reserve currency is reportedly in jeopardy, as Saudi Arabia is threatening to sell its oil in currencies other than the USD if Washington passes a bill which exposes OPEC members to US antitrust lawsuits, according to a report from *Reuters*.

The article, which cites three sources familiar with Saudi energy policy, said that in recent months the option to remove the USD as its primary currency to sell its oil in has been discussed internally by senior Saudi energy officials.

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The threat has also been communicated to senior US energy officials, one source said, whilst the other two sources say the plan has been discussed with OPEC members.

The No Oil Producing and Exporting Cartels Act (NOPEC) is a bill that aims to remove sovereign immunity from US antitrust law. Established in 2000, the proposed legislation would allow OPEC states to be sued for manipulating oil prices by curbing output.

Although there have been several failed attempts to make the bill into law, it has begun to get more traction since Donald Trump was elected President of the US.

This is because, in a book published in 2011 before he was elected, Trump said he supported NOPEC.

However, since being in office, the President has not voiced any support for NOPEC. Rather, on multiple occasions he has highlighted the importance of US-Saudi relations.

## **Saudi Arabia Poses a Large Threat to the USD**

The likelihood that NOPEC will be passed is small, as is the likelihood that Saudi Arabia will follow up on his threat. Nonetheless, should the country resort to drastic measures, the foreign exchange (forex) industry would change as we know it.

The USD is the most traded global currency, accounting for a daily average volume of \$2.2 trillion, according to the Bank for International Settlements.

Among other factors, one of the influences to the USD's strength is that many commodities are priced in dollars, such as gold, copper and oil. The Intercontinental Exchange (ICE) and the Chicago Mercantile Exchange (CME), the top two global energy exchanges, traded a billion lots of oil derivatives last year, recording a nominal value of around \$5 trillion.

Saudi Arabia controls a 10th of global oil production and its oil firm, Saudi Aramco, is the biggest oil exporter in the world. Although oil prices fluctuate constantly, it is estimated to contribute around 2 to 3 per cent of global gross domestic product (GDP). Although not all oil volumes are traded in the USD, *Reuters* suggests that around 60 per cent is traded in the currency.

As stated above, although the NOPEC deal is not likely to be passed and Saudi Arabia will most likely not follow up on its threat, even tensions between the two countries could have an impact on the USD, although, nowhere near to the levels should the country carry out its threat.

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Source:

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