

SPECIALIZED BODIES

SAUDIARAMCO

BOARD OF DIRECTORS

Background Guide

VIRGINIA INVITATIONAL

VIM  NC

MODEL UNITED NATIONS CONFERENCE

8TH SESSION

MARCH 19TH - 20TH, 2021

HOSTED BY LANGLEY HIGH SCHOOL

VIMUNC VIII

MARCH 19th-20th, 2021



NOTE FROM THE SECRETARY-GENERAL

Esteemed Delegates and Sponsors of VIMUNC VIII,

When the 2020-2021 Langley MUN Secretariat was elected last March, we had grand plans of innovative committee types and creative crisis arcs for VIMUNC VIII. We wanted to build on our successful previous year and expand our club to reach new heights.

One week later, the pandemic hit, and, well, you know the rest of the story. The innovative plans we had for VIMUNC seemed in jeopardy.

But once the school year started in the fall, an energy all too familiar to our club re-emerged. As the circuit quickly converted to virtual conferences, we were able to compete at the same exceptional level of competition and diplomacy we have come to expect through the years. Though we had to deal with new issues such as spotty Wi-Fi and maneuvering breakout room unmods, the passion and the energy were all back, stronger than ever.

That's why, when we started planning VIMUNC VIII, we knew that the ideas and plans for our club and conference that we made before the pandemic could come back into the forefront, and we had a chance to create something truly special this year. With a never-before-attempted committee type in the Joint Specialized Committee of Korean Reunification: 2030 and a bold take on a classic favorite in the UNSC: 2080 Committee, VIMUNC VIII promises to do exactly that.

Whether this is your first or sixth VIMUNC, we hope that this year's conference will inspire you to do the same. Create something special from the difficult situations you are put in, and you'll be rewarded not just with an award, but a new passion, a new energy, a new light. Through all the years of competition and weekends, all the motions and resolutions, from my first VIMUNC to my sixth, it is what I've realized is truly important, and it is what I hope you take away from our conference.

It is my greatest honor to welcome you to VIMUNC VIII. Go forth, conquer, learn, and be rewarded with a new passion, a new energy, a new light.

Sincerely,

Daniel Kalish
Secretary-General
VIMUNC VIII

DANIEL KALISH

SECRETARY-GENERAL

ANAND MENON

*DIRECTOR-GENERAL OF
LOGISTICS*

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*UNDERSECRETARY-GENERAL
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Saudi Aramco

Board of Directors

TOPIC A: *Pollution of Oil Extraction/Fracking*

TOPIC B: *Maintaining Profitability with
Geopolitical Threats*

TOPIC A: Pollution of Oil Extraction/Fracking

Background Information

Since 1859, oil extraction has been the pinnacle of pollution on the earth. The Saudi Aramco has produced almost 5% of all global emissions since 1965. Oil pollution has been shown to induce climate change, oil spills, and endanger wildlife. Oil extraction is also better known as a technique called “Fracking”. However, fracking has been known to create contaminated drinking water sources. Some of the frack fluid can return to the Earth’s surface, and be included with rivers and streams contaminating any possible drinking water. Fracking is most largely used by the U.S because of the amount of drinking water bordering the U.S and of course the aspect of money. However, countries such as Saudi Arabia have been using seawater for fracking. However, this does not solve the problem of still having contaminated fresh water sources.

This technique has allowed the United States and rich oil companies such as Aramco to increase its domestic oil production and reduce oil imports. In order to frack a piece of land, a large amount of water is combined with multiple toxic chemicals to create a mixture that is then injected into boreholes and subterranean rocks to open up fissures in the earth's ground. Fracturing rock therefore uses potentially hazardous chemicals to release the oil from the rock strata. This method of oil production causes many problems in countries with less water. In South Asia/Middle East, significant water use for oil production may affect the availability of water for other uses and can potentially affect aquatic habitats. Faulty well construction or improper handling may result in leaks and spills of fracturing fluids.

Because of the amount of water used and the complexity of treating some of the wastewater components, treatment and disposal are important and challenging issues. Wastewater from fracking is frequently disposed of by injection into deep wells, typically into saltwater aquifers to limit the amount of contamination in freshwater sources. However, the injection of wastewater can cause earthquakes that may cause damage to the earth's foundation. Some of these earthquakes are large enough to be felt by the public, and can also cause structural issues to the buildings and natural features that are sitting on top of the earth. Oil extraction is also one of the leading causes toward oil spills. Oil spills are the result of accidents at oil wells or on the pipelines, ships, trains, and trucks that move oil from wells to refineries. Oil spills contaminate soil/water and may cause devastating explosions and fires if combined with a flammable element. The Federal Government of the US and industry are beginning to develop standards, regulations, and procedures to reduce the potential for accidents and spills. The US is also trying to find efficient ways to clean up spills when they occur.

Such large oil spills have the potential to cause widespread damage in the marine environment. Intertidal habitats including rocky coasts, sand flats, mudflats, and salt marshes are particularly vulnerable according to the U.K. Marine Special Areas of Conservation. Oil coats the surface of the water as well as the sediment surfaces and vegetation surfaces. This smothers plant and microbial life, affecting the rest of the ocean food chain. Ocean animals are poisoned and smothered with the oil residue as well. Large spills can be lethal to the wildlife populations living in the Coral Reefs, according to the National Oceanic and Atmospheric Administration such oil extraction methods are continued to be used.

Oil wells tend to be plugged when it is undesired in an economy usually due to an overproduction which loses its value. The standard way of plugging an oil well involves pouring cement into the ground to create a combination of multiple deep and shallow plugs throughout each gas, oil, coal, or water-bearing layer. Additional plugs were placed on the surface to isolate drinking water. However, it isn't so cheap for an oil well to be plugged efficiently. A Stanford study of abandoned oil and gas wells had revealed that a small percentage of oil and gas wells throughout the state of Pennsylvania had in fact produced the vast majority of the state's Methane emissions. If the site of the oil extraction site has the potential to be restored, then the area around the well may as well be cleaned up after. In a "Rigs to Reef" program, old offshore oil rigs are tipped over and left on the seafloor. Within a year after a rig is toppled, barnacles, coral, sponges, clams, and other sea creatures cover the rig. These artificial reefs are known to attract fish and other marine life, and they increase fish populations and recreational fishing and diving opportunities in the ocean.

Past Actions

As of January 2014, recommendations that could improve government inspections of offshore oil rigs are awaiting congressional action. These inspections would help ensure that rigs are safe, and minimize the risk of another catastrophe such as climate change and destruction of nature. Drilling companies would have to pay fees to fund inspections for the safety of these oil rigs and their access emissions. Methods such as fracking will also have to be minimized through safer ecological methods such as Steam-assisted Gravity Drainage (SAGD) and Cyclic Steam Stimulation (CSS) are recommended for oil companies.

In response to several major accidents involving trains carrying crude oil, the U.S. Department of Transportation and the Federal Railroad Administration established new standards for railroad tank cars, braking controls, and speed restrictions to reduce the potential of railroad accidents and oil spills. The Deep Horizon drilling rig explosion and oil spill in the Gulf of Mexico in 2010 prompted the U.S. government and the oil industry to review drilling technologies, procedures, and regulations to reduce the potential for similar accidents to occur.

Possible Solutions

Evolving technologies also helps reduce the effects of fracking and oil drilling. However, technologies that significantly increase the efficiency of exploration and drilling activities also reduce effects on the environment. Satellites, global positioning systems, remote sensing devices, and 3-D and 4-D seismic technologies make it possible to discover oil reserves while drilling fewer exploratory wells. Mobile and smaller *slim hole* drilling rigs reduce the size of the area that drilling activities affect. The use of “horizontal” and “directional” drilling makes it possible

for a single well to produce oil from a much larger area, which reduces the number of wells necessary to develop an oil resource.

Countries such as Saudi Arabia still plan to use Fracking because their economy has seen improvements with the use of it. Saudi Arabia has shown to be highly reliant on their oil manufacturing and fracking with the use of shale oil/crude oil as their core success. The new shale gas development would help the country to reduce burning an average of 800,000 barrels per day of crude and fuel for electricity, Nasser said, (the president and chief executive of Saudi Aramco) have freed up more crude for export if needed, he said, and reduce emissions. Aramco plans to invest \$110 billion into the use of fracking.

EPA promulgated the Oil and Gas Extraction Effluent Guidelines and Standards in 1979, and amended the regulations in 1993, 1996, 2001 and 2016. The regulations cover wastewater discharges from field exploration, drilling, production, well treatment and well completion activities. These activities take place on land, in coastal areas and offshore. However, the EPA only regulates U.S. activities through the oil industry. In the US, many producers of shale oil simply went out of business altogether, unable to live with the consequences of the “new normal” of low oil prices.

“Effluent Guidelines” are national standards for industrial wastewater discharges to surface waters and publicly owned treatment works (municipal sewage treatment plants). The EPA issued Effluent Guidelines for categories of existing sources and new sources under Title III of the “Clean Water Act”. Effluent Guidelines are also national regulatory standards for wastewater discharged to surface waters and municipal sewage treatment plants. These treatment plans have created the foundations of regulation through the extraction of oil.

Questions to Consider

- In what ways have Aramco taken measures to combat oil pollution
- Are there any safer solutions for oil extracting other than fracking?
- How will the oil industry be affected without the use of oil fracking?
- What limits, if any, should be put in place for oil extracting?

TOPIC B: Maintaining Profitability with Geopolitical Threats

Background Information

Geopolitical risk is known to be the number one global corporate risk. Internationally, it poses increasing management challenges, particularly at the board level. With growing interconnectedness over the course of history, geopolitics considers how people across nations make connections with each other through international relations (war/conflict, diplomacy, competition, etc.), governance, institutions, trade, and the coalescing of cultures. However, with great geopolitical efforts comes great risk. Threats and wars between countries have affected the trade market such as oil along with their economies greatly.

Some common examples of geopolitical risks include expropriation, human rights violations, regulatory burdens, cultural missteps, violence, etc. These risks not only affect the human population, but can hinder the success of many international companies and developing countries. Companies can face major declines in sales through their ongoing economic and governments status when these risks occur.

Geopolitics aims to minimize international threats. This encompasses location, topography, climate, natural resources, wealth, and of course, positioning in relation to significant forces such as bodies of water and most prominently, neighboring nations. Countries such as Saudi Arabia and Yemen have had brutal relations due to humanitarian and conflicts surrounding natural resource extraction. This has made many investors and shareholders pull out their investments on huge oil companies. These actions have impacted many national economies and tariffs greatly.

As the geopolitical landscape changes, so must the way in which leaders protect their businesses. A thorough understanding of the interlinked geopolitical risk and their impacts provides a strong foundation for prevention and protection against them. This is why it is imperative to understand and assess countries' geopolitics/interrelations so that potential economic crises are not at risk.

One real-world example of geopolitical risk affecting companies is the US-China trade war. Growing markets which rely heavily on global trade are especially to the negative effects of the US-China trade war. The war was caused by China's lower GDP and lower demand for goods. This led to other countries not trading as much with China. In addition, some other Asian economies are failing in terms of commerce from the lack of Chinese commerce to America. Instead, the focus of Chinese commerce was eventually diverted to certain developing countries including but not limited to Vietnam, Mexico, Malaysia, and Thailand. These developing countries eventually "took" exports to the US. Luckily, the "phase one" deal might help out the US. The "phase one deal" essentially addresses the US' commercial concerns. In addition to the "phase one" deal, the US has considered reducing tariffs, aiming to get more protection for imported products from China and more protection for US intellectual properties. Despite the

US' endeavors of the "phase one" deal and the lowering of tariffs, the war is much more likely to persist.

Despite all the global impact that geopolitical risk has had on certain companies, there are still solutions and efforts being made to alleviate the dangers of geopolitical risk on companies. In fact, some of the solutions which companies have implemented for a while now have proven to be successful in softening the threat of geopolitical risks.

Current Situation

The Saudi Aramco is the largest IPO in history. It also became the world's first \$2 trillion company—a valuation previously proposed under the Vision 2030. Consequently, Aramco has overtaken tech giants Apple and Microsoft, and the Chinese e-commerce company "Alibaba". However, considering the geopolitical climate of Saudi Arabia remains essential as it has a direct impact on the production and profitability of Saudi Aramco. Several risks are involved while considering an investment. Saudi Aramco is significantly affected by the actions of the government. Therefore, Saudi Arabia's involvement in the Yemen war and its tension with Iran are both strong factors that can have an effect on the fate of the company.

Furthermore, strict regulations and relation with neighboring countries has put a toll on Aramco through shareholders. The ongoing war in Yemen has adversely affected the company's facilities and, hence, its profitability. Aramco's exports dropped by 5.7 million BPD or about 50% of the company's production. Saudi stocks declined immediately after the attacks with Yemen. This has shown a strong interlink between Aramco and Saudi Arabia's economic decline. However, it is not all negative news for Aramco investors. According to reports from

Bloomberg and others, Aramco is and has been the most profitable company in the world. The company's 1.5% stakes remain one of the most attractive investments since it went public.

Companies such as *Wills Towers Watson*, have helped investors prevent destructive events happening, or at least minimize the impact if they do occur. They have delivered through a combination of industry-led and geopolitical risk consulting seminars. These companies have implemented "leading to risk mitigation and insurance solutions". Moreover, Crisis management and business continuity planning will be integrated with specialist insurances to support organizations and companies' risk appetites and reduce their total cost of risk.

Possible Solutions

The first key to combat the issue of geopolitical risk is to have a profound knowledge of such risks. Geopolitical risk assessments are important in this regard; they are meant to identify and assess the problems between two nations, and figure out ways to respond to these risks. When this protocol is implemented regularly, geopolitical risks can be identified earlier, thus preventing further damage to the alliances of nations and thus companies. Not only do geopolitical risk assessments protect companies from potential dangers, but they can also give companies a more profound understanding of threats and solutions. This allows companies to better know how to handle threats should they ever arrive. Businesses will be safer as a result without the threat of an extreme profit loss.

Geopolitical risk assessments analyze many aspects such as identifying discriminatory government actions, foreign interaction regulations, judiciary corruption, and detect security threats, all of which can hurt a business. In addition, they can also help companies in terms of figuring out the best ideas companies can utilize in order to succeed such as analyzing economic

stability and analyzing important infrastructures. Kroll, a company supporting clients to make major business decisions, has helped clients identify geopolitical impacts on business operations by incorporating geopolitical risk assessments.

Questions to Consider

- What other companies are aiming to help companies mitigate geopolitical risk?
- What other strategies are being implemented to protect companies from geopolitical risk?
- In what ways can countries alliance with others to better ensure economies?
- How much influence should governments have through international governments?
- What organizations work to solve such geopolitical issues?

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