

SAUDI CRUDE OUTPUT RECOVERS AS OPEC WEIGHS NEED FOR MORE OIL CUTS: PLATTS SURVEY

BY S&P GLOBAL PLATTS

- **OPEC pumps 28.45 mil b/d in Sep, down 1.48 mil b/d on month**
 - **Attacks cause Saudi output to shrink to 8.45 mil b/d**
 - **Sanctions-hit Iran, Venezuela hit multi-decade lows**

Just days after shocking missile attacks forced half of Saudi Arabia's crude production capacity offline in mid-September, energy minister Prince Abdulaziz bin Salman declared that state oil company Aramco would rise "like a phoenix from the ashes"

Saudi Arabia appears to have made good on that, with its crude output in October recovering to pre-attack volumes, according to the latest S&P Global Platts survey of OPEC production. The kingdom pumped 9.80 million b/d in October, the survey found, leading OPEC's total production back to 29.71 million b/d, a 1.26 million b/d rebound from its lowest level since the depths of the global financial crisis in 2009. Both Saudi Arabia's seaborne crude exports and storage levels rose over the last month, tanker tracking services and market intelligence firms surveyed said, as Aramco has endeavored to keep its reputation as a reliable supplier intact ahead of its initial public offering of shares next month. Full production capacity of some 12 million b/d may not be restored until the end of November, Saudi officials have said. Saudi Arabia has blamed Iran for the September 14 attacks that hit Aramco's critical Abqaiq crude processing facility and Khurais oil field, which knocked 5.7 million b/d of Saudi production capacity offline. Iran has denied involvement. Meanwhile, Venezuela, the UAE and Libya also increased their crude output in October, according to the survey, helping offset Ecuador's losses caused by civil unrest and falls in Angola, Iran, Iraq and Nigeria.

With production now seemingly stabilized, OPEC now turns its focus to its next meeting, December 5-6 in Vienna, when the group and its allies, including Russia, will debate the future of their collective output cuts, which are set to expire in March. Whispers of potentially deeper cuts have been dispelled in recent days by OPEC officials, including Secretary General Mohammed Barkindo, who told reporters on Wednesday that market fundamentals were looking rosier. Marine fuel sulfur regulations that go into effect January 1 and an easing of trade tensions between the US and China could be bullish catalysts. "2020 looks like it has upside potential that will also defy some of the gloomy predictions we have seen during the course of the year," Barkindo said at a press briefing. Analysts, however, say how oil prices behave in the next few weeks will ultimately determine OPEC's course of action at the meeting. Saudi Arabia will likely be motivated to keep prices at least steady, with Aramco shares scheduled to begin trading on the domestic stock exchange on December 11, less than a week after the OPEC summit. "Odds of a coordinated cut would increase if markets do not strengthen over the next five weeks, especially given Saudi plans for an Aramco IPO," said Paul Sheldon, S&P Global Platts Analytics' chief geopolitics advisor, adding that Russia, the main non-OPEC partner in the deal, would feel budgetary pressures if oil prices fall below \$60/b.

QUOTA BUSTERS ON NOTICE

The 11 members with quotas under OPEC's cut agreement posted a 142% compliance rate in October. Saudi Arabia, even with its comeback, remains well below its quota by some 510,000 b/d and continues to lead the coalition by example. Saudi officials have pressured other members to improve their compliance ahead of the next OPEC meeting. Iraq, OPEC's second largest producer, pumped 4.77 million b/d in October, the survey found, and is still the largest violator of its cap, overproducing by 260,000 b/d. Nigeria, another significant transgressor, pumped 1.91 million b/d, some 140,000 b/d above its quota, which was revised upwards in July. Ecuador looks set to have a volatile last few months of its time in OPEC, having announced a decision in October to leave the producer bloc at the start of 2020. Crude output dropped to 460,000 b/d in October, the lowest since it rejoined OPEC in 2007 after a 15-year absence, as protesters disrupted production at several oil fields for a couple of weeks. Angola registered a 50,000 b/d fall to 1.35 million b/d, the survey found, with natural declines at its mature fields combining with maintenance on the Girassol field also pushing Angolan output to its lowest since Platts began assessing it in 2007, when it joined OPEC. Iranian crude production dropped to 2.20 million b/d, the sanctions-hit country's lowest since August 1988. Venezuela, meanwhile, boosted its crude production by 50,000 b/d in October, helped by repairs to its Port of Jose Terminal. But its long-term outlook remains dire due to US sanctions. Libya, whose crude production has been vulnerable to fighting between factions vying for control of the country, managed to raise its output in October to its highest since July 2013.

The Platts OPEC figures are compiled by surveying OPEC and oil industry officials, traders and analysts, as well as reviewing proprietary shipping and inventory data.

OPEC PRODUCTION (IN MILLION B/D)

Country	Oct	Change	Sep
Algeria	1.01	0.00	1.01
Angola	1.35	-0.05	1.40
Congo-Brazzaville	0.33	0.00	0.33
Ecuador	0.46	-0.08	0.54
Equatorial Guinea	0.13	0.01	0.12
Gabon	0.21	0.01	0.20
Iran	2.20	-0.03	2.23
Iraq	4.77	-0.03	4.80
Kuwait	2.65	0.00	2.65
Libya	1.14	0.03	1.11
Nigeria	1.91	-0.03	1.94
Saudi Arabia	9.80	1.35	8.45
UAE	3.10	0.03	3.07
Venezuela	0.65	0.05	0.60
TOTAL	29.71	1.26	28.45

OPEC PRODUCTION VS ALLOCATIONS (IN MILLION B/D)

Country	Oct	Quota	Over/Under
Algeria	1.01	1.03	-0.02
Angola	1.35	1.48	-0.13
Congo-Brazzaville	0.33	0.32	0.01
Ecuador	0.46	0.51	-0.05
Equatorial Guinea	0.13	0.12	0.01
Gabon	0.21	0.18	0.03
Iraq	4.77	4.51	0.26
Kuwait	2.65	2.72	-0.07
Nigeria	1.91	1.77	0.14
Saudi Arabia	9.80	10.31	-0.51
UAE	3.10	3.07	0.03
TOTAL NON-EXEMPT	25.72	26.03	-0.31
Iran	2.20	EXEMPT	N/A
Libya	1.14	EXEMPT	N/A
Venezuela	0.65	EXEMPT	N/A

* Qatar left OPEC, effective January 1.

* In July, OPEC and 10 non-OPEC partners agreed to extend through March 2020 their 1.2 million b/d production cut agreement, which exempts Iran, Libya and Venezuela.

* The next OPEC meeting will be December 5, with the OPEC/non-OPEC meeting due the next day.

The S&P Global Platts OPEC survey, which has been published since 1988, measures well-head crude oil production in each member country.