

OPEC CRUDE OUTPUT STABLE IN JUNE BUT COMPLIANCE DROPS: PLATTS SURVEY

BY S&P GLOBAL PLATTS

- OPEC pumps 30.09 mil b/d, unchanged from May
- Saudi output 9.70 mil b/d, lowest since January 2015
 - Iran output lowest since September 1988
- 104% cut compliance for 11 members with quotas

OPEC's compliance with its production quotas fell sharply in June, as output gains in the month by Saudi Arabia and Nigeria, along with Iraq's continued flouting of its cap, shrank the bloc's margin for remaining within the bounds of its supply cut agreement.

The 11 members covered by quotas remain over-compliant with their committed cuts, but only by 40,000 b/d, for a conformity rate of 104%, an S&P Global Platts survey of industry officials, analysts and shipping data found. That is down from May's rate of 117%. OPEC as a whole pumped 30.09 million b/d, steady from May, the survey found, although much of the month's decline came from exempt Iran and Libya, and were offset by the Saudi and Nigerian surges, leading to the lower compliance rate. OPEC and 10 non-OPEC allies, led by Russia, last week extended their 1.2 million b/d production cut agreement through March 2020, as they aim to prop up oil prices, and had touted their impressive compliance as evidence of their firm resolve to rebalance the market. With US sanctions likely to shut in more production from OPEC members Iran and Venezuela, which is also exempt from the deal, the remaining members will have less room to raise output to make up for any losses and stay under their collective ceiling. Saudi Arabia saw its production jump by 150,000 b/d in June to 9.85 million b/d, assisted by sharp growth in crude exports along with a rise in direct crude burn amid soaring summer temperatures, the survey found.

This is the kingdom's highest output since March, but it remains 460,000 b/d below its quota of 10.31 million b/d. Saudi oil minister Khalid al-Falih assured the market at last week's OPEC meeting in Vienna that the kingdom will keep its production below 10 million b/d in July. Iran pumped its fewest barrels since September 1988 as output remains thwarted by stringent US sanctions. The country saw its production fall 100,000 b/d to 2.35 million b/d, with dramatic fall in its crude exports somewhat offset by a significant build in crude storage, according to survey panelists

PRESSURE TO COMPLY

Among OPEC's 11 members with quotas, Nigeria and Iraq were the least compliant. Nigeria's output rose to 1.97 million b/d, its highest since January 2015, as its newest deepwater field Egina, which started production six months ago, is already pumping close to its capacity of 200,000 b/d. The June figure was a 110,000 b/d rise from May as none of Nigeria's crude export grades are currently under force majeure. Iraqi crude output fell to 4.77 million b/d from a record high of 4.82 million in May on lower exports from its southern terminal, the survey found. Iraq's quota under the deal is 4.51 million b/d. Pressure on both these countries to comply with their quotas is expected to grow in the coming months.

PRESSURE TO COMPLY

Angola, OPEC's second-largest African producer, saw its output slide to 1.39 million b/d in June, its lowest since joining OPEC in 2007, according to the survey. The country saw output tumble due to maintenance at some of its key fields along with ongoing technical and operational problems. Oil minister Diamantino Pedro Azevedo said at the OPEC meeting that production is poised to gradually recover to close to its quota of 1.48 million b/d. Libya pumped 1.08 million b/d in June, a fall of 40,000 b/d from the previous month, the survey found. Technical issues as well as maintenance at some oil infrastructure pushed output lower. Almost 700,000 b/d of the country's crude output remains at risk due to its protracted civil war, according to state-owned National Oil Corporation, which is calling for the international community to intervene in the conflict.

Analysts expect the oil market to tighten in the second half of the year due to the ongoing cuts and US sanctions though concerns over demand growth linger. "The nine-month extension and ongoing Saudi output restraint are supportive of prices in H2 2019, as OPEC and its allies appear more likely to stick to pledged volumes for longer," S&P Global Platts Analytics said in a recent note.

The Platts OPEC figures were compiled by surveying OPEC and oil industry officials, traders and analysts, as well as reviewing satellite imagery and proprietary shipping data. ■

OPEC SURVEY JUNE

Country	June	Change	May
Algeria	1	-0.03	1.03
Angola	1.39	-0.06	1.45
Congo-Brazzaville	0.35	0.02	0.33
Ecuador	0.52	-0.01	0.53
Equatorial Guinea	0.11	0	0.11
Gabon	0.2	-0.01	0.21
Iran	2.35	-0.1	2.45
Iraq	4.77	-0.05	4.82
Kuwait	2.68	-0.03	2.71
Libya	1.08	-0.04	1.12
Nigeria	1.97	0.11	1.86
Saudi Arabia	9.85	0.15	9.7
UAE	3.06	0.01	3.05
Venezuela	0.76	0.04	0.72
Total	30.09	0	30.09

OPEC SURVEY JUNE COMPLIANCE

Country	June	Quota	Over/Under
Algeria	1	1.03	-0.03
Angola	1.39	1.48	-0.09
Congo-Brazzaville	0.35	0.32	0.03
Ecuador	0.52	0.51	0.01
Equatorial Guinea	0.11	0.12	-0.01
Gabon	0.2	0.18	0.02
Iran	2.35	EXEMPT	N/A
Iraq	4.77	4.51	0.26
Kuwait	2.68	2.72	-0.04
Libya	1.08	EXEMPT	N/A
Nigeria	1.97	1.69	0.28
Saudi Arabia	9.85	10.31	-0.46
UAE	3.06	3.07	-0.01
Venezuela	0.76	EXEMPT	N/A
Total	25.9	25.94	-0.04

* On July 2, OPEC and 10 non-OPEC partners agreed to extend their 1.2 million b/d supply cuts through March 2020. This supply accord, which started in January 2019, exempts Iran, Libya and Venezuela.

* OPEC set the date of its next meeting for December 5 and will meet with its non-OPEC allies the following day.

* Qatar left OPEC, effective January 1.