

OPEC CRUDE OIL OUTPUT SHRINKS IN MAY, AS SAUDIS CUT FURTHER: S&P GLOBAL PLATTS SURVEY

BY S&P GLOBAL PLATTS

- OPEC pumps 30.09 mil b/d, down 170,000 b/d from Apr
- Saudi output 9.70 mil b/d, lowest since January 2015
- Sanctions-hit Iran at 2.45 mil b/d, near 31-yr low
- Iraq surges to all-time high of 4.82 mil b/d

OPEC has so far avoided a bruising intra-bloc market share battle, with top exporter Saudi Arabia's crude oil production falling to a four-and-a-half-year low in May, even as sanctions-hit Iran and Venezuela continue to see their output contract, an S&P Global Platts survey showed Friday.

Saudi Arabia kept some fields offline and pumped 9.70 million b/d in the month, a 120,000 b/d drop from April, the survey of OPEC production found. The month-on-month decline matched that of Iran, which produced 2.45 million b/d in May while struggling to find buyers after the US declined to renew sanctions waivers that expired at the beginning of the month. Iran, once the second-highest producer within OPEC, pumped its fewest barrels since November 1988 and many analysts expect further shrinkage due to the sanctions, though it has been able to maintain some exports through grey market channels to avoid detection. In all, OPEC's 14 members pumped 30.09 million b/d in May, a 170,000 b/d fall from April and the lowest since February 2015, before Gabon, Equatorial Guinea and the Republic of Congo joined and Qatar was still a member, the Platts survey found. Despite a ratcheting of regional tensions, including attacks on a key Saudi pipeline that kingdom officials have blamed on Iran, and pressure from the US to keep the oil market well-supplied, Saudi Arabia has kept its crude output relatively muted, saying it saw no need to raise production.

In fact, Saudi production has been well below its quota of 10.31 million b/d under an OPEC/non-OPEC supply accord, which went into force in January, with the kingdom persisting in its aim of draining what it sees as a glut of oil in storage to bolster prices. Saudi energy minister Khalid al-Falih has been in Russia since last Thursday, meeting with Russian counterpart Alexander Novak to debate the future of the 1.2 million b/d supply cut agreement, which is set to expire at month's end. Falih said he believes the cuts will be extended, though talks were ongoing on whether Russia and the other non-OPEC partners could see their quotas eased. Russia, the world's second largest oil producer after the US, reported May output of 11.11 million b/d, compared to its quota of 11.19 million b/d. The OPEC/non-OPEC coalition is expected to hold its biannual summit in Vienna in the coming weeks, though an exact date has yet to be pinned down. The meeting was originally scheduled for June 25-26, though some countries have asked to move it to July 3-4.

STRONG COMPLIANCE

Venezuela, which has seen its output almost halved in a year, with its spiraling economic crisis exacerbated by US sanctions that began in January, produced 720,000 b/d in May, according to the survey. That is its lowest since a nationwide strike debilitated its oil industry in January 2003. Nigeria also saw production fall significantly in the month, hampered by a fire at its Trans Forcados crude pipeline that forced it to shut down and force majeure on key export grade Bonny Light that was lifted mid-May. The declines were partially offset by major gains in Iraq, which appeared to flout its production quota by hitting a record high of 4.82 million b/d, according to the survey. Angola also saw a 40,000 b/d rise, as it began shipments of new crude grade Mostarda. Among OPEC's 11 members with quotas under the supply accord, compliance stood at 117% in May, led by Saudi Arabia, which was 610,000 b/d under its cap. Iraq was the least compliant, at 310,000 b/d above its limit. The OPEC/non-OPEC agreement exempted Iran, Libya and Venezuela from quotas. 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 PRODUCTION (IN MILLION B/D)

COUNTRY	MAY	CHANGE	APR
Algeria	1.03	+0.01	1.02
Angola	1.45	+0.04	1.41
Congo-Brazzaville	0.33	-0.01	0.34
Ecuador	0.53	0	0.53
Equatorial Guinea	0.11	-0.02	0.13
Gabon	0.21	+0.01	0.20
Iran	2.45	-0.12	2.57
Iraq	4.82	+0.15	4.67
Kuwait	2.71	+0.02	2.69
Libya	1.12	+0.02	1.10
Nigeria	1.86	-0.09	1.95
Saudi Arabia	9.70	-0.12	9.82
UAE	3.05	0	3.05
Venezuela	0.72	-0.06	0.78
TOTAL	30.09	-0.17	30.26

OPEC PRODUCTION VS ALLOCATIONS (IN MILLION B/D)

COUNTRY	MAY	QUOTA	OVER/UNDER
Algeria	1.03	1.03	0
Angola	1.45	1.48	-0.03
Congo-Brazzaville	0.33	0.32	+0.01
Ecuador	0.53	0.51	+0.02
Equatorial Guinea	0.11	0.12	-0.01
Gabon	0.21	0.18	+0.03
Iran	2.45	EXEMPT	N/A
Iraq	4.82	4.51	+0.31
Kuwait	2.71	2.72	-0.01
Libya	1.12	EXEMPT	N/A
Nigeria	1.86	1.69	+0.17
Saudi Arabia	9.70	10.31	-0.61
UAE	3.05	3.07	-0.02
Venezuela	0.72	EXEMPT	N/A
TOTAL NON-EXEMPT	25.80	25.94	-0.14

* In December, OPEC and 10 non-OPEC partners agreed on a new supply accord, which runs from January-June and exempts Iran, Libya and Venezuela. Notes: Qatar left OPEC, effective January 1.

* OPEC and its allies are scheduled to next meet in late June or early July.

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