

EXCLUSIVE INTERVIEW

2019 Will be About Less Oil – Not More

H.E. SUHAIL MOHAMED AL MAZROUEI

UAE Minister of Energy & Industry and Former President of the OPEC Conference

Q: Oil market dynamics clearly changed dramatically in the fourth quarter of 2018. How has that impacted the decision making within OPEC. For example, were the US-Iran sanction waivers to so many countries a surprise?

H.E. Suhail Al Mazrouei: Market dynamics will always change – we are used to that. Maybe the pace of fluctuation was higher in recent weeks; we would say October was the most volatile month of the year. But that is driven not only by market fundamentals, but also geopolitics, trade wars, sanctions and many other things. Market sentiment is always going to play a role, and sometimes the pendulum is pushed to the extreme, but OPEC and non-OPEC are set to deal with those changes in the Declaration of Cooperation. Our target and focus should be on avoiding the build-up of inventories and we are watching these, whether they are in the Organization for Economic Co-operation and Development (OECD) or in the US. But it's almost impossible to predict which direction it will go and we have to deal with the unknowns. The challenges for 2019 are going to be totally different than how we saw the market in 2018, which means we may have to adopt new strategies.

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Q: The dominant OPEC+ (OPEC and non-OPEC combined) conversation for most of 2018 was about increasing production, but ended the year agreeing to supply cuts. Will the conversation in 2019 be about more oil or less oil?

H.E. Suhail Al Mazrouei: We went into the June meeting looking to increase supply into the second half of 2018. But going forward, there will be a new level. What is that level? I think obviously it's not going to be an increase.

What levels of reduction or adjustment do we need to do? We need to monitor and depending on the market conditions at that time, we will take the right measures. We will always adhere to what is good for keeping the five-year average for inventories at a reasonable level. This will be one that drives the world economy towards healthy growth, rather than going back and building inventories and starting what we saw in 2014.

Q: What are the top three factors that we should be watching in 2019? The

China slowdown seems to be coming along in a way that's surprising for some, for example. What issues will you be most focused on?

H.E. Suhail Al Mazrouei: One is supply. We need to look at the supply and ensure that we are not overdoing our portion of that. This applies to OPEC and our friends in the non-OPEC group. We also need to watch geopolitics and avoid any overreactions to a potential trade war between the superpowers.

Q: The demand forecast for next year has been falling, according to the International Energy Agency (IEA), which had forecast 1.6 million barrels a day (b/d) growth in demand for 2019. The agency is now saying it will be closer to 1.4m b/d or 1.3m b/d. What are your expectations?

H.E. Suhail Al Mazrouei: Yes, but let's remember that those are forecasts. They have never been 100% right. We are in an environment where even three months ago, everyone was saying that there is a risk that we may

have an under-supplied market. Now everything has changed. So, we need to take whatever is said with a pinch of salt and think about fundamentals. The risk would be if we were not able to move quickly. But we can assure you that this risk is not there; we can meet and make decisions when needed.

Q: Has the President of the US become one of the wildcards in your calculations? He took a lot of credit in his first press conference after the midterm elections saying he was the cause of the oil price decline in October.

H.E. Suhail Al Mazrouei: No. We in OPEC are not concerned with becoming a political tool. We are a commercial organization working to achieve what's good for all oil producers, the US included. Sanctions obviously are a factor affecting supply, but Iran is an OPEC member country and we will deal with those sanctions, as we are dealing with sanctions with Venezuela. As a group, we need to target a group production rate that is reasonable and based on the demand for all of OPEC oil. And we now also have non-OPEC partners. As a whole (OPEC+), we represent almost 50% of global supply. I am confident that we are all concerned about market stability. We will work together to achieve this, regardless of external factors that we cannot control.

Q: At the start of your year as OPEC President in January 2018 you were committed to the idea that the OPEC and non-OPEC countries would maintain a future partnership after the current oil supply agreement expired. Do you remain confident that this collaboration will last in 2019?

H.E. Suhail Al Mazrouei: I do! As an example, the fact that His Excellency Alexander Novak, the Co-Chair of the



“Supply will be one of the issues we keep an eye on in 2019, plus geopolitics and avoiding any overreactions to a potential trade war between the superpowers.”

Joint OPEC/Non-OPEC Ministerial Monitoring Committee (JMMC), came to Abu Dhabi in November on what was a very tight schedule tells you how important this group is to Russia. We also had representation

from Kazakhstan, Bahrain, Oman – all of those are non-OPEC. That's testimony that this group is working well together and it will continue working well together. □

*Edited transcript