

OPEC OVERDELIVERS ON OIL CUTS BUT CORONAVIRUS FEARS COMPLICATE OUTLOOK: PLATTS SURVEY

BY S&P GLOBAL PLATTS

- OPEC output contracts to 29.08 mil b/d in Jan
- Blockade drives Libyan output to 18-month low
- Saudi output at 9.74 mil b/d, in line with minister pledge

OPEC's crude production plunged by 470,000 b/d in January, according to the latest S&P Global Platts survey, with Saudi discipline and a Libyan blockade bringing the group's output down to a four-month low.

OPEC pumped 29.08 b/d last month, down from 29.55 million b/d in December as eight of its members posted falls. But with the coronavirus still spreading and denting global oil demand, OPEC is under pressure to cut production even further. The January total includes Ecuador, whose status within OPEC remains uncertain. The country's energy ministry last month confirmed its withdrawal, but OPEC has not acknowledged the exit and continues to include Ecuador among its members.

The 10 OPEC members with quotas under the bloc's latest supply accord with Russia and other allies produced 24.82 million b/d, which is 330,000 b/d below their new collective ceiling of 25.15 million b/d that went into force in January. This makes for a compliance rate of 128% with Saudi Arabia and its Gulf allies bearing the main burden of the cuts, according to Platts calculations. The agreement exempts Iran, Libya and Venezuela, and Ecuador does not have a quota either. But despite impressive adherence, OPEC might have to implement deeper cuts in the coming months. An advisory committee this week recommended that the so-called OPEC+ alliance cut a combined 600,000 b/d on top of its existing 1.7 million b/d cuts to make up for the anticipated fall in demand due to the coronavirus outbreak. However, Russia has asked for more time to assess the proposal. Crude produced by the coalition is very exposed to the outbreak, with China buying more than 70% of its supplies from the group.

LOSS OF LIBYAN BARRELS

Libya's crude output slumped 340,000 b/d month-on-month to average 770,000 b/d, the lowest since July 2018, as it deals with a major blockade of its key oil ports by opposition forces. State-owned National Oil Corporation has warned that production could be as low as 72,000 b/d in the coming days if the blockade isn't lifted. This episode has meant that around 1 million b/d of light sweet crude is off the market. Saudi Arabia, OPEC's largest producer by far, pumped 9.74 million b/d, according to the survey, as exports were largely stable while refinery runs were down due to planned maintenance. That is 400,000 b/d below its quota of 10.14 million b/d as it seeks higher oil prices to carry out major economic reforms. Saudi energy minister Prince Abdulaziz bin Salman has pledged to hold the kingdom's output at around 9.74 million b/d in early 2020, as long as other members respect their quotas.

NEW QUOTAS, SIMILAR BEHAVIOR

But quota-busting by some members continues. Nigeria's output was stable at 1.84 million b/d, the survey found, as despite a short-lived force majeure on its Bonny Light crude loadings, exports of other grades were up slightly. Africa's largest oil producer, however, remained non-compliant, pumping around 90,000 b/d above its current quota. Iraq, OPEC's second largest producer, broke a four-month trend of improving compliance, with production rising to 4.60 million b/d – 140,000 b/d above its quota – according to the survey. A decline in its crude exports was more than offset by significant inventory builds at its key oil terminals, market sources said. Iraq rebuilt stocks at its southern crude storage tanks in January in anticipation of possible disruptions at its vulnerable fields as protests in the country persist, survey panelists noted.

RECOVERY IN VENEZUELA

Production in cash-strapped Venezuela rebounded as exports recovered sharply on the back of recent workover programs as it seeks to revive its oil output. Production rose to a one-year high of 820,000 b/d in January, a 100,000 b/d month-on-month increase, the survey found. Late last year, Venezuelan state-owned PDVSA signed a deal with some companies to help restore its oil output in fields located in the Orinoco Belt. Production from both the UAE and Kuwait fell steadily in line with their new quotas. Meanwhile Angola, which was the only country in the coalition to keep its quota unchanged from the 2019 deal, saw output fall to 1.37 million b/d on lower exports, the survey found. The Platts OPEC figures are compiled by surveying OPEC and oil industry officials, traders, and analysts, as well as reviewing proprietary shipping and inventories data. ■

OPEC production vs allocations (million b/d)

COUNTRY	JAN	ALLOCATION	OVER/UNDER
Algeria	1.00	1.01	-0.01
Angola	1.37	1.48	-0.11
Congo-Brazzaville	0.29	0.31	-0.02
Equatorial Guinea	0.13	0.12	0.01
Gabon	0.19	0.18	0.01
Iran	2.12	EXEMPT	N/A
Iraq	4.60	4.46	0.14
Kuwait	2.66	2.67	-0.01
Libya	0.77	EXEMPT	N/A
Nigeria	1.84	1.75	0.09
Saudi Arabia	9.74	10.14	-0.40
UAE	3.00	3.01	-0.01
Venezuela	0.82	EXEMPT	N/A
Total OPEC-10	24.82	25.15	-0.33

OPEC Production (million b/d)

COUNTRY	JAN	CHANGE	DEC
Algeria	1.00	-0.01	1.01
Angola	1.37	-0.03	1.40
Congo-Brazzaville	0.29	-0.04	0.33
Ecuador	0.55	0.01	0.54
Equatorial Guinea	0.13	0.01	0.12
Gabon	0.19	-0.02	0.21
Iran	2.12	0.00	2.12
Iraq	4.60	0.02	4.58
Kuwait	2.66	-0.05	2.71
Libya	0.77	-0.34	1.11
Nigeria	1.84	0.00	1.84
Saudi Arabia	9.74	-0.08	9.82
UAE	3.00	-0.04	3.04
Venezuela	0.82	0.10	0.72
Total	29.08	-0.47	29.55

* Ecuador announced plans to exit the group in 2020 but its status remains uncertain, according to OPEC.

* In December, OPEC and 10 non-OPEC partners agreed to deepen their production cut agreement to 1.7 million b/d through March 2020. The deal exempts Iran, Libya, and Venezuela.

* The next OPEC meeting will be March 5, with the OPEC/non-OPEC meeting scheduled for March 6. But the meeting could be moved forward. The technical committee of delegates advising the 23-country alliance has mooted a proposal to deeper cuts by a further 600,000 b/d.

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