

OPEC BRINGS CRUDE OIL OUTPUT BELOW 2020 CAP AHEAD OF SCHEDULE: PLATTS SURVEY

BY S&P GLOBAL PLATTS

- OPEC produces 29.55 million b/d in December
- Saudi overcompliance helps OPEC beat tighter quota
- Iraq, Nigeria pump less, but still above their allocations

O OPEC pared its crude oil production by 100,000 b/d in December, the latest S&P Global Platts survey finds, putting the bloc under its new, more-stringent quotas a month early.

OPEC pumped 29.55 million b/d, according to the survey, with kingpin Saudi Arabia producing well below its cap as usual and compliance laggards Iraq and Nigeria improving their discipline. Now entering their fourth year of production cuts to prop up the oil market, OPEC, Russia, and nine other countries agreed last month to deepen their cuts to 1.7 million b/d -- of which OPEC would shoulder 1.2 million b/d -- from January to March. The 10 members with quotas under the accord, which exempts Iran, Libya, and Venezuela, produced 25.06 million b/d in December, making good on their new collective ceiling of 25.15 million b/d.

Despite the reduced output and concerns about supply disruptions because of escalating hostilities in the Middle East, OPEC officials have said the market is in no danger of a shortage and that they see no reason to reverse their cuts for now. Indeed, many analysts continue to forecast a supply glut through the first half of the year and say additional production restraint from OPEC and its partners may be needed to prevent an oil price slump. Saudi Arabia, OPEC's largest producer by far, trimmed its production in December to 9.82 million b/d, according to the survey, after surging it in November to replenish stocks depleted in the wake of the September 14 attacks on the Abqaiq processing facility and Khurais oil field. That is far below its quota of 10.31 million b/d under the deal that expired at the end of December, and also well under its new cap of 10.14 million b/d. Saudi energy minister Prince Abdulaziz bin Salman has pledged to hold the kingdom's output at around 9.74 million b/d starting in 2020, as long as other members respect their quotas. So far, however, Saudi overcompliance has been masking underperformance by others.

Iraq, which has consistently flouted its cap, scaled back its production to a nine-month low of 4.58 million b/d in December, the survey found. OPEC's second-largest producer will need to cut an additional 120,000 b/d to meet its new target of 4.46 million b/d. Nigeria, the other habitual quota buster, pumped 1.84 million b/d, according to the survey. That is 90,000 b/d above its 2020 quota, although Nigeria has insisted that some of its barrels should be counted as condensate, which is not subject to production restrictions under the deal. The UAE trimmed its output by 60,000 b/d to a 15-month low, while Libya experienced issues with its El Feel field, which dropped its production by 30,000 b/d. Sanctions-impaired Iran saw its production fall by the same amount, the survey found.

AN ALLIANCE IN COMPLIANCE

Those losses were more than enough to offset Angola's 150,000 b/d rise in December, which was boosted by the return of key grade Girassol from maintenance. Venezuela, also under US sanctions, saw a modest 20,000 b/d rise as its crude exports rebounded, while Ecuador and the Republic of Congo saw similar gains, according to the survey. December was Ecuador's last month as an OPEC member, with its energy ministry January 2 confirming the country's decision to exit the organization due to fiscal needs that it said made further production cuts unpalatable. But sources close to Ecuador and OPEC told Platts that the two sides have been discussing a potential return. Overall, OPEC's compliance with its cuts was 158% for December, according to Platts' calculations. Under the new quotas that went into force January 1, OPEC's December production would result in 108% compliance.

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 2019 ALLOCATIONS (million b/d)

| Country | Dec | Quota | Over/Under |
|-------------------------|--------------|--------------|--------------|
| Algeria | 1.01 | 1.03 | -0.02 |
| Angola | 1.40 | 1.48 | -0.08 |
| Congo-Brazzaville | 0.33 | 0.32 | +0.01 |
| Ecuador | 0.54 | 0.51 | +0.03 |
| Equatorial Guinea | 0.12 | 0.12 | 0 |
| Gabon | 0.21 | 0.18 | +0.03 |
| Iraq | 4.58 | 4.51 | +0.07 |
| Kuwait | 2.71 | 2.72 | -0.01 |
| Nigeria | 1.84 | 1.77 | +0.07 |
| Saudi Arabia | 9.82 | 10.31 | -0.49 |
| UAE | 3.06 | 3.07 | -0.01 |
| TOTAL NON-EXEMPT | 25.60 | 26.03 | -0.43 |
| Iran | 2.12 | EXEMPT | N/A |
| Libya | 1.11 | EXEMPT | N/A |
| Venezuela | 0.72 | EXEMPT | N/A |

Source: S&P Global Platts

OPEC PRODUCTION (IN MILLION B/D)

| COUNTRY | DEC | CHANGE | NOV |
|-------------------|--------------|--------------|--------------|
| Algeria | 1.01 | -0.01 | 1.02 |
| Angola | 1.40 | +0.15 | 1.26 |
| Congo-Brazzaville | 0.33 | +0.02 | 0.31 |
| Ecuador | 0.54 | +0.02 | 0.52 |
| Equatorial Guinea | 0.12 | -0.01 | 0.13 |
| Gabon | 0.21 | +0.01 | 0.20 |
| Iran | 2.12 | -0.03 | 2.15 |
| Iraq | 4.58 | -0.06 | 4.64 |
| Kuwait | 2.71 | 0.00 | 2.71 |
| Libya | 1.11 | -0.03 | 1.14 |
| Nigeria | 1.84 | -0.03 | 1.87 |
| Saudi Arabia | 9.82 | -0.08 | 9.90 |
| UAE | 3.04 | -0.06 | 3.10 |
| Venezuela | 0.72 | +0.02 | 0.70 |
| TOTAL | 29.55 | -0.10 | 29.65 |

* 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.