
OPEC AND RUSSIA OIL PRODUCTION FREEZE IS MEANINGLESS GESTURE, SAYS IEA

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A deal among some Opec producers and Russia to freeze production is perhaps meaningless as Saudi Arabia is the only country with the ability to increase output, according to a senior International Energy Agency (IEA) executive.

Brent crude futures are up more than 50% from a 12-year low near \$27 a barrel hit early this year, bouncing back after Russia and Opecs Saudi Arabia, Venezuela and Qatar struck an agreement last month to keep output at January levels.

Qatar has invited all 13 members of the Organisation of the Petroleum Exporting Countries (Opec) and major non-Opec producers to Doha on 17 April for another round of talks to widen the production freeze deal.

Amongst the group of countries [participating in the meeting] that were aware of, only Saudi Arabia has any ability to increase its production, said Neil Atkinson, head of the IEAs oil industry and markets division, at an industry event.

So a freeze on production is perhaps rather meaningless. Its more some kind of gesture which perhaps is aimed ... to build confidence that there will be stability in oil prices.

Libya has joined Iran in snubbing the initiative, and the absence of the two Opec producers □ both with ample room to increase output □ would limit the impact of any success in broadening the freeze at the April meeting.

The rise in output from Iran in the first quarter post-sanctions has been in line with IEAs expectation of 300,000 barrels a day (bpd), Atkinson said, adding that Tehrans output could rise again by the same amount by the third quarter.

Iran has not exactly been flooding the market with lots more oil. It seems to be far more measured, Atkinson said.

It will take a while for Iran to regain its pre-sanctions share in Europe, where markets have been taken over by Saudi Arabia, Russia and Iraq, he added.

The IEA, energy watchdog for the Organisation for Economic Co-operation and Development (OECD), expects the wide gap between supply and demand to narrow later this year, paving the way for an oil price recovery in 2017.

We think the worst is over for prices * Todays prices may not be sustainable at exactly \$40 a barrel, but in this mid-\$30s and upward range, we think there will be some support unless theres a major change in fundamentals, Atkinson said.

Kaynak/Source: