
IRAQ JOINS MIDEAST RIVALS RAISING OIL EXPORTS AHEAD OF OPEC MEETING

-

31.05.2016

Reuters, 30 May 2016

Iraq will supply 5 million barrels of extra crude to its partners in June, industry sources familiar with the issue said, joining other Middle East producers by lifting market share ahead of an OPEC meeting this week.

Iraq, which is the second-largest producer in the Organization of Petroleum Exporting Countries, had already been targeting record crude export volumes from southern terminals next month of 3.47 million barrels per day.

A recovery in global oil prices from 12-year lows to above \$50 a barrel and rivalry between Saudi Arabia and Iran have dampened expectations that OPEC will rein in supplies at Thursday's meeting.

While additional exports could make up for shrinking output and supply disruptions elsewhere, the new supplies also risk delaying a re-balancing of a global market still awash with oil.

"OPEC is indeed increasing supplies, practicing their market share first strategy," said Victor Shum, managing director of downstream energy consulting at IHS, referring to a Saudi-led drive to boost OPEC's production to take back market share.

He said that additional oil from Saudi and Iraq may slow down a re-balancing of the global market, although this could be countered by supply disruptions from other places and strong seasonal demand.

Iraq's Oil Marketing Company (SOMO) allocated 5 million more barrels of Basra Light crude loading in June to upstream partners including PetroChina, Eni and Lukoil, three sources familiar with the matter said.

Foreign companies are paid in oil under technical service contracts (TSCs) signed with SOMO,

although payments have been delayed after the oil price drop squeezed Iraq's budget.

A Gulf industry source said the additional oil was given "because of the pressure from the TSC contractors".

Iraq is also obligated to meet payments to contractors as part of conditions of an International Monetary Fund loan, he said.

A worker checks the valve of an oil pipe at an oil field owned by Bashneft company near Nikolo-Berezovka, Bashkortostan, Russia.

The additional supplies come from an expansion of the Luhais and Artawi fields in southern Iraq. Iraq wants to increase its oil output by up to a third by 2020.

SOMO could not be immediately reached for comment.

A source from one of the companies that received the oil said the additional 1 million barrels of Basra Light was sold two hours after SOMO's notification, signalling that demand for Iraqi crude remained firm amid expectations the official selling prices (OSPs) would rise in July.

Still, spot premiums for June supplies have dropped to 40-80 cents a barrel, down from more than \$1 in May, on the big export volume and a rise in June's OSPs, traders said.

Kaynak/Source: