
IRAN PIVOTS TOWARD OIL DEAL; EXPECT IRAQ TO GO ROGUE

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Iran is learning from its geopolitical rival and fellow OPEC-member Saudi Arabia . Pivoting from its reluctance in April and even last month that it would balk at joining any OPEC production cuts later this month when the cartel meets in Vienna, Irans oil minister Bijan Zangeneh said on Saturday that a production cut will probably be put in place.

Zangeneh said it is highly likely that oil and energy ministers of the member countries of the Organization of the Petroleum Exporting Countries (OPEC) will reach an agreement on November 30. Irans oil ministry news agency, Shana, quoted Zangeneh as saying that if producers manage to cooperate, oil prices could rebound to \$55 to \$60 a barrel, the level OPEC members deem appropriate for producers and consumers.

Decide for yourself if the oil minsters words hold water since the country still wants to reach pre-sanction oil output levels of 4 million barrels per day (bpd). Zangeneh hasnt specified how Iran would participate in the anticipated oil production cut.

However, an Iranian oil ministry official did say, we are almost there, referring to reaching the pre-sanction output mark. According to Iranian data, the country pumped around 3.92 million bpd last month, while some new projects are now on-line since then.

Iraq, OPECs second largest producer, is also reportedly upbeat on an OPEC production cut. On Friday, Iraqs oil minister, Jabbar al-Luaibisaid, told the Wall Street Journal that he was optimistic about OPEC reaching an agreement at its next meeting. The report said that its a change in tone that suggests the cartels most recalcitrant member is coming around to the idea of cutting oil output.

However, it remains to be seen if Iraqs recently announced optimistic tone will carry any credence at the upcoming meeting. In other words, Iraq has decidedly good reasons to not participate in an OPEC production cut.

First, as Baghdad has said for over a month now, Iraq needs to keep oil production high to raise more revenue in its efforts fighting ISIS. Second, Iraq has the most convincing case of any of the recent potential oil cut agreement hold-outs (Iran, Nigeria and Libya) since the countrys oil sector was placed under international sanctions during the helm of Saddam Hussein. These sanctions caused Iraq, according to Baghdad, to lose market share to other OPEC members.

Finally, though Iraq says its optimistic about OPEC reaching a deal, it still sent the word out last month to foreign oil companies operating in the country to ramp up production next year. Not likely that those statements will be rescinded any time soon. Iraq may express optimism on a production cut, but that doesnt mean it will be derived from a Baghdad concession. Iraq could still go rouge forcing OPEC de facto leader Saudi Arabia to most likely pick up the pieces.

Kaynak/Source: