
OPEC TO DEBATE OIL OUTPUT CUT NEXT WEEK BUT IRAQ, IRAN HESITATE

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OPEC will debate an oil output cut of 4.0-4.5 percent for all of its members except Libya and Nigeria next week but the deal's success hinges on an agreement from Iraq and Iran, which are far from certain to give full backing.

Three OPEC sources told Reuters a gathering of experts from the oil producer group in Vienna had decided on Tuesday to recommend that a ministerial meeting on Nov. 30 debate a proposal from member Algeria to reduce output by that amount.

Such a cut would bring OPEC's current output down by more than 1.2 million barrels per day (bpd), according to Reuters calculations based on the group's October production, and is towards the upper end of market expectations.

But sources also said the representatives of Iran, Iraq and Indonesia had expressed reservations during talks that continued for 11 hours about their level of participation in what would be the group's first supply-limiting deal since 2008.

Brent oil futures were trading slightly up at around \$49.2 per barrel at 2010 GMT, having lost most of their earlier gains of around \$1 a barrel.

In September, the Organization of the Petroleum Exporting Countries agreed to reduce production to between 32.5 million and 33.0 million bpd - an effort to prop up prices - from OPEC's own latest production estimates of 33.64 million bpd.

OPEC's deal faces potential setbacks from Iraq's call for it to be exempt and from Iran, which wants to increase supply because its output has been hit by sanctions.

Iraq's foreign minister said on Tuesday in Budapest that OPEC should allow Iraq to continue raising output with no restrictions.

BIG BARGAIN

Iran and Iraq raised certain conditions for participating in the deal, according to sources, who were not allowed to speak on the record because the experts were meeting behind closed doors.

Sources said Saudi Arabia and its Gulf allies have signaled they were prepared to cut close to 1 million bpd of their output.

The Algerian proposal would see all member countries, except Nigeria and Libya, cutting 4-4.5 percent from OPEC's estimates of their October production with the aim of reaching a total output target of 32.5 million bpd, OPEC sources have said.

That would mean Saudi Arabia alone could cut up to 500,000 bpd, sources said.

OPEC's own estimates, based on what it calls "secondary sources", are usually lower than countries' direct submissions to the organization.

Under the Algerian proposal, Iran was asked to cut 4.5 percent from almost 4 million bpd, according to sources. But Tehran has signaled it wants to cut from higher levels of 4.1-4.2 million bpd, one of the sources said.

Iraq was asked to cut about 200,000 bpd. Baghdad is also still debating whether it should cut from the levels of OPEC's estimates or its own, higher, production figures.

"Eighty-five percent of proposed OPEC cuts are from Gulf countries but Iran is still not in favor," one source said.

Non-OPEC producer Russia was also still not agreeing to cut production but favoring a freeze, a senior OPEC delegate said.

"This will make it difficult for OPEC alone to rebalance the market and bring prices up," the source said.

Kaynak/Source: