RUSSIA REMAINS OPEN TO EXTENDING OPEC-BACKED OIL SUPPLY CUTS

- 22.03.2017

Financial Times (22 March 2017)
Russia says it does not rule out a six-month extension to an agreement between some of the worlds biggest producers to curb output as concerns mount about recent slide in oil prices.
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Moscow in December agreed to join Opec in cutting production to reduce inventories and bolster prices in the first joint supply deal since 2001.

The ensuing price rebound has stoked a US shale oil resurgence, prompting worries about the effectiveness of any deal.

Oil prices that started the year at $57 a barrel have since fallen towards $50. Brent, the global benchmark, dipped 48 cents to $51.13 a barrel on Tuesday.

Opec delegates have signalled a push towards an extension of the supply cut deal beyond the first six months of this year, but it depends on the backing of non-Opec producers such as Russia, which have yet to fully meet their pledge on reductions.

The cartel has achieved almost full collective compliance as Saudi Arabia the Opecs de facto leader — led curbs as part of the global deal to cut 1.8m b/d.

Compliance by non-Opec producers, particularly Russia, have been at about 60 per cent.

None of the options, including the agreements extension by another six months, should be ruled out, said Vladimir Voronkov, Russias envoy to Opec.

Mr Voronkov told Russian news agency Interfax that a large part of the decision would depend on the position of Saudi Arabia, the worlds largest exporter.

Khalid al-Falih, Saudi Arabias energy minister, this month warned other producers that the kingdom would not be taken for granted. He said any extension would be determined by the extent of other countries compliance with the existing deal.

Saudi Arabia will not allow itself to be used by others, Mr Falih said.

A decision to extend the agreement will hinge on how quickly oil inventories fall back to five-year average levels, which global energy agencies have said is unlikely to occur by the next formal meeting of Opec ministers in May.

Despite the kingdoms hard stance, it has reiterated its commitment to stabilising the global oil market.

The Russian comments came a week after Rosneft, Russias largest oil producer, suggested there was a possibility that the output cuts deal would not be extended, and that the risk of a price war resuming remains.

Executives at Russias major oil producers told the Financial Times they are prepared for a potential drop in the price of oil as supply cuts would continue to be met with stronger than expected output from US shale drillers.

There is a growing understanding that the fruits of the [Opec] agreement have already been reaped, said one executive, who spoke on the condition of anonymity.

Russias oil companies have cut their total oil production by 161,000 b/d since October, news agency Tass reported this week, while ministers have confirmed that the country is on track to meet the 300,000 b/d target agreed as part of the December deal.

Kaynak/Source: