
RUSSIA AND OPEC ON COLLISION COURSE OVER OIL SUPPLY PACT

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Diplomatic tensions between Russia and Opec are set to deepen this week as oil cartel members resume talks in Vienna.

The factions are likely to agree on an extension of the supply cap pact -beyond its March 2018 expiry. However, calls for the freeze to last until the end of next year have already had a frosty reception from Russian oil bosses, whose patience with the constraints is wearing thin.

Moscow helped broker the unprecedented co-operation deal which has helped drive prices back above \$60 a barrel, but its sluggish economy has increased the appetite to boost oil flows to take advantage of higher oil prices. Oil bosses are also concerned that prices north of Russias \$55 a barrel market sweet spot will lure US shale drillers back to the market, said Chris Weafer of Macro Advisory.

Russia may abandon the deal altogether by ramping up oil production in a move which puts the state on a collision course with Saudi Arabia, he warned.

For the de facto leader of Opec, a stable market is critical as the kingdom ramps up a major overhaul of its economy with the planned listing of state-backed oil producer Saudi Aramco as one of the cornerstones of reform, -according to JP Morgan.

Any large swings in oil prices could be seen as a risk to the implementation of this vision as the economy is still very much dependent on oil revenues, the bank said.

The risk of a diplomatic breakdown is unwelcome for the Saudis, who are embroiled in tense internal political wranglings. Global oil prices broke above two-year highs last week in the wake of a shock anti-corruption purge of Saudi royals and senior officials.

Kaynak/Source: