

Monitoring of OPEC quotas

Is OPEC changing course?

HCOB Economics

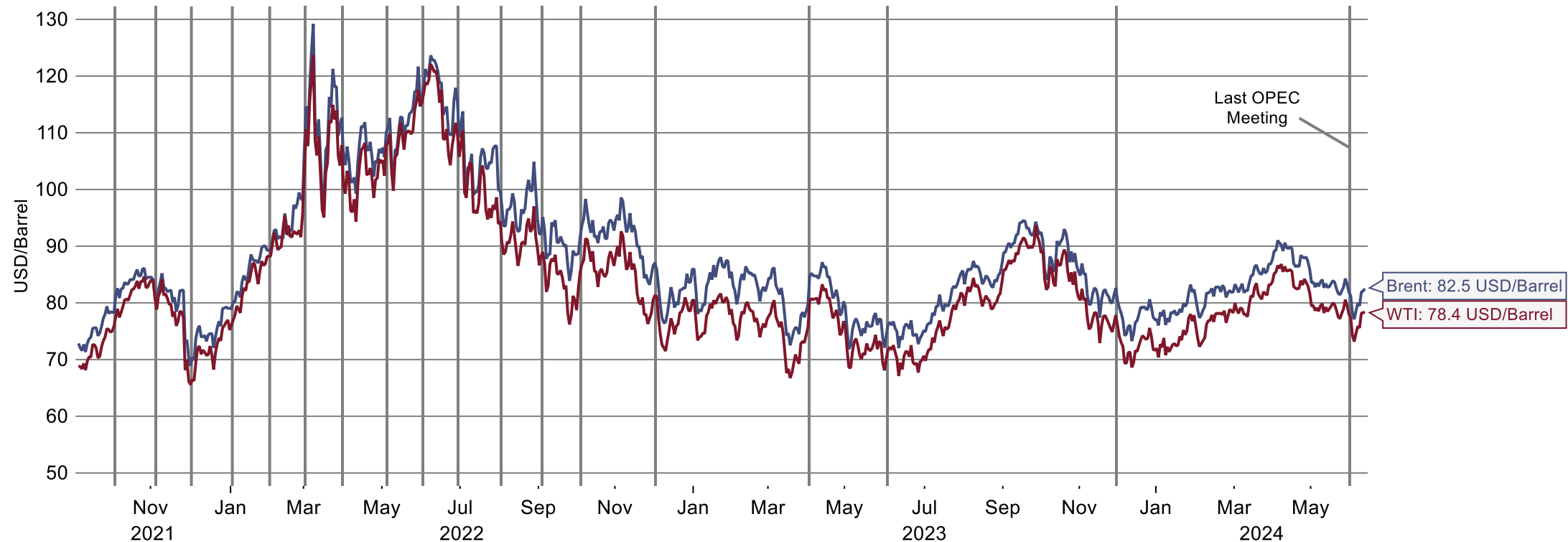
June 13, 2024

Executive Summary: Is OPEC changing course?

- OPEC-Plus held its 37th Ministerial Conference on June 2, where it announced its intention to continue its voluntary production cuts until September 2024. After that, these cuts are to be gradually reversed and crude oil production is to be ramped up again to 38 million barrels/day by September 2025.
- At its meeting, OPEC also announced its “real” production quotas, i.e. those quotas without the voluntary cuts, for the year 2025. These are to amount to 24.135 million barrels/day for OPEC-9 and 15.590 million barrels/day for the OPEC partners, meaning that OPEC-Plus has imposed a total quota of 39.725 million barrels/day for 2025. However, the “real” quotas of OPEC-Plus only apply pro forma, as the organization has been sticking to the voluntary production quotas for six months now.
- Despite repeated cuts, OPEC has not succeeded in stabilizing oil prices. OPEC’s cutback policy also failed to have the desired effect, as countries outside OPEC and without quotas are pumping more and more oil.
- Oil prices have fallen again since the Iranian attack on Israel. Review: Oil prices shot up in the face of tensions in the Middle East – a barrel of North Sea Brent crude briefly traded at around \$90 at the time. Currently, the price of a barrel of this grade is only around \$80.
- In May, OPEC-Plus crude oil production amounted to 35.68 million barrels/day. OPEC-9 contributed 21.55 million barrels/day, while the OPEC partners accounted for a further 14.31 million barrels/day.
- OPEC’s current forecast for global oil demand remained unchanged at 104.46 million barrels/day in 2024. It is worth noting that the forecast of other respected institutes, such as the U.S. Energy Information Administration (EIA), is lower than that of OPEC, namely at 102.98 million barrels/day. Explanation: OPEC is trying to suggest a shortage of global crude oil with its slightly higher forecast.
- The next regular meeting of OPEC-Plus is scheduled for December 1, 2024, although extraordinary meetings can be convened by the organization at any time.

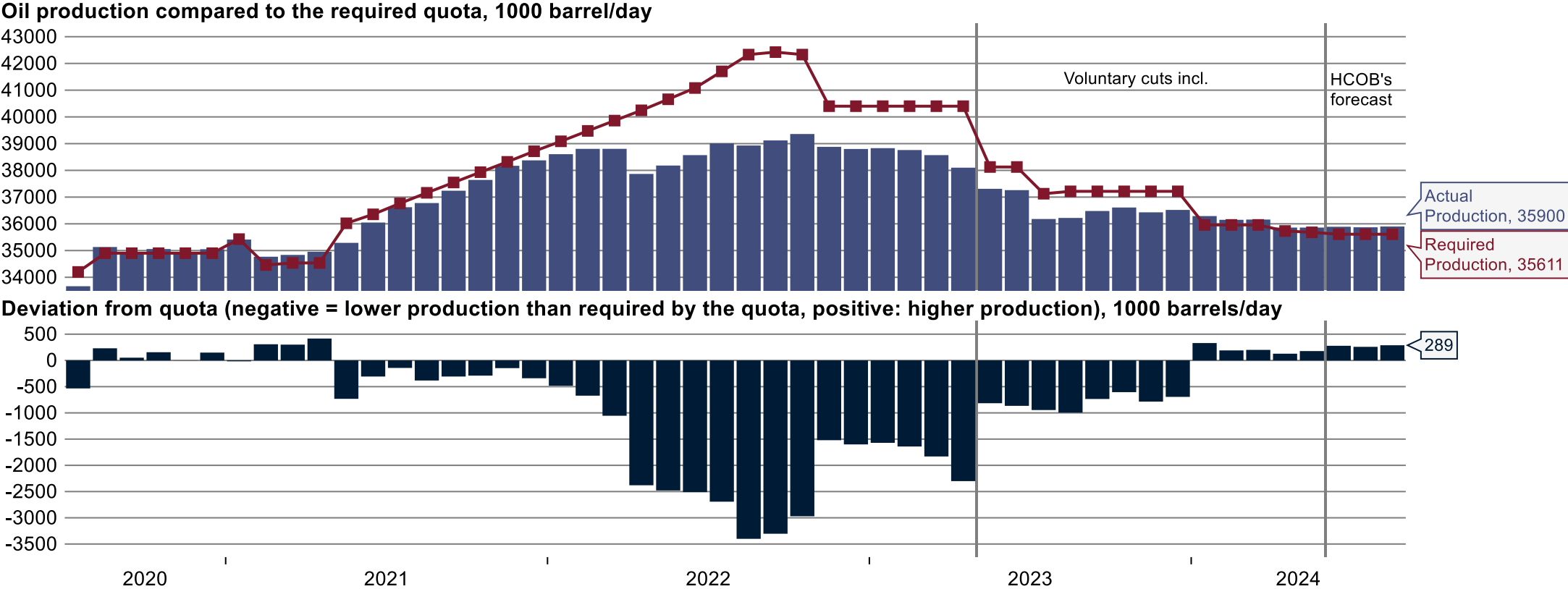
Price development: The oil price recently fluctuated around the 80-dollar mark. The price has fallen significantly since the Iranian attacks on Israel.

Oil price, Brent und WTI, US-Dollar/Barrel (lines indicate the OPEC/OPEC Plus meetings)



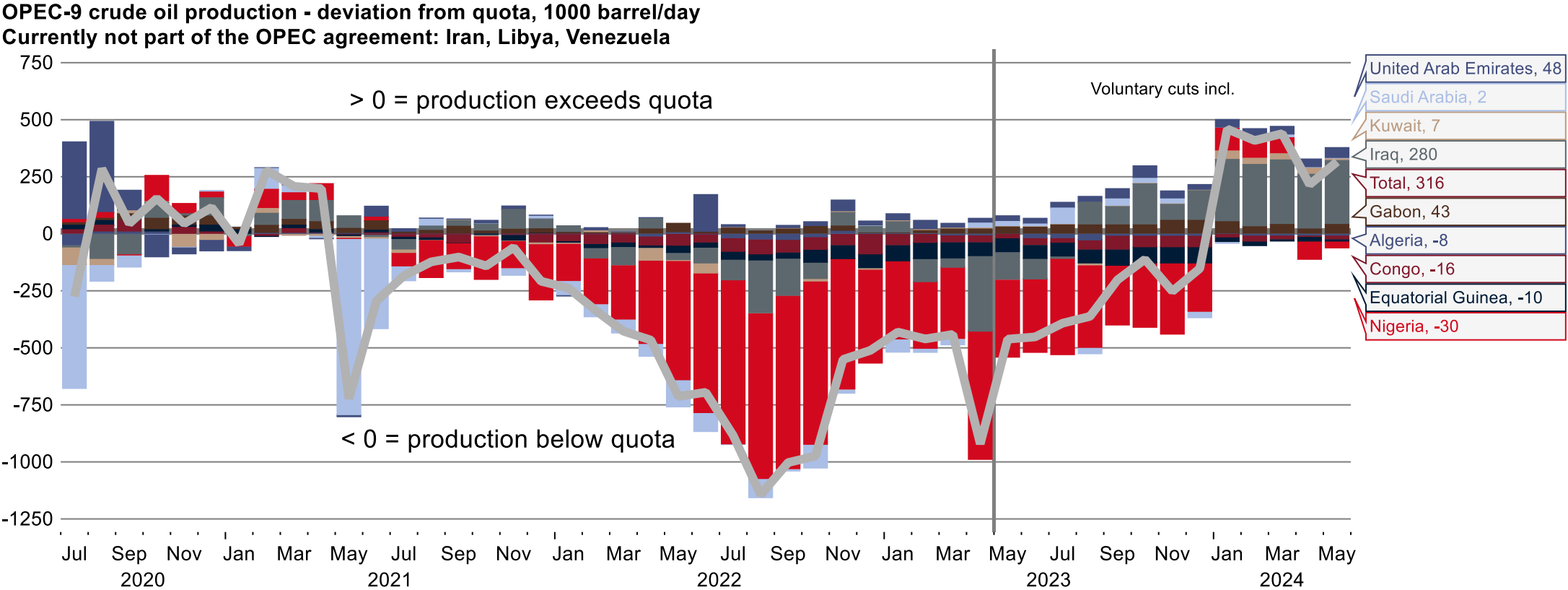
Source: Macrobond, HCOB Economics, Intercontinental Exchange (ICE)

Production quota: OPEC Plus has announced that it will continue its policy of cutting production until September 2024 and then gradually reduce them.



Note: Voluntary crude production cuts are **included** in the required production target from May 2023 onwards. OPEC-Plus countries that currently implement voluntary cuts are Saudi Arabia, Russia, Iraq, UAE, Kuwait, Kazakhstan, Algeria, and Oman.

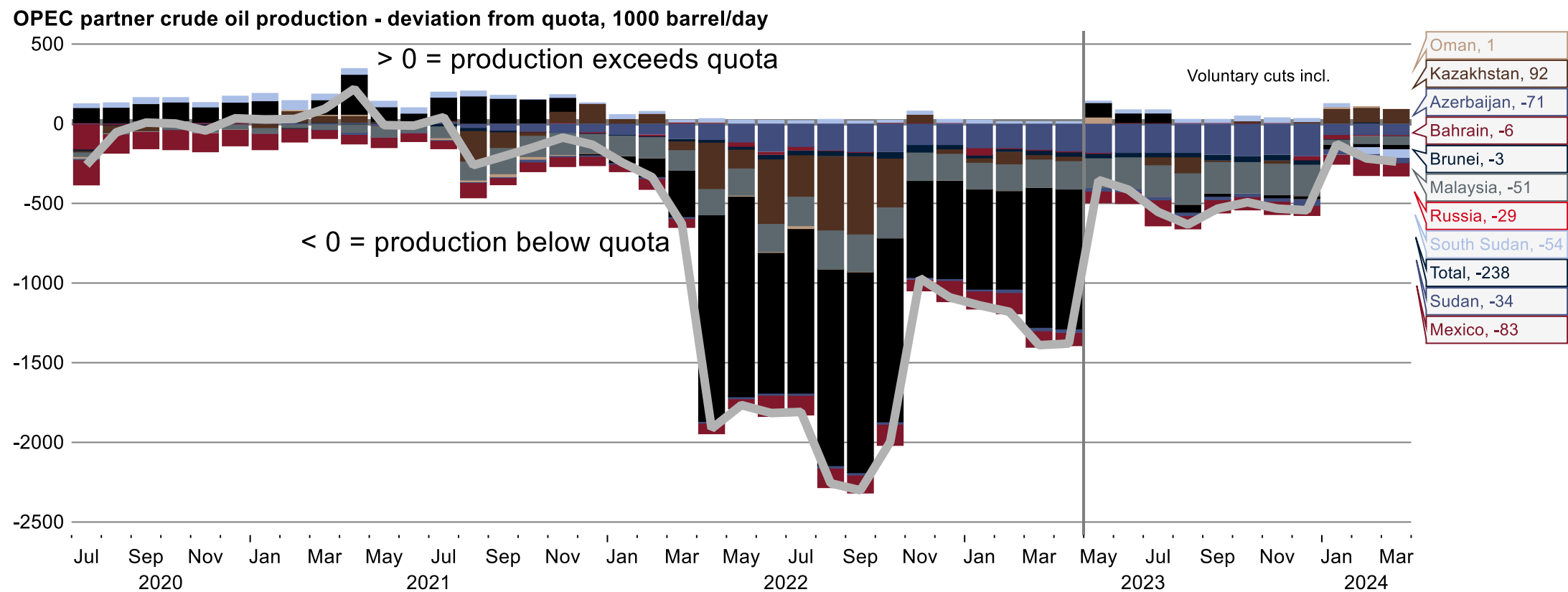
Compliance of OPEC-9: Iraq produced well above its quota, which is why OPEC-9 exceeded its target.



Source: Macrobond, HCOB Economics, Bloomberg, S&P Global Platts

Note: Voluntary crude production cuts are **included** in the required production target from May 2023 onwards. OPEC-9 countries that currently implement voluntary cuts are Saudi Arabia, Iraq, UAE, Kuwait, and Algeria.

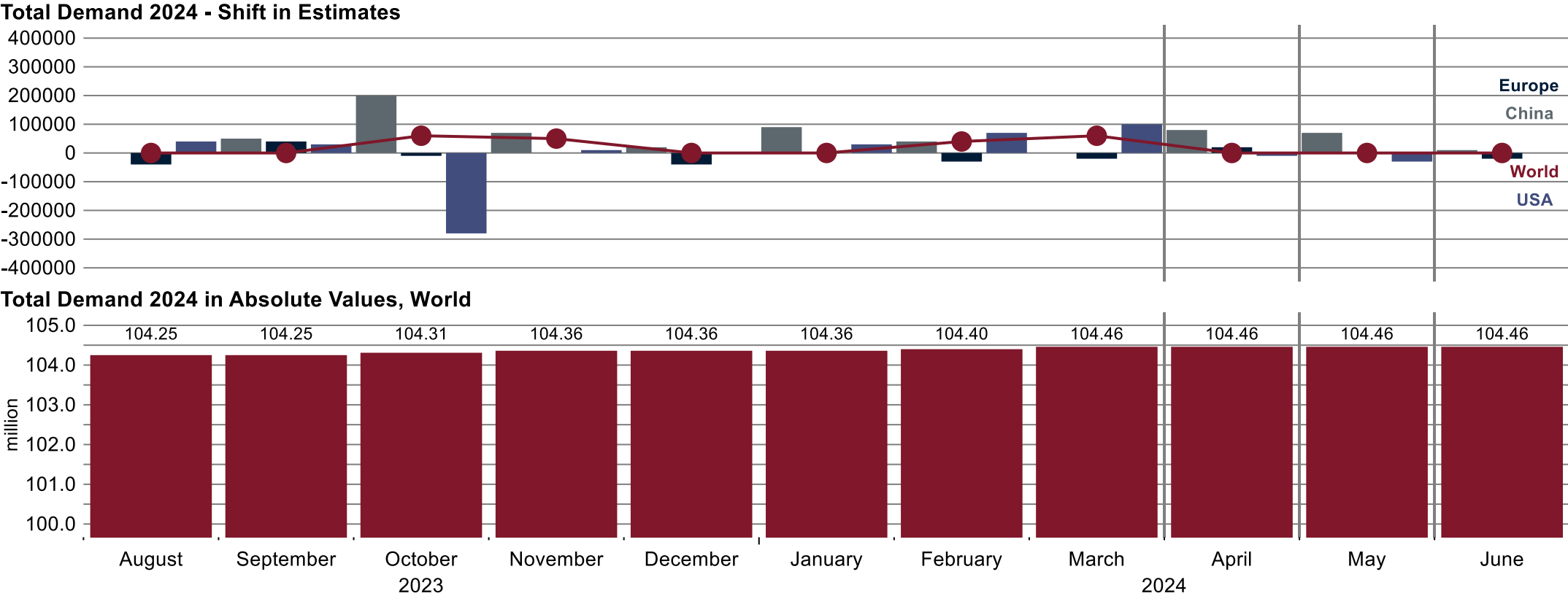
Compliance of OPEC partners: Russian production is expected to gradually increase to a level of 9.5 million barrels/day by September 2025.



Source: Macrobond, HCOB Economics, S&P Global Platts, IEA

Note: Voluntary crude production cuts are **included** in the required production target from May 2023 onwards. OPEC partner countries that currently implement voluntary cuts are Russia, Kazakhstan, and Oman.

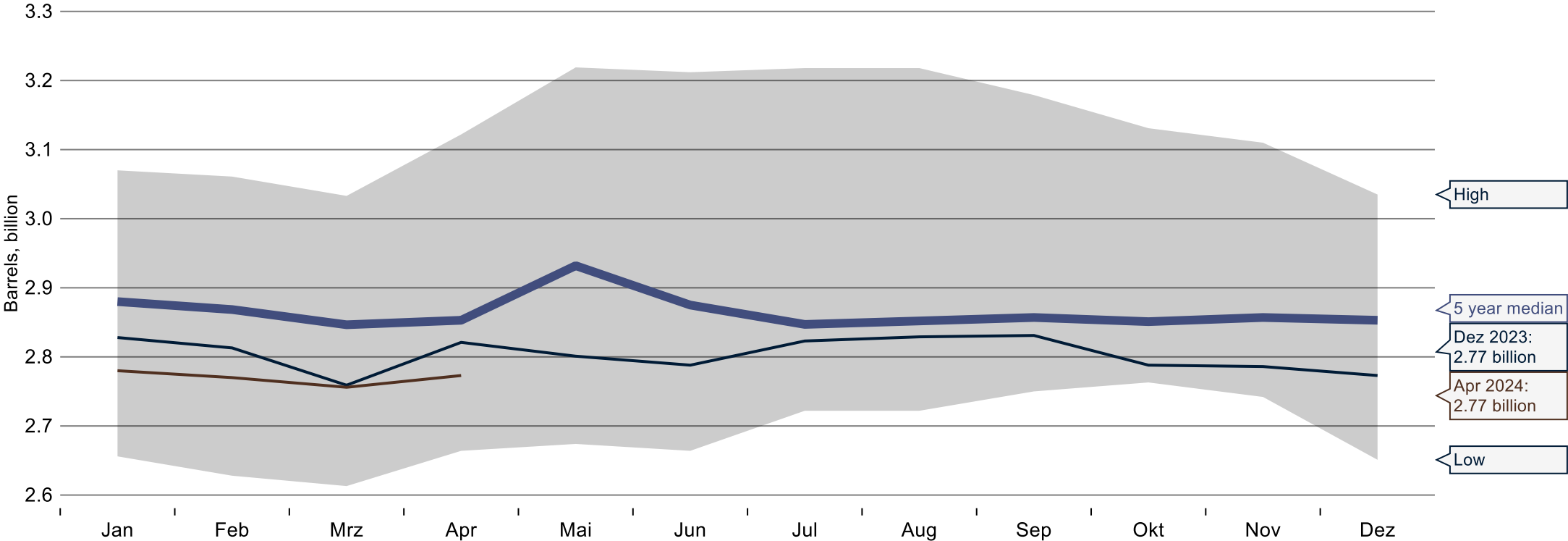
Oil demand forecast 2024: Global oil demand is expected to be around 104.46 million barrels/day in 2024, i.e. OPEC is once again keeping its forecast constant.



Source: Macrobond, HCOB Economics, OPEC

OECD inventories: Inventories in the OECD countries rose by 16.6 million barrels month-on-month in April.

Oil inventories (crude and products) of OECD countries according to the data of OPEC, most recent development and five year average



Source: Macrobond, HCOB Economics, OPEC

Background: OPEC countries and OPEC partners

OPEC-9

- Algeria*
- Congo
- Equatorial Guinea
- Gabon
- Iraq*
- Kuwait*
- Nigeria
- Saudi Arabia*
- United Arab Emirates*

Excluded from the agreement due to political difficulties:

- Libya
- Iran
- Venezuela

OPEC partners

- Azerbaijan
- Bahrain
- Brunei
- Kazakhstan*
- Malaysia
- Mexico
- Oman*
- Russia*
- Sudan
- South Sudan

*Note: These OPEC countries currently implement voluntary cuts.

OPEC decisions (I)

- **April 3, 2023**

- The OPEC-Plus decides on voluntary production cuts of 1.66 million barrels/day, to be effective from May until the end of 2023. This includes, among others, Saudi Arabia and Russia, each committing to a reduction of 500,000 barrels/day. The voluntary cuts are subtracted from the original production targets. In the case of Russia, the voluntary adjustment is to be based on the average production quantity determined for the month of February 2023.

- **June 4, 2023**

- The OPEC Plus decides on the production targets for the year 2024. According to this decision, the overall production target for OPEC Plus is 40.46 million barrels/day, with 24.99 million barrels/day contributed by the OPEC-10 countries and an additional 15.46 million barrels/day by the OPEC partners.
- Saudi Arabia announces further production cuts amounting to 1.00 million barrels/day until the end of 2023. This increases the total cut by OPEC-Plus to 2.66 million barrels per day.

- **June 13, 2023**

- The February production of Russia, upon which the voluntary production target of Russia is calculated, is revised from 9.83 million barrels/day to 9.96 million barrels/day. The new value is intended to serve as Russia's production target for the year 2024.

- **November 30, 2023**

- The OPEC-Plus decides to continue its reduction policy in the first quarter of 2024. In addition, further voluntary cuts of 688,000 barrels/day have been announced, which are intended to supplement the existing cuts and are scheduled to be implemented from January 2024 until the end of March. This includes, among others, Iraq with 223,000 barrels/day and the UAE with 163,000 barrels/day. Additionally, Russia announced a voluntary reduction of exports by 500,000 barrels/day for the same period (from January 1 to the end of March 2024). These export cuts are based on the average export quantities of May and June 2023.

OPEC decisions (II)

- **December 21, 2023**
 - Angola announces its intention to withdraw from OPEC in January 2024.
- **March 3, 2024**
 - OPEC-Plus announces that it will continue its voluntary production cuts into the second quarter of 2024. Voluntary production quotas remain unchanged for most member countries. Russia plans a gradual transition from an export cut to a production cut and announced that production will fall to the same level as Saudi Arabia by June, namely to 8.98 million barrels/day.
- **June 6, 2024**
 - OPEC-Plus holds its 37th Ministerial Conference and announces that it will continue its voluntary production cuts until September 2024, after which it will gradually increase crude oil production again until September 2025. If this quota discipline is adhered to, OPEC-Plus would produce around 38 million barrels/day of crude oil by then. At its meeting, OPEC also announced its "real" production quotas, i.e. those quotas without the voluntary cuts, for 2025. These are to amount to 24.135 million barrels/day for OPEC-9 and 15.590 million barrels/day for the OPEC partners, meaning that OPEC-Plus has imposed a total quota of 39.725 million barrels/day for 2025.

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