

Monitoring of OPEC quotas

Will OPEC soon be pumping more oil again?

HCOB Economics

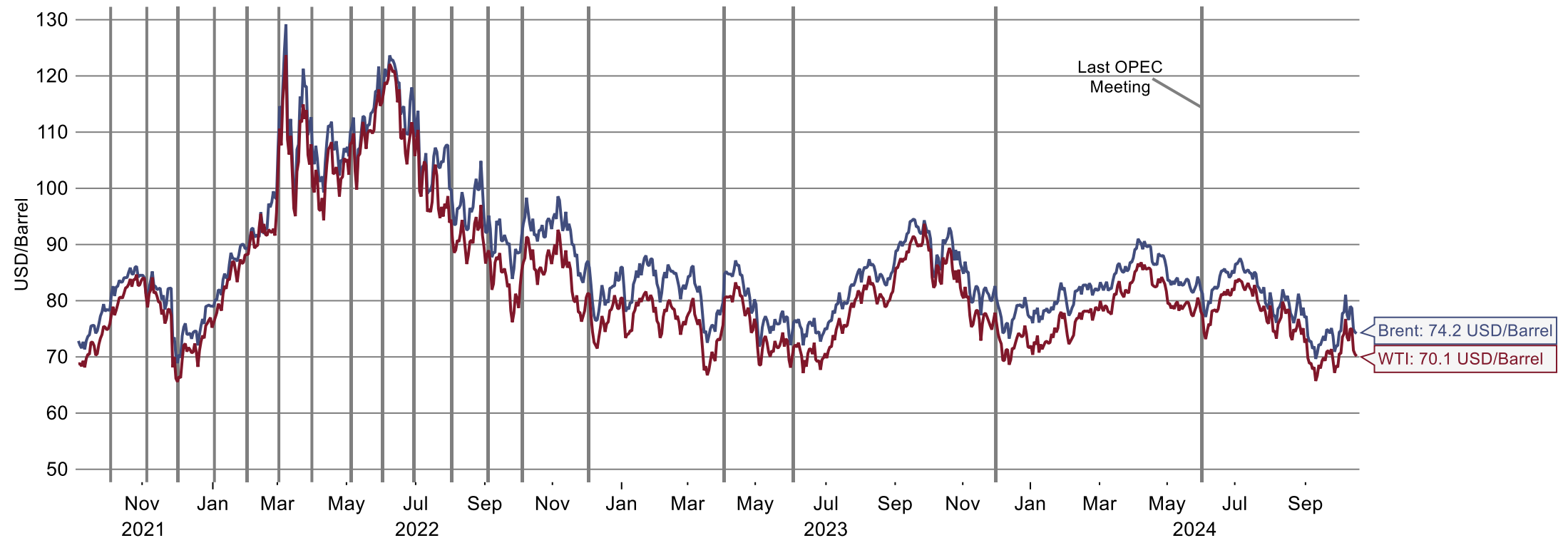
October 15, 2024

Executive Summary: Will OPEC soon be pumping more oil again?

- With the aim of supporting oil prices, OPEC-Plus has been massively cutting its oil production since May 2023. Back in June 2024, the organization announced that it would gradually increase production again from October 2024. However, these plans were scrapped at the beginning of September and OPEC-Plus is now only planning to gradually increase its production volume from December 2024.
- In recent months, OPEC Plus crude oil production has continued to fall and even reached a new low of just 35.5 million barrels/day in September. OPEC-9 members accounted for 21.52 million barrels/day of this and a further 13.98 million barrels/day were contributed by the OPEC partners.
- Will OPEC soon be pumping more oil again as announced? This depends above all on the future development of oil prices. In September, the price of a barrel of Brent crude fell below the \$70 mark, prompting OPEC to postpone its plans of gradually unwinding its previous cuts until December 2024.
- In addition, weak demand from China, high production from non-OPEC plus countries (particularly in North and South America) and high interest rates set by central banks worldwide are weighing on prices. However, the most recent price increase was driven by concerns about security of supply in the Middle East: The Brent price briefly climbed to \$81/barrel. However, the Brent price then slipped significantly again and even traded below \$74/barrel today (17.10.24). Nevertheless, further escalations in the Middle East could drive oil prices up again.
- OPEC has revised its forecast for 2024 downwards for the third time in a row and expects global oil demand to reach 104.14 million barrels/day according to the latest estimate. Between March and July, it still held its forecast constant at 104.46 million barrels/day. Weak expected demand from China prompted OPEC to lower its forecast.
- Inventories in OECD countries continued to rise and were close to the 5-year median again in August 2024 at 2.828 billion barrels.
- The next regular meeting of OPEC-Plus is scheduled for December 1, 2024, although the organization can convene extraordinary meetings at any time.

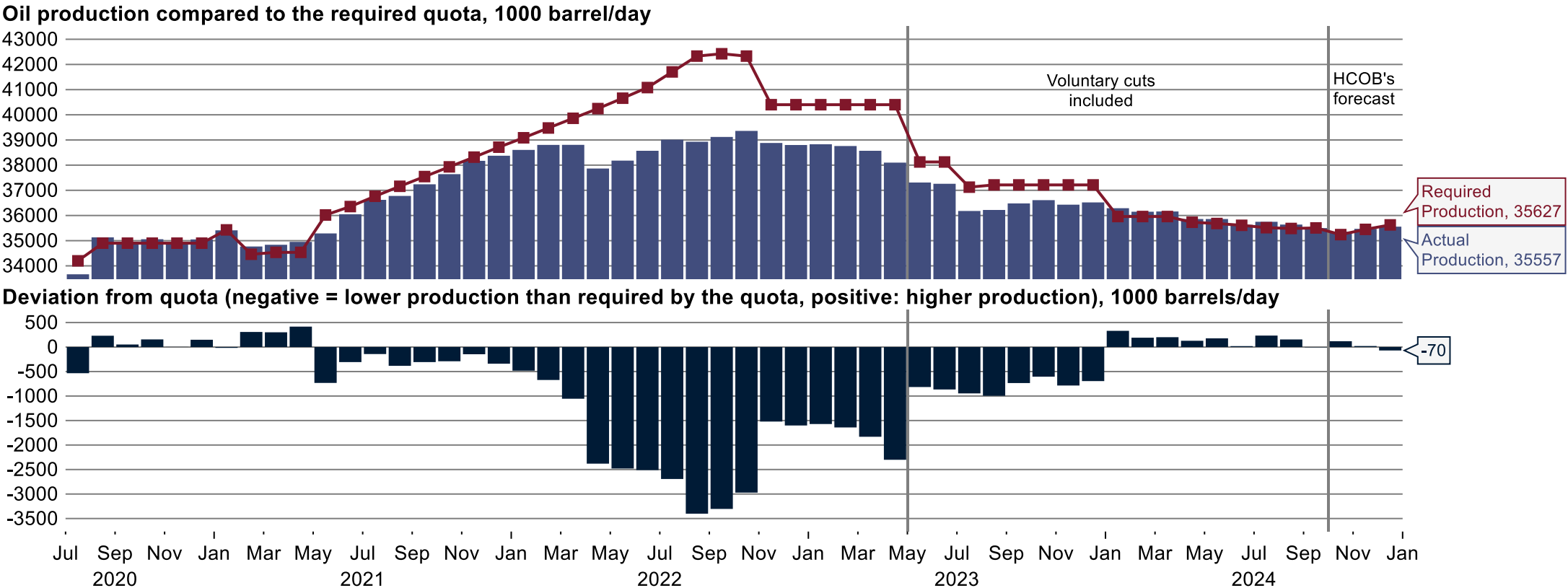
Price development: Oil prices rose briefly as a result of the Iranian attack on Israel at the beginning of October. Escalating tensions could drive prices up further again.

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



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

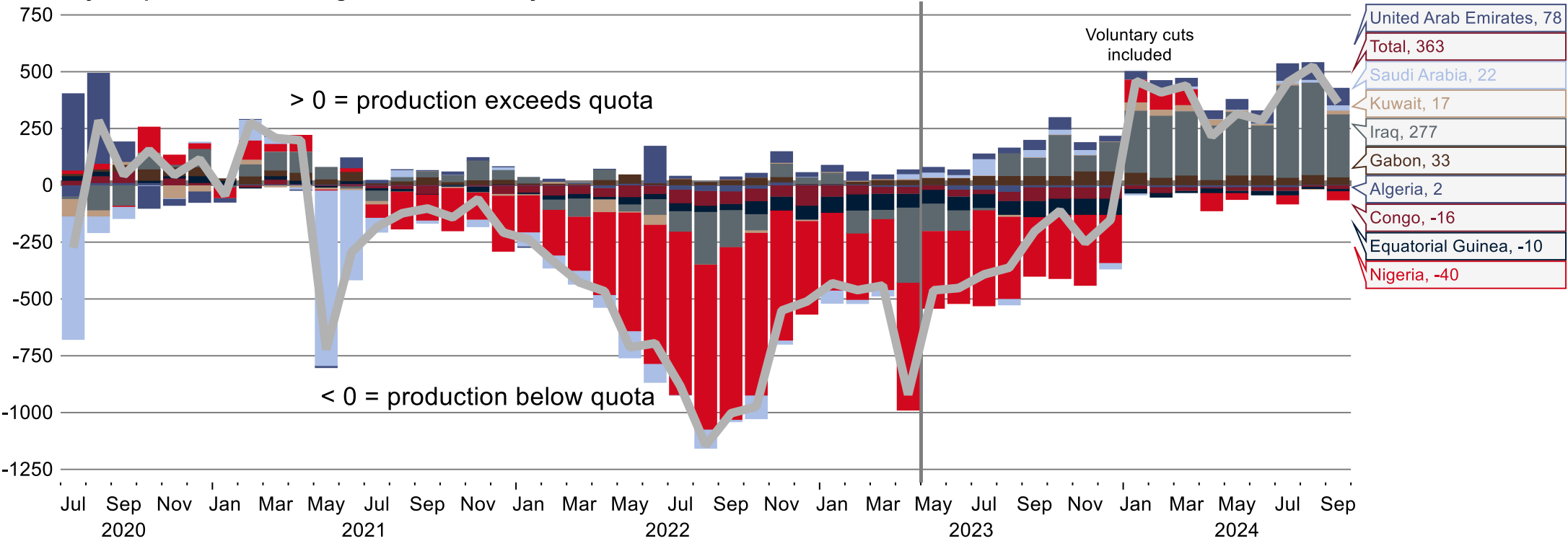
Production quota: OPEC-Plus adhered to its quota commitment in August. It plans to gradually increase its production from December 2024.



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. Also note that Iraq, Russia, and Kazakhstan have submitted “compensation plans” to make up for past surplus volumes.

Compliance of OPEC-9: Iraq, which produced well above its quota in 2024, reduced its production by 130,000 barrels/day, month-on-month.

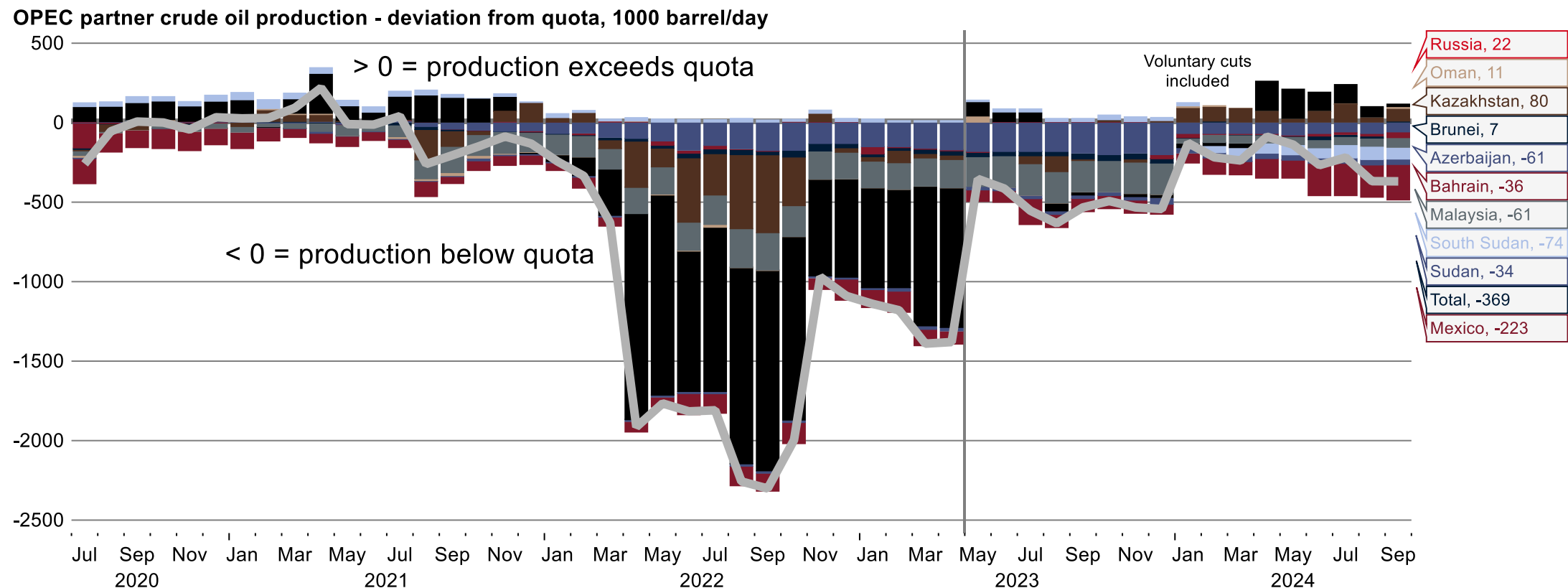
OPEC-9 crude oil production - deviation from quota, 1000 barrel/day
Currently not part of the OPEC agreement: Iran, Libya, Venezuela



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.

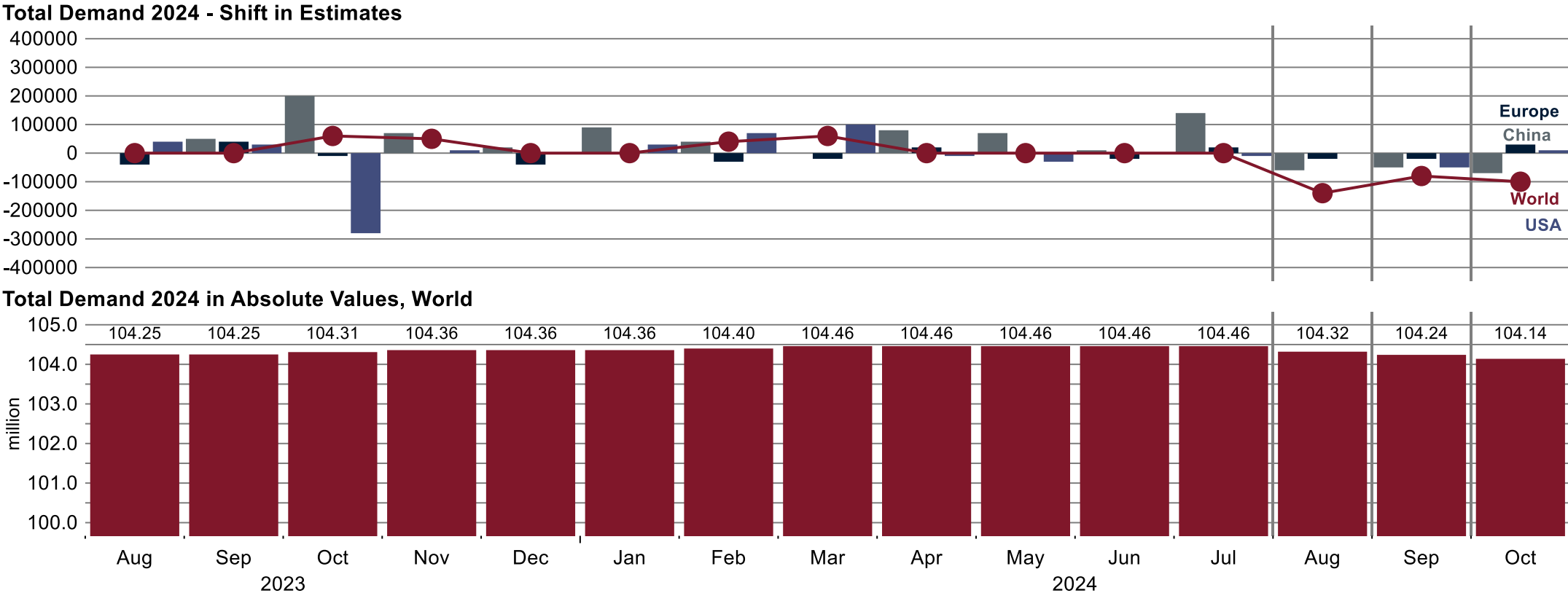
Compliance of OPEC partners: Russia and Kazakhstan have been producing above their quota for months.



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.

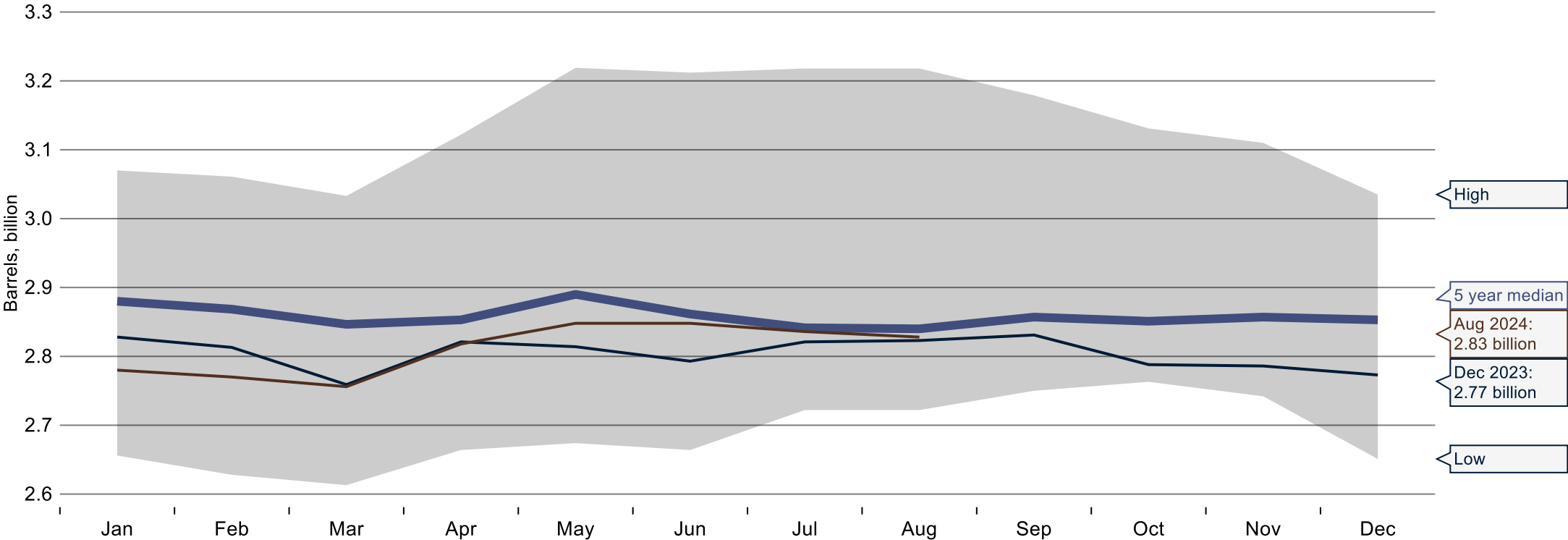
Oil demand forecast 2024: OPEC revised its forecast for global oil demand for 2024 downwards to 104.14 million barrels/day.



Source: Macrobond, HCOB Economics, OPEC

OECD inventories: Inventories in the OECD countries have recently risen again and are close to the 5-year median.

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.
- **July 24, 2024**
 - Iraq, Russia and Kazakhstan present "compensation plans" for past overproduction.
- **August 22, 2024**
 - Iraq and Kazakhstan present updated "compensation plans".
- **September 5, 2024**
 - OPEC-Plus postpones its plans to increase crude oil production. Instead of starting in October as originally planned, the organization has announced that it will not increase production until December 2024.

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