

Monitoring of OPEC quotas

Schedule change at OPEC

HCOB Economics

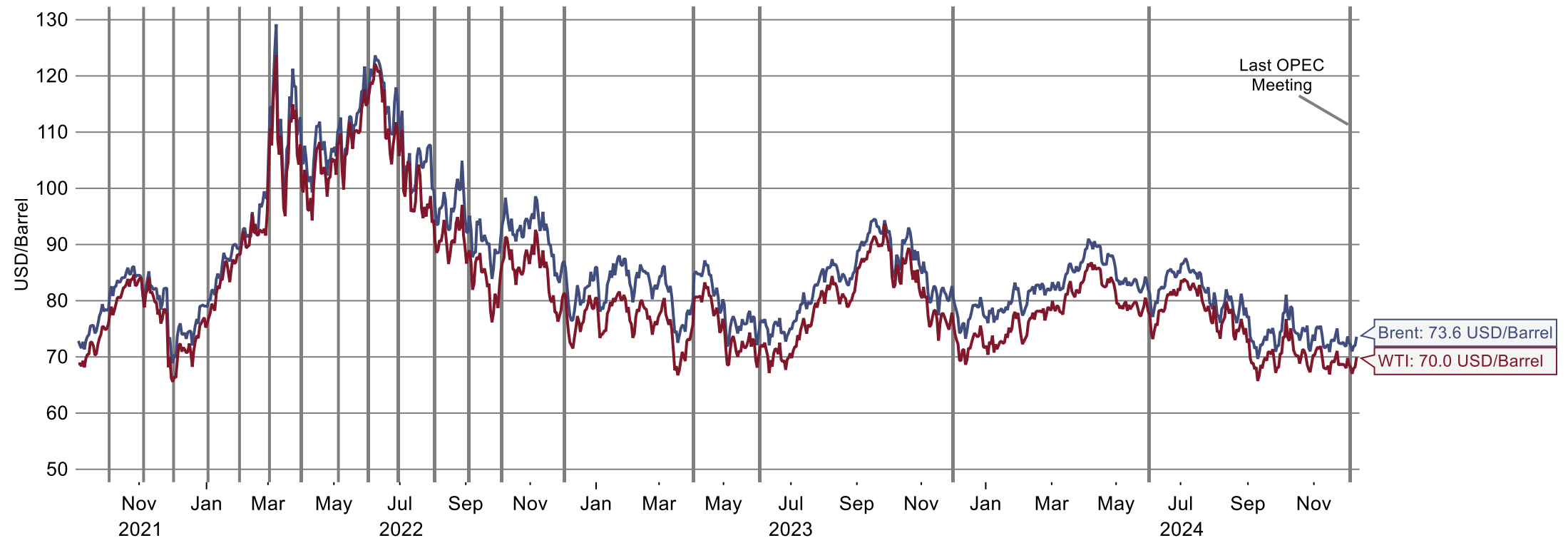
December 12, 2024

Executive Summary: Schedule change at OPEC

- At its 38th ministerial meeting on December 5, OPEC Plus announced a further postponement of the gradual withdrawal of its voluntary quota cuts by another three months. Instead of in January as planned, the production volume is now not to be increased until April 2025. In total, the organization has postponed its plans to increase crude oil supply three times. Whether OPEC Plus will implement its announcement this time is uncertain in view of the possibility of a low oil price in 2025.
- The price of a barrel of Brent crude averaged \$80 in 2024 and is heading towards \$73/barrel by the end of the year. Despite geopolitical tensions, particularly in the Middle East, and production cuts by OPEC Plus, a price drop could not be prevented: since 2022, the Brent price has continuously fallen. This is due to high supply from other oil-producing countries such as the USA and weak Chinese demand due to a lack of GDP growth momentum. This trend could continue next year, leading to persistently low oil prices.
- HCOB Economics' base scenario for 2025 forecasts that the Brent price will range between \$72 and \$80/barrel, with an average price of \$76.75/barrel. However, we see potential for short-term spikes in oil prices in the first half of 2025, triggered by a possible escalation of the war in the Middle East. In the worst-case scenario, Israel could attack Iran's nuclear sites, leading to the closure of the Strait of Hormuz, a key route for oil exports.
- Since May 2023, OPEC Plus has been trying to support oil prices by cutting its crude oil production. Since then, production has steadily declined. In November, it amounted to 35.3 million barrels/day, with 21.44 million barrels/day from OPEC-9 and another 13.86 million barrels/day contributed by OPEC partners.
- For 2025, OPEC forecasts global oil demand at 105.27 million barrels/day. In comparison, energy institutes IEA and EIA each forecast only 103.8 million and 104.35 million barrels/day. We consider the latter two forecasts more plausible, as an expected global economic slowdown and increasing electromobility are likely to result in lower oil demand.
- The next regular OPEC-Plus meeting is scheduled for May 28, 2025, with the organization reserving the right to convene extraordinary meetings at any time.

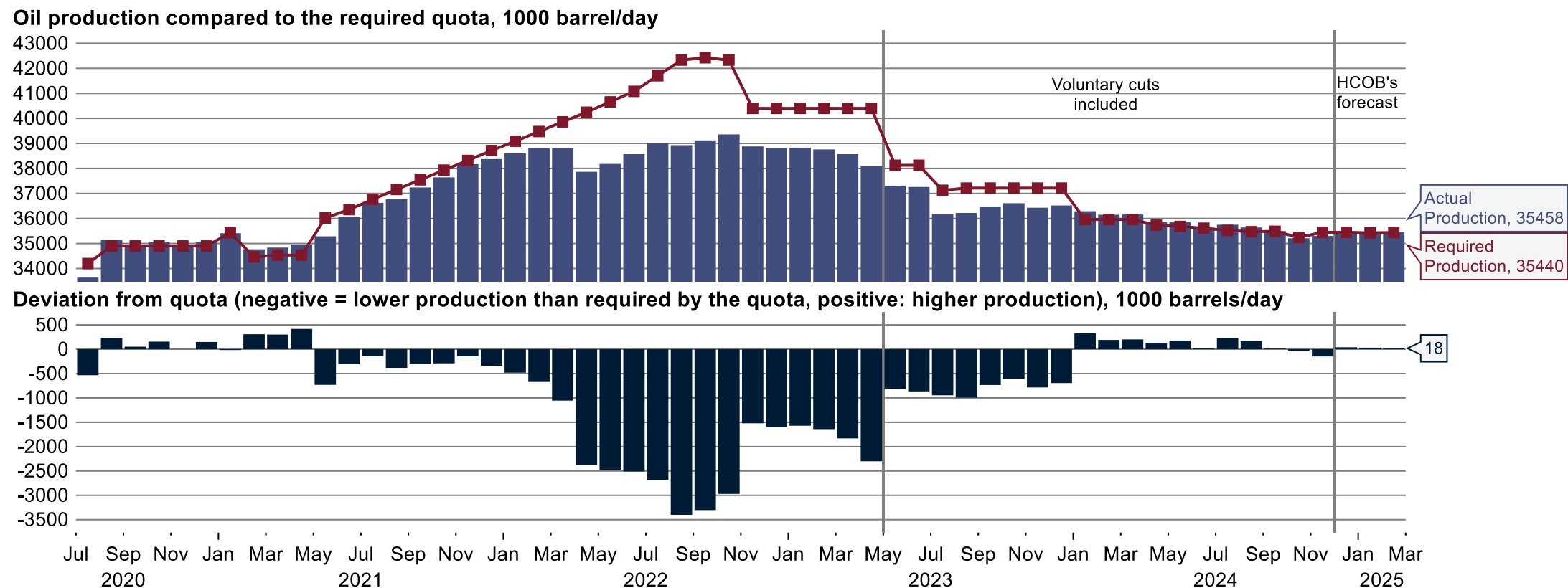
Price development: Low demand increases are pushing oil prices down. An escalation of the war in the Middle East could counteract this price development.

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



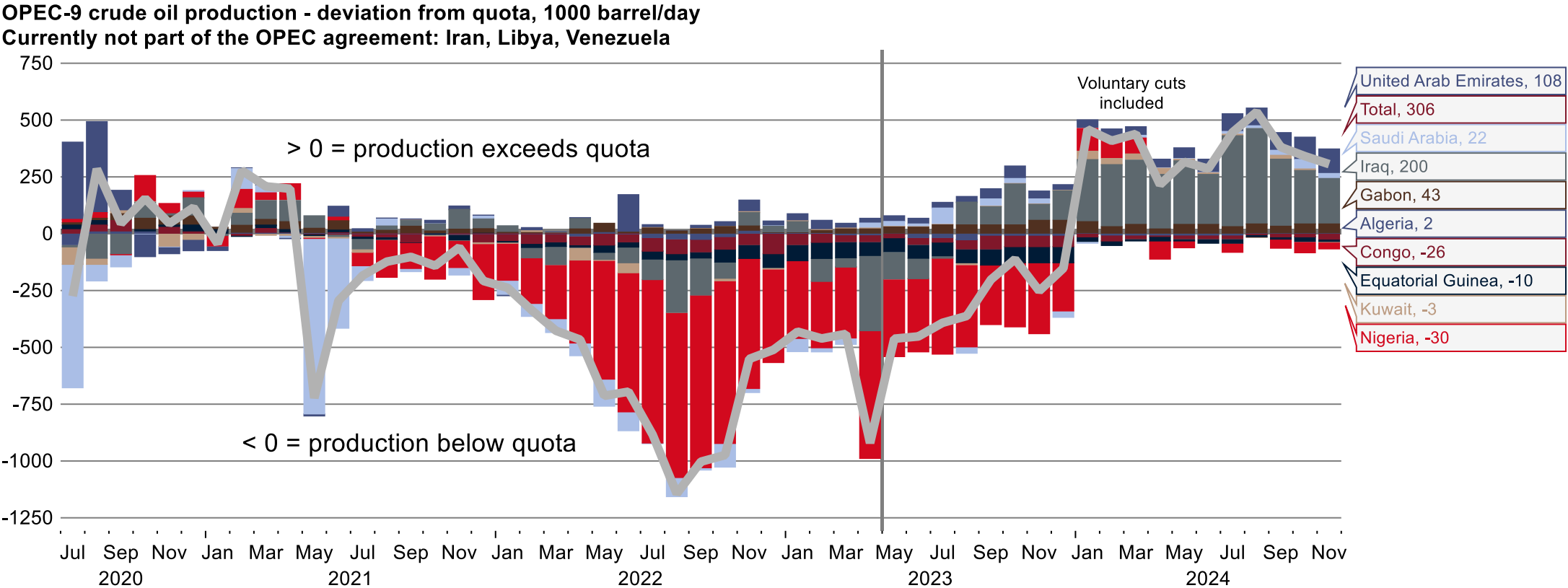
Source: Macrobond, HCOB Economics, Intercontinental Exchange (ICE)

Production quotas: Starting in April 2025, OPEC-Plus plans a gradual increase in production, but this may be postponed again if oil prices remain low.



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.

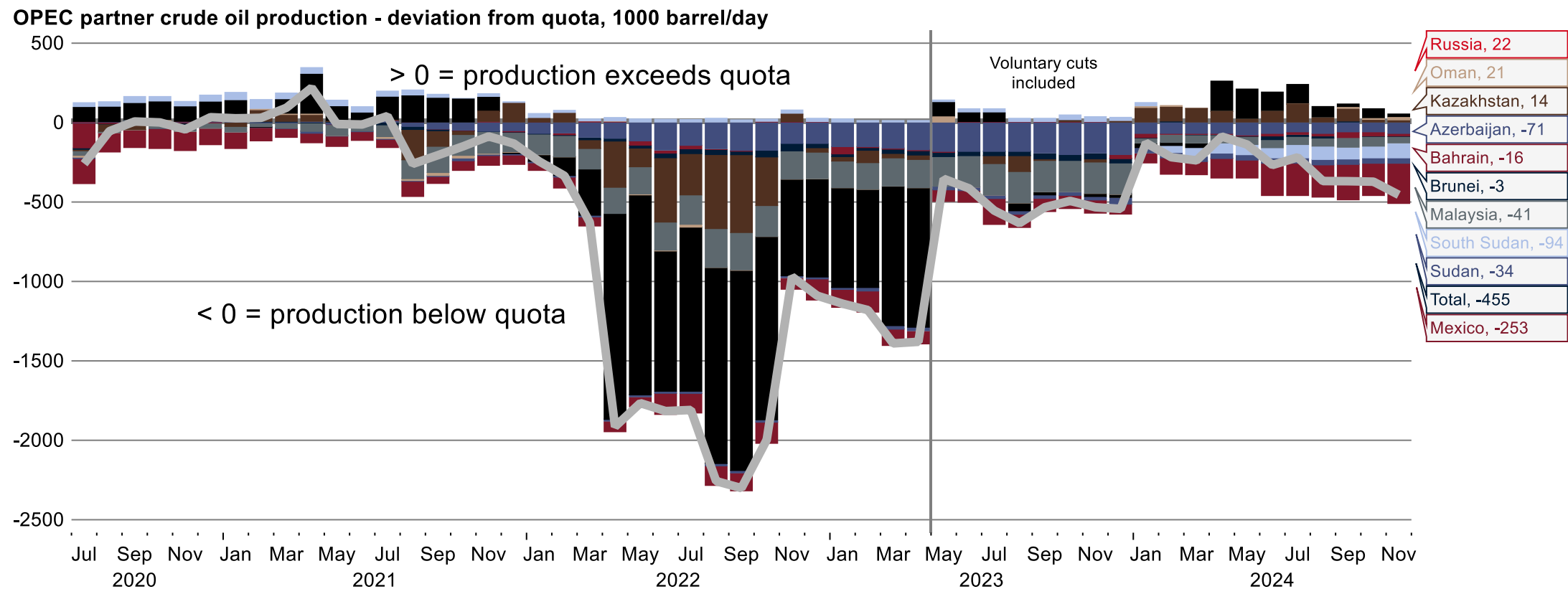
Compliance of OPEC-9: The production volume of Iraq has decreased, but it still exceeded the agreed quota by 200,000 barrels/day.



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.

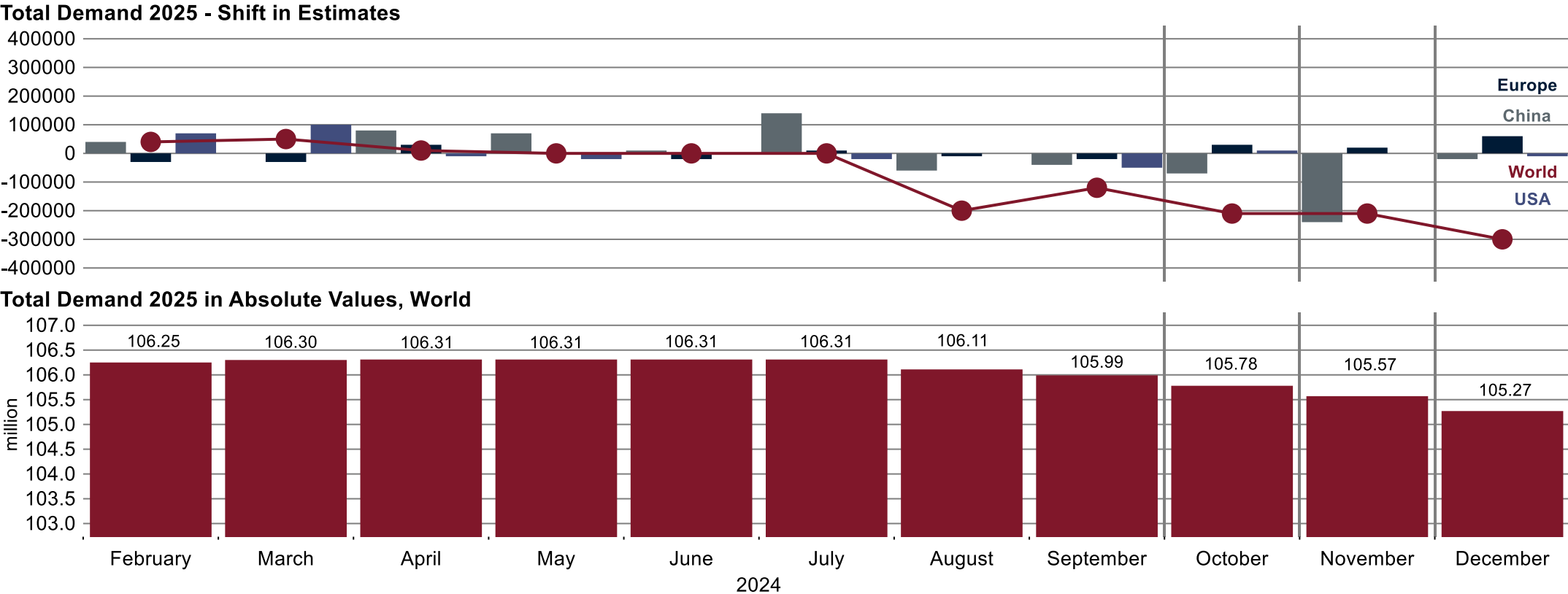
Compliance of OPEC partners: Russia's production is slightly declining, slowly approaching the agreed quota.



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.

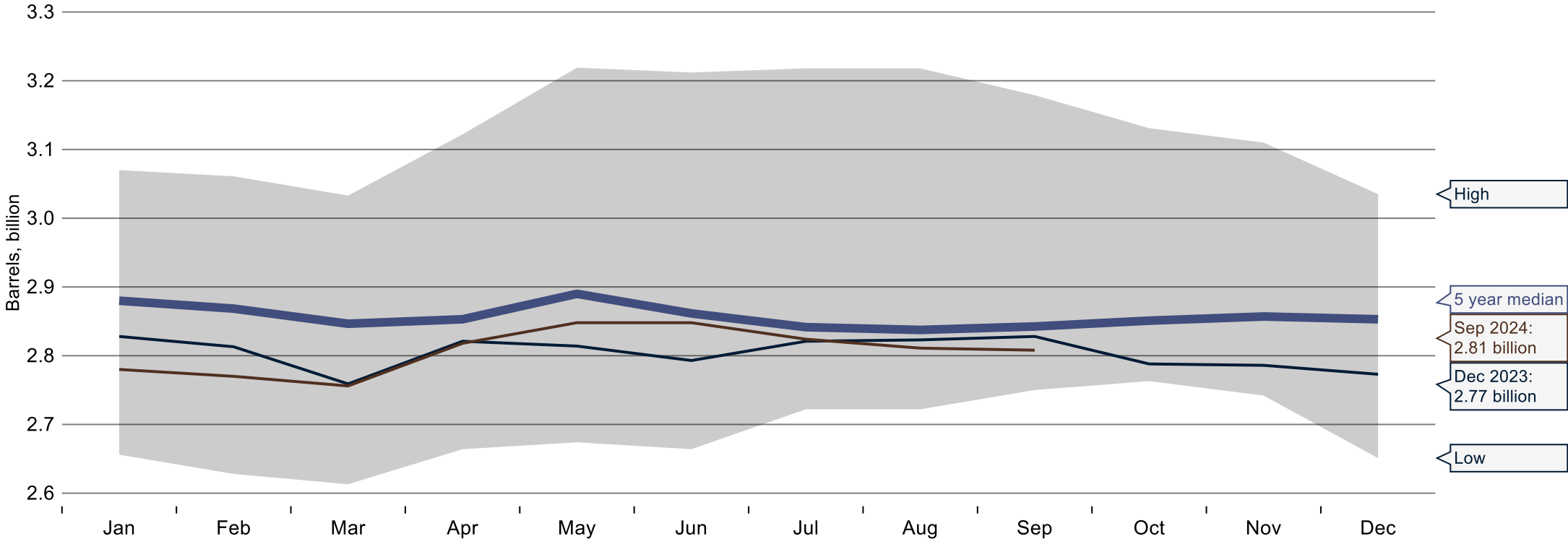
For 2025, OPEC forecasts global oil demand to be 105.27 million barrels/day. Compared to 2024, demand is expected to increase by 1.45 million barrels/day.



Source: Macrobond, HCOB Economics, OPEC

Inventories in OECD countries have recently increased again and are now just below 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.

OPEC decisions (III)

- **December 5, 2024**
 - OPEC-Plus once again postpones its plans to increase production. The organization announced that it will now start increasing production in April 2025 instead of the previously planned December 2024. Additionally, it has extended its production increase schedule, now aiming to reach its original production level in October 2026 instead of October 2025.
 - The actual production quotas, excluding voluntary cuts, are to be 39.725 million barrels/day for 2025 and 2026, according to OPEC.

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