

# Monitoring of OPEC quotas

Iran's threats put oil markets on alert

HCOB Economics

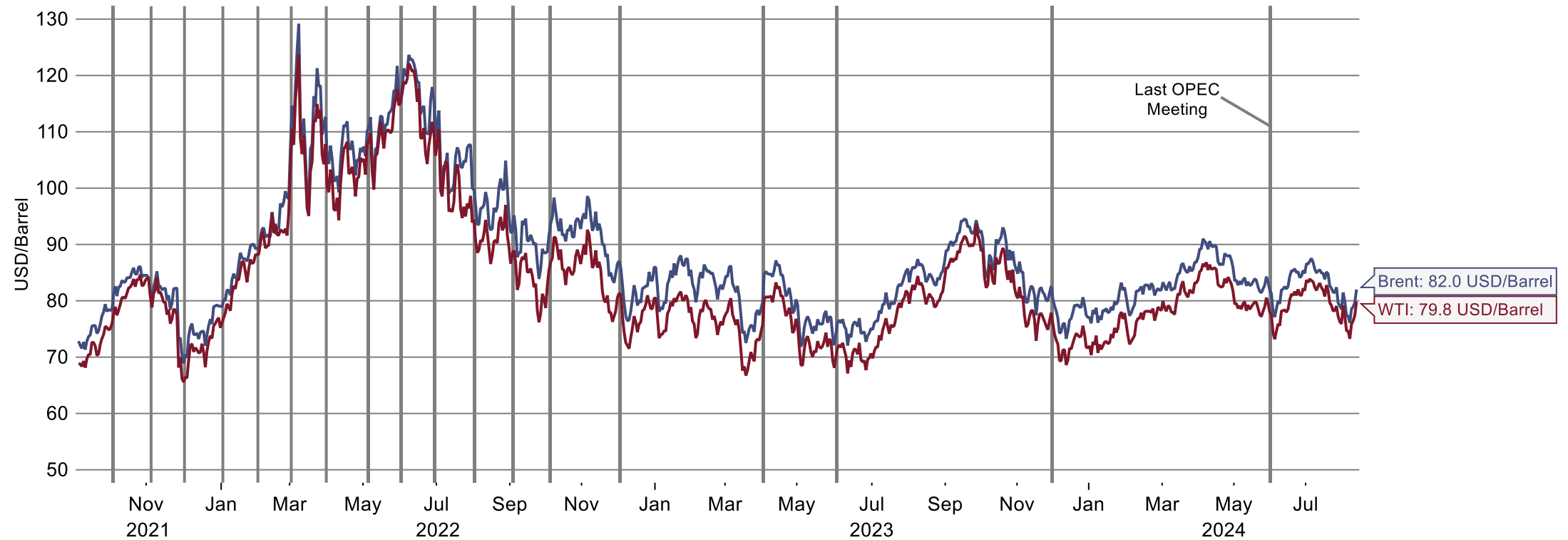
August 14, 2024

## Executive Summary: Iran's threats put oil markets on alert

- The ongoing tensions in the Middle East continue to have a firm grip on the oil markets. Following the killing of Hamas leader Ismail Haniyeh by Israel, Iran threatened retaliatory attacks, which have not yet been carried out. Meanwhile, the heads of government of the USA, Germany, France, Italy and the UK appealed to Iran to cease its threats. However, Iran rejected these demands on the grounds that it wanted to preserve its right to self-defense. At the same time, the USA, Qatar and Egypt are trying to mediate an agreement to end the war between Israel and Hamas.
- In response to the escalating tensions, the USA has increased its military presence in the region. The deployment of an aircraft carrier near the Persian Gulf underlines the seriousness of the situation and at the same time fuels fears that a conflict between Iran and Israel could escalate rapidly. An escalation could significantly affect the stability of oil supplies, especially if the Strait of Hormuz, through which around 20% of the world's oil is transported, were to be affected.
- These uncertainties and speculation about a possible retaliatory strike by Iran have driven up oil prices. A barrel of North Sea Brent crude recently traded at over \$ 82, an increase of more than 3% in recent days.
- Meanwhile, US oil production reached a record level of 13.4 million barrels/day in July 2024. Should there be production shortfalls in the Middle East, the US could offset these bottlenecks with its production and potentially mitigate price volatility.
- In July, OPEC-Plus crude oil production amounted to 35.75 million barrels/day. Of this, OPEC-9 contributed 21.61 million barrels/day, while a further 14.14 million barrels/day were produced by the OPEC partners.
- OPEC's current forecast for global oil demand was adjusted downwards by 0.14 million barrels/day to 104.32 million barrels/day for 2024. The forecast, which had previously remained constant at 104.46 million barrels/day, thus fell for the first time since March 2024.
- The next regular meeting of OPEC-Plus is scheduled for December 1, 2024, although the organization reserves the right to convene extraordinary meetings at any time.

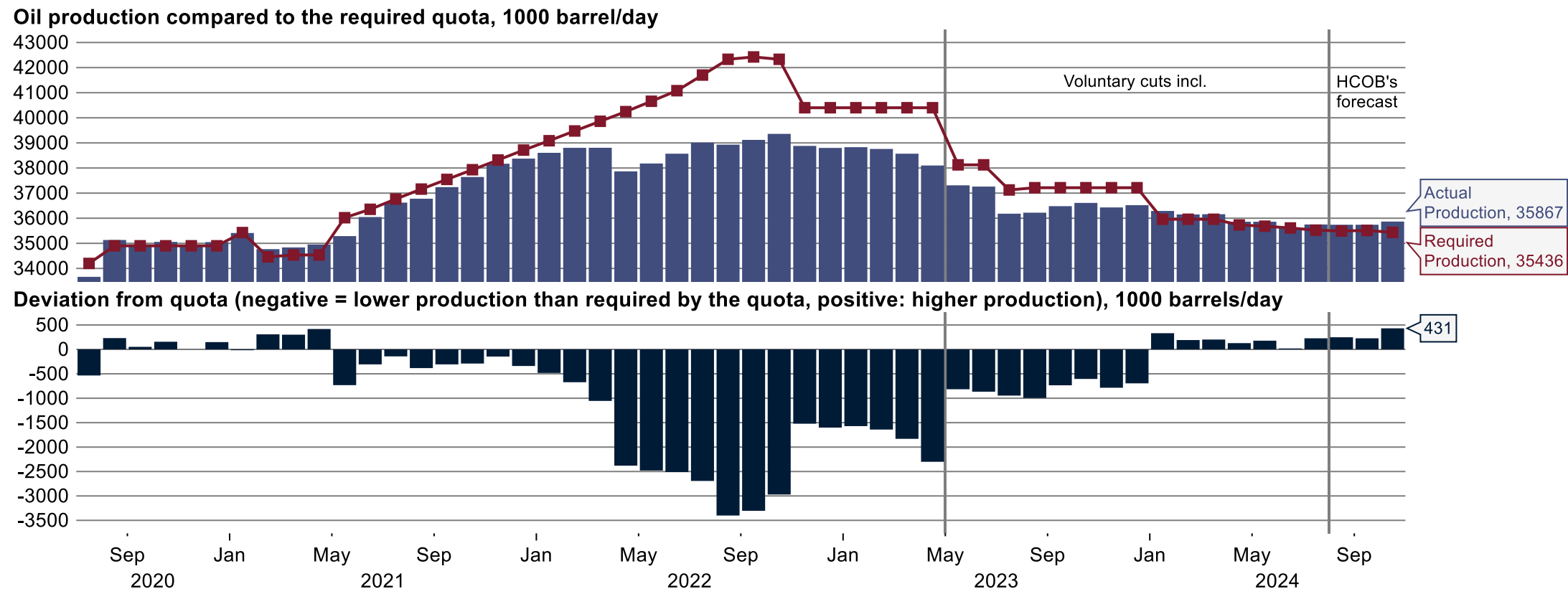
# Price development: Oil prices rose in response to Iran's threats.

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 July. It plans to gradually increase its production from October 2024.

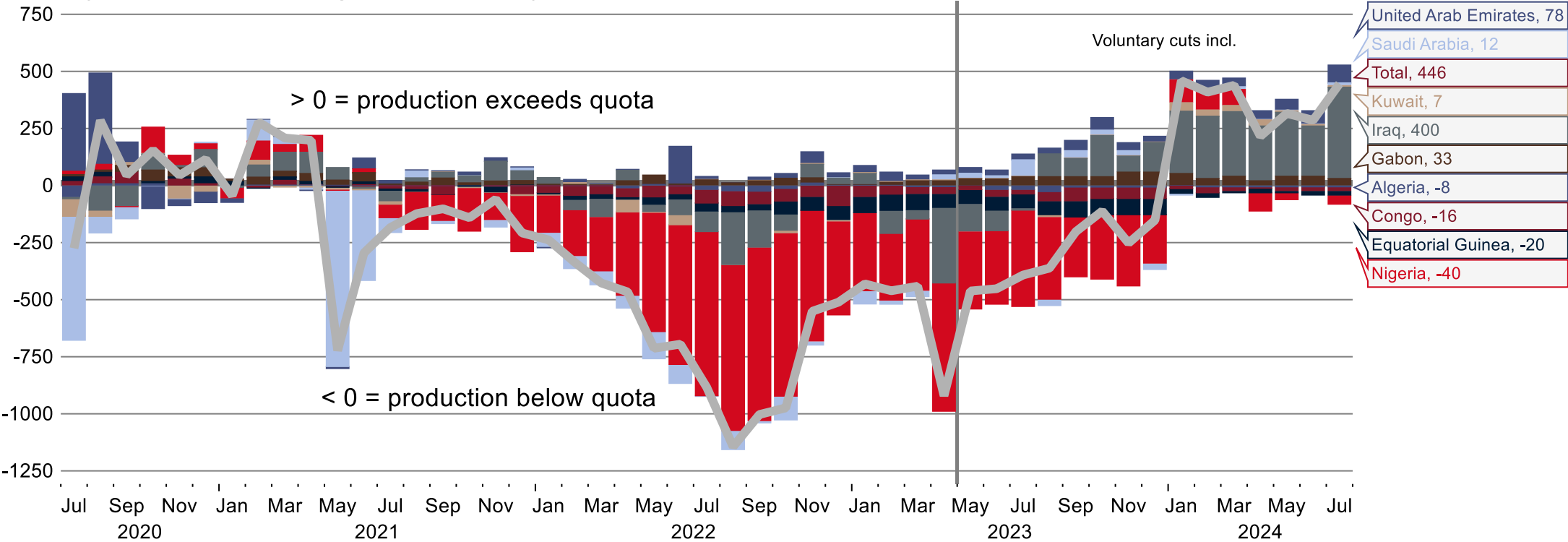


Source: Macrobond, HCOB Economics, S&P Global Platts, IEA

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

# Compliance of OPEC-9: Iraq has been producing well above its quota since January. OPEC-9 also exceeded its target in July due to Iraq's overproduction.

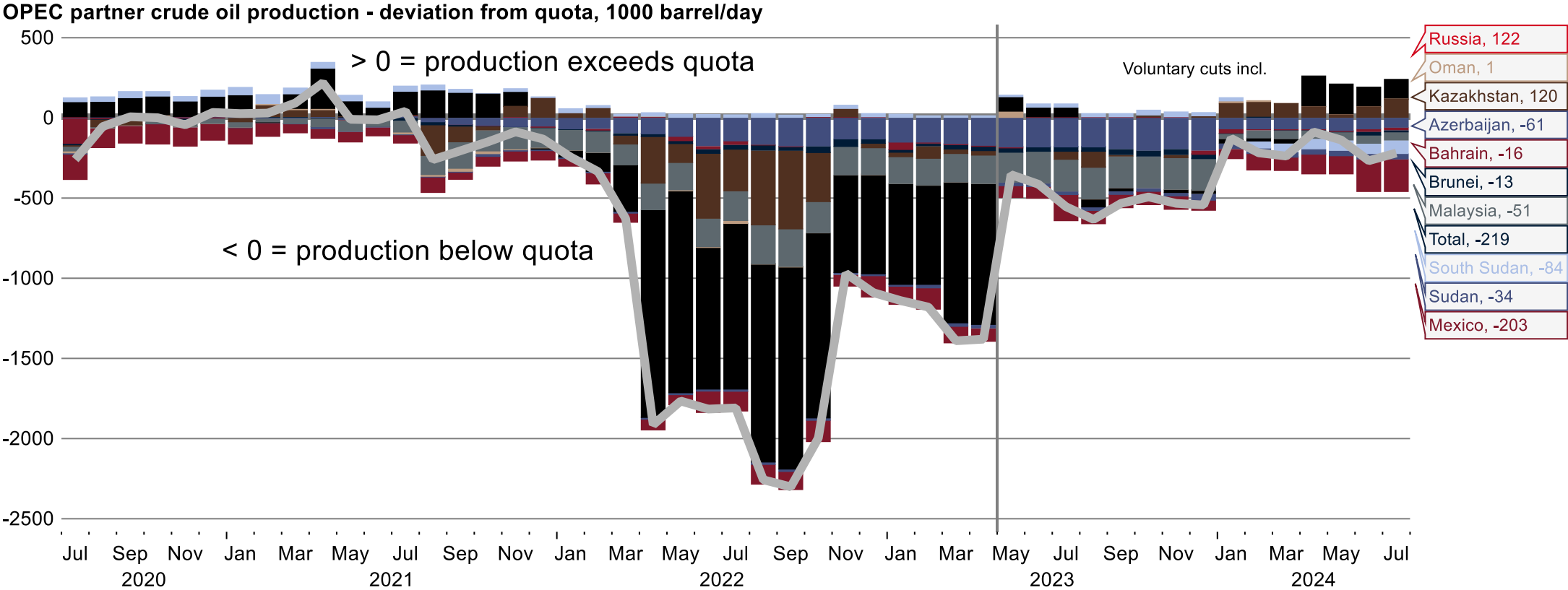
OPEC-9 crude oil production - deviation from quota, 1000 barrel/day  
Currently not part of the OPEC agreement: Iran, Libya, Venezuela



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.

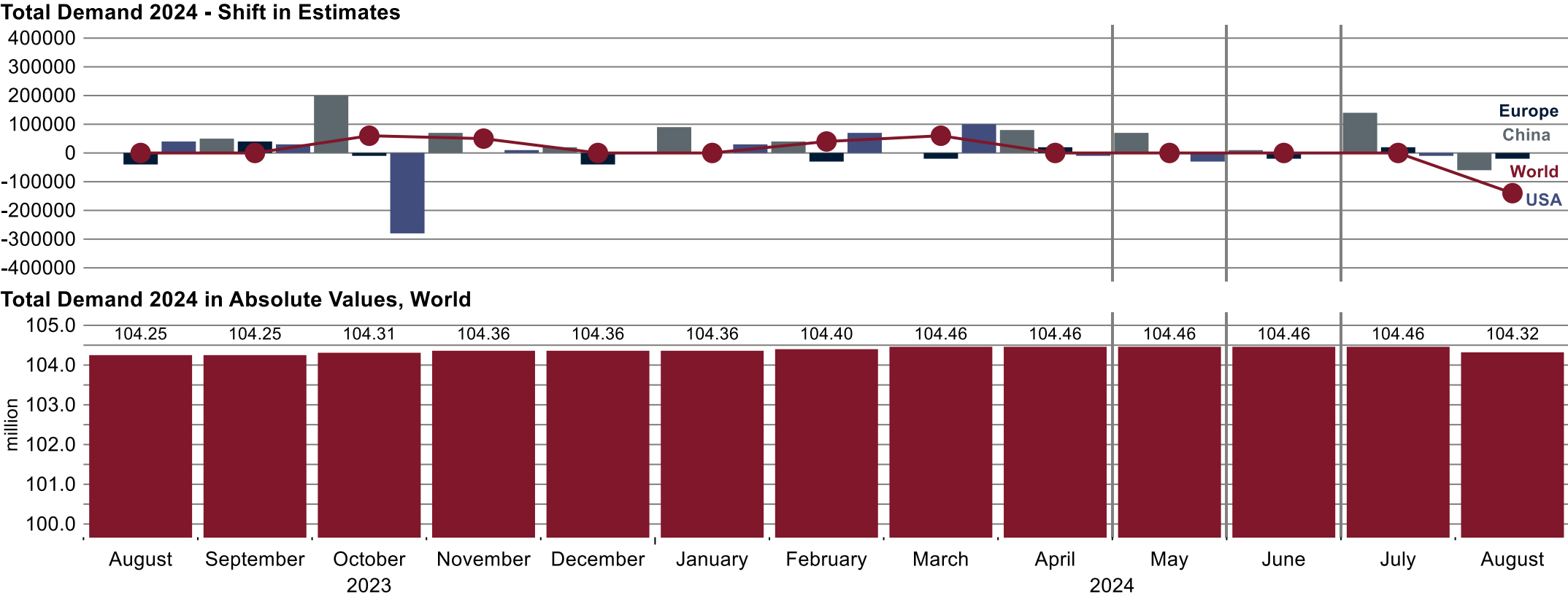
# Compliance of OPEC partners: Russian production is expected to gradually increase to a level of 9.5 million barrels/day by September 2025.



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.

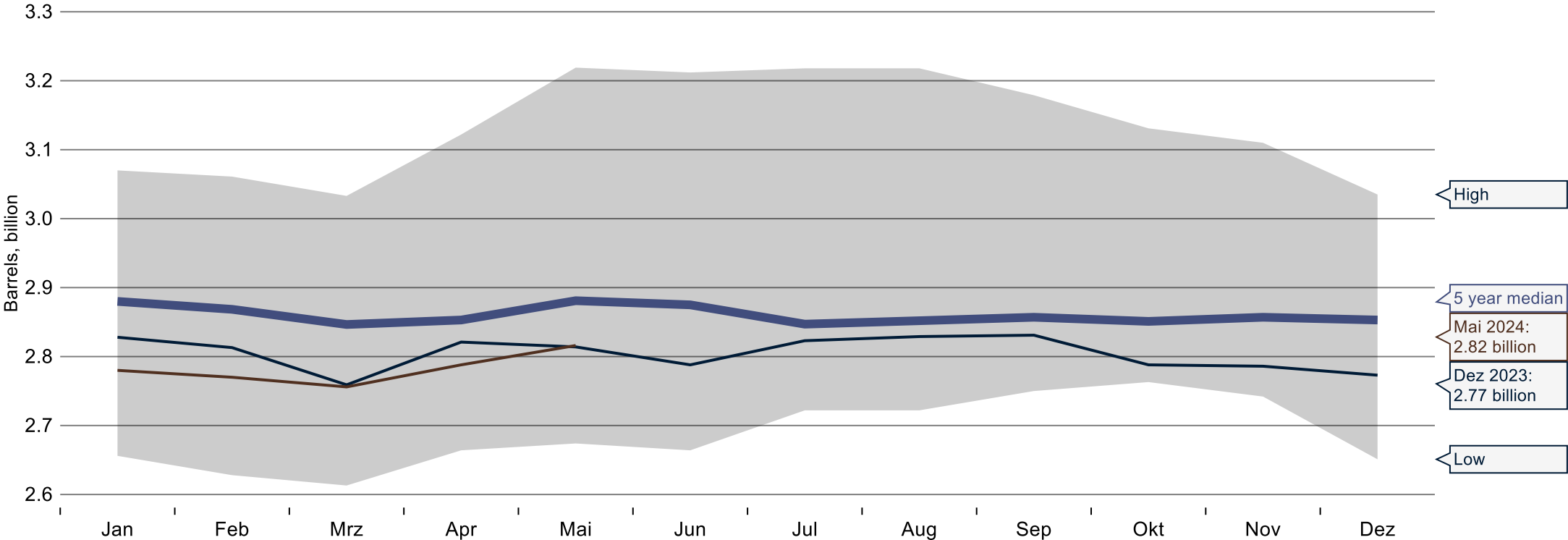
# Oil demand forecast 2024: OPEC revised its forecast for global oil demand for 2024 downwards to 104.32 million barrels/day.



Source: Macrobond, HCOB Economics, OPEC

# OECD inventories: Inventories in the OECD countries have risen again recently.

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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Editorial deadline for this issue: August 14, 2024

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