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S&P Global Platts: OPEC Output Slumps in December

First Fall in 7 Months, to 32.85 mil b/d on Nigeria, Saudi decline

PR Newswire
LONDON

LONDON, Jan. 10, 2017 /PRNewswire/ -- Oil production from the Organization of the Petroleum Exporting Countries (OPEC) slumped 280,000 barrels per day (b/d) in December, due to hefty falls in Nigeria and Saudi Arabia, a month before the group's pledge to rein in production, according to the latest survey of OPEC and oil industry officials and analysts by S&P Global Platts, the leading independent provider of information and benchmark prices for the commodities and energy markets.

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"There are some encouraging signs that OPEC will deliver on its promised output cuts," said *Eklavya Gupte, senior editor for S&P Global Platts*. "But the crucial question is whether OPEC and non-OPEC can make the compliance stick long enough to clear out the stock overhang. If both Libya and Nigeria post a swift output recovery and compliance starts to wane, the deal would unravel. A close eye will also kept be on the US shale oil industry, as it seeks a rebound in output amid higher oil prices."

OPEC's 13 members saw their collective December output fall to 32.85 million b/d from 33.13 million b/d in November. Including Indonesia, which suspended its membership at the organization's last meeting, total December output was 33.57 million b/d, also down 280,000 b/d.

The producer group has agreed to cut 1.2 million b/d from its October output level for six months starting from January 1, and freeze production at around 32.5 million b/d, with the total including Indonesia.

As part of global efforts to curb the crude supply glut, 11 non-OPEC countries led by Russia have also agreed to cut output by 558,000 b/d in the first half of 2017, with Russia shouldering the majority of that burden, with a 300,000 b/d reduction.

The December slide comes after OPEC reached a new production record in November and is the first fall in seven months as Saudi Arabia provides an encouraging sign that it is set to lead the cuts by example.

However, the main protagonist responsible for the fall in total output was Nigeria, which is exempt from the cut agreement, as it recovers from renewed militancy in the oil rich Niger Delta, while Iraq, OPEC's second-biggest producer, saw its exports rise sharply. Nigerian production fell to 1.44 million b/d from 1.68 million b/d in November, as planned maintenance halved loadings of its key export grade Agbami. The fall was exacerbated by a shorter export program, while strikes carried out by ExxonMobil employees resulted in deferrals of at least four cargoes of grades like Qua Iboe and Erha, aggravating the decline.

SAUDI OUTPUT STARTS TO DROP, IRAN STABLE

Saudi Arabia saw its production fall to 10.42 million b/d in December, dropping 100,000 b/d from the previous month, as survey panelists said output was finally beginning to come down after having been unseasonably strong toward the second half of last year. This was evidenced by a dip in exports as well as refinery turnarounds and lower direct crude burn, they said. Under the recent deal, Saudi Arabia has agreed to bring its output down to 10.06 million b/d between January and June.

Earlier this month, state-owned Saudi Aramco also informed its term customers that it is looking to reduce its loadings in February after it suspended operational tolerance in its crude supply contracts from January this year.

Iranian output in December was stable at 3.69 million b/d, signaling significant production rises may have stalled as its mature oil fields urgently need investment and new technology to boost output.

Analysts said that despite a fall in crude oil exports last month, refinery utilization had increased keeping production steady. Tehran recently published a list of 29 international oil companies that are now qualified to participate in the country's new upstream oil and gas deals, as it hopes to boost production capacity.

IRAQ, LIBYA BUCK TREND

Iraq, which had been reluctant to join the cuts in the run-up to the November meeting, saw its December figure climb to 4.63 million b/d, up 70,000 b/d from November. Iraq posted a swift rise in federal government exports from both the Ceyhan Mediterranean oil terminal in Turkey and from Iraq's own Persian Gulf terminals, topping 3.5 million b/d, a new monthly record, Platts data showed. Oil minister Jabbar al-Luaibi has however reaffirmed to the market that rising oil exports will not affect OPEC's deal on production cuts to rebalance the market. He said Iraq has put in place "a deliberate plan...to reduce output" from the beginning of 2017. Iraq, like some other OPEC members, is likely to pursue scheduled field maintenance to temporarily reduce oil production to meet the obligations of the OPEC and non-OPEC producers quota to boost oil prices, said survey panelists.

Libya, another country exempt from the OPEC deal, saw its output rise to a two-year high boosted by the restart of the giant Sharara and Elephant fields in mid-December. Libyan pumped 620,000 b/d, up 40,000 b/d from November as production has risen by almost 400,000 b/d in four months after the force majeure was lifted at three key oil terminals in the east of the country in September. Libya's recovery comes at a critical juncture, coinciding with global efforts to curb the global supply glut after prices went on a downward spiral since mid-2014.

Panelists however said they do not expect Libya to derail the OPEC deal in the short term, especially as Nigerian production continues to flounder. They also doubt Libyan production will rise sharply in the coming months without significant investment and stated that the political situation in the country remains prone to instability.

OPEC production (in million b/d)

Country	December	Change	November
Algeria	1.10	0	1.10
Angola	1.66	-0.04	1.70
Ecuador	0.53	0	0.53
Gabon	0.21	0	0.21
Iran	3.69	0	3.69
Iraq	4.63	0.07	4.56
Kuwait	2.83	0.02	2.81
Libya	0.62	0.04	0.58
Nigeria	1.44	-0.24	1.68
Qatar	0.64	-0.01	0.65
Saudi Arabia	10.42	-0.1	10.52
UAE	3.03	0	3.03
Venezuela	2.05	-0.02	2.07
Total	32.85	-0.28	33.13

Notes: OPEC ministers on November 30 finalized a deal to freeze production at around 32.5 million b/d, beginning January 1 for six months. The agreement exempts Libya and Nigeria, while allowing Iran a small increase in production.

Indonesia suspended its membership on November 30, but its output is being counted by OPEC under the production ceiling.

Non-OPEC producers led by Russia also agreed to cut output by 558,000 b/d in the first half of 2017, with Russia set to cut 300,000 b/d.

The committee in charge of monitoring the implementation of the proposed OPEC and non-OPEC production cut will meet in Vienna on January 21-22.

The committee is to be co-chaired by representatives of Kuwait and Russia, and will also have representatives from Algeria, Venezuela and Oman.

The estimate for Iraq includes volumes from semi-autonomous Iraqi Kurdistan.

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