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Christof Rühl

Senior Research Scholar - Center on Global Energy Policy
Columbia University



How serious is the disagreement within OPEC on production capacity baselines?

Producers like Saudi Arabia, Kuwait and the UAE all have expectations at some point, of having to resume their fight for market share and so quotas will need to be adjusted. That's the issue that the UAE raised at the meeting. It has a production capacity now closer to four million barrels but the current baseline benchmark being used is only 3.1 million. These decisions have been carried since 2017 so it's a problem that has accumulated and OPEC Plus has let it fester. If the agreement is redone according to spare capacity, it potentially opens a 'Pandora's Box' because so many producers have expanded capacity. And even if they postpone the decision for now, it is something that will make its way back to the agenda and won't be easy to resolve.

Should OPEC be giving oil consumers' positions on prices more attention?

When you sit on a large chunk of the world's global oil supply and you think about how to act, you think strategically and long term. So, for example, it is important what the US thinks. It was a huge success for OPEC in April 2020, to have a G20 meeting basically endorse it - you don't gamble that away lightly. High oil prices do matter as they impact economic growth and more importantly, the momentum in the price impacts the inflation outlook.

Anything else on the radar for the week ahead?

We expect the growth in the US to soldier on, but we are still hearing very little about the Chinese economy. There's something brewing there which I don't think most people have got their heads around. I expect China to have a lot of the problems which the US is supposed to get in the autumn, including issues in its financial sector. ■

**Paraphrased comments*

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