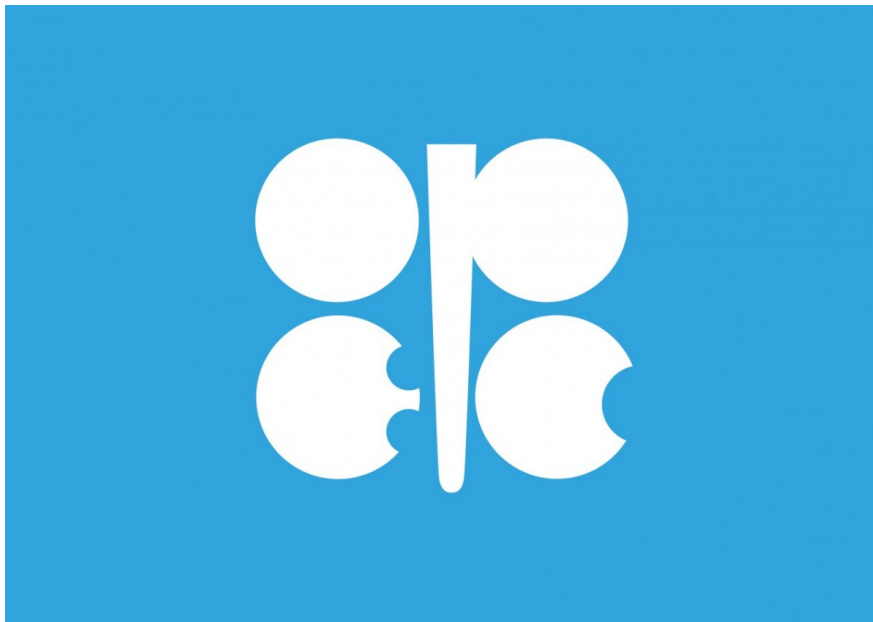


OPEC+ agrees on small output cut

OPEC+ members surprised the market yesterday by agreeing to cut their output target by 100Mbbbls/d for October. However, given that OPEC+ has been producing well below production targets for some time now, the impact of this cut on actual supply is limited



What was agreed?

OPEC+ agreed to cut production in October by 100Mbbbls/d, which would take production targets back to the same levels as in August. The group highlighted volatility and reduced liquidity in the market as justifications for the move by helping improve stability and ensuring that the market functions in an efficient manner. Given the volatility in the market coupled with plenty of uncertainty, OPEC+ has not ruled out further action if and when it is needed.

Is a 100Mbbbls/d cut really a 100Mbbbls/d cut?

While the headline number is for a 100Mbbbls/d cut, in reality, the actual cut will be much smaller. It is important to remember that OPEC+ have failed to hit their production targets all year. In July, OPEC+ output was actually more than 2.7MMbbbls/d below the target production. Most producers have not been able to hit their targets and are producing quite some distance below where they should be. It is only Saudi Arabia, the UAE and Kuwait that have been producing at or near their agreed output levels. Therefore, it will likely be only these producers that will need to reduce

output by their share of the 100Mbbls/d. Combined, these three producers would need to reduce output by around 40Mbbls/d from September levels.

What does this mean for the market?

Fundamentally this changes little in our supply and demand balance, and we will be keeping our [oil price forecasts unchanged](#) for the remainder of this year and 2023. However, the action from OPEC+ does seem to confirm that the floor for Brent is not too far below US\$90/bbl. And while little changes in the supply/demand balance, it does not send a great message to the US administration, which has been putting pressure on OPEC for much of the year to increase output more aggressively.

Author

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

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