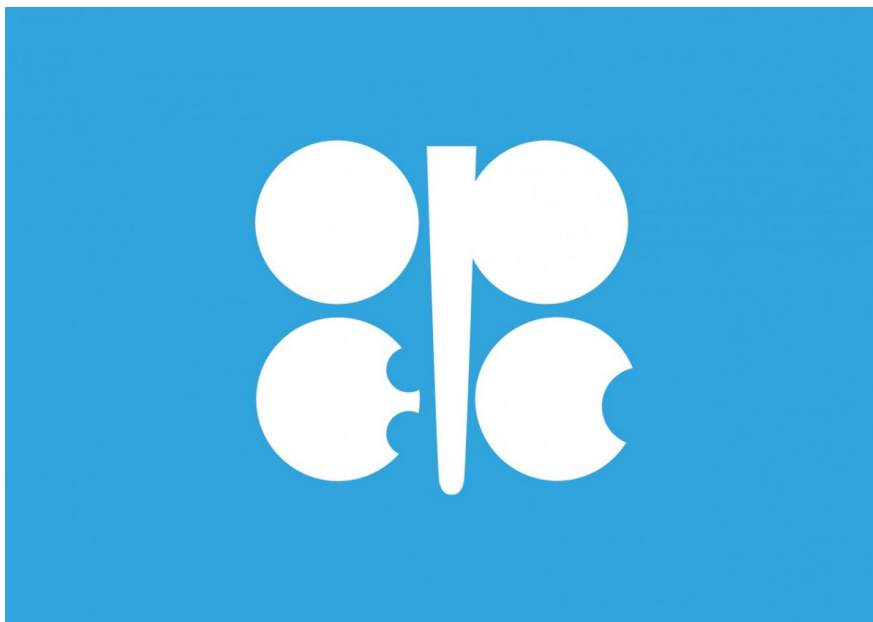


OPEC+ agrees on small output cut

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 100Mbbbls/d. Combined, these three producers would need to reduce output by around 40Mbbbls/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

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.