OPEC+ Expects to Drain Oil Stocks as It Makes Supersized Cut (1)
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By Grant Smith
(Bloomberg) -- OPEC and its allies expect to deplete the global surplus in oil stockpiles sharply as demand holds up and the coalition cuts production by far more than initially planned.
Saudi Arabia, Russia and other producers in the OPEC+ alliance have slashed crude output this year to shrink the glut amid faltering economic growth and soaring U.S. shale output. Results have been mixed, with oil prices down more than 20% from this year's peak, trading at about $59 a barrel in London.
In response, the Saudis have reduced output by far more than pledged under the terms of the deal, and the coalition's overall implementation rate last month was 59% above target, according to a statement posted on its website on Tuesday. That means the alliance cut supplies by about 1.9 million barrels a day.
OPEC signaled that the deeper-than-anticipated cutbacks had been necessary because of the extreme upheaval in the global economy.
"This high level of overall conformity has offset uncertainty in the market due to ongoing economic-growth worries," according to the statement from the Joint Ministerial Monitoring Committee, a body set up by OPEC and its allies to oversee implementation of their strategy.
"Along with healthy oil demand," the supply restraints have "arrested global oil-inventories growth and should lead to significant draws in the second half of the year," the committee said.
World financial markets have been buffeted this year as the U.S. and China become ever more entangled in a trade dispute that's weighing on growth in both nations, the two biggest oil consumers.

Saudis Lead

Collectively, the 24 countries in the OPEC+ coalition -- comprising the 14 nations of the Organization of Petroleum Exporting Countries and 10 non-members -- pump about half of the world's oil.
The burden for going the extra mile however has rested

almost entirely on Saudi Arabia, the biggest OPEC member. The kingdom reported that it lowered output to 9.58 million barrels a day in July, which means it's cutting more than twice as much as agreed.

The JMMC will meet to review the strategy on Sept. 12 in Abu Dhabi, and then the full coalition will gather in December to consider any measures for next year.

The committee said that forecasts by major institutions are for "robust" oil-market fundamentals for the rest of this year and 2020.

While it is the case that leading organizations like the International Energy Agency see world oil demand continuing to grow next year in line with recent trends, expectations for another surge in supply create a fragile outlook.

Both the IEA and OPEC itself expect that oil supplies, driven by the U.S., will expand by roughly twice as much as the growth in consumption next year.

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