

## Saudi Arabia targets \$100 crude price

By Javier Blas and Guy Chazan



Saudi Arabia is aiming to keep oil prices at about \$100 a barrel, a third above its previous public target, in a sign that Riyadh needs higher oil revenues to sustain a [big rise in public spending](#).

Ali Naimi, the Saudi oil minister, on Monday for the first time said the world's largest oil producer aimed to keep oil prices at the triple-digit level.

“Our wish and hope is we can stabilise this oil price and keep it at a level around \$100 [a barrel],” [Mr Naimi told CNN](#). “If we were able as producers and consumers to average \$100 I think the world economy would be in better shape.”

Brent crude oil prices rose 56 cents on Monday to \$111 a barrel amid rising tension between western nations and Iran over Tehran's nuclear programme.

The new favoured price – a de facto target – is a third higher than the \$75-a-barrel level that King Abdullah said was a “fair price” in November 2008. Riyadh is traditionally seen as a price moderate within the Opec oil cartel. But Mr Naimi's comments put the kingdom in line with price hawks such as Venezuela.

The revised target is in part a reflection of rising public spending in the wake of the Arab spring. “The Saudis need to spend more money to keep their citizens quiet and prevent protests,” said Carsten Fritsch, oil analyst at Commerzbank.

Bill Farren-Price of consultants Petroleum Policy Intelligence added that there was a “consensus” within Opec that \$100 a barrel was the appropriate price

level for its members' fiscal requirements and the need to invest to boost supply. "The context is an industry where a lot of new investment is predicated on that kind of price level."

King Abdullah announced [two populist programmes of handouts](#) and a boost to public spending last year at a cost of \$129bn – equal to more than half the country's oil revenues. The largesse failed to satisfy democracy activists who were angry that the package did not include reforms.

The International Monetary Fund estimates that [Riyadh needs at least \\$80 a barrel to balance its budget](#), up from about \$50 a barrel in 2008. Only a decade ago Saudi Arabia was able to balance its budget with oil prices averaging \$20-\$25.

Jadwa, a Riyadh-based investment house, estimates that the kingdom's fiscal expenditure for 2012 will grow by 19 per cent this year, the biggest annual rise in six years. Paul Gamble, Jawda head of research, said: "The budget highlights the government's intention to continue to stimulate the economy."

Saudi Arabia is not alone. The fiscal break-even price for the United Arab Emirates, Iran and Iraq has also risen to between \$80 and \$100 a barrel, according to IMF estimates. Mohammed Al Hamli, UAE oil minister, last year told an industry conference that the "reasonable" price for oil was between \$80 to \$100 a barrel.