

Oil market on alert as Iran sanctions hit



LONDON: US sanctions against importers of Iranian oil threaten the crude oil market's precarious balance and risk surging prices, all under Saudi Arabia's watchful gaze, according to experts.

"In the next weeks all eyes will be on Iranian exports, whether there will be some cheating around US sanctions, and on how quickly production will fall," said Riccardo Fabiani, an analyst for Energy Aspects.

The US will from Monday target buyers of Iranian oil in order to deprive Tehran of its main source of income.

Going after Iran's oil money will hit Tehran where it hurts, but it also means hitting a major pillar of the global oil market – Iran is the OPEC cartel's third-largest producer – with major consequences for world supply.

Iran exported the equivalent of 2.5 million barrels a day in April, before the announcement of sanctions turned buyers away.

"Even if the United States grants exemptions, Washington will demand that the volume imported from Iran be significantly reduced," said UBS analyst Giovanni Staunovo, who expects prices to rise.

However, oil prices have fallen by nearly \$15 in less than a month, after peaking in early October at their highest level in two and a half years, with a barrel of Brent at over \$85.

“The mantra right now is to go to Saudi Arabia but its exports have remained flat at around 10 or 10.2 million barrels a day,” said Samir Madani, an analyst at Tanker Trackers, which specialises in satellite tanker tracking.

“The big increase right now is Iraq at 4.2 million, which I’ve never seen before,” he added.

The US, which is in the process of becoming the world’s leading producer thanks to its shale oil operations, could meet part of the demand, but lacks export capacity, said the analyst.