

Oil output to rise by 1m barrels a day in Opec deal Saudi minister



Major oil producers have agreed to pump more crude to help reduce prices and prevent a supply shortage, in a significant reversal of Opec's strategy of curbing output over the past 18 months.

After a fraught meeting in Vienna in which Iran was initially at odds with a Saudi-led drive to boost production, ministers settled on a target they said would increase output by around 1m barrels per day (bpd).

Donald Trump, who has blamed the cartel for recent oil price highs, appeared to welcome the deal. "Hope Opec will increase output substantially. Need to keep prices down!" the US president tweeted after the agreement.

However, analysts and ministers said the actual amount of

extra oil is likely to be around a third lower than the headline 1m figure.

Joe McMonigle, an energy analyst at HedgeEye, said: "I suspect we will eventually get some calculations from Opec but [the] lack of details is bullish not bearish for oil prices."

Brent crude, the international benchmark, was up nearly 2% to \$74.47 (£56.12) a barrel, shortly after the agreement was announced. It hit \$80 a barrel last month before falling back.

The oil cartel also failed to spell out how the extra production would be allocated among members, a key question as several have no capacity to pump more crude.

Friday's deal centres on how closely countries have stuck to production cuts that have been in effect since the start of 2017, driving a recovery in oil prices.

Opec said the cuts of 1.2m bpd had been far exceeded – at 158% in May – so in Vienna the group agreed to target 100% compliance instead. That would equate to an effective increase of around 1m bpd.

Roger Diwan, a veteran Opec observer and analyst at IHS Markit, said: "That's a fudge for sure."

He said the agreement paved the way for the Saudis to pump more, while the Iranians could sell the deal domestically by saying they had blocked a bigger increase.

Khalid al-Falih, the Saudi energy minister, said the kingdom was ready to increase production.

"Saudi Arabia is unique. All of our spare capacity is available at short notice," he said. However, he said the impact of the increase would not be felt until the end of summer, because crude would take weeks to reach markets.

The minister acknowledged that not all of the cartel's members

were in a position to increase output.

Crisis-hit Venezuela has suffered a nosedive in production, while Iran's exports are due to be hit by US sanctions, so neither are in a position to increase supplies.

Iran failed in its effort to shoehorn a coded criticism of the US into the Opec communique.

Suhail al-Mazroui, the UAE energy minister and meeting's president, suggested the agreement represented a good compromise.

"I think for the group to agree that we target that collective 1.2[m bpd] level is something that is good for us. That takes into account the differences between the different countries," he said.

After nearly two years of relative unity at Opec as the group cut production to rebalance supply and demand, the talks in Vienna this week found the cartel divided.

After arriving on Tuesday, Iranian oil minister Bijan Zanganeh threatened to veto any agreement to raise output, though he eventually reached agreement with his Saudi counterpart on Friday. Observers had said earlier in the week that, "the body language has been awful".

The Ecuadorean oil minister, Carlos Pérez, when asked if the talks had been fractious, said: "It's been a difficult situation." But he added the cartel hoped to continue its unity despite the disagreements.