

OPEC sees growing supply threat from rivals beyond U.S. shale



LONDON (Bloomberg) – OPEC’s latest forecasts suggested a weaker outlook for global oil markets this year as surging supplies from competitors from Norway to Guyana threaten the group’s efforts to defend crude prices.

The organization and its allies – which together account for about half the world’s oil output – are embarking on a fresh round of production cuts as another year of booming rival supplies threatens to unleash a new glut. OPEC’s latest monthly report shows their challenge extends far beyond the shale patch of Texas and North Dakota.

The Organization of Petroleum Exporting Countries boosted forecasts for growth in output from non-members in 2020 by 180,000 barrels a day to 2.35 million a day, as offshore projects once seen unfeasible in an era of lower oil prices take off. While the outlook for the U.S. was lowered, America

will still account for almost two thirds of the new output.

Although the group raised estimates for world demand, rival supplies will grow about twice as fast, potentially derailing the coalition's strategy to maintain oil revenues for its members. Crude futures are trading near \$64 a barrel in London, close to the lowest in a month, even after flaring tensions between the U.S. and Iran rekindled fears of a major supply disruption.

OPEC and allies including Russia and Kazakhstan are deepening production cutbacks made last year in order to remove excess global inventories, pledging overall curbs of about 2.1 million barrels a day. This month's report suggests those measures should be sufficient to deplete stockpiles during the first quarter, but that a surplus will probably return in the second.

Saudi Arabia, the group's biggest member and de facto leader, rushed to implement almost all of the additional reductions pledged before the new agreement even took effect, the report showed. The kingdom reduced output by 111,000 barrels a day in December to 9.762 million a day.

As a result, the organization's total production fell to 29.44 million a day last month. If other nations implement just part of their pledged reductions, output should be near the average of 29.19 million a day needed in the first quarter. However, even full compliance won't prevent stocks building up in the second quarter, when the requirement for OPEC's crude drops to 28.56 million a day.

The full alliance is due to meet in early March, when the agreement is due to expire, to decide whether to continue with the strategy.