



OPEC Meeting and a Few Related Thoughts and Graphs from Readers

Posted by [Gail the Actuary](#) on March 14, 2009 - 10:01am

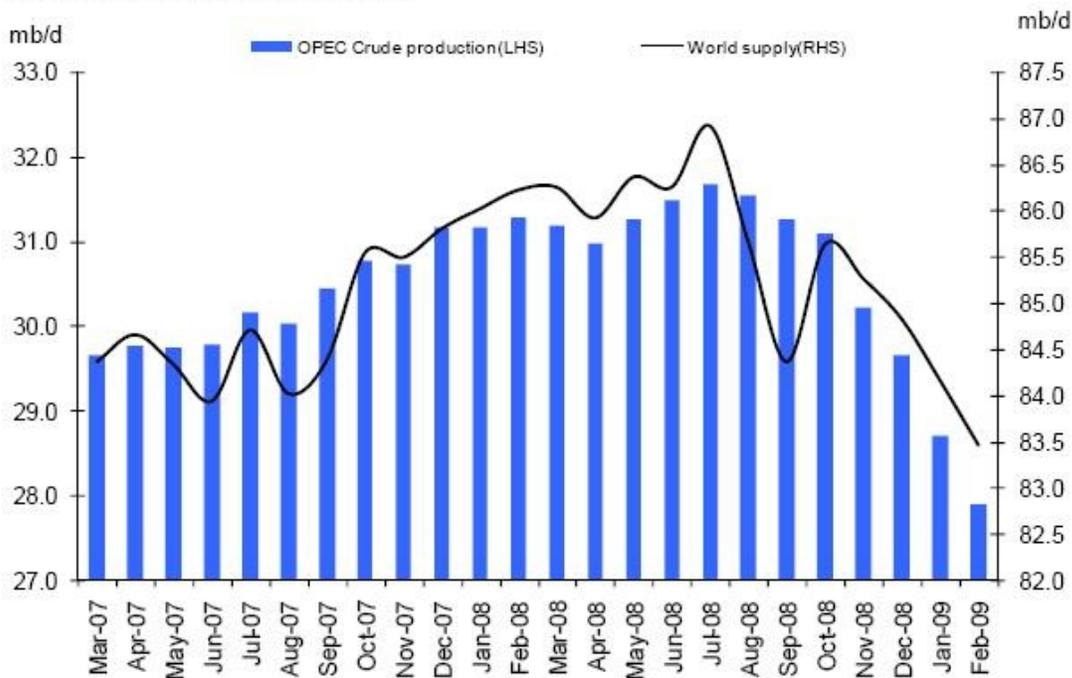
Topic: [Supply/Production](#)

Tags: [oil production](#), [opec](#), [opec meeting](#) [[list all tags](#)]

OPEC will meet on Sunday to talk about possibly reducing oil production further. In this post, I have a few short news clips, and some reader supplied analyses and graphs. Some of the graphs relate more to world oil production in total than just OPEC.

This is a graph provided by OPEC in its March report showing its estimate of both OPEC and World oil production through February:

Graph 25: OPEC and World oil supply



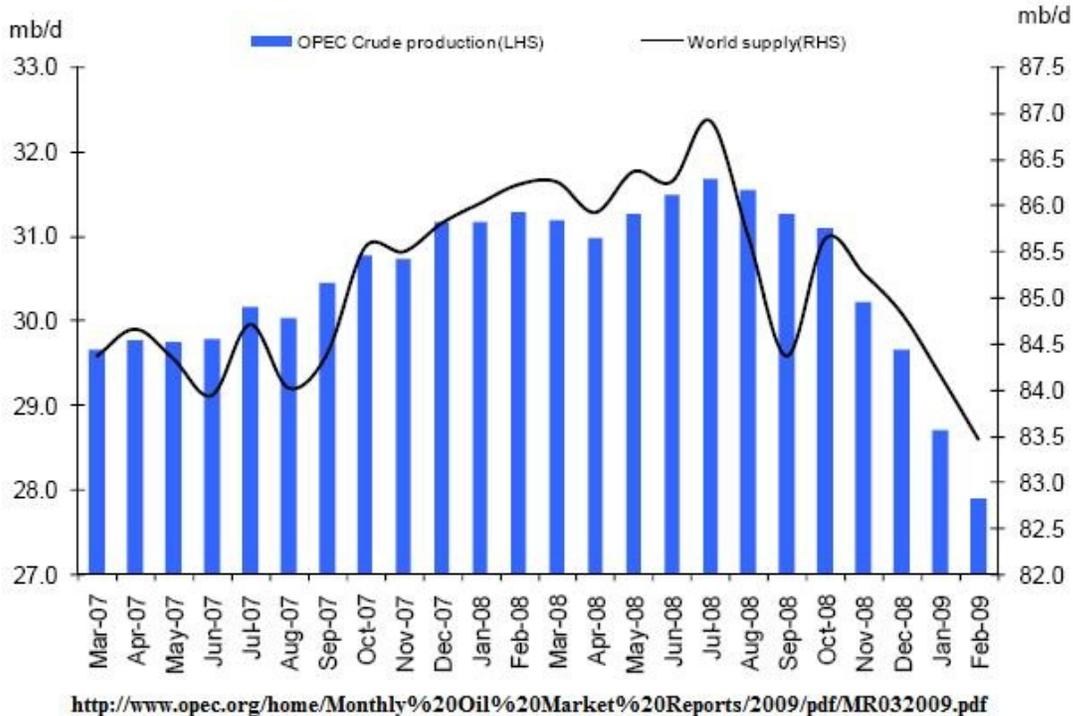
<http://www.opec.org/home/Monthly%20Oil%20Market%20Reports/2009/pdf/MR032009.pdf>

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According to OPEC's view, both OPEC and world production continued to drop through February. Clearly countries around the world are interested in the OPEC meeting. About Russia we [read](#):

Russian news agencies said Thursday that Vice Premier Igor Sechin would attend the OPEC meeting in Vienna and that his country supports the idea of trimming production.

Regarding the US we [read](#):

Energy Secretary Steven Chu warned Wednesday that if OPEC cuts production, it could severely hamper global economic recovery.

[How to View Any OPEC Cuts: Don't Believe the Hype](#)

Whether the Organization of Petroleum Exporting Countries will announce another round of oil output cuts is still a toss-up. But since the group hasn't pinched off all of the 4.2 million barrels a day it has agreed to curtail since last year, any pledge of new supply cuts may face a skeptical market.

"All told, the advice for OPECologists this weekend is watch the

Crude-Oil Futures

Daily settlement price on the continuous front-month contract

Friday: \$46.25 a barrel, down \$0.78 or 1.66%



flows, not the rhetoric," J.P. Morgan commodity research head Lawrence Eagles said in a note to clients.

Cartel members have shown unusually high 80% compliance with recent new production caps, according to the International Energy Agency.



Oil Drum reader [Morgan Downey](#) (trader for Standard Chartered Plc) provides this chart of past attempts by OPEC to cut production, and their success or lack of success in influencing prices.

OPEC Quota Changes: 2004 - Present						
Quota change announced	WTI Price when quota changed	Quota Change mil bpd	5 trading days later		90 days later	
			Success/Fail	Price Change	Success/Fail	Price Change
Dec 17, 2008	40.06	-2.2	Fail	-3%	Success*	6%
Oct 24, 2008	64.15	-1.5	Success	3%	Fail	-32%
Sep 5, 2008	106.23	-0.5	Fail	-5%	Fail	-62%
Sep 7, 2007	76.70	0.5	Fail	4%	Fail	15%
Dec 6, 2006	62.19	-0.5	Fail	-2%	Fail	-1%
Oct 6, 2006	59.76	-1.2	Fail	-3%	Fail	-6%
Jun 15, 2005	55.57	0.5	Fail	6%	Fail	17%
Mar 16, 2005	56.46	0.5	Success	-1%	Success	-2%
Sep 15, 2004	43.58	1.0	Fail	8%	Fail	1%
Jun 3, 2004	39.28	2.5	Success	-4%	Fail	12%
Feb 10, 2004	33.87	-1.0	Success	4%	Success	18%

His analysis indicates that they have had some success with their December 2008 cuts. He writes:

Just before the collapse of global demand in July 2008, the OPEC quota system had been effectively dead.

As you know, OPEC quotas were designed to manage spare production capacity. From Sep 2005 until mid 2008, the OPEC quota system had been irrelevant as OPEC members had no spare capacity and were running at full tilt.

Here is a [link](#) to a story from Sep 2005, when OPEC members effectively admitted they had run out of spare capacity.

Ahead of OPEC's meeting on Sunday next (March 15, 2009) it is worth considering how successful past changes in output by OPEC have been in changing the direction of oil price movements.

Over the past 4 years (see chart), OPEC's cuts have succeeded in changing market direction in the short term (5 business days) only 36% of the time and medium term (90 calendar days) only 27% of the time.

OPEC members are hoping for a better result this time around by exhibiting unusually strong compliance with the series of cuts they announced in the fourth quarter of 2008.

I am not expecting any additional cuts to be announced on Sunday and instead a reaffirmation of the goal of full compliance with existing cuts. Full compliance with the cuts announced in Q408 will be more than sufficient to tighten oil inventories globally

Reader Matt Mushalik from Australia sent a collection of graphs, including the OPEC graph (prepared by OPEC) at the top of this post. This is the table OPEC provided of who cut production how much:

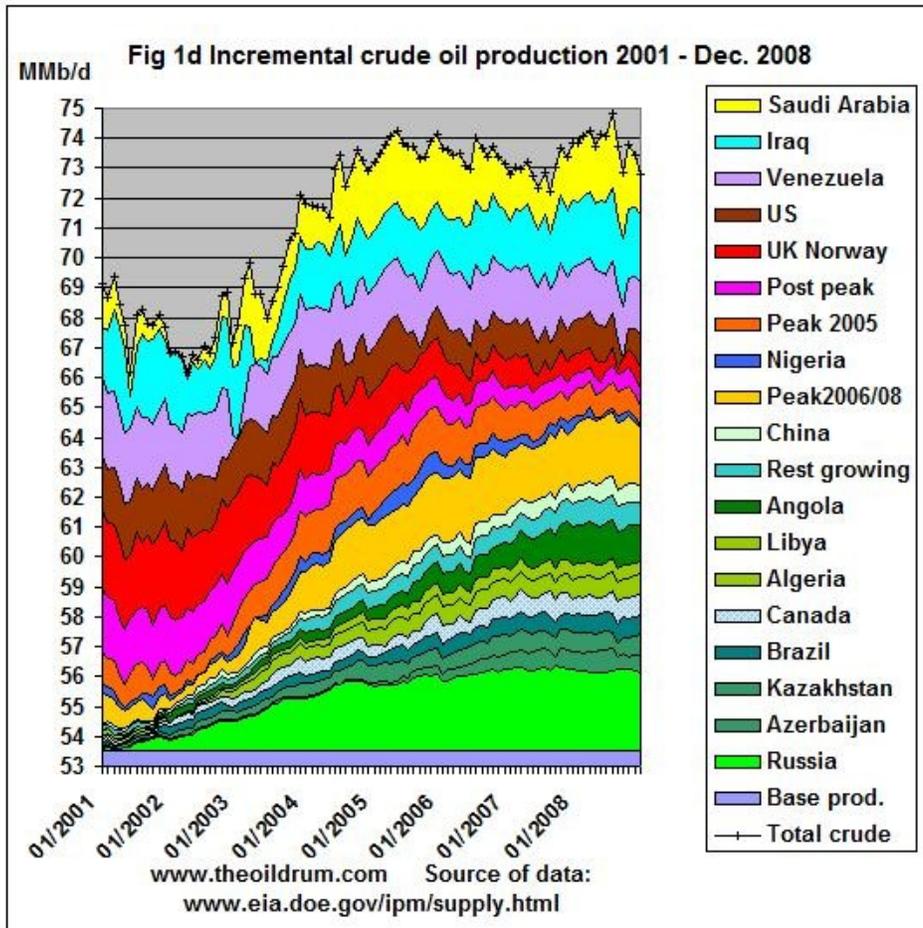
Table 16: OPEC crude oil production based on secondary sources, 1,000 b/d

	2007	2008	2Q08	3Q08	4Q08	Dec 08	Jan09	Feb 09	Feb/Jan
Algeria	1,360	1,390	1,401	1,401	1,362	1,336	1,305	1,286	-18.8
Angola	1,660	1,871	1,897	1,845	1,870	1,893	1,778	1,725	-52.7
Ecuador	507	503	502	503	501	500	482	476	-5.9
Iran, I.R.	3,855	3,887	3,884	3,917	3,815	3,767	3,689	3,613	-76.7
Iraq	2,089	2,338	2,387	2,329	2,336	2,377	2,350	2,315	-34.4
Kuwait	2,464	2,554	2,582	2,600	2,500	2,428	2,332	2,231	-101.1
Libya, S.P.A.J.	1,710	1,715	1,730	1,683	1,697	1,668	1,612	1,544	-67.9
Nigeria	2,125	1,947	1,857	1,955	1,931	1,914	1,891	1,820	-70.8
Qatar	807	841	851	859	815	792	762	740	-22.0
Saudi Arabia	8,654	9,112	9,176	9,460	8,754	8,310	8,012	7,885	-127.3
UAE	2,504	2,559	2,609	2,603	2,437	2,385	2,306	2,251	-54.6
Venezuela	2,392	2,346	2,360	2,339	2,299	2,275	2,196	2,144	-51.5
Total OPEC	30,126	31,063	31,236	31,495	30,316	29,645	28,714	28,031	-683.7
OPEC excl. Iraq	28,037	28,725	28,849	29,166	27,981	27,268	26,365	25,715	-649.3

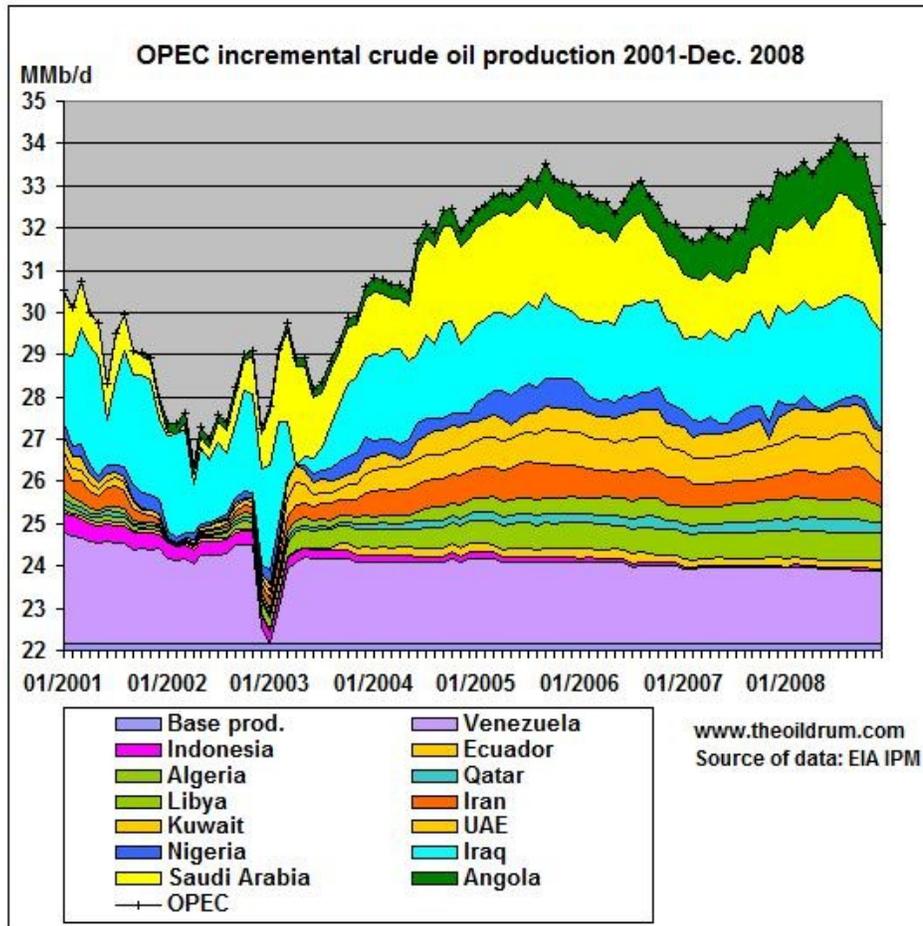
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The cuts are very widespread, with nearly all countries cutting at least a little.

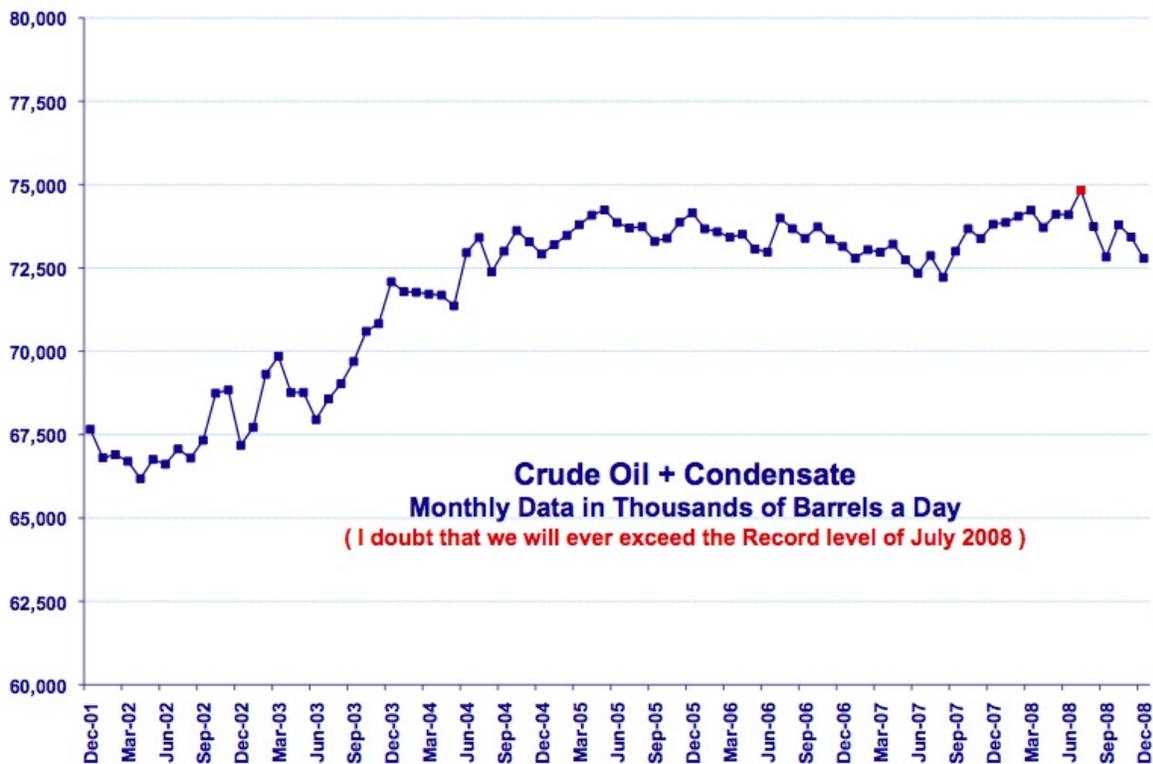
Matt provides these graphs of incremental production based on EIA data through December 31, 2008, for the world as a whole:



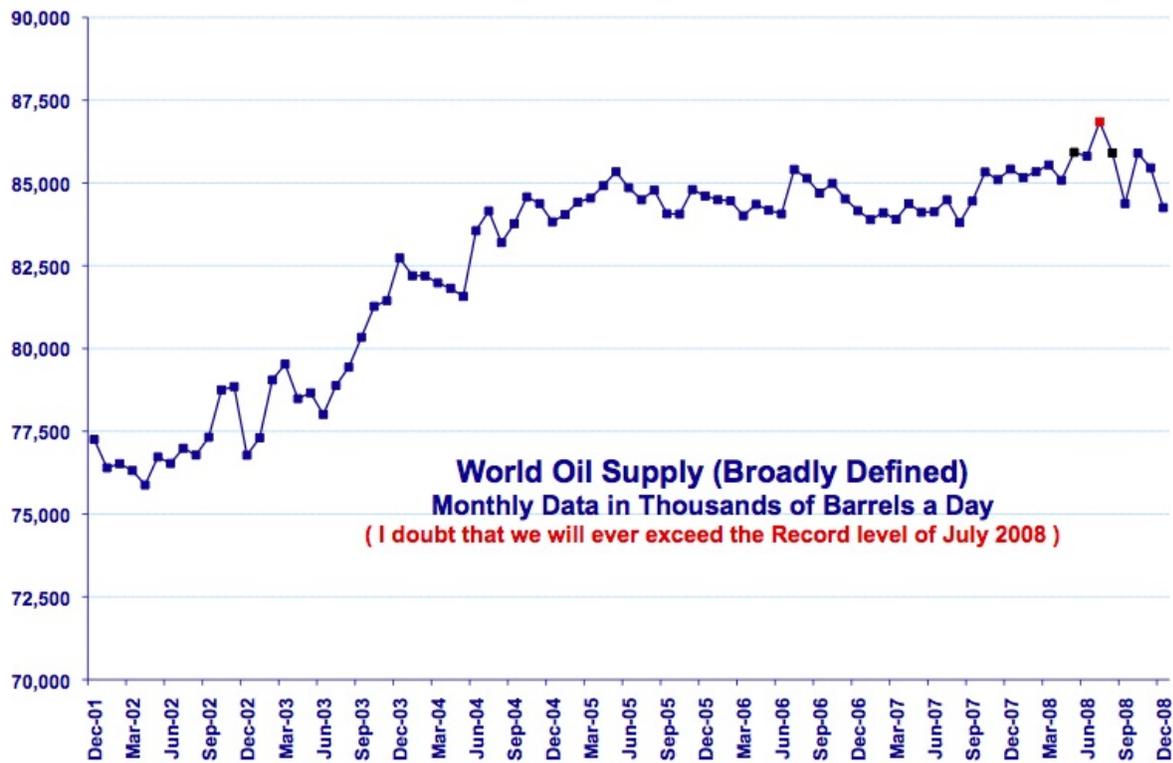
He also provides an updated graph for OPEC incremental production based on EIA data through December 31, 2008.



Reader William Tamblyn sends this graph of World Crude and Condensate production, based on EIA data.



He also sends this graph of World Oil Production, Broadly Defined through December 31, 2008, (also known as "Total Liquids").



Many thanks to the readers for all of their fine contributions!



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