OPEC Meet

Why in news?

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The Organization of the Petroleum Exporting Countries (OPEC) met recently in Vienna.

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What was the mandate?

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- OPEC members agreed in 2016 to a historic deal to cut output by 1.2 million barrels a day.
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- This was to end a supply surplus, and raise the price of oil.
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- Following this there was a dip in productions.
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- It was further worsened by outages in countries such as Venezuela and Libya.
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- The production cut contributed to the steep rise in oil prices.
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- Emerging markets such as India have been affected by the rising cost of oil imports.
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- The OPEC meet was thus aimed at arriving at an agreement to increase oil output.
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What is the outcome of the meet?

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- OPEC agreed to increase its daily output to address the problem of rising crude oil prices.

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- Saudi Arabia announced that the cartel’s output would be increased by about a million barrels a day.
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- However, the group's official statement did not mention any solid numbers.
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- It said that the OPEC countries would strive to adjust production levels.
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- There is thus lack of any clear commitment from OPEC to raise production.
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- This suggests that the threat of a supply shock still continues.
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What are the implications?

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- Iran has been opposed to raising OPEC output as it would lower the prices.
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- Iran is thus set to suffer a marginal loss as it lacks spare capacity to ramp up production.
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- It works in favour of its rival, Saudi Arabia.
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- The present deal could help the Saudis appease major oil consumers to some extent.
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- Saudi can recover from the impact of lower prices by capturing market share.
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- It is to be seen if all this politicking will bring a stable reduction in global oil prices.
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Source: The Hindu

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