

OPEC Meet

Why in news?

\n\n

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

\n\n

What was the mandate?

\n\n

\n

- OPEC members agreed in 2016 to a historic deal to cut output by 1.2 million barrels a day.

\n

- This was to end a supply surplus, and raise the price of oil.

\n

- Following this there was a dip in productions.

\n

- It was further worsened by outages in countries such as Venezuela and Libya.

\n

- The production cut contributed to the steep rise in oil prices.

\n

- Emerging markets such as India have been affected by the rising cost of oil imports.

\n

- The OPEC meet was thus aimed at arriving at an agreement to increase oil output.

\n

\n\n

What is the outcome of the meet?

\n\n

\n

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

\n

\n\n

\n

- Saudi Arabia announced that the cartel's output would be increased by about a million barrels a day.

\n

- However, the group's official statement did not mention any solid numbers.

\n

\n\n

\n

- It said that the OPEC countries would strive to adjust production levels.

\n

\n\n

\n

- There is thus lack of any clear commitment from OPEC to raise production.

\n

- This suggests that the threat of a supply shock still continues.

\n

\n\n

What are the implications?

\n\n

\n

- Iran has been opposed to raising OPEC output as it would lower the prices.

\n

- Iran is thus set to suffer a marginal loss as it lacks spare capacity to ramp up production.

\n

- It works in favour of its rival, Saudi Arabia.

\n

- The present deal could help the Saudis appease major oil consumers to some extent.

\n

- Saudi can recover from the impact of lower prices by capturing market share.

\n

- It is to be seen if all this politicking will bring a stable reduction in global oil prices.

\n

\n\n

\n\n

Source: The Hindu

\n

