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ENERGY

Opec signals deal extension

KUWAIT/LONDON: The Organization of Petroleum Exporting Countries' largest producers signaled yesterday that they would extend their oil production cuts until the end of next year to finish the job of rebalancing an oversupplied market.

Saudi Arabia, Iraq and and Iran — the group's top three by crude output — all said they wanted another nine months of supply reductions beyond the end-March expiry of their current deal, in which 10 non-members including Russia also participate.

Even after an extension, the group would review the deal at its next scheduled meeting in June, said Saudi Minister of Energy and Industry Khalid Al-Falih.

"My preference is to go for nine months," Al-Falih told reporters at the opening session of the group's meeting in Vienna. "We will meet again in June and we look at not only how we have done in first half of the year, but also our outlook for third and fourth quarters of 2018 and act accordingly."

Russia, the biggest producer outside the group to join the deal, also agrees the cuts should last until the end of 2018, according to delegates in Vienna to attend the meeting.

A year after Opec and its allies banded together in a dramatic bid to wrest back control of the oil market from US shale producers, there's a consensus that the job's not finished.

Nonetheless, the details of yesterday's final agreement will matter to traders ready to scour the communique to gauge the strength of the group's continued commitment.

Even though an extension through the whole of 2018 is all but certain, the cartel plans to hold a regular ministerial meeting next June, giving it the flexibility to alter the policy mid-game.

For some oil investors, that potential review is a cause for concern. For others, it's just the natural course of the cycle of twice-yearly Opec meetings.

"If there is a change in events in 2018, we will consider that when we meet in June" or the smaller ministerial monitoring committee that meets every three months, Al-Falih said. "From the outset we said we want this correction to be gentle. We didn't want to rock the oil market and global economy."

"It's premature to talk about an exit strategy now because Opec and its allies are relying on oil demand in the third quarter of 2018 to finally eliminate the inventory surplus that has weighed on the market for three years," he said. "But the kingdom is open to discussions about how the group could wind down the cuts very gradually once its goals are achieved."

"We will not lift our foot off the pedal until we are well within the range of inventories we've seen when markets are healthy and investments are flowing back," Al-Falih said.

Prior to the talks, banks including Citigroup Inc and Goldman Sachs Group Inc had warned investors to prepare for disappointment due to Russia's hesitance to prolong the cuts.

There was no indication that Moscow had received the assurances it was said to be seeking on how and when the agreement could be phased out, yet Russian Energy Minister Alexander Novak offered a positive impression of the discussions.

"We had a very good constructive talk," he told reporters after Wednesday's committee meeting. "The market is still not rebalanced, needs further joint actions after April 1," BLOOMBERG