

ENERGY



Saudi Arabia's Oil Minister Khalid al-Falih addresses a news conference after an Opec meeting in Vienna, Nov 30, 2017. REUTERS

Oil set for Opec-shale clash in 2018

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SEOUL/LONDON: Oil's revival from the biggest crash in a generation persisted, with prices set for a second annual gain after a year marked by hurricanes, Middle East conflict and the tussle between Opec and US shale.

Futures are up more than 11% in 2017, having entered a bull market in September. The year's gains were driven by output cuts by the Opec and Russia, along with geopolitical tensions in the Middle East and pipeline disruptions from the North Sea to Canada and Libya. In 2018, investors will watch whether the price recovery triggers a new flood of US output.

"The current highs are unsustainable in the short-to-medium term, with prices likely to head back below \$60 once we get past January, but for now the season of goodwill appears to be in full swing," said analysts led by Michael dei-Michei at consultants JBC Energy GmbH in Vienna.

Speculation is rising that American drillers will put more rigs to work as oil strengthens, with shale growth driving forecasts of record US supply in 2018. That could undermine plans by producers including Saudi Arabia, who have pledged to extend production curbs through the end of 2018 to wipe out a global glut. After Hurricane Harvey shut Gulf Coast refiners at the end of August and hurt prices, violence in Iraq and a pipe crack in the UK have helped buoy crude.

West Texas Intermediate for February delivery was at \$60.09 a barrel on the New York Mercantile Exchange, up 25 cents, at 9.58am last Friday in London. Total volume traded was about 8% above the 100-day average. Front-month prices are 12% higher this year, after rising 45% — the most since 2009 — in 2016.

Brent for March settlement rose 22 cents to \$66.38 a barrel on the London-based ICE Futures Europe exchange. The February contract expired last Thursday, after rising 28 cents to \$66.72. The benchmark for more

than half the world's oil has gained 17% this year, after climbing 52% in 2016. It was at a premium of \$6.27 to March WTI.

Oil is trading at the highest level since mid-2015 after WTI broke above \$60 a barrel for the first time in more than two years. The benchmark traded at an average price of about \$51 this year. US stockpiles fell 4.6 million barrels last week to the lowest level since October 2015, according to the Energy Information Administration last Thursday. That beat the 3.75 million average estimate in a Bloomberg survey of analysts.

"The tug-of-war between Opec and the US will continue to pressure oil from trading above \$60 a barrel in 2018," said Kim Kwangrae, a Seoul-based commodities analyst at Samsung Futures Inc.

"Geopolitical risks will be the key factor going forward for oil to breach \$60."

Following an explosion Tuesday, Waha Oil Co is working to repair the pipeline carrying crude to Libya's Es Sider port. BLOOMBERG