

COMMODITIES

# Saudis Push to Renew OPEC's Oil-Export Curbs, Despite Tanker Attacks

The group's de facto leader reduced crude output in June amid China slowdown worries



Saudi Energy Minister Khalid al-Falih in Jeddah, Saudi Arabia, in May. PHOTO: WALEED ALI/REUTERS

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Saudi Arabia is set to push for the Organization of the Petroleum Exporting Countries to cut oil output in the second half of the year, according to officials in the group, as signs of slowing global demand for crude outweigh threats of war and worries about supply disruptions in the Middle East.

The oil group's de facto leader has already deepened its own output cuts this month, according to OPEC officials, as it tries to amass support for a new set of oil curbs ahead of a meeting in the coming weeks of OPEC and its Russia-led allies.

Saudi Arabia will back an extension of OPEC curbs in the second half of the year, the kingdom's energy minister, Khalid al-Falih, said Monday, according to news reports.

When OPEC and its allies met in December, the coalition agreed to curb output by 1.2 million barrels a day. Oil prices surged following implementation of the agreement and posted their best first-quarter performance in decades.

Since then, global trade disputes and Middle East tensions—including the attacks on two tankers carrying Saudi and Emirati cargo in the Gulf of Oman last week—have sent oil into a

tailspin that is nearing a bear market.

The U.S. blamed Iran for the most recent attacks, which came a month after the Trump administration accused Tehran of sabotaging two Saudi tankers in the vicinity of an Emirati port.

Despite the heightened risks to oil supplies in the region, Saudi Arabia intends to push for tighter compliance to OPEC production curbs, Saudi officials said Monday. That will mean producers such as Iraq, Nigeria and other countries that didn't respect the December agreement will need to abide by the renewed pact, one Saudi oil adviser said. The move would reduce crude supplies from these producers by 300,000 to 400,000 barrels a day, the person said.

Saudi Arabia already reduced its own output by about 150,000 barrels a day to about 9.65 million barrels a day in May, Saudi oil officials said, and those cuts continued into June.

The kingdom's reductions are surprising because Saudi Arabia normally increases oil output in the summer in response to high domestic demand for air conditioning. But Riyadh is becoming more efficient and has reduced domestic consumption, officials said.

Russia is the main obstacle to an extension of the OPEC cuts. The country's leadership is satisfied with global benchmarks for oil at around \$60 a barrel and its energy minister is lobbying for a relaxation of production curbs.

But Russia's push for a production increase faces strong headwinds. Chinese oil imports—a major engine of global consumption growth—fell by 8% in May, according to Chinese customs data. Partly as a result, the U.S. Energy Information Administration on Tuesday trimmed its forecast for global oil-demand growth in 2019 to 1.2 million barrels a day, about 14% lower than the same forecast a month earlier.

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Further complicating the Saudi effort to seek a consensus is an internal OPEC disagreement over when to hold the group's next meeting. OPEC had planned to meet on June 25 and then gather with the Russia-led coalition the next day.

Some OPEC officials say its gathering shouldn't occur until President Trump meets his Chinese counterpart, Xi Jinping, on the sidelines of the Osaka Group of 20 summit on June 28. These officials hope the two men might find a way to break a deadlock in their trade dispute.

These OPEC officials say it would be better to postpone the group's meeting until early July—a proposal initially made by Russia because of its busy agenda at the G-20. Iran is proposing an OPEC meeting in mid-July, but the group and its allies have yet to agree to a meeting date.

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