

OPEC says it pumped 33.39 mil b/d in Sep, up 220,100 b/d from Aug

Platts.com, 12th Oct 2016

OPEC's two largest oil producers Saudi Arabia and Iraq told the oil producer group that their production continued to be at elevated levels, helping the organization's output to rise sharply in September, according to OPEC's monthly oil market report Wednesday.

Two weeks ago OPEC surprised the market by provisionally agreeing to rein in production to between 32.5 million and 33 million b/d with the aim of reversing the fall in oil prices.

OPEC's 14 members collectively pumped 33.39 million b/d in September, a jump of 220,100 b/d from 33.17 million b/d in August, the report showed.

The oil producer group made marginal changes in its supply and demand forecast for 2016 but said it expected new production from Russia to increase the non-OPEC supply growth forecast for next year.

With regards to the US, it said total liquids production in the country would "marginally" pick up towards the third quarter of next year but that it would still decline year on year.

Output from top producer Saudi Arabia is estimated to have fallen to 10.491 million b/d in September from 10.578 million b/d in August, according to figures published by the oil producer group in its October market report.

The Vienna-headquartered group officially uses secondary sources to monitor its crude production but also publishes a table of production figures submitted directly by member countries.

Saudi Arabia told OPEC it produced 10.65 million b/d in September, up by 20,000 b/d from the August level.

Saudi Arabia has now pumped more than 10.60 million b/d for the past three months.

In July, it pumped a record peak of 10.673 million b/d of crude oil on strong exports, high direct crude burn and buoyant power demand for air-conditioning. Since then output has stayed very high and hasn't fallen seasonally as it normally does during the late summer.

IRAQ OUTPUT AT RECORD HIGHS

Average oil production at OPEC's second largest producer, Iraq, in September jumped 153,000 b/d from August to a record high of 4.775 million b/d, it told OPEC, the third time Iraq has passed the 4.6 million b/d threshold this year.

Iraq's output in September, according to OPEC's secondary sources, was 4.455 million b/d, a difference of 320,000 b/d from Baghdad's number.

Iraq has recently criticized independent estimates of OPEC production, complaining that estimates from several secondary sources were underestimating actual production.

Iraq has said this could disadvantage it when a committee of technical experts develops individual country allocations under the ceiling, based on secondary source estimates, for review at OPEC's November 30 meeting.

Analysts told S&P Global Platts that the oil ministry has consistently overestimated production in the semi-autonomous Kurdish region and hence total Iraqi output.

NON-OPEC SUPPLY

OPEC said crude supply outside the producer group is set to fall by 680,000 b/d in 2016, a downward revision of 70,000 b/d from its previous forecast and will now average 56.30 million b/d.

This was mainly due to the revision in the base line, driven by the upward revision to US supply in 2015, it added.

However, it said non-OPEC oil supply growth in 2017 was revised up by 40,000 b/d to average 240,000 b/d to settle at an average of 56.54 million b/d because of new projects coming on stream in Russia.

The report said Russian oil production growth forecast for 2017 had been revised upwards due to production ramp-ups of three new projects -- the Vostochno-Messoyakhskoye (East Messoyakh) field, the Suzunskoye field and the Filanovsky field in the Caspian Sea.

OPEC said US oil and gas companies will step up activity next year as they start to "increase their spending amid a recovery in prices."

The report said total liquids production in the US would pick up only marginally by the beginning of Q3 next year, with minor growth of 30,000 b/d to average 13.43 million b/d. Total output in 2017 would decline by 160,000 b/d on average to stand at 13.46 million b/d for the whole year.

Out of this, US crude oil production is expected to decline by 550,000 b/d to average 8.87 million b/d in 2016, then decline again by 230,000 b/d to average 8.64 million b/d in 2017.

Some of the declines in onshore crude will be offset by growth in the Gulf of Mexico, it added.

Lastly, US tight oil output was forecast to contract in 2017 by 290,000 b/d year on year.

OPEC said world oil demand growth in 2016 was adjusted marginally higher by 10,000 b/d to 1.24 million b/d, leading to total global consumption of 94.40 million b/d.