
Saudi Arabia to keep Asia oil supply steady ahead of OPEC

Monday, 23 Mar, 2009

Reuters reported that Saudi Arabia surprised its Asian oil customers by telling them it would maintain or even increase crude supplies next month in another sign that OPEC's most influential member will urge the cartel to refrain from further output cuts when it meets this weekend.

On last Monday the Saudi owned al-Hayat cited a senior source as saying that the world's top oil exporter would urge OPEC to comply with existing curbs before considering more output cuts when it meets this weekend. After OPEC's biggest ever production curbs, oil prices have rebounded to trade near USD 47 a barrel.

Refinery company sources quoted four customers in North Asia said Saudi Aramco had told them the state oil company would maintain April shipments at an estimated 10% to 14% below contracted volumes, unchanged from March, declining to be identified because the information was confidential.

Three customers in Japan and South Korea said that state oil firm Saudi Aramco had notified them it would raise shipments slightly. One buyer will receive an 8% cut, less than the 10% cut in March, while another will see supply increased by one percentage point to 7% below contracted volumes.

The signs of steady to higher supply contrasted with news from Europe on last Monday, where a source with one European oil firm said that it would get less Saudi crude and with news two weeks ago from fellow core OPEC member the United Arab Emirates which told refiners it would deepen cuts in April. It was also a surprise to Asian traders who had been braced for more cuts.

OPEC has agreed to lower its production by a total of 4.2 million barrels per day about 5% of daily world demand, since last September to bolster prices and counter declining consumption.

Compliance with existing curbs is very high at more than 80% according to independent observers but that still leaves room for more discipline and Monday's newspaper report suggested the kingdom would push for compliance over new action.

Al-Hayat reported that Saudi has informed the presidency of the organization, which is Angola, that there must be serious compliance with the latest reduction decision taken in December which has prevented oil prices from falling further.

Saudi Arabia has led the cutbacks, lowering supply to 7.95 million barrels per day in February down from 8.02 million barrels per day in January and below its OPEC target of 8.05 million barrels per day.

(Sourced from Reuters)

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