



## The 25<sup>th</sup> Annual Middle East Petroleum & Gas Conference

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#### **Opec may need to extend production cuts to end of next year**

Opec is certain to extend cuts in oil output when its ministers meet later in May and will need to keep limiting production until as late as the end of 2018, a veteran market analyst said.

The reaction of global crude inventories to the cuts will determine how long the Organisation of Petroleum Exporting Countries and allied producers stick with their policy of pumping less oil to counter a global glut, said **Fereidun Fesharaki, the head of industry consultant FGE**. Oil may drop to as low as \$40 a barrel if US stockpiles increase, he said Monday at the **Middle East Petroleum and Gas Conference in Dubai**. "The probability that Opec will agree to extend its cuts is at 100 per cent," said Fesharaki, a former adviser in the late 1970s to the Iranian Prime Minister. "And the cuts will have to be extended even beyond this year, to the middle or even to the end of next year."

Opec and 11 other producers including Russia agreed in December to pare production by 1.8 million barrels a day during the first half of this year. They're seeking to eliminate an oversupply that depressed prices to less than half of their 2014 high, when benchmark Brent crude sold at \$115 a barrel. Brent jumped 52 per cent last year for the first gain after three consecutive decreases and was trading at \$51.65 a barrel, down 40 cents, at 5:18pm in Dubai.

The oil market needs more time to start using up stored inventories, which are on the verge of declining, Harold Hamm, chief executive officer of Oklahoma-based Continental Resources Inc, said at the same conference. US oil output is poised to expand this year by at least 400,000 barrels a day, most of it from the Permian Basin, to a level of about 9.4 million barrels a day, he said.

Opec plans to decide on May 25 at a meeting in Vienna whether to extend its production limits. There's a consensus that the group will extend the cuts into the second half, Saudi Arabian Minister of Energy and Industry Khalid Al Falih said last week.