



PREVIEW: JMMC/OPEC+ Meetings on June 2nd 2024

EXPECTATIONS:

- OPEC+ members are gearing up to meet virtually on June 2nd to review the global oil market and discuss oil policy for the second half of the year.
- **Markets are largely of the view that the group will extend its 2.2m BPD voluntary production cuts** (which expire at the end of June) to at least Q3, with expectations tilted towards a year-end extension.
- Some desks do not discount the chance of a "plot twist" in the form of deeper cuts but suggest these are more likely at in-person gatherings.
- In short, the main focus will be on cut extensions beyond 2024 alongside the non-zero chance of any deeper cuts.

SCHEDULE:

- JMMC Meeting: 11:00 BST/ 06:00 EDT
- OPEC Meeting: 12:00 BST/ 07:00 EDT
- OPEC+ Meeting: 12:30 BST /07:30 ET

RECENT SOURCES:

[30th May] CNBC:

- OPEC+ could extend production cuts at the June meeting, via CNBC citing sources.
- Three delegates cited said the 2.2m BPD supply reduction will likely be extended, which is regarded as anticipated by the market; **one noted there will probably be market tightness in H2 but added that demand concerns persisted until only recently**
- Delegate cited notes that the US SPR release is unlikely to have an impact beyond price relief during the summer period.
- The Gaza Strip situation is adding a little pressure to prices, but the market has absorbed the majority of this.

[30th May] REUTERS:

- OPEC+ members that are making 2.2m BPD of voluntary oil output cuts are discussing extending them until the end of the year, three OPEC+ sources cited by Reuters said.
- The report added that two OPEC+ sources said another option was to extend the voluntary cuts only for the third quarter of the year.
- Two other sources said they would not rule out a deeper cut to support the market or releasing oil back into the market if OPEC+ decides demand was rising.

[30th May] REUTERS:

- OPEC+ is discussing extending some oil output cuts expiring in 2024 into 2025, according to sources cited by Reuters.
- **OPEC+ extension of some cuts into 2025 will likely come on top of voluntary cuts extension into Q3 to Q4 2024, three sources said.**
- OPEC+ will make cuts into 2025 conditional on agreeing individual member output capacity figures later in 2024, two sources said**

[30th May] BLOOMBERG:

- OPEC+ is discussing whether to extend production curbs into the second half of the year.
- **OPEC+ is considering extending some restraints into 2025.**

[29th May] REUTERS:



- Rising global oil inventories through April amid soft fuel demand could strengthen the case for OPEC+ producers to keep supply cuts in place when they meet on June 2, according to Reuters citing OPEC+ delegates and analysts.
- Two OPEC+ delegates said the OPEC data showing a rise in OECD stocks was a concern. Sources also noted OPEC's supply and demand balances point to large inventory drawdowns in H2.

[14th May] BLOOMBERG:

- OPEC+ has reportedly reopened the fraught debate on members' oil capacity, according to Bloomberg sources; UAE, Kazakhstan, Iraq, Kuwait and Algeria are among countries whose potential to pump more next year is under scrutiny
- Some have pushed for an upward revision, sources added. The UAE is again seeking a higher figure.

CURRENT Q2 VOLUNTARY CUTS:

In March 2024, several OPEC+ countries announced the extension of additional voluntary cuts of 2.2mln BPD for the second quarter of 2024 (separate from the 1.66mln BPD voluntary cuts through to end-2024).

- Saudi Arabia: 1mln BPD
- Iraq: 220k BPD
- UAE: 163k BPD
- Kuwait: 135k BPD
- Kazakhstan: 82k BPD
- Algeria: 51k BPD
- Oman: 42k BPD
- Russia: 471k BPD - consisting of exports and production

Source: [OPEC](#)

EYES ON RUSSIA:

- In Q1, Russia pledged 500k BPD of export cuts (300k BPD crude and 200k BPD oil products).
- In Q2, these exports cuts were converted to 471k BPD exports and production as such:
 - April: 350k BPD from production and 121k BPD from exports
 - May: 400k BPD from production and 71k BPD from exports
 - June: 471k BPD solely from production)
- Russian overproduction looks to be an issue, with Energy Intelligence estimates pointing to Russia cutting production by 133k BPD in April (vs 350k BPD pledged)
- The Russian Energy Ministry said Russian oil production was within OPEC+ guidelines in Q1 and Russia exceeded the OPEC+ quota in April due to technical reasons, and added that Russia is to submit a plan soon on compensation to the OPEC secretariat.
- Energy Intelligence suggests "it would mean that Russia would likely have to cut more even if it returns to reducing exports rather than output, as long as it sticks to its compensation pledge. Opec-plus has not cracked down on Russian overproduction in the past."

MAIN FACTORS:

- **PRICES:** Oil prices have failed to garner much support from the voluntary cuts, with Brent prices between a ~USD 70-95/bbl range since the last meeting. More surprisingly, crude has failed to maintain a geopolitical risk premium amidst the ongoing in the Middle East, Russia-Ukraine, and China's recent drills near Taiwan.
- **CHINESE ECONOMY:** The loss of recovery momentum in the Chinese economy will likely be one of the main topics of discussion. It was recently reported that Chinese oil refiners are cutting processing rates amid a decline in demand for plastics and fuels used in construction. Further adding to the woes, the latest Official Chinese PMI data was disappointing as Manufacturing PMI unexpectedly slipped into contraction territory.
- **AMERICAS SUPPLY:** The latest OPEC Monthly Oil Market Report suggested for 2024, non-DoC (non-Declaration of Cooperation) supply is expected to grow by 1.2mln BPD in 2024, unchanged from the previous



month's assessment. In 2024, The main drivers for growth are expected to be the US, Canada, Brazil and Norway. In 2025, non-DoC liquids supply growth is expected at 1.1mln BPD, broadly unchanged from the previous month's assessment. Again, growth is mainly driven by the US, Brazil, Canada and Norway.

- **MONETARY POLICY:** Major economies have seen diverging expectations regards to rate cuts, with the EU and the ECB still guiding for June whilst Fed pricing has been pushed back in recent weeks.

OTHER RECENT REPORTS:

- US Senate Majority Leader Schumer alongside 22 other Democratic senators asked the attorney general to investigate allegations of collusion and price fixing between OPEC members.

HOUSE VIEWS

- **ING:** "The market expects OPEC+ to fully roll over its additional voluntary supply cuts into the second half of the year. Anything less will put further pressure on prices in the short term. It would be more difficult for the group to surprise the upside. Agreeing on deeper cuts would be challenging, particularly when a handful of producers are already producing above their target levels. However, there are reports that members are considering extending cuts into 2025. A full rollover of cuts is important for sentiment, but fundamentally it is not needed as it will push the oil market into a deep deficit over the summer, a peak demand period."
- **UBS:** Expects OPEC+ to extend current production cuts for at least another three months; says oil remains a valid geopolitical hedge - sees Brent USD 87/bbl by year-end.
- **Citi Research:** Continues to see OPEC+ holding its production cuts through Q3. Citi continues to see USD 86 Brent average in Q2 24 and Brent average moving into the USD 70s for H2 24 and the USD 60s for 2025.
- **ANZ:** ANZ fair value models suggest oil prices could fall as low as USD 75/bbl if OPEC removes output cuts, while an OPEC cut extension could produce eye-watering deficits and push oil prices to USD 100/bbl.

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