

Saudi Arabia and Russia agree oil output freeze after secret meeting

It has just been announced that Saudi Arabia and Russia have agreed to freeze their production at "January levels".

Prima facie this looks a good first step, particularly as they were able to reach an agreement whilst on opposing sides of the Syrian conflict. However, is the deal worth the paper it's written on and will it boost the price of oil?

That is doubtful as it's a cap rather than a cut.

It has just been announced that a secret meeting between Saudi Arabian, Russian, Qatari, and Venezuelan oil ministers in Doha has concluded with an agreement by all parties to freeze the maximum production level at their respective January output levels.

As these are some of the world's largest oil exporting countries, this looks a good sign that the price of oil will at least stabilise, and gradually increase from here.

The deal may not be too significant though, for a number of reasons:

- It is contingent on other producers participating.
- Iran did not participate, and is only just bring production back online, so had poor January numbers, and is looking to increase production substantially after

the nuclear sanctions were lifted. It is hard to see Iran agreeing to the January figure when it was so low.

- January's world oil production numbers were near record highs, so it's a cap rather than a reduction!
- Iran and Iraq are in the next meeting, and as both are looking to increase production and win back former customers, it will be far harder to bring them into line.

So, this looks a good first step, but they clearly have not considered the special situation regarding Iranian oil exports needing to increase to pre sanctions levels, or perhaps they have, and this move is an attempt by Saudi Arabia to prevent the Iranians from rebuilding their economy?

It will be interesting to see how Iran and Iraq react, but I would suggest an agreement at January production levels would be hard to impossible for them to agree to in the current climate.

Subsequent to this, there will be meetings between other OPEC members