

Saudi Arabia

Saudi Arabia signals support for Russia's role in Opec+ as sanctions pressure mounts

Oil group's production quotas set to expire in three months and Russian output is falling



Prince Abdulaziz bin Salman, Saudi Arabia's energy minister, said that Riyadh was hoping 'to work out an agreement with Opec+ ... which includes Russia' © Hamad Mohammed/Reuters

Andrew England and **Samer Al-Atrush** in Riyadh YESTERDAY

Saudi Arabia has signalled it will stand by Russia as a member of the Opec+ group of oil producers despite tightening western sanctions on Moscow and a potential EU ban on Russian oil imports.

Prince Abdulaziz bin Salman, the energy minister, told the Financial Times that Riyadh was hoping “to work out an agreement with Opec+ . . . which includes Russia”, insisting the “world should appreciate the value” of the alliance of producers.

A new production deal is on the agenda as Opec+ output quotas put in place in April 2020 are set to expire in three months while energy consumers grapple with oil prices at their highest levels in a decade.

Prince Abdulaziz's comments are an important sign of support for Russia from a traditional US ally as the west tries to isolate the country and its oil production falls, raising questions about its place in the Opec+ group.

Riyadh has been resisting western pressure to raise crude output to help bring down prices in the wake of Russia's invasion of Ukraine, insisting there is not a lack of supply.

Prince Abdulaziz said it was too early to say what a new agreement might look like given the uncertainties in the market, but added that Opec+ would increase

production “if the demand is there”.

“With the havoc you see now it’s too premature to try to pinpoint [an agreement],” Prince Abdulaziz said in an interview. “But what we know is what we have succeeded to deliver is sufficient for people to say so far there is a merit, there is a value of being there, working together.”

Opec+ has stuck to its 2020 agreement, under which the alliance members raise total production each month by the modest amount of 430,000 barrels a day.

But Russia’s output has dropped since the start of the Ukraine war, falling from about 11mn b/d in March to an average of 10mn b/d in April, according to data provider OilX.

The International Energy Agency predicts it could fall further, declining by as much as 3mn b/d if western powers impose tougher sanctions to reduce Europe’s dependence on Russian energy, including a possible EU ban on oil imports. India, however, has increased Russian oil imports since the war began.

Brent crude, the international benchmark, was trading at about \$112 a barrel last week.

Saudi Arabia, the de facto leader of Opec and the world’s top oil exporter, has coordinated oil production quotas with Russia, since 2016, through Opec+.

The kingdom has sought to navigate a neutral path since Russia invaded Ukraine. Crown Prince Mohammed bin Salman has spoken twice to Putin since the invasion and this month he and King Salman congratulated the Russian leader on the day the country marks the Soviet victory over Nazi Germany.

Prince Abdulaziz blamed soaring prices at petrol pumps on a lack of global refining capacity and taxes.

“The determinant of the market is refinery capacity, and how do you unlock it,” he said. “At least for the last three years, the whole world lost around 4mn barrels of refining capacity, 2.7mn of them just from the beginning of Covid.”

Some members of Opec+ have also consistently failed to meet their production quotas, and Saudi Arabia and the United Arab Emirates are the only producers who have the capacity to significantly increase output.

After Russia launched its invasion in February, the west initially avoided imposing

sanctions on Russian energy assets because of Europe's heavy dependence on the country's gas and oil exports.

The US and UK banned oil imports from Russia in March. But EU states remain divided on measures to phase out Russian oil supplies, and this month dropped a proposal to ban the EU shipping industry from carrying Russian crude.

Prince Abdulaziz said politics should be kept out of Opec+, adding the alliance would be needed to bring about "orderly adjustments" in the future amid uncertainty about coronavirus lockdowns in China, global growth and supply chains.

He said that to ease bottlenecks in production and refinery capacity governments had to encourage the industry to invest in hydrocarbons even as nations switch to cleaner energy sources.

"This situation needs people to sit together, focus, take out the masquerade and the so-called political correctness . . . it's about trying to relate to existing reality and find remedies to it."

Additional reporting by Tom Wilson in London

[Copyright](#) The Financial Times Limited 2022. All rights reserved.
