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OPEC unlikely to lose oil influence to US shale

LONDON – OPEC's announcement that it is keeping crude output levels unchanged again, despite a collapse in oil prices, reflects the growing influence of booming US shale, but analysts say the cartel is still the dominant player.

The 12-nation Organisation of Petroleum Exporting Countries (OPEC) switched its production strategy in November in order to push down prices and hurt high-cost US shale producers, who need elevated prices to make their operations profitable.

OPEC ditched its traditional role of supporting higher prices to boost revenues, and instead left its output ceiling unchanged at 30 million barrels per day (mbpd) – despite the collapsing oil market and a stubborn global supply glut that is fuelled partly by US shale.

The policy was extended last Friday when the cartel of producers from Africa, Latin America and the Middle East decided to leave the taps open, sparking questions from some quarters about the increasing influence of US shale on the oil market.

OPEC's dozen members pump a third of the world's crude oil.

"OPEC members continue to play a key role in the current conditions of the oil market," said senior energy analyst Myrto Sokou at the Sudcen brokerage in London.

"We cannot necessarily say that OPEC is losing its price influence on oil prices to

the US shale production. OPEC still has very significant influence over the current crude oil prices.

"However, the US shale oil production continues to increase strongly during the last few months and it is definitely something we need to keep an eye on in the near term."

The United States has significantly ramped up its production of oil extracted from hard-to-reach shale, or sedimentary rock, now producing 5.0 million barrels per day, making the country far less dependent on imports from the crude-rich Middle East.

However, Capital Economics commodities analyst Thomas Pugh also downplayed talk that the US shale boom could weaken OPEC's standing.

"I don't think it's fair to say that OPEC is losing influence to the United States," Pugh told **AFP**.

"Production in the two regions is managed very differently. OPEC can take strategic decisions to manage output to manipulate prices, whereas US production is controlled by hundreds of small firms who manage production based on market conditions."

He added: "Obviously OPEC as a group still controls a much larger share of the market than the US, but if the US could act as one oil producer, in the same way that the Gulf states do, it would make it significantly more powerful."