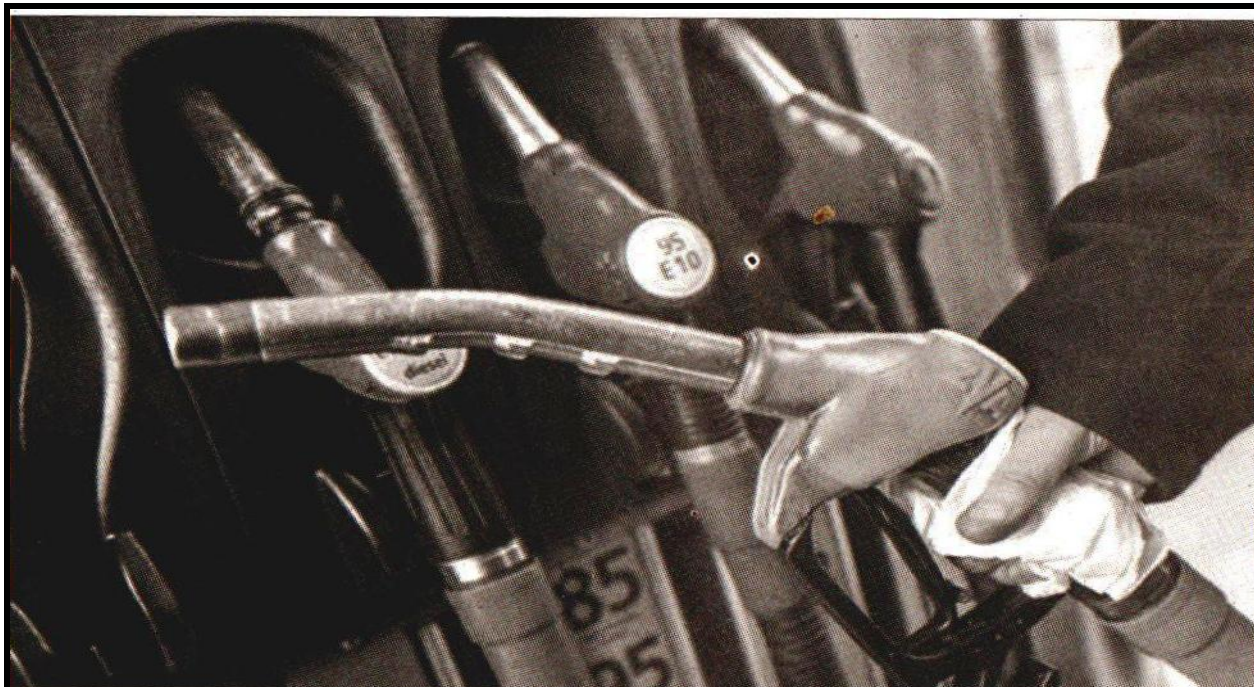


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OIL producer countries expected stronger global economic growth to boost prices.

OPEC sees drop in prices

LONDON/DUBAI (News agencies) – A drop in oil prices this month is likely to be short-term and will not deflect the Organisation of the Petroleum Exporting Countries (OPEC) from its policy of keeping output high to defend market share, delegates from Gulf OPEC members and other nations said.

Falling Chinese stock markets and the Greek debt crisis have raised concern about demand, while the Iranian nuclear deal could lead to higher oil exports from the Islamic Republic. Benchmark Brent crude LCOc1, trading below \$57 a barrel yesterday, has fallen more than 10 per cent in July.

OPEC, in a major policy shift, decided in November against cutting its production target of 30 million barrels per day (bpd) to prop up prices, seeking instead to defend market share against US shale oil and other competing sources. The group reconfirmed the strategy at a meeting in June.

Kuwait's Oil Minister, Ali Saleh al-Omair, was quoted on Tuesday expressing confidence in the outlook, saying producer countries expected stronger

global economic growth to boost prices. And three delegates from OPEC speaking this month said the price drop was unlikely to last and OPEC would not alter strategy, also citing expectations for stronger demand.

"I don't think so, it is not time for OPEC to change," said a Gulf OPEC delegate. "Demand will be more than in the first half (of the year) although there is some uncertainty about the economy. The prices will remain around \$60."

A second Gulf delegate said even if prices fell slightly below \$50 a barrel, as long as the drop is for a short time it is unlikely OPEC would lower its output ceiling. "Prices will not stay down forever," the delegate said.

The OPEC policy shift was led by Saudi Arabia, supported by its Gulf allies, despite calls for supply cuts from Iran and smaller producers concerned about the impact of lower prices on oil revenue. OPEC does not meet again until December 4.

To be sure, some OPEC countries may renew calls for supply cuts following the price drop. Algeria's Energy minister

said on July 14 an extraordinary OPEC meeting could be called, and Iran has been lobbying for other OPEC members to curb supply to make way for the hoped-for rise in its exports.

But even OPEC delegates from countries that favor a higher oil price don't expect the Saudis to change course - at least for now.

"It does seem that the Saudi tactic of beating the US shale oil producers is not being successful," said an official from an OPEC country outside the Gulf. "But they probably will maintain it."

While Iran hopes to boost crude exports rapidly once sanctions are lifted, Gulf OPEC delegates do not expect significant volumes before 2016 and are betting higher global demand next year will absorb the extra oil.

A fourth OPEC delegate from a country that usually supports supply curbs agreed with the Gulf delegates that no action from the producer group was needed at present.

"I see it as short-term and expect prices to recover," the delegate said of the price drop.