

US to overtake Saudi as crude oil producer: IEA

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The US could overtake Saudi Arabia as world's number two producer of crude oil this year.

The United States are set to overtake Saudi Arabia as the world's number two oil producer this year, as shale companies, attracted by rising prices, ramp up drilling, the International Energy Agency said on Friday.

"This year promises to be a record-setting one for the US," the IEA wrote in its monthly market report.

Crude production of 9.9 million barrels per day (bpd) in the US was now at the highest level in nearly 50 years, "putting it neck-and-neck with Saudi Arabia, the world's second largest crude producer after Russia," the IEA said.

"Relentless growth should see the US hit historic highs above 10 million bpd, overtaking Saudi Arabia and rivalling Russia during the course of 2018 — provided OPEC/non-OPEC restraints remain in place," it said.

A global supply glut pushed oil prices as low as \$30 per barrel at the start of 2016.

But producing nations—both inside and outside the OPEC oil cartel—struck a deal at the end of 2016 to cut back production and drive prices higher.

Geopolitical tensions and a reduction in oil stocks have also contributed to the recovery.

Crude recently rose above \$70 per barrel for the first time since 2014 after OPEC and non-OPEC countries agreed to extend their combined cutbacks until the end of this year.

Rising prices have, in turn, made it more attractive for shale companies to increase drilling.

And since the United States is not a party to the deal, its shale production can continue uninhibited.

"US growth in 2017 beat all expectations ... as the shale industry bounced back, profiting from cost cuts, (and) stepped up drilling activity," the IEA said.

"Explosive growth in the US and substantial gains in Canada and Brazil will far outweigh potentially steep declines in Venezuela and Mexico," it said.

"The big 2018 supply story is unfolding fast in the Americas," the IEA said.

Shale production is controversial, because in order to extract oil and gas, a high-pressure mixture of water, sand and chemicals is blasted deep underground to release hydrocarbons trapped between layers of rock.

And environmentalists argue that the process—known as fracking, or hydraulic fracturing technology—may contaminate ground water and even cause small earthquakes.

Turning to OPEC output, the IEA said that there was "no clear sign yet of OPEC turning up the taps to cool down oil's rally".

In its own monthly market report published on Thursday, the Organization of Petroleum Exporting Countries had said that the global oil market was moving closer to reaching a healthy balance between supply and demand.

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