

IEA warns easing oil supply concerns may only be temporary

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Iranian oil tankers may become an increasingly rare sight as US sanctions loom

Concerns about oil supplies have eased as major producers have stepped up output, but the respite may be only temporary as tough new US sanctions on Iran approach, the IEA warned on Friday.

Crude prices have dipped in recent weeks, reflecting less worry about supplies following increased output by Russia and several OPEC nations, the International Energy Agency said in its latest monthly report about the global oil market.

However the Paris-based body warned supply tensions could quickly flare.

"When we publish our next report in mid-September, we will be only six weeks away from the US's deadline for Iran's customers to cease oil purchases," said the IEA.

"As oil sanctions against Iran take effect, perhaps in combination with production problems elsewhere, maintaining global supply might be very challenging and would come at the expense of maintaining an adequate spare capacity cushion."

The United States has broken with allies and abandoned the 2015 international agreement to limit Iran's nuclear programme. A first set of US sanctions snapped back into place earlier this week, but in November it will seek to choke off Iranian oil exports.

"While there has been minimal impact so far on Iran's crude production ahead of renewed US sanctions, Washington's move to apply the toughest ever measures on Iran could result in an even steeper reduction than ... seen during the previous round of sanctions" when its exports fell by 1.2 million barrels per day (mbd) said the IEA.

It noted that Iran's oil exports fell last month as several European countries reduced purchases and South Korea cut them completely.

With the recent calm on the oil market brought about by a production increase of just 300,000 barrels per day and tepid demand, the IEA

warned producers could face a "challenge ... to compensate for further losses that could tip the global market into imbalance."

The restriction on Iranian exports comes amid other disruptions to oil supplies, including both crisis-wracked Venezuela and Libya.

A rise in crude prices triggered by supply uncertainties could dampen demand for oil, the IEA warned.

It also highlighted another uncertainty concerning oil demand.

"Another factor to consider is that trade tensions might escalate and lead to slower economic growth, and in turn lower oil demand," said the IEA.

After snapping tariffs on steel and aluminium imports from a number of allies, the United States has been engaged in an escalating duel with China with levies being announced on a growing range of goods.

For the moment the IEA did not change its forecast for global demand for oil to increase by 1.4 mbd. It raised its forecast for demand growth next year to 1.5 mbd, but warned "there are risks to the forecast from escalating trade disputes and rising prices if supply is constrained."

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