



# Why Did UAE Oil Production Rise in August?

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The UAE's oil output rose to 2.693 million barrels per day in August, according to data confirmed by Energy Minister Suhail al-Mazrouei. The increase in production was brought on by hot weather during the Emirati summer and a greater tendency for the population to stay at home due to coronavirus, thus causing them to use air conditioning more often.

The final total for August outstrips the quota allowed under the terms of the UAE's pact with OPEC+, which permits the nation to pump approximately 2.59 million barrels per day. However, the UAE intends to compensate for the excess oil production last month by reducing both its production and exports in September and October.

## Demand on the rise

The past several months of quarantine have seen demand for oil drop sharply, as offices remained unused and vehicles were kept off the roads. However, the easing of lockdown measures saw demand for the commodity climb steadily once more, peaking in August when temperatures often exceeded 40°C.

This, coupled with the fact that the majority of the Emirati population chose to stay at home rather than take holidays away from the country due to fears over contracting the virus, meant that air conditioning units were in near constant use throughout the month. The gas used to power such units is a by-product of crude oil output, which is also capped under the terms of the latest OPEC+ cuts agreement.

## Achieving equilibrium

While the greater demand meant that the UAE exceeded its permitted daily quota by around 100,000 barrels, Mr al-Mazrouei indicated that it would reduce output in the coming months in order to offset the deficit. Taking to Twitter, he said that "measures have been taken to compensate for this temporary increase due to peak summer electricity demand."

In particular, the state-owned oil firm Abu Dhabi National Oil Company (ADNOC) has indicated that it will be cutting production by almost a third in October. It's not the first time that the UAE has taken such a course of action, having slashed output in June to compensate for overproduction of roughly 50,000 barrels per day in May and July.



## A recovering industry

Although the recent surge in demand led to the UAE infringing on its agreement with OPEC+, the news that consumers are once again looking to oil is generally a positive sign for the industry. Indeed, the UAE had originally planned to raise its output during October to 900,000 barrels per day above its quota before the September surplus was announced.

The Middle East isn't the only region experiencing a resurgence in its oil industry, either. US President Donald Trump recently claimed that the American oil is "back and expanding", although [some experts have cast doubt on the veracity of those projections](#). In any case, the industry looks to have survived the most serious effects of the coronavirus pandemic for now.