



How Will OPEC+ Stop Oil Prices Plummeting?

The Secretary General of the Organisation of Oil Exporting Countries + (OPEC+) has indicated that the alliance is fully prepared to take all necessary actions to ensure that oil prices do not plummet steeply once more. Every industry has been affected by the coronavirus pandemic to some extent, but with energy demand slumping, the fossil fuels sector has been harder hit than most.

However, Mohammed Barko was adamant that OPEC+ will be capable of avoiding another price drop. Speaking at the Energy Intelligence Forum, Barko did not rule out forgoing the planned production increases that had been earmarked to come into effect from January.

A tough year for oil

With much of the world's population spending significant swathes of 2020 under various forms of lockdown measures, energy demand has dropped off a cliff edge this year. With no offices being powered, no passenger vehicles on roads and many industries coming to a standstill, the price of oil has fallen sharply.

As recently as the beginning of October, [OPEC member states appeared confident](#) that demand would return to pre-pandemic levels by the end of the year. However, the fact that many countries have re-entered quarantine phases to ward off a resurgence of COVID-19 has meant that those predictions may not come to pass.

Cuts to continue?

OPEC+ had pledged to cut its output from 7.7 million barrels per day last month to 5.7 million barrels per day by January, in a bid to strangle supply and drive up prices. It had then tentatively indicated that production would begin to rise once more, though recent developments may force the alliance to reconsider its strategy.

“We have to be realistic that this recovery is not picking up pace at the rate that we expected earlier in the year,” [explained Barko](#), pointing out that “demand itself is still looking anaemic.” However, he still professed full faith in OPEC+'s ability to manage the situation, stating that “the OPEC, non-OPEC partnership will continue to do what it knows best, by ensuring that we don't relapse into this almost historic plunge that we saw.”



The UAE doing its bit

With a grand total of 24 members, OPEC+ is comprised of OPEC and other major oil-producing nations like Russia and Kazakhstan. Together, the organisation controls around 90% of proven oil reserves and 50% of oil supply around the world. As one of the most prolific oil producing countries, the UAE has a vital role to play in ensuring the appropriate sacrifices are made.

Like other OPEC members Iraq and Nigeria, the UAE did not fulfil its obligations earlier in the year due to unforeseen circumstances. However, it has made the necessary provisions to make additional cuts in the final two months of the year so that it can compensate for the discrepancies.