



Written by [Bob Adelman](#) on November 17, 2016

Saudi Oil Minister “Optimistic” That OPEC Will Cut Production

Saudi Arabia’s Energy Minister Khalid al-Falih [said on television on Thursday](#) that the crude oil market is close to becoming “balanced” between supply and demand and that the OPEC meeting happening in less than two weeks will likely generate an enforceable limit on the cartel’s production:



Reaching (a decision) to activate that ceiling of 32.5 million barrels per day will speed up the (market) recovery and will benefit producers and consumers....

I’m still optimistic that the consensus reached [last month] for capping production will translate ... into caps on [each cartel member’s] levels.

He also added that he “hoped” an agreement the cartel might reach would be honored by non-OPEC member Russia.

Hope is not a strategy. Neither is optimism based upon it, especially when it is disconnected from reality. Jeffries LLC, a global investment firm, in a research note released on Thursday to its clients, said it would take a massive cut of 700,000 barrels a day by OPEC even to begin to bring the supply/demand equation into balance. Wrote Jeffries:

We have been skeptical that OPEC would be able to reach agreement on an output cut unless Saudi Arabia was willing to resume its role as swing producer.

We do expect that OPEC will make some form of statement [not agreement] on production restraint ... [although] the credibility and transparency around collective OPEC actions ... are far more uncertain.

A surge in OPEC production output to as much as 34.5 million barrels per day in November (vs. 33.5 million bpd in August) makes a credible OPEC cut all the more difficult to achieve....

We may need to immediately reverse [our opinion] if OPEC meets its goal of transparent and credible action. However, we are now two weeks away from the physical market regaining control from OPEC’s rhetorical devices.

Translation: The Saudi oil minister is talking through his hat.

First of all, Iran won’t be included in any agreement. Second, Libya and Nigeria are producing for all they’re worth, trying to make up for lost production during military misadventures that shut down much of their production. Third, OPEC members are notorious for abrogating even the most solemn of agreements.

The Saudi oil minister’s dream is also likely to be shattered as it runs smack into Donald Trump’s energy plan. “We will,” wrote Trump:

- Make American energy independent;



Written by [Bob Adelman](#) on November 17, 2016

- Create millions of new jobs;
- Unleash an energy revolution;
- Declare American energy dominance a strategic and foreign policy goal of the United States;
- Unleash America's \$50 trillion in untapped shale, oil, and natural gas reserves; and
- Become, and stay, *totally independent of any need to import energy from the OPEC cartel* or any nations hostile to our interests. [Emphasis added.]

The minister's dream will evaporate in light of the weekly report from the U.S. Energy Information Administration (EIA) on Wednesday, which noted that "commercial grade oil inventories increased by 5.3 million barrels from the previous week. At 490.3 million barrels, U.S. crude oil inventories are above the upper limit of the average range for this time of year."

And then there is the report from the U.S. Geological Survey (USGS), also released on Wednesday, that it has just found "the largest continuous oil and gas deposit ever discovered in the United States." The new reserves in the Wolfcamp shale formation in Texas hold "nearly three times more petroleum than the agency found in North Dakota's Bakken shale in 2013" — "nearly three times the amount of petroleum products used by the entire country in a year."

It's safe to say that the OPEC confab in Vienna on Wednesday, November 30, is likely to generate little of substance. The simple law of economics — supply and demand — mathematics, and the new political reality in Washington will override the dream of OPEC being able to impose its will on the global energy market.

An Ivy League graduate and former investment advisor, Bob is a regular contributor to The New American magazine and blogs frequently at [LightFromTheRight.com](#), primarily on economics and politics. He can be reached at badelman@thenewamerican.com.



Subscribe to the New American

Get exclusive digital access to the most informative, non-partisan truthful news source for patriotic Americans!

Discover a refreshing blend of time-honored values, principles and insightful perspectives within the pages of "The New American" magazine. Delve into a world where tradition is the foundation, and exploration knows no bounds.

From politics and finance to foreign affairs, environment, culture, and technology, we bring you an unparalleled array of topics that matter most.



What's Included?

- 24 Issues Per Year
- Optional Print Edition
- Digital Edition Access
- Exclusive Subscriber Content
- Audio provided for all articles
- Unlimited access to past issues
- Coming Soon! Ad FREE
- 60-Day money back guarantee!
- Cancel anytime.

Subscribe