



Talks on Oil Cut Deal at G-20

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Why in News

Recently, at **G20** talks, top oil nations pushed to finalise a deal on oil cuts to lift prices slashed by the coronavirus crisis.

Key Points

- Measures to curb the spread of the **coronavirus have destroyed demand for fuel** and driven down oil prices.
 - It strained the budgets of oil producers and also affected the U.S. shale industry which is more vulnerable to low prices due to its higher costs.
- **Saudi Arabia and Russia and its allies (OPEC + group)**, had forged a pact to curb crude production by the **equivalent of 10% of global supplies**.
- They **also want other producers** including the United States and Canada to cut a further 5%.
 - The **crisis in the oil market** has **pushed Russia and Saudi Arabia to patch up differences** after their hostile meeting in March, 2020.
 - The **dispute over how best to tackle falling prices** led them to scrap their existing pact on production restraint that had helped balance the oil market for three years.
- Russia and Saudi Arabia agreed that their cuts would both be calculated from an October 2018 baseline.
- But **efforts to conclude the deal hit the buffers** when **Mexico said it would only cut output by a quarter of the amount** demanded by OPEC +.
 - Mexico also said that the US had offered to make extra U.S. cuts on Mexico's behalf.
 - Mexico also **cares less about low oil prices** because of its hedging programme, which protects it against price falls.
- The demand for oil has plunged by 30% and even an unprecedented cut of 15% made by the deal in global supplies would have little effect on prices.

- The head of the **International Energy Agency** said **importing countries could offer some support to the market by making extra purchases** of crude for strategic reserves.

The United States has said that it would help demand by opening its strategic reserve to store as much oil as possible.

OPEC +

- The **non-OPEC countries which export crude oil** are termed as **OPEC +** countries.
- OPEC + countries include Azerbaijan, Bahrain, Brunei, Kazakhstan, Malaysia, Mexico, Oman, Russia, South Sudan and Sudan.

Organization of the Petroleum Exporting Countries (OPEC)

- The Organization of the Petroleum Exporting Countries (OPEC) is a **permanent, intergovernmental organization**, created at the **Baghdad Conference** in 1960, by **Iran, Iraq, Kuwait, Saudi Arabia, and Venezuela**.
- It aims **to manage the supply of oil in an effort to set the price of oil in the world market**, in order to avoid fluctuations that might affect the economies of both producing and purchasing countries.
- It is headquartered in **Vienna, Austria**.
- OPEC membership is open to any country that is a substantial exporter of oil and which shares the ideals of the organization.
- As of April 2020, OPEC has a total of 13 Member Countries viz. Iran, Iraq, Kuwait, United Arab Emirates (UAE), Saudi Arabia, Algeria, Libya, Nigeria, Gabon, Equatorial Guinea, Republic of Congo, Angola, and Venezuela are members of OPEC.

G-20

- The G20 is an **informal group of 19 countries** and the **European Union**, with representatives of the **International Monetary Fund and the World Bank**.
- The G20 membership comprises a **mix of the world's largest advanced and emerging economies**, representing about two-thirds of the world's population, 85% of global gross domestic product, 80% of global investment and over 75% of global trade.
- The members of the G20 are Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Republic of Korea, Mexico, Russia, Saudi Arabia, South Africa, Turkey, the United Kingdom, the United States and the European Union.
- It does not have **any permanent secretariat** or headquarters.

Source: IE