

## **INSTANT VIEW 3: OPEC agrees 500,000 bpd from Feb. 1-Qatar**

**Reuters**

Updated: 8:03 a.m. ET Dec. 14, 2006

LONDON - OPEC agreed to lower oil output by 500,000 barrels per day from Feb. 1, Qatar's oil minister Abdullah al-Attiyah said on Thursday.

OPEC was expected to formally announce the accord in a statement later on Thursday.

ANALYST COMMENTS:

OLIVIER JAKOB, MANAGING DIRECTOR, PETROMATRIX, ZUG, SWITZERLAND

"It's really pretty much as expected."

"I think right now it doesn't change anything because if there is an increase in the flat price they will not implement it, and if there is a big drop then probably they will try to cut more but that's also to be expected.

"If there was a real cut implemented from now then fine, you could buy into the news, but they could not implement the previous one even though the price was below \$60, so it's difficult to see that they will go ahead with additional cuts if we stay above \$60."

MIKE WITTNER, GLOBAL HEAD OF ENERGY MARKET RESEARCH AT INVESTMENT BANK CALYON

"It's a small cut, about as small as they come. But I think it underscores the message that they are trying to manage markets and crude supply. During October and November, the year-on-year overhang in OECD crude inventories has been reversed and we are back to square one.

It's a good compromise from OPEC's perspective. Because they were debating whether to roll over or to cut supply and this lets them send a clear message that they are in control. But as far as their political relationship with the U.S., Europe and the Japanese is concerned, it lets them say 'hey, we are trying to supply the market.'

And why wouldn't they? Prices are strong, they have every incentive to keep on producing."

GEOFF PYNE, INDEPENDENT OIL ANALYST:

"OPEC wants to signal a cut but many members don't want to reduce output. It's a fudge which gets round the market and reconciles the two different views on what the group should do.

"If more cuts are needed then surely that proves that half the group didn't comply with the cuts last time. So why should those that did cut do so again?"

"Also, what is the basis of the cuts? Is it what they didn't succeed in doing last time? Or recent production which just proved they didn't do what they said?"

HARRY TCHILINGUIRIAN, ANALYST AT BNP PARIBAS

"Feb. 1 cuts make sense as they will impact March deliveries. OPEC generally points to weaker product demand in the second quarter as the driving factor for a cut. The interesting thing will be when crude demand by refineries starts to rise again in the Atlantic Basin ahead of the summer driving season."

KEVIN NORRISH, ANALYST, BARCLAYS CAPITAL, LONDON

"We think the cuts that have already been made would already result in a significant tightening of the market and are enough to push prices a fair way above what OPEC is aiming for, which is to defend the

\$60-a-barrel level for the basket price.

"An additional cut coming in in February would make the market look even tighter going forward and raise the upside potential.

"Our forecast calls for a quarterly average in Q3 (2007) of \$80.20 a barrel (for U.S. crude) and we're the most bullish forecaster. I think this (the OPEC cut) would make us even more confident about that."

*Copyright 2006 Reuters Limited. All rights reserved. Republication or redistribution of Reuters content is expressly prohibited without the prior written consent of Reuters.(c) Reuters 2006. All rights reserved. Republication or redistribution of Reuters content, including by caching, framing or similar means, is expressly prohibited without the prior written consent of Reuters. Reuters and the Reuters sphere logo are registered trademarks and trademarks of the Reuters group of companies around the world.*

URL: <http://www.msnbc.msn.com/id/16202571/>

---

© 2006 MSNBC.com