

Potential Oversupply and Slower Demand: Will OPEC Extend Production Cuts?



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There is one thing on the mind of many folks involved in the oil and gas industry – the upcoming OPEC meeting in Vienna. On June 25, 2019, the [176th OPEC meeting](#) will be held.

In fact, there are already reports out there attempting to predict the potential impacts of the upcoming OPEC meeting and other global factors on the price of oil – check out this recent article from Bloomberg entitled, [Bulls Beware: The 2020 Oil Market is Quickly Turning Ugly](#).

While oil prices have increased slightly today, they are still lower than many would like to see. As of this post, WTI Crude is at \$52.25 per barrel and Brent Crude is at \$61.36 per barrel, according to [Bloomberg Energy](#). Of significant impact on oil prices is the fundamental nature of supply and demand – stockpiles are reportedly high (ish) and demand is currently low (ish), and may be going lower.

Oil & Gas 360 released an article entitled, [Goldman Sees Hard Path to OPEC+ Extension](#) that discusses these supply and demand issues in the context of the

upcoming OPEC meeting in detail. The bottom line is that we may be going into the OPEC meeting with many uncertainties as to whether production cuts will be extended. According to the [Oil & Gas 360 article](#), stockpiles are currently at their highest level since mid-2017 and this oversupply is present “amid slower demand growth.”

According to the U.S. Energy Information Administration (“EIA”) [Short-Term Energy Outlook](#) which was released June 11, 2019:

Annual U.S. crude oil production reached a [record 11.0 million b/d in 2018](#). **EIA forecasts that U.S. production will increase by 1.4 million b/d in 2019 and by 0.9 million b/d in 2020**, with 2020 production averaging 13.3 million b/d. Despite EIA’s expectation for slowing growth, **the 2019 forecast would be the second-largest annual growth on record** (following 1.6 million b/d in 2018), and the 2020 forecast would be the fifth-largest growth on record.

The takeaway from this is easily summed up by a recent CNBC article entitled, [Oil Steadies as OPEC Supply Cuts Counter Growth Concerns](#) as follows: “While the talk of prolonged supply restraint is supporting prices, concern about slowing demand and economic growth has had a bigger impact on sentiment.”

Are we oversupplied? Is there too much oil in inventories? How much will global oil demand drop?

We must wait and see...stay tuned!

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