

Beat: Business

Oil prices plummet as OPEC maintains production level

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USPA News - Crude oil prices sank to their lowest levels in four-and-a-half years on Thursday after the Organization of the Petroleum Exporting Countries (OPEC) said it would keep its production rate unchanged, leading to increased concerns about the continuing drop in prices. Ministers from the organization's 12 member states met in Vienna on Thursday to discuss whether to cut oil production in an attempt to re-balance the global oil market.

Comments by Saudi Arabia's oil minister a day earlier had raised hopes for a production cut to end falling crude oil prices, which are down some 30 percent since June. In a statement after the meeting, the OPEC member states said they had decided to maintain the production level of 30 million barrels a day, as was agreed three years ago. They said stable oil prices are vital for the world's economic wellbeing and explained that prices should be at a level which does not affect global economic growth but also allows producers to receive a decent income. "As always, in taking this decision, Member Countries confirmed their readiness to respond to developments which could have an adverse impact on the maintenance of an orderly and balanced oil market," the statement said. "Agreeing on the need to be vigilant given the uncertainties and risks associated with future developments in the world economy, the Conference directed the Secretariat to continue its close monitoring of developments in supply and demand, as well as non-fundamental factors such as speculative activity." OPEC Secretary-General Abdallah Salem el-Badri, speaking at a press conference after the meeting, reaffirmed that the organization will watch how the market behaves, but downplayed the continuing fall in prices. "We are gonna produce 30 million. Why you people are concerned about our production? Why you are concerned?" el-Badri told journalists. "If the price will come down, doesn't that help you to fill your car? Why are you concerned about this? Unless you are a trader. If you are a journalist, that's good for you." Sweet crude futures for delivery in January dropped to as low as \$67.75 a barrel on the New York Mercantile Exchange after Thursday's OPEC meeting, reaching levels not seen in 4.5 years. Brent crude for January delivery dropped by \$4.71 to \$73.04 on London's ICE Futures exchange. The crisis in crude oil prices is mainly due to competition from the growing U.S. shale oil industry, combined with reduced demand due to the global financial crisis and slowing demand growth in Asia and Europe. Nonetheless, the world's demand for oil is forecast to increase further next year but will be offset by the projected increase of 1.36 million barrels a day from non-OPEC supply. OPEC countries currently produce nearly half of the world's crude oil, yet its influence has continued to wane over the year as importers now have diversified sources. OPEC was set up by five oil-producing states in 1960 and has since expanded to a membership of 12, aiming to co-ordinate policies to stabilize prices.

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