

Saudi king said will boost oil output if needed: White House

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Trump told King Salman bin Abdulaziz Al Saud that the oil market could do with more supply when the men spoke on Friday, the White House said.

Prince Salman of Saudi Arabia has promised Donald Trump of boosting oil production. (File)

The leader of Saudi Arabia promised President Donald Trump that he can boost oil production if needed and the country has 2 million barrels per day of spare capacity available, the White House said on Saturday.

Trump told King Salman bin Abdulaziz Al Saud that the oil market could do with more supply when the men spoke on Friday, the White House said. The Saudi leader said he was ready to raise output if needed, the White House said in a statement.

“King Salman affirmed that the Kingdom maintains a two million barrel per day spare capacity, which it will prudently use if and when necessary to ensure market balance,” read the statement.

The White House statement undercut a tweet by Trump earlier in the day when he wrote that Saudi Arabia had definitely agreed to produce more oil.

“Just spoke to King Salman of Saudi Arabia and explained to him that, because of the turmoil & disfunction in Iran and Venezuela, I am asking that Saudi Arabia increase oil production, maybe up to 2,000,000 barrels, to make up the difference. Prices too high! He has agreed!” Trump tweeted.

In the early morning tweet, Trump said the extra Saudi oil would help offset a decline in supply from Iran, after the United States pulled out of the Iran nuclear deal in May and moved to reimpose oil sanctions.

It was not immediately clear what total level of Saudi production Trump was expecting or by when.

The Two Million Barrel Question

Saudi Arabia has a maximum sustainable capacity of 12 million bpd, but it has never tested that level of production. A source familiar with the kingdom’s plans told Reuters this week that Riyadh plans to boost output in July to 11 million bpd, the highest in its history, up from 10.8 mln in June – an increase of 200,000 bpd.

“We will be in uncharted territory. While Saudi Arabia has the capacity in theory, it takes time and money to bring these barrels online, up to one year,” said Amrita Sen of consultancy Energy Aspects.

A week ago the Organization of Petroleum Exporting Countries (OPEC) and fellow producers, including Russia, agreed to boost supplies, easing curbs in place since the start of 2017. They did state how much extra supply they would add.

In briefings since then, OPEC officials have signaled the extra volume is likely to be in the range of 700,000 to 1 million bpd. A request by Trump for 2 million bpd more would be at least double market expectations.

Saudi state media reported that during the call, the Saudi king and Trump emphasized the need to preserve oil market

stability and efforts of oil-producing countries to compensate for any potential shortage.

The statement reported by Saudi media did not mention any intention by Saudi Arabia to raise production by 2 million bpd. Saudi oil officials did not immediately comment.

Benchmark Brent crude was trading around \$79 a barrel on Friday, and a Reuters poll showed prices look to remain strong for the rest of this year due to supply disruptions in countries including Libya and Venezuela and as the extra oil from OPEC fails to meet rising demand.

Saudi Energy Minister Khalid al-Falih met with U.S. Secretary of State Mike Pompeo in Washington on Thursday to discuss energy security.

The Trump administration is pushing countries to cut all imports of Iranian oil from November when the United States re-imposes sanctions against Tehran, after Trump withdrew from the 2015 nuclear deal agreed between Iran and six major powers, calling it a "defective" agreement.

U.S. officials are pressing allies in Europe, Asia and the Middle East to adhere to the sanctions once they are re-imposed, with the aimed of pressuring Iran into negotiating a new agreement to halt its nuclear programs.

State Department officials said this week the United States is prepared to work with countries on a case-by-case basis to help them reduce imports of Iranian oil and suggested some exemptions were possible.

Iran's Supreme Leader Ayatollah Ali Khamenei on Saturday accused Washington of trying to turn Iranians against their government.

"They bring to bear economic pressure to separate the nation from the system" but six U.S. presidents before him tried this and had to give up," Khamenei was quoted as saying on Saturday by his website Khamenei.ir, referring to Trump.

Iran's rial currency has lost up to 40 per cent of its value since last month, when Trump pulled out of the nuclear deal.

Iran's OPEC governor, Hossein Kazempour Ardebili, accused the United States and Saudi Arabia of trying to push up oil prices and said both countries are acting against the foundation of OPEC.

"If this happens, (it) means Trump is asking Saudi Arabia to walk (away) from OPEC," he told Reuters.

"The market will go up to \$100 I am sure as Saudi Arabia said they will plan an increase for July. This was managed between the two to rob the pocket of rest of the world," he said.

- Reuters