



Written by [Bob Adelman](#) on August 11, 2017

OPEC Members Continue Non-compliance

The Paris-based International Energy Agency (IEA) noted in its latest report released on Friday that non-compliance among OPEC's members, and those non-members who also agreed to cut oil production, increased again in July. Non-compliance is the death knell for any cartel, and OPEC is no exception.

Specifically, non-compliance among the cartel's members rose to 25 percent in July, the highest since the agreement was inked in January. Among non-OPEC members who signed on to that agreement, non-compliance was at 33 percent in July.

Put another way, the cartel — both its members and its cooperating non-members — hoped to reduce crude oil production by enough to bring the world supply/demand equation into “balance.” That “balance” is supposed to happen when world crude supplies decline to a five-year average of around 2.7 billion barrels. At present, those supplies are at more than three billion, and climbing. Total OPEC production rose by nearly 500,000 barrels in July, instead of declining as per the January agreement.

Those most responsible for ignoring the agreement and going their own way include Algeria, Iraq, and the UAE (United Arab Emirates). Libya and Nigeria have been exempted from the agreement and are producing all they can.

Demand for crude is increasing, but not enough to absorb the result of the increased production by non-complying oil producers. Add in American frackers who continue to increase their rig counts, and the “balancing” equation becomes even more unpredictable.

The IEA expressed its concern over rebalancing in a remarkably restrained way: “The re-balancing of the oil market desire by the leading producers has been a stubborn process.... We must remember that they [world-wide crude oil reserves] are falling from a very great height.... If re-balancing is to be maintained, the producers that are committed to seeing the task through to March 2018 [when the present production cut agreement ends] need to convince the market that they are in it together. It is not entirely clear that this is the case today.”

OPEC has only two tools at its disposal: control of production, and words. As the cartel control of production thanks to increasing noncompliance by its members, it must rely on words. In anticipation of the report from the IEA, OPEC held a meeting with some of the non-complying members earlier in the week, calling them to task for their waywardness (“laggards” was the term used) and then ending the meeting with a press release designed to soothe the skeptics: “All [laggards] expressed their full support of the existing monitoring mechanism and their willingness to cooperate.”

This changes nothing. The reality is that the cartel's increased fraying at the edges could threaten its very existence.





Written by [Bob Adelman](#) on August 11, 2017

An Ivy League graduate and former investment advisor, Bob is a regular contributor to The New American magazine and blogs frequently at [LightFromTheRight.com](#), primarily on economics and politics. He can be reached at badelmann@thenewamerican.com.



Subscribe to the New American

Get exclusive digital access to the most informative, non-partisan truthful news source for patriotic Americans!

Discover a refreshing blend of time-honored values, principles and insightful perspectives within the pages of "The New American" magazine. Delve into a world where tradition is the foundation, and exploration knows no bounds.

From politics and finance to foreign affairs, environment, culture, and technology, we bring you an unparalleled array of topics that matter most.



What's Included?

- 24 Issues Per Year
- Optional Print Edition
- Digital Edition Access
- Exclusive Subscriber Content
- Audio provided for all articles
- Unlimited access to past issues
- Coming Soon! Ad FREE
- 60-Day money back guarantee!
- Cancel anytime.

Subscribe