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Mexico, Venezuela, Saudi Arabia to Cut Oil Exports a Second Time This Year

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To boost sagging oil prices, Mexico's state oil company PEMEX and counterparts from Venezuela and Saudi Arabia announced plans to coordinate a second reduction in oil exports this year. The reduction follows a similar effort in late March (see SourceMex, 03/25/98).

Under the plan, revealed in Amsterdam in early June, the three countries will reduce exports by a total of 450,000 barrels a day, effective July 1. Saudi Arabia will assume the lion's share of that cut, reducing exports by 225,000 bpd. Venezuela will lower sales by 125,000 bpd and Mexico by 100,000 bpd. In March, the three countries coordinated a global effort to lower global oil supplies by about 2 million bpd, achieved through their own cuts and by reductions from other oil producers.

That first reduction helped stop a slide in global prices for crude oil, but was unable to boost prices significantly. "Despite the efforts of oil-producing countries to restrict production and exports, the market remains out of balance and inventories of crude oil and products remain high in historical terms," the three countries said in a communique. Energy Secretary Luis Tellez said the latest effort also includes lobbying other producers to convince them to again lower prices. Proposed reductions will be discussed by oil- producing countries in the Persian Gulf June 16 and by members of the Organization of Petroleum Exporting Countries (OPEC) June 24.

Mexico to cut exports by 100,000 bpd

Regarding Mexico's commitment, PEMEX pledged to reduce exports to an average of 1.644 million bpd between July and December of this year, compared with 1.744 million bpd for the first half of 1998. A few days before the accord was announced, the Secretaria de Energia had projected exports for the second half of the year at the same level as the first half. With the latest reduction, Mexico's exports of crude oil are expected to average 1.719 million bpd in 1998, only 2,000 bpd below 1997 levels.

The reduction in exports could also force Mexico to reduce its production levels. In a report published in early May, PEMEX said production of crude oil reached a record high of 3.127 million bpd in the first quarter of the year. PEMEX director Adrian Lajous said the government hopes the reduction in oil exports will help Mexico's average oil price rebound to US$12.50 per barrel this year. As of June 9, Mexican crude oil was selling at US$10.40 per barrel. (Sources: Bloomberg News, 05/28/98; The News, 05/28/98, 05/29/98, 06/05/98; Novedades, 06/05/98; Excelsior, 05/12/98, 06/03/98, 06/05/98, 06/09/98; Reuter, 06/09/98; El Economista, El Universal, 05/29/98, 06/05/98, 06/10/98; La Jornada, 06/05/98, 06/10/98)

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