Mathurin Hybrid Initiative

Global Advisory Report

Angola's Departure from OPEC: Unravelling Unity.

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Introduction:

In a significant blow to the stability of the oil market, Angola announced its decision on Thursday to withdraw from the Organization of the Petroleum Exporting Countries (OPEC). The move, attributed to a perceived misalignment of interests, comes as a challenge to OPEC's unity, especially amidst ongoing efforts by the Saudi-led group to rally support for additional output cuts aimed at shoring up global oil prices. This departure follows in the footsteps of mid-sized producers Ecuador and Qatar, raising questions about the cohesiveness of OPEC and its broader coalition, OPEC+.

Angola's Decision and OPEC's Response:

Angola's Oil Minister, Diamantino Azevedo, stated that OPEC no longer serves the interests of the country, leading to the decision to exit the organization. This departure has sent shockwaves through the international oil market, causing a dip in prices by as much as 2.4%. Azevedo emphasized that Angola gains nothing by remaining within OPEC, asserting that the move is in defence of the nation's interests.

The departure is rooted in a protest by Angola against OPEC+'s decision to reduce its output quota for 2024. The disagreement not only resulted in a delay of OPEC+'s policy meeting in November but also hindered the group's ability to reach a consensus on new output curbs. This development underscores the lack of unanimity within OPEC, as observed by Ali Al-Riyami, former marketing director general at Oman's energy ministry.

Potential Ramifications and Market Share Dynamics:

While Angola's decision took OPEC delegates by surprise, there is scepticism about whether other countries will follow suit. Nigeria, another African OPEC member, is already struggling to meet its quota and received a higher OPEC+ target for 2024, albeit lower than its initial request.

Analysts, including UBS's Giovanni Staunovo, express concern about the unity of OPEC+, though they see no immediate indication of heavyweight members following Angola's path. Angola's departure leaves OPEC with 12 members and reduces its crude oil production to approximately 27 million barrels per day, constituting 27% of the global oil market, which stands at 102 million barrels per day. This marks a further decline in OPEC's share, which was 34% in 2010. The shrinking market share is a result not only of members leaving but also due to production cuts and increased output from non-OPEC countries, notably the United States.

Challenges Faced by Angola:

Angola, a member of OPEC since 2007, produces about 1.1 million barrels of oil per day, significantly less than the group's total output of 28 million barrels per day. The country has been grappling with challenges in meeting its OPEC+ quota in recent years, attributed to declining investment and a lack of substantial new oilfield developments. Despite its peak production of 2 million barrels per day in 2008, Angola has struggled to reverse the decline and expects to maintain current production levels into 2024.

The heavy reliance on oil and gas, which constitutes around 90% of total exports, has proven to be a vulnerability for Angola. The government has been actively seeking to diversify its economy, especially after the adverse impacts of the COVID-19 pandemic and the decline in global fuel prices. Companies like TotalEnergies, Chevron, ExxonMobil, and the Azule Energy joint venture between Eni and BP operate in Angola, contributing to its oil and gas sector.

Conclusion:

Angola's departure from OPEC serves as a poignant moment in the organization's history, reflecting internal dissent and challenging the group's ability to maintain a unified front. As OPEC and OPEC+ continue to navigate the complexities of global oil dynamics, the repercussions of Angola's decision will unfold in the coming months. The international community will be closely watching whether other OPEC members follow suit and how this development impacts oil prices, market share, and the overall stability of the global oil market.

Reference material:

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