



OPEC+ Announces Additional Production Cuts

For Prelims: OPEC+, OPEC.

For Mains: OPEC+'s Oil Production Cut and Its Impact.

Why in News?

The [Organization of the Petroleum Exporting Countries \(OPEC\)](#) and its allies, collectively known as **OPEC+**, announced a **surprise reduction of 1.16 million barrels per day (bpd) in their oil production to support market stability.**

What is the Background of Voluntary Cut in Oil Production?

- **Background:**
 - Oil prices skyrocketed after the [Russia-Ukraine Conflict](#) and have been fluctuating in recent months, with a drop towards **USD 70 per barrel** in March 2023 due to concerns of a [global banking crisis](#) that could hit demand.
- **Countries Involved:**
 - **Till yet, Saudi Arabia, Iraq, UAE, Kuwait, Oman, Algeria, Kazakhstan, Russia and Gabon** announced a voluntary oil output cut.
 - However, not all OPEC+ members are joining the voluntary cuts, as some are already pumping well below agreed levels due to a **lack of production capacity**.

What will be the Major Impacts of Voluntary Cut in Oil Production?

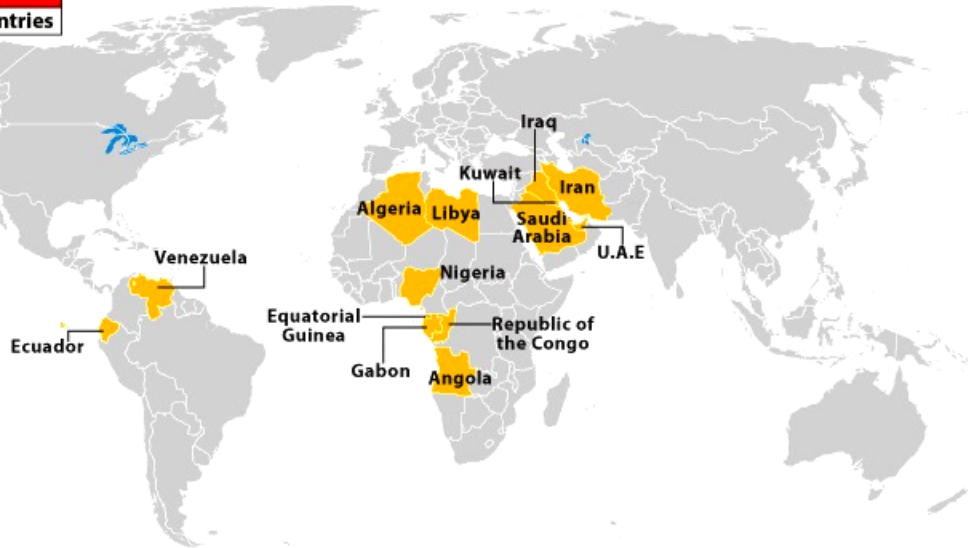
- **Impact on the U.S:** The move is likely to be highly detrimental to the US, which has repeatedly **asked the organisation to increase oil production**.
- **Impact on Non-OPEC Countries:** The production cuts could have an impact on non-OPEC countries that rely on oil exports, as they may face **increased competition in the market**.
- **Impact on India:** India imports nearly **85% of its crude requirement**, the oil import **bill will rise on account of the rise in prices due to decreased production**.
 - The rise in import bills will not only lead to inflation and a rise in the [Current Account Deficit \(CAD\)](#) and [fiscal deficit](#) but also weaken the rupee against the dollar and hurt stock market sentiment.
 - As per [Investment Information and Credit Rating Agency \(ICRA\)](#), for every USD 10 per barrel increase in the price of the Indian crude oil basket, the CAD could widen by **USD 14-USD 15 billion, or 0.4% of GDP**.

What is OPEC+?

- **OPEC:** Established in 1960 by founding members **Iran, Iraq, Kuwait, Saudi Arabia and Venezuela**, OPEC has since expanded and now has **13 member states**.
 - Member countries are: **Algeria, Angola, Congo, Equatorial Guinea, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Saudi Arabia, United Arab Emirates, Venezuela**.

- **Headquarter:** Vienna, Austria.
- OPEC produces about **40% of the world's crude oil** and its members' exports make up around **60% of global petroleum trade.**
- **OPEC+:** In 2016, with the addition of another **10 allied major oil-producing countries, the OPEC is known as OPEC+.**
 - OPEC+ countries include 13 OPEC member countries and **Azerbaijan, Bahrain, Brunei, Kazakhstan, Malaysia, Mexico, Oman, Russia, South Sudan and Sudan.**
- **Objective:**
 - The objective of the organisation is to **“coordinate and unify the petroleum policies of its Member Countries** and ensure the **stabilisation of oil markets in order to secure an efficient, economic and regular supply** of petroleum to consumers, a steady income to producers and a fair return on capital for those investing in the petroleum industry.

// **WORLD**
OPEC Member Countries



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