



# When Will the Oil Market Rebalance?

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The UAE's Energy Minister Suhail Al Mazroui has indicated that he expects the global oil market will rebalance by the beginning of 2022. Speaking at the Gulf Intelligence Global UAE Energy Forum, Al Mazroui offered an optimistic outlook on the imminent future for the oil market, after a disastrous spell brought about the coronavirus pandemic.

However, Al Mazroui was careful to warn that such a scenario would not come to pass if members of the OPEC+ alliance did not stick to the pre-agreed cuts to production decided upon in December last year. Any country which broke ranks and pumped more oil than their quota could risk destabilising the market and sending prices tumbling down once more.

## Slow and steady progress

The outbreak of COVID-19 in December 2019 precipitated a massive drop-off in oil demand all around the world, which caused serious repercussions to the industry and resulted in plummeting prices. However, the discovery of several viable vaccine candidates late last year sparked [a cautiously positive prognosis for the oil industry](#) in 2021.

That partial recovery has come in part due to a resurgence in the demand for oil, but mostly due to the measures taken by OPEC+. The consortium, which includes all 13 members of OPEC plus nine more of the world's leading oil producers, has been strategically cutting production in order to strangle supplies and boost prices.

## A united front

The most recent round of talks on how best to proceed were heated and polemic. On the one hand, the UAE – backed by Russia and Kazakhstan, among others – had faith in the recovery of the industry and feared interference from the USA. As a result, they wished to relax production cuts going into 2021.

However, Saudi Arabia led the counter argument, claiming that only a strangulation of supplies would instigate the industry growth required. Finally, after weeks of debate, a compromise was reached, wherein the alliance would cut production by half a million barrels collectively, as opposed to the two million barrels that had been originally proposed.



## Planning for the future

While the UAE is committed to its obligations to OPEC+, it has also earmarked \$122 billion for oil investments over the next five years, with the ultimate goal of increasing its production capacity to five million barrels per day by 2030. Doing so would equip the UAE with the infrastructure and the capabilities necessary to emerge from the pandemic stronger and healthier than before.

“I am confident that these investments we have put and the type of oil and efficient improvement that ADNOC has done will enable us to compete and will enable us to put those volumes because they will be needed,” [explained Al Mazroui](#). “Even the whole group, not only the UAE, will be able to tap that market.”