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# This Is Why The Saudis Are Unlikely To Accept Any Production Cutback

By **Matt Smith**

Posted on Fri, 04 September 2015 15:36 | 1

Clack! cla-cla clack-clack clack-clack CLACK!! (today's fanfare for Nonfarm Friday was played on football helmets to celebrate the start of college football season). It is the first Friday in September, which means we see official US employment data, aka nonfarm payrolls. Today's report has showed 173,000 jobs were created in August, which was less than the expected 220,000, but has been offset by a drop in the unemployment rate to 5.1%. Given the market response, it believes this report is good enough to usher in an interest rate hike later in the month....and crude is heading lower.

Elsewhere in the world today, Russia's Energy Minister has said that Russia and Venezuela have agreed to continue talks between OPEC and non-OPEC oil producers to try to come up with [initiatives to stabilize oil prices](#). He did add, however, that the two countries are not necessarily pushing for a coordinated cut to support prices – because *'no producing country is willing to reduce its output'*.

Saudi Arabia's King Salman is set to meet President Obama at the White House today, and the below image highlights how far the US has come in terms of oil independence in the last decade or so. Back in 2003, the US relied on Saudi for 1.7 million barrels a day of imports, while pulling in 7.3mn bpd from other countries:

**[Related: Venezuela Delaying The Inevitable With \\$5 Billion From China](#)**

#### ABOUT THE AUTHOR



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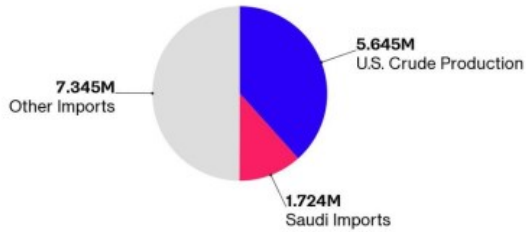
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Commodity Prices			
	PRICE	CHG	CHG%
<input checked="" type="checkbox"/> Crude Oil	45.34	-0.95	-2.05%
<input checked="" type="checkbox"/> Ethanol	1.547	+0.008	+0.52%
<input checked="" type="checkbox"/> Natural Gas	2.606	-0.065	-2.43%
<input checked="" type="checkbox"/> Gasoline	1.2844	-0.0051	-0.40%
<input checked="" type="checkbox"/> Heating Oil	1.4728	-0.0054	-0.37%
<input checked="" type="checkbox"/> Gold	1164.5	-13.0	-1.10%

Click on  for detailed price charts.

## Big Change From 2003 ...

The U.S. relied on Saudi Arabia and other countries for more than half its oil in 2003



Source: Energy Information Administration



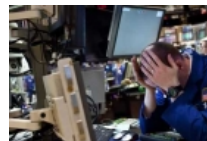
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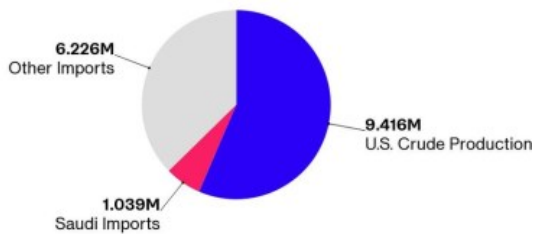


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Fast forward 12 years and domestic production has risen by nearly 70% (h/t shale revolution), while both Saudi imports and imports on the whole continue to be marginalized:

## ... To 2015

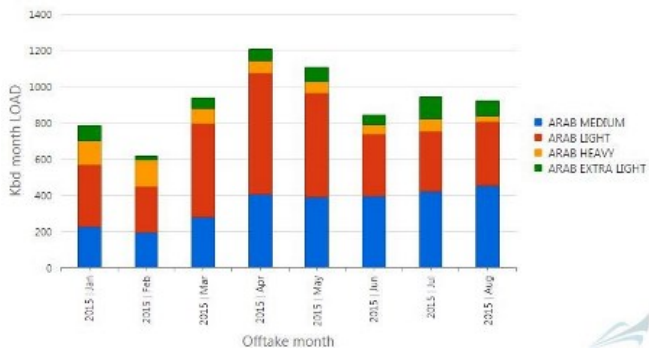
Booming domestic crude output has reduced the demand for Saudi oil this year



Source: Energy Information Administration

From our [#ClipperData](#), we can see imports from Saudi have held below 1mn bpd in recent months (EIA data above is lagged). Volumes have averaged 923,000 bpd in the first eight months of the year, highlighting that EIA data in the coming months will show Saudi volumes are still dropping:

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Oil imports from Saudi Arabia (source: ClipperData, [Datamyne](#))

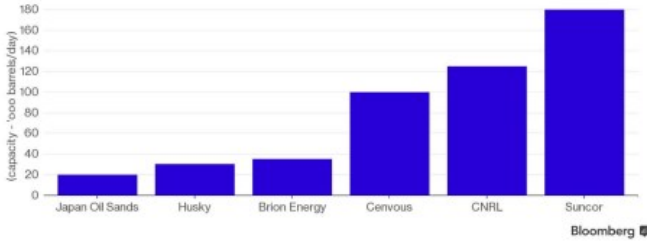
Another observation from the above chart is that Arab light volumes continue to be squeezed out, somewhat offset by a rise in Arab medium; this indicates US domestic shale production is replacing light imports, while Arab medium is rolling

up its sleeves and competing against heavier grades from Canada and Latin America.

Despite the current low price environment, Canadian oil sands projects are set to add another 500,000 bpd to the market by 2015. Although 800,000 bpd of projects have [been delayed or canceled](#) (according to Wood Mackenzie), a number of projects have been considered too far along in the process to cancel now. Hence, by 2017, oil production in Alberta is expected to increase by roughly 25%.

#### Oil-Sands Projects Under Construction

Completion by 2017



Finally, to finish on happy note, retail gasoline prices this Labor Day weekend are at the lowest level in 11 years. Woot! Woot!

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By Matt Smith

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**Ricky** on September 04 2015 said:

Jeez - what price is it going to take to shut down production? This market is headed for a disaster.

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