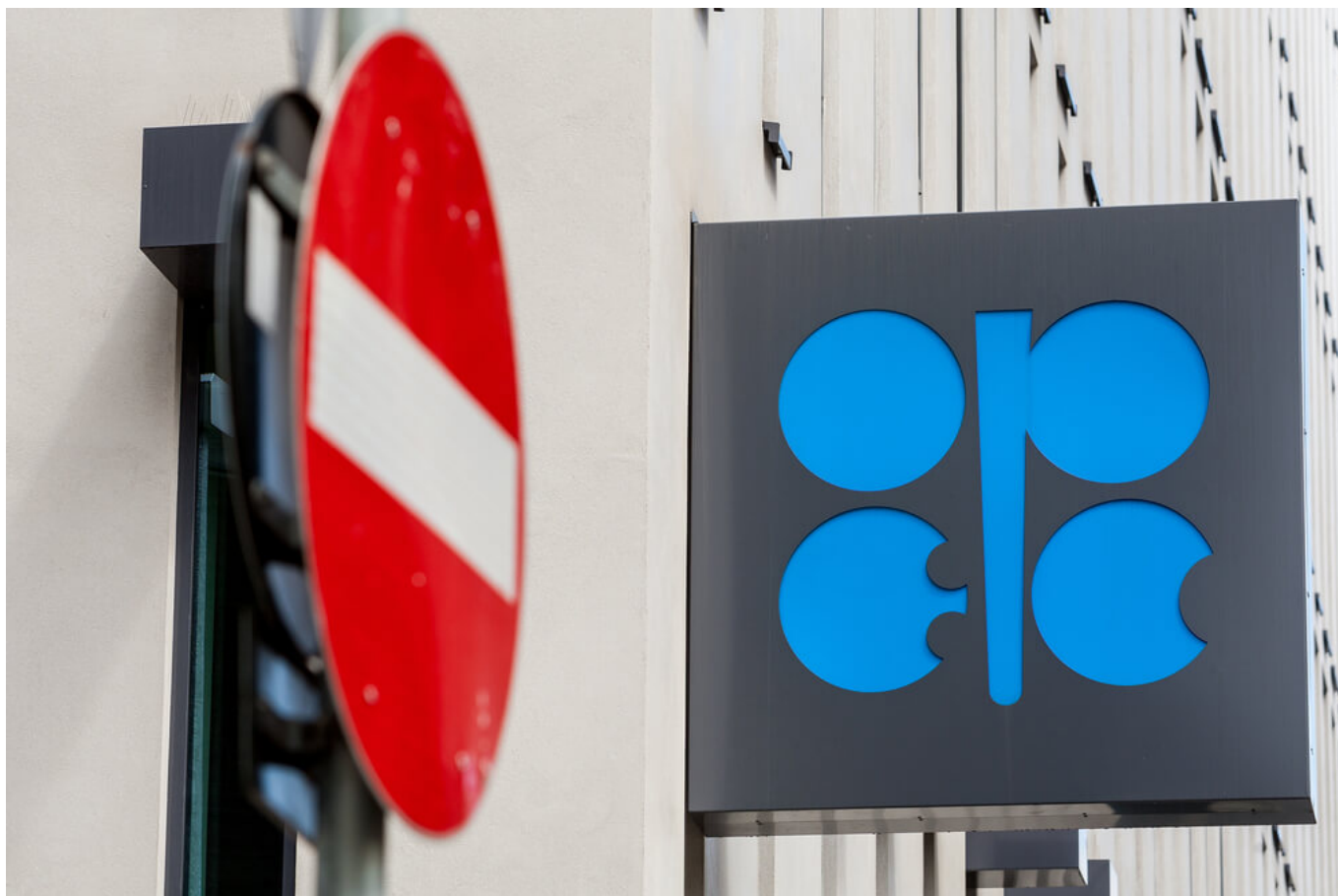




By: *Tomorrow's Affairs Staff*

# Even though Angola's OPEC exit did not raise many concerns, OPEC's leaders still have reasons to worry



Angola has abruptly quit the Organisation of Petroleum Exporting Countries (OPEC), but the other cartel members were not overly concerned about its decision.

Angola's withdrawal from OPEC last week caused oil prices to **drop** by around 2%, but the disruption was short-lived. This market stress test was satisfactory for the remaining OPEC members, but do they have reason to be calm in the long term?

After 16 years of membership, Angola left OPEC because it concluded that membership was no longer in its interest.

“We feel that at this moment Angola gains nothing by remaining in the organisation and, in defence of its interests, it decided to leave”, **said** Diamantino Azevedo, Minister of Mineral Resources, Oil and Gas, explaining his government's decision.

## Breaking the vicious circle

Dissatisfaction has been ongoing for a long time, but it culminated at the November OPEC+ meeting, when Angola received, in its opinion, unacceptably low quotas for oil production.

From the initially approved 1.46 million barrels for 2024, the quota was reduced to 1.1 million, lower than November's daily production (1.13 million).

Angola wants to produce more than the 1.1 million barrels per day the cartel has set for 2024, even though it has long struggled to maintain that production due to a lack of investment, technical issues and the condition of its deposits.

**Angola believes that by leaving OPEC, it will break the vicious circle in which it cannot attract investors and thus modernise its production**

Angola has been trying to regain its former higher oil production. In 2008, for example, it was 2 million barrels per day. It wants to return to the production and export levels it had before joining OPEC in 2007.

Angola believes that by leaving OPEC, it will break the vicious circle in which it cannot attract investors and thus modernise its production precisely because of the low quotas set by the heavyweights in the cartel, led by Saudi Arabia. Its economy is vitally dependent on oil, which accounts for as much as 90% of exports.

Large OPEC members believe that Angola has been underperforming precisely because of low investment in production and keeping quotas low, as a sign of pessimism about Angola's ability to fulfil them.

One of the reasons for leaving OPEC is a feeling of subordination compared to larger producers, for example, the earlier decisions of OPEC to allow the UAE to increase production at the expense of Angola and other African producers.

## Worrying trends for OPEC

With Angola leaving, OPEC did not lose much in terms of size because its daily production of about 1 million barrels accounted for about 4% of the total production of the cartel members (about 27 million barrels a day).

Next January, OPEC should make up for that loss many times over due to the announced **entry of Brazil** into OPEC+. Brazil's daily production is 3 times higher (about 3 million barrels) than Angola's, but the decisions on the group's coordinated output caps will not apply to Brazil.

While these changes are of little concern to the large and influential OPEC members, they could be concerned about trends following the organisation's work, which Angola's exit only confirmed.

Angola is the fourth country to **leave** the cartel

in the last decade. Before it, Indonesia (2016), Qatar (2019) and Ecuador (2020) left OPEC. With the exit of Angola, OPEC has 12 members.

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Even more troubling is the declining share of OPEC in the global market, which has dropped to around 26.5% with the withdrawal of Angola. Even though Angola's withdrawal did not significantly damage OPEC's market share, it came at a time when the cartel's share in the global market has declined due to increased production in non-OPEC countries, primarily in the US.

Just 10 years ago, OPEC's market share was around 35%. However, the production reduction policy imposed by Saudi Arabia, which Russia gladly joined as a member of OPEC+, means that its share in the global market has been constantly decreasing.

## Who is next?

Angola's exit from the organisation does not mean that OPEC's market share will continue to decline, but it affects the cartel's image and raises doubts about its internal cohesion.

The question - who is next after Angola - is not unreasonable. As Africa's largest oil producer, Nigeria has been experiencing similar treatment in OPEC as its successor on the list of the largest continental producers. However, at the moment, it does not indicate that it is considering to leave.

Nigeria accepted OPEC's decision to cut its production quotas to 1.5 million barrels per day in 2024, and its government is not considering withdrawal.



*Nigeria will use this as a moment of OPEC's weakness and try to bargain with the organisation to get more production quotas*

“We are resolute in our dedication to OPEC's objectives while actively engaging with the organisation to address concerns that resonate not only within our nation's borders but across the entire continent”, said Heineken Lokpobiri, Nigerian minister of state for Petroleum Resources, a day after Angola's exit.

However, there are expectations that Nigeria will use this as a moment of OPEC's weakness and try to bargain with the organisation to get more production quotas.

They will offer their loyalty to the organisation, but they will ask for privileges for themselves due to the decreasing participation of African producers in cartel politics.