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As Oil Prices Tumble, Russian Minister Heads to Meet OPEC Officials

By The Moscow Times

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Russian Energy Minister Alexander Novak

Russian Energy Minister Alexander Novak will meet OPEC officials on Tuesday in Vienna, his spokeswoman said, as oil's price fall piled pressure on Moscow's budget.

The annual meeting had been planned long before oil fell below the $100 per barrel level critical for Russia's oil sales which account for 40 percent of state budget revenues.

Russia suffered from a decline of oil production and prices this year and has cut its outlook for oil output as core western Siberian fields become more depleted.

The spokeswoman said that Novak and the officials from the Organization of the Petroleum Exporting Countries had not planned to discuss the prices of oil, which hit 26-month low for Brent crude on Monday.

However, a government source said the measures to prop up the prices have long been

discussed at the ministry.

"The talk of closer cooperation with OPEC on prices have long been there," he said.

So far, Russia, the world's top producer of conventional oil, has ruled out coordinated action with OPEC to halt the price decline.

Oil prices have slid due to concern about weakening demand and ample supplies, raising the question of whether Saudi Arabia, holder of the world's largest spare output capacity, will curb output. Brent crude fell below $100 last week for the first time in 14 months.

OPEC oil ministers have not expressed pressing concern about the drop in prices, seeing it as a temporary dip and predicting prices will rise as higher seasonal demand arrives with colder weather.

Russia has had a bumpy relationship with OPEC, with pronouncements of interest in acting together not resulting in significant action, even after the price slump of 2001-2002.

Oil ministers from the Middle East Gulf said last week the oil price drop was unlikely to spur action by the OPEC unless crude fell below $85 a barrel.

This is less than the $104 per barrel on average written into the 2014 Russian budget.

Most analysts expect oil prices to fall in the coming years as new production, including from unconventional sources in North America, applies downward pressure to markets, with some forecasts going as low as $70 per barrel for Brent crude oil in 2020 from $96.6 currently.

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