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Chief of Russia's LUKoil Predicts $25 Oil

By The Moscow Times

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LUKoil CEO Vagit Alekperov

The head of LUKoil, Russia's biggest private oil company, said Friday that the price of crude could dive to $25 per barrel — half its current value and less than a quarter of the price last summer.

His prediction came amid a chorus of similar warnings. The International Energy Agency on Friday said oil would continue to fall, and a day earlier Bank of America Merrill Lynch predicted that the price of global benchmark Brent would slide to $31 per barrel before April.

Speaking at an economic forum in Moscow, LUKoil CEO Vagit Alekperov said that although crude oil prices could hit $25, they would not stay so low for long, news agency TASS reported. Brent could recover to $70-80 by the end of the 2015, he said, predicting a period of volatile prices.

To support his $25-per-barrel forecast, Alekperov pointed to Saudi oil minister Ali al-Naimi's statement earlier this week to the effect that OPEC, the cartel of oil exporters, would not prop

up prices. "Whether it [oil] goes down to $20, $40, $50, $60, it is irrelevant," Naimi said.

Brent on Friday traded around $50 a barrel, having plunged from a high of $115 last June due to sluggish demand and excess supply.

The price fall is propelling Russia's oil export-dependent economy toward deep recession this year, but Russian oil firms would still be profitable at $30 per barrel, BP Russia vice president Vladimir Drebentsov said this week.

In its monthly report released Friday, the International Energy Agency said low prices would eventually start to curb output and boost demand, and trimmed its output growth forecasts for Canada, the U.S. and Russia.

"How low the market's floor will be is anybody's guess. But the sell-off is having an impact. A price recovery — barring any major disruption — may not be imminent, but signs are mounting that the tide will turn," the report said.

Material from Reuters was included in this report.

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