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Oil Market Faces Shortfall With G7 Price Cap Plan – Russia

By AFP

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Andrei PUNGOVSCHI / AFP

Moscow said Thursday that G7 plans to cap the price of Russian oil would lead to a shortfall on world markets and soaring prices for European consumers.

"This is another attempt to interfere in market mechanisms, which can only lead to market imbalance," Deputy Prime Minister Alexander Novak said, warning of "price increases" and market shortages.

"In my opinion, this is a measure directed against them, as it has already happened more than once," Novak said in televised remarks.

Leaders of the Group of Seven wealthy nations agreed at a summit this week to work on a price cap for Russian oil as part of efforts to cut the Kremlin's revenues in a bid to halt Moscow's offensive in Ukraine.

While the West has already imposed multiple layers of sanctions on Russia in response to President Vladimir Putin's order to send troops to Ukraine in February, the targeting of the oil industry represents the highest economic stakes so far.

European countries have also been trying to reduce their own consumption of Russian hydrocarbons, and Moscow has tried to redirect its energy supplies to Asia.

Novak's warning came as a surge in oil prices is causing increasing concern around the world.

On Thursday, major oil producers led by Saudi Arabia and Russia stuck to a previously decided output boost, despite calls for bigger increases to tame crude prices.

In their monthly video conference, the 23 members of OPEC+ agreed to add another 648,000 barrels per day in August, the same as for July.

Novak said on Thursday that Russia's oil production had almost returned to the level it had before the start of the offensive in Ukraine, at some 9.9 million barrels per day.

"In June, we almost reached the level of February," Novak added.

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