Oil prices surge after Opec+ production cuts

S
hares in London’s biggest oil companies spiked on Monday morning after a weekend decision from some of the world’s biggest oil-producing countries to slash output.

Shell and BP saw their share prices rise by more than 4% each following a jump in the price of oil, which lifted off recent lows.

Opec+, a cartel of oil-producing countries, said over the weekend that it planned to slash production in a surprise move which impacted global markets.

Opec members normally only announce such changes after holding a formal meeting. They did not meet this weekend.

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Oil prices shot up as a result, peaking at around 86 dollars for a barrel of [Brent] crude. They later pared back some of those gains and were trading at around 84 dollars on Monday morning.

The move meant that Brent was trading around 10 dollars higher than its mid-March lows. Worries about the global economy had pushed the price to its lowest since the start of the [Russian] full-scale invasion of Ukraine.

Day-to-day moves in oil prices have little direct impact on customers at the pumps.

But if higher prices persist it is likely to leave people paying more than they otherwise would for their petrol, and likely for other products too as oil is vital in most sectors.

“Turmoil in the banking sector sent oil prices to a 15-month low last month, prompting the cartel to step in to prop up the market. However, since the mid-March low below 73 dollars a barrel, Brent crude has been regaining ground, and is now back above 84 dollars,” said Victoria Scholar, head of investment, interactive investor.

“In October last year Opec+ agreed to cut oil output by two million barrels per day.

“But the United States has been opposed to output reductions, given the pressure from high oil prices last year on consumers and businesses.

“While Opec+ has intervened to limit supply and support prices, the demand outlook remains uncertain.

“On the one hand, the opening up of China’s economy is releasing a wave of pent-up demand.

“However, that tailwind is likely to be tempered by weaker demand outside China as the global economy cools. Plus, demand could also soften if there are further fears of contagion from the banking sector volatility."