

Energy chief urges OPEC not to cut output again

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Further oil output reductions by OPEC members risks damaging the global economy, a leading energy consultant has warned.

“If I were in OPEC’s position, I wouldn’t do anything,” Mehdi Varzi, president of energy consultancy Varzi Energy, told the Leaders in Dubai business forum on Monday.

“If you drive up the oil price too quickly when it’s quite clear that the global economy is in deep trouble, the risk is that a higher oil price...will make the recession a long ‘U’ rather than an ‘L’ shaped recovery.

“I would let the oil price recover on its own accord,” he said.

Since September, OPEC, which produces about 40 percent of the world's crude oil, has decided to cut production by around 2 million barrels per day and several members want more cuts.

The oil price on Tuesday hovered around the \$54 a barrel mark. Oil has fallen more than 60 percent from its July record above \$147 a barrel as the credit crisis has hit the real economy and dampened fuel demand in the United States, the world's biggest energy consumer and other industrial countries.

“I just don’t see how supply can continue rising with the oil price at where it is,” Varzi said.

The falling price of oil has called into question the viability of high cost ventures such as Canada’s oil sands, putting a ceiling on how much production can rise.

“I think OPEC should let the market take its natural course and not push it,” he said.

Varzi is the president of Varzi Energy, an independent international energy consultancy in London. He is a former managing director of energy research at global investment bank Dresdner Kleinwort.

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