



Headline: The Saudi Betrayal....

Or there could be a total misreading of the Saudi action. The Saudis knew that demand was slipping away. At the beginning of the year, China's oil demand was projected to grow 400-500,000B/D. It now looks like it could decline by nearly 400,000B/D. The Saudis knew that some cuts (1MMB/D) would be necessary towards the new year if they wanted to prevent a fall in price.

However, what speeded up the time frame and apparent size of the quota cut (which will result in nearly 1MMB/D of actual cuts) was the continued insistence of the U.S. and E.U. to implement through a **buyer's cartel a cap on Russian oil prices. This issue was coming to a head now.**

Why did this matter to the Saudis? The answer is relatively simple. **A buyer's cartel would tell a producer what it could and couldn't do with its production and how much it could charge for its oil. In the Saudis' mind if the buyer's cartel was successful here, who would be next?**

P.S. By the way, U.S. producers should be monitoring this as well.