

FLASH NOTE

Nº 1.2024 | 05 January 2024

Angola says goodbye to OPEC.

Angola's exit will not entail significant costs for the economy.

A. DESCRIPTION

1| Angola's exit from the Organization of the Petroleum Exporting Countries (OPEC) was announced in the third week of past December, 16 years after its entry, to take effect from January 2024. This decision is strongly influenced by the divergence of intentions between Angola and the cartel, after the announcement regarding the production baselines defined for Angola for the year 2024.

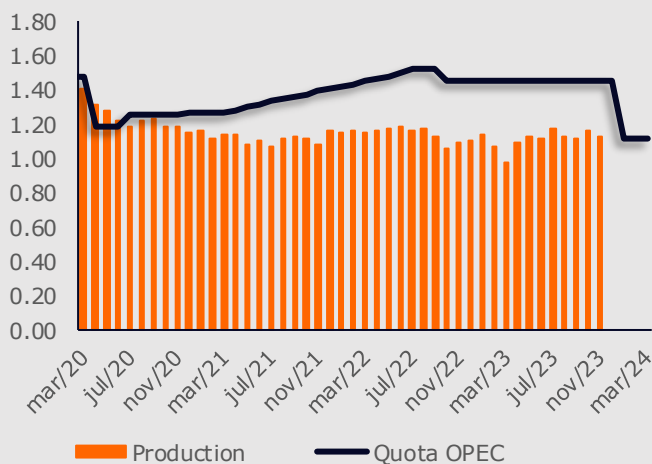
2| Since Angola's entry into OPEC in 2007, its share of allocated production has fallen by about 72.7% (1.90 mbd vs 1.11 mbd). Comparing oil production data and the quotas set, Angola has been producing below its quota in recent years, a situation that could change in 2024.

B. ANALYSIS

1| In order to coordinate and unify petroleum policies among member countries to ensure fair and stable prices for oil-producing countries, the Cartel was founded in September 1960 by five member countries: Iran, Iraq, Kuwait, Saudi Arabia and Venezuela. The list of OPEC member countries has seen some changes in its composition, with cases of suspension, exits and even re-entry of some of its members having been recorded: the case of Qatar, which joined the Organization in 1961 and ceased its membership in January 2019; Indonesia, joined the Cartel in 1962 and suspended its membership in January 2009, having joined again 7 years later and again suspending participation in November of the same year. In all, from its founding until the end of the 1990s, seven new countries joined, two suspended their membership and one ceased its membership. In the 2000s,

Production below quota since late 2000

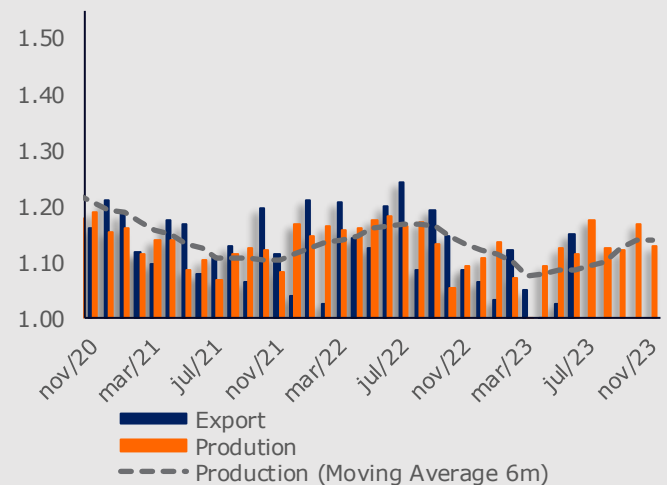
Millions barrels per day (mbd)



Sources: OPEC e Bloomberg

October and November production above OPEC quota set for 2024

Millions barrels per day (mbd)



Sources: MinFin; OPEC e BFA Calc

three countries joined the organization, including Angola, which will leave the oil cartel as early as January 2024.

2| After the 35th OPEC meeting, in which each member's production quotas for 2024 were defined, Angola had a limit of approximately 1.28 mbd. This limit was pending verification by independent entities on Angola's production capacity. Thus, at the 36th meeting, which took place at the end of November, this provisional quota was revised downwards from 1.28 mbd to 1.11 mbd. Considering this determined limit, Angola declared that it has a production capacity of up to 1.18 mbd (+70 thousand barrels) and in defense of its interests, decided to withdraw from the cartel that holds about 38% of global oil production - approximately 28.23 mbd.

3| In concise terms, we believe that Angola's exit will not entail significant costs considering that the organization's influence on commodity prices is no longer the same as it has been in the last 10 years, so the main disadvantage will be that of not being able to participate in the cartel's decisions. The market has currently witnessed several production cuts by OPEC and its allies, and it is essential to bear in mind that when there is a production cut, to drive prices upwards, there is a change in prices at a general level, and not simply in the countries that belong to the cartel.

On the positive side, this is a very small cost compared to the advantage it grants to the Angolan state and the operators in the sector, who should now be reassured about the possibility of being able to exceed the production quota for several months without breaking the country's commitment to the cartel, as in other voluntary production restriction agreements.

In the last two months, Angola has produced above this quota. On the other hand, despite the forecast of the State Budget for 2024, of a daily production of 1.06 million barrels, our outlook is more optimistic.

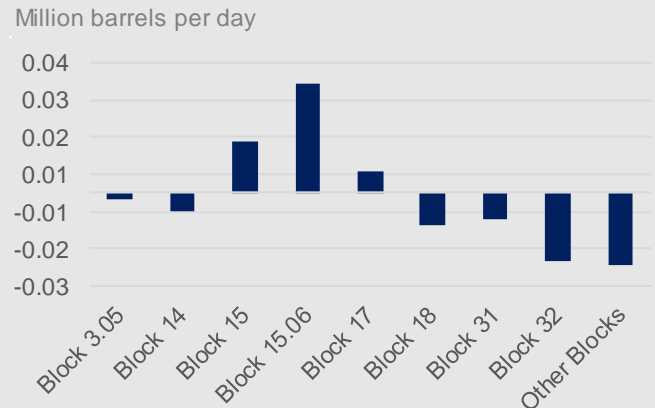
More concretely, the production volume set for next year seems pessimistic to us, considering the investments that should take place next year - with greater emphasis on Blocks 15 and 15/06, in addition to some increase in Block 17 due to the CLOV Phase 3 project, and in the Begonia field, of the new Block 17/06. Thus, our expectation for this year is 1.12 mbd, slightly above the would-be OPEC quota.

C. CONCLUSION

1| The decision to leave OPEC should not jeopardize Angola's position as an oil producer and will give peace of mind to produce without exceeding any limit.

2| Our forecast for 2024 is more optimistic than the 1.06 mbd expected by the government - we expect production growth between the 0.3%-0.8% that is expected to put production slightly above what would be OPEC's share of 1.11 mbd in 2024. Still, it is below the capacity claimed by the Angolan oil Minister, 1.18 mbd.

Block 15.06 expected to record the largest increase in production in 2024



Variation 2023/2024

Sources: MinFin; BFA Calc

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