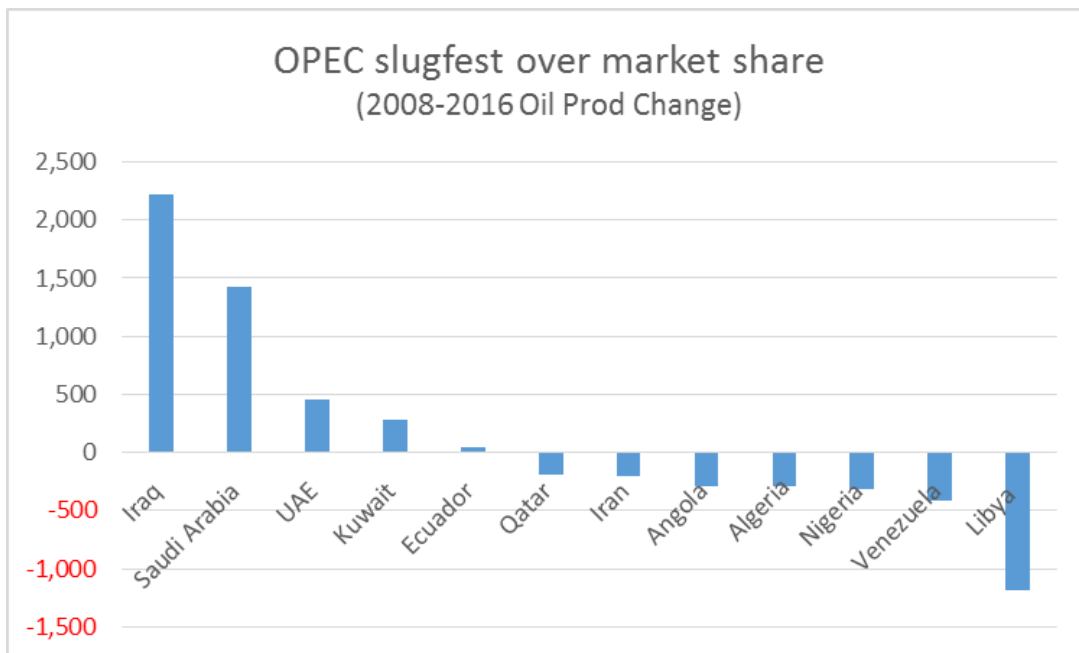


Fears of \$30 oil alters geopolitical forces within OPEC in favor of Moscow and against Riyadh

By Sebastian Spio-Garbrah, Chief Frontier Markets Analyst

Without fanfare or ceremony, Russia, the world’s single largest oil producer is on the verge of achieving a major strategic geopolitical win – wresting de facto leadership of the global oil cartel, OPEC, from Saudi Arabia. Capitalizing on the 2015 US pivot in the Middle East away from its longtime ally, Saudi Arabia, into a détente with Iran, which freed Iran to dramatically expand oil production, many key OPEC countries now look to Moscow, and not Riyadh as the leading arbiter of global oil prices. While Russia is a not an OPEC member itself, it now has such significant geopolitical leverage over Iran and Iraq, who together produce as much oil as Saudi Arabia – that the historic Saudi led-OPEC may be over. OPEC under de facto Russian leadership is more likely to see a stable oil market price structure, as well as cuts in OPEC production but only slight freezes in Russian production. Countries like Nigeria and Libya who have been persistently under producing are likely to see their quotas drastically cut.



Source: DaMina Advisors

Over the past two years, while the capital markets were distracted by the Scottish Referendum, the US election primaries, BREXIT and now TRUMPXIT, Moscow moved aggressively to court Qatar, Venezuela, Ecuador, UAE, Algeria, Angola, Kuwait, Iran and Iraq with various goodies. While Iraq got swift Russian support for its anti-ISIL

campaign, Iran received S-400 anti-aircraft missile systems. Others such as the Angolan president received a medal of friendship from the Kremlin, while the Ecuadorian president got an honorary doctorate degree from Moscow state university. The monarchs of Qatar, Kuwait and UAE were dined sumptuously in Sochi and in Moscow with the emir of Qatar even receiving a rare gift of a falcon from President Putin.

With growing fears that US President-Elect Donald Trump will unleash even more shale oil production in the US against the backdrop of a slowed global economy, the prospect that oil prices could fall to \$30 oil per barrel is not unrealistic in 2017. Despite the strong likelihood that OPEC and Russia will agree to cap oil production in Vienna on November 30, hoping to put a floor under global oil prices, prices will continue to fall and possibly reach \$30/barrel in 2017. As the era of negative interest rate policies of the major central banks, comes to an end, and interest rates globally push outwards, oil prices, which have benefited enormously from the negative interest rate era, will likely fall.

DaMina Advisors is a preeminent Africa-focused independent frontier markets risk research, due diligence and Africa M&A transactions consulting and strategic advisory firm. DaMina Advisors is legally registered and has offices in the US, Canada, The UK and Ghana.

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Contact: Stephanie Dei
VP, Corporate Affairs & Media
Stephanie@daminaadvisors.com
Tel: +1 647 808 9671

EUROPE

3 Abercorn Mansions
17 Abercorn Place
London NW8 9DY

AFRICA

10 Abokobi Road
East Cantonments, Accra
Ghana, West Africa

AMERICAS

55 Fifth Ave,
Suite 1702, NY 10003
New York

CANADA

103 The Queensway, Suite 714
Toronto, ON, M6S 5B3

Tel: +1 647 808 9671/ +1 416 276 1997

E-mail: info@daminaadvisors.com