

Macro Roundup Article

Headline: [The World Is Transitioning to American Oil From Saudi Crude](#)

Article Link: <https://www.bloomberg.com/opinion/articles/2024-01-30/big-oil-the-world-is-transitioning-to-american-crude-from-saudi-output?sref=U3dOGIDF>

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Tweet: Saudi Aramco abandoned a \$20-40B plan to increase capacity to 13mm bpd from their current 12mm bpd as the US takes on the role of the world's marginal producer. @JavierBlas

Summary: Saudi Aramco abandoned a plan to boost its production capacity to 13mm barrels a day, from 12mm barrels currently. Due to OPEC+ output cuts, Riyadh is well below its maximum output potential, currently pumping about 9mm barrels a day. The cancellation will likely to save Aramco somewhere between \$20-40 billion in capex over the next five years. By scrapping the expansion plan, Riyadh has conceded what was already an open secret: There's insufficient demand for so much extra Saudi oil in the foreseeable future. Riyadh appears determined – or resigned – to keep production lower-for-longer to keep oil prices higher-for-longer. Only if the kingdom were ready to accept much lower prices there would be demand for extra Saudi oil because, over time, investment would drop elsewhere, notably in the US shale industry. Saudi Arabia's problem is that high oil prices encouraged – some would even say subsidized — surging production elsewhere, from the North Sea in the 1980s to the American shale basins in the 2020s. Related: US Shale: The Marginal Supplier Matures and US Oil and Gas Boom Doesn't Feel Like One to Workers and Oil Market Caught By Surprise As US Output Surges

Primary Topic: Energy

Topics: Energy, Investment, Op-Ed/Blog Post, Productivity

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