

Is OPEC Dead?

Is OPEC really dead?

Texas Congressman Joe Barton, chairman emeritus of the U.S. House Energy and Commerce Committee, made that proclamation on Feb. 17 in an interview with CNN.

Barton is considered by many as a leading expert on energy issues, and he has served on the Energy and Commerce Committee some 30 years. Barton led the effort to lift the nation's oil export ban recently, and he said the ability of U.S. producers to export crude oil hurts OPEC even more.

Obviously, Barton doesn't think that OPEC will dissolve as an organization, but the days of OPEC setting the price of crude oil are gone.

Barton's comments came after representatives of the governments of Saudi Arabia, Russia, Venezuela, Kuwait and Qatar agreed to "freeze" their production in an effort to prevent any further increase in oil surplus, which would put more pressure on prices sliding even more.

"What we've done by repealing the export ban is put the U.S. producer in the driver's seat. Quite frankly OPEC and Russia literally don't know what to do," he told CNN. "So we've killed OPEC. It's gone."

Saudi Arabia publicly stated in November 2014 it was not going to reduce production, because it was losing market share to U.S. oil production. Saudi Arabia's Ali al-Naimi said its strategy is to drive oil prices down until U.S. production declines and Saudi Arabia will regain its market share.

Oil production in the U.S. during the last 18 months has declined only 500,000 barrels per day out of total production of 9.3 million barrels per day (5 percent) and is still ahead of 2015 production levels.

The decline in price has been painful for U.S. oil producers. However, oil exporting countries rely on oil sales to fund their governments and to create jobs and economic wealth. Price staying low for an extended period of time causes political pressure to mount. OPEC countries feel the political and economic pain, too.

Barton pointed out that the U.S. is in a more powerful position today than it has been when OPEC tried to run domestic oil producers out of business previously. New technology developed in drilling and hydraulic fracturing allows for prolific production of oil and natural gas from plentiful shale formations in Texas, North Dakota, Pennsylvania and throughout the U.S. The technology and oil and gas reserves will be here for a long time.

Barton said production could go as high as 15 million to 20 million barrels a day in coming years.

"Not only will the U.S. industry survive, it will flourish," he said. "The Saudis can't increase production like that. The Russians can't, the Chinese can't. Only the U.S. can."

Is OPEC dead? Probably not, but it is not the 800-pound gorilla everyone once feared, either.