

Flash Notes 08/02/2019

Alex Fusté
[@AlexfusteAlex](#)
alex.fuste@andbank.com

"NOPEC" bill move forward in Congress. What does that mean? The Implications

What is the "NOPEC" Act?

- The No Oil Producing and Exporting Cartels Act (NOPEC) is a U.S. Congressional bill, never enacted until now, designed to remove the state immunity shield for foreign countries.
- It is aimed at allowing the US government to sue the oil cartel (known as OPEC) and its national oil companies, that may be sued under U.S. antitrust law for anti-competitive attempts to limit the world's supply of petroleum and the consequent impact on oil prices.

NOPEC bill moved forward yesterday in Congress

- The House Judiciary Committee approved a bill on Thursday (the "No Oil Producing and Exporting Cartels Act,") to revoke the sovereign immunity that has long protected OPEC members from lawsuits.
- The bill allows the U.S. attorney general to sue the oil producers group or any of its members on grounds of collusion.
- Although the fate of these bills is still uncertain (it has to be seen whether the bill will be considered by the full chamber), the legislation has gained momentum as President Donald Trump and a big part of the chamber have attacked OPEC (including U.S. ally Saudi Arabia), over past practices of cutting oil output colluding with other producers in an organized way, and violating the principles of free competition, to boost global energy prices.

Does this mean that oil prices will fall?

- Well, after hearing some people familiar with this issue, it seems to me that odds are low the bill would advance if oil prices remain relatively low (let us say in a \$40-\$70 range)
- Additionally, since Trump supported NOPEC in a book published in 2011, Democrats, who now control the House, would be cautious in passing a bill and hand Trump something that could turn into a victory for him.
- Lawmakers in Texas are also unlikely to support the bill, with important companies operating large refineries in Texas (as Motiva Enterprises LLC) are subsidiaries of Saudi oil company Aramco.

- Said this, it seems evident that these legislative gestures are a serious warning to member countries of the OPEC, so that they avoid incurring again in non-competitive practices such colluding to cut global output.
- **Even if this law is not approved, but senators give enough credibility to their capacity to activate (at any given time in the future) this bill, this automatically could lower the upper limit of the price range for crude oil, which, by the way, would be very satisfying for most of the world. Also for financial markets**

Best regards