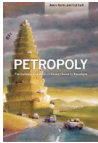


The Break Even Price of Oil

Written by AK

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The importance of what we term OPEC's "break even price of oil" was a key message in our recent book, [Petropoly: the Collapse of America's Energy Security Paradigm](#) . The break even price is the price of oil required to balance the budget of Saudi Arabia and other OPEC countries.

If you've read Petropoly you were thus not surprised by [recent reporting](#) that the price of oil Saudi Arabia needs to balance its national budget is \$94 per barrel, while Iran requires \$125, nor by [comments](#) by Ali Aissaoui of the Arab Petroleum Investments Corp that "OPEC will definitely need to cut production to shore up prices as they can't produce at prices close to their break-even level."

As we explain in Petropoly, when non-OPEC countries drill more, if the slack isn't taken up by developing world growth in consumption, OPEC drills less in order to tighten the supply/demand relationship and send prices back up, and for the same reason when we use less, OPEC also drills less.