

OPEC

Topic 1: OPEC's Environmental Responsibility

In the energy sector, environmental stewardship is a key factor in maintaining operations. This is particularly important now since the whole world has its eyes on oil production and refining. Although oil and energy as a whole accounts for approximately 40% of the world's energy mix, and is not falling out of global demand any time soon, the oil industry has come under pressure on environmental grounds. Specifically, UN-sponsored climate change negotiations have put the crosshairs on oil, and many consuming nations have started to diversify energy sources away from oil. This diversification, however, will have miniscule effects on global consumption. This doesn't mean that environmental responsibility will fall at the wayside: in fact, its importance will continue to grow as climate change policy shapes itself.

Although OPEC is committed to adhering to climate change policies such as the Paris Agreement, and has contributed to technological innovations regarding oil spills, OPEC must continue to think critically about how its actions affect the environment, and even more importantly, its consumers. Of course, it is in OPEC's best interest to attract consumers, since the Member Countries' economies depend on them, but how will they continue to do so in a world that is keen on diversifying the energy portfolio?

Questions to consider:

1. What actions should OPEC pursue to ensure all of its actions are environmentally responsible?
2. Are there any recent oil spills or other major incidents?
3. Who are the major stakeholders in environmental policy?
4. To what extent will OPEC go to be environmentally cognizant? Will it hurt business in the long run?
5. What types of policy should OPEC be on the lookout for, and why?

Places to Begin Research:

<https://oilprice.com/Energy/Crude-Oil/Iranian-Expert-Uses-Climate-Change-To-Pressure-OPEC-To-Cut.html>

https://www.opec.org/opec_web/en/967.htm

https://www.opec.org/opec_web/en/press_room/4638.htm

Topic 2: Addressing Economic Instability of Member States Due to Declining Petroleum Exports

OPEC, or the Organization of Petroleum Exporting Countries, is comprised of 11 member countries, Algeria, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, United Arab Emirates, and Venezuela. OPEC dominates the world's oil. The member countries produce 41% of the world's oil and comprise 55% of the world's traded oil. Also, they control

over 78% of all crude oil reserves in the world. The dominance of OPEC in the oil market has brought in a steady flow of revenue for its member countries. However, these countries have not yet developed world leading economies. While much of the instability can be attributed to the frequent political unrest and armed conflicts, money goes back into rebuilding after war rather than investing into the economy. Additionally, all of the member countries are food-deficit countries, which means they rely on importing agricultural goods to meet food needs. Because of this, their Gross National Product (GNP) is often overestimated.

Despite the countries' sizes, demographics, and wealth, most oil exporting countries face challenges to create jobs and foster more inclusive growth. The non oil private sector remains relatively small and has been a limited source of growth and employment. Since ultimately oil is an exhaustible resource, new sectors need to be developed so they can take over as the oil and gas industry slowly dwindles. A key issue as well is that over-reliance on oil also exacerbates macroeconomic volatility.

Questions to consider:

1. How should each country tackle diversification?
2. What types of mechanisms should the countries develop to manage volatility?
3. Should OPEC invite other members to the organization?
4. What political events need to be kept in mind that have had an affect on oil prices?

Places to Begin Research:

<https://www.imf.org/external/np/pp/eng/2016/042916.pdf>

<http://oilprice.com/Energy/Oil-Prices/5-Reasons-Oil-Prices-Are-Dropping.html>

https://www.opec.org/opec_web/en/press_room/994.htm

Topic 3: Managing Oil Transportation through Areas of Political Tension or International Isolation

A few years ago, the market for oil trading saw a decrease, as numerous countries across the Middle East, Europe and Southeast Asia were sown with instability and conflict. In 2012, exports of OPEC members reached over 25,000 barrels per day, and in 2014, exports dropped to 22,000 barrels per day. Several reasons account for this drop; however, one of the main causes is the difficulties of shipping and transportation of oil resources around the globe.

The Gulf War began with Iraqi forces invading Kuwait, ostensibly aiming to annex the small nation. Because of this provocation, the United States invaded Iraq, and was supported by several OPEC members, including Saudi Arabia and Qatar. Most of the borders between Saudi Arabia, Kuwait, and Iraq suffered from ground and air attacks, which limited the transportation of crude oil from Saudi Arabia to the rest of the world. In addition, the Iraqi government dumped 400 million gallons of crude oil into the Persian Gulf, causing the largest offshore oil spill in history. OPEC responded to these events by recommending increased production and exports of oil. But due to the conflict, this was made nearly impossible. What resulted was the Oil Price

Shock of 1990, in which the price per barrel of crude oil increased from \$17 USD to around \$34 USD.

As the United States and coalition partners began to experience significant military gains against the Iraqi army, prices stabilized and exports began to rise. To speed up production and exports, many of the member states constructed refineries and nationalized companies like Saudi Aramco and Kuwait Petroleum Corporation. In 2015, Middle Eastern conflict has quite possibly reached its' apex. In 2012, after tumultuous protests and conflict related to the Arab Spring, President Ali Abdullah Saleh stepped down as President of Yemen. His resignation, and subsequent conflict, has thrown the country and region into chaos. Yemen was recently designated an 'L3' humanitarian disaster, which is the United Nation's highest designation for a conflict. Various groups within Yemen have contributed to the disaster in their quest for supremacy of the country. Houthi Rebels, a Zaidi Shi'a militia allegedly funded by Iran, have taken control of vast swaths of the country.

More recently, Egypt and Saudi Arabia have conducted an aerial bombardment of Yemen to limit the spread of the Houthis. Iran, a major backer of Shi'a militias, including Hamas, has condemned the military campaign in Yemen. Meanwhile, the Sunni terrorist group Al Qaeda in the Arabian Peninsula (AQAP), has sown instability throughout the country.

Yemen is situated along a major oil transportation route where the Red sea meets the Gulf of Aden. Any interruption in this area could create a severe problem for the transportation of oil and natural gas. More recently, several points of tension between OPEC members and their neighbors have developed.

Piracy is another problem with shipping. Most of the barrels produced are exported to Asia through the Strait of Malacca. This Strait is located between Malaysia and Indonesia, and due to its strategic vulnerabilities, it is susceptible to terrorist attacks. This straight alone accounts for 40% of piracy worldwide. In 2014, most of the piracy in this sector was targeted towards oil and diesel tankers. These issues of closing borders, international instability, potential piracy and terrorist action all need to be addressed by the OPEC member states in order to keep export and import lanes open.

Questions to consider:

1. What countries are currently considered under political isolation, and how can that affect crude imports towards that country?
2. What mode of transportation is more efficient and would help the most when facing political tension between borders? (for this question also consider, which method of transportation makes less damage to the ecology)
3. Does the fact that there is political isolation and border problems among non-OPEC countries affect the oil industry in OPEC member states?
4. How do we avoid problems with the crude transportation in areas were Terror Organizations like al-Qaeda, ISIS, etc. are present?

Places to begin research:

https://www.opec.org/opec_web/en/about_us/24.htm

<http://www.iags.org/oiltransport.html>

<http://www.wtrg.com/opecshare.html>

<https://www.dw.com/en/worrying-rise-in-piracy-attacks-around-malacca-strait/a-17780275>