



# ORGANISATION OF PETROLEUM EXPORTING COUNTRIES

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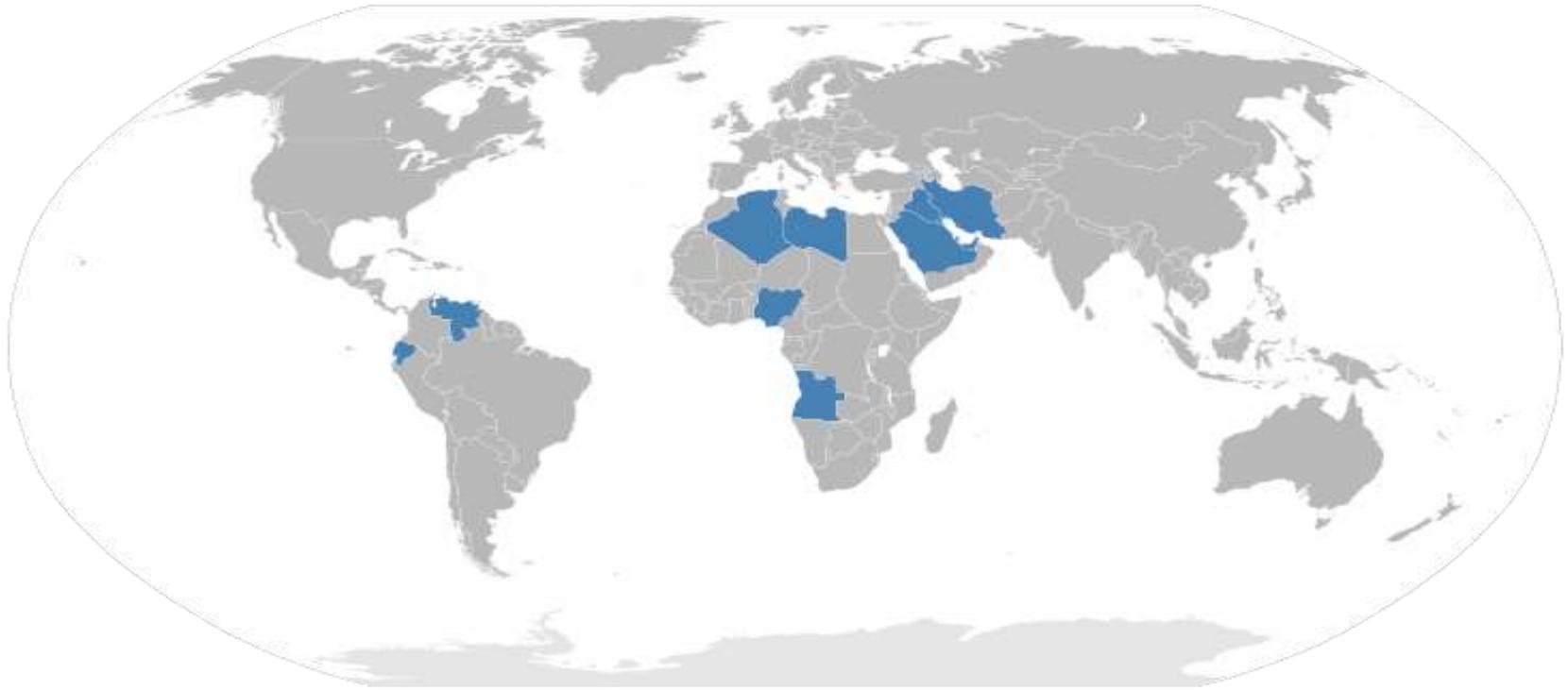
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# OPEC (ORGANISATION OF PETROLEUM EXPORTING COUNTRIES)

- It is a permanent intergovernmental organization.
- OPEC was formed at a meeting held on September 14, 1960 in Baghdad, Iraq.
- Consisting of 12 oil producing and exporting countries.
- Oil is the main marketable commodity and foreign exchange earner.
- OPEC is currently headquartered at Vienna, Austria.

# MEMBER COUNTRIES

Country	Joined OPEC	Location
Algeria	1969	Africa
Angola	2007	Africa
Ecuador **	rejoined 2007	South America
IR Iran *	1960	Middle East
Iraq *	1960	Middle East
Kuwait *	1960	Middle East
Libya	1962	Africa
Nigeria	1971	Africa
Qatar	1961	Middle East
Saudi Arabia *	1960	Middle East
United Arab Emirates	1967	Middle East
Venezuela*	1960	South America



- Ecuador and Gabon were early members of OPEC, but Ecuador withdrew on December 31, 1992 because it was unwilling or unable to pay a \$2 million membership fee and felt that it needed to produce more oil than it was allowed to under the OPEC quota, although it rejoined in October 2007

## OBJECTIVES OF OPEC

- The organization's principal objectives are:
  - To co-ordinate and unify the petroleum policies of the Member Countries and to determine the best means for safeguarding their individual and collective interests.
  - To seek ways and means of ensuring the stabilization of prices in international oil markets, with a view to eliminating harmful and unnecessary fluctuations.
  - To provide an efficient economic and regular supply of petroleum to consuming nations and a fair return on capital to those investing in the petroleum industry.

## MEMBERSHIP



- “Any country with a substantial net export of crude petroleum, which has fundamentally similar interests to those of Member Countries, may become a Full Member of the Organization, if accepted by a majority of three-fourths of Full Members, including the concurring votes of all Founder Members”

- It further distinguishes between three categories of membership:
- **Founder Members** –
  - those countries which were represented at OPEC's first Conference, held in Baghdad, Iraq, in September 1960.
  - And signed the original agreement establishing OPEC.
- **Full Members** are the Founder Members.
  - plus those countries whose applications for Membership have been accepted by the Conference.
- **Associate Members** are the countries which do not qualify for full membership.
  - but which are nevertheless admitted under such special conditions as may be prescribed by the Conference.

# 1973 OIL CRISES

- Background of Oil crises.
- Oil Crisis 1973 – Why did it happen?
- Macroeconomic effect.
- Search for Alternative.
- Decline of OPEC
- End of Oil Crisis

# 1980'S OIL GLUT

## ○ Introduction:-

- The 1980s oil glut was a serious surplus of crude oil caused by falling demand , which was aftermath of 1970s Energy Crisis.
- After 1980, reduced demand and overproduction produced a glut on the world market, causing a six-year-long decline in oil prices culminating with a 46 percent price drop in 1986.

## REASONS BEHIND THE OIL SURPLUS

- Non OPEC:

During the 1980s, non-OPEC production increased worldwide. By 1980 the Soviet Union was the world's largest producer of oil.

- OPEC Production

From 1980 to 1986, OPEC decreased oil production several times and nearly in half to maintain oil's high prices. However, it failed to hold on to its preeminent position, and by 1981, its production was surpassed by Non-OPEC countries. OPEC had seen its share of the world market drop to less than a third in 1985, from nearly half during the 1970s.

## CONTINUED...

- United States Imports

The US imported 28 percent of its oil in 1982 and 1983, down from 46.5 percent in 1977, due to lower consumption.

- Impact:

The 1986 oil price collapse benefited oil-consuming countries but represented a serious loss in revenue for oil-producing countries

The USSR had become a major oil producer before the glut. The drop of oil prices contributed to the nation's final collapse.

# OPEC AND OIL PRICES !!!

- Why does OPEC need to influence prices !
  - To fulfill the member countries objectives of sustaining growth and secure a steady income.
  - Because Oil is the only marketable commodity of member countries and they solely depend on oil for economic and social development.
- OPEC daily basket price stood at \$94.31 a barrel  
Tuesday, 23 September 2014

## HOW DOES OPEC EXERT INFLUENCE ON OIL PRICES

- OPEC members determine the oil price based on **OPEC basket**.
- OPEC sets individual production quotas for each member country that serve as “**Production Targets**” to ensure that their supply isn’t greater than demand.
- These “**Production Targets**” for each country add up to a “Ceiling” that OPEC desires not to exceed
- However they rarely stay under their proposed ceiling. The quota is always been surpassed by over few million barrels per day
- Iraq is not included in the quota system because their exports were controlled by the U.N. based on the “**food for oil**” program till 2003

## IMPACT OF OPEC ON INDIA

- India Imports its crude oil largely from Saudi Arabia, Iraq, Iran, Angola, Nigeria and many more.
- The top 5 oil exporting countries to India are members of OPEC.
- As Indian crude oil import is the part of bulk imports in the balance of payments (BoP), the fluctuations in international crude oil prices tends to fluctuate the domestic economy's current account balance, foreign exchange reserves, inflation etc.
- According to Goldman Sachs report, a rise in global oil prices by \$10 a barrel would reduce India's economic growth by 0.2 percentage points and also affect the country's current account deficit.

**THANK YOU**

