

Petroleum in the world economy



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According to an online-dictionary (merriam-webster. com) petroleum is an oily flammable bituminous liquid that may vary from almost colourless to black, occurs in many places in the upper strata of the earth, is a complex mixture of hydrocarbons with small amounts of other substances, and is prepared for use as gasoline, naphtha, or other products by various refining process.

Oil was discovered in ancient times, but the importance of this product people discern after thousands of years and it became prolific in the world market at the beginning of 20th century. Creation of the first oil monopoly occurred in 1870. In 1901 the Spindletop geyser was discovered and it helped an oil market to develop.

In 1904 the Russian Empire, the USA, Romania, Austria-Hungary, India and Indonesia became the largest oil producers in the world. In this case, during the First World War and the Second World War the heads of the countries had a desire not only to expand territory, but also to occupy that countries that had access to the origin of oil.

In 1960 in Iraq appeared alliance between Iraq, Iran, Kuwait, Venezuela and Saudi Arabia. The name of it was OPEC (Organization of the Petroleum Exporting Countries). In the modern world OPEC included 13 major oil-exporting nations beside the founders: Qatar (1961), Indonesia (1962), Libya (1962), the United Arab Emirates (1967), Algeria (1969), Nigeria (1971), Ecuador (1973), Gabon (1975) and Angola (2007). China, Russia and the United States are not part of OPEC and they have their own objectives.

In 1973 OPEC decided that all members would not supply with petroleum the Northern America and West Europe because they supported Israel in Yom Kippur War. In 1974 the embargo It was first terrific crisis that was connected with petroleum. The price for oil dramatically increased. After crisis in 1973 and the rise of costs of barrel, in 1986 the oil price recently went down, because of the previous crises.

At the beginning of the 21st century the oil market changed and everybody understood that oil is a vital part of world market and economy of each country. In June in 2014 was record-braking price in the whole story of oil in the world market. Nevertheless, at the end of 2014 the price per barrel of petroleum halved. In 2015 the oil cost dramatically went down, but in 2016 it grew slightly.

One of the main reasons of decreasing of the oil's cost is increasing extraction of shale oil by the USA. Moreover, OPEC decreed that the quota on oil supplies would not reduce the quota on oil supplies. What is more, in 2016 the sanctions from Iran were lifted. Due to this Iran was going to double exports of petroleum. As a consequence of an abundant supply of cheap petroleum from Iran prices slightly dropped. Furthermore, the amount of oil rigs in the USA went down. In this case, the extraction of oil decreased, and the cost of petroleum, on the contrary, increased. Consequently, all countries that exported petroleum were afraid of instability of world market because of fallen prices. In addition, because of reinforcement of the dollar the cost of oil would not increase.

In 2017 year experts made forecasts that the price per petroleum barrel will increase. In January there is an opinion that it will cost about 59 dollars. Next two months it will growth to 63 dollars. But in March oil will decrease and the cost will be about 60. From March to May the price will rise to 70 dollars per barrel, but after six months the price will be 52 dollars. In December it will increase to 54 dollars.

In my opinion, in the nearest future the price per oil will increase to 75 dollars. But till 2025 the price will fall down to the point of 53 dollars per barrel of oil.

In conclusion, crude oil is one of the most influential indexes of world market. Because of petroleum many wars were started, because the value of it is very significant. But in case of rise of the shale oil the price of crude oil decrease because shale oil is a cheaper substitute. Moreover, relations between countries and OPEC also influence on the oil price.

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