

Critical thinking on opec the future of oil

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OPEC or the Organization of Petroleum Exporting Countries is an intergovernmental organization between oil producing nations across the globe. The organization was founded during the Baghdad conference during September 10 - 14 1960 by the founding member countries Iran, Iraq, Kuwait, Saudi Arabia and Venezuela. Subsequent countries were added to the OPEC in the following order: 1) Qatar (1961), 2) Indonesia (1962 - 2009), 3) Socialist People's Libyan Arab Jamahiriya (1962), 4) United Arab Emirates (1967), 5) Algeria (1969), 6) Nigeria (1971), 7) Ecuador (1973 - 1992, 2007 - till date), 8) Angola (2007), and 9) Gabon (1975-1994).

OPEC – Past, Present, Future

The OPEC was formed in September 1960 with the objective “ to coordinate and unify petroleum policies among Member Countries, in order to secure a steady income to the producing countries; an efficient, economic and regular supply of petroleum to consuming nations; and a fair return on capital to those investing in the petroleum industry”. While it was founded with 5 original members, 7 more countries joined the organization by 1973, giving it control over two thirds of the world's oil supply. It was in the early part of that decade, when nationalization allowed many governments to take back control of their nation's natural resources from outside oil companies, that member countries experienced beneficial effects from the partnership.

Oil prices also peaked that year due to drastic increase in demand while OPEC placed an embargo on US and The Netherlands for supporting Israel during the Yom Kippur War. War caused further disruption in 1980 when two big OPEC members, Iran and Iraq went to war against each other. With oil

prices soaring, consumer nations started looking at substitute sources of energy like nuclear power. In order to prevent oil prices from crashing, OPEC introduced a quota production system in 1982. However, members, except three, did not follow their quota guidelines and prices continued to crash. The low oil pricing continued in the 1990s, except during the Gulf War of 1990 when fear of a cut in oil supply drove demand, increasing prices for a short time.

At the change of the millennium, oil prices soared to an all time high due to demand spurred by economic growth in Asia. The high prices run continued till the global economic crisis hit countries in 2008. OPEC countries stood unified this time and cut back production by the highest levels in the history of the organization. The oil prices had stabilized again by 2009. The current twelve member countries (Indonesia and Gabon have since departed) are Algeria, Angola, Ecuador, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates, and Venezuela, and collectively they own 79.6% of the world's proven oil reserves. OPEC has declared that it will be looking at means of producing and supplying energy in a responsible manner for a better environment in the future. One OPEC proposal is to create a three billion dollar fund, for which it would provide one-third of the financing, for research and development of initiatives aimed at reducing carbon emissions.

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