

Organization of petroleum exporting countries essay sample



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Definition of ' Organization Of Petroleum Exporting Countries - OPEC' An organization consisting of the world's major oil-exporting nations. The Organization of Petroleum Exporting Countries (OPEC) was founded in 1960 to coordinate the petroleum policies of its members, and to provide member states with technical and economic aid. OPEC is a cartel that aims to manage the supply of oil in an effort to set the price of oil on the world market, in order to avoid fluctuations that might affect the economies of both producing and purchasing countries. Investopedia explains ' Organization Of Petroleum Exporting Countries - OPEC' OPEC membership is open to any country that is a substantial exporter of oil and that shares the ideals of the organization. As of 2011, OPEC had 12 member countries, including founder members Iran, Iraq, Kuwait and Venezuela. OPEC's influence on the market has been widely criticized. Because its member countries hold the vast majority of crude oil reserves (about 80%) and nearly half of natural gas reserves in the world, the organization has considerable power in these markets.

The Organization of the Petroleum Exporting Countries (OPEC; /'oʊpek/ oh-pek) is an intergovernmental organization of twelve oil-producing countries made up of Algeria, Angola, Ecuador, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates, and Venezuela. OPEC has had its headquarters in Vienna since 1965,[2] and hosts regular meetings among the oil ministers of its Member Countries. Indonesia withdrew in 2008 after it became a net importer of oil, but stated it would likely return if it became a net exporter again.[3] According to its statutes, one of the principal goals is the determination of the best means for safeguarding the organization's interests, individually and collectively. It also pursues ways and means of

ensuring the stabilization of prices in international oil markets with a view to eliminating harmful and unnecessary fluctuations; giving due regard at all times to the interests of the producing nations and to the necessity of securing a steady income to the producing countries; an efficient and regular supply of petroleum to consuming nations, and a fair return on their capital to those investing in the petroleum industry.[4]

OPEC's influence on the market has been widely criticized, since it became effective in determining production and prices. Arab members of OPEC alarmed the developed world when they used the "oil weapon" during the Yom Kippur War by implementing oil embargoes and initiating the 1973 oil crisis. Although largely political explanations for the timing and extent of the OPEC price increases are also valid, from OPEC's point of view[citation needed], these changes were triggered largely by previous unilateral changes in the world financial system and the ensuing period of high inflation in both the developed and developing world. This explanation encompasses OPEC actions both before and after the outbreak of hostilities in October 1973, and concludes that "OPEC countries were only 'staying even' by dramatically raising the dollar price of oil." [5]

OPEC's ability to control the price of oil has diminished somewhat since then, due to the subsequent discovery and development of large oil reserves in Alaska, the North Sea, Canada, the Gulf of Mexico, the opening up of Russia, and market modernization. As of November 2010, OPEC members collectively hold 79% of world crude oil reserves and 44% of the world's crude oil production capacity, affording them some control over the global market.[6] The next largest group of producers, members of the OECD and <https://assignbuster.com/organization-of-petroleum-exporting-countries-essay-sample/>

thePost-Soviet states produced only 23. 8% and 14. 8%, respectively, of the world's total oil production.[7] As early as 2003, concerns that OPEC members had little excess pumping capacity sparked speculation that their influence on crude oil prices would begin to slip.