

Oil industry's trade regime



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Oil Industry's Trade Regime Oil and natural gas is a huge industry that touches the lives of all individuals in countless ways every day. Being a huge industry with a lot of expected economic gains, many countries and firms have placed regulations to protect their existence and monopolize the oil products. There exist several laws and policies that control players in the oil industry. The rules are related to the roles that each player (Marcel et al, 90). For foreign companies that want to explore oil or natural gas, have to adhere to the stipulated environmental conditions before initializing exploration. Various countries also have tax compliance policies that must be adhered to by foreign firms including trading certificates and licensing of the operation (Tarbell, 3). In most developing countries, the procedures for obtaining oil trading licenses and tax compliance certificates are very lengthy, and a lot of time is taken in making negotiations with the government and initiating the oil business.

Various countries also have tariff regulation to protect emerging firms in their industry and minimize competition. It is a fact that there are thousands of oil and service companies throughout the world, but it is worth noting, that barriers to entering the oil industry are enough to scare all but the serious businesses. Restrictions and various trade regimes can vary depending on the region of the market in which the firm is situated. For instance, some kinds of pumping trucks required at well sites cost more than \$1 million for everyone. In other regions of the oil business need highly specialized workforce to operate the machines and to take critical drilling decisions (Inkpen et al., 78). Most notable is health, safety and environmental regulations in the oil industry especially in developing countries. There is a continuous concern recently for safety in oil and gas operations, the effect

that new projects have on surface environments, the probability of oil spills and the impacts of pollutants like CO₂ and hydrocarbon combustion on change and air quality and global climate has prompt many governments to impose harsh regulations to foreign oil investors in their country.

There are a lot of bureaucratic regulations and approvals required for the commencing business especially in developing countries. Trade regimes in oil and gas industry can also be manifested in internal policy perspective; many countries including oil producing countries always struggle with questions of how best to develop their resources and achieve long-term sustainable benefits for their citizens (Hilyard, 11). Likewise, consuming countries are continually considering how to minimize their dependence on products of oil and gas imported, either by imposing massive energy taxes to spur conservation, bugging into domestic resources such as coal or developing substitute energy sources such as nuclear power.

In conclusion, the oil industry has a lot to be desired for profitable but at the same time a lot of regulations are present. Trade agreements in the oil industry originated as narrow bargains for standard tariff reductions between countries. Over the past years, however, their scope has expanded substantially (Beltran, 23) . More recently, various governments of both oil producing countries and those demanding oil products have negotiated trade agreement regulations in a broad range of new areas to benefit the citizens they serve (Beltran, 23).

Work cited

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