

FORMATION OF THE PRICES FOR OIL AND THE FORECAST FOR IMMEDIATE PROSPECTS

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I. INTRODUCTION

Oil – the combustible oily liquid concerning group of mountain sedimentary breeds alongside with sand, clay and lime stones; differs exclusively high thermal conductivity: at burning allocates much more thermal energy, than other gas mixtures. Oil extract and use since 6-th millennium up to AD. The Most ancient crafts are known on coast of Euphrates, in Kerch, in the Chinese province Sichuan.

In spite of the fact that it is possible to count already some millions years since times of origin of oil, the petroleum industry has started to develop rather recently. Oil was, is and in the foreseeable future remains the basic source of primary energy which consumption steadily extends in connection with the further development of economic.

The proved world reserves of oil make nearby 140 billion t. The greatest part of world reserves – about 64 % – is fitted on Near and Middle East. The second place is seizes America on which share it is about 15 %.

The most richest countries with oil – Saudi Arabia (25 % from the proved world reserves), Iraq (10,8 %), the United Arab Emirates (9,3 %), Kuwait (9,2 %), Iran (8,6 %) and Venezuela (7,3 %) – all of them are members OPEC on which share it is about 78 % from world reserves. The proved stocks of the SNG countries, including Russia, – about 6 % from world, the USA – about 3 %, Norway – nearby 1 %.

However it is necessary to remember, that the resulted figures concern only the proved stocks of oil, and do not include forecast and prospective data about their size. Besides with development of technologies of petro investigation and oil extracting, prospecting works allow to state more and more exact estimation even the most hard reached deposits of oil, and that's why the size of stocks is constantly corrected.

II. OPEC

The Organization of the Petroleum Exporting Countries (OPEC) is a permanent, intergovernmental

Organization, created at the Baghdad Conference on September 10–14, 1960, by Iran, Iraq, Kuwait, Saudi Arabia and Venezuela. The five Founding Members were later joined by nine other Members: Qatar (1961); Indonesia (1962); Socialist Peoples Libyan Arab Jamahiriya (1962); United Arab Emirates (1967); Algeria (1969); Nigeria (1971); Ecuador (1973) – suspended its membership from December 1992-October 2007; Angola (2007) and Gabon (1975–1994). OPEC had its headquarters in Geneva,

Switzerland, in the first five years of its existence. This was moved to Vienna, Austria, on September 1, 1965.

OPEC's objective is to co-ordinate and unify petroleum policies among Member Countries, in order to secure fair and stable prices for petroleum producers; an efficient, economic and regular supply of petroleum to consuming nations; and a fair return on capital to those investing in the industry.

The term “**basket**” OPEC (OPEC oil basket или OPEC Reference Basket of crudes) was officially planted 1 January 1987. The new OPEC Reference Basket (ORB), implemented as of 10 September 2007, is currently made up of the following: Saharan Blend (Algeria), Girassol (Angola), Minas (Indonesia), Iran Heavy (Islamic Republic of Iran), Basra Light (Iraq), Kuwait Export (Kuwait), Es Sider (Libya), Bonny Light (Nigeria), Qatar Marine (Qatar), Arab Light (Saudi Arabia), Murban (UAE) and BCF 17 (Venezuela).

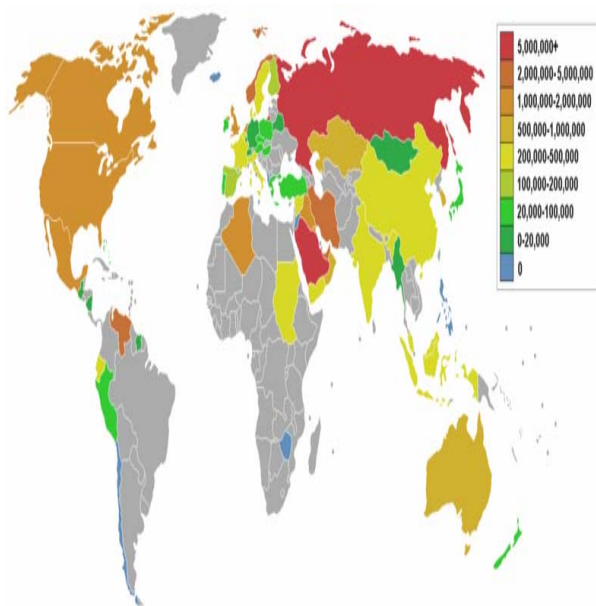
III. FORMATION OF THE PRICES FOR OIL AND THE FORECAST FOR IMMEDIATE PROSPECTS

The prices for oil, as well as for any other goods, are defined by a parity of a supply and demand.

If the offer falls, the prices grow until demand will not be made even to the offer. Feature of oil, however, that in short-term prospect demand inelastic: the rise in prices influences demand a little. It occurs because the steady need on gasoline and diesel fuel for cars, kerosene for aircraft and products of distillery of oil for various branches of the chemical industry was generated. Therefore even

small falling of the offer of oil leads to a sharp rise in prices.

Besides it always on the prices political conditions in the world has essential value. So, having suffered defeat in the Arab-Israeli conflict, the Arabian countries have decided to reduce in 1973-1974 an oil recovery to 5 million barrels a day "to punish" the West. Other countries have managed to increase extraction by 1 million barrels a day. The general oil recovery was reduced to 7 %, but the prices have grown in 4 times. The prices for oil were kept at a high level (though and not such high as during boycott) and in the middle of 1970th years, the further push to them was given with the Iranian revolution and the Iran-Iraq war. The peak of the price have reached in the beginning of 1980th years. After that the prices had started to fall. For some years they have fallen more than three times. After intrusion of Iraq into Kuwait into 1990 of the price have grown, but have quickly fallen again after it became clear, that other countries can easily increase an oil recovery. After rout of Iraq in 1991 of the price continued to fall and have reached the minimum \$11 for barrel in 1998, that in view of inflation corresponds to a level of the beginning of 1970th years. In Russia it has led, in particular, to decline of a petroleum industry and became one of the reasons of a default.



Oil exports by country.PNG

The countries OPEK have managed to agree about reduction of an oil recovery, and to the middle of 2000 of the price have reached \$30 for barrel. From the end 2003 up to 2005 there was a new sharp jump of the prices, in January 2008 the price \$100 has been reached, and kept at a level above \$90. The some people consider that the reason of this jump of the prices prospective intrusion of the USA into Iran, the other's opinion is it marks the beginning for a long time expected oil crisis when to exhausted

deposits are more difficult to satisfy a growing demand for oil. The majority of analysts consider, that this price will be lowered. One indicate figure 40, others 75 dollars for barrel, but it is necessary to note, that forecasts about decrease stood out every year, since 2000, but never while (2008) have not come true.

There are a number of factors which can lead to falling of the prices for oil in immediate prospects. First, outlined, in opinion of some experts, recession in economy of the USA and the leading countries of the Europe will inevitably reduce need for mineral oil. Secondly, the sharp increase in the prices last years actively stimulated scientific development in application энергосберегающих technologies in the industry and to use of more economic engines both for automobile techniques, for aviation and ships. For any transport company now one of the basic criteria at purchase of vehicles, be it the lorry or the plane, fuel profitability is. Thirdly, ever less than oil and mineral oil in view of their dearness and limitation it is used with a view of heating. Alternative energy sources start to be applied widely: the sun, a wind, inflow, geothermal, etc. Reduction of consumption of hydro carbonic fuel is promoted by application modern теплоизолирующих materials in construction, use for heating the high-calorific fuel made not on the basis of mineral oil, and on the basis of waste деревообрабатывающей and to the chemical industry. So in a number of the Scandinavian countries the state programs stimulating transition in the near future of the majority of buildings on heating with use of renewed kinds of fuel are accepted. The special heating equipment working on waste of wood and meeting all modern requirements of profitability and ecology is projected and developed for this purpose. Considering that fact, that in the Scandinavian countries there are greater areas of woods it gives the basis at the careful and reasonable approach to renewal, to count on refusal after a while from mineral oil for heating. In many countries actively work above manufacture of gasoline and diesel fuel on the basis of vegetative raw material: a sugar cane, a potato, a silo, etc. Special successes Brazil has reached in this direction. In this country about 20 % of ethanol already are now used (the automobile fuel made of a sugar cane) as a substitute of gasoline, and shortly this figure should increase promptly. A number of the companies is developed engines which can work both on pure ethanol, and on gasoline from mineral oil. The big influence for all these works on searches of replacement to gasoline and diesel fuel has also the psychological factor. The matter is that disputes do not cease for what time will suffice on the Earth the stocks of oil. In any case, sooner or later, the mankind should search for alternative.

But now there is also a tendency to continuously increasing demand due to increase in quantity of cars and to it of similar techniques. Rather recently in the market there were new large consumers of oil, whose appetites quickly grow. On consumption level of oil on the second place in the

world there was the China which has overtaken on this parameter Japan. Other largest consumer of oil became India, whose consumption level has practically made even it to the largest consumer among the European countries - Germany, and as Brazil and a number of others fast developing countries. Under forecasts of analysts China will overtake the USA and come to the first place on consumption of energy carriers in the world after 2010. World demand for energy carriers to 2030 will grow more than on 50 %, to India and China 45 % of consumption is necessary. Rapid growth of economy in these states leads to a disproportion in demand for mineral oil. And it can be one of the reasons, in opinion of some analysts, approaches of oil crisis in 21 century. The Some people consider, that oil crisis has already begun, and the rise in prices in 2003-2008 is its attribute.



Oil imports by country.PNG

IV. THE REASONS OF OIL PRICES RISE

The gain of demand for oil is at the highest level for the past a quarter of the century. It grows in the USA, eating rough economic rise after stagnation of the beginning of XXI century. The increase in volumes of world trade also leads to growth of demand for fuel. From the offer of greater changes has not occurred – new commercially profitable deposits while is not present. That volumes of extraction grow more quickly volumes of consumption, the situation essentially does not vary.

Let's allocate separately the reasons of a rise in prices for oil, actual for today:

- Economic (at decrease in a dollar exchange rate oil contracts are corrected on size of this decrease). The publication of various economic statistics across the USA (for example, statistics under charges of the population of the USA);

- Military-political (war in Iraq, the conflict around of Iran, disorders in Nigeria);

- Climatic (fear of hurricanes in oil-extracting areas, first of all - gulf of Mexico where significant volumes of oil are extracted);

- Connected with stocks and consumption of energy carriers (reduction of stocks on oil terminals).

The high prices for oil are also defined by "basket" OPEC. Its price as is never high - in the fourth quarter 2007 some times raised the top price rod. There is one more reason of growth of the price for oil - the weakening dollar. The reasons of such parameters: easing of inflationary pressure in the USA, attributes of delay of the American economy.

At the moment for the market of oil following factors are defining:

- a Proceeding growth of economic;
- low stocks of oil in the markets (near to operational levels);

- shortage transport capacities in the Europe and the USA;

- excess of a world oil recovery over its consumption;

- attractiveness of investments into an oil recovery;

- social unacceptability of the high prices for oil for the developed countries;

- speculatively of the market.

The prices for oil grow and establish new records. 2008 will be noted in global economic history as year of final end of an epoch of cheap oil. The price in 100 dollars for barrel of crude oil becomes norm. William Ris-Mogg approves: " In XX century the world corrected oil. XXI century will pass in an atmosphere of its deficiency ". The given statement can be specified: the world will test deficiency of cheap oil.

At present oil futures decrease in the price being unable be fixed above a level \$ 108,00. The prime contract for oil of mark WP has established max in \$ 108,04 for barrel. Oil WTI Nymex crude oil decreases in the price after updating historical max in the market \$ 109,72. During the general strengthening \$, the subsequent after the message on the decision of leading central banks undertaken joint efforts for increase in liquidity, oil WTI has decreased up to \$ 107,30.

It is necessary to consider, that the level of world deliveries of oil has grown in February on 185 thousand barrels up to 87,5 million barrels a day as growth of deliveries of oil from the countries which are not entering in OPEC has covered decrease in a level of deliveries of oil from cartel on 120 thousand barrels a day. However stocks of oil of the USA and Japan have decreased in February on 23 million barrels.

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