The Organization of Petroleum Exporting Countries (OPEC) Study Guide

Istanbul University Model United Nations

Contents

Letter from The Under Secretary General

Dear Participants,

It is my great honor and privilege to serve as the Under Secretary General of the Organization of Petroleum Exporting Countries or OPEC for short. It is also very fond of me to see that this conference is happening as it was not so long ago that our beloved board of the IUMUN Club, including me, was trying to save this club back in 2019.

I am so sorry that I will not be there in present for you but I believe our beloved Academic Assistant Sıla Erdem will be there for you anytime you need and will not hesitate to answer your questions. I believe in her.

During the conference the 13 chosen delegates of OPEC are expected to start the committee by solving the supply driven issues caused by the latest incidents happening in the world, mainly the Russo-Ukrainian Conflict. After carefully debating on the supply of oil for the year 2022, our second agenda item will be tackled by you dear delegates on a very professional way; After solving the given incidents that happened in many member country's soil you will proceed securing the area and letting the world know what kind of economical, even political consequences might occur when there is a paralyzation on the petroleum reserves. I believe and trust all of the delegates; like I said with the guidance of the Committee Board and our experienced Academic Assistant, you will deliver an utmost professional resolution that tops among others.

I wish I could say hope to see you in your presence but unfortunately not, I may not see your faces in presence but deliver me a resolution that I could never forget thus I shall not forget you as well…

Sincerely,

Arif Uğur Şeran

Introduction to The 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: Qatar (1961) – terminated its membership in January 2019; Indonesia (1962) – suspended its membership in January 2009, reactivated it in January 2016, but decided to suspend it again in November 2016; Libya (1962); United Arab Emirates (1967); Algeria (1969); Nigeria (1971); Ecuador (1973) – suspended its membership in December 1992, reactivated it in October 2007, but decided to withdraw its membership effective 1 January 2020; Angola (2007); Gabon (1975) - terminated its membership in January 1995 but rejoined in July 2016; Equatorial Guinea (2017); and Congo (2018). 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 coordinate 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.

A) The 1960s

OPEC’s formation by five oil-producing developing countries in Baghdad in September 1960 occurred at a time of transition in the international economic and political landscape, with extensive decolonization and the birth of many new independent states in the developing world. The international oil market was dominated by the “Seven Sisters" multinational companies and was largely separate from that of the former Soviet Union (FSU) and other centrally planned economies (CPEs). OPEC developed its collective vision, set up its objectives and established its Secretariat, first in Geneva and then, in 1965, in Vienna. It adopted a ‘Declaratory Statement of Petroleum Policy in Member Countries’ in 1968, which emphasized the inalienable right of all countries to exercise permanent sovereignty over their natural resources in the interest of their national development. Membership grew to ten by 1969.

B) The 1970s

OPEC rose to international prominence during this decade, as its Member Countries took control of their domestic petroleum industries and began to play a greater role in world oil markets. The decade witnessed several impactful events that caused volatility in the global oil market to rise steeply. OPEC broadened its mandate with the first Summit of Heads of State and Government in Algiers in 1975, which addressed the plight of the poorer nations and called for a new era of cooperation in international relations, in the interests of world economic development and stability. This led to the establishment of the OPEC Fund for International Development in 1976. Member Countries embarked on ambitious socio-economic development schemes. Membership grew to 13 by 1975.

C) The 1980s

Demand for energy slumped and oil demand fell in the early part of 1980s, culminating in a market crash in 1986 in response to the oil glut and a consumer shift away from hydrocarbons. OPEC’s share of the smaller oil market fell heavily and its total petroleum revenue dropped, causing economic instability in many Member Countries. In the final part of the decade, the oil market witnessed something of a recovery and OPEC's share of newly growing world output began to recover. This was supported by OPEC introducing a group production adjustment divided among Member Countries and a Reference Basket for pricing, as well as significant progress with OPEC and non-OPEC dialogue and cooperation, seen as essential for market stability. Environmental issues emerged on the international energy agenda.

D) The 1990s

Timely OPEC action reduced the market impact of Middle East issues in 1990–91, but excessive volatility dominated the decade. The Southeast Asian economic downturn and mild Northern Hemisphere winter of 1998–99 saw the oil market return to mid-1980 conditions. However, a solid recovery followed and the oil market, which was adjusting to the post-Soviet world, became more integrated, with a focus on globalization, the communications revolution and other high-tech trends. Breakthroughs in producer-consumer dialogue matched continued advances in OPEC and non-OPEC relations. As the United Nations-sponsored climate change negotiations gathered momentum, after the Earth Summit of 1992, OPEC sought fairness, balance and realism in the treatment of oil supply. One country left OPEC, while another suspended its Membership.

E) The 2000s

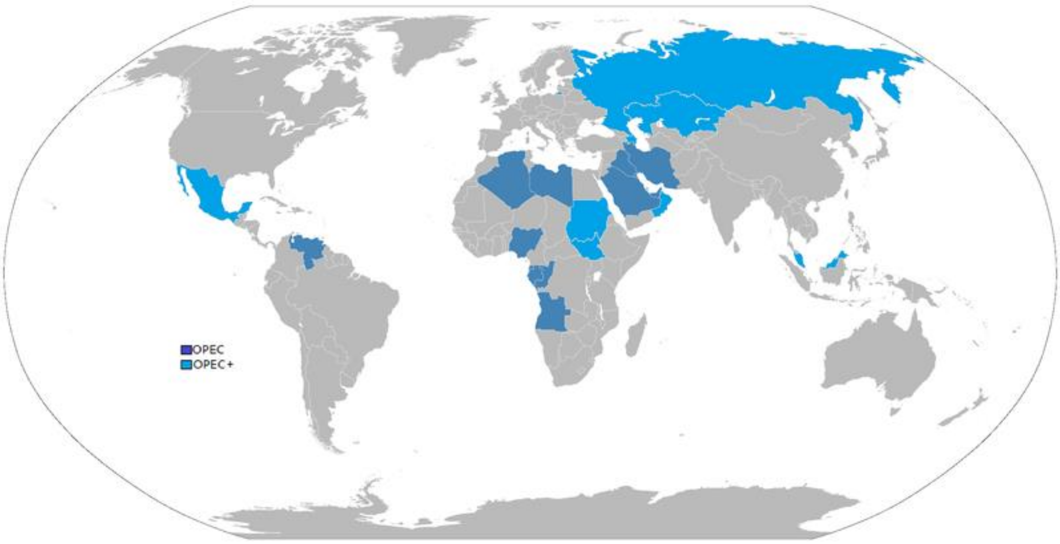
OPEC continued with its efforts to help strengthen and stabilize the global oil market in the early years of the decade. But a combination of market forces, speculation and other factors transformed the situation in 2004, pushing up volatility in a well-supplied crude market. Oil was used increasingly as an asset class. Market volatility continued to increase in an unprecedented manner in early 2008, before the collapse of the global financial sector that led to economic recession. OPEC became prominent in supporting the oil sector, as part of global efforts to address the economic crisis. OPEC's second and third summits in Caracas and Riyadh in 2000 and 2007 established stable energy markets, sustainable development and the environment as three guiding themes, and it adopted a comprehensive long-term strategy in 2005. One country joined OPEC, another reactivated its Membership and a third suspended it.

F) The 2010s

The global economy represented the main risk to the oil market early in the decade, as global macroeconomic uncertainties and heightened risks surrounding the international financial system weighed on economies. Escalating social unrest in many parts of the world affected both supply and demand throughout the first half of the decade, although the market remained relatively balanced. The oil market was stable between 2011 and mid-2014, before a combination of speculation and oversupply caused it to contract. Trade patterns then continued to shift, with global oil demand growing, particularly in the Asian region. The world's focus on multilateral environmental matters began to sharpen, resulting in the Paris Agreement in 2015, which OPEC Member Countries have all signed and 10 have ratified. OPEC continued to attend the United Nations Framework Convention on Climate Change (UNFCCC) Conference of the Parties (COP) meetings to dialogue and exchange views. Market conditions led to the emergence of the unprecedented Declaration of Cooperation in December 2016, with OPEC Members and 10 non-OPEC oil-producing countries coming together to help rebalance the market, bring down inventory levels and support oil market stability. In 2019, the Charter of Cooperation — a long-term platform dedicated to cooperation and the exchange of views and information — was established. OPEC held its 5th, 6th and 7th International Seminars in 2012, 2015 and 2018, respectively, which brought together an unprecedented number of representatives from producing and consuming nations, national and international oil companies, along with journalists and industry analysts. OPEC continued to seek stability in the market, and looked to further enhance its dialogue and cooperation with producers, consumers, international organizations, institutions and other industry stakeholders, noting that the need for energy dialogue has never been greater. The decade witnessed more understanding and appreciation of the role that OPEC has played in helping stabilize the global oil market, in the interests of both producers and consumers.

G) Forming OPEC+

Ten non-OPEC nations joined OPEC to form OPEC+ in late 2016 to have more control on the global crude oil market. These countries were: Azerbaijan, Bahrain, Brunei, Kazakhstan, Malaysia, Mexico, Oman, Russia, South Sudan, and Sudan. Not surprisingly, OPEC+ has a level of influence over the world economy that is even larger than OPEC's. Responding to the highly dynamic economic and geopolitical developments, these groups make changes to their oil production capacities, which impact the oil supply levels and result in oil price volatility.



H) 2020

The new decade witnessed an unprecedented beginning with the outbreak of the COVID-19 pandemic pervading almost every aspect of daily lives. The pandemic had a detrimental impact on both the world economy and the energy sector, pressuring nations to take necessary, firm measures to slow the spread of the virus and counter its effects. The oil market saw demand in freefall, global storage filling quickly and large scale volatility. This propelled OPEC and its partners in the Declaration of Cooperation to intensify their collaborative efforts to restore much-needed stability, resulting in the largest and longest voluntary production adjustments in the oil market's history. The importance of these efforts was recognized by numerous countries and organizations, including G20 Energy Ministers, Argentina, Brazil, Canada, Colombia, Norway, the African Petroleum Producers' Organization, the International Energy Agency, the International Energy Forum and many independent producers. OPEC turned 60 in September, marking a significant milestone on the Organization's historic journey.

İ) OPEC's Objective

The main objective of OPEC is to coordinate and unify petroleum policies among members, with the purpose of securing 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.

Introduction to Agenda Item ''The Stability of the Oil Supply Amid the Commodity Crisis ''

The OPEC+ member countries collectively agree on how much oil to produce, which directly impacts the ready supply of crude oil in the global market at any given time. OPEC+ subsequently exerts considerable influence over the global market price of oil and, understandably, tends to keep it relatively high in order to maximize profitability.

If OPEC+ countries are unsatisfied with the price of oil, it is in their interests to cut the supply of oil so prices rise. However, no individual country actually wants to reduce supply, as this would mean reduced revenues. Ideally, they want the price of oil to rise while they increase supply so that revenues also rise. But that is not market dynamics. A pledge by OPEC+ to cut supply causes an immediate spike in the price of oil. Over time, the price reverts back to a level, usually lower, when supply is not meaningfully cut or demand adjusts.

Conversely, OPEC+ can decide to boost supply. For instance, on June 22, 2018, the cartel met in Vienna and announced that they would be increasing supply. A big reason for this was to offset the extremely low output by fellow OPEC+ member Venezuela.

Saudi Arabia and Russia, two of the largest oil exporters in the world who both have the ability to increase production, are big proponents of increasing supply as that would increase their revenues. However, other nations, who cannot ramp up production, either because they are operating at full capacity or are otherwise not allowed to, would be opposed to this.

In the end, the forces of supply and demand determine the price equilibrium, although OPEC+ announcements can temporarily affect the price of oil by altering expectations. A case in point where OPEC+'s expectations would be altered is when its share of world oil production declines, with new production coming from outside nations such as the U.S. and Canada.

A) Oil Prices with The COVID-19

In March 2020, Saudi Arabia, an original member of OPEC, the largest exporter of OPEC, and an extremely influential force in the global oil market, and Russia, the second leading exporter and, arguably, the second most important player in the recently formed OPEC+, failed to reach an agreement about cutting production to stabilize the price of oil.

Saudi Arabia retaliated by ramping up production sharply. This sudden increase in supply happened at a time when global oil demand was slumping as the world was dealing with the

2020 global crisis. As a result, the market, which is the final arbiter of the price, overrode OPEC+'s desire to stabilize the price of oil at a higher level than the laws of supply and demand dictated

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Aside from reaffirming that market forces are more powerful than any cartel, especially in free markets, this episode also gave credence to the premise that individual nations' agendas will override cartel agenda. Brent crude oil, in May 2020, cost around $30 per barrel, a level not seen since 2004. West Texas Intermediate (WTI) crude oil, meanwhile, slumped to about $17.5 per barrel, a level not seen since 2002.

B) Commodity Crisis of 2021-2022

i. Latest OPEC Report (June)

July 2022 Required Production	
Algeria	1039
Angola	1502
Congo	320
Eq.Guinea	125
Gabon	183
Iraq	4580
Kuwait	2768
Nigeria	1799
Saudi Arabia	10833
UAE	3127
Azerbaijan	706
Bahrain	202
Brunei	100
Kazakhstan	1680
Malaysia	585
Mexico	1753
Oman	868
Russia	10833
Sudan	74
South Sudan	128
OPEC 10	26276
Non-OPEC	16930
OPEC+	43206

OPEC has stuck with its forecast that world oil demand will exceed pre-pandemic levels in 2022, although the producer group said Russia's invasion of Ukraine and developments around the coronavirus pandemic pose a considerable risk.

In a monthly report released on Tuesday, the Organization of the Petroleum Exporting Countries (OPEC) maintained its forecast that world oil demand would rise by 3.36 million barrels per day (bpd) in 2022, extending a recovery from 2020's slump. The Ukraine war sent oil briefly above $139 a barrel in March, the highest since 2008, worsening inflationary pressures. COVID lockdowns in China, where a Beijing outbreak has prompted the resumption of mass testing, have curbed oil demand.

"Looking ahead, current geopolitical developments and the uncertain roll-out of the pandemic toward the end of the second half of the year continue to pose a considerable risk to the forecast recovery to pre-pandemic levels," OPEC said in the report.

"Inflationary pressures are likely to persist and it remains highly uncertain as to when geopolitical issues may be resolved. Nevertheless, oil demand is forecast at healthy levels in the second half of this year."

The report expects world consumption to surpass the 100 million bpd mark in the third quarter, in line with earlier projections, and for the 2022 average to reach 100.29 million bpd, just above the pre-pandemic rate in 2019. OPEC kept this year's global economic growth forecast at 3.5%, adding the downside "remains significant" and the upside potential "quite limited".

Oil extended an earlier gain after the report was released, trading further above $123.

OPEC and its allies, which include Russia, known as OPEC+, are ramping up output in monthly increments after record cuts put in place during the worst of the pandemic in 2020. At its last meeting on June 2, OPEC+ brought forward oil production rises to offset Russian losses and smooth the way for a visit to Saudi Arabia by U.S. President Joe Biden.

Still, OPEC+ has been undershooting the increases due to underinvestment in oilfields by some OPEC members and, more recently, losses in Russian output as a result of sanctions and buyer avoidance. OPEC's report showed that trend continued in May and said OPEC output fell by 176,000 bpd to 28.51 million bpd due to losses in Libya, Nigeria and other countries.

The growth forecast for non-OPEC supply in 2022 was reduced by 300,000 bpd to 2.1 million bpd. OPEC cut its forecast for Russian output by 250,000 bpd and left its U.S. output growth estimate steady. OPEC expects supply of U.S. tight oil, another term for shale, to rise by 880,000 bpd in 2022, unchanged from last month, despite high prices that in previous years have encouraged growth.

ii. World Bank Report

Energy prices are expected to rise more than 50 percent in 2022 before easing in 2023 and 2024. Non-energy prices, including agriculture and metals, are projected to increase almost 20 percent in 2022 and will also moderate in the following years. Nevertheless, commodity prices are expected to remain well above the most recent five-year average. In the event of a prolonged war, or additional sanctions on Russia, prices could be even higher and more volatile than currently projected.

Because of war-related trade and production disruptions, the price of Brent crude oil is expected to average $100 a barrel in 2022, its highest level since 2013 and an increase of more than 40 percent compared to 2021. Prices are expected to moderate to $92 in 2023—well above the five-year average of $60 a barrel. Natural-gas prices (European) are expected to be twice as high in 2022 as they were in 2021, while coal prices are expected to be 80 percent higher, with both prices at all-time highs.

"*Commodity markets are experiencing one of the largest supply shocks in decades because of the war in Ukraine*," said Ayhan Köse, Director of the World Bank's Prospects Group.

iii. China

China is facing its worst energy crisis in decades. *The Guardian* reported that "Companies in the industrial heartlands have been told to limit consumption, residents have been subjected to rolling blackouts, and annual light shows have been canceled."

Prices for industrial metals such as copper, zinc and aluminum have soared to record levels as energy shortages in China drive up costs for electricity and natural gas. The price of aluminum has reached a 13-year high.

The energy crunch in Europe and Asia has allowed the Kremlin to forge its energy connections with China as Gazprom announced another gas pipeline with China, Power of Siberia 2, after the finalization of the existing Power of Siberia in 2019. The second project between Moscow and Beijing, planned to deliver gas from the Yamal Peninsula, will be signed off in late 2022.

iv. Europe

Due to a combination of unfavorable conditions, which involved soaring demand of natural gas, its diminished supply from U.S., Norway and Russia to the European markets, less power generation by renewable energy sources such as wind, water and solar energy, and cold winter that left European gas reservoirs depleted, Europe faced steep increases in gas prices in 2021.Russia has fully supplied on all long-term contracts, but has not supplied extra gas on the spot market; in the first half of 2021, Russia supplied over 3 billion m^3/week (almost half of EU's imports), and around 2.3 billion m^3/week in the second half of 2021. In October 2021, the Economist Intelligence Unit reported that Russia had limited extra gas export capacity because of its own high domestic demands with production near its peak. On 27 October 2021, Russian President Vladimir Putin authorized state-controlled energy giant Gazprom to start pumping extra natural gas into European gas storage sites once Russia finishes filling its own gas inventories, which may happen by November 8, This caused the sharp drop in global prices on energy resources and temporarily alleviated the energy crisis in Europe.

In the first two months after Russia invaded Ukraine on 24 February 2022, Russia earned $66.5 billion from fossil fuel exports, and the EU accounted for 71% of that trade. As a result of the invasion, Brent oil prices rose above $130 a barrel for the first time since 2008. In April 2022, Russia supplied 45% of the EU's natural gas imports, earning $900 million a day. In May 2022, the European Commission proposed a ban on oil imports from Russia, part of the economic response to the 2022 Russian invasion of Ukraine. In May 2022, Russia imposed sanctions on European subsidiaries of Gazprom.

In June 2022, the United States government agreed to allow Italian company Eni and Spanish company Repsol to import oil from Venezuela to Europe to replace oil imports from Russia. French Finance Minister Bruno Le Maire said that France negotiated with the United Arab Emirates to replace some Russian oil imports. On 15 June 2022, Israel, Egypt and the European Union signed a trilateral natural gas agreement.

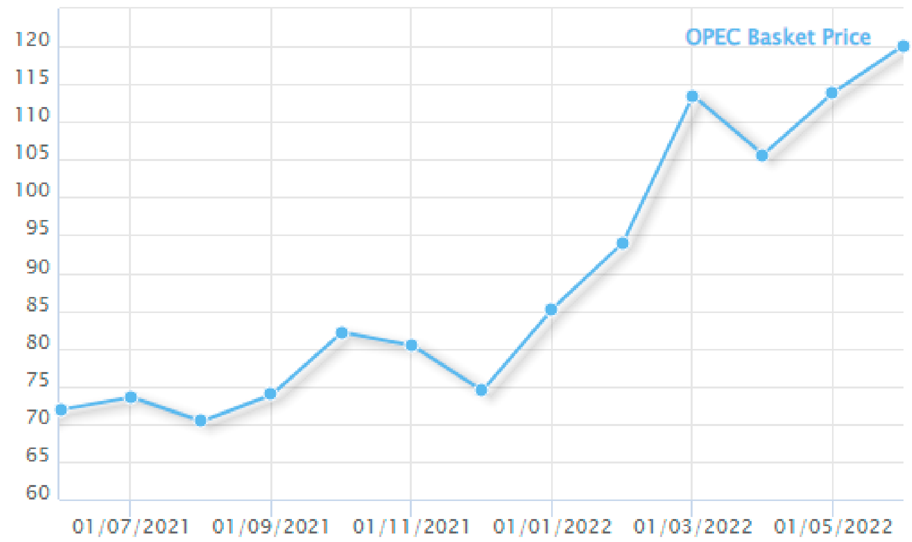
v. United States

Energy Secretary Jennifer Granholm blamed the OPEC oil cartel led by Saudi Arabia and the U.S. gas and petroleum industry for rising motor fuel prices in the United States. As the *Financial Times* reported on November 4: "The White House has said OPEC+ risks imperiling the global economic recovery by refusing to speed up oil production increases and warned the U.S. was prepared to use ‘all tools’ necessary to lower fuel prices."

On 23 November 2021, the Biden administration announced it would release 50 million barrels of oil from the Strategic Petroleum Reserve (SPR).

Due to the 2022 Russian invasion of Ukraine and subsequent international sanctions during the Russo-Ukrainian War against Russia, oil prices worldwide soared. In the beginning of March 2022, the price of Brent Crude passed US$113 a barrel, the highest level since June 2014, while West Texas Intermediate(WTI) was trading at just under US$110 a barrel. On 8 March, President Joe Biden ordered a ban on imports of Russian oil, gas and coal to the US. Biden ordered another 30 million barrels of oil released from the SPR in early March, which on 31 March was followed by a release of 1 million barrels on average per day for 180 days, the latter on which is the largest release from the SPR in its history. The Biden administration was pressed on potential oil deals with Saudi Arabia, Venezuela, and Iran that would have them increase their oil production. However, so far, Saudi Arabia and the United Arab Emirates have declined requests from the US. In May 2022, the Biden Administration announced that it will allow European oil companies to acquire Venezuelan crude immediately but dismissed calls for the US to unilaterally lift all sanctions against Venezuela.

vi. OPEC Basket Price for Oil as June 2022



01/06/2022	$ 120.12
01/05/2022	$ 113.87
01/04/2022	$ 105.64
01/03/2022	$ 113.48
01/02/2022	$ 93.95
01/01/2022	$ 85.24
01/12/2021	$ 74.38
01/11/2021	$ 80.37
01/10/2021	$ 82.11

C) Current Situation

Oil prices tumbled about 6% to a four-week low on worries that interest rate hikes by major central banks could slow the global economy and cut demand for energy. Also pressuring prices, the U.S. dollar this week rose to its highest level since December 2002 against a basket of currencies, making oil more expensive for buyers using other currencies.

Brent futures fell $6.69, or 5.6%, to settle at $113.12 a barrel, while U.S. West Texas Intermediate (WTI) crude fell $8.03, or 6.8%, to settle at $109.56.

That was the lowest close for Brent since May 20 and the lowest for WTI since May 12. It was also the biggest daily percentage decline for Brent since early May and the biggest for WTI since late March.

"Crude prices tumbled as the dollar rallied, Russia signaled oil exports should increase, and as global recession fears grow," said Edward Moya, senior market analyst at data and analytics firm OANDA.

Global central bankers who quickly loosened monetary policy during the pandemic to avoid a recession, are now tightening to fight inflation. The Federal Reserve this week hiked U.S. rates by the most in more than a quarter of a century.

"With the central banks making pretty substantial moves to limit growth via interest rate hikes and monetary tightening is showing up here in the petroleum complex," said John Kilduff, partner at Again Capital LLC in New York, noting that slower economic growth should cut energy demand.

The Biden administration wants Saudi Arabia to produce more oil. Biden said he was not going to have a bilateral meeting with Saudi Arabia's de facto leader Mohammed bin Salman during his trip to the region next month, and that he was only seeing the Saudi crown prince as part of a broader "international meeting."

Russia, meanwhile, expects its oil exports to increase in 2022 despite Western sanctions and a European embargo, the Russian deputy energy minister said on Friday, according to Tass news agency. Russian gas flows to Europe fell short of demand on Friday as an early heat wave in the south boosted demand for air conditioning.

An oil tanker chartered by Italy's Eni SpA will soon depart Venezuela with its first cargo in two years to Europe.

Introduction to Agenda Item ‘’The Security of Petroleum Facilities in The Light of Russo-Ukrainian Conflict ‘’

Petroleum in an unrefined state has been utilized by humans for over 5000 years. Oil in general has been used since early human history to light up fires and in warfare. Its importance to the world economy evolved slowly, with whale oil used for lighting in the 19th century and wood and coal used for heating and cooking well into the 20th century. The Industrial Revolution created an increasing need for energy which was met mainly by coal, and with other sources including whale oil. However, when it was discovered that kerosene could be extracted from crude oil and used as a lighting and heating fuel, petroleum was in great demand, and by the early 20th century had become the most valuable commodity traded on world markets.

The petroleum industry, also known as the oil industry, includes the global processes of exploration, extraction, refining, transportation, and marketing of petroleum products. The largest products of the industry are fuel oil and gasoline (petrol). Petroleum is also the raw material for many chemical products, including pharmaceuticals, fertilizers, solvents, synthetic fragrances, pesticides, and plastics. The petroleum industry is divided into three major components: upstream, midstream, and downstream. Upstream concerns exploration and extraction of crude oil, midstream encompasses transportation and storage of crude, and downstream regards refining crude oil into various end products.

A) Oil Companies

Oil companies in other words petroleum facilities are the main protagonists in the international oil and gas industry. The petroleum industry can be subdivided into four major categories as:

i. International Oil Companies (IOCs)

International Oil Companies are publicly traded corporations that function quite like any other corporation except that the product in the deal is petroleum. IOCs all have long histories that generally date back to the late 19th century when they were formed. Several terms are often associated with IOCs. “Supermajor” is the most often used and it refers to the 6 largest publicly traded oil companies in the world which can be counted respectively as: ExxonMobile, Royal Dutch Shell, China Petroleum and Chemical, Total, Rosneft, BP. As a group, supermajors control 6% of the world’s oil. Comparatively, NOCs control 88% of the world’s oil.

ii. National Oil Companies (NOCs)

National Oil Companies (NOC) can be described as State-run corporations and they are much like any International Oil Company (IOC). The major difference is that unlike NOCs, IOCs release earnings reports and have stockholders. In the early history of oil, IOCs were the major producers. In recent decades, NOCs have been organized in most countries with large oil reserves. That has occurred for two reasons. The first reason caused the rise of NOCs is political change. Countries in which large oil reserves can be found have slowly wrested away the rights of IOCs that initially controlled the oil. Many military dictators in the Middle East have come to power with their support for NOCs, which promised to return oil income to the people rather than seeing it go to IOCs. Of course, in many instances, these promises were not followed through on. The second reason for the rise of NOCs can be called; the industrial progress. Most of the oil-rich nations have leveraged their enormous natural resources to negotiate profitable contracts with IOCs for extraction and development. The creation of OPEC was a direct response to the bargaining power of the IOCs. Like a giant union, OPEC has allowed oil rich countries to put more pressure on IOCs to offer price compromises. The development of their own means for extracting and refining oil has also allowed NOCs to reduce their reliance on IOCs.

iii. New Seven Sisters

New Seven Sisters is a term which is used to describe a group of so called the most influential national oil and gas companies based in countries outside of the Organization for Economic Co-operation and Development (OECD). This group includes as followed:

1. Saudi Aramco (Saudi Arabia)
2. China National Petroleum Corporation

3. Gazprom ((OGZPY) Russia)
4. National Iranian Oil Company (NIOC)
5. PDVSA (Venezuela)
6. Petrobras (Brazil)
7. Petronas (Malaysia)

iv. Operator Companies (Exploration and Production Companies)

Companies that decide where and how to drill for hydrocarbons, and own the rights once produced. Examples: BP, Chevron, ExxonMobil, Shell, ConocoPhillips.

v. Service Companies

Companies which provide technical services to operating companies, but do not own the hydrocarbons that are produced.

	Country	Oil Production (bbl/day, 2016)[124]
1	Russia	10,551,497
2	Saudi Arabia (OPEC)	10,460,710
3	United States	8,875,817
4	Iraq (OPEC)	4,451,516
5	Iran (OPEC)	3,990,956
6	China, People's Republic of	3,980,650
7	Canada	3,662,694
8	United Arab Emirates (OPEC)	3,106,077
9	Kuwait (OPEC)	2,923,825
10	Brazil	2,515,459
11	Venezuela (OPEC)	2,276,967

12	Mexico	2,186,877
13	Nigeria (OPEC)	1,999,885
14	Angola (OPEC)	1,769,615
15	Norway	1,647,975
16	Kazakhstan	1,595,199
17	Qatar (OPEC)	1,522,902
18	Algeria (OPEC)	1,348,361
19	Oman	1,006,841
20	United Kingdom	939,76

B) Latest Security Issues and Background Information

i. Saudi Arabia

With being the second largest country which produces oil and also the biggest oil exporter, Saudi Arabia has always been under great threat of other oil producers, firms or even terror organizations.

a) Saudi Aramco

Saudi Aramco, is a Saudi Arabian public petroleum and natural gas company based in Dhahran. It is the second-largest oil producer in the world, behind Russia's Rosneft. In 2020, it will be one of the largest companies in the world by revenue. Saudi Aramco has both the world's second-largest proven crude oil reserves, at more than 270 billion barrels and largest daily oil production of all oil-producing companies. The company keeps control of approximately one fourth of the world's oil reserves.

b) Houthi Movement and Saudi Aramco

The Houthi movement, officially called Ansar Allah "Champions of God" and simply Houthis, is an Islamist political and armed movement that emerged from Saada in North Yemen within the 1990s. The Houthi movement is a predominantly Zaidi Shia force, whose leadership is drawn largely from the Houthi tribe. There have been tensions between the Houthis and Saudi government due to the Yemeni Civil War. The Houthi Movement began to take actions against Saudi Arabia on the grounds that they have been interfering in the Yemeni Civil War. Since then, Houthis started to attack Saudi Aramco continuously in order to damage Saudi Arabia’s economy.

c) Abqaiq-Khurais Attack

On 14 September 2019, drones were used to attack petroleum facilities at Abqaiq and Khurais in eastern Saudi Arabia which were operated by Saudi Aramco. The Houthi movement in Yemen claimed responsibility, tying it to events surrounding the Saudi Arabian–led intervention within the Yemeni Civil War. The Houthis stated that they used ten drones in the attack launched from Yemen, south of the facilities. Saudi Arabian officials said that several more drones and cruise missiles were used for the attack and originated from the north and east, and that they were of Iranian manufacture. The United States and Saudi Arabia have stated that Iran was behind the attack while France, Germany, and also the United Kingdom jointly stated Iran bears responsibility for it. Iran has denied any involvement.

According to Saudi Arabia's Ministry of Interior the attack caused large fires at the petroleum facility, which were put out several hours later. After the attack Saudi Aramco shut down the facilities for repairs, cutting Saudi Arabia's oil production by about half, representing about five percent of global oil production, and causing some destabilization of global financial markets. The Ministry of Energy said that the country would tap into its oil reserves to maintain export levels until the facilities return to full capacity by the end of September.

d) Jeddah Oil Depot Attack

On 25 March 2022, Yemen's Houthis said they launched attacks on Saudi energy facilities on Friday and the Saudi-led coalition said oil giant Aramco's petroleum products distribution station in Jeddah was hit, causing a fire in two storage tanks without leaving casualties. The ministry of Saudi Arabia blamed Iran for continuing to arm the Houthis with ballistic missiles and advanced drones, stressing that the attacks "would lead to impacting the Kingdom's production capacity and its ability to fulfill its obligations to global markets".

ii. Russia

Russia is the world leader at oil production and second as the oil exporter. Also with being one of the world's largest economies Russia plays the role of a game changer in the global market with the decisions they make. Considering that Russia is a major power in the global energy market and has been taking an increasingly visible and assertive role.

a) Rosneft

PJSC Rosneft Oil Company is a Russian integrated energy company headquartered in Moscow. Rosneft specializes in the exploration, extraction, production, refining, transport, and sale of petroleum and petroleum products. Company is the third largest Russian company and the second-largest state-controlled company (after Gazprom) in Russia in terms of revenue. Internationally, it is one of the largest oil companies.

b) Russo-Ukrainian War

The Russo-Ukrainian War is an ongoing war between Russia and Ukraine. It began in February 2014 after the Ukrainian Revolution of Dignity. Following a Russian military build-up on the Russia–Ukraine border from late 2021, the conflict expanded significantly when Russia launched a full-scale invasion of Ukraine on 24 February 2022.

Ukraine remains the main transit route for Russian natural gas and crude oil sold to Europe, which earns Ukraine more than $3 billion a year from the transit fees, making it the country's most profitable export service. Since Russia invaded Ukraine in February, the amount of its oil pumped into the bloc has been increasing. The embargo applies only to seaborne crude and petroleum products, for now covering just 75% of imports from Russia. Oil supplied by pipeline to a handful of countries in central and eastern Europe is temporarily exempt from a concession to Hungary, which had been blocking the agreement. Refiners in these countries are snapping up cheap Russian crude that the majority of the Western buyers are shunning.

c) Russia and EU

After the latest Russia-Ukraine War the tensions started to increase between Russia and the European Union. EU leaders were able to agree for a six sanctions package upon the topic. One of the most important elements of the sanctions is to ban %90 of Russian oil imports by the end of 2022 in order to punish Moscow for invading Ukraine. The EU-wide ban will affect oil that arrives by sea -around two-thirds of imports- but not pipeline oil, following opposition from Hungary. Poland and Germany have also pledged to end pipeline imports, meaning a total of 90% of Russian oil will be blocked. Russia currently supplies 27% of the EU's imported oil and 40% of its gas.

Oil prices climbed on news of the EU embargo, with Brent crude rising above $123 a barrel, its highest level since March. The Druzhba pipeline supplies refineries in the Czech Republic, Germany, Poland, Hungary and Slovakia. Germany and Poland, the two biggest recipients, have agreed to turn off the taps by the end of the year. The embargo will then cover about 90% of Russian oil. It is unclear when the remainder will be cut off. The other recipients, all landlocked countries, say it would be costly and difficult to switch to other sources of crude. Slovakia relied on Russia for 92% of its oil in November 2021; Hungary gets 65% of its oil from Russia. Both of these imports come through the Druzhba pipeline. Russian President Vladimir Putin said on 9th June, Thursday that Russian companies will not block off their oil wells despite the West's efforts to lessen its dependence on energy supplies from Moscow. "As far as refusal of our energy resources is concerned, this is unlikely for the next few years, while it's not clear what will happen during those few years. That's why, no one will pour cement into the wells," Putin said at a televised meeting with young entrepreneurs. Russian oil production fell by around 9% in April, but has been on a steady rise since then despite the West's sweeping sanctions against Russia, as Moscow changed the route of its oil exports to Asia, notably to India and China.

d) Russia and OPEC

With the Kremlin moving to take stronger control of Russia's oil industry in recent years, Russia has far more in common with OPEC member countries than it did in the late 1990s and early 2000s when its cooperation with OPEC and compliance with OPEC-non-OPEC agreements was generally poor.

But while working in cooperation with OPEC might make sense for Russian finances, Moscow has not been able to overcome its history with OPEC, which from the producer group's point of view includes a record of free-riding off OPEC's efforts and reneging when it comes to agreement with OPEC on pledges of crude output cuts. Moscow's 2008 production cuts were seen as another empty gesture by the oil cartel. OPEC officials say they continue to see those cuts as merely symbolic. While OPEC and other non-OPEC producers do the work of slashing their oil output to restore world prices, Russia, these producers say, breaks their promises and maintains high output during price crises to benefit financially and gain coveted market share.

OPEC officials complain that Russia perceives itself "above" for joining OPEC as a member. Russia sees OPEC in an inferior status, since OPEC's member states- as developing nations-are beneath Russia's industrialized, superpower self-perception. So Russia looks to influence OPEC by other means. Russia, for example, can offer the protection of its Security Council veto to key OPEC members such as Iran. It can also employ bullying tactics, such as holding up its Middle East military alliances (notably with Iran) to threaten neighboring Gulf states. It can also offer diplomatic assistance via its ability to resist the United States and its willingness to use force (notably with Georgia) to establish why other oil capitals should care what the Kremlin is thinking. This approach has left many countries inside OPEC uncomfortable complaining that Russia wants to influence OPEC, perhaps even pulling its strings, without offering up any responsibilities, contributions or the sacrifices that come with actual membership.

iii. Iraq

Iraq is one of the world’s major oil suppliers. Country’s oil reserves are estimated as 143.1 billion barrels and Iraq is in the fourth rank of listed oil countries according to the oil reserves amounts.

a) Gunmen Attack to Sinopec

The attack took place in Iraq's southeastern Maysan province in the district of Al-Majer al-Kabir. The district has been under control of Sinopec since 2013. Gunmen from the so-called Islamic State (IS) extremist group opened fire on two vehicles belonging to Chinese oil giant Sinopec, wounding two Sudanese guards working for the company. The two security guards were wounded in a Kalashnikov attack which targeted two cars belonging to Sinopec. Chinese workers were also in the vehicles.

b) Militants Attack Oil Wells in Iraq’s Kirkuk

According to the Iraqi Oil Ministry, militants attacked two oil wells in northern Iraq’s Kirkuk province on 5th of May, 2021. According to the statement, a number of security personnel were killed and injured in the bombing. A security source earlier told Anadolu Agency that a policeman was killed in an armed attack by suspected Daesh/ISIS militants targeting the Bai Hassan oilfield. Daesh/ISIS terrorists have in recent months escalated their attacks, especially in the area between Kirkuk, Salahuddin, and Diyala, known as the Triangle of Death. But the ministry did not clarify the nature of the bombing or the party responsible.

iv. Iran

Iran is an energy superpower and the petroleum industry in Iran plays an important part in it. In 2004, Iran produced 5.1 percent of the world's total crude oil (3.9 million barrels (620,000 m3; 160 million US gal) per day), which generated revenues of $25 billion to $30 billion and was the country's primary source of foreign currency. Thus, the importance of the hydrocarbon sector to Iran's economy has been far greater. The oil and gas industry has been the milestone of economic growth, directly affecting the government's annual budget and most of the foreign exchange sources.

In 2012, officials in Iran estimated that Iran's annual oil and gas revenues could reach $250 billion by 2015. However, the industry was disrupted by an international embargo from July 2012 through January 2016. Iran plans to invest a total of $500 billion in the oil sector before 2025.

a) Asia’s Turn to Russian Oil

Following Russia's military invasion of Ukraine in late February, Russian oil was hit with sanctions by Western countries. To compensate for the drop in demand from traditional markets, Moscow has sought to increase exports to Asia by discounting its crude by about $30 per barrel in Asian markets, which is $10 per barrel more than Iran's discount to its Asian customers, especially China. Meanwhile, Iranian oil exports have decreased, with about 40 million barrels of Iranian oil, almost half the crude loaded by Iran in March and April, stuck on tankers waiting for their customers. The data company Kepler, which also provides tanker tracking services, told that preliminary estimates showed that Iran's crude oil and gas condensate loaded in May was about 400,000 barrels per day, compared with 820,000 barrels in April and 908,000 barrels in March.

v. United Arab Emirates

The petroleum industry in the United Arab Emirates (UAE) has long been one of the world’s largest in terms of oil reserves, petroleum production and crude oil exports. Since the beginning these actions have become the backbone of the country’s economy. The UAE is currently the eighth largest petroleum producer and fourth largest crude oil exporter in the world; and hydrocarbon export revenues in the UAE are projected to account for $65 billion in 2017, roughly 20% of all export revenue. Today, despite the decrease in the country’s petroleum revenues caused by the decline in global oil prices, the UAE still remains as one of the most important players in the global petroleum industry.

a) Abu Dhabi National Oil Company

Abu Dhabi National Oil Company (ADNOC) is one of the world's leading energy producers and a primary catalyst for the growth and diversification of the Abu Dhabi economy. With a production capacity of more than 3.5 million barrels of oil per day and 10.5 billion cubic feet of natural gas per day, they operate across the entire hydrocarbon value chain of the UAE.

vi. Libya

Libya is one of the countries in Africa with the largest oil reserves and also among the ten largest globally with 46.4 billion barrels as of 2010. As of 2010 the oil production was 1.65 million barrels per day, giving Libya 77 years of reserves at current production rates if any other new reserves were to be found. Libya is taken into account as a highly attractive oil area because of its low cost of oil production. A big part of Libya’s oil reserves remains under-explored as a result of past sanctions and disagreements with foreign oil companies. So because of that Libya's main challenge is maintaining production at mature fields, while finding and developing new oil fields.

a) The Petroleum Facilities Guard

Petroleum Facilities Guard is a Libyan oil company and militia led by Idris Bukhamada. The company is established in October 2012. Within the summer of 2013, they took control of the main oil export terminals in eastern Libya and starting in March 2014 they attempted to sell oil.

After controlling the ports for years and causing Libya a loss over 60 billion dollars of oil revenues, the Libyan National Army launched "Operation Surprise Lightning" on 10 September 2016 in a bid to take the PFG-controlled Brega, Zuwetina, Sidra and Ras Lanouf oil terminals. The following day, local activists reported that Libyan National Army’s 166th Battalion managed to capture the town of Ajdabiya, Sadra, and Ras Lanouf after a fierce battle with the PFG forces in western Benghazi. By the 12th of September, The LNA had captured the headquarters of the Zueitina oil terminal, leaving the PFG with hardly any territory under its control. On the 14th, The LNA seized Brega, Prompting LNA Colonel Muftah al-Muqarief to declare victory, being quoted as saying "The entire oil crescent region is now under our control".

b) Shut Down of Oil Fields

Pushing their demands, the Petroleum Facilities Guard shut down four oil fields in western Libya, as the Libyan National Oil Corporation (NOC) declared. The NOC said oil production from the Sharara, al-Fil, Wafa and Hamada oil fields was suspended. The four fields are expected to produce more than 300,000 barrels per day. "We cannot accept or turn a blind eye to these practices that cause suffering to citizens, and we cannot make these practices a means to politicize the livelihood of the Libyans," said Mustafa Sanalla, head of the NOC. Earlier on Monday, Alaa Al-Adham, a spokesman for the Petroleum Facilities Guard, told that the guard's demands include "the disbursement of the field allowance, and the construction of a road from Zintan to the Hamada area, southwest of Tripoli."

The closure of several of the country's oil facilities over political differences is not new, and Libyan officials and analysts have blamed the recent blockade on forces aligned with eastern-based commander Khalifa Haftar, who supports Bashagha. Haftar, who is backed by Russia, led a failed offensive in 2019-2020 to capture the capital city, Tripoli. His militias continue to hold the control in much of Libya's east, where the majority of oil facilities are located. Libya sits on Africa's largest known oil reserves. Before the 2011 uprising, its oil production was between 1.5 million and 1.6 million barrels per day. Since the beginning of the conflict, output has wavered, sinking to near zero at several points in the past decade. The closures affect the petroleum infrastructure, especially the pipelines, with harming Libya's reputation and resulting to a loss of confidence on the international market.

vii. Nigeria

Nigeria is accepted as the largest oil and gas producer in Africa. Nigeria's economy and budget has been largely supported from the income and revenues generated from the petroleum industry since 1960. Statistics as of February 2021 shows that Nigeria's oil sector contributes to about 9% of the entire country's GDP. Nigeria as being the largest oil and gas producer in Africa, also is a major exporter of crude oil and petroleum products to the United States of America.

As of 2010, Nigeria began to export over a million barrels per day to the United States of America representing 9% of the U.S total crude oil and petroleum products imports and over 40% of Nigeria's exports. Being the biggest oil and gas producer in Africa comes with certain difficulties. Pipeline vandalism, militant attacks on infrastructure, protests and lawsuits are among the problems that have plagued Nigeria's oil industry for years. Recently, the Nigerian government demanded more than $60 billion in back royalties under a production sharing agreement with the supermajor companies operating in the country. Details and nature of the relationship between the government and the operating companies are governed by three types of agreements; joint ventures, production sharing contracts and service contracts.

a) Joint-Venture Companies of Nigeria

A joint venture of Shell (British) and BP was the first to discover oil in Nigeria. To date, additionally to those two companies, the international players within the country's oil industry include Exxon (American), Chevron (American), Eni, and Total (French). The supermajor with the foremost prominent presence in Nigeria is Shell. The company, through its joint venture with Nigerian National Oil Corporation (NNPC) and the local divisions of Total and Eni (Italian), accounts for half of Nigeria's oil production. Exxon comes next. The U.S. based company contains a 40-60 joint venture with the NNPC, which is the majority shareholder, and stakes in several offshore fields, including several deep-water blocks that have yet to be developed. The third-largest oil player in Nigeria also comes from the United States. Chevron (American) has stakes in both onshore and offshore fields through a JV with NNPC that has the same percentage distribution as Exxon's. Eni's Agip, Total, and ConocoPhilips have a smaller presence in Nigeria, but they are nevertheless important players.

b) Independent and indigenous oil and gas companies operating in Nigeria

1. Addax Petroleum Nigeria Limited
2. Aiteo Group
3. AMNI International Petroleum Development Company Ltd.
4. Consolidated Oil Limited.
5. Dubri Oil Company Ltd.

6. Emerald Energy Resources Ltd.
7. Yinka Folawiyo Petroleum Company Ltd.

c) Nigerian National Petroleum Corporation

The Nigerian National Petroleum Corporation (NNPC) is the state oil corporation which was established on April 1, 1977. In addition to its exploration activities, the Corporation was given powers and operational interests in refining, petrochemicals and products transportation as well as marketing. Between 1978 and 1989, NNPC constructed refineries in Warri, Kaduna and Port Harcourt and took over the 35,000-barrel Shell Refinery established in Port Harcourt in 1965.

d) Oil Thieves Attacks

Attacks made by oil thieves on Nigeria's pipelines and facilities crashed oil production by 48.01% from 2.49 million barrels' peak production recorded on April 17, 2020 to an all-time lowest production level of 1.29 million barrels per day recorded in the month of March, 2022. The most recent figures from the Nigerian National Petroleum Corporation (NNPC) also showed that in 2021 alone, Nigeria lost over $4.01 billion to oil thieves. Figures also showed that this year alone, about $1.5 billion has been lost to vandals.

e) Explosion at Addax Petroleum Nigeria Limited

The explosion occurred in the early hours 4th of May 2022, at the facility operated by Addax Petroleum Development Nigeria Limited. Mr. Michael Abattam, the Police Public Relations Officer in Imo, confirmed the incident to *Channels Television*. He explained that the Commissioner of Police in Imo immediately drafted the command's anti-bomb unit, as well as some operatives of the command to the area to prevent any breakdown of law and order. An eyewitness in the community also disclosed to *Channels Television* that the two persons affected in the explosion were carriers of the bomb. The eyewitness explained that the victims were trying to find their way into the flow station through the entrance when the bomb exploded and killed them. Addax Petroleum is one of the two oil companies located in the Izombie community. In recent times, the community has been a hotbed of insecurity and violence. The most recent is the clash between some youths in the area and officials of the Nigeria Army which left many dead and an unknown number of houses destroyed.

f) Nigeria's Commitments to OPEC

The attacks on pipelines and terminals have dropped but so has oil production. Nigeria currently can produce more than 2 million BPD of crude oil. Still, it has been bound by the OPEC+ production cut agreement to produce less than that: according to OPEC, it was producing around 1.8 million BPD as of November 2019. How output will change now, with the current price war is a worry in an already oversupplied market. During the first round of cuts, agreed in December 2016, Nigeria was exempted, along with Libya, because of the trouble it was having with the Niger Delta militants. After the ceasefire, however, Nigeria was asked to join its co-members in contributing to the overall cut in production. Despite this contribution, the second round of cuts has failed to push international oil prices much higher, betraying the expectations of most participants. As a result, the federal government, which drafted a record-breaking budget of $34 billion for 2020, has had to look for other ways to boost oil revenues.

C) Conclusion

With looking down all the facts and incidents aforementioned before, it is clear that the oil cartel has been under great threats for so long. As of uprising attacks from terror organizations, militants, pipeline vandals and other states none of the oil- rich countries are safe. It would only take a delusionist to believe that these problems can come to an end with time. World's biggest economies and companies are controlled thus being controlled by the oil sector. Right now it is clear that everyone wants to have a word on the politics of the oil cartel. None of the members can be counted as safe. What damages this committee is not only attacks but also powerful firms and countries which change the flow of the water without being committed to any responsibilities, contributions or the sacrifices that come with actual membership of OPEC. So called oil war will continue to damage the oil cartel without a stable security of the cartel's supplies. It is expected from this committee to gather and ensure the safety of all.

Questions That a Resolution Should Cover

A) Agenda Item I:

- How can OPEC reduce the pressure on the cartel which is caused by an undersupplied market?
- What amount of oil could OPEC supply in a recessionary era?
- How to boost trade of oil while supply-chain bottlenecks are occurring and how can OPEC intervene in that issue?
- What can OPEC do in order to solve supply issues during the Russo-Ukrainian War?

B) Agenda Item II:

- What kind of precautions can be taken in order to protect oil reserves?
- Are there any possible actions that OPEC can take in order to support each other against security problems, if so what are they?
- What can be done to prevent the financial losses caused by current security problems?
- What are the possible ways of sustaining the Russia-OPEC relationship?

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