

Department of Political Science

International Organization

SEM-IV (Hons.)

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OPEC

The Organization of the Petroleum Exporting Countries (OPEC, /'oupek/ *OH-pek*) is an intergovernmental organization of 14 nations, founded on 14 September 1960 in Baghdad by the first five members (Iran, Iraq, Kuwait, Saudi Arabia, and Venezuela), and headquartered since 1965 in Vienna, Austria. As of September 2018, the 14 member countries accounted for an estimated 44 percent of global oil production and 81.5 percent of the world's "proven" oil reserves, giving OPEC a major influence on global oil prices that were previously determined by the so-called "Seven Sisters" grouping of multinational oil companies. A larger group called OPEC+ is formed in late 2016 to have more control on global crude oil market.

The stated mission of the organization is to "coordinate and unify the petroleum policies of its member countries and ensure the stabilization of oil markets, in order to secure an efficient, economic and regular supply of petroleum to consumers, a steady income to producers, and a fair return on capital for those investing in the petroleum industry."^[6] The organization is also a significant provider of information about the international oil market. The current OPEC members are the following: Algeria, Angola, Equatorial Guinea, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, the Republic of the Congo, Saudi Arabia (the de facto leader), the United Arab Emirates and Venezuela. Ecuador, Indonesia and Qatar are former members. The formation of OPEC marked a turning point toward national sovereignty over natural resources, and OPEC decisions have come to play a prominent role in the global oil market and international relations. The effect can be particularly strong when wars or civil disorders lead to extended interruptions in supply. In the 1970s, restrictions in oil production led to a dramatic rise in oil prices and in the revenue and wealth of OPEC, with long-lasting and far-reaching consequences for the global economy. In the 1980s, OPEC began setting production targets for its member nations; generally, when the targets are reduced, oil prices increase. This has occurred most recently from the organization's 2008 and 2016 decisions to trim oversupply.

Economists often cite OPEC as a textbook example of a cartel that cooperates to reduce market competition, but one whose consultations are protected by the doctrine of state immunity under international law. In December 2014, "OPEC and the oil men" ranked as #3 on Lloyd's list of "the top 100 most influential people in the shipping industry".^[7] However, the influence of OPEC on international trade is periodically challenged by the expansion of non-OPEC energy sources, and by the recurring temptation for individual OPEC countries to exceed production targets and pursue conflicting self-interests.

In October 2019, Saudi Arabia invited Brazil to join OPEC. The president of Petrobras, Roberto Castello Branco, in an interview in New York, said that being a member or not of OPEC is not an option currently considered by the Brazilian federal government.

As of January 2020, OPEC has 13 member countries: five in the Middle East (Western Asia), seven in Africa, and one in South America. According to the U.S. Energy Information Administration (EIA), OPEC's combined rate of oil production (including gas condensate) represented 44 percent of the world's total in 2016, and OPEC accounted for 81.5 percent of the world's "proven" oil reserves.

Approval of a new member country requires agreement by three-quarters of OPEC's existing members, including all five of the founders. In October 2015, Sudan formally submitted an application to join, but it is not yet a member.

Qatar left OPEC on 1 January 2019, after joining the organization in 1961, to focus on natural gas production, of which it is the world's largest exporter in the form of liquified natural gas (LNG).

Ecuador announced that it would leave OPEC on 1 January 2020. Ecuador's Ministry of Energy and Non-Renewable Natural Resources released an official statement on 2 January 2020 which confirmed that Ecuador had left OPEC, though it was still listed as a member state on OPEC's website as of 7 January.

Conflicts

OPEC often has difficulty agreeing on policy decisions because its member countries differ widely in their oil export capacities, production costs, reserves, geological features, population, economic development, budgetary situations, and political circumstances. Indeed, over the course of market cycles, oil reserves can themselves become a source of serious conflict, instability and imbalances, in what economists call the "natural resource curse". A further complication is that religion-linked conflicts in the Middle East are recurring features of the geopolitical landscape for this oil-rich region. Internationally important conflicts in OPEC's history have included the Six-Day War (1967), Yom Kippur War (1973), a hostage siege directed by Palestinian militants (1975), the Iranian Revolution (1979), Iran–Iraq War (1980–1988), Iraqi occupation of Kuwait (1990–1991), September 11 attacks by mostly Saudi hijackers (2001), American occupation of Iraq (2003–2011), Conflict in the Niger Delta (2004–present), Arab Spring (2010–2012), Libyan Crisis (2011–present), and international Embargo against Iran (2012–2016). Although events such as these can temporarily disrupt oil supplies and elevate prices, the frequent disputes and instabilities tend to limit OPEC's long-term cohesion and effectiveness.

**Source – Wikipedia

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