

2. Oil Prices Crash due to Price War

Prelims Syllabus: INTERNATIONAL - OPEC

Mains Syllabus: Indian Economy and Issues relating to Planning, Mobilization of Resources, Growth, Development and Employment.

Why in News?

- Oil fell by the most since 1991 after Saudi Arabia started a price war with Russia by slashing its selling prices and pledging to unleash its pent-up supply onto a market, which is reeling from falling demand because of the coronavirus outbreak.

Highlights:

- Brent crude futures fell by as much as \$14.25, or 31.5%, to \$31.02 a barrel. That was the biggest percentage drop since January 17, 1991, at the start of the first Gulf War and the lowest since February 12, 2016.
- It was trading at \$35.75 at 0114 GMT. Saudi Arabia, the world's biggest oil exporter, is attempting to punish Russia, the world's second-largest producer, for refusing production cuts proposed by the Organization of the Petroleum Exporting Countries (OPEC).
- OPEC and other producers supported the cuts to stabilise falling prices caused by the economic fallout from the coronavirus outbreak.
- Saudi Arabia, Russia, and other major producers last battled for market share like this between 2014 and 2016 to try to squeeze out production from the United States, now the world's biggest oil producer as flows from shale oil fields doubled the country's output during the last decade.
- China's efforts to curtail the coronavirus outbreak has disrupted the world's second-largest economy and curtailed shipments to the largest oil importer.
- The spread to other major economies such as Italy and South Korea and the burgeoning cases in the United States has increased the concerns that oil demand will slump this year.

OPEC:

- The Organization of the Petroleum Exporting Countries 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.
 - 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.
 - ✓ 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

