

Republic of Iraq

Ministry of Higher Education

and Scientific

Al-Mustaqbal University College

Chemical Engineering and Petroleum Industries

Department



Subject: Petroleum Economics

Second Class

Lecture Six



Prices of exporting Crude Oil

It is known that the global oil market is more demanding market than it is a casual supply market, as it is influenced to a large extent by the macroeconomic variables in the importing countries, while it is not subject to an important influence that is seldom exported by the exporting countries. This comes from the fact that the oil-exporting economies are still fragile economies that do not have a broad production base that gives them the flexibility to find effective alternatives to financing from outside the oil sector, not to mention that they are economies with a limited negative impact in the field of global influence, which keeps them as party states and not axis countries and makes them avoid using oil as a bet except rarely.

The volume of demand by the industrial machine for importers, the costs of extraction and transportation, the extent of growth of new exploration and strategic storage, and the extent of growth and development of energy alternatives are all influencing factors in global oil price trends, while OPEC has a limited role in maintaining the minimum levels of decline in prices by agreeing on production ceilings usually What the members disavow, not to mention the production outside the borders of the organization.

The table shows the continuation of the increase in the prices of crude oil exports during the two years 2010 and 2011 after its decline in the year 2009 in the global markets due to the financial crisis and the state of deflation that swept the production institutions in the oil-importing countries.

Table 6: The increase in the prices of crude oil exports during 2008-2011

Year	Estimated rate of export price in the state budget \$/Barr	Average actual export price \$/Barr
2008	57	44.84
2009	50	59
2010	56.62	62.75
2011	76	72.104

Table 7: Crude Oil Revenue 2008-2011

Year	The Expected Estimated Revenue in the state budget / million \$	Actual Revenue Million \$
2008	43274	59539
2009	36500	41330
2010	45625	52203

Oil demand:

Crude oil is not consumed in its crude form, and no energy is generated from it unless it undergoes refining. Crude oil

It is by nature a raw material. The factors affecting demand are:

1- The demand for energy, especially oil, is closely related to the level of general economic activity in the world

Country .

2- The same energy prices, especially the prices of petroleum products, which include a large amount of taxes the consumer.

3- The US dollar exchange rate and its impact on oil prices.

4- Strategic oil reserves.

5- The production of OPEC countries and their oil policies.

6- Climate influences.

7- Average per capita income.

8- Structure of national production.

9- Laws regulating energy consumption.

10- The importance of population growth. 11- Energy consumption patterns (the relative importance of oil within the alternative energy sources in each sector). 12- Expectations of the various economic units about the future of the market. 13- A group of non-economic factors.

Elasticity of Demand for Oil:

The elasticity of demand for oil represents the degree of responsiveness of the quantities required to changes that occur in one

The main determinants of demand. Assuming the stability of the rest of the elements. It results in a lack of flexibility

The economic impacts on oil are:

1- The effects that result from the lack of flexibility on oil related to the sharp fluctuations to which it is exposed its prices. It is clear that the more elastic the demand for a commodity, the more elastic it is

This was one of the factors leading to the establishment of equilibrium automatically, without accompanying many changes in the balance the prices .

2-The effect of the tax policy:

Because of the flexibility, petroleum products are ready for taxation as The tax is determined on the basis of the high demand for petroleum products. On oil insignificant Bartell elasticity, the tax decreases.

3-The third impact: the revenues obtained by the crude oil-producing governments: It follows from the lack of flexibility that the rise in prices does not lead in the short term to a noticeable decrease in prices Sales volume .