

An Outlook on Predictions of Crude oil Price near Future

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Abstract: The crude oil price alone plays an important role in the economy growth of a country because one can't imagine the world without hydrocarbon fuel. Even though Gulf countries are desert without any resources they become one of the richest countries in the world on the basis of selling oil with higher price. Owing to various kinds of issues, the price of oil is in the bottom line for last three years in a row and recovery is also a big debate by the oil economists which leads to shut many oil rigs and oil production. This article mainly focusses on the crisis of oil price, its economic impact in the energy market, the different root causes of continuous fluctuation in the price at the present situation and predicts the near future price.

Index Terms - Crude price, Energy demand, Shale oil, Geopolitics,

I. INTRODUCTION:

Based on geographical locations, The crude oil is arrived to the energy market such as WTI crude, Brent crude, Dubai crude, OPEC basket, WCS, etc.,.The price is based on the quality of crude oil which is classified by API and the sulphur contents. High sulphur or higher API value tends to the lower the price of oil because higher sulphur content crude a refinery process to remove sulphur from it and Light gas hydrocarbons such as methane, ethane, propane, petrol cant be extracted from higher API. The Energy demand of world is fulfilled by the The countries such as Iran, Saudi Arabia, Iraq, Qatar, Libya, Algeria, Angola, Ecuador, Equatorial Guinea, Gabon, Nigeria, Kuwait and Venezuela because of their enriched hydrocarbon sources and production decided to dominate the oil market by controlling the oil price and they formed a committee that is OPEC (Organization of Petroleum Exporting Countries) to maximize the profit on selling oil In Late 1960s. From 2011 to 2014 the oil price was hanging between \$90– \$120 per barrel. In the middle of 2014, due to a sharp decrease in the developing countries energy demand (especially china) and USA has started to increase its production which leads the price below \$30. Later the price is recovered slowly and its present is almost standing in \$ 70.

II. THE SOURCES OF PERSISTENT POOR PRICE:

This price fluctuation is normal as it happened many times in the before decades. But the main difference between this time and previous cases is recovery of the oil price. The analysts provide the following strong abnormal reasons for the lower oil price which didn't happen ever in the oil price history still unable to find the recovery time which maybe more than years.

2.1 OPECs Major contribution:

OPEC is supplying 40% world's oil demand. Whenever the production is high, the members decide to cut their production for showing the demand is more than the supply. Even though Iran, Venezuela and Algeria were ready to cut their production, other participating countries didn't agree for unknown political problems. Even Iraq wasn't only cutting the production and started increase the production.

2.2 Low oil demand vs High oil supply

Higher demand for the oil is always laid by china, Europe & developing countries. Since the middle of 2014, China devalued its currency and developing countries economy become worse which leads to cut their import rate more than 35%, tend to lower demand globally. Almost 50,000 barrels per day is excess than the demand per day. This is another factor to decrease oil price consistently.

2.3 Politics influence oil price:

Libiya and Iraq produce oil together 4 million barrels per day blindly with irrespective oil price conditions in the market due to political upset between these two countries. Gulf countries also not to allow their consumers to buy with other oil exporting countries and they also let and wait for a situation of the oil producing will be more than the selling price.

2.4 USA as a big shale oil exporter

Upto 2011, USA had been exporting the lower sulphur crude around 5.2 million barrels per day (mbpd). Gradual increase in shale production leads to 9.2 mbpd in 2014 and expected to reach 9.6 mbpd at the end of 2018. Early 1980s, USA was importing oil from the market even though they have little oil production for meeting their own country demand. For the last decades only, the continent found a vast amount of shale reserves and developed low cost expensive extraction will bring them the oil seller in the energy market.

2.5 Causes of a hasty fluctuation

Though the lower price, it is fluctuated upto \$3 either it may rise or fall in a day trade itself. Because US Dollar currency value controls a smaller part as the oil should be sold through the dollar currency whoever does the production and another reasons such as natural disasters, weather changes, oil spill will also lead to the instability.

III. EFFECT ON THE GLOBAL ECONOMY:

The continuous low oil price doesn't upset as much as to the economy of western developed countries because they aren't usually oil importers for the last decades. The Asian pacific crude exporting countries have a mild decrease in their economy. The countries such as Korea DPR, Mongolia and Turkmenistan economy are strongly affected because they are major oil exporters to china and their economy is almost based on china s crude purchase. Remote island nations (Kiribati, Maldives, Samoa, Tonga, Micronesia and Tuvalu) agricultural based countries such as Kyrgyzstan, Cambodia, Nepal are highly beneficial because of their merchandise cost has been reduced. This made a trade balance among the developed countries.

IV. CRUDE PRICE WILL AHEAD OR BOUNCE BACK

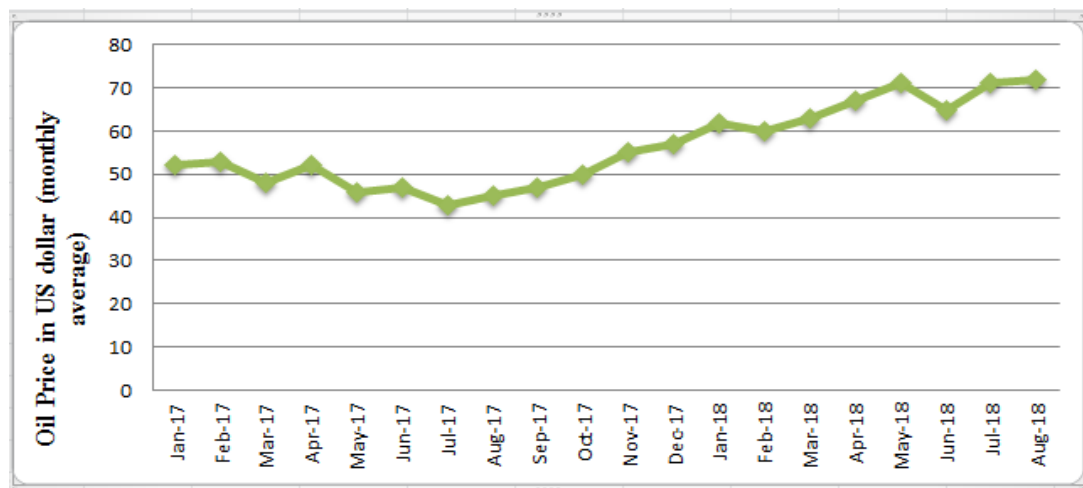
How much the reasons are predicted to reach the oil price its peak, the same number of reasons is obtained by oil economists and it's a big task give the exact outcome. For now, the sweet and lighter crude is WTI crude from USA which price is always behind \$3 to \$4 than Brent crude oil from Arab countries Even though production cost of USA shale oil is almost thrice as Saudi Arabia does. Table 1 explains the oil exporter production rate. If the cheap sources for extraction of oil are exhausted, as well as Iraq should agree to cut its production, the crude price may return to \$100.

Table 1: The oil production cost of larger exporting countries

S.No	Country	Total Production cost (including transport & taxes) in US dollars
1.	UK	50
2.	Nigeria	31
3.	Canada	29
4.	Norway	24
5.	Indonesia	22
6.	Iraq	12
7.	Saudi Arabia	10
8.	Brazil	37
9.	Venezuela	30
10.	U.S. Shale	26
11.	U.S. non-shale	22
12.	Russia	23
13.	Iran	11

In the beginning of 2016, the crude price was around \$30 and slowly recovered in the month of July 2016 into \$50. The fluctuation was \$2 to \$4 per day and managed to rise and constantly up to November 2017. The price was again started to rise very slowly and stayed almost around \$65 since December 2017 and up to now. For the last two years, price was not fallen that previously happened and so it is clearly predicted oil price further won't fall less than \$60 in upcoming few years. Graph indicates the oil price statistics for the two years

Graph 1: Crude price chart for the last one year in month wise



V. CONCLUSION:

The article clearly demonstrates the present situation of oil market there is less possibility to achieve crude oil price for its peak. According to EIA, USA will increase its production upto 2020. Saudi is a world's major oil reserve holder and the country is also producing oil in a cheapest manner than any countries. So they won't let their share of oil in the market and waits for others production cost increases. Apart from this politics, Iraq, Libya are doing unstoppable production and not agreeing with OPEC. Due to environmental concern, one of largest oil importer China also avoid nonconventional fuel and switching to conventional sources such as electric cars etc., If the oil price needs to suit, The countries should cut their production as of OPEC guidelines or the petroleum investors should wait for major oil field depletion to gain more profit. For the next five years, the same scenario will be persisted unless the countries stop their political plays.

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