THE LATEST DROP IN PRICE OF OIL: WHY THIS TIME IT'S DIFFERENT FOR OPEC

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ABSTRACT

Throughout the past decades, the volatility of oil prices has always been owed to shifts in supply and demand. However, the steep drop in oil prices that began in June 2014 and continues to the date of writing this paper in April 2015 is different due to multiple factors. This paper begins with a historical overview of the instability of oil prices, it then sheds the light on three factors why this particular plunge constitutes a real threat to OPEC member states and Middle East producers especially; the first, is that oil producing countries are consuming a lot more of their own oil today than they have done before, wasting it on unproductive subsidy spending. The second is the drop in demand owed to the United States' newly created oil independence, the massive success of shale oil in America has turned it from a major importer of Middle Eastern oil to major competition. Thirdly, due to America's waning demand for Middle Eastern oil, the former no longer has the same interest in maintaining the security of the unstable, troubled latter. Finally, this paper ends with naming the oil producing states suffering the most from this price decline.

Keywords: Oil, supply, demand, OPEC, Gulf States, Shale oil, fracking, USA, China, IMF, Crude oil, energy efficiency, renewables, low carbon emissions.

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