



SIMUN X

St. Ignatius Model United Nations

Tenth Annual Conference

OPEC

November 5, 2011

St. Ignatius College Prep | Chicago, IL



Organization of Petroleum Exporting Countries

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Chair: Ben Oleniczak
Political Officer: Robert Nolan
Vice Chair: Max Rosner



Hello my name is Ben Oleniczak and I am a senior this year at Saint Ignatius College Prep. This is my third year participating in Model UN at St. Ignatius and it has been great experience thus far. I devote most of my extracurricular time to my sport: crew (Yes, like in *The Social Network*). I love rowing in which I have competed against some of the best crews in the nation, I also enjoy that it is a full-body workout. I also love spending my summers and free weekends in the wilderness. This past summer I was on a two-month, 700 mile, sea-kayaking expedition in southeast Alaska. My diverse life experiences have left me with an interest in international relations and, consequently, in Model UN. Model UN is one of the most fun activities I have done in high school. I am looking forward to chairing OPEC at SIMUN X and promise that I will chair to the best of my abilities; if you have any questions, feel free to ask.

Hello Everyone! My name is Bobby Nolan, and I am a senior currently attending St. Ignatius College Prep. I am involved in a number of activities at Ignatius including soccer and lacrosse. Ever since I joined Model United Nations at the beginning of my Junior Year, I have absolutely loved this club. The debate and discussion skills along with the growth in world knowledge you gain in this club are simply unparalleled. I was lucky enough to be able to attend the St. Ignatius, Georgetown, and St. Ignatius-Lyons Township Conferences last year, but this will be the first time I am chairing a Model U.N. event. I really look forward to this upcoming Model U.N. Year, and I am especially excited to be able to be a part of SIMUN!

Hello, my name is Max Rosner; I am currently a sophomore at St. Ignatius and have done Model UN for 2 years now. Along with this I also plays football and rugby. I have travelled to six continents and plan on running for mayor of Chicago in 2019. I am the vice-chair of OPEC and I am very excited about serving on the staff of SIMUN X. This is my first experience serving on the dais of any committee; I am very much looking forward to the opportunity to do so. I am happy to answer any questions you may have, feel free to send chair, the political officer, or me any questions, comments or concerns you may have. I am looking forward to this upcoming year of MUN and I am very excited to see you all at SIMUN X!

The Organization of Petroleum Exporting Countries, OPEC for short, is an organization of 12 countries that have large stocks of petroleum and oil. Collectively, its goal is to maintain and stabilize the price of oil in international markets keeping in mind the interests and the need of a steady income flow for the 12 producing nations within OPEC. The 12 current countries in this organization include: Algeria, Angola, Ecuador, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, United Arab Emirates, and Venezuela. It is important to keep in mind that OPEC is not a political body or union, therefore its legislation is almost always economically or socially themed. The delegates should research their countries' positions and represent those positions within committee.

Thank you for participating in SIMUN X, everyone on the SIMUN X staff is very excited to welcome you to our school and is looking forward to watching you in committee. The staff, especially your OPEC dais, hopes that you will learn and grow from your experiences here at SIMUN X. With that being said, feel free to contact us at our school emails with any questions, comments, or concerns you may have, we will be glad to help in any way possible.

Best of Luck!

Your Chair, Political Officer, and Vice Chair

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TOPIC 1: Energy Conservation and the Long-term sustainability of OPEC

As environmentalism and conservation become growing movements many people around the world have raised concerns about the health and safety of planet earth. Many environmentalists feel that “global warming” is a major indication that the earth is no longer environmentally sound, and point to humans’ heavy use of oil and other natural gases (whose by-products then go into the atmosphere after use) as one of the main causes of the earth’s environmental problems. As a result of this concern, developed, petroleum consuming, countries around the world have made greater efforts to promote conservation and the use of more sustainable resources. The EU, for example, is looking at cutting greenhouse gas emissions considerably by establishing quotas specific to each country; if a country is over its allowed emissions level, it is required to come up with an action plan for cutting those emissions levels, and it can even be fined. Additionally, other countries, especially the UK are now raising taxes on oil both to fund the government and to discourage consumers from such a heavy dependency on oil. Governments are investing more and more money into projects to develop both more renewable and clean energy, and often subsidizing the research and implementation of these alternate energy sources. Likewise, countries are also promoting more eco-friendly habits among citizens in an effort to help protect and conserve the environment like in the United States for example where many cars are now required to be tested for emissions output.

OPEC, the Organization of Petroleum Exporting Countries, has stated that it is committed to promoting the environment and pushing for sustainable economic growth. OPEC’s member countries have been supporters of UN sponsored environmental resolutions and negotiations since they began in 1992. One environmental effort that OPEC is particularly supportive of is what is known as carbon capture and storage (also known as carbon capping). OPEC believes that carbon capturing and storage could reduce global carbon emissions by about 40% by 2050. OPEC is and has been very open to cooperation with the global community in its efforts to save the environment and combat global warming. For example, OPEC announced the creation of a \$750 million fund to invest in clean technology and practices for the production of oil, with Saudi Arabia pledging \$300 million while Kuwait, Qatar, and the United Arab Emirates each pledged \$150 million. Several member countries have also established their own green programs in the field of clean oil production technology. The In Salah project, for example, in Algeria, is aimed at making serious reductions in carbon emissions from oil producing activities by using carbon capture and store technologies. Other countries located along the Persian Gulf have also made increased efforts to prevent waste dumping within the gulf region.

With this growing eco-friendly trend continuing, oil will become less in demand over a long period of time as alternative and clean energy may become cheaper for consumers. This is a very likely possibility of the future as oil may become more and more expensive over time due to its status as a non-renewable resource, thus its eventual depletion, despite efforts made by OPEC for cleaner technology and more sustainable oil production practices. This poses a problem for OPEC in the near future. The range of

required investment predicted by OPEC for 2020 in its long term strategy report of 2010 states that the required investment could range anywhere from below \$200 billion to above \$400 billion. This wide range in its prediction indicates its own uncertainty into the future of its oil on the market, despite having very large reserves (the only countries collectively in the world, in fact, that have excess oil after meeting all export demands). As countries begin to consume less oil OPEC will lose revenue, investments, and power. The United States, for example, would not want to continue to pay OPEC level prices on crude oil, from one of its allies such as Saudi Arabia or the UAE, if it is moving towards more sustainable and renewable energy, which could be cheaper. With utilities investment returns yielding greater than average market returns, utilities stocks are reported to have earned returns of 11% while overall market returns were 07%, thereby indicating that energy companies will have more capital to invest in renewable energy sources and that people have confidence in the future of the energy sector because of the renewability of clean energy. OPEC is the face of the international oil industry. Its role in the global political community is unprecedented, yet as the world moves down the path of conservation and long-term sustainability, the importance and value of OPEC will inevitably decrease. OPEC itself has even commented that much of its power and wealth will be dependent on future oil demands; the fact that OPEC, the leader of the international oil industry, was so unsure of the future of oil 10 years down the road so as to make a prediction with a \$200 billion dollar difference indicates that this is a huge concern of OPEC. In other words, the real question for OPEC becomes, “How will it survive and remain powerful as the world turns to more renewable energy sources and oil supplies around the world dry up over time?”

OPEC will face many challenges in the future with regard to the environment; it will have to face many tough questions. Much of the western world depends on OPEC for its energy and economic progress, thus the decisions and policies of OPEC affect the world economy and political scene in a very direct way. When OPEC decreases production of oil gas prices goes up, national economies suffer, trade slows, and countries complain. OPEC has great amounts of power and influence in a variety of political and economic fields around the globe, controlling about 79% of the world’s crude oil reserves and about 44% of the world’s production of crude oil. OPEC’s control of such vast amounts of oil is what gives it its power; however, with the world turning towards more renewable and cleaner energy sources and world oil supplies eventually running dry, OPEC’s powerful status and could change. OPEC is in a unique position, it is being called upon to help save and preserve the environment while trying to survive as an economic organization that prospers off of the production and consumption of petroleum, a major fossil fuel whose consumption at great levels has led to changes in the global environment.

Questions for debate:

How can OPEC increase the long-term sustainability of its oil?

What role can OPEC play in helping the environment?

How can OPEC meet the needs of quickly developing countries such as India and China, who need energy to support its current growth rate, in an environmentally sound way?

How will OPEC's policies change as a result of trouble in the environment as oil continues its trend towards eventual depletion?

How will OPEC continue to attract investment and consumption in an era of conservation and sustainability?

Does OPEC need to expand its membership to preserve its power and influence in the world?

Will OPEC use its power for the safety and conservation of the environment now and for generations to come?

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Topic 2: Tapping into OPEC's Spare Crude Oil Capacity

The recent turmoil this world has faced affects not only the countries this turmoil arises in but also the entire world and its economy. On February 15, 2011, Libyans began to peacefully protest President Muammar Gaddafi on the streets of Tripoli, the capitol of Libya. The protests were met with military action from the Gaddafi government. The protestors reacted by causing an uprising throughout the country and establishing a government called the National Transitional Council who's sole goal was to overthrow Gaddafi and establish democratic elections for the government of Libya. As the uprising spread throughout the country, the focus on oil production gradually decreased and shifted to more of a focus on ridding Gaddafi from office. Both sides of the conflict were battling both directly and indirectly for control over key transportation and oil sites. This battling caused Libya to lose about 2/3 of its oil output according to Reuter's. Some oil companies even went so far as to support one side or another, with the Arabian Gulf Oil Company (Agoco), the second-largest state owned Oil Company, pledging its support and its resources to the opposition force aimed at ridding Gaddafi from office.

OPEC alone is a remarkably important economic force in the world as it controls a vast majority of the world's crude oil, about 79%. The recent uprisings, especially those that occurred in Libya, have had a very significant effect on OPEC and the global economy as a whole. Even though Libya exports the least crude oil of the twelve OPEC countries, its exportation plays a crucial role in the stabilization of the market. Without Libyan oil, the global price of oil has fluctuated and risen. This is not good for business or trade around the world because oil is a basic resource cost for almost all businesses and governments. OPEC is such an important organization to the international economy because much of the world is so dependent on its oil. Thus, because most of the world depends on its oil, OPEC is able to control the market price of oil. Oil production in Libya dropped significantly as a result of the uprisings there. This effect has yet to subside. Libya's output in January was nearly 1.59 million barrels a day whereas in July this dropped to nearly 100,000 barrels a day. Future estimates predict that without immediate moves toward stability in this area production rates could continue to drop to an even lower output with numbers ranging anywhere from approximately 60-70,000 barrels a day. Other sources, such as the IEA, have disagreed arguing that production will be soon to rebound and can rebound to nearly 600,000 barrels within the next month if Libya works hard enough to rebuild its oil industry. Through these varying estimates, one fact can be concluded; the future of oil production within Libya is very unpredictable and so too are the future economic predictions for the price of oil, though most indicate that it will rise.

A lot of the effect that the revolutions in Libya have on OPEC oil production and exportation can be found in a basic macro-economic principle of supply and demand. Demand has increased within the last month whereas supply from OPEC has dropped because of the effects of these uprisings. This basic drop in supply and increase in demand greatly inflates the price of oil, which, unless effectively controlled, could have adverse affects on an already weak and recovering global economy. Although OPEC was able to increase production 158,000 barrels a day last month to meet both the rising global demands and to make up for Libya's decrease in production, with Saudi Arabia

and Nigeria leading the increase in production, OPEC is still being called on to produce more. The IEA has predicted the demand for oil to slowly rise throughout the next fiscal year, which would mean that OPEC would have to increase its current production levels even more if Libya does not return to its former production numbers soon. One proposed solution to handling this decrease in supply is to use OPEC's Spare Crude Oil Capacity. OPEC has reserved this spare oil capacity in the event that a crisis or sudden trend would cause a tremendous drop in supply and oil reserves were needed immediately. The role of the capacity is to serve as a "safety buffer" for a situation where the current oil production levels of OPEC are not enough to meet global demands. It is also used, for example, when non-OPEC countries are under producing and OPEC is needed to fill the gap in the world supply of oil that non-OPEC countries usually fill. Use of these reserves would solve the issue of supply and demand, but the use of this spare oil capacity is specifically reserved for emergencies and times when current production levels can not sustain, or increase fast enough, to satisfy global demands. Be it that this spare oil capacity was to be used, the specifics (i.e. quantity, duration, etc.) would need to also be discussed by the OPEC countries. Another factor to consider with regard to long-term growth in this area is how OPEC will supplement Libya's decreased outputs to make up for a decrease in supply. As suggested earlier, OPEC could tap in to its spare crude oil capacity, but what if the revolutions/unrest in Libya continue and stabilization in the country, especially the oil industry, is not seen for several months, maybe even a year or two? OPEC will then need to discuss long term strategy plans and goals that address the problem the revolutions in Libya present to OPEC's crude oil production and export. Additionally, with the recent revolutions in Libya still in mind, OPEC may want to use this opportunity to discuss strategy and ideas for how to sustain crude oil production levels in a member country during a time of political unrest; and likewise what the role of OPEC is during a time of political unrest and change in a member country, keeping in mind that OPEC is not a political body, but rather an economic organization. The situation in Libya over the past months has proved to be a trying time for both Libya and OPEC. The democratic revolutions throughout the middle east and North Africa have marked a significant change in the international political community, how OPEC responds to this will have a significant effect on its future stability and growth as these political uprisings may lead to even more political revolutions in the middle east and North Africa, maybe even one of the twelve OPEC member countries.

Questions for debate:

Should OPEC use its crude oil spare capacity to meet the world demands called for by the IEA? If so, to what extent will OPEC use it?

Thinking long-term, how will OPEC address the significant decrease in its oil production levels due to the situation in Libya?

How will OPEC respond to another member country in the future should a situation similar to what happened in Libya occur there?

How will OPEC sustain production levels in the future should a situation similar to what happened in Libya occur in a member country?

Should OPEC consider protecting its oil reserves and production sites with increased levels of security to ensure production levels remain constant considering what happened to Libyan oil production during its crisis?

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