

Секція: УПРАВЛІННЯ ТА АДМІНІСТРУВАННЯ, ЕКОНОМІКА

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ECONOMIC AND STRATEGIC ANALYSIS IN THE GLOBAL OIL MARKET

The greatest increase in energy consumption is occurring in the transport sector, in which about 90% of the energy is derived from oil. The highest energy consumption takes place in economically developed countries. The total production of fossil fuels (oil, coal, natural gas) increased by almost 55% in about 30 years.

The use of nuclear energy, which generates 16% of the electricity produced in the world, it raises constant concerns both for safety and for the cost-efficiency ratio.

It is also proposed to the countries to increase the use of renewable and non-polluting energy sources, such as wind, solar, hydro, wave and other, the goal is to increase the share of energy produced with these sources in all countries. For this reason, the adequate energy policies are necessary to make possible new investments in non-polluting energy sources.

Oil is the most consumed energy source in the world; indeed, entire production sectors depend on this; it is also difficult to substitute in the long term.

So, as we can see the crude oil is an energetic raw material of high importance. A great part of activities that we make every day use the energy, resulting directly or indirectly, from the hydrocarbons.

Global oil demand is characterized by high rigidity, but the same thing does not apply to global supply, that, on the contrary, can change considerably for political and economic reasons.

For this and for other reasons crude oil is the strategic raw material, because as the crude oil reserves are not equally distributed in the world but have areas of higher concentrations.

The participants of the oil market we can combine into four main groups: oil companies, governments of exporting countries, governments of importing countries, international organizations. Competition between companies, strategic and political interests of governments, political and economic conditions in oil areas, are just some of the aspects that have marked the evolution of relations between the participants of the global oil market.

A high price of oil is the result of complicated interactions between numerous factors, which vary over time. One of the biggest driver that responsible for oil price increases is due to a strong growth demand from countries with limited production capacity. If the offer is limited and the demand increases, the price will go up.

By definition, supply and demand must always be balanced. In any case, the historical evaluation of the demand and supply is possible only by analyzing a price context. In recent years, many production constraints have been placed on non-OPEC oil producing countries since these countries lack machinery and labor. In the absence of supply, it cannot exist additional demand.

Also, an increasing number of developing countries gets richer. These countries must aspire living standards comparable to OECD countries (Organisation for Economic Cooperation and Development, which include developed countries with high-income economies and very high Human Development Index). One of these standards of life is the possibility of using the same level of energy. If the oil supply should be limited, then the only possibility to have a balance between supply and demand to be achieved is a gradual increase

in price until the demand does not reach a stalemate also observed in OECD countries. Today, the increase in demand is much more elastic due to subsidies that protect consumers in particular because of the strong economic growth of non OECD countries.

There is a great conviction that there are fluctuations in capital in the futures market that cause a disruption between supply and demand, and, in turn, determine the increase in oil price.

The weakness of the us dollar clearly conduces to increasing the price of oil only when it is linked to these currency. The same is true for the price of oil quoted in Euro.

As for each market, the price of oil is determined by the intersection of supply and demand. What characterizes oil stock market is that in the short term supply and demand are not very flexible.

The rigidity of the two curves makes the prices of the oil very volatile, any reduction in supply, due to geopolitical reasons, climatic reasons, will inevitably lead to the increase in prices.

Volatility is also due to speculation and the expansion of volumes on oil derivatives contracts. The price will tend to increase as a function of positive forecasts on world economic growth, as well as the entire energy sector. The increase in oil prices create inflation-related risks, so in general it tends to have a negative effect on stock exchange sentiment.

The energy sector, the true protagonist of the world economy, turns out to be one of the biggest items of expenditure in the financial statements; the importance of crude oil makes it a highly speculative resource.

The price of Brent is however determined every day by the level of demand on the markets, and by the corresponding level of supply by those traders who decide to offer certain quantities of crude oil.

Psychological factors, as in other markets, also play a decisive role here. The experts are in fact agreeing to underline that, at current levels, the barrel does not reflect the fundamentals of the industry, due to the fears of traders, and their speculations, which are encrease the prices.

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