World’s Oil Scenario – Falling Oil Prices
Winners and Losers a Study on top Oil Producing and Consuming Countries

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Abstract-
Global oil prices have fallen sharply over the past seven months, leading to significant revenue shortfalls in many energy exporting nations, while consumers in many importing countries are likely to have to pay less to heat their homes or drive their cars. From 2010 until mid-2015 world oil prices had been fairly stable, at around $110 a barrel. But since June prices have more than halved. Brent crude oil has now dipped below $50 a barrel for the first time since May 2009 and US crude is down to below $48 a barrel. The reasons for this change are twofold - weak demand in many countries due to insipid economic growth, coupled with surging US production. This is the fact that the oil cartel Opec is determined not to cut production as a way to prop up prices.

Introduction
As 2015 drew to a close, many in the global energy industry were praying that the price of oil would bounce back from the abyss, restoring the petroleum-centric world of the past half-century. All evidence points to a continuing depression in oil prices in 2016, in fact stretch into the 2020s and beyond. Given the centrality of oil in the global power equation, this is bound to translate into a profound shakeup in the political order, with petroleum producing states from Saudi Arabia to Russia losing both prominence and geopolitical clout.

To put things in perspective, it was not so long ago in June 2014, to be exact that Brent crude, the global benchmark for oil, was selling at $115 per barrel. Energy analysts then generally assumed that the price of oil would remain well over $100 deep into the future, and might gradually rise to even more stratospheric levels. Such predictions inspired the giant energy companies to invest hundreds of billions of dollars in what were then termed “unconventional” reserves. It seemed obvious then that whatever the problems with, and the cost of extracting, such energy reserves, sooner or later handsome profits would be made. It mattered little that the cost of exploiting such reserves might reach $50 or more a barrel.

As of this moment, however, Brent crude is selling at $33 per barrel, one-third of its price 18 months ago and way below the break-even price for most unconventional “tough oil” endeavors. Worse yet, in one scenario recently offered by the International Energy Agency (IEA), prices might not again reach the $50 to $60 range until the 2020s, or make it back to $85 until 2040.

The current rout in oil prices has obvious implications for the giant oil firms and all the ancillary businesses like equipment suppliers, drill-rig operators, shipping companies, caterers, and so on, that depend on them for their existence. It also threatens a profound shift in the geopolitical fortunes of the major energy-producing countries. Many of them, including Nigeria, Saudi Arabia, Russia, and Venezuela, are already experiencing economic and political turmoil as a result. Think of this, for instance, as a boon for the terrorist group Boko Haram as Nigeria shudders under the weight of those falling prices. The longer such price levels persist, the more devastating the consequences are likely to be.

The Objective of the Study
The world oil price crisis has a huge impact on world economy. The study lays emphasis on the winners and looser of this price situation and which country is taking which measures.

Methodology
Our aim of this research is to identify and evaluate the trends of conscious sedation in oil prices emergency. Our study was an observational retrospective study. We have chosen this study...
design because it is a good way to find who are the most affected countries in world economy affected positively or negatively by this oil price war.

**Findings**

Although data opacity makes objective analysis difficult, market observers reported in April, 2016 that China has surpassed the United States as the world’s largest oil importer. This statistical inflection point needs context to understand global consumption trends. While oil bulls are anxious about China’s reduced crude growth appetite, fundamental shifts in Chinese currency and domestic consumption strategies point to long-term growth in Chinese hydrocarbon consumption generally.

Simultaneously meeting increasing domestic demand for both commodity and bespoke chemical products. In fact China is now is the fastest growing petrochemical industry worldwide. China’s push to close obsolete teapot refineries in favor of modernized, complex refineries that add more value per barrel of refined oil points to long-term need for increased feedstock imports.

### World top 10 Oil Producing Countries

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Production (bbl/day)</th>
<th>Share of World's output (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>United States</td>
<td>10.10</td>
<td>14.05%</td>
</tr>
<tr>
<td>2</td>
<td>Saudi Arabia</td>
<td>9.735</td>
<td>13.09%</td>
</tr>
<tr>
<td>3</td>
<td>Russia</td>
<td>9.373</td>
<td>12.23%</td>
</tr>
<tr>
<td>4</td>
<td>China</td>
<td>4.18</td>
<td>5.15%</td>
</tr>
<tr>
<td>5</td>
<td>Canada</td>
<td>3.60</td>
<td>4.54%</td>
</tr>
<tr>
<td>6</td>
<td>Iraq</td>
<td>3.36</td>
<td>4.45%</td>
</tr>
<tr>
<td>7</td>
<td>UAE</td>
<td>3.11</td>
<td>4.14%</td>
</tr>
<tr>
<td>8</td>
<td>Iran</td>
<td>2.82</td>
<td>3.32%</td>
</tr>
<tr>
<td>9</td>
<td>Mexico</td>
<td>2.56</td>
<td>3.56%</td>
</tr>
<tr>
<td>10</td>
<td>Kuwait</td>
<td>2.61</td>
<td>2.96%</td>
</tr>
</tbody>
</table>

Table: 1.1

As shown in the above table (Fig. 1.1) USA was the third largest oil producing country from 2008 to 2012 but gradually increased its production and reached to first position in 2015 beating Saudi Arabia. China’s position remains the same for all years but Russia went to third position after 2012. Besides this Canada also made its mark and ranked one step up in the table. UAE and Kuwait also kept their position stable in the past seven years. But Nigeria and Mexico have lost their position. However, Iran and Iraq also made considerable hikes and hold a good position on their oil production.

Oil is most important resources on the planet. The United States consumes 19 million barrels of oil a day. A barrel of oil is about a bath's worth. China consumes 10.3 million, Japan 4.5 million and India 3.5 million. Every day, the world consumes 91.2 million barrels of oil, according to the US Energy Information Administration.

### World’s top 10 largest oil importer countries:-

<table>
<thead>
<tr>
<th>Rank</th>
<th>Countries</th>
<th>Billion Barrel</th>
<th>Per Day</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>USA</td>
<td>7.39</td>
<td>19</td>
</tr>
<tr>
<td>2</td>
<td>Japan</td>
<td>4.66</td>
<td>4.53</td>
</tr>
<tr>
<td>3</td>
<td>China</td>
<td>4.50</td>
<td>10.12</td>
</tr>
<tr>
<td>4</td>
<td>South Korea</td>
<td>2.24</td>
<td>2.32</td>
</tr>
<tr>
<td>5</td>
<td>India</td>
<td>2.20</td>
<td>3.51</td>
</tr>
<tr>
<td>6</td>
<td>Germany</td>
<td>2.16</td>
<td>2.4</td>
</tr>
<tr>
<td>7</td>
<td>France</td>
<td>1.63</td>
<td>1.77</td>
</tr>
<tr>
<td>8</td>
<td>Singapore</td>
<td>1.31</td>
<td>1.32</td>
</tr>
<tr>
<td>9</td>
<td>Italy</td>
<td>1.16</td>
<td>1.18</td>
</tr>
<tr>
<td>10</td>
<td>Spain</td>
<td>1.16</td>
<td>1.2</td>
</tr>
</tbody>
</table>

Table: 1.2

And that consumption figure will go up, not down. Every week, 1.5 million people are added to the world's urban population. And that tends to add to our consumption of oil as societies move from an agrarian economy to consumption and manufacturing economy. The growth of the emerging seven countries (China, India, Brazil, Russia, Indonesia, Mexico and Turkey) will only add to this upward pressure on demand.

Most notably China and other fast-growing Asian economies, account for nearly half of all infrastructure spending that's the development of cities and factories, in the main. And it all adds to oil demand. Because the more we live in cities and the more countries develop - the more we want cars to drive around in and lorries to deliver the goods we want to consume. The global vehicle fleet (commercial vehicles and passenger cars) is predicted to more than double from about 1.2 billion now to 2.4 billion by 2035. Most of that growth - 88% - is in the developing world and...
nearly all of it - just under 90% - will be fueled by oil. Of course, there are alternatives to oil. And across the world, environmental targets and efficiency gains are having an impact. But those developments are only slowing the increase in demand. They are nowhere significant enough to reverse it.

Look at cars. In the forecasts, transport demand for oil rises by about 30% by 2035, while the actual number of vehicles doubles. But 30% is still a significant rise. Renewable energy is replacing some of the world's appetite for oil. The growth of renewables will outpace the growth of oil and coal products in 2016. But although the growth of renewable energy is rapid, it is from a very low base.

The strong growth of US tight oil that's oil taken directly from rocks via the process of fracking in recent years has had a dramatic impact, with oil increasingly flowing from West to East rather than East to West. This is likely to continue, with strong growth in China and India driving energy demand.

THE CHANGING WORLD POWER EQUATION

Many countries that get a significant share of their funds from oil and natural gas exports and that gained enormous influence as petroleum exporters are already experiencing a significant erosion in prominence. Their leaders, once bolstered by high oil revenues, which meant money to spread around and buy popularity domestically, are falling into disfavor.

Nigeria’s government, for example, traditionally obtains 75 percent of its revenues from such sales; Russia’s, 50 percent; and Venezuela’s, 40 percent. With oil now at a third of the price of 18 months ago, state revenues in all three have plummeted, putting a crimp in their ability to undertake ambitious domestic and foreign initiatives.

In Nigeria, diminished government spending combined with rampant corruption discredited the government.

Venezuela has experienced a similar political shock thanks to depressed oil prices. When prices were high, government took revenues from the state-owned oil company, Petróleos de Venezuela SA, and used them to build housing and provide other benefits for the country’s poor and working classes, winning vast popular support for his United Socialist Party. Government also sought regional support by offering oil subsidies to friendly countries like Cuba, Nicaragua, and Bolivia.

The situation in Russia remains somewhat more fluid. President Vladimir Putin continues to enjoy widespread popular support and, from Ukraine to Syria, he has indeed been moving ambitiously on the international front. Still, falling oil prices combined with economic sanctions imposed by the European Union and the United States have begun to cause some expressions of dissatisfaction, including a recent protest by long-distance truckers over increased highway tolls. Russia’s economy is expected to contract in a significant way in 2016, undermining the living standards of ordinary Russians and possibly sparking further anti-government protests. In fact, some analysts believe that Putin took the risky step of intervening in the Syrian conflict partly to deflect public attention from deteriorating economic conditions at home. He may also have done so to create a situation in which Russian help in achieving a negotiated resolution to the bitter, increasingly internationalized Syrian civil war could betrayed for the lifting of sanctions over Ukraine. If so, this is a very dangerous game, and no one least of all Russia can be certain of the outcome.

Saudi Arabia, the world’s leading oil exporter, has been similarly buffeted, but appears—for the time being, anyway—to be in a somewhat better position to weather the shock. When oil prices were high, the Saudis socked away a massive trove of foreign reserves, estimated at three-quarters of a trillion dollars. Now that prices have fallen, they are drawing on those reserves to sustain generous social spending meant to stave off unrest in the kingdom and to finance their ambitious intervention in Yemen’s civil war, which is already beginning to look like a Saudi Vietnam. Still, those reserves have fallen by some $90 billion since last year and the government is already announcing cutbacks in public spending, leading some observers to question how long the royal family can continue to buy off the discontent of the country’s growing populace. Even if the Saudis were to reverse course and limit the kingdom’s oil production to drive the price of oil back up, it’s unlikely that their oil income would rise high enough to sustain all of their present lavish spending priorities.

Other major oil-producing countries also face the prospect of political turmoil, including Algeria and Angola. The leaders of both countries had achieved the usual deceptive degree
of stability in energy producing countries through the usual oil-financed government largesse. That is now coming to an end, which means that both countries could face internal challenges.

And keep in mind that the tremors from the oil pricequake have undoubtedly yet to reach their full magnitude. Prices will, of course, rise someday. That’s inevitable, given the way investors are pulling the plug on energy projects globally. Still, on a planet heading for a green energy revolution, there’s no assurance that they will ever reach the $100-plus levels that were once taken for granted. Whatever happens to oil and the countries that produce it, the global political order that once rested on oil’s soaring price is doomed. While this may mean hardship for some, especially the citizens of export-dependent states like Russia and Venezuela, it could help smooth the transition to a world powered by renewable forms of energy.

Renminbi Effect?
Over time, there’s little doubt that lots of foreign cash will flow into Chinese financial assets implying that renminbi-denominated assets will increase in value. As the yuan goes global and stronger, crude oil priced in US dollars becomes cheaper, sparking a secular Chinese hydrocarbon consumption growth rate increase. The possible launch of the Shanghai International Energy Exchange this year could induce greater investment in Chinese crude hedging which when combined with a more liquid and stronger yuan could lock-in consumption growth.

Chinese Petrochemical Infrastructure Investment Increasing

Unlike Saudi Arabia which is ironically a net importer of refined product despite producing 10 million barrels of oil per day, China currently is a net exporter of petrochemicals. China’s rapidly increasing investment in downstream petrochemical refining and manufacture gives it the flexibility to export product while

Falling oil prices: Who are the winners and losers?
United States: Fracking boom

The growth of oil production in North America, particularly in the US, has been staggering. It has been this growth in US energy production, where gas and oil is extracted from shale formations using hydraulic fracturing or fracking that has been one of the main drivers of lower oil prices. Shale has essentially severed the linkage between geopolitical turmoil in the Middle East, and oil price and equities.

Even though many US shale oil producers have far higher costs than conventional rivals, many need to carry on pumping to generate at least some revenue stream to pay off debts and other costs.

Russia: Propping up the trouble

Russia is one of the world's largest oil producers, and its dramatic interest rate hike to 17% in support of its troubled underscores how heavily its economy depends on energy revenues, with oil and gas accounting for 70% of export incomes. Russia loses about $2bn in revenues for every dollar fall in the oil price, and the World Bank has warned that Russia's economy would shrink by at least 0.7% in 2016 if oil prices do not recover.

Despite this, Russia has confirmed it will not cut production to shore up oil prices. Falling oil prices, coupled with western sanctions over Russia's support for separatists in eastern Ukraine have hit the country hard. The government has cut its growth forecast for 2016, predicting that the economy will sink into recession.

Former finance minister, Alexei Kudrin, said the currency's fall was not just a reaction to lower oil prices and western sanctions, "but also distrust to the economic policies of the government". While President Putin is not using the word "crisis" on Russia's economic problems. The twin impact of falling oil prices and sanctions, he said the government had had to cut spending. He had to abandon a number of programmes and make certain sacrifices.
Russia's interest rate rise may also bring its own problems, as high rates can choke economic growth by making it harder for businesses to borrow and spend.

**Saudi Arabia: Price versus Market Share**

Saudi Arabia, the world's largest oil exporter and Opec's most influential member, could support global oil prices by cutting back its own production, but there is little sign it wants to do this. There could be two reasons - to try to instill some discipline among fellow Opec oil producers, and perhaps to put the US's burgeoning shale oil and gas industry under pressure.

Although Saudi Arabia needs oil prices to be around $85 in the longer term, it has deep pockets with a reserve fund of some $700bn - so can withstand lower prices for some time. In terms of production and pricing of oil by Middle East producers, they are beginning to recognise the challenge of US production. If a period of lower prices were to force some higher cost producers to shut down, then Riyadh might hope to pick up market share in the longer run.

However, there is also recent history behind Riyadh's unwillingness to cut production. In the 1980s the country did cut production significantly in a bid to boost prices, but it had little effect and it also badly affected the Saudi economy.

**Opec: Not all are equal**

Alongside Saudi Arabia, Gulf producers such as the United Arab Emirates and Kuwait have also amassed considerable foreign currency reserves, which means that they could cut deficits for several years if necessary. Other Opec members such as Iran, Iraq and Nigeria, with greater domestic budgetary demands because of their large population sizes in relation to their oil revenues, have less room for maneuver.

They have combined foreign currency reserves of less than $200bn, and are already under pressure from increased US competition.

Nigeria, which is Africa's biggest oil producer, has seen growth in the rest of its economy but despite this it remains heavily oil-dependent. Energy sales account for up to 80% of all government revenue and more than 90% of the country's exports.

The war in Syria and Iraq has also seen ISIS, or Islamic State, capturing oil wells. It is estimated it is making about $3m a day through black market sales - and undercutting market prices by selling at a significant discount - around $30-60 a barrel.

Venezuela is one of the world's largest oil exporters, but thanks to economic mismanagement it was already finding it difficult to pay its way even before the oil price started falling.

Inflation is running at about 60% and the economy is teetering on the brink of recession. The need for spending cuts is clear, but the government faces difficult choices.

The country already has some of the world's cheapest petrol prices - fuel subsidies cost Caracas about $12.5bn a year - but President has ruled out subsidy cuts and higher petrol prices. The government's caution is understandable.

**Europe and Asia: Mixed blessings**

With Europe's flagging economies characterised by low inflation and weak growth, any benefits of lower prices would be welcomed by beleaguered governments.

A 10% fall in oil prices should lead to a 0.1% increase in economic output, say some. In general consumers benefit through lower energy prices, but eventually low oil prices do erode the conditions that brought them about. China, which is set to become the largest net importer of oil, should gain from falling prices. However, lower oil prices won't fully offset the far wider effects of a slowing economy.
Japan imports nearly all of the oil it uses. But lower prices are a mixed blessing because high energy prices had helped to push inflation higher, which has been a key part of Japanese Prime Minister’s growth strategy to combat deflation.

India imports 75% of its oil, and analysts say falling oil prices will ease its current account deficit. At the same time, the cost of India's fuel subsidies could fall by $2.5bn this year - but only if oil prices stay low.

Conclusion

Of course oil is important, we need it to drive in our millions of cars, jobs depend on it, the supply of energy is at the heart of much of global politics (just look at Russia now), wars are fought over it, without oil the lights would go out. I tailed off, realizing that yes, of course, I knew oil was important. But quite how important slightly eluded me. And so I started digging around for some facts. And only when you start doing that does the hugeness of its influence on the global economy become clear. You can't move anything, anywhere faster than about 25mph without oil. You can't operate a modern military, and you can't run a modern economy. There is no doubt in my mind whatsoever that modern civilization would collapse in a matter of months if oil stopped flowing.

References


