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# Production of oil of OPEC

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The meetings of OPEC are a kind of miracle cure for each new [fever of the price of the barrel of petrol](#). It answers each time this waiting with an inflation of words and a production of breathless barrels of petrol. But what can really make OPEC opposite to the thirst for black gold of the consumers?

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## Creation of OPEC

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To its creation OPEC is with a trust of oil exporting countries which must defend a rise in the price of the barrel of petrol by joint actions of its members for the reduction in their production of oil.

### A. Creation of OPEC.

The barrel of petrol is with less than 2 dollars (10 current dollars) when, on September 10, 1960, OPEC is born in the Middle-East, more precisely in Baghdad. It creates in the general indifference by Venezuela of Perez Alfonso and by Saudi Arabia of Takiri. In the beginning, OPEC counts only five members: Saudi Arabia, Venezuela, Iran, Iraq and Kuwait. The seat is initially in Geneva then, in 1965, it is moved in Vienna. The following countries join then OPEC: Qatar (1961), Indonesia (1962), Libya (1962), Abou dabi (1967), Algeria (1969), Nigeria (1971), Ecuador (1973, left in 1992 and return in 2006), Gabon (1994) and finally Angola and Bolivia in 2006

In English that means : **Organization of Pétroleum Exporting Countries.**

### B. 1st oil shocks.

On June 5, 1967, the six day old war makes weigh a threat of boycott of the Arab countries on the production of oil for the USA and for the Occident. In 1970, colonel Kadhafi forces the oil companies to sign new agreements by the threat of nationalization.

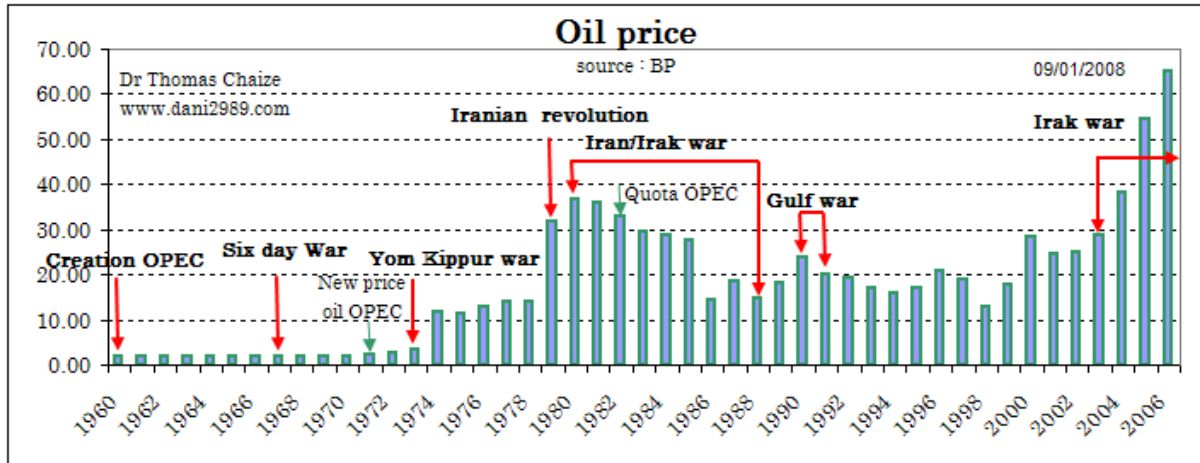
On February 14, 1971, OPEC imposes on the oil companies new tariffs. In October 1973, during the war of Kippour, OPEC again makes pressure on the USA and the Occident in form of threats of oil embargo.

### C. Second oil crisis.

- In February 1979, the Shah of Iran is reversed with the profit of the Ayatollah Khomeiny and Iranian exports out of hydrocarbons are stopped.
- In September 1980, it is the beginning of the war Iran/Iraq until 1988.
- In 1982, creation of production quotas for the Member States of OPEC on the

basis of their reserve, system which has especially creates an artificial rise of the reserves more than one fall of the production of its members.  
- On August 2, 1990, beginning of the war of the golf and on May 1, 2003 beginning of the war of Iraq.

OPEC exists for more than 40 years and price increases which it caused are more the fact of internal crises of its members and noisy communication, which of areal effectiveness to coordinate a fall of the production of oil.



## OPEC the way of the producers?

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OPEC changed much since the years 1970, which was to be a trust of producers seems to be an oil consumer's association.

### A. The communication of OPEC.

With each new rise of the oil price, OPEC is obliged to communicate in catastrophe, a message which is often built in two parts :

1. "***It is not our fault***", it is because of Chinese consumption, the speculation of Hedge fund, the geopolitical tensions. You notice that production capacities which saturate are ever mentioned and even less the subject, taboo, of the oil peak of the [worldwide production of oil](#).

2. "***We increase the production***", message relayed with many noises by all avid news agencies of information to explain a rise in the price of the barrel which they do not understand.

The continuation of the history is more discrete, all the countries of OPEC are of the maximum (top) of production of barrels per day, production of oil stagnates. Here some typical titles, which appear with each new record of rise in the price of the barrel: "*OPEC wants to be reassuring*", "*OPEC seeks to stabilize the oil prices*" or "*The oil courses drop before the meeting of OPEC*", "*If the market needs more than crude we will answer present*".

More OPEC made noise on these rises of production, more I am convinced that it is to its maximum. By shout with the wolf nobody any more listens to you! I have sometimes the impression that everyone forgot that OPEC is a trust of producer countries which were creates to maintain the price of the barrel at one time when the world had too much oil and not to prevent the prices from assembling the day when the [world does not have oil sufficient any more](#).

### B. The malicious producer and the nice consumer.

It is a kind of roleplay with one malicious and one nice. OPEC is the malicious one which balks with each new rise of the production to the nice consumers. OPEC accepts the role and continuous to make believe that its reserves and its production are unlimited. The consumer countries have a designated culprit, they can continue to consume more than 80 million barrels per day (1 barrel = 159 liters). The speech "*OPEC produced to the maximum we must consume less and to seek fire exits*" is definitely less interesting for the two parts.

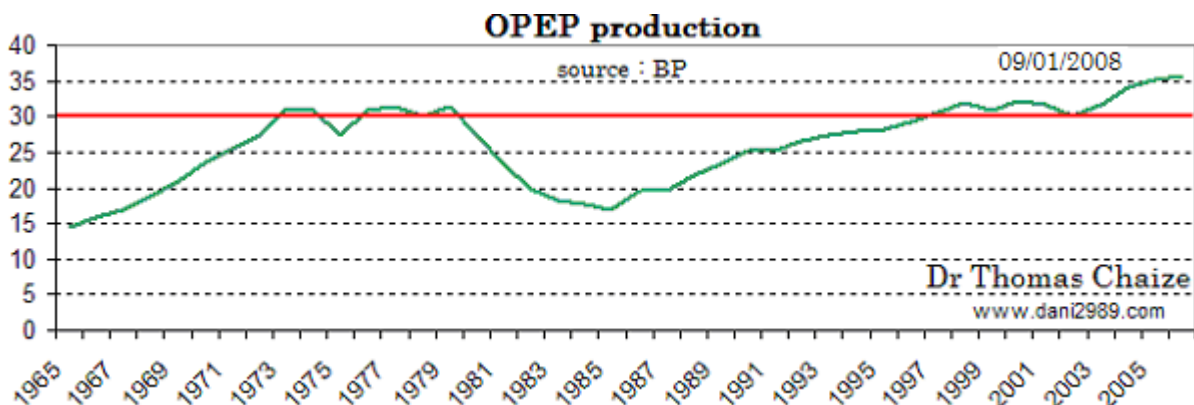
## Saudi Arabia, the heart of OPEC

The key question is to know if OPEC can increase or not its production of oil.

### A. Production of the countries of OPEC.

With each new rise in the prices of the barrel of petrol OPEC promises new rises of production whereas many its members already reached the peak of production: Venezuela and Libya in 1970, Iran in 1976, Indonesia in 1977, Gabon in 1996, Algeria in 1999, Ecuador, Qatar and, perhaps, Saudi Arabia in 2004 and finally Kuwait in 2006.

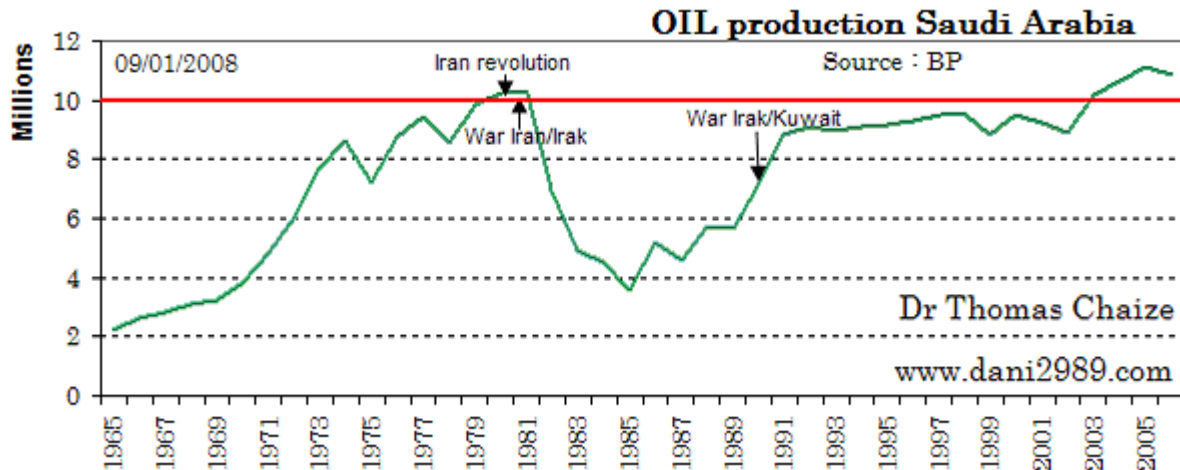
Within OPEC, only Iraq still has a real additional production capacity, however it is not yet in measurement to use it because of the war. Since 2005, the production of the countries of OPEC stagnates with a value close to 35 million barrels per day (OPEC: 43% of the worldwide production and 75% of “official” reserves). The EIA (Energy Information Administration), in a projection for 2030, table on a production of 57 million barrels per day for OPEC (a doubling, yes, yes...), that resembles more one incantation than with a prospect for production of OPEC. The investments promised to increase the production of oil will be used in the best of the cases to maintain the production rather than to increase it. Always according to EIA, the price of the barrel of petrol should be with 59 dollars in 2030 (with minis of 39 and one maximum of 95 dollars), with the inflation of the dollars, the rise of the request and the stagnation of the production of oil, we are likely more to gain with the lotto than to see oil with a value of 59 dollars in 2030.



### B. The myth of the production of inexhaustible oil of Saudi Arabia.

The graphics of the oil production of Saudi Arabia (1/4 of world reserves, 13% of the worldwide production) are very revealing. Saudi Arabia often promised an evolution of its production of oil to the top of 12 million barrels per day and even 15 million barrels per day. The production of Saudi Arabia is assembled only briefly to the top of the 10 million barrels per day, whereas OPEC always affirmed to be able to count on the unlimited capacities of the production of oil of the desert of Saudi Arabia. Today, the ARAMCO promises a rise to 12 million

barrels per day for 2009 thanks to large investments whereas the production stagnates since 2005...



**F**or a few years, OPEC has functioned inside out. Create to support the oil prices, OPEC devotes all its energy today to prevent the rise of the prices. The rise's promises of production of OPEC are only signals among others of the imminence of the oil peak of production. The world will miss oil to support its growth. OPEC is then the ideal culprit with this imminent and announced oil shortage long time by many [geologists](#). However, today the producer countries of OPEC do not differ much any more from the other oil-producing countries, finished the trust of producer countries which battle against the "seven sisters" and who support the prices of the barrel. Subjected to all the pressures, OPEC for a long time has the oil tap opened to the maximum. It remains today very little of additional production capacity to OPEC to answer the thirst for oil. The problem is that OPEC remains the last recourse to increase the production... Shouldn't the question today for the investors and the strategists be any more "[when the peak of production takes place?](#)" but "[what will become the world with less oil?](#)" ...

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*"To seek to be justified when one is not guilty, it is to accuse itself."*  
Arab Proverb

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