

IMPACT PARAMETERS ON THE VOLATILITY OF THE WORLD OIL PRICE

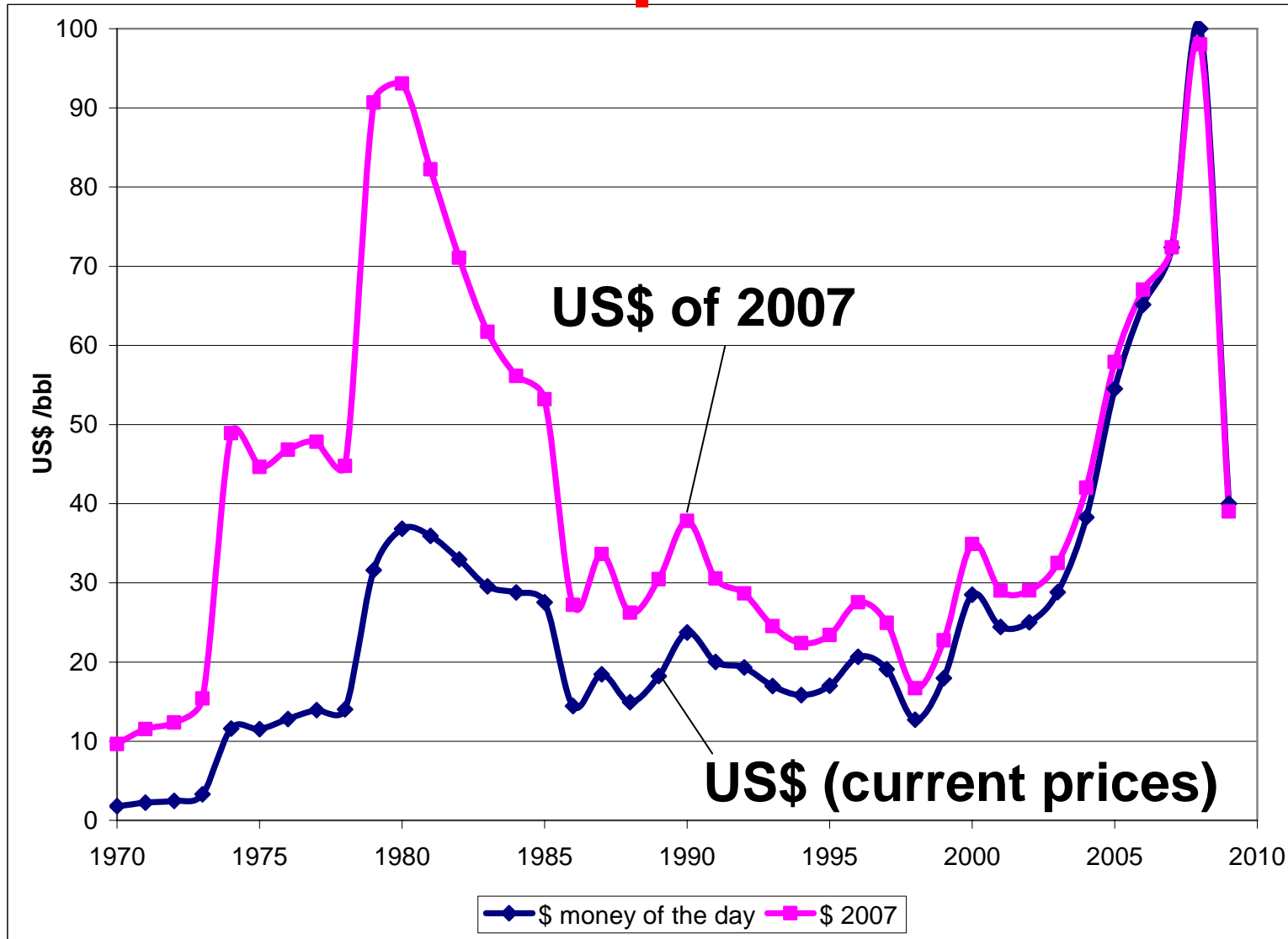
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- 1. Introduction**
- 2. Method of approach**
- 3. The world oil market**
- 4. Major results**
- 5. Conclusions**

Historical oil price development



(At least) three major explanations for the development of the oil price:

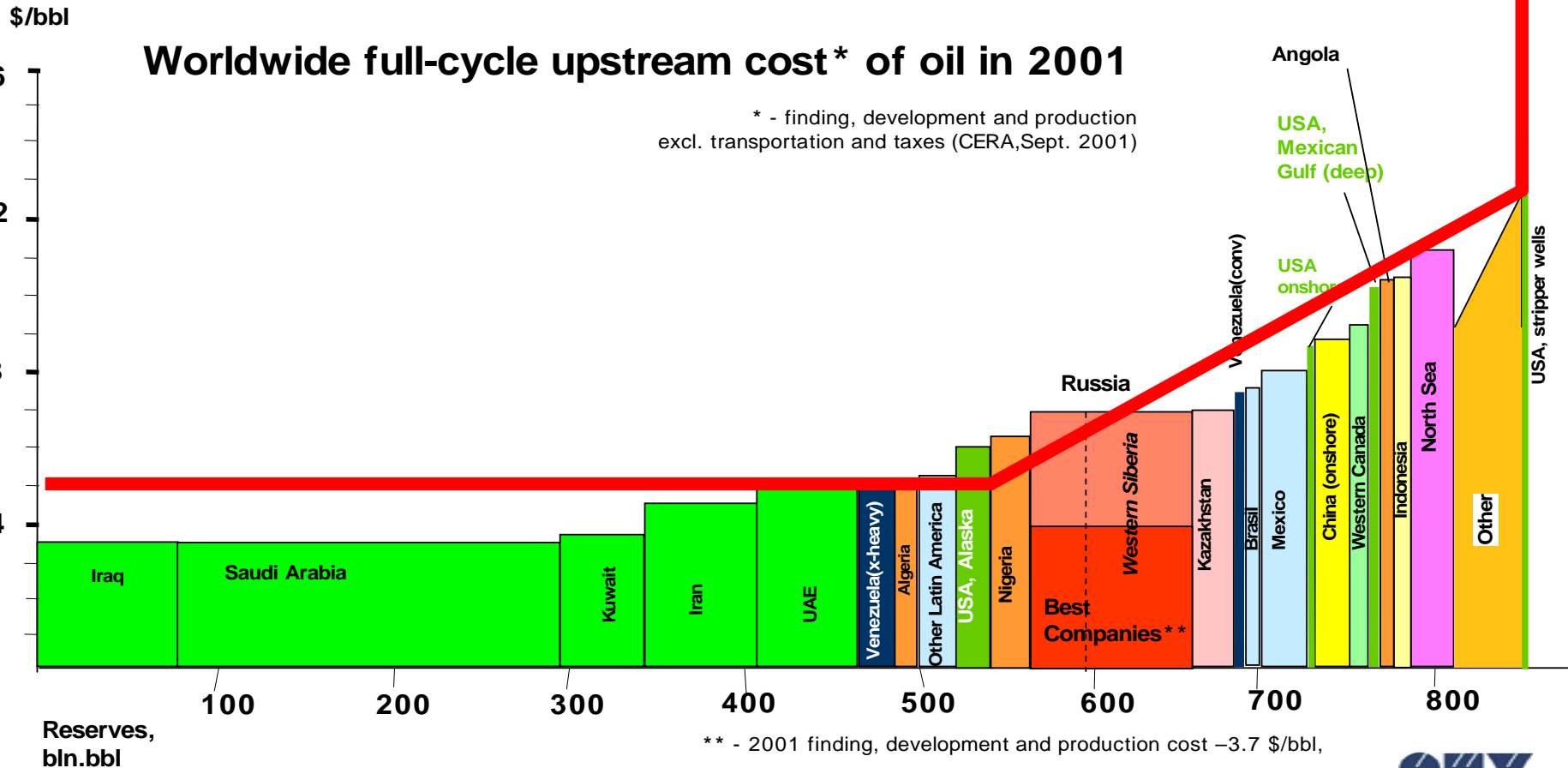
- **physical fundamentals of demand & supply (short-term and long-term)**
- **fiscal (e.g. currency) developments and strategic/speculation from the demand-side**
- **strategic behaviour of suppliers (oligopoly game)**

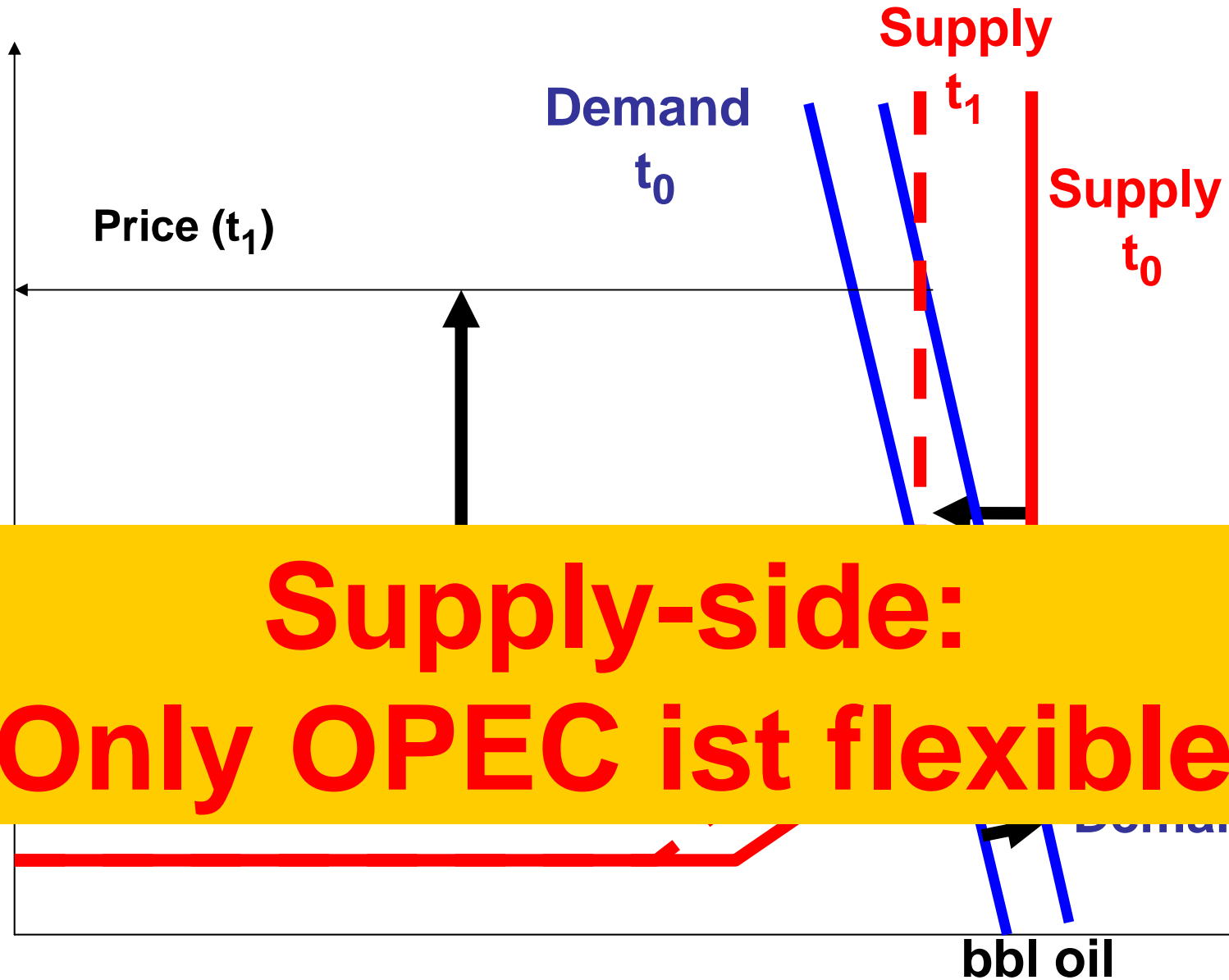
2. METHOD OF APPROACH

- Describing the fundamentals of oil supply & demand in the world oil market;
- Discussion of the role of OPEC in the world oil market;
- The issue of physical short-term and speculative long-term demand;
- Comparison of these features for the two periods of investigation;

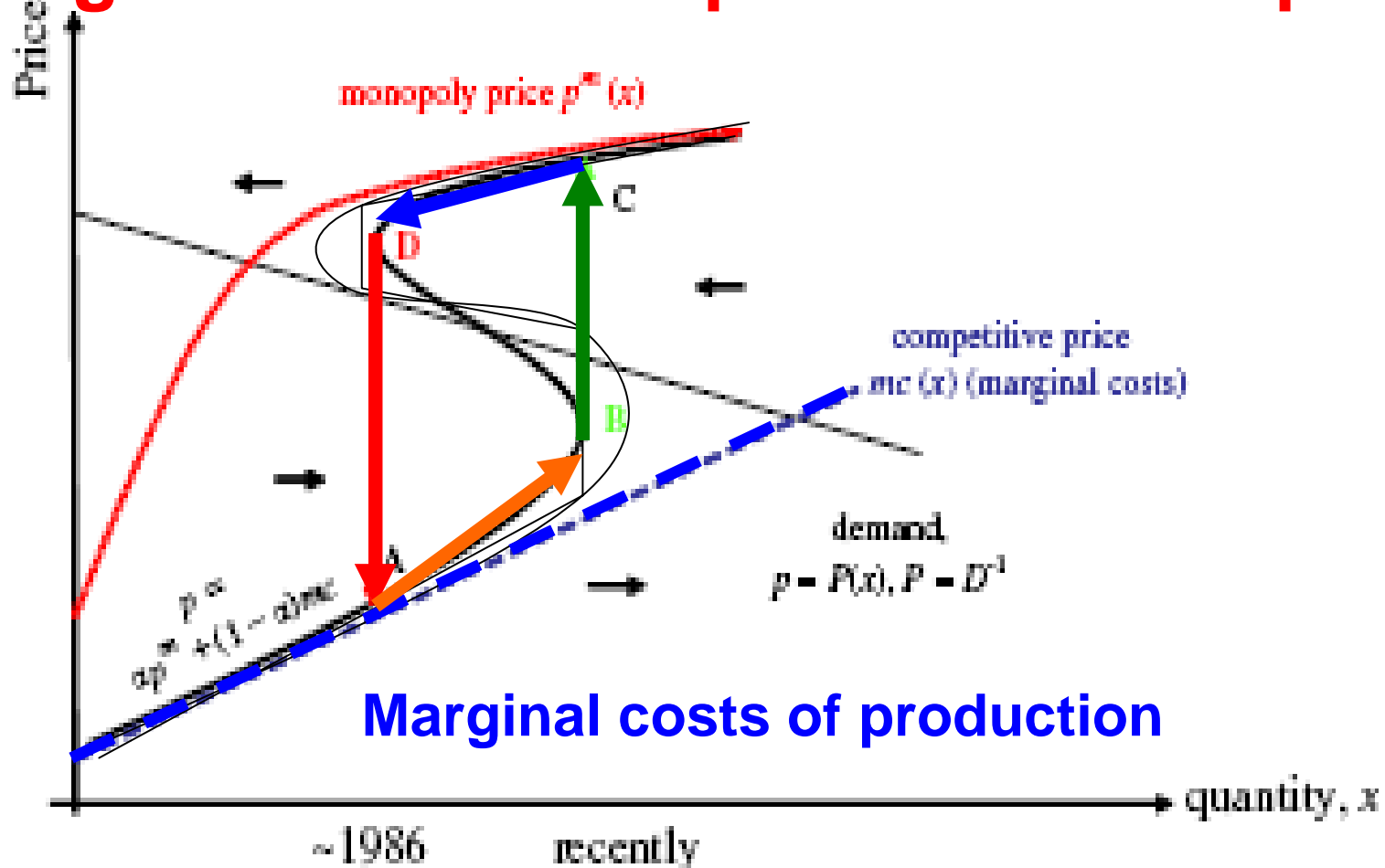
3. WORLD OIL MARKET

FUNDAMENTAL MODEL BASED ON SUPPLY-SIDE COST CURVE





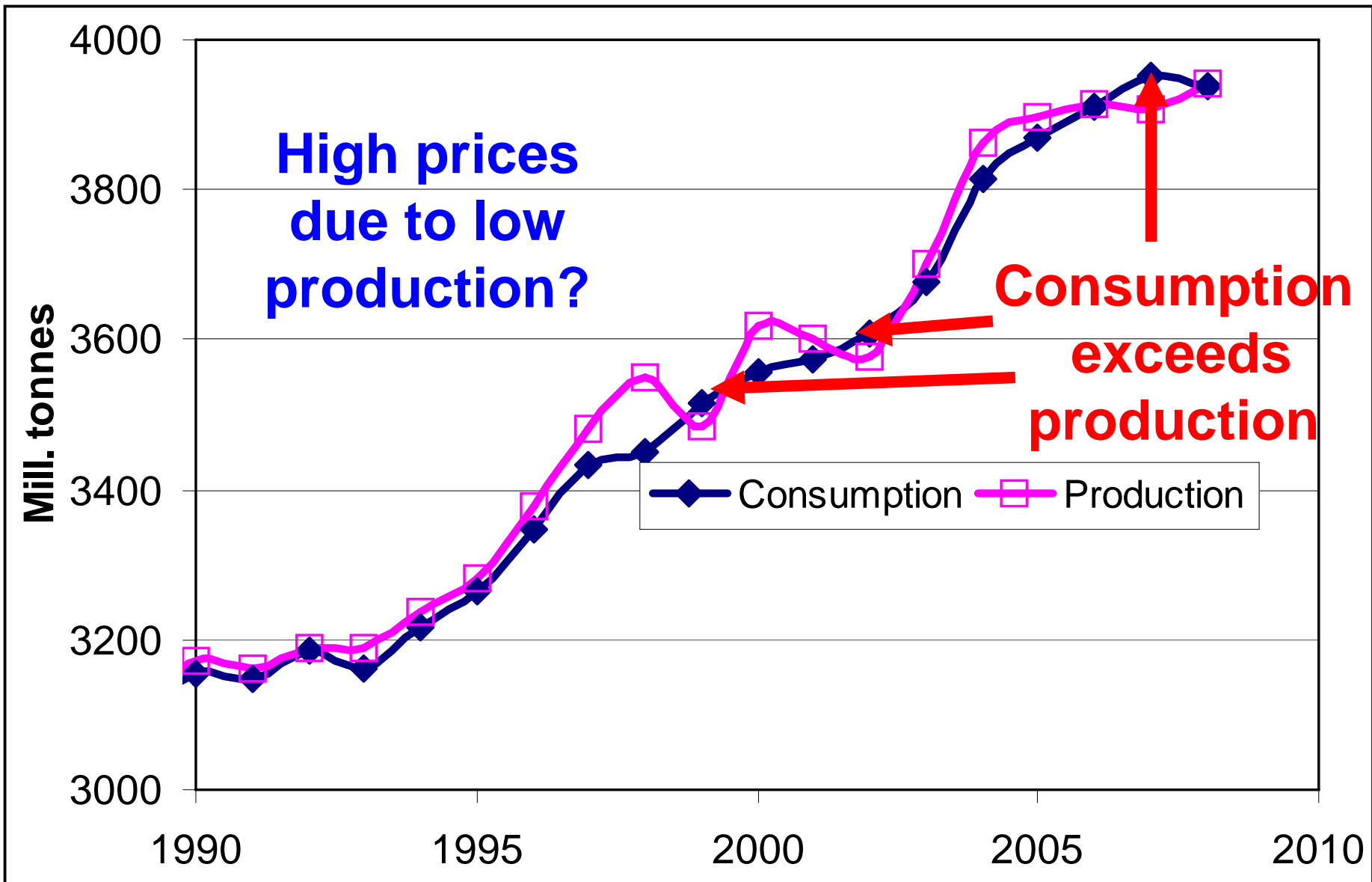
Multiple market equilibriums when OPEC is pending between cartel prices and competition

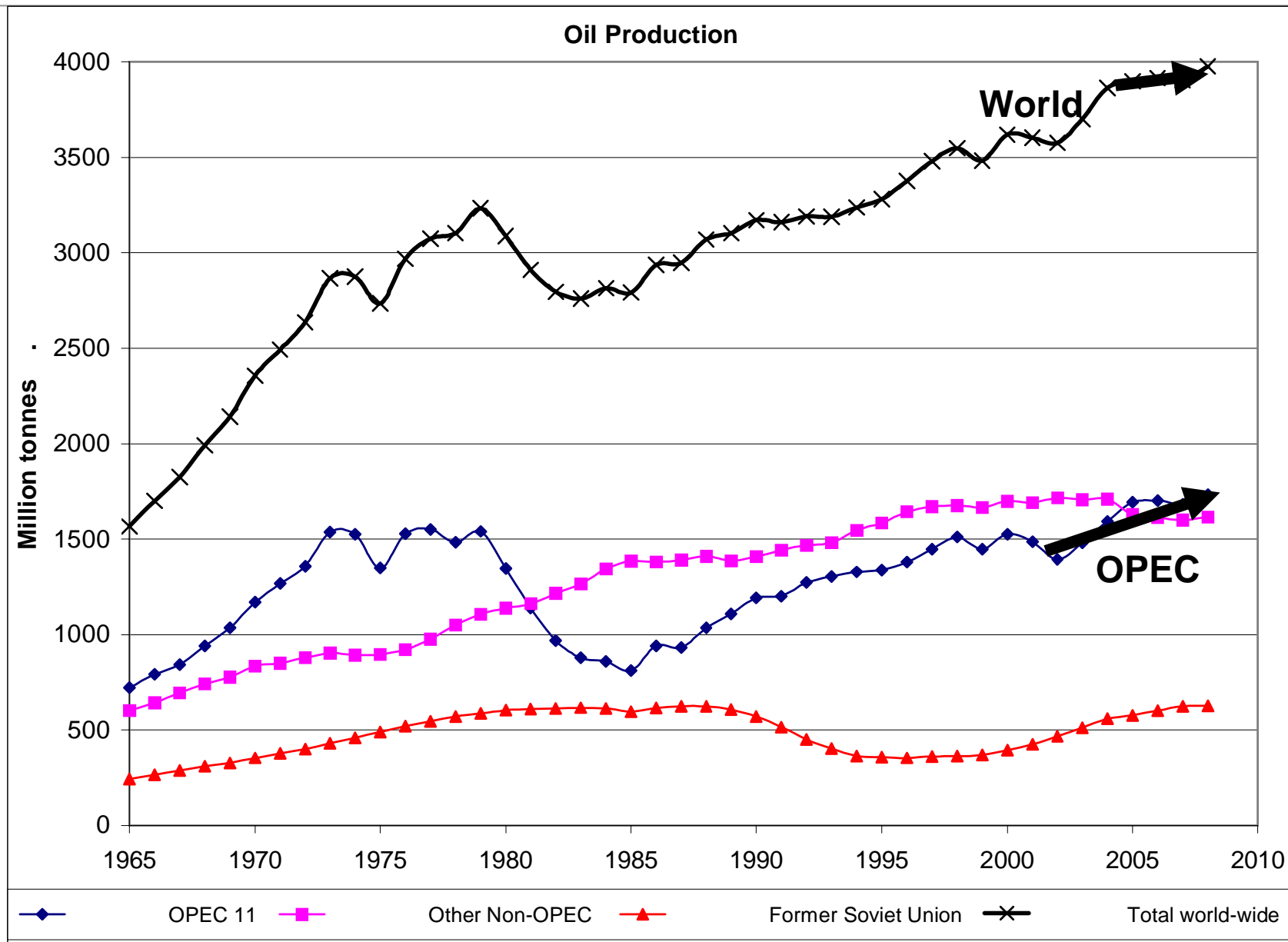


Source: Wirl (2008)

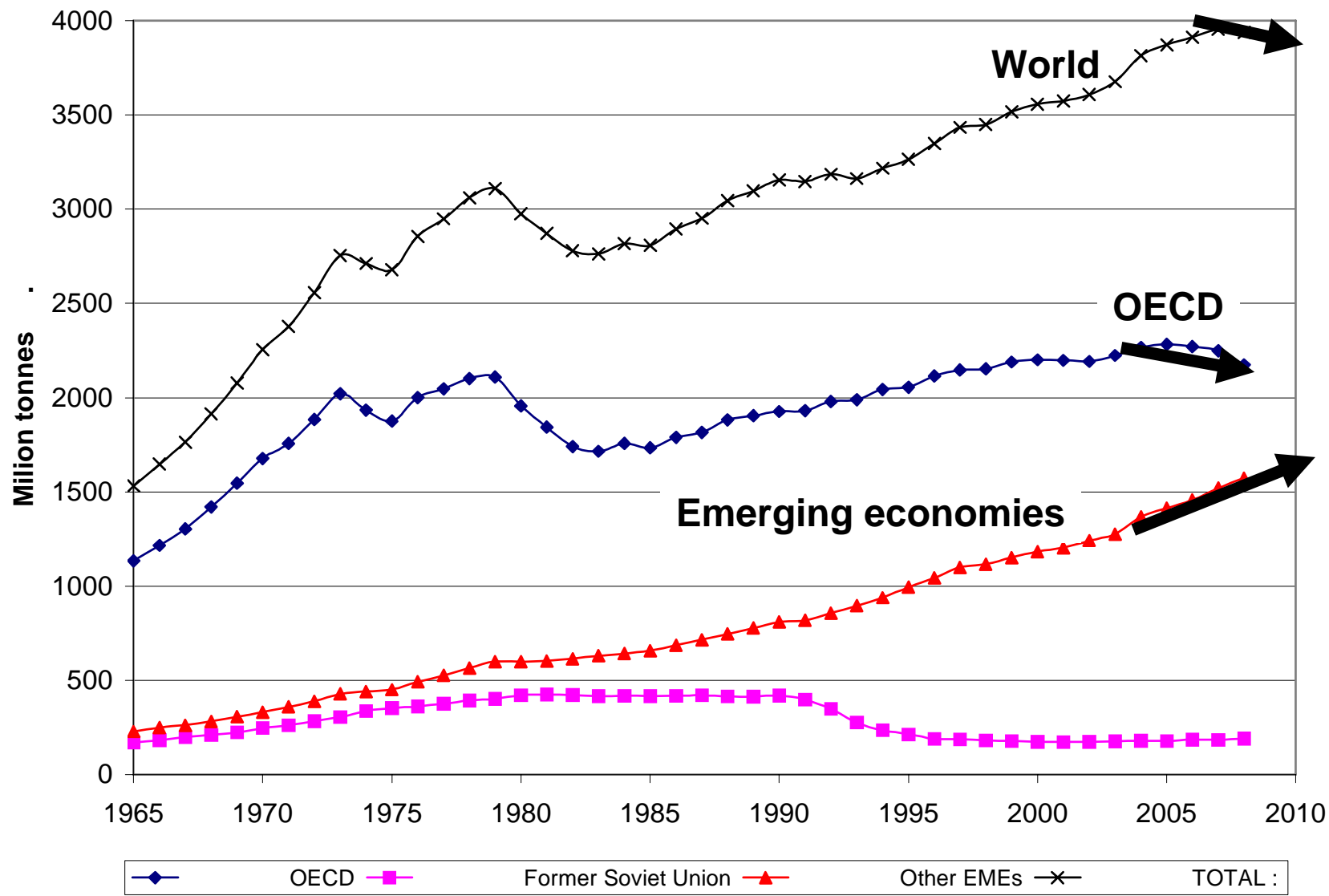
4. MAJOR RESULTS

Oil production vs consumption world-wide

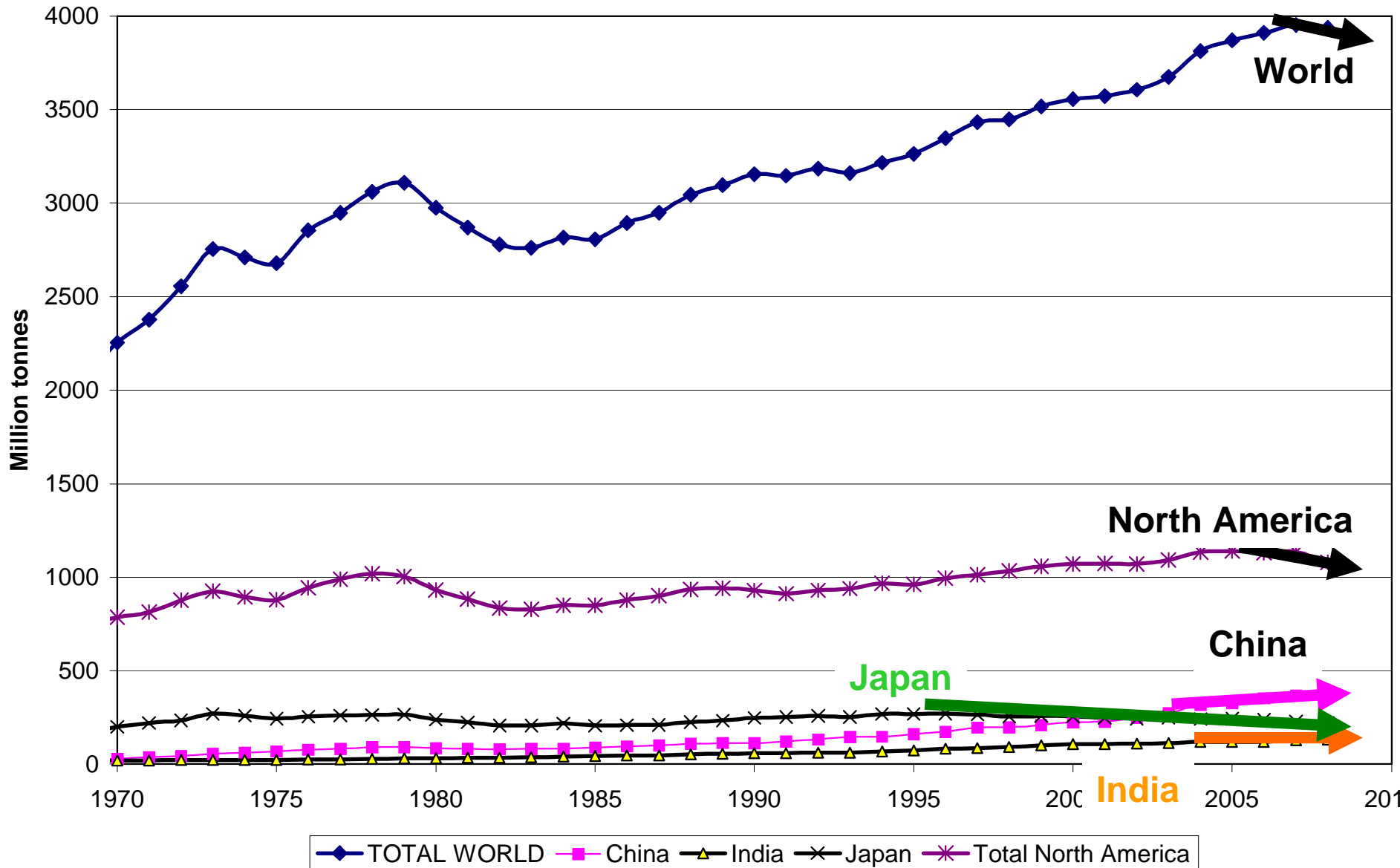




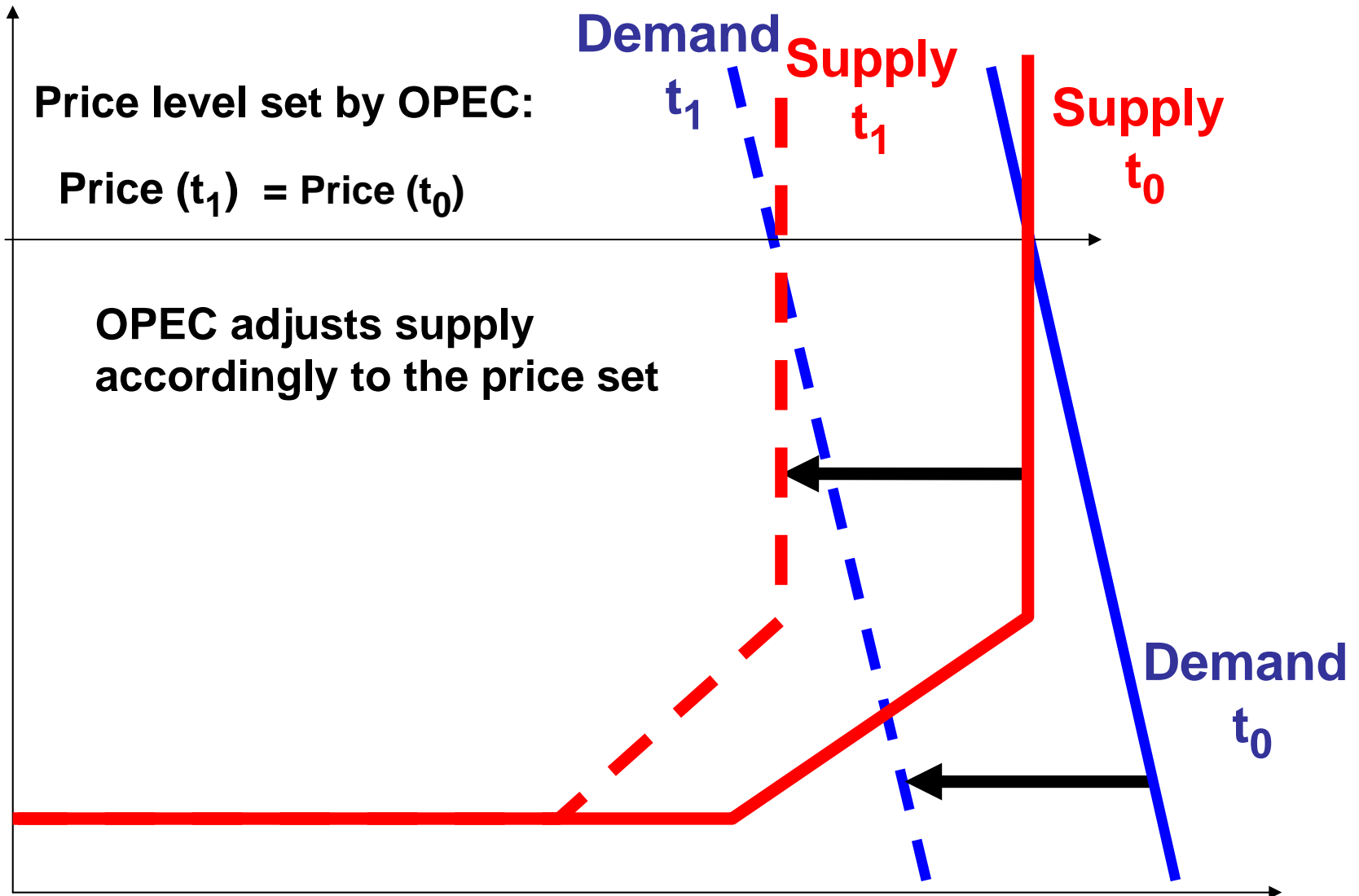
Oil Consumption

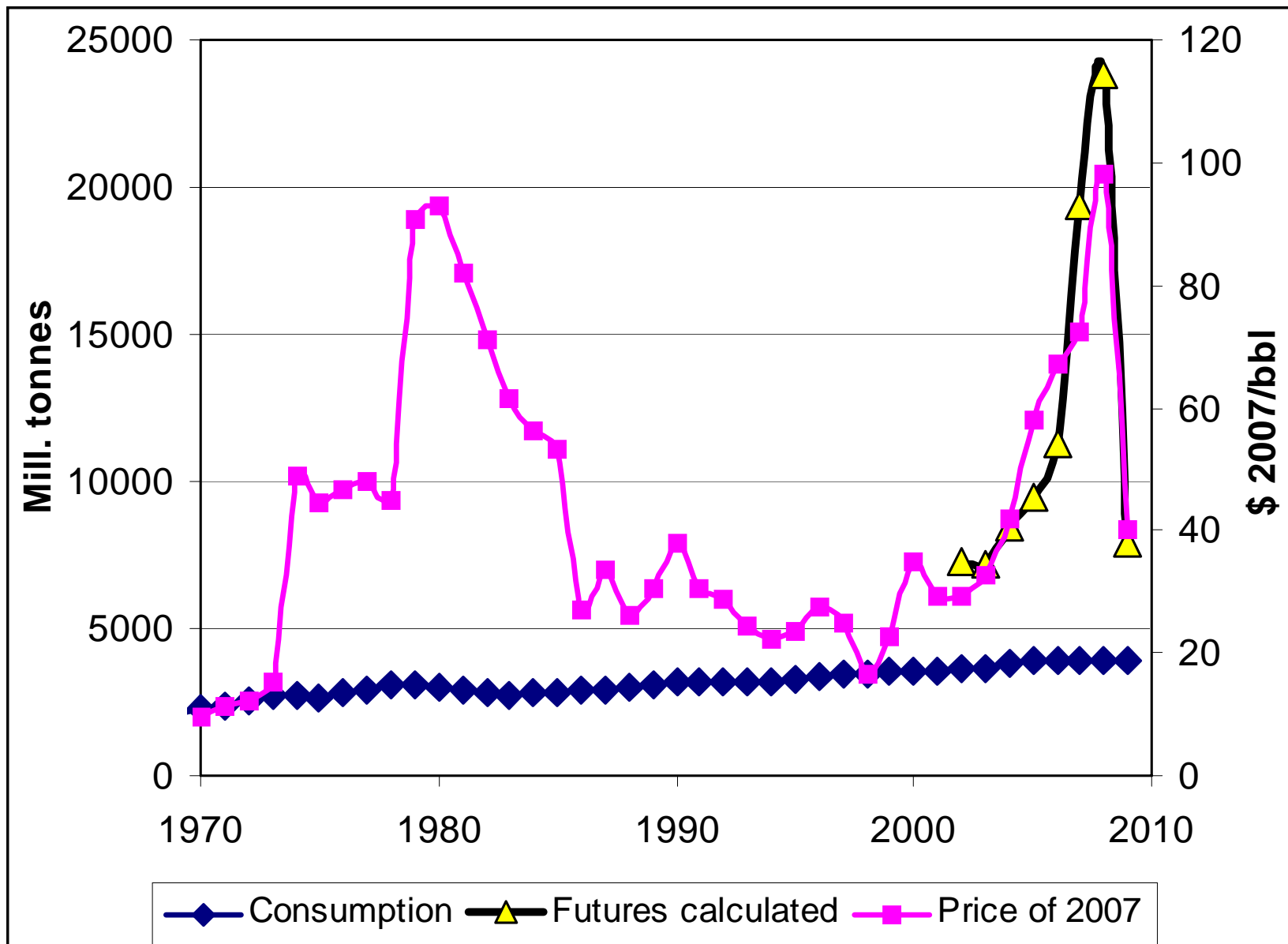


Oil consumption world-wide and in selected regions

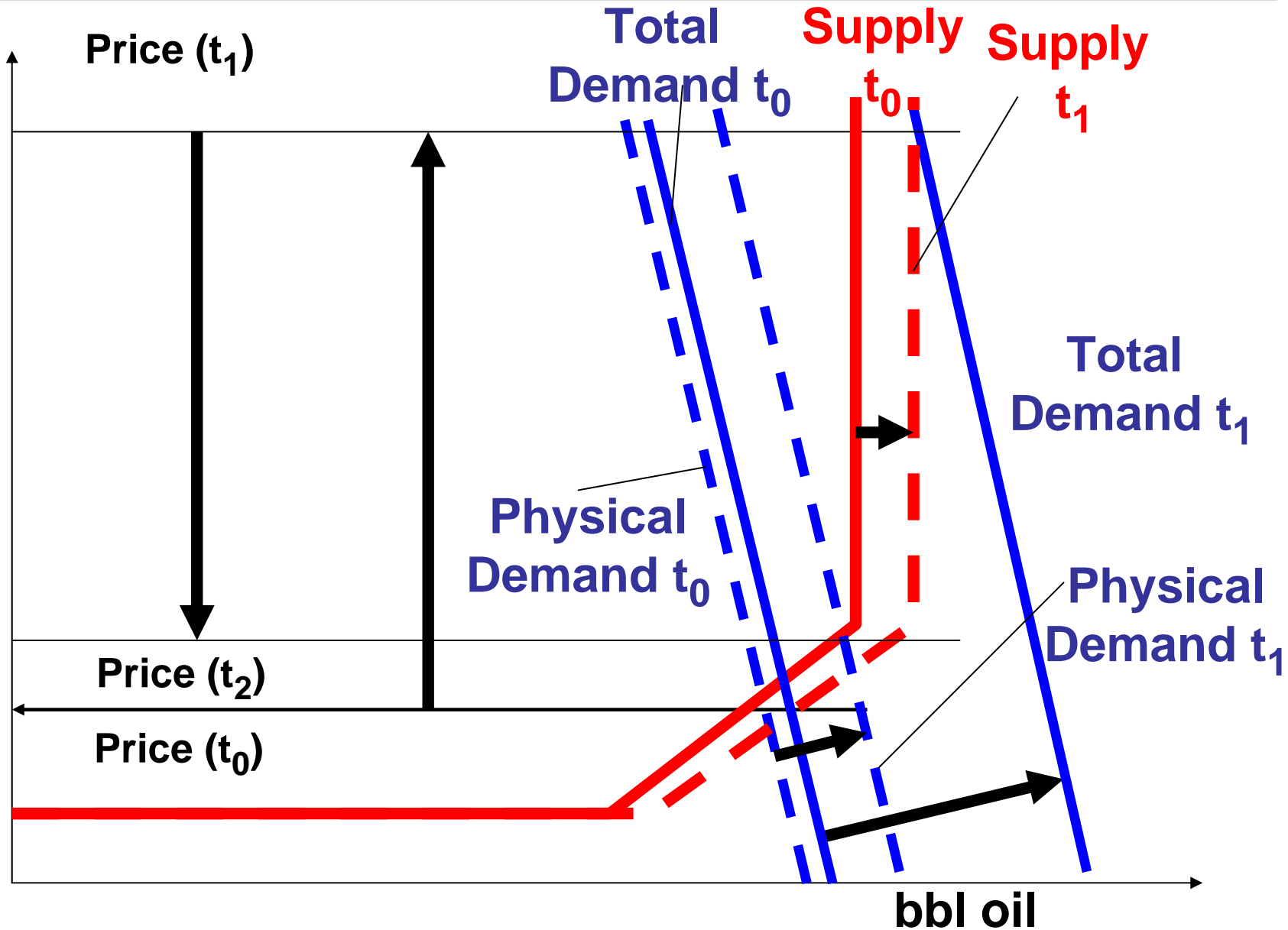


1982-1985: High cartel prices





2004 - 2008: Increasing demand (incl. speculation)



5. CONCLUSIONS

- in the period 1980 – 1985 price increases were triggered by OPEC market power and price drops due to significant physical demand drops;
- oil price increases in 2003 - 2008 mainly due to signif. increases in “virtual” demand;
- decrease in 2008 due to burst of speculation bubble (-> drop in virtual demand); physically, demand & production changed only moderately
- Currently: signif. price increases not likely in the next time; reasons: Moderate economic growth and demand adaptations
- Peak-oil?

Price change due to peak-oil

