RAMMUNC II

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Model United Nations at VCU

Delegate Handbook

OPEC

History of OPEC

The Organization of Petroleum Exporting Countries, or OPEC, was established in 1960, during a conference in Baghdad. It was formally constituted in 1961. Upon OPEC's formation, its goal was to ensure member states retained control over the price of the oil they produced and sold. During the 1970s, its focus shifted to attaining sovereignty over member states' petroleum resources. OPEC does not have direct political power like organizations such as the EU but can nonetheless use control over its resources as a form of hard power.

Initial Founding Members:

- Saudi Arabia
- Iran
- Iraq
- Kuwait
- Venezuela

Additional Members:

- Qatar (1961)
- Indonesia (1962)
- Libya (1962)
- Abu Dhabi (1967)[1]
- Algeria (1969)
- Nigeria (1971)
- Ecuador (1973)
- Equatorial Guinea (2017)
- the Republic of the Congo (2018)
- Gabon (1975; left in 1995, rejoined in 2016)

[1] *The United Arab Emirates assumed Abu Dhabi's membership in the 1970s.*

Most of the world's nations require vast amounts of oil to function at peak capacity. Since OPEC's founding, it has worked to keep its member states in control of their resources and pricing and continuously evolves to fulfil its mission. The organization has undergone three Summits to re-evaluate its policy, during which it often addressed contemporary issues of inequality.

- Summit One: Occurred when OPEC was struggling to establish itself on the world's energy stage. Reaffirmed solidarity between OPEC members and other developing countries in their struggle against under-development and called for more cooperation.
- Summit Two: Occurred when OPEC was a more widely recognized force for moderation and stability in petroleum trade. Addressed the higher energy taxes on petroleum and called for more consumer-friendly prices.
- Summit Three: Reaffirmed the inalienable and permanent sovereignty of OPEC states over their natural resources.

This organization has allowed member states to advocate for control over their natural resources, set and alter costs in accordance with the global market, and partner with developing countries to combat underdevelopment. Consider how internal and external disruptions can create difficulties for OPEC's market influence. Consider also how global climate initiatives may have impacts on the petroleum industry.

Topic 1: Green Energy Transition Impacts on Oil

It is well known that energy must be at the forefront of a realistic climate crisis solution to decrease fossil fuel use. However, the crude oil industry proves to be one of the utmost importance for the world today. OPEC has publicly acknowledged the need for innovation within the oil industry to promote a transition towards green energy, however there are many aspects to be considered within international solutions. There are economic, geopolitical, and policy implications to be considered while exploring this interconnected relationship as many OPEC Member Countries rely heavily on oil reserves.

How do shifts towards green energy affect OPEC nations?

It has been predicted that the demand for all primary energy sources will continue to increase; the global population is expected to increase to around 9.5 billion by 2045 which sets the demand for primary energy to increase around 23% by 2045 as well. Specifically, oil will continue to be the fuel with the largest share, estimated to be around 29% by 2045. These statistics help support the OPEC goal of focusing on decarbonizing the oil industry. Currently, around 79% (1,241.33 billion barrels) of the world's proven crude oil reserves are in OPEC Member Countries.

OPEC Share of World Crude Oil Reserves, 2023:

- Venezuela: 303.01 billion barrels (24.4%)
- Saudi Arabia: 267.23 billion barrels (21.5%)
- Iran: 208.60 billion barrels (16.8%)
- Iraq: 145.02 billion barrels (11.7%)
- United Arab Emirates: 113.00 billion barrels (9.1%)
- Kuwait: 101.50 billion barrels (8.2%)
- Libya: 48.36% billion barrels (3.9%)
- Nigeria: 37.50 billion barrels (3.0%)
- Algeria: 12.20 billion barrels (1.0%)
- Gabon: 2.00 billion barrels (0.2%)
- Congo: 1.81 billion barrels (0.1%)
- Equatorial Guinea: 1.10 billion barrels (0.1%)

Thus, not only do OPEC Member Countries rely on oil production for revenue, but they also hold strong influence within the control of the oil industry itself. However, as the push towards a carbon-neutral future that uses clean energy increases, these innovations could impact OPEC nations heavily. Additionally, a fossil fuel decrease within OPEC countries could hurt the value of their oil reserves in general. While clean energy solutions are created to decrease carbon emissions, it is vital to consider the impacts created on OPEC countries who rely heavily on their oil reserves.

What notable green energy transitions are currently underway?

The Paris Agreement is one of the most notable examples of international agreements that seek to create a coordinated and collaborative solution to combat climate change around the world. On December 12th, 2015, the UN Climate Change Conference (COP21) established the Paris Agreement, a legally binding international treaty that sets long-term climate goals for all nations involved. This agreement outlined that all countries should:

- Reduce global greenhouse gas emissions to keep the global temperature below 2 degrees Celsius, while acting to limit it to 1.5 degrees Celsius.
- Assess the collective progress of all nations involved to navigate long-term goals and stay focused on the purpose of the agreement.
- Provide finances to developing countries that allow them resources to mitigate climate change.

Currently, 195 Parties (including the EU) have joined the Paris Agreement. It is notable as it was the first collective agreement among numerous countries to encourage a shift towards a net-zero emissions world. In 2023, the first ‘global stock take’ of environmental efforts under the Paris Agreement set a goal to increase action across all areas—mitigation, adaptation, and finance—by 2030 while also urging governments to move away from fossil fuels and towards renewable energy sources. OPEC has been vital in promoting the implementation of the Paris Agreement yet is notably outspoken with the continued use of fossil fuels, especially oil and gas.

In 2023, after the UN Climate Change Convention, 50 oil and natural gas producers, including some OPEC Member Countries—signed an agreement to reduce carbon emissions to net zero by 2050 and to curb methane emissions to near zero by 2030. Overall, the general outlook was to focus on technological innovation to reduce emissions to adhere to all countries involved.

Questions to Consider:

- How can OPEC maintain market stability while adapting to global changes?
- How should OPEC engage with international climate change agreements?
- What are the implications if climate initiatives still allow the use of fossil fuels?
- What kind of agreements could support OPEC while also advocating for clean and green energy?
- Should OPEC nations invest in renewable energy, and if so, what role should they play?
- Should OPEC nations shift their ideology from general OPEC statements on the use of fossil fuels within climate change?
- How could the fluctuating demand for oil influence clean energy production?

Topic 2: Response to Conflict Related Market Disruptions

What are Market Disruptions?

Market disruptions *situations where markets cease to function, typically characterized by rapid and large market declines.* A stock market crash would be an example of such a disruption. Market disruptions can occur when investors become concerned about a disruption to business, such as a war in the Middle East decreasing access to oil. They can also occur when governments make certain policy decisions, like tariffs on imports, that investors worry will impede the industry subject to said tariffs.

Daily Oil Barrel Consumption by Country, 2025

- United States: 18,984,000 barrels of oil a day
- China: 16,577,000 barrels of oil a day
- India: 5,446,000 barrels of oil a day
- Saudi Arabia: 4,052,000 barrels of oil a day
- Russia: 3,365,000 barrels of oil a day
- Latvia: 35,000 barrels of oil a day
- Trinidad and Tobago: 33,000 barrels of oil a day
- Estonia: 27,000 barrels of oil a day
- North Macedonia: 24,000 barrels of oil a day
- Iceland: 17,000 barrels of oil a day

The nations of OPEC operate by controlling their levels of production. To prevent flooding or draining the market, they decrease or increase their output as needed. Sometimes, however, situations outside of the usual flow of commerce create changes in production that do not create balance.

Market disruptions are often caused by war. In 1973, Egypt and Syria attacked Israel, beginning the Yom Kippur War. The United States supplied weapons to Israel, and the Soviets provided weapons to Egypt and Syria. In response, the Organization of Arab Petroleum Exporting Countries imposed a total embargo on oil to nations that did not assist them, which had a tremendous economic impact.[2] OAPEC excused nations that helped them from the oil embargos, encouraging allied nations to distance themselves from those that were banned.

[2] OAPEC is distinctly different from OPEC

Current Market Disruptions - Russia and Ukraine Conflict

Conflicts between nations can affect regional and global supply chains. The Russia-Ukraine conflict, for example, has heavily impacted Europe's natural gas exchange. Ukraine, which had been part of the Russian Empire for hundreds of years, became independent upon the USSR's 1991 dissolution. It then forged ties with the West. When a separatist movement broke out in Ukraine, Russia supported them, annexing territory and distressing both Ukraine and the West. Ukraine's desire to regain that land and join NATO, in turn, distressed Russia. Russia declared that there were threats in the Ukraine, authorized military action, and invaded.

Russia used to supply close to 40% of Europe's natural gas, but the conflict has led to sanctions and supply cuts. Lack of natural gas and oil can drastically increase the cost of living for civilians, as production and transportation become more difficult, meaning companies face increased operational costs. This increase is then reflected in consumer prices, causing inflation.

Foreign investments, too, face decline in the fact of geopolitical conflict. Fighting in an investment area makes potentially interested parties less likely to feel secure about their money, at which point they may choose to take it elsewhere. Investments can also be a political statement. If one nation no longer agrees with another's politics, they can extract their money to wield power. Countries like the United States, United Kingdom, and Japan have placed export bans on Russia to establish their opinion on the conflict. Russia then began to outsource those exports to nearby nations including Armenia, Georgia, Kazakhstan, and Turkey.

Market disruptions such as this can create change. When oil and gas prices increase, nations are encouraged to seek other solutions. They may change the source of their supply, or reduce consumption entirely, shifting toward cleaner energy sources.

Throughout the conflict, OPEC+, an expansion of OPEC that includes Russia, maintained their oil production levels, though the EU instituted a ban on Russia crude oil consumption in 2022. A price cap was also instated: $60 a barrel. Some countries (ex. China, Turkey) refused to abide by the price cap. OPEC+ nations must then consider their economic interests, which are geared toward keeping prices high, as well as their geopolitical interests, as maintaining oil prices may anger nations and organizations such as the U.S. and the EU.

As of 2025, Russia and Ukraine are entering into ceasefire negotiations. A ceasefire would once again change the oil market, potentially ending or temporarily pausing bans on Russian exports, thus reopening avenues of global exchange. The cost of living may decrease, geopolitical tensions may subside, and OPEC would regain a measure of control over the industry.

Questions to Consider:

- What geopolitical considerations should OPEC consider when setting supply levels?
- To what extent should OPEC utilize its resource control/monopoly during periods of conflict?
- Should OPEC nations be required to stand in solidarity with each other? What about internal politics and economics?
- How might market fluctuations steer the world toward clean energy?
- How do the financial interests of OPEC affect their members' investment in renewable energy initiatives?
- Compare the effect of market disruptions on developed countries versus underdeveloped countries; How are the two groups affected?

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