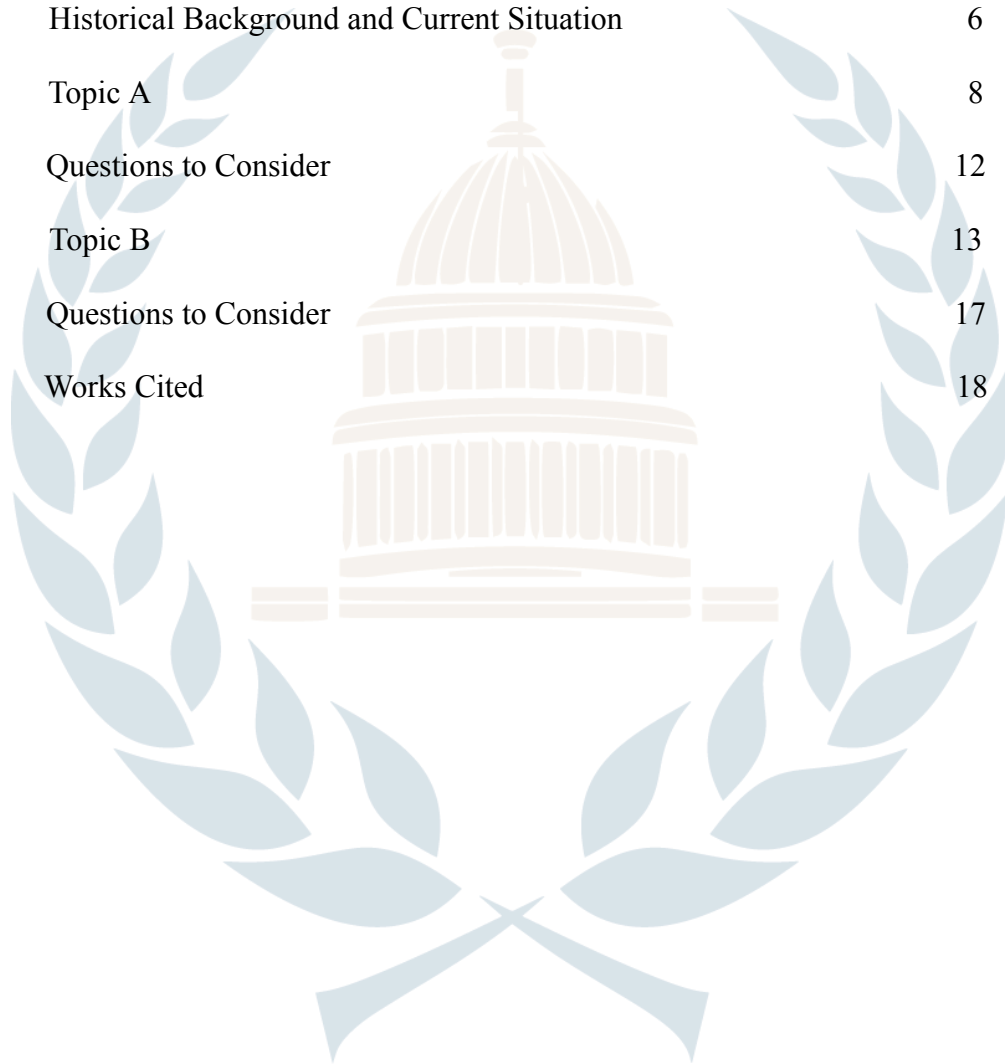


OPEC Background Guide

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Letter from the Chair

Hello Delegates,

Welcome to WAMUNC XXVII's Organization of Petroleum Exporting Countries. My name is Stephanie Van Ausdeln, and I will serve as your Chair. This is my first WAMUNC, but I have staffed and chaired several other conferences such as GWCIA last year. Additionally, I am a member of GW's Model UN travel team and the Editor-In-Chief of our international affairs journal, *The Globe*, both of which are some of the highest ranking in the world. At GW, I am a second-year majoring in Political Science and Economics with a focus in Public Policy.

I have competed on the high school and collegiate model UN circuit since 2021, which has helped me grow tremendously as a speaker, problem-solver, and as a person. It was through competing in Model UN Committees like this one that I met some of my closest friends, and where I found a passion for public policy and public service. I believe that when it comes to MUN, the committee is what you choose to make of it, so use this as an opportunity to get creative, immerse yourself in new ideas and solutions, and most of all, have fun! With that being said, please do your best to read this background guide and prepare, as committee is only fun if we all make an effort.

Given the harsh realities our world faces, I understand that some topics brought up in this committee may feel unnatural or difficult to fully comprehend the motivations behind them, but I urge you to come to committee with an open mind and to apply yourself even when something doesn't feel immediately natural to you. While many of you I'm sure are strong advocates for certain policies and ideas that may disagree with your roles in committee, using the perspectives brought into committee as an opportunity to grow and learn to tackle wider issues is exactly

why our committee is so important. I know that we will be debating some difficult and complex topics, so please don't hesitate to email me with any questions or concerns about anything relating to committee.

If you have any questions, please email me (and CC your advisor) at stephanie.vanausdeln@gwu.edu. I look forward to seeing you all this spring.

Best,

Stephanie Van Ausdeln



Introduction to Committee

The Organization of Petroleum Exporting Countries (OPEC), founded in 1960, is an intergovernmental organization that works to coordinate and unify petroleum policies among its member countries to ensure stable oil markets, fair pricing, and a steady supply of oil to consumers.¹ They are committed to stabilizing oil prices by engaging in dialogue and cooperation with non-member oil-producing nations, contributing to energy security and global economic stability. Every year, delegates from 12 member states of OPEC meet to coordinate international petroleum market standards and discuss key trade, technical, and economic issues related to the oil trade and energy consumption.² While it has a limited ability to enforce market policy, it has an important role in the flow of the world oil supply and guiding countries towards specific market practices.

This committee will run similarly to most General Assembly committees, where delegates will be expected to debate and vote on the two topics and form blocs on Thursday, write working papers and begin mergers on Friday, and submit, debate, and vote on resolutions on Saturday. This means that I expect all delegates to be respectful of the timing that the chair sets, and that you are willing to focus and work together with your peers so that we can stay on schedule. I believe that the best Model UN committees are the ones that focus on the issue and are timely in their debate, which not only allows for a smooth committee, but also allows the chair to create more opportunities for each delegate to participate in the committee.

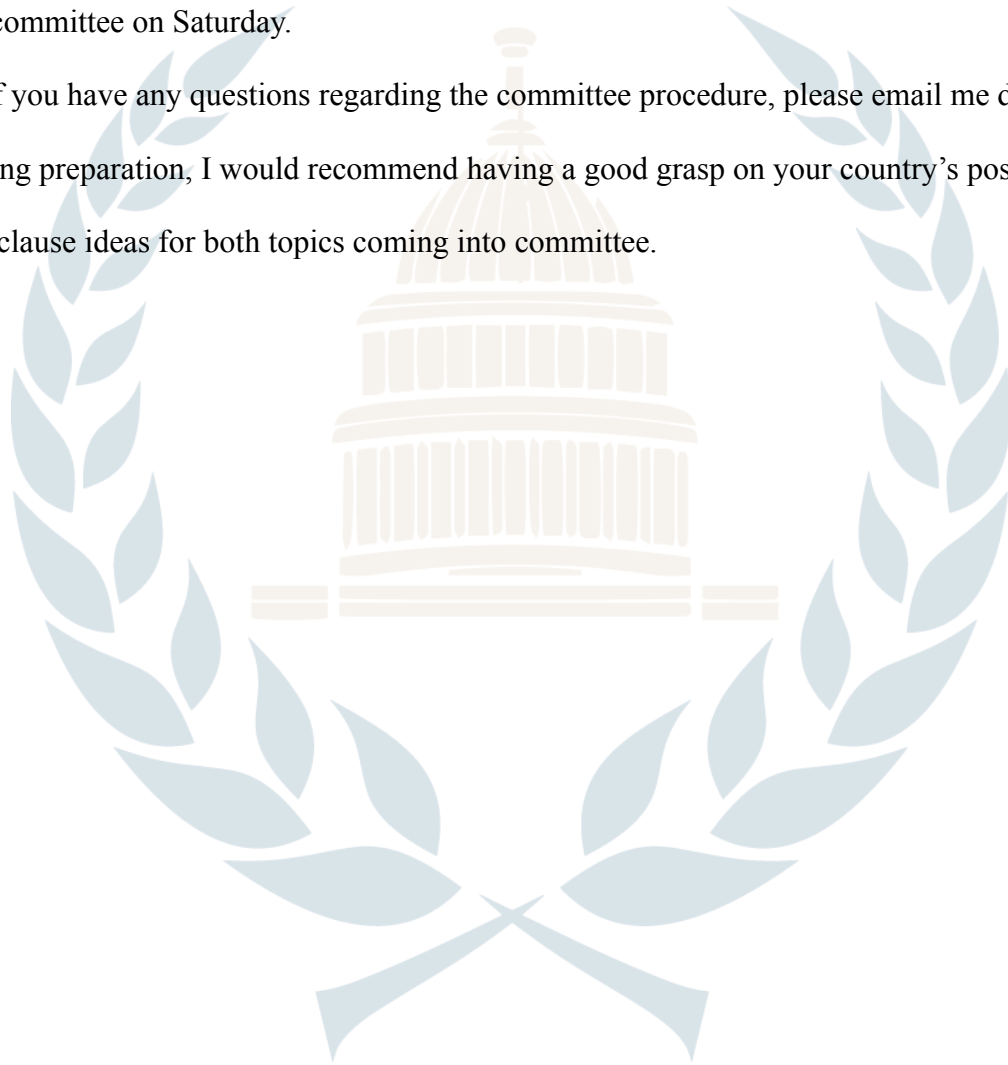
Expect most, if not all, working papers and resolutions to be written on laptops and through Google docs on Friday and Saturday. Depending on our time constraints, author's panel

¹ Albert L. Danielsen, "OPEC | Membership, Organization, History, & Facts," Encyclopedia Britannica, December 13, 2024, <https://www.britannica.com/topic/OPEC>.

² "OPEC : Brief History," n.d., https://www.opec.org/opec_web/en/about_us/24.htm.

discussions may be done for both working papers and resolutions. With that being said, expect no more than 12 working papers and no more 2-3 draft resolutions submitted to the chair. The number of delegates for the author's panel for working papers will depend on time constraints and the size of initial blocs, while the size of the author's panel for resolutions will be revealed during committee on Saturday.

If you have any questions regarding the committee procedure, please email me directly. Regarding preparation, I would recommend having a good grasp on your country's position, and several clause ideas for both topics coming into committee.



Historical Background and Current Situation

While the advent of trading technology is relatively recent, issues concerning the medium and security of the energy trade have existed for centuries. After the beginning of the Industrial Revolution, for example, the discovery that kerosene could be extracted from crude oil led to a sharp increase in the demand for oil in the energy market as an efficient replacement for coal.³ Around this time, oil wells and refineries were built all around the world, and the introduction of the Ford assembly-line automobile in the early 20th century created a booming market for crude oil to produce petroleum for the ever-increasing automobile industry. As demand increased, however, competition for control of the world's crude oil supply became a major point of contention for its top exporters, evolving into geopolitical conflicts in the most oil rich parts of the world, including Russia and the Caucasus, the Middle East, and parts of North America.⁴ While the security of the oil trade wavered in light of regional trade conflicts, trade continued to evolve and expand. It became easier and faster to transport between continents, and new technologies such as the radio and telephone meant that a trade could be made between members from different parts of the world through a quick call or message.

As the world moves into the 21st century, the boom and increasing access to the internet means that oil and energy trade negotiations can be done anywhere, and adds the caveat that purchases and price changes can be made in the matter of seconds, while supply chains grow even closer together, shifting the energy economy quicker than ever before.⁵ Since the early

³ Euclid A. Rose, "OPEC's Dominance of the Global Oil Market: The Rise of the World's Dependency on Oil," *Middle East Journal* 58, no. 3 (2004): 424–43, <https://www.jstor.org/stable/4330033>.

⁴ *Ibid.*

⁵ Jim Burkhard and Tiffany Groode, "The Rivalry Era: A Brief History of the Energy Industry From 2015 to 2040," November 11, 2022, <https://www.spglobal.com/commodityinsights/en/ci/research-analysis/q14-the-rivalry-era-a-brief-history-of-the-energy-industry-from-2015-to-2040.html>.

2000s, the oil trade has regularly been interrupted by geopolitical conflicts in the Middle East, with the war in Afghanistan and conflict in Iran, Iraq, and Lebanon among other major conflicts, while the war in Ukraine has grown from a long history of localized conflict to a major world problem in 2022. While geopolitical conflict is not a new phenomenon, its effects on the oil trade and world economy due to the growing interdependence and interconnectivity of the world through technology. Digitization itself has exacerbated the intensity of geopolitical conflict on international trade by connecting regular consumers and traders directly with areas of conflict, growing most geopolitical issues into a worldwide trade crises today.

Despite its impact on the growing volatility of trade markets in relation to conflict, digitization has allowed for innovations in international markets that make trade more accessible and efficient than before. The growth of the internet alone has given world commerce a new platform that reaches a wider scope of consumers and is able to target products specifically to consumers interested in them through internet algorithms. Additionally, the rapid communication speed that the internet allows for makes e-commerce especially integral, by making payment processing faster and more direct. As a whole, this increases the capability of suppliers to collect more data on markets to more accurately and precisely meet consumer demand, which has brought the world energy economy and others to new heights given the clarity that digitization provides.

Topic A: Addressing the Organization and Impact of Digitized Oil Trading and Its Implications for International Trade Policy

Over the last half century, the oil trading sector has undergone significant changes due to new technologies that change how oil can be traded, tracked, and regulated. Six technologies that are of particular concern to the market due to their widespread effects on the trade and policy implementation process are IoTs (internet connection devices) in supply chains, digital payments, e-commerce platforms, cloud computing and 5G internet and data services, and Artificial Intelligence in predictive analytics. These technologies have been particularly successful in increasing the overall efficiency and accessibility of the energy industry, fostering a booming open market.

The use of IoTs ensures the secure monitoring of supply levels, analyzing performance measurements, and performing maintenance on functions of trade platforms, which enables market actors to make real-time business decisions to prevent shortages.⁶ Moreover, digital payments and e-commerce platforms allow for greater accessibility and faster payment processing within the market. Meanwhile cloud computing and data services can be used to develop tools and mechanisms for better connecting stakeholders such as importers, exporters, and insurance carriers, which can improve trade communication and logistics to increase security and limit conflict.⁷ The use of Artificial Intelligence systems and predictive

⁶ Pushkar Mukewar, “Council Post: How Technology Can Help Global Trade Become More Efficient, Inclusive and Equitable,” Forbes, August 13, 2024, <https://www.forbes.com/councils/forbesfinancecouncil/2022/09/02/how-technology-can-help-global-trade-become-more-efficient-inclusive-and-equitable/>.

⁷ Mukewar, “Council Post: How Technology Can Help Global Trade Become More Efficient, Inclusive and Equitable.”

technologies have also been helpful in improving market efficiency by analyzing market trends and helping moderate prices to prevent market volatility as a result of market shocks.⁸

While these new technologies have been impactful in increasing the size, efficiency, and reach of the world petroleum market, they bring with them specific concerns that OPEC members likely need to address to retain relevance in the world energy market. One major concern the world oil market faces in light of the growing technologies is the vulnerabilities that a highly open digital market introduces. The occurrence of trade via internet connections is especially risky, as users can easily have their computers hacked via internet connections, which can disrupt the trades taking place and putting potentially private or classified financial and personal information of oil traders at risk. The lack of regulation in the digital sphere also poses high potential risk in digitized trade systems, because cybersecurity threats are likely to go unseen and unchecked despite the damage they may cause to users.

Another key consideration is the inefficiency that comes from energy intensive computer programs used to power artificial intelligence and predictive systems. Additionally, OPEC members face the increasing challenge and expense that comes with selling oil in a world market no longer fully amenable to it, while the high cost of maintenance for technologies used to increase market efficiency brings the challenge of balancing the costs of technology with market efficiency and profit as a whole. There is also concern for maintaining the influence of OPEC in the growing energy market by addressing climate change issues, as many countries have turned away from oil trading in light of climate change and oil alternatives.

⁸ Ibid.

One more consideration in the development of a digital oil market is the lack of inclusivity for developing countries or areas that are rich in natural resources but do not have immediate access to the internet or technology. Considerations need to be made in order to provide developing areas with the necessary technologies to fully participate in a digitized trade system including equal access to technology and ability to convert its currency fairly on the open market.

Although the issue of data-driven, digitized markets is relatively new, major steps have been taken on the international level to address the issue as recently as 2022. In January 2022, the United Nations Conference on Trade and Development (UNCTAD) introduced its “e-commerce for all” initiative, which works with developing countries to identify key trade policies and implement necessary digital trade systems.⁹ This initiative has been a key factor in the development of an inclusive world economy based in digital trade thus far. It is also responsible for the research and implementation of best digital practices for countries at the domestic and internal level to contribute to the success and continuation of the digital industry.

In December 2022, The United Nations Commission on International Trade Law adopted two draft resolutions concerning dispute resolution and security in digital trade. The first resolution focused on developing more efficient technologies to track data on market behavior to prevent disputes and additional insight for direct resolution.¹⁰ The second resolution implements international legal standards for digital authentication and identification of users

⁹ “Digital Trade: Opportunities and Actions for Developing Countries,” *Unctad.Org* (United Nations Conference on Trade and Development, January 2022),

https://unctad.org/system/files/official-document/presspb2021d10_en.pdf.


¹⁰ “General Assembly Adopts Three Draft Resolutions Pertaining to the United Nations Commission on International Trade Law (UNCITRAL),” United Nations : Information Service Vienna, n.d., <https://unis.unvienna.org/unis/en/pressrels/2022/unisl336.html>.

before “entrance” into the digital market, as well as the certification of buyer funding sources and the integrity of connected technologies to minimize cybersecurity threats.¹¹



¹¹ “General Assembly Adopts Three Draft Resolutions Pertaining to the United Nations Commission on International Trade Law (UNCITRAL).”

Questions to Consider

- How can a digital trading system be adopted while ensuring equitable accessibility for all member countries and organizations?
 - What can be done to maintain the use of data-driven technologies in the oil market while limiting wasteful energy usage?
 - What measures can be taken to maintain an open oil market while maintaining the security of information and exchange?
 - How can digital trade systems be used to increase logistically efficiency in the oil trade?
 - How will currency be used and valued in a digital market? Does this require the participation of financial institutions?
 - How can digital technology be used to address supply chain shocks and increase market resilience?
- 

Topic B: Mitigating Geopolitical Threats to the Oil Supply Chain and the Impact of Climate Change on the Oil Industry

Post World War II, global energy usage, with oil as its driver, reached an all time high, followed by a 4.4% growth in the world economy and subsequent 250% growth in oil output by the 1970s. As a result of the growing reliance on oil output, geopolitical conflict and market volatility have become characteristic of the petroleum industry.¹² Recent oil shocks to world markets have been a direct result of OPEC sanctions to competitors in geopolitical conflict.

The first set of these oil shocks occurred in 1973 and 1979, when Arab OPEC members pushed OPEC to quadruple oil prices in response to the conflict with Israel in the Yom Kippur War and again in response to the overthrow of the Iranian government in 1979.¹³ Around the same time, newly industrializing countries of Latin America and Southeast Asia that had once been involved in the world oil trade turned themselves inward as their individual oil demand rapidly increased, which meant that the fate of the oil industry would lie in the hands of the strongest oil producing nations of the middle east and the delicate balance of their international cooperation.

As the world entered the 2000s, the market was at its most volatile, as world oil demand continued to increase markedly, and the Iraq War and ongoing tensions in the Middle East made oil price negotiations and stabilization efforts particularly difficult.¹⁴ Despite the tensions, OPEC members were able to cooperate to moderate oil supply to stabilize prices and cool increasingly heated market dynamics.

¹² "OPEC : Brief History." *OPEC*, Organization of Petroleum Exporting Countries, 2024, www.opec.org/opec_web/en/about_us/24.htm.

¹³ Wikipedia contributors, "2000s Energy Crisis," Wikipedia, October 21, 2024, https://en.wikipedia.org/wiki/2000s_energy_crisis.

¹⁴ Wikipedia contributors, "2000s Energy Crisis."

By the 2010s, however, world oil markets faced wider-ranging geopolitical conflicts than ever before. New energy and gas supply deals, such as a comprehensive oil trade deal between Russia and China, came to fruition, shifting world demand for oil. This resulted in a glut of OPEC produced oil and diminished the once-growing power of OPEC in the world energy industry. By mid 2015, yet another issue took center stage in opposition to the oil industry, as climate change reports on the negative impact of industrialization and oil related pollution and the environmental protection movement gained immense popularity. Consumers began purchasing and investing more into clean energy and moving away from oil power, and world markets were quick to follow, bringing oil's share of the market down to only 30% in 2018.

In the last 5 years, OPEC has faced a multi-faceted challenge of world energy markets characterized by climate change, supply chain disruptions, market instability, and geopolitical conflict. The covid-19 pandemic alone led to the closure of entire supply routes and markets into the 2020s, causing major concern as oil producers around the world were unable to provide consistent access to oil as an energy source in the peak of the pandemic. At the same time, transportation systems for goods also slowed as international travel had stopped to prevent the spread of disease. Even after markets began to reopen post-pandemic, many supply chains were slow to regain their trade capacity due to a lack of emergency infrastructure.

The Russia-Ukraine War has also significantly disrupted the flow of oil in the world energy market, as many countries have placed oil embargoes on Russia in response to the conflict and now rely on OPEC as a primary supplier of global oil, reversing the trend of decreasing reliance on OPEC as energy market leader starting in the 2010s. This became especially true in 2022, as the Russian invasion of Ukraine pushed most of the world in the

direction of OPEC oil supply due to the unreliable nature of Russia as a predatory landholder. OPEC's role since 2022 has been essential in both ensuring a steady supply of oil to world energy markets while increasing international cooperation to prevent further geopolitical conflict that could endanger OPEC and its allies' stake in the energy economy and political stability amidst ongoing world crises.

As climate change related natural disasters worsen and become more and more common, the pressure on OPEC and the oil industry to decrease supply and invest in renewable energy increases substantially. Investment in sustainable energy solutions and transitions away from oil-dependent industries have become central issues for the health and impact of oil producing economies such as those in OPEC. As a result, OPEC's ability to respond to these challenges will be crucial for its future relevance in the global energy market. In the last 10 years, OPEC has worked actively with the international community to address geopolitical and climate change issues that affect the oil and energy markets.

In 2014, a joint IEA-IEF-OPEC conference brought together world experts on climate change, energy policy, market behavior, and commodity economics to discuss the future outlook of the global energy market and oil.¹⁵ It specifically focused on creating new industry standards, recommending government energy policies, and financial guidance for oil producing economies shifting to renewable energy sources. In 2016, in an effort to expand its influence in the changing energy market, OPEC members signed a treaty with 10 non-members to form OPEC+, to

¹⁵ "Joint IEA-IEF-OPEC Reports," *OPEC* (Organization of Petroleum Exporting Countries, 2024), https://www.opec.org/opec_web/en/publications/2244.htm.

institutionalize a framework for international cooperation and stability on a regular basis.¹⁶ The newly combined oil reserve power of OPEC+ was 90% of world oil reserves.¹⁷ It had the capability to directly “disrupt or enhance” the world supply of crude oil, which recentered OPEC+ as a central power in the world energy economy.

Most recently, in 2022, OPEC adopted its first Climate Action Plan, committing to 40% increases in climate financing by 2030.¹⁸ The new OPEC Climate Fund aims to make large investments in energy infrastructure, transport, agriculture, food, and water, and the support to supplement other resources negatively impacted by climate change.¹⁹ Additionally, it funds climate research and data collection in the private sector to drive continued innovation and growth in the energy industry.

¹⁶ Columbia | Cgep, “Q&A | Challenges for OPEC+ Amid the Russian Invasion of Ukraine,” Center on Global Energy Policy at Columbia University SIPA | CGEP, January 27, 2023, <https://www.energypolicy.columbia.edu/publications/qa-challenges-opec-amid-russian-invasion-ukraine>.

¹⁷ Prableen Bajpai, “What Is OPEC+? An Overview of Key Members,” *Nasdaq*, n.d., <https://www.nasdaq.com/articles/what-is-opec-an-overview-of-key-members>.

¹⁸ OPEC Fund, “OPEC Fund Adopts First Climate Action Plan, Doubles Targets by 2030 - OPEC Fund for International Development.” Press release, 2024, <https://opecfund.org/media-center/press-releases/2022/opec-fund-adopts-first-climate-action-plan-doubles-targets-by-2030>.

¹⁹ OPEC Fund, “OPEC Fund Adopts First Climate Action Plan, Doubles Targets by 2030 - OPEC Fund for International Development.”

Questions to Consider

- How can international cooperation be improved to ensure the security and stability of strategic chokepoints in the oil market?
- What standards/agreements can be put into place to ensure fair treatment of workers while maintaining efficiency in crises?
- What can be done to ensure secure trade systems in high risk oil producing areas?
- How can the oil industry compromise with NGOs to redirect oil to climate friendly sources and avoid regional conflicts?
- What initiatives can be taken to build de-escalation measures into the oil system?
- What can be done to address supply chain shocks and increase market resilience?

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