

# OPEC

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An effective cartel requires

- discipline
- a dominant market position
- barriers to entry

The OPEC lacks all three:

- Its members cheat on their quotas
- It supplies only 30% of the world' oil
- New producers abound

That is the backdrop to OPEC's decision last month to make no attempt to bolster the oil price

# Pump less

- Saudi Arabia could have sent the price up single-handedly by deciding to pump less
- Saudi Arabia can also weather a low price: its production costs are \$5-\$6 a barrel—the lowest in the world

## Gains from any cut

- But history suggests most of the gains from any cut in its output would go to other producers
- 1980: Britain and Norway
- 2014–2020: keeping the price up would be good news for frackers (頁岩油廠商), speeding the spread of that technology from America to other countries

## Consolation from low price

- If low prices stem investment in other sources of oil, such as Canada's tar sands (焦油砂) or America's shale (頁岩), that means more demand for low-cost Saudi oil in future
- (From 2020): this does not happen