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THE ORGANISATION OF PETROLEUM EXPORTING COUNTRIES: SHOOTING ITSELF IN THE FOOT ?

The continuous high price of crude oil is quite likely to be counter-productive to producers and exporters of the black ooze before this decade is out.

As the crude-oil price edges closer to the $US70 per-barrel level, so users of crude oil and derivatives obtained therefrom, including but not limited to distillates, will opt to use less of this energy source and turn to alternative sources of energy where prices may, eventually, become comparatively cheaper to those, being charged for fossil fuels.

Even if the price of alternate sources of energy are equal to that of imported fossil fuels, there are glaring advantages to switching to these alternatives because, among other things, consumers of these alternative sources of energy cannot be held to ransom by oil producers and oil cartels, which hold oil prices over the heads of certain large users as a type of weapon.

Case in point: Iran, only about one month ago, warned the West that, should sanctions be imposed on the country by the United Nations due to its intransigent stance with regard to its avowed intent to obtain nuclear technology, it will make certain that the price of crude oil will rise to record highs.

The higher the price of crude oil climbs, the more urgent will be the call for a cheaper and more plentiful source of energy, one that is renewable, which is unlike the case of crude oil.

The development and production of hybrid motor vehicles is just the start of a quiet revolution which, in the fullness of time, will, without question, spell the undoing of the 12 members of The **O**rganisation of **P**etroleum **E**xporting **C**ountries (OPEC), the cartel which regulates the international price of crude oil.

OPEC was founded in 1960 in order to stem a drop in revenues from oil sales, following the late 1950s when the amount of oil, produced in the world, was far greater than demand.

Algeria, Gabon, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, United Arab Emirates, and Venezuela banded together in reaction to this drop in revenue and, by regulating the amount of crude oil, released onto the world's markets, OPEC has managed to control the price to the advantage of its members.

OPEC, also, has used the price of oil to obtain political advantages and, on at number of occasions, it has *'punished'* the West for certain acts by refusing to ship crude oil to certain countries and/or raising prices in order to teach the West a lesson.

But OPEC members, in time, will feel the brunt of their poor judgment as governments of the world beef up legislation in order to keep the wheels of their industries moving without suffering the inflationary pressures, brought about by high, crude-oil prices, manipulated, in the main, by various means, but always orchestrated by OPEC.

Many governments of the world are, today, reviewing their energy policies as a matter of urgency in the light of the current price of oil.

Transportation companies are among the highest users of crude oil, directly or indirectly, and when oil prices rise, these companies either have to bite the bullet or pass on the higher operational costs to customers.

Just about every airline and cruise-ship company of the world, today, has imposed fuel *'penalties'* on customers because the consumption of fuel by the transportation industry, worldwide, is an important factor in the determination of profits.

At the same time, governments of the world are very cognisant of the requirements with regard to the control of pollution of the environment, brought about by the burning of coal and other fossil fuels.

Bio-Fuels

The drive is on for viable, alternative sources of energy, such as bio-fuels.

Bio-fuels, which have not been mentioned very much of late, include such organic matter as wood, agricultural crops, animal and human waste, and non-fossil material of biological origin.

In the US, ethanol and methanol have never been taken very seriously by the vast majority of consumers as an alternative to fossil fuels although both fuels are for sale at a smattering of petrol stations, throughout the country.

Both of these fuels are derived from agricultural products, such as corn, sugar cane and vegetable oils.

Ethanol is used as a direct substitute for petrol and may, also, be used as an additive in diesel fuel.

These are the largest uses of this energy source.

The US and Brazil have the largest ethanol industries in the world, today.

The Brazilian ethanol industry is based on the use of sugar cane and the country produces some 14 billion litres of ethanol, annually.

In terms of this country's consumption of petrol, that amount of ethanol is equal to about 40 percent of total petrol demand.

In Brazil, many of its motor vehicles are known as flexible-fueled vehicles, being able to operate on ethanol, petrol, or any blend of the 2 energy sources.

Shades of the future trend, perhaps?

In the 2005-year, sales of flexible-fueled vehicles in Brazil surpassed sales of petrol-only fueled motor vehicles.

In the US, its ethanol industry is based on corn.

In the 2005-year, the US produced about 15 billion litres of ethanol.

In 2005, the US promulgated the Energy Policy Act, which requires the production of ethanol in the US to be increased to about 28 billion litres by 2012.

The US only uses ethanol as an additive to petrol, at this time, on the basis of one part of ethanol to ten parts of petrol.

It is popular only in the Midwest of the US.

Historically, the US has been *'married'* to the use of fossil fuels for the operations of motorised vehicles, but the country has 95 ethanol mills which, in aggregate, have the ability to produce about 350,000 barrels of ethanol per day.

There are, also, a further 32 ethanol mills under construction in the US.

Ethanol is, still, a long way off to being a substitute for fossil fuels since it is not price competitive at this stage in its development.

In the **E**uropean **U**nion (EU), there is a concerted drive to raise the percentage of bio-fuels, used in

eurozone.

In 2003, a Directive was adopted in the EU to raise member states' usage of bio-fuels from 0.60 percent to 2 percent by the end of last year, and, by the end of 2010, up to 5.75 percent.

The EU Directive of 2003 was not mandatory of the states, but, today, there is a drive to make it a mandatory requirement within the EU.

In addition to bio-fuels, working is rushing ahead on such alternate sources of energy as solar power, wind power, wave power, etc.

The call has gone out in North and South America and certain European countries for there to be less dependence on imported fossil fuels; legislation is, presently, being drafted.

Demand for crude oil will, without any intervention by governments to introduce legislation to increase the production of renewable energy sources, fall as the price rises and so, the longer that OPEC keeps the price of crude oil high, the deeper will it be digging its own grave.

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