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**Institution:** United Nations Economic and Social Council

**Topic:** Solving the oligopoly problem in the international petroleum markets to reduce embargoes

***"Problems can become opportunities when the right people come together." — Robert Redford***

**Genesis of the problem – oligopolistic origins and low regulation**

Since the discovery of oil global oil production was dominated by a group of the seven largest oil companies (five of which were U.S. companies), later nicknamed the “Seven Sisters.” These companies obtained concessions in key oil-producing countries, primarily in the Middle East, giving them wide-ranging control of production. This informal arrangement broke down in the 1960s, because the oil-producing countries in the Middle East sought more control over their production and prices by forming OPEC.

While there are strong regulations of UN bodies to govern the trade of all the other commodities, oil trade is subject to very low regulations in trade negotiations. Oil is excluded from the standard trade regulations (such as transparent pricing and investment regulations that are fair to all, regulations restricting monopolies etc.) due to fear that that oil’s strategic political aspect would turn technical issues of regulations into political issues. Due to its special role in national security, this is a sector that is peculiarly resistant to full integration into the rules and disciplines of the global trading regime. This approach has resulted in oligopolistic structure of the crude oil markets and volatility in crude prices.

**Canada – A large oil producer and key stakeholder**

[Canada](https://en.wikipedia.org/wiki/Canada) has the third largest [oil reserves](https://en.wikipedia.org/wiki/List_of_countries_by_proven_oil_reserves) in the world and is the world's fourth largest [oil producer](https://en.wikipedia.org/wiki/List_of_countries_by_oil_production) (4.7 Mbbl/d) and exporter. It is also the fifth largest natural gas producer Most of the Canadian petroleum production is exported, (3.8 Mbbl/d), with 98% of the exports going to the United States. Canada is by far the largest single source of oil imports to the United States, providing 43% of US crude oil imports. The Canadian Net-Zero Emissions Accountability Act (CNZEAA), adopted by Parliament in June 2021, establishes a framework for attaining net-zero greenhouse gas emissions by the year 2050.Petroleum production in Canada is a [major industry](https://en.wikipedia.org/wiki/Economy_of_Canada) which is important to the overall [economy of North America](https://en.wikipedia.org/wiki/Economy_of_North_America) and the world.

**Opportunities in this problem – the Canadian solutions**

**Alternative energy sources to be developed in line with Net Zero Emission Commitments:** Alternative energy sources (such as solar, wind etc.) need to be subsidized by way of tax benefits, subsidies etc. and additional carbon taxes need to be levied on to reduce fossil fuel consumption. This approach would have dual benefit of tackling the issue of climate change and reduction of volatility in the crude oil prices (since demand would reduce significantly).

**Comprehensive UN regulation of Crude Oil Trade**: The oil should change from a strategic and political commodity to an ordinary commodity with pricing purely controlled by market factors, as against political factors.

**Flexible Taxation:** The petroleum products have a very high level of taxation (40-50%) in the consuming countries. The consumer taxation should be flexible and inversely linked to the crude price to counter the oil price fluctuation with end consumer price remaining relatively stable.

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