Over the last 40 years the Organization of Petroleum Exporting Countries (OPEC) has had varied success in forming and maintaining its cartel agreements. Explain how the following factors may contribute to the difficulty of forming and/or maintaining its price and output agreements.

a) New oil fields are discovered, and increased drilling is undertaken in the Gulf of Mexico and the North Sea by nonmembers of OPEC.

b) Crude oil is a product that is differentiated by sulfur content: it costs less to refine low-sulfur crude oil into gasoline. Different OPEC countries possess oil reserves of different sulfur content.

c) Cars powered by hydrogen are developed.

a. World oil supply increases above and beyond OPEC, prices fall, OPEC will either have to accept lower prices at current production levels or reduce production to get back to higher price level.   
  
b. Various high-sulfur OPEC countries have greater costs of extraction and so do not enjoy the same profits as low-sulfur OPEC countries. High-sulfur OPEC countries may not be satisfied with price levels because of smaller profit margins and would want to increase price level to cover costs.   
  
c. Depending on how wide spread the hydrogen cars are adopted, this would have an impact on oil demand. A reduced demand on the world oil supply would mean lower prices and OPEC would have to decrease production in order to maintain prices