

OIL PRICES

The price of crude oil, from which petroleum products such as gasoline are derived, is influenced by a number of factors beyond the traditional movements of supply and demand, notably geopolitics. Some of the lowest cost reserves are located in sensitive areas of the world. There is not one price for crude oil but many. World crude oil prices are established in relation to three market traded benchmarks (West Texas Intermediate [WTI], Brent, Dubai), and are quoted at premiums or discounts to these prices.

Definition

Crude oil import prices come from the Crude Oil Import Register. Information is collected according to type of crude and average prices are obtained by dividing value by volume as recorded by customs administrations for each tariff position. Values are recorded at the time of import and include cost, insurance and freight (CIF) but exclude import duties.

Long-term trends

The 1973 Arab oil embargo had a major price impact as Arabian Light prices surged from USD 1.84/barrel in 1972 to USD 10.77 in 1974.

The first spike after 1973 came in 1981, in the wake of the Iranian revolution, when prices rose to a high of nearly USD 40. Prices declined gradually after this crisis. They dropped considerably in 1986 when Saudi Arabia increased its oil production substantially.

The first Gulf crisis in 1990 brought a new peak. In 1997, crude oil prices started to decline due to the impact of the Asian financial crisis.

Prices started to increase again in 1999 with OPEC target reductions and tightening stocks. A dip occurred in 2001 and 2002, but the expectation of war in Iraq raised prices to over USD 30 in the first quarter of 2003. Prices remained high in the latter part of 2003 and in 2004. Crude oil prices increased dramatically in late August 2005 after Hurricane Katrina hit the eastern coast of the US Gulf of Mexico. Prices remained high in 2006 with Dubai hitting USD 72.29/barrel in the middle of July and WTI climbing to USD 76.95/barrel at the beginning of August.

After the 1986 oil price decrease, the real price of crude oil (adjusted for inflation) has remained relatively stable until the sharp increase in crude oil prices in August 2005.

The nominal crude oil spot price from 1985 to 2005 is for Dubai and from 1970 to 1984 for Arabian Light. The real price was calculated using the deflator for GDP at market prices and was rebased with base year 1970 = 100.

Comparability

Average crude oil import prices are affected by the quality of the crude oil that is imported into a country. High quality crude oils such as UK Forties, Norwegian Oseberg and Venezuelan Light will be more expensive than lower quality crude oils such as Canadian Heavy and Venezuelan Extra Heavy. For a given country, the mix of crude oils imported each month will affect the average monthly price.

Sources

- IEA (2006), *Energy Prices and Taxes*, IEA, Paris.

Further information

Analytical publications

- IEA (2006), *China's Power Sector Reforms: Where to next?*, IEA, Paris.
- IEA (2006), *Energy Policies of IEA Countries*, series, IEA, Paris.
- IEA (2006), *Natural Gas Market Review 2006: Towards a Global Gas Market*, IEA, Paris.
- IEA (2006), *Optimising Russian Natural Gas: Reform and Climate Policy*, IEA, Paris.

Online databases

- *Energy Prices and Taxes*.

Websites

- IEA Oil Market Report: www.omrpublic.iea.org.
- International Energy Agency, www.iea.org.