Savanna Underwood

Coach Amarantos

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OPEC Oil

On Wednesday, November 30, 2016 The Organization of the Petroleum Exporting Countries (OPEC) met to discuss global oil production levels and the impact that those levels were having on the global economy. At this meeting they made the decision to cut the production of oil throughout most of its countries. This is the first cut since 2008. There are some countries that are exempt from this cut due to other circumstances, such as war or other conflicts within the region that have impeded on their ability to extract oil.

In order to make this decision worldwide, many countries who may be facing conflicts between each other are being forced to cooperate. This is an important decision that will affect most aspects of life. Decreasing the amount of oil being produced will, in turn, increase the price of oil and other commodities throughout everyday life. The prices of shipping will increase largely due to the price of oil used in order to transport those materials or items. Because of this, items being shipped will become more expensive to balance out the price of their shipping. This is indirectly affecting the price of everything in daily life.

Though it seems like it would damage our economy, it is in fact boosting it. Companies who produce oil have been unable to provide for their employees due to the low oil prices. Now that they are able to sell oil for higher prices due to the fact that its production is being cut, they are more capable of providing for the people working for them. This decreases the rates of unemployment and increases overall production.

The purpose of the article was to inform the public and investors about an important meeting that has an immediate impact on the economy. The day this meeting occurred, oil prices increased 10%. Furthermore, most oil related stocks increased at the same or greater rate anywhere around 15%. The rise in stocks increased the profits of investors and increased the prices at which stocks were being sold.

The overall decision to cut the price of oil is positively affecting the economies in the countries involved. By decreasing rates of production, it decreases supply while demand stays the same. Because of that, the price of oil will increase as the proportion of supply to demand decreases. The larger income to oil related companies will create more availability for jobs and higher rates of employment. Alongside that, people will be making more money off of their stock investments. These points rely on the hopes that other countries who originally wanted to increase oil production levels follow through and cut their levels of production. Monitoring and transparency is critical to the success of this agreement because of this. If these countries were to continue pumping oil at their previous rates but sell the oil at the new rates, it will not be beneficial to the economy and would harm it. The faith in these companies would be lacking, and their selling rates would largely decrease.

Works Cited

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