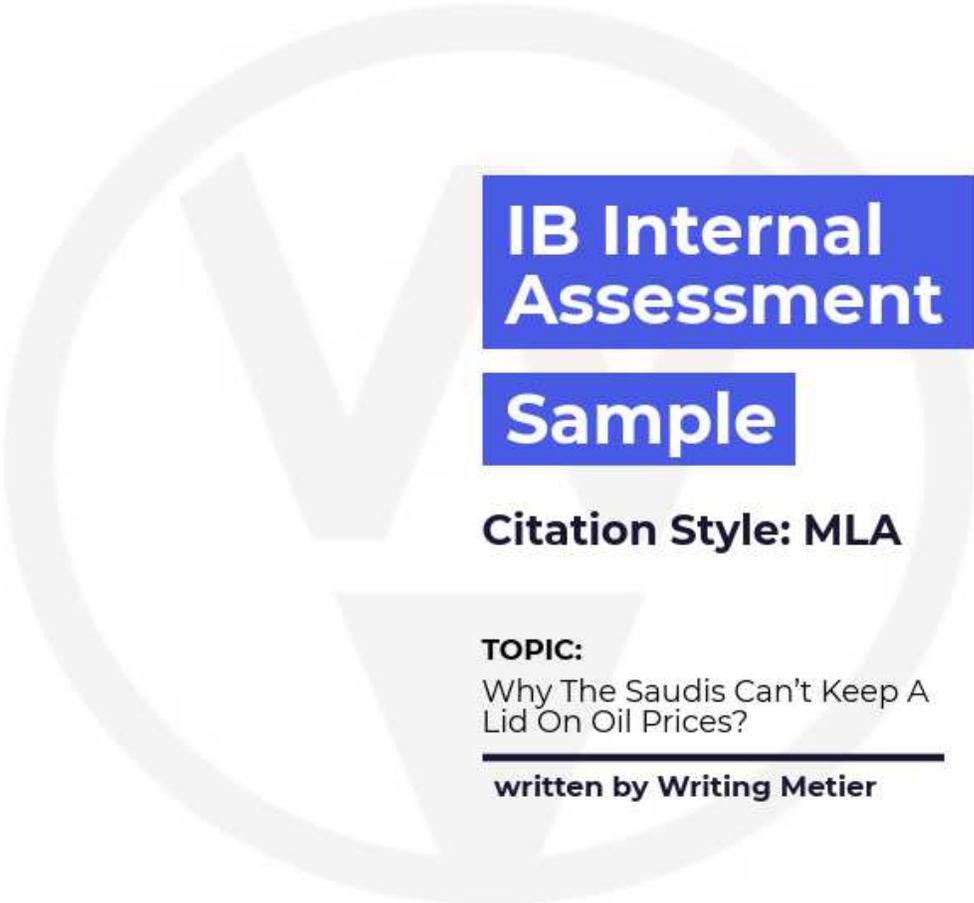


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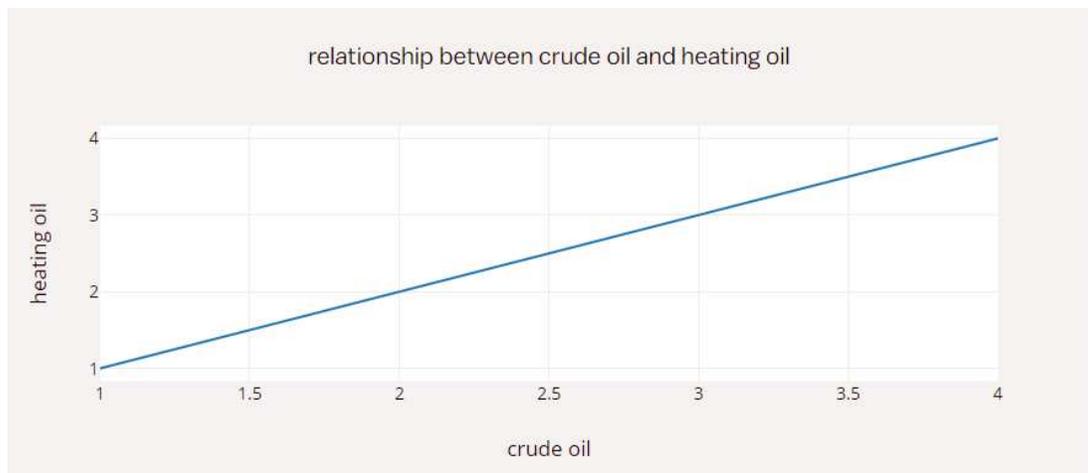
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Why The Saudis Can't Keep A Lid On Oil Prices?

Saudi Arab is one of the primary producers of oil in the world and yet it is facing problems in controlling and managing oil prices. There are multiple underlying factors that are contributing to this phenomenon. These factors will be discussed in detail in this commentary.

The oil that household use is heating oil which is obtained by refining crude oil. Firstly, the crude oil pricing affects the heating oil prices.



This graph depicts that the crude oil prices and heating oil prices are in a direct relationship. This linear relation suggests that higher the crude oil prices, higher the heating oil prices. The heating oil has certain direct and indirect costs attached to it including distribution and marketing cost, refining cost and most importantly, crude oil costs. Moreover, the supply of crude oil cannot be ignored in this context. Recently, Saudi Arab has failed to offset Iran's crude oil supplies.

According to the analysts, Brent crude may reach US\$100 a barrel in 2018. Crude oil is a basic commodity that can be affected by multiple factors including political events and crisis.

Figures title: 3

War, disasters, political unrest and leaders may influence crude oil pricing. The idea of 100 dollar oil is been into news ever since president trump left the Iran nuclear deal. According to sources, almost 12 tankers of Iran has been offline in the Gulf. Some tankers might be used to store offshore oil. After this event, an OPEC meeting was held where Russia and Saudi Arab said that there is nothing to worry about and there would be enough supply of oil to keep the prices in control.

To make things worse, rumors entered the oil market. Unidentified sources including Chinese refiners claimed that they would reduce the intake of oil from Iran which means that Iran's exports will hinder, disturbing the supply and pricing of oil. Another factor that contributes to the uncontrollable oil pricing is the weather. Weather and heating oil costs are directly linked. In hot weather, the heating oil prices are usually steady whereas in cold weather the heating oil prices increase to a great extent. The weather of Saudi Arab is warm because it is a desert. That means the local consumption is less. This will lead to lower oil prices in the local markets. The third factor that affects oil pricing is the alternatives to heating oil. This the ear of science and technology and man has discovered multiple types of fuels. People are now switching from heating oil to other resources like solar energy and hydroelectric energy.

These are some of the extraneous variables that Saudi Arabia cannot control. There is no check and balance on OPEC members. The internal politics, biases and unethical conduct affect the prices. The OPEC members have usually found to be cheating on their production quotas. Every country is looking for incentives and larger profit margins which give rise to unethical activities. Last but not least the biggest and most important factor that does not allow Saudi Arab

Figures title: 4

to control oil pricing in the United States. Oil prices above 60 dollars indicate that the oil production by the US will increase and the USA is already the world's number one producer.

Saudi Arab will have to cut more to cater the prices. Although Saudi Arab has claimed to have enough capacity to meet the needs, people are still questioning them. Saudi Arab claimed that it will improve production to use the capacity to reach more than 12 million bpd. By keeping in view the above argument, it is believed that it is too early to make inferences about the current oil pricing situation. A lot of factors are still unclear and analysts will need authentic tanker data to study the amount of Iranian oil being lost.

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