



WORLD TRADE ORGANISATION (WTO)

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**AGENDA- Addressing the Oil
prices fluctuations and
establishing Trade capacities in
Oil markets**

CHAIRPERSON'S MESSAGE

Greetings delegates!

The WTO is in need of help. There is a lot going on in this region of instability, especially after the Russia-Ukraine conflict, which is why our agenda is, '**Addressing the Oil prices fluctuations and establishing Trade capacities in Oil markets**', wherein we will primarily focus on the global oil shortage, the existing Russia-Ukraine conflict and cost-push inflation. Currently, several economies are on the brink of collapse with existing problems such as high unemployment rates, high inflation, higher GDP deflator index etc. It is a crisis that throws the future of, not only selective economies but also affects the global supply chain at large.

This issue has been a challenge for diplomats all over the world, clearly evident if we consider the time it has lasted since it took root, without taking a step forward. And, this challenge now falls upon your shoulders. You need to have an extraordinary head, for your power transcends that of diplomats, to lead the way forward through 'Diplomacy and Discourse.'

As the Chair of WTO at WELMUN 2022, it gives me immense pleasure to welcome you to 3 days of intense debating, learning, and most importantly, making friends and having fun. In the end, I'd just like to remind you that not only mine, but the hopes of the global economy lie in your thoughts, your scribbling, your notes, your speeches and your resolutions, in this simulation of the United Nations. Please don't hold yourself back, for you might have in you what the entire world is looking for - the solution.

Parth Tiwari

Chairperson

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World Trade Organisation (WTO)

Agenda - Impact of rising oil prices

The World Trade Organisation (WTO) is the only world alignment handling the principles of trade between nations. At its heart are the WTO agreements, negotiated and signed by the majority of the world's commerce nations and sanctioned in their parliaments. The goal is to assist producers of products and services, exporters, and importers conduct their business. Created in 1995, the world Trade Organisation (WTO) is a world establishment that oversees the worldwide trade rules among nations. It outdated the 1947 General Agreement on Tariffs and Trade (GATT) created within the wake of war II. The international organisation is predicated on agreements signed by most of the world's commerce nations. The organisation's primary function is to assist producers of products and services, as well as exporters and importers, shield and manage their businesses. As of 2021, the international organisation has 164 member countries, with Liberia and Asian nations the foremost recent members, having joined in July 2016, and twenty five "observer" countries and governments .

The international organisation has six key objectives:

1. To line and enforce rules for international trade,
2. To produce a forum for negotiating and observing more trade relaxation,
3. To resolve trade disputes,
4. To increase the transparency of decision-making processes,
5. To get together with alternative major international economic establishments concerned in world economic management,
6. To assist developing countries profit totally from the worldwide commerce system.

Impact of rising oil prices

History

Global oil production began in the mid-1800s and grew rapidly in the first half of the 20th century. For much of that time, oil majors – companies like Chevron, Amoco, and Mobil that were created after the Supreme Court ordered the breakup of Standard Oil in 1911 – operated effectively as a cartel, maintaining production at levels that kept oil abundant and cheap to encourage its consumption.

This ended when Iran, Iraq, Kuwait, Saudi Arabia, and Venezuela formed the Organization of Petroleum Exporting Countries in 1960, nationalizing their oil reserves and gaining real supply power. Over the following decades, other nations in the Middle East, Asia, Africa, and Latin America joined – some temporarily, others permanently.

In 1973, Arab members of OPEC cut their oil production when Western countries supported Israel in the Yom Kippur War with Egypt and Syria. World oil prices shot up fourfold, from an average of \$2.90 per barrel to \$11.65.

In response, government leaders in wealthy countries introduced policies to stabilize oil supplies. These included finding more oil, investing in energy research and development, and creating strategic oil reserves that governments could use to mitigate future price shocks.

But six years later, oil prices more than doubled again when Iran's revolution halted that country's output. Between mid-1979 and mid-1980, oil rose from \$13 per barrel to \$34. Over the next several years, a combination of economic recession, replacing oil with natural gas for heating and industry, and shifting to smaller vehicles helped to mitigate oil demand and prices.

The next major shock came in 1990 when Iraq invaded Kuwait. The United Nations imposed an embargo on trade with Iraq and Kuwait, which raised oil prices from \$15 per barrel in July 1990 to \$42 in October. The U.S. and coalition troops moved into Kuwait and defeated the Iraqi army in just a few months. During the campaign, Saudi Arabia increased oil production by more than 3 million barrels per day, roughly the amount previously supplied by Iraq, to help dampen the increase and shorten the period of higher prices.

More disruptive price shocks occurred in 2005-2008 and 2010-2014. The first resulted from increased demand generated by economic growth in China and India. At that time, OPEC was unable to expand production due to a long-term lack of investment.

The second shock reflected the impacts of Arab Spring pro-democracy protests in the Middle East and North Africa, combined with conflict in Iraq and international sanctions that Western nations placed on Iran to slow its nuclear weapons program. Together, these events pushed oil prices above \$100 per barrel for a four-year stretch – the longest such period on record. Relief finally came via a flood of new oil from shale production in the world.

Background

The world is facing an oil crisis. In just a few months, prices have risen from the US \$ 65 a barrel to more than \$ 130, leading to higher fuel costs, higher inflation pressures, and consumer anger. Even before the Russian invasion of Ukraine, prices were rising sharply due to high demand and limited supply.

Price shock is not new. Historically, they are an integral part of the oil market, not confusing. They have happened since the birth of the industry.

There are many factors that can cause panic in oil prices. It involves major shifts in demand or supply anywhere in the world, as oil is a global commodity. Shock can also be caused by war and rebellion; periods of rapid economic growth in large exporting countries; and domestic problems in supplier countries, such as political conflicts or lack of investment in the oil industry. After all, the worst spikes are two or more of these factors - and that is the case today.

FACTORS AFFECTING THE OIL PRICES

Today, many factors increase oil prices. There are three key factors:

- Demand for oil has grown much faster than expected in recent months as countries emerge from the epicenter closure.
- OPEC +, the loose relationship between OPEC and Russia, did not increase production at the same level, nor did any U.S. shale oil companies.
- Countries have used oil and gas stocks to close the supply chain, lowering the emergency cushion to lower levels.

These developments have caused oil traders to worry about the future. As a result, they have increased oil prices. It is noteworthy that while consumers often blame oil companies (and politicians) for high oil prices, these prices are set by exporters in places like New York, London and Singapore.

Against this backdrop, Russia invaded Ukraine in Feb. 24, 2022. Traders have seen the possibility of punishing the export of Russian oil and gas and even higher bid prices.

Unexpected features have emerged. Major oil companies including Shell, BP, and ExxonMobil are ending their operations in Russia. Buyers of the spot market have rejected Russian dirty food at sea, probably out of fear of sanctions.

And on March 8, the US and UK governments announced a ban on imports of Russian oil. No country is Russia's largest consumer, but their actions set an example for some analysts and traders who fear the rise, as Russia reduces or eliminates exports to U.S. corporations.



Source: Forbes

Supply chain problems in the oil market

The disruption of the supply chain should be a major threat to businesses in the oil and gas industry and has a significant impact on the economic development of oil-producing

countries around the world. Over the years, supply chains have become longer and heavier, while the durability and frequency of supply chain disruptions increase. From political instability and violence to legal, legal, and economic change, there are several sources of supply chain disruptions in the oil and gas industry, which often lead to costly legal processes. By the time of the covid-19 crisis, oil prices had plummeted and commodity prices had almost stopped but after the release of closed roads, the supply chain was unable to supply the much-needed oil that many people needed. This has been one of the reasons why oil prices have soared.

Ukraine's invasion by Russian troops on February 24, 2022, has not yet led to a loss of oil in the market. Prices however increased by USD 8 / bbl. up to USD 105 / bbl. following the news, in anticipation that sanctions against Russia would impede the export of power. It is not yet clear what the impact of the sanctions will be on the power outage and how long any potential supply losses will last. Russia is the third-largest oil producer in the world after the United States and Saudi Arabia. In January 2022, Russia's oil production rate was 11.3 Mb / d, of which 10 Mb / d was crude oil, 960 kb / d condensates, and 340 kb / d NGL. In comparison, US total oil production was 17.6 mb / d while Saudi Arabia produced 12 mb / d. Russia leads the world in exporting oil to world markets and is the second-largest exporter after Saudi Arabia. In December 2021, it exported 7.8 mb / d, which is crude and condensate estimated at 5 mb / d or 64%. Exports of oil production were 2.85 mb / d, of which 1.1 mb / d of gasoline, 650 kb / d of petroleum, 500 kb / d of naphtha, and 280 kb / d of vacuum gas (VGO). Fuel, LPG, jet fuel, and petroleum coke make up the remaining 350 kb / d.



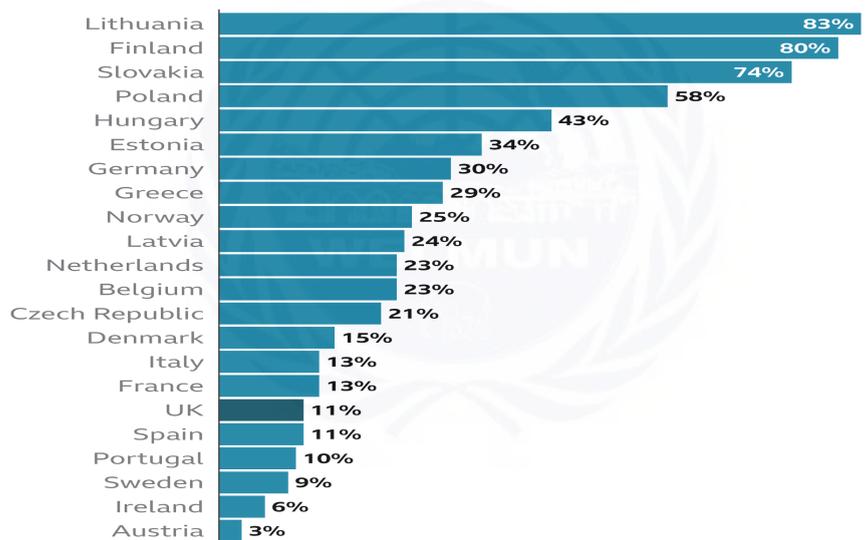
source: www.rmmagazine.com

Dependence of Countries on Russian Oil

Russia is the third-largest producer in the world, following the US and Saudi Arabia. About half of Russia's crude oil exports to Europe before sanctions were announced. Slovakia and Hungary - who will be given an extra year to find other suppliers receive 96% and 58% of their oil from Russia respectively last year, according to the International Energy Agency (IEA).

Russia accounted for only 8% of UK oil imports by 2020 and 3% of US oil imports last year. If Russia's gas goes to Europe and dries up, Italy and Germany will be in danger especially as they import more gas.

European countries importing Russian oil
Percentage of country's total oil imports coming from Russia



Source: International Energy Agency, November 2021

BBC

Russia supplies only 5% of UK gas, and the US does not import any Russian gas. Russia supplies gas to Europe via several large pipelines. Gas is collected from regional storage facilities and distributed throughout the continent

EU Members Role in the Crisis

The EU has called for a ban on Russian oil, but the vote, which needs to be unanimously supported, is delayed as Hungary holds a stand against opposition from other European countries and has expressed concern that its economy could be affected.

The impact of the embargo may be limited if the ban is poured into water to ease the concerns of members of eastern Europe, but analysts say oil prices could still rise.

The ban is expected to be implemented later this year by EU members but EU members Hungary and Slovakia will be able to continue buying Russian crude oil by the end of 2023.

Exposure to EU Members

The impact mainly depends upon the dependency of the EU members on Russian oil:

- **Low Exposure**

Countries which have no or little dependency on Russia for oil. For eg.: the UK, and Poland

- **Little Exposure**

Countries that are reliant on Russia for a considerable percentage of their oil. For eg: Turkey, and Belarus

- **Significant or High Exposure**

Countries that are reliant on Russia for a significant percentage of their oil. They are the countries that are affected the most during the setback. For eg: Germany and Italy

Impact of the rising oil prices on the world economy and stock markets

Given below are the minor economic impacts of high oil prices.

- When looking at the high oil prices, most of us might think about the price of gasoline, as fuel purchases are needed in many households. When petrol prices rise, a large portion of the home budget will likely be spent on it, leaving less money to spend on other goods and

services. The same goes for businesses that have their goods shipped from one place to another or that use fuel as a mainstay (like the aviation industry). High oil prices often make production more expensive for businesses, as it makes it more expensive for households to do the things they normally do. Therefore, as oil prices rise, you can expect gasoline prices to rise again, which in turn affects the cost to many homes and businesses.

The macroeconomic effects of high oil prices are as follows:

- Rising oil prices are generally thought to increase inflation and slow economic growth. In terms of inflation, oil prices directly affect the prices of goods made from petroleum products. As mentioned above, oil prices indirectly affect costs such as transportation, production, and heating. The increase in these costs may affect the prices of various goods and services, as manufacturers may pass on production costs to consumers. The rate of increase in oil prices that leads to higher consumer prices depends on how important oil is to produce a particular type of goods or service.
- Rising oil prices could also affect economic growth as a result of the supply and demand for oil-free goods. Rising oil prices may reduce the supply of other commodities because it increases the cost of production. In economic terms, high oil prices can increase the supply chain for oil and gas.
- Oil is a major investment in a few industries. When crude oil prices rise naturally, the cost of inputs and total production costs also go up. This results in a drop in interest rates which in turn lowers the company's stock. In contrast, declining oil prices produce the opposite effect

Uncertainty

Following the Ukraine crisis, penalties for Russian oil by oil traders affected by payment problems and penalties for importing Russian oil into the Western economy increased the price of Brent crude from US \$ 90.81 / barrel (b) on 17 February 2022 to US \$ 129.8 / b per day 8 March 2022. In anticipation of a long-running crisis, many forecasters have revised their oil prices by 2022. Prior to the disaster in January 2022, the Energy Information Administration (EIA) predicted that Brent green prices would average US \$ 75 / b in 2022 and US \$ 68 / b by 2023. Excessive oil supply growth demand and inflation were expected to put lower pressure on oil prices. Crude production was expected to increase by 5.5 million

barrels per day (Mb / d) by 2022 when the USA, Russia, and OPEC (Oil Producers and Export Countries) made an 84 percent (4.6 Mb / d) increase. Oil consumption was expected to increase by 3.6 Mb / d and the USA and China accounted for 39 percent growth. Oil prices are expected to increase by 0.5 Mb / d by 2022. However, after the Ukrainian military intervention in March, the EIA revised its 2022 Brent green price forecast to US \$ 101 / b (over US \$ 30 / b) and US \$ 85 / b by 2023. This prediction was made prior to the ban on imports of Russian impurities by the USA and other European countries leaving the possibility of further revisions being opened. Goldman Sachs has reviewed Brent's price target for 2022 to US \$ 138 / b from US \$ 98 / b and the possibility that 1.6 mb / d of Russian crude be removed from the market. JP Morgan revised expectations to reach US \$ 125 / b by 2022. This reflects the uncertainty over oil prices this year.



Conclusion

The world is in the middle of its first truly global energy crisis. Maybe the answer is not additional fossil fuels, but instead putting efforts into better energy transition. The global energy landscape has been reshaped since the Russian Ukraine conflict, prompting governments, businesses and other organizations to reduce their dependence on Russian energy. It is hard to predict which way the situation and markets will go, however it seems that we are poised for a period of high energy prices that are driven by war and combined with tight market fundamentals. Energy markets are naturally price-inelastic and thus volatile. Nonetheless, recent emphasis on the environment and affordability during the early part of the energy transition may have led to less attention to energy security. The new interconnectedness of energy markets across fuels and geographies has also changed how crises spread this is exactly the challenge. There is a couple of small, individual energy transitions that need to happen. The more the global population consumes, the bigger responsibility we collectively have. So, making conscious choices and creating demand for better products. Very importantly, if you can afford it, be ready to pay more for an alternative that drives the change you want to see.

Expectation

As delegates, the EB expects you to find legitimate ways to overcome this conflict. Moreover, you are expected to find long term viable solutions rather than short term push offs. Try to incorporate a system/regulation where such situations don't occur. Furthermore, introduce measures to solve similar crises in other verticals of the commodity market. Measures like strategic reserves and demand response may need more attention, along with programs to help lower-income consumers, who are always most affected when energy prices are high. Diversifying energy supply with renewables will also help, as once built, these sources are not subject to the whims of global markets. We would expect you to be researched thoroughly on every aspect of the current crisis. Delegates should also have the basic knowledge of economic affairs in and around Russia and OPEC. We provide you with this Background Guide just so that you can find a direction to your research. We would advise the delegates to be researched properly and to get into every important topic and be researched thoroughly on your county.

Questions a Resolution must answer(QARMA)

What kind of approach should committee take to resolve Oil crisis?

How to solve the supply chain problem?

Which parties are at the losing and gaining from this resolution?

Are tariffs or trade limits the long term solution to this crisis?

What compromises are the affected parties ready to make to solve this crisis?

Position Paper

A delegate is supposed to submit one position paper relating to the topic at hand. It allows us to judge the capabilities of the delegate, his views on the topic and his country stance. Extensions shall not be allowed until it's an emergency. Failure to submit the position paper would force us to exclude the delegate from the awards.

- The position paper should provide a straight to point stance.
- It should elude disagreements.
- No naïve solutions should be included.
- The Position Paper must state the issue at hand that should be debated in the committee.
- A clear solution to the issue.
- Country Stance
- Relations with the countries in concern, impact on their stance.
- Solutions to the issue at hand.

Format

Country: Delegates: School: Committee: Topic:

Paragraph One – Issue and Position

Utilize this paragraph to clearly outline the main problems associated with your topic. The point of the paragraph is to provide a basic foundation as to the current situation associated with your topic. After generally describing the issue, give your country's policy regarding the issue, and state especially why your country supports that policy. Policy statements can often be as short as stating your country supports a certain action followed by a detailed qualification regarding this policy decision. This section of your position paper should not exceed five to six sentences.

Paragraph Two – Detailed Background Information

This paragraph is an opportunity for you to show the depth of your knowledge about the past and current situations regard your topic. Be sure to discuss:

- Historical origin of the problem, particularly why the problem arose
- How does the issue relate to the international community and why is it of international concern
- Previous actions taken to try and solve the problem (if any)
- Successes and failures of past actions and why they succeeded or failed
- Problems that continue to exist or ones that have not yet been addressed

Devoting two to three sentences per item on this list should allow you to have sufficiently discussed the topic and to set the foundations for the final paragraph of your position paper.

Paragraph Three – Proposed Solutions Regarding the Issue

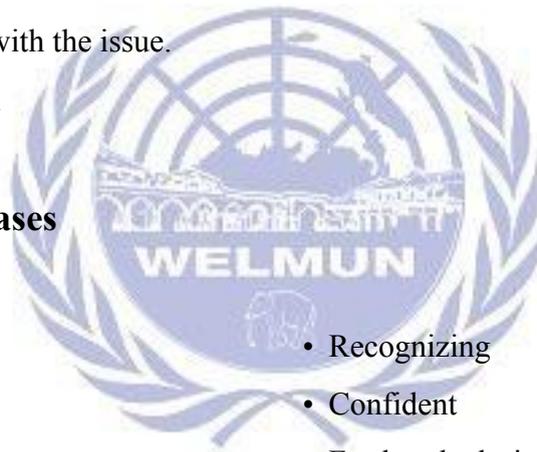
This paragraph is the one that will set your paper apart from the others. After identifying the problems in paragraph two, utilize this paragraph to list your solutions to all the problems you enumerated above. The quality of your solutions could be a great determinant in the overall evaluation of your position paper. Be sure to discuss:

- Specific proposals regarding how to solve specific issues
- How each individual proposal will be implemented, including the feasibility
- Global impact of solving the problem or implementing these solutions

Draft Resolution

The reason for which the committee is taking the issue at hand into consideration is stated by the preamble of a draft resolution. Each clause starts with a perambulatory phrase and ends with a comma. They can incorporate:

- References to past UN resolutions or treaties on the topic.
- Reference to the UN Charter.
- Recognition in dealing with the issue.
- Statements on the issue.



Pre-ambulatory Phrases

- | | |
|-------------------------------|-----------------------------|
| • Affirming | • Recognizing |
| • Expecting | • Confident |
| • Observing | • Further deploring |
| • Alarmed by | • Referring |
| • Expecting | • Contemplating |
| • Reaffirming | • Further recalling |
| • Approving | • Seeking |
| • Expressing its appreciation | • Convinced |
| • Realizing | • Guided by |
| • Bearing in mind | • Taking into consideration |
| • Fulfilling | • Declaring |
| • Recalling | • Having adopted |
| • Believing | • Taking note |
| • Fully aware | • Deeply concerned |

- Having considered
- Viewing with appreciation
- Deeply conscious
- Having examined
- Deeply convicted
- Having received
- Deeply disturbed
- Keeping in mind
- Deeply regretting
- Noting with deep concern
- Desiring
- Noting with satisfaction
- Emphasizing
- Noting further



Operative Clause

Solutions are offered to the issue by the Operative Clauses. They are action based and should be underlined at the starting point of the proposed solution. These should be followed:

- Clauses are to be numbered.
- Every clause is to be supported by each other.
- The solution is to be built upon with the help of these clauses.
- They are to punctuate with semicolons and the last clause is to be ended with a period.

Sample Operative Phrases

- 
- Designates
 - Further resolves
 - Affirms
 - Draws the attention
 - Has resolved
 - Approves
 - Emphasizes
 - Notes
 - Authorizes
 - Encourages
 - Proclaims
 - Calls
 - Endorses
 - Reaffirms
 - Calls upon
 - Expresses in appreciation
 - Recommends
 - Condemns
 - Expresses in hope
 - Regrets
 - Confirms
 - Further invites
 - Reminds
 - Congratulates
 - Further proclaims
 - Requests
 - Considers
 - Further reminds
 - Solemnly affirms
 - Declares accordingly
 - Further recommends
 - Solemnly condemns
 - Deplores
 - Further requests
 - Supports

Sample Draft Resolution

Resolution GA/3/1.1

General Assembly Third Committee

Sponsors:

Signatories:

Topic:

The General Assembly,

Reminding all nations of the celebration of the 50th anniversary of the Universal Declaration of Human Rights, which recognises the inherent dignity, equality and inalienable rights of all global citizens, [use commas to separate perambulatory clauses]

Reaffirming its Resolution 33/1996 of 25 July 1996, which encourages Governments to work with UN bodies aimed at improving the coordination and effectiveness of humanitarian assistance,

Noting with satisfaction the past efforts of various relevant UN bodies and nongovernmental organisations,

Stressing the fact that the United Nations faces significant financial obstacles and is in need of reform, particularly in the humanitarian realm,

1. Encourages all relevant agencies of the United Nations to collaborate more closely with countries at the grassroots level to enhance the carrying out of relief efforts; [use semicolons to separate operative clauses]
2. Urges member states to comply with the goals of the UN Department of Humanitarian Affairs to streamline efforts of humanitarian aid;
3. Requests that all nations develop rapid deployment forces to better enhance the coordination of relief efforts of humanitarian assistance in complex emergencies;
4. Calls for the development of a United Nations Trust Fund that encourages voluntary donations from the private transnational sector to aid in funding the implementation of rapid deployment forces;

5. Stresses the continuing need for impartial and objective information on the political, economic and social situations and events of all countries;

6. Calls upon states to respond quickly and generously to consolidated appeals for humanitarian assistance; and

Requests the expansion of preventive actions and assurance of post-conflict assistance through reconstruction and development.

Bibliography

Given below are some links related to the agenda that will help you during the course of your research :

- 1) <https://www.bbc.com/news/58888451>
- 2) <https://www.weforum.org/agenda/2015/01/what-is-the-impact-of-falling-oil-prices-2/>
- 3) <https://www.weforum.org/agenda/2022/03/how-does-the-war-in-ukraine-affect-oil-prices/>
- 4) <https://www.investopedia.com/ask/answers/012715/what-causes-oil-prices-fluctuate.asp>
- 5) <https://www.forbes.com/advisor/investing/high-oil-prices/>
- 6) <https://www.weforum.org/agenda/2022/02/why-oil-prices-matter-to-global-economy-expert-explains/>
- 7) <https://www.statista.com/chart/26768/dependence-on-russian-gas-by-european-country/>
- 8) <https://www.worldbank.org/en/news/press-release/2022/04/26/food-and-energy-price-shocks-from-ukraine-war>