

CRUDE OIL PRICING

Cameroon, crude oil, pricing, demands

Factors That Impact Crude Oil Prices

West Texas Intermediate (WTI) is one of the most commonly traded crude oil blends, along with North Sea Brent. Historically, Brent and WTI crude oil prices have tracked each other closely, even though production levels can be different. Global events can cause pricing issues, however. For instance, in 2011, the two prices diverged because many significant events disturbed crude oil prices:

- **The Arab Spring:** Oil prices depend on events in the Middle East. War in Libya disturbed the Organization of Petroleum Exporting Countries' ability to maintain its oil supplies.
- **Demand:** Increasing demand from China and Middle Eastern countries caused a rise in prices.
- **Transportation bottlenecks:** The U.S. experienced a slowdown in crude oil transportation.
- **The Debt Crisis:** Europe was in the throes of a significant crisis dealing with countries that had taken on too much debt.
- **Strategic petroleum releases:** Members of the International Energy Agency released oil from their reserves to meet rising demand.

Price differences can stem from various reasons, such as where the oil is produced, transportation costs, political and economic conditions in the regions where the oil is sold, and refining costs.

International Community Responses

Specific international events can influence crude oil prices also. For example, in early 2022, Russia invaded Ukraine. Global responses to the unjustified invasion included bans on Russian oil and businesses, and private companies began removing their investments in the country.

The effects were quickly felt worldwide as crude oil prices soared. In April, Brent Crude was expected to climb from 2021's \$70.89 per barrel to \$103.37 per barrel for 2022, while West Texas Intermediate was expected to rise from \$68.21 to \$97.96.8

Financial Markets

When market participants buy and sell physical quantities of crude oil or trade contracts for upcoming crude oil deliveries, their actions impact prices. The activities of banks, hedge funds, commodity trading advisors, oil producers, airlines, companies, and individual investors play roles in pricing.

Because oil benchmarks are usually priced in U.S. dollars, oil prices can also fluctuate in response to variations in the value of the U.S. dollar.

Other Factors

Other factors that can impact the price of crude oil include:

- U.S. Energy Information Administration (EIA) weekly reports
- American Petroleum Institute (API) weekly reports
- Organization of the Petroleum Exporting Countries (OPEC) meetings
- Refinery capacity reports (done by SONARA in Cameroon)
- Gross domestic product (GDP) reports
- Natural gas inventory reports
- Weather events
- Import/export policy changes

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