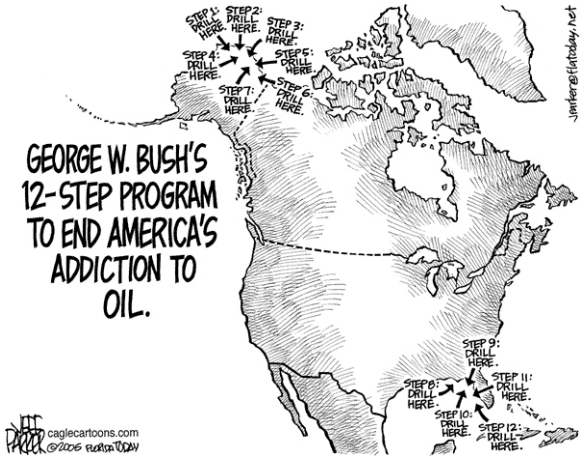
A. Oil company cartoons

1. Consider the cartoons.

i. What does the cartoon depict? Who is represented in the cartoon?
ii. What elements act as symbols for concepts, entities, people or groups, etc? What qualities or characteristics are associated with the elements depicted in the cartoon?
iii. What message is the cartoonist trying to convey?



2. Place each verb in an appropriate gap in the paragraphs.

represent	symbolises	is suggesting	is
suggests	represents	shows	mirrors
is implied	brings to mind	depicts	are

The first cartoon **1….** us a picture of the United States with 12 numbered points on it, each one labelled "Drill here". This **2….** George Bush's '12-step program to end America's addiction to oil'. The 12-step program **3….** the classical treatment for addicts, which consists of 12 stages. In fact, there is really only one step: to drill in the location marked. This **4….** that George Bush does not actually have a 12-step program, but only a one-step program. Furthermore, rather than putting an end to America's addiction, he will be putting an end to America's oil. Thus, the cartoonist **5….** critical of George Bush's policies towards oil, which **6….** neither sustainable nor varied.

The second cartoon **7….** some aliens, one of whom is making a presentation to others about a new energy source they have found, which could fuel their spaceships. The alien who is giving the presentation is pointing to a blackboard on which there is drawn the figure of a human being and a jerry-can, with an arrow leading from the former to the latter. The process he is describing **8.…** the process by which oil was formed. The demise (death) of the human race, which **9….** in the drawing, **10….** the oil we use today. The aliens **11….** the human race. The cartoonist **12….** that our dependence on oil will lead to our own destruction, and he is, therefore, critical of this dependence.

B. Oil company advertisements

1. SPEAKING

Analyse the company image that the oil company is trying to project in each advertisement and how the image evolves over time. You do not have to read any text that is longer than a SHORT paragraph. Use the following to help guide your analysis in order to answer the two questions at the end.

Layout – Does the layout of the components in the advertisement remind you of anything? What potential message could it convey?

Elements depicted – What objects/places are depicted in the ad? What qualities, characteristics or attributes do you associate with them? How can these qualities etc. be related to the company image? Does anything act as a symbol for another idea?

Colour – Do the colours used bring any particular associations with them?

People – Who are they? Who do they represent? Why has the company chosen this particular person and not someone else?

Use of text – Does the kind of text remind you of any particular text type? What associations do you make with the text type? Does the text type project a particular role onto the reader or author?

WHAT COMPANY VALUES IS THE ADVERTISEMENT TRYING TO PROJECT?
HOW HAS THE COMPANY IMAGE/MESSAGE EVOLVED OVER TIME?

2. WRITING I (Max. 1 page, 11Times New Roman, 1½ line spacing)

Explain how one oil company has changed the image they wish to project over time. I.e. How has the company image/message evolved in the advertisements between 2004 and 2011? What company values do the advertisements project and how do they change?

Or

Compare and contrast the images/messages projected through the advertisements by two or more oil companies we have looked at. Consider the differences and similarities in company values as projected through the advertisements.

3. Match each adjective (1.-12.) with a corresponding sentence about a company (*a.- l.*).

1. socially responsible
2. caring, paternalistic
3. cut-throat, ruthless
4. creative, ground-breaking
5. state-of-the-art, cutting edge
6. profitable
7. serious, competent
8. research-led
9. community-oriented
10. forward-looking
11. hard-working, committed
12. customer-focused

a. Our company uses the most recent technologies to attain our goals.
b. We have scientists whose research provides us with new insights into how we can improve our production.
c. We are aware of the environmental impact of our practices and take steps to mitigate (minimize) any negative effects.
d. We understand our clients and we work to meet their needs.
e. We focus on our core business, and our employees are all fully qualified; they achieve results.
f. We consider the future and look to how we can contribute positively towards it.
g. Our employees are engaged in and motivated by their work
h. We look after our customers to ensure their well-being and comfort.
i. We are part of the community and, working together, we meet the needs of the people who live here.
j. This year our company introduced new, innovative techniques that no-one has ever used.
k. Our third quarter earnings were up about 10 per cent.
l. We will do anything to get ahead of our competitors.

Three economic issues

C. Note down the uses of oil in our society today. How important is it? Why?

D. Complete the following sentences by inserting a preposition in the blanks.

1. Oil and its derivatives are basic inputs for many household products ranging ……. plastic utensils ……. polyester clothing.
2. The price of oil fell ……. comparison ……. the prices of other products.
3. Economic activity was organised ……. the assumption of cheap and abundant oil.

Read the following sentences and choose the best meaning for the underlined expression.

4. In this section we discuss three economic issues to show how society allocates scarce resources between competing uses.
   a. rare
   b. common
   c. important
5. Higher prices encourage consumers of oil to try to economize on its use.
   a. teach
   b. require
   c. stimulate
6. OPEC forecast that cutbacks in the quantity demanded would be small.
   a. reductions
   b. increases
   c. changes
7. The dramatic price increases have become known as the OPEC oil price shocks because of the upheaval they inflicted on the world economy.
   a. important and sudden adaptation
   b. sudden, violent disruption
   c. great, problematic changes
8. Households switch to gas-fired heating.
   a. turn on
   b. change to
   c. exchange
9. High oil prices choke off the demand for oil-related commodities.
   a. lower
   b. stop breathing
   c. cause an increase in
10. High oil prices encourage consumers to purchase substitute commodities.
    a. produce
    b. acquire
    c. buy
11. Higher demand for these commodities bids up their price.
    a. raises
    b. lowers
    c. retains
12. What is being produced reflects a shift away from expensive oil-using products.
    a. move
    b. far
    c. direction
13. A disturbance anywhere ripples throughout the entire economy.
    a. change
    b. noise
    c. altercation
    d. sends waves
    e. causes other changes
    f. marks
14. British coalminers were able to secure large wage increases.
    a. to tie up
    b. to obtain
    c. to tighten
15. The opposite effects may be expected if the 1986 oil price slump persists.
    a. low oil prices
    b. high oil prices
    c. peak oil prices

E. Read the text 'Three economic issues'. As you read, write the following topic notes in the margins at the appropriate letter (a - j).

- Economy based on cheap oil
- Who is affected by high oil prices & how
- People's response to prices affects production
- Allocation scarce resources related to what, how & for whom to produce
- Oil price shocks challenge economic assumptions
- Sudden rise in oil price
- Economy - an interconnected system
- Effect of oil price shocks on <u>how</u> the economy produces
- Definition a scarce resource
- Effect of high oil prices on <u>what</u> is produced

1-1 THREE ECONOMIC ISSUES

1 Trying to understand what economics is about by studying definitions is like trying to learn to swim by reading an instruction manual. Formal analysis makes sense only once you have some practical experience. In this section we discuss three economic issues to show how

a. society allocates scarce resources between competing uses. In each case we see the

5 importance of the questions what, how, and for whom to produce.

The Oil Price Shocks

Oil is an important commodity in modern economies. Oil and its derivatives provide fuel for heating, transport, and machinery, and are basic inputs for the manufacture of industrial petro-chemicals and many household products ranging from plastic utensils to polyester

10 clothing. From the beginning of this century until 1973 the use of oil increased steadily. Over much of **this period** the price of oil fell in comparison with the prices of other products.

b. Economic activity was organized on the assumption of cheap and abundant oil.

In 1973-74 there was an abrupt change. The main oil-producing nations, mostly located in the Middle East but including also Venezuela and Nigeria, belong to OPEC – the

15 Organization of Petroleum Exporting countries. Recognizing that together **they** produced

c. most of the world's oil, OPEC decided in 1973 to raise the price for which this oil was sold. Although higher prices encourage consumers of oil to try to economize on its use, OPEC correctly forecast that cutbacks in the quantity demanded would be small since most other nations were very dependent on oil and had few commodities available as potential

20 substitutes for oil. Thus OPEC correctly anticipated that a substantial price increase would lead to only a small reduction in sales. **It** would be very profitable for OPEC members.

Oil prices are traditionally quoted in US dollars per barrel. Figure 1.1 shows the price of oil from 1970 to 1986. Between 1973 and 1974 the price of oil *tripled*, from $2.90 to $9 per barrel. After a more gradual rise between 1974 and 1978 there was another sharp increase

25 between 1978 and 1980, from $12 to $30 per barrel. The dramatic price increases of 1973-74

d. and 1978-80 have become known as the OPEC *oil price shocks*, not only because **they** took the rest of the world by surprise but also because of the upheaval they inflicted on the world economy which had previously been organized on the assumption of cheap oil prices.

Much of this book teaches you that people respond to prices. When the price of some

30 commodity increases, consumers will try to use less of **it** but producers will want to sell more

e. of **it**. These responses, guided by prices, are part of the process by which most Western societies determine what, how, and for whom to produce.

Consider first *how* the economy produces goods and services. When, as in the 1970s, the price of oil increases sixfold, every firm will try to reduce its use of oil-based products.

35 Chemical firms will develop artificial substitutes for petroleum inputs to their production

f. processes; airlines will look for more fuel-efficient aircraft; electricity will be produced from more coal-fired generators. In general, higher oil prices make the economy produce in a way that uses less oil.

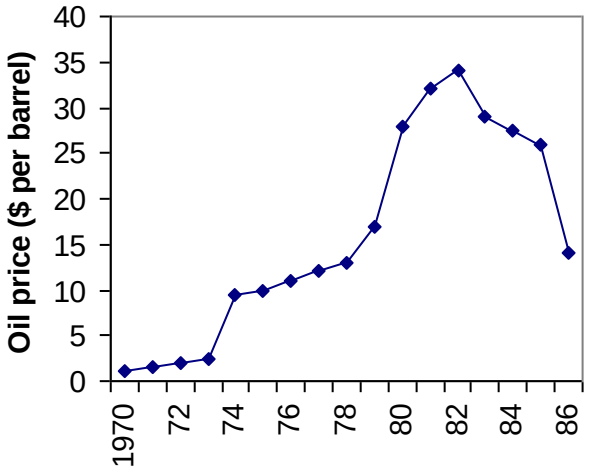
How does the oil price increase affect *what* is being produced? Firms and households reduce

40 their use of oil-intensive products which are now more expensive. Households switch to gas-

g. fired central heating and buy smaller cars. Commuters form car-pools or move closer to the city. High prices not only choke off the demand for oil-related commodities; **they** also encourage consumers to purchase substitute commodities. Higher demand for **these commodities** bids up **their** price and encourages **their** production. Designers produce

45 smaller cars, architects contemplate solar energy, and research laboratories develop alternatives to petroleum in chemical production. Throughout the economy, what is being produced reflects a shift away from expensive oil-using products towards less oil-intensive substitutes.

Figure 1-1 THE PRICE OF OIL, 1970-86. (SOURCE: IMF International Financial Statistics.)



The *for whom* question in this example has a clear answer. OPEC revenues from oil sales increased from $35 billion in 1973 to nearly $300 billion in 1980. Much of their increased
h. revenue was spent on goods produced in the industrialized Western nations. In contrast, oil-importing nations had to give up more of their own production in exchange for the oil imports that they required. In terms of goods as a whole, the rise in oil prices raised the buying power of OPEC and reduced the buying power of oil-importing countries such as Germany and Japan. The world economy was producing more for OPEC and less for Germany and Japan. Although **this** is the most important single answer to the 'for whom'
i. question, the economy is an intricate, interconnected system and a disturbance anywhere ripples throughout the entire economy. In answering the 'what' and 'how' questions, we have seen that some activities expanded and others contracted following the oil price shocks. Expanding industries may have to pay higher wages to attract the extra labour that **they** require. For example, in the British economy coal miners were able to use the renewed demand for coal to secure large wage increases. **The opposite effects** may be expected if the 1986 oil price slump persists.

The OPEC oil price shocks example illustrates how society allocates scarce resources between competing uses.

j. A *scarce resource* is one for which the demand at a zero price would exceed the available supply.

We can think of oil as having become more scarce in economic terms when its price rose.

F. Reread the text. Answer the following questions in your own words.

1. What do you need in order to understand economics?
2. What happened to the price of oil from 1900 to 1973?
3. What did OPEC do in 1973?
4. Why was there only a small reduction in oil sales?
5. What did the oil price shocks lead to?
6. How do people respond to a higher price for a commodity?
7. What effect do higher oil prices have on the economy?
8. What two effects did high prices have on oil-importing countries?
9. When did oil become scarcer?

G. Find words or expressions that correspond to the following criteria.
In § 1 (lines 1-5) which word(s) correspond to this definition?
1. distributes;
In §2 (lines 7-12) which words have the opposite meaning to:
2. rare, scarce;
In §3 (lines 13-21) which words have the same meaning as:
3. sudden;
4. people who use goods or services;
5. replacements;
6. large?
Explain the following words from §4 (lines 22-28):
7. quoted;
8. gradual rise;
9. sharp increase.
In §6 (lines 33-38) which words have the same meaning as:
10. as a rule;
11. cut down;
12. six times?
Explain the following words from §7 (lines 39-48).
13. household;
14. commuter;
15. commodities;

H. What do the following words or expressions (in bold) refer to in the text?

1. line 11: this period
2. line 15: they
3. line 21: It
4. line26: they
5. line 30: it
6. line 31: it
7. line 43: they
8. line 43,44: these commodities
9. line 44: their
10. line 56: this
11. line 60: they
12. line 62: The opposite effects

Would you buy a hybrid car?

I. How do changes in the price of petrol affect your everyday life?

J. How much do you know about petrol-electric car sales in the US? Complete the survey.

1. Which petrol-electric car is the most popular?
   a. The Toyota Prius;
   b. The Honda Civic;
   c. The Ford Escape.
2. Sales of the Toyota Prius to August 2005 _____ compared to the same period in 2004.
   a. doubled;
   b. tripled or trebled;
   c. quadrupled.
3. The figures for sales of the hybrid Honda Civic are
   a. double;
   b. triple;
   c. four times more or fourfold.
4. What percentage of US light vehicle sales did hybrids make up last month?
   a. 1.6 %;
   b. 3.6 %;
   c. 5.6 %.
5. In a survey how many respondents said they might buy a petrol-electric car?
   a. ¼;
   b. 1/3;
   c. ½.
6. In comparison with the previous month, the number or respondents who would consider buying a hybrid car is
   a. twice as great;
   b. 3 times greater;
   c. four times greater.

K. Read the text ‘Oil prices lift demand for hybrids’ to check your results.

AUTOMOTIVE

Oil prices lift demand for hybrids

By Bernard Simon in Toronto

……

Soaring fuel prices have spurred US demand for hybrid petrol-electric vehicles. Sales of the Toyota Prius, the top-selling hybrid, reached 9,850 in August, more than double a year earlier. Toyota has sold 72,849 Priuses this year, up from 31,406 in January-August 2004.

Sales of Honda’s smaller Civic hybrid more than trebled in August. Ford sold almost 1,400 petrol-electric versions of its Escape sport-utility vehicle even though it did not qualify for employee discounts available on most other models.

Hybrids made up 1.6 per cent of total US light vehicle sales last month. But according to a survey by CNW Marketing Research, almost a third of respondents said they would consider buying a hybrid, quadruple the number in July.

General Motors, which introduced hybrid versions of its Chevrolet Silverado and GMC Sierra pick-up trucks last September, said: “We’re selling every one we build.” It declined to disclose sales.

Hybrid vehicles are most effective for city driving, where the electric motor is sufficient for propulsion and no petrol is wasted when the vehicle is idling.

David Champion, director of auto testing at Consumer Reports, estimates that, at current fuel prices, a Prius saves about $530 on petrol a year compared with a similarly-sized Toyota Corolla. At that rate, it would take about 10 years to recoup the price difference between the two cars.

The trade-in value of an 8-10 year-old Prius is also uncertain. “If you want to do your bit for the environment, a hybrid really makes sense,” Mr Champion said. “If you’re looking at them purely as a financial solution, the payback is long.”

Questions have also been raised about some hybrid models’ fuel economy. A New York Times review of Toyota’s Lexus RX400 SUV concluded: “Toyota’s motivation in pushing hybrid technology may turn out to be a different shade of green than we’ve been led to believe, one much closer to the colour of money.” Toyota sold 2,607 Lexus hybrids last month.

Carmakers have accelerated development of hybrids. Toyota plans to introduce 10 new models worldwide by early next decade, and projects that hybrids will by then account for a quarter of its US sales, or 600,000 vehicles a year.

GM and DaimlerChrysler are collaborating on a technology that replaces a conventional automatic transmission with a dual-mode mechanism, requiring a smaller electric motor and battery.

L. Reread the text to answer the following questions.

1. According to the text, what has happened to hybrid (petrol-electric) car sales?
2. What prompted this change?
3. What advantages do hybrid cars offer?
4. What disadvantages do hybrid cars offer?
5. How have car manufacturers responded to the increased demand for hybrid cars?
6. What does the NY Times writer imply about Toyota’s promotion of hybrid cars?
7. What relation does this text have with the text ‘Three economic issues’?

M. Underline useful language (expressions) to describe sales figures and prices.

N. WRITING II

Consider the following word choices for a one-sentence synthesis of the text 'Three economic issues'. Which do you prefer and why?

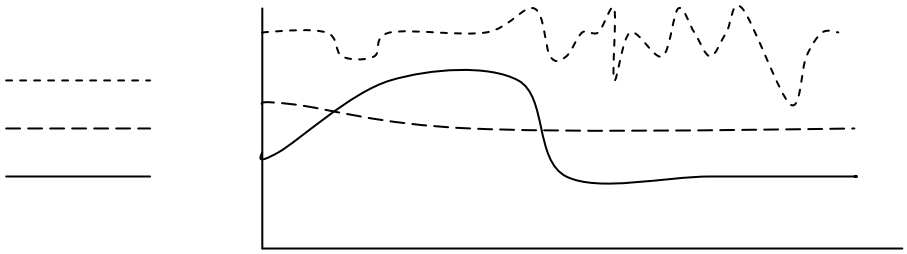
The text 'Three economic issues' uses the topic of oil to argue that / explain how / state that the economy is an interconnected system.

Focussing on the topic of **the importance of oil in the economy**, write a synthesis of 'Three economic issues' and 'Oil prices lift demand for hybrids' in **one paragraph** (max. length ¾ page; Times New Roman 11 or 12; line spacing 1½.). Make sure that you create a pertinent link between the two texts. You do not need to include all the details.

Key indicators

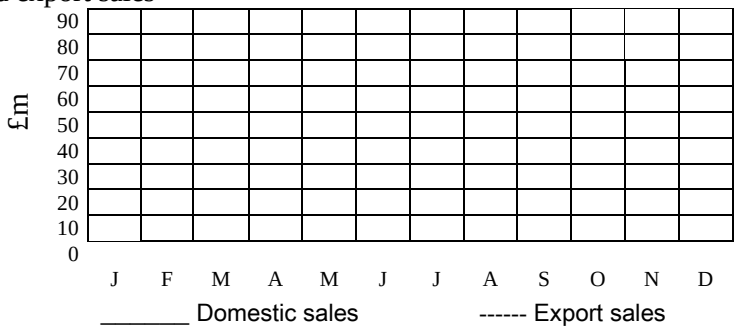
O. Match the terms below to points on the following chart.

1. solid line
2. dotted line
3. broken line
4. to rise steadily
5. to level off
6. to remain constant
7. to reach a plateau
8. to fluctuate wildly
9. to dip slightly
10. to fall dramatically



P. Listen to the text and plot the graphs of the domestic and export sales. (Track 3)

1. Domestic and export sales



2. Currency rates and inflation

Q. Listen to the text again to decide whether the following statements are true or false. Justify with words or expressions that you hear in the text.

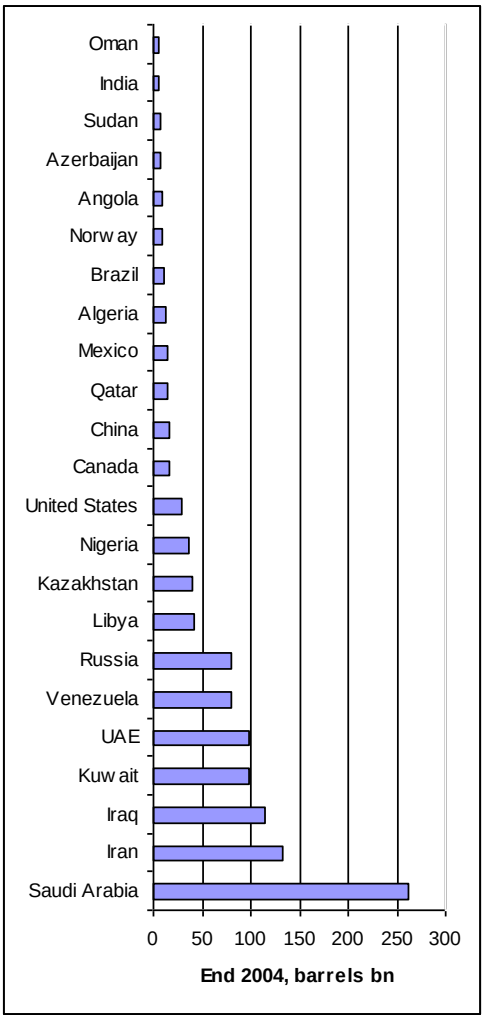
	1	Domestic sales have not changed much over the year.
	2	The dips in April were significant.
	3	Export sales have been steady.
	4	In the first quarter export sales went up.
	5	Then they became steady.
	6	Export sales then began to rise.
	7	In the last quarter export sales improved slightly.
	8	At the end of last year the dollar rose to 1.5.
	9	The dollar had never been lower than in January.
	10	The dollar remained low for 3 months.
	11	Consumer prices declined before March.
	12	Consumer prices unexpectedly rose dramatically.

R. Use the following expressions and information from the chart on oil reserves to complete the paragraph.

over	just	around	holds sway over	has	
held	exhaust	stand	hold		

Oil reserves

The world's proven oil reserves …… at just under 1.19 trillion barrels, reports BP in this year's Statistical Review of World Energy. ……. 60% of this oil is in the Middle East. Saudi Arabia …… 262 billion barrels of oil or 22% of proven reserves, by far the biggest share …… by one country. But at its 2004 rate of production, Saudi Arabia will ……. its reserves before Iran, in second place, with 132.5 billion barrels. Iraq …… almost 10 % of the world's proven oil reserves; Kuwait …… over 8 %. Outside the Middle East, Venezuela and Russia each …… …… 6%.



Years of remaining reserves at 2004 production rate
19
19
57
60
24
8
20
17
11
42
13
15
11
38
84
67
21
71
100+
100+
100+
89
68

S. Complete the following text by putting the verbs into the correct form.

Understanding Pump Prices

Numerous elements …… (make up) the price of a litre of petrol or diesel, primarily:
a) Government duty and tax;
b) The cost of petrol and diesel on the open market – cost of product; and
c) The costs and profit of the wholesaler and retailer.
The other factors …… (affect) the price …… (include) exchange rates, competition, commercial objectives of the filling station owner or operator, as well as seasonal factors.

Duty and tax …… (account for), on average, 66% of the pump price in 2007. Table 1 and Figure 1 …… (show) the typical breakdown of a litre of unleaded petrol at the 2007 average UK major brand pump price of 95p.

Pump Price	95.02p
Duty and VAT	63p
Cost of product	26.15p
Gross Retail Margin	5.87p

Table 1: 2007 Average pump price breakdown (p/litre)
(Source: Wood Mackenzie OPAL)

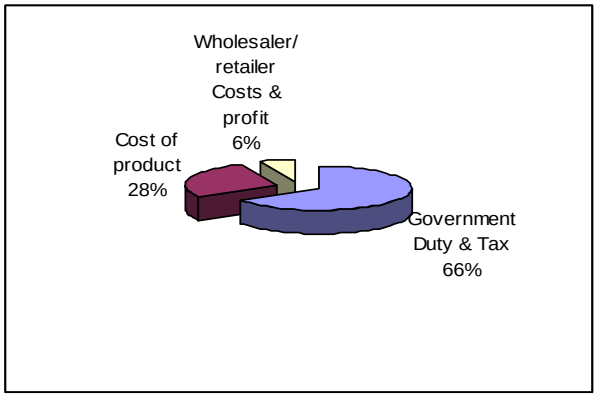


Figure 1: 2007 Average pump price breakdown %
(Source: Wood Mackenzie OPAL)

Excise duty …… (charge) at the fixed rate of 50.35p (…… (increase) from 48.35p on 1st October 2007) per litre on unleaded petrol and diesel, and on top of this VAT …… (charge) at 17.5%. This large tax component …… (have) the effect of …… (dilute) changes in underlying crude and product prices, because these still ……(remain) a smaller proportion of the total price.

Cost of product

Whilst there …… (be) a connection between the underlying price of crude oil and pump prices, the internationally traded price of petrol and diesel and the $/£ exchange rate ……(be) major influences on pump prices.

Gross Retail Margins

The gross retail margin …… (strongly influence) by market conditions. Figure 2 (below) …… (illustrate) the fuel margin over the last 15 years and the flat trend since 1999. This …… (show) that fuel retailing …… (become) increasingly a low margin business, ……(drive) the move to higher volume sites. The fuel margin (in the region of 5p per litre in recent years) …… (be) not the final profit that the retailer …… (make), it …… (be) simply the difference between the cost of the wholesale price of fuel on the open market and the selling price on the forecourt, from which a range of costs …… (deduct + *modal verb*).

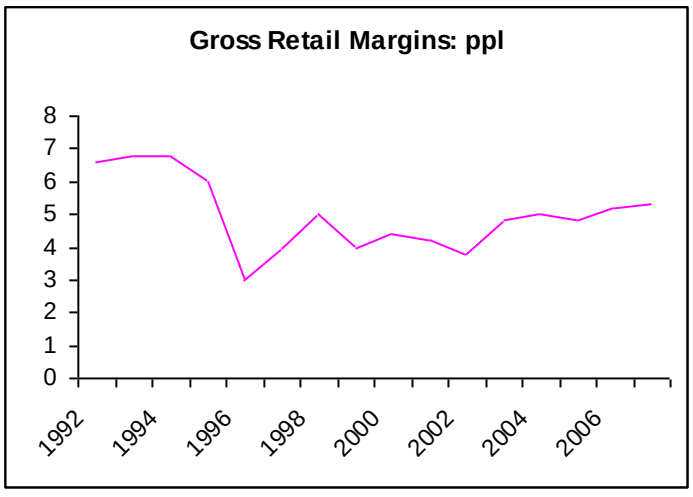


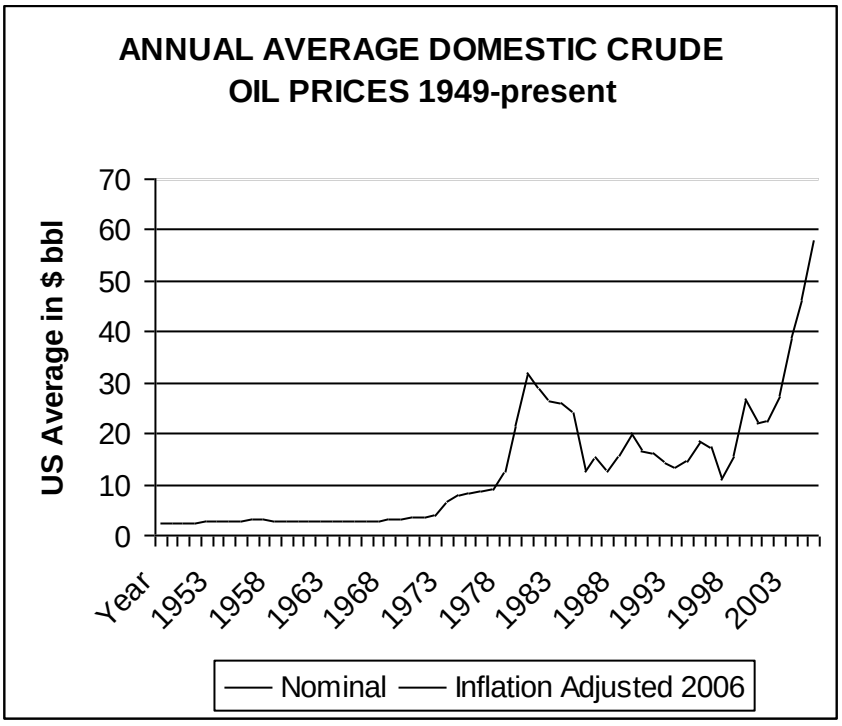
Figure 2: Fuel margins 1992-2007
(Source: Wood Mackenzie OPAL)

T. What kind of relation exists between the graphs and tables and their accompanying texts in R. (p 9) and S. (p 10)?

U. Explain the graph to your partner so that he/she can fill in the missing information.

Listen to your partner to complete the missing information on your graph.

Student A (Nominal crude oil prices)



V. The following events, listed chronologically, caused dramatic changes in the cost of oil. In pairs label them on the graph. Be prepared to justify your decisions.

Post war reconstruction
Arab Israeli war – Yom Kippur
Iranian revolution
Gulf war
Opec output rise
Iraq war

W. WRITING III
Explain the major trends in the graph with reference to world events. (Max. length ½ - ⅔ page; Times New Roman 11 or 12; Line spacing 1½.)

Oil markets explained

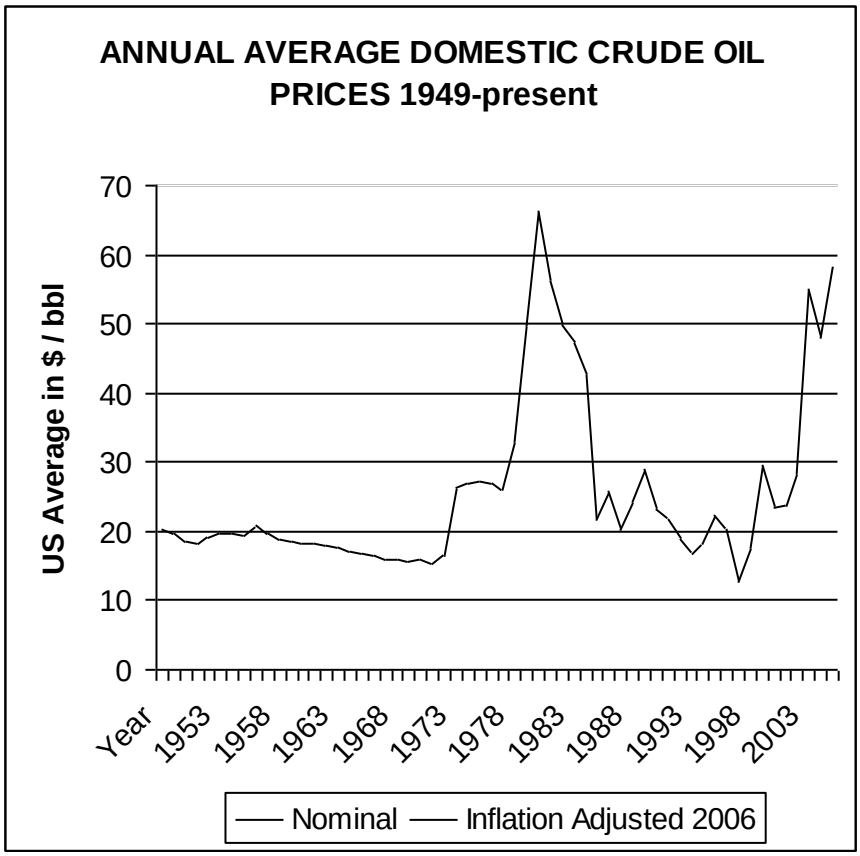
X. Use the following prompts to ask your partner questions so that you can complete the missing information in the text.

Student A (page 12)

1. What …?		
2. Where …?	8. What /How many …?	14. What…?
4. What…?	10. What…?	16. What ..?
6. What…?	12. What /Which…?	18. What …?

U. Explain the graph to your partner so that he/she can fill in the missing information.
Listen to your partner to complete the missing information on your graph.

Student B (Inflation adjusted crude oil prices)



V. The following events, listed chronologically, caused dramatic changes in the cost of oil. In pairs label them on the graph. Be prepared to justify your decisions.

Post war reconstruction
Arab Israeli war – Yom Kippur
Iranian revolution
Gulf war
Opec output rise
Iraq war

W. WRITING III
Explain the major trends in the graph with reference to world events. ((Max. length ½-⅔ page; Times New Roman 11 or 12; Line spacing 1½.)

Oil markets explained

X. Use the following prompts to ask your partner questions so that you can complete the missing information in the text.

Student B (page 13)
1. What …?
3. What …?
5. When…?
7. How often…?
9. Why…?
11. How much …?
13. Why …?
15. What …?
17. What kind of…?
19. What …?

(Student A) **Oil markets explained**

Big movements in the oil price have significant ramifications around the world. But just what makes the price move and how do the oil markets work? BBC News Online takes a closer look.

Crude oil, also known as (1)_____, is the world's most actively traded commodity.

The largest markets are in (2) _____ _____ but crude oil and refined products - such as gasoline (petrol) and heating oil - are bought and sold all over the world.

Crude oil comes in many varieties and qualities, depending on **its** specific gravity and sulphur content which depend on where **it** has been pumped from.

If no other information is given, an oil price appearing in UK and other European media reports will probably refer to (4) _____ _____ __ _____ .

Futures contract

This would commonly be in a futures contract for delivery in the following month.

In **this type of transaction**, the buyer agrees to take delivery and the seller agrees to (6) _____ _____.

Futures contracts are only traded on regulated exchanges and are settled (paid) daily, based on their current value in the marketplace.

The minimum purchase is (8) ____ barrels.

World benchmark

Because there are so many different varieties and grades of crude oil, buyers and sellers have found it easier to refer to a limited number of reference, or benchmark, crude oils. Other varieties are then priced at a discount or premium, according to their quality.

Brent is generally accepted to be (10) ____ _____, although sales volumes of Brent itself are far below those of, for example, some Saudi Arabian crude oils.

According to the IPE, Brent is used to price two thirds of the world's internationally traded crude oil supplies. In the Gulf, (12) __ crude is used as a benchmark to price sales of other regional crudes into Asia. **This** is not because there are more supplies of Dubai crude oil than of any other grade - there are not - but because **it** is one of the few Gulf crudes available in single, on the spot, sales as opposed to long term supply contracts. However, if **supplies** became extremely limited and price swings became exaggerated, (14) _____ _____.

US benchmark

In the United States, the benchmark is West Texas Intermediate (WTI). **This** means that crude oil sales into the US are usually priced in relation to WTI. However, crude prices on the New York Mercantile Exchange generally refer to '(16) _____'. **This** may be any of a number of US domestic or foreign crudes but **all** will have a specific gravity and sulphur content within a certain range. 'Sweet' crude is defined as having a sulphur content of less than 0.5%. Oil containing more than 0.5% sulphur by weight is said to be (18) '__'.

Slightly confusingly, the Organisation of Petroleum Exporting Countries (Opec) - a cartel of some of the world's leading producers - has **its** own reference.

Opec Reference Basket

Known as the Opec Reference Basket (ORB), this is an average of 15 different crudes. The oils included are:

Saharan Blend from Algeria
*Girasso l*from Angola
Oriente from Ecuador
Minas from Indonesia
Iran Heavy
Basra Light from Iraq
Kuweit Export
Es Sider from Libya
Bonny Light from Nigeria
Qatar Marine
Saudi Arabia's *Arab Light*
Murban from The Emirates
and *BCF 17* from Venezuela

Opec aims to control the amount of oil **it** pumps into the marketplace to keep the basket price within a predetermined range. In practice, the price differences between Brent, WTI and the Opec basket are not large. Crude prices also correlate closely with each other.

(Student B) **Oil markets explained**

Big movements in the oil price have significant ramifications around the world. But just what makes the price move and how do the oil markets work? BBC News Online takes a closer look.

Crude oil, also known as (1) _____, is the world's most actively traded commodity.

The largest markets are in London, New York and Singapore but crude oil and refined products - such as gasoline (petrol) and heating oil - are bought and sold all over the world.

Crude oil comes in many varieties and qualities, depending on (3)_____ _____ which depend on where **it** has been pumped from.

If no other information is given, an oil price appearing in UK and other European media reports will probably refer to the price of a barrel of Brent blend crude oil from the North Sea sold at London's International Petroleum Exchange (IPE).

Futures contract

This would commonly be in a futures contract for delivery (5)_____ _____.

In **this type of transaction**, the buyer agrees to take delivery and the seller agrees to provide a fixed amount of oil at a pre-arranged price at a specified location. Futures contracts are only traded on regulated exchanges and are settled (paid) (7)____, based on their current value in the marketplace.

The minimum purchase is 1000 barrels.

World benchmark

Because (9) _____ _____, buyers and sellers have found it easier to refer to a limited number of reference, or benchmark, crude oils. Other varieties are then priced at a discount or premium, according to their quality.

Brent is generally accepted to be the world's benchmark, although sales volumes of Brent itself are far below those of, for example, some Saudi Arabian crude oils. According to the IPE, Brent is used to price (11) _____ of the world's internationally traded crude oil supplies. In the Gulf, Dubai crude is used as a benchmark to price sales of other regional crudes into Asia. **This** is not because there are more supplies of Dubai crude oil than of any other grade - there are not - but because (13) _____ _____ _____ _____. However, if **supplies** became extremely limited and price swings became exaggerated, a new benchmark would have to be found.

US benchmark

In the United States, the benchmark is (15) _____. **This** means that crude oil sales into the US are usually priced in relation to WTI. However, crude prices on the New York Mercantile Exchange generally refer to 'light, sweet crude'. **This** may be any of a number of US domestic or foreign crudes but **all** will have a specific gravity and sulphur content within a certain range. (17) '___' crude is defined as having a sulphur content of less than 0.5%. Oil containing more than 0.5% sulphur by weight is said to be sour.

Slightly confusingly, the Organisation of Petroleum Exporting Countries (Opec) - a cartel of some of the world's leading producers - has **its** own reference.

Opec Reference Basket

Known as the Opec Reference Basket (ORB), this is an average of 15 different crudes. The oils included are:

Saharan Blend from Algeria
Girassol from Angola
Oriente from Ecuador
Minas from Indonesia
Iran Heavy
(19) _____
Kuweit Export
Es Sider from Libya
Bonny Light from Nigeria
(19) _____
Saudi Arabia's *Arab Light*
Murban from The Emirates
and *BCF 17* from Venezuela

Opec aims to control the amount of oil **it** pumps into the marketplace to keep the basket price within a predetermined range. In practice, the price differences between Brent, WTI and the Opec basket are not large. Crude prices also correlate closely with each other.

Y. Reread the completed text. Decide whether these statements are TRUE or FALSE.

	1	The quality of crude oil varies according to its origins.
	2	The purpose of the benchmark is to establish a reference point for pricing other crude oils.
	3	The price of oil depends on its quality.
	4	Benchmark crude oils tend to be stable in production.
	5	In the US there is only one reference.
	6	In Asia the Opec basket price operates as the benchmark.
	7	Most crude oils from the Middle East are sold as single transactions.

Z. What do the following words or phrases (in bold in the text) refer to?

1. (*line 15*) its
2. (*line 17*) it
3. (*line 25*) This
4. (*line 28*) This type of transaction
5. (*line* 54) This
6. (*line 57*) it
7. (*line 60*) supplies
8. (*line 66*) This
9. (*line 71*) This
10. (*line 73*) all
11. (*line 82*) its
12. (*line 102*) it

WRITING IV

AA. We have read 5 different texts about the topic 'oil'. In pairs explain the socio-cultural context of each of the texts, i.e. Who wrote them? (**Writer**) For whom? (**Audience**) With what **purpose** were they written and where did they appear? (**Mode**) In what ways does the socio-cultural context constrain the **content** and **language** used in each text?

Three economic issues (pp 3,4)
Oil prices lift demand for hybrids (p 6)
Oil reserves (p 8)
Understanding Pump Prices (p 9)
Oil markets explained (pp12,13)

BB. The following is a quote from *Chocky*, a novel by John Wyndham first published in 1968. In the novel an intelligent being from another planet is given the task of investigating Earth to see if it would be a suitable planet to colonise. This is what he says about it.

> Everything you are, and have, you owe to the radiations from your sun. … Recently you have learnt to exploit the stored-up energy of your sun – for that is what all your fuels are – and you call that progress. It is not progress. … You are squandering your sources of power. And they are your capital: when they are spent you will be back where you were before you found them. This is not progress, it is profligacy.

To what extent do you agree with Chocky's analysis? Discuss with reference to the articles we have read and the work we have done in class.

(Length ¾ - 1 page; Times New Roman 11 or 12; Line spacing 1½.)

CC.

ROLE PLAY

A

You represent the lobby for petrol retailers and car manufacturers in a small country. The petrol retailers include both major companies like BP, Galp or Repsol as well as discount sellers such as Le Clerc or Intermarché. The car manufacturers – subsidiaries of major groups such as Renault or Volkswagen – have some important factories in your country.

Over the last couple of years, but more particularly in the last year, the petrol retailers have seen their profit margins slashed* and the car manufacturers have seen a significant drop in their sales. They attribute this drop to government policy and regulation, which has artificially maintained petrol prices within certain limits and stifled* competition. In fact, some car manufacturing factories are in danger of closing, which would put between two and three thousand people out of work.

As the representative for these groups, you would like the government to deregulate the petrol industry, which would allow the petrol retailers to set their own prices, thus encouraging competition. The car manufacturers feel that competition between petrol retailers would lower the price of petrol, and they would also like to see introduced tax benefits, which could help lift the car industry out of its present slump.

Knowing that national elections are coming up shortly, you have arranged a meeting with the Minister of Finance to put forward the interests of your business sectors.

*slashed = cut drastically
*stifled = choked off

ROLE PLAY

B

You are the Minister of Finance for a small country.

At the moment your country is experiencing economic hardship; civil servant salaries have been frozen for the last 2 years, and budgets have been slashed.* In the previous election your party made several electoral promises, among which was the promise to limit fluctuations in the price of petrol through government subsidies. Although you have been able to do this because prices are regulated by government policy, it has become increasingly difficult to keep those prices down due to unforeseen external factors such as hurricanes, which have caused flooding and damage. Despite the various taxes levied on crude and fuel, which represent an important contribution to government revenue, in order to contain prices you have been obliged to make cuts in other areas such as health and education.

At the moment you are running for re-election in two months time, but it is not certain that your party will be returned to power because your fiscal policies have not been very popular with businesses or the general public. The general public, in particular, is worried that unbridled* liberalisation will result in a society where the gap between the rich and poor will become accentuated, and they fear a climate of job insecurity.

You are about to meet with the representative for the lobbies of petrol retailers and car manufacturers, but you are not sure why they have called the meeting. You may be able to gain political support for your re-election.

*slashed = cut drastically
*unbridled = uncontrolled

Environmental record

Company	Dates	Location	Notes
Chevron-Texaco	September 2004	Louisiana, US	Hurricane Ivan caused oil spills in several locations. 618 tons from a tank collapse.
	August 30, 2005	Louisiana, US	Hurricane Katrina caused spills of 170 tons.
Shell	15 January, 1999	Magdelena, Argentina	The largest oil spill that has ever occurred in freshwater in the world. A Shell tank ship in collided with another tanker, emptying its contents into the lake, polluting the environment, drinkable water, plants and animals
	May & June 2001	Nigeria	The volume spilt from the Ogbodo and Ogoniland oil wells is unknown. Much is due to corroded pipelines.
	August 30, 2005	Louisiana, US	Hurricane Katrina caused spills of 44 tons from a pipeline.
Esso-Shell	August 10 – ongoing 2011	North Sea, United Kingdom	A leak in a flow line leading to the oil platform has spilt more than 216 tons of oil into the sea
BP	2005	Texas City, US	A unit that manufactured jet fuel at an oil refinery exploded, killing 30 employees and injuring 170.
	March 2, 2006	Prudhoe Bay, Alaska, US	A pipeline burst, spilling between 653 and 689 tons of oil. The incident was blamed on corrosion of the pipes, due to lack of maintenance.
	April 20 – July 15, 2010	Gulf of Mexico, US	The Deepwater Horizon oil rig exploded, sending between 492,000 and 627,000 tons of oil into the sea.
Exxon-Mobil	Early 20th century till 1960s	New York, US	Between 64,000 and 110,000 m^3 of oil and petroleum products leaked into the soil from crude oil processing facilities over a period of several decades. In 2007 a suit was filed against ExxonMobil for the environmental damage.
	March 24, 1989	Alaska, US	The *Exxon Valdez* struck a reef in Prince William Sound, spilling between 37,000 and 104,000 tons of oil. It caused tremendous environmental damage, and the cleanup took 3 years.
	May 1, 2010	Nigeria	
	July 1, 2011	Yellowstone River, US	Between 105 and 140 tons of oil leaked into the river from pipelines.
Conoco-Phillips	June, 2011	China	Oil spill from a platform.
Total	December 12, 1999	Bay of Biscay, France	The *Erika* oil tanker spilt between 15,000 and 25,000 tons of oil off the coast of France.
	2001	Toulouse, France	A chemical fertilizer factory belonging to Total exploded.