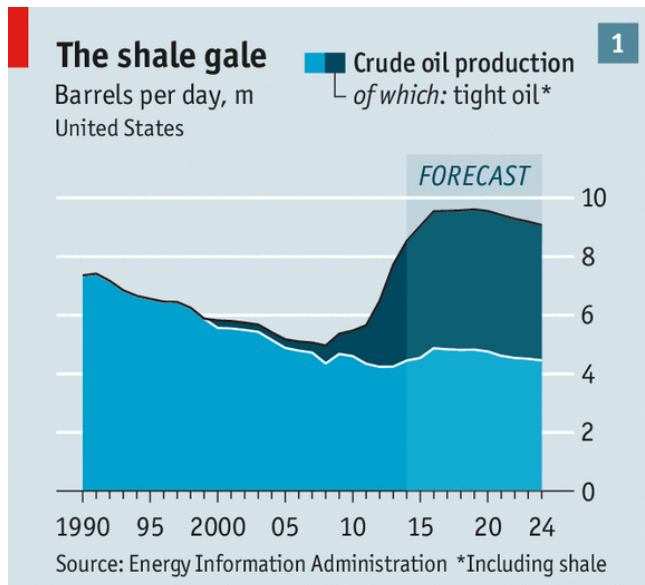


A. Writing (12.4 points)

Consider Figures 1 and 2.



Tight oil (also known as shale oil or light tight oil, abbreviated LTO) is petroleum that consists of light crude oil contained in petroleum-bearing formations of low permeability, often shale or tight sandstone.

en.wikipedia.org/wiki/Tight_oil

Figure 1

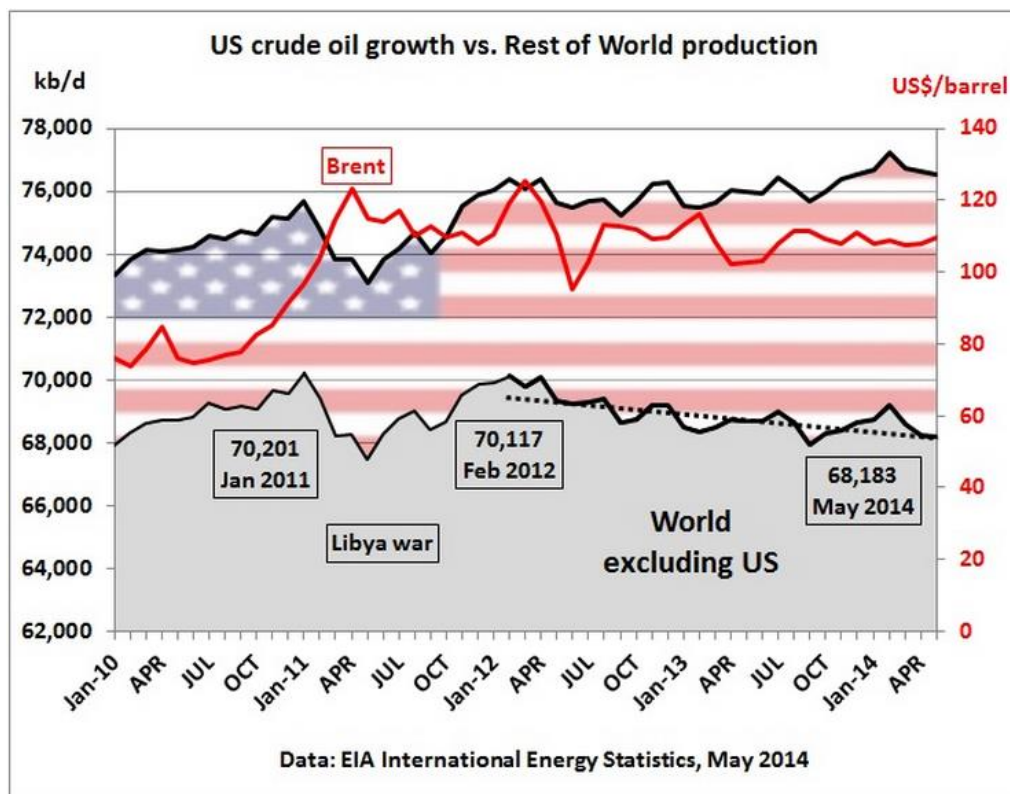


Figure 2

Write the data commentary to accompany Figure 2, explaining and describing the trends in the graph. (200-250 words) Your text will be marked on content, discourse organisation, range and appropriacy of vocabulary and structures, and grammatical accuracy.

B. Reading (5.6 points)

Read the text and answer the questions that follow it.

IEA says Opec unlikely to cut oil production target

Anjli Raval, Oil and Gas Correspondent

1 Opec is unlikely to lower production to support tumbling oil prices because the dynamics of the global market have been changed by the growth of unconventional oil, according to the International Energy Agency

Swelling supplies and slowing economic growth have led to a slide
5 in the price of Brent crude – the international oil benchmark – to four-year lows. ICE November Brent, which has fallen more than 20 per cent since mid-June, dipped 31 cents to \$88.58 in early trading. **Sharp drops** in recent weeks have fuelled speculation that Opec might adjust its production target of 30m barrels of oil per day to balance the market and
10 support prices. But Antoine Halff, author of the IEA's closely watched monthly report, said in unusually candid comments that Opec was "not likely" to play its traditional role of swing producer because of changes to the make-up of the oil market.

"I think it's fair to say that we're in a different market today than in
15 the past, in terms of where supply growth and demand growth is coming from, and who are the challengers – internal and external – facing Opec," he added.

US crude oil production rose to 8.8m b/d in September, helped by a further increase in shale output. Mr Halff said a further oil price
20 weakness should prompt a pull back in higher cost production, such as from US shale formations. **This**, rather than supply cuts from Opec, in particular the cartel's largest producer Saudi Arabia, would increasingly be the mechanism to balance the market. However, steeper drops in the price of oil will be needed for US shale and other unconventional
25 production to take a meaningful hit, according to the IEA.

The oil price slump since June has cast doubt on the sustainability of high supply growth rates. But a "close analysis of light, tight oil supply suggests that most of it remains profitable at \$80 a barrel," the IEA said in its monthly report.

30 Oil from deepwater reserves, oil sands, and particularly from North American shale – or "light, tight oil" – plays are widely considered to be those types of crude oil production most sensitive to lower prices. **Steep decline rates** mean that production can fall quickly if new drilling activity does not take place. But the IEA said only around 2.6m b/d of global
35 crude oil production comes from projects with a break-even price – the price point at which the business is profitable – in excess of \$80, likely to put further downward pressure on the price of oil.

Libya's production recovery continues apace even as the country descends further into chaos, while the oil hub of Basra in Iraq remains
40 insulated from Islamist militants. **This** has compounded the effects of higher production from North America, leading to a glut of supply in the Atlantic Basin and the North Sea.

The Financial Times, 14 October 2014

Name:

Number:.....

B. Reading (cont.)

Based on the information in the text, say whether each statement is true (T) or false (F). (0.5 points each)

- 1. The purpose of the article is to explain the IEA's opinion about the oil market.
- 2. Saudi Arabia is a swing producer of oil.
- 3. The production of oil from shale is relatively cheaper than oil from other sources such as traditional oil wells.
- 4. Mr Halff often openly gives his opinion about OPEC.
- 5. Mr Halff believes that the balance of power in controlling the oil market has shifted and the US will play a greater role.
- 6. If the price for oil is much less than \$80, US producers of shale oil are very likely to lower their output.
- 7. The price of Brent has dropped because global oil production has been low and economic growth is slow.
- 8. Most people interested in the oil market have been talking about OPEC reducing its output of oil.

Say what each reference expression or expression of ellipsis (highlighted in the text) refers to. (0.4 points each)

9. Sharp drops (line 7)

10. This (line 21)

11. Steep decline rates (line 33)

12. This (lines 40)

Vocabulary (2 points)

The following sentences were taken from recent editions of *The Guardian's* business section. Complete each sentence with the appropriate term. You may need to add a preposition or conjugate a verb. The first letter of the term and a paraphrase of its meaning are given to help you. (0.4 points each)

1. London's infrastructure **s**..... by the rest of the UK. (receives financial support)
2. Diesel and other petroleum-based fuels **a**..... only 5% of global power generation today, according to the International Energy Agency, compared to a full quarter piece of the pie in 1973. (make up)
3. Marc van Gerven, vice president of global strategic marketing at rival First Solar, said in an email that solar can provide a **c**..... **a**..... over diesel, coal or natural gas because fossil-fuel prices, even if low at this moment, have proven to be quite volatile over time. (condition or circumstance that puts a company or product in a favourable or superior business position)
4. **F**..... in oil prices have little impact on solar or many other renewable energy sources. (irregular rises and falls)
5. The political wrangling accelerated a **s**..... economic downturn caused by the withdrawal of foreign troops. (sudden and significant)

Answers

A. Writing

A good answer will describe the main trends in the graph and give some explanation. Content could include:

The figure shows the evolution in the price of Brent and world production of crude oil, broken into US production and that of the rest of the world for the period 2010-2014. Overall, global production shows a rising trend. There was a temporary dip in the first two quarters of 2011, which corresponds to a period of war in Libya, who is an oil producer. Since 2012 US crude oil output has risen, due to an increase in the production of tight oil. During the same period oil production outside the US has declined.

Until 2012 the trends in global production were dominated by oil producers excluding the US, but since then the relative share of US oil production in world production has increased. Their share in world production has grown from just under 8% in 2011 to over 10% in 2014. This increased share has given the US more sway in the oil business such that the rest of the world production no longer dictates the global production trends.

The price of Brent stood at under US\$80/barrel in January 2010. There was a sharp rise between October 2010 and April 2011, followed by fluctuations till July 2012. The rise in the price of Brent partly coincided with a drop in world oil production and the war in Libya, and as world production recovered in the second half of 2011, the price of Brent fell. Over the whole period there are two spikes where the price reached over US\$120/barrel. In general, since early 2011 the price has remained high, above US\$100/barrel except for a temporary drop to just over US\$90 in July 2012.

B. Vocabulary

1. London's infrastructure is **subsidised** by the rest of the UK.
2. Diesel and other petroleum-based fuels **account for** only 5% of global power generation today, according to the International Energy Agency, compared to a full quarter piece of the pie in 1973.
3. Marc van Gerven, vice president of global strategic marketing at rival First Solar, said in an email that solar can provide a **competitive advantage** over diesel, coal or natural gas because fossil-fuel prices, even if low at this moment, have proven to be quite volatile over time.
4. **Fluctuations** in oil prices have little impact on solar or many other renewable energy sources.
5. The political wrangling accelerated a **sharp** economic downturn caused by the withdrawal of foreign troops.

C. Reading

1. False
2. True

3. False
4. False
5. True
6. True
7. False
8. True
9. Sharp drops » Sharp drops in oil price
10. This » that a further oil price weakness should prompt a pull back in higher cost production, such as from US shale formations; i.e. if the oil price continues to weaken, producers of unconventional oil such as shale will lower production.
11. Steep decline rates » steep decline rates of oil production
12. This » Libya's production recovery continues apace even as the country descends further into chaos, while the oil hub of Basra in Iraq remains insulated from Islamist militants.