



The Fair Price of Oil Dialectic

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Abstract:

The subject of Petrol pricing is one of the most controversial and ambiguous and secretive issues. Regardless of any economic considerations that may indicate one price or another ‘many other considerations play a very important role in determining , Petrol prices. Behind a certain price or other ‘it has always been difficult to understand many from outside the petroleum industry ‘and through this study we addressed the determinants of the price of Petrol while giving a model of the fair price of Petrol ‘which can satisfy both producing and consuming countries through three the detectives were as follows The first chapter petroleum price and pricing methods in the petroleum market ,the second chapter determinants of Petrol prices and the third chapter factors determining the objective price (fair) of Petrol.

Keywords: Petrol; fair price; politics; economy.

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1. INTRODUCTION

The study of the petroleum market and the identification of the main actors in it and the factors affecting the prices is an urgent necessity at the present time, as those who follow the developments of Petrol prices over time notice that there have been significant changes in Petrol prices, which play a major role in creating economic balances between underdeveloped countries that depend on Petrol exports in particular, and which work to maintain a high level of Petrol prices that is commensurate with their requirements and needs imported from the outside world, that is, they try to achieve internal and external economic balances due to their dependence on Petrol exports in a large proportion, as is the case for What are the factors affecting the determination of petroleum prices, and what is the optimal price for it, through the following axes

2. Petroleum price and pricing methods in the petroleum market

Petroleum pricing is a controversial, mysterious and confidential topic. Economic considerations are only part of the story; there are many other important factors that determine prices. It is difficult for many outside the petroleum industry to understand the pricing process and the significance of a certain price or other. Before we discuss the methods of petroleum pricing, we will define the petroleum price and its types in the petroleum market

2.1 Petroleum price.

2.1.1. definition:

The price is the value of a thing expressed in money, and the price may be equal to the value of the thing or may not be equal to it or equal to it, that is, the price may be less or more than the value of that produced thing, and through this definition of the price, the petroleum price means the value of the petroleum substance or commodity expressed in money.

2.1.2. Types of petroleum prices:

When dealing with crude Petrol prices, it is necessary to mention the types of petroleum prices, due to the common use of many petroleum price terms, where each petroleum price term expresses a specific meaning and distinguishes it from other types of prices, and the most prominent of these types are (Al-Douri, 1983 p17)

2.1.2.1 Declared Price or Declared Prices:

It refers to Petrol prices officially announced by the petroleum companies in the petroleum market, this price appeared for the first time in 1880 in the United States of America by Standard & Weil.

2.1.2.2. Realised price:

It is the price achieved in exchange for various facilities or discounts, agreed upon by the seller and the buyer in a percentage as a discount from the declared price or facilities in the terms of payment, and the realised price is actually the declared price minus the various discounts and facilities granted by the seller to the buyer, these prices have appeared since the late 1950s, worked by independent foreign petroleum companies and then national petroleum companies in petroleum countries, whether in OPEC, AWAPEC, or other foreign countries.

2.1.2.3. Signal price:

This type of price appeared in the 1960s, where after the emergence of realised prices in addition to the declared prices, the signal price was taken and adopted in calculating the value of petroleum between some producing petroleum countries and foreign petroleum companies, in order to distribute or divide the petroleum revenues between the two parties, the signal price is the price of crude Petrol that is less than the declared price and more than the realised price, i.e. it is an average price between the declared and realised price, this price was taken and applied by many petroleum countries, such as what was done between Algeria and France in 1965.

2.1.2.4 Tax cost price:

It is the price equivalent to the cost of producing crude Petrol plus the value of income and profit tax mainly belonging to the petroleum countries granting petroleum wealth exploitation agreements, so this price reflects the real cost paid by Petrol companies to obtain a barrel of crude Petrol, and at the same time it represents the basis on which the prices achieved in the market move, so selling below this price means selling at a loss.

2.1.2.5. Spot price:

It is the price of the petroleum unit exchanged immediately or immediately in the free petroleum market, and this price embodies the value of the petroleum commodity in cash in the free market for petroleum exchanged between the offering and buying parties in real time.

2.2 Pricing methods in the petroleum market:

The 1973 price correction was a major turning point in the history of the petroleum industry, so we chose to distinguish between pricing practices before and after the 1973 price correction.

2.2.1 Petroleum pricing before the 1973 price correction:

At this point, the major international Petrol companies considered their pricing monopoly to be one of the most important pillars of their survival and prosperity and the most important pillars of their control over the industry, and this phase can be divided into three sub-phases (Afifi 2003 p 45)

2.2.1.1 Single Base Point Pricing.

The United States was the world's largest producer and exporter of petroleum before the Second World War. It is clear that this put the country in a position of global influence over oil prices. As the largest producer, the United States was able to set the global price of crude oil. The prices applicable in the Gulf of Mexico, as set by the cartel of the major petroleum companies, were the only base point. The Canacry Agreement (1928) confirmed that the prices of petrol anywhere in the world are determined by the Gulf of Mexico prices, regardless of the source or destination. This system meant that the price of petrol in Marseille, for example, was equal to the price of petrol in the Gulf of Mexico plus freight charges in the Gulf of Mexico to Marseille, regardless of the actual source from which the petrol came. Therefore, the price was the same for the buyer wherever he was to import his petroleum needs from, as long as the price at the point of delivery was the same.

This system of pricing achieved the strategic objectives of the major petrol companies, as well as those of the United States of America. It is clear that the prevailing slogan in the petroleum industry is that what serves the interests of America serves the interests of the companies, and what serves the interests of the companies serves the interests of America.

Under this complete control of the major companies, prices were not determined by the usual interaction of market forces or according to the laws of supply and demand. Instead, they were determined according to special calculations and factors related to the degree of correlation and independence between crude prices and product prices.

2.2.1.2 Base Point Pricing.

The single base point system - the Gulf of Mexico - continued to be accepted as an unquestioned fact of life, and petroleum

companies were making astronomical profits and balancing their interests in the global petroleum industry.

However, this pricing system collapsed after the British Navy exposed the unjustified rise in the price of petrol supplied to it during World War II. The British government then intervened and exerted pressure on the companies, which had no choice but to recognise the Arabian Gulf region as a second base. The price of petrol in Abadan (Iran) was set at the same level as the price in the Gulf of Mexico. Since then, the announced prices of petrol have had two base points: the Gulf of Mexico and the Arabian Gulf, with equal prices in both.

The reasons for adopting this pricing rule for crude petrol prices can be summarized as follows (Younis, 1986 p 76):

- The Second World War and its large consumption of petroleum.
- The wide and significant increase in the status and importance of Middle Eastern petroleum globally, and Arabian Gulf petroleum in particular, in the international petroleum market.
- The contradiction and competition of interests between the United States of America and its petroleum companies and the main allies such as France and England.

The US maintained its competitive edge over foreign oil, especially from the Arabian Gulf, by limiting its market presence to a specific European sector and setting its price according to the price of US oil..

2.2.1.3 Pricing based on the participation of producing countries in setting prices.

National trends and growing petroleum awareness in producing countries put governments under pressure to improve the conditions of dealing in petroleum. They also asserted their right to reap their petroleum wealth and put an end to the monopolistic control of major petroleum companies in the most important industries of those countries. This made it important for governments to seek to develop their influence in the industry, especially in prices because of its direct impact on their revenues. The price cuts by companies in 1959 and 1960 hastened the adoption of a unified position by producing governments, which resulted in the establishment of the Organisation of Petroleum Exporting Countries (OPEC) as a united front. The organisation's stated goal was clear: to prevent petrol prices from falling again. It was vital that the price was determined in consultation between the companies and the producing countries. And it was essential that the ruling forces of the industry began to change little by little. And the organisation was indeed able to fix the declared prices

of petrol at their level in August 19 60 and for more than 10 years after that, and thus the declared price became a reference price used as a basis for calculating the revenues of producing governments, regardless of the actual price at which companies sell, which was lower than the declared price by about 20 - 25 per cent during this period.

2.2.2. Petrol pricing after the 1973 price correction:

Before 1973, petrol prices were controlled by a few monopolistic companies, mainly from the United States, and were not influenced by supply and demand. These companies did not consider the different types of crude petrol or the costs associated with difficult petrol fields. Prices did not account for the cost of alternative energy sources, leading to a higher dependence on petroleum and its depletion. Furthermore, petrol prices did not align with changes in the general price levels of OECD countries.

Then, in October 1973, OPEC took control of pricing crude oil and government revenues, independent of the oil companies. They decided to raise the price of petroleum to \$34.10 per barrel from 1974 onwards. This decision was made collectively, as a response to various factors.

3 Determinants of Petrol prices.

Knowing the most important factors affecting Petrol prices is extremely important, especially for producing countries that rely heavily on petroleum exports, as is the case for Algeria, as the close relationship between Petrol prices and the economies of these countries could affect economic stability in the event of a drop in prices.

3.1 Petroleum demand

Petroleum demand is one of the most important factors affecting petroleum prices, as we note that the expectations that are built to know the future prices of petroleum depend on knowing the quantities required in the future, and we point out that the international petroleum demand is different from the demand for any commodity, given that it is affected by multiple factors that make it different from other commodities

3.1.1 The concept of petroleum demand.

Petroleum demand refers to the amount of human need reflected in its quantitative and qualitative aspect on the petroleum commodity - as crude or petroleum products - at a certain price and during a specific period of time, with the aim of satisfying or fulfilling those human needs, whether for consumption or production purposes.

This is why the demand for petroleum commodities is considered a derivative demand, because it is focused and reflected towards petroleum products, and not towards the raw material, although the two are closely related. If there is no demand for petroleum products, there will be no demand for crude Petrol, and any change in the level of demand for petroleum products will positively or negatively affect the demand for crude Petrol.

3.1.2 Factors Affecting Petroleum Demand:

Petroleum demand is determined and influenced by many different factors, some of which are considered primary and others are considered secondary or complementary, whether positively, i.e. by increasing or expanding demand or negatively by decreasing and contracting demand, these factors are as follows:

3.1.2.1 Economic growth rate and degree of industrial progress:

Energy, especially petroleum, is an essential element of the production process and the process of economic and industrial development, as petroleum is an effective engine for this development and at the same time it is an indicator and a measure of that level of development, as the increase in economic growth requires an increase in petroleum consumption, especially in light of the tremendous technological and mechanical development, and the decrease in economic growth negatively affects the required quantities of petroleum (Afifi 2003 p26)

It is clear and known to us that there is a close relationship between economic growth and petroleum demand, and it is a direct relationship, so it can be said that economic growth is a key variable in the petroleum demand equation, although the direct and strong link between this variable and energy demand in general and petroleum demand in particular has decreased from what it was in the past. As a result of the high efficiency of energy use and the tendency of Western economies to service industries, which are less intensive (Al-Douri, 1983 p82) than heavy industries in relying on petroleum, industrialised countries in the context of reducing their dependence on Petrol seek to separate economic growth and Petrol consumption by reducing the value of the energy elasticity coefficient of their economies, which has declined from 0.7 during the 1970s to 0.4 during the 1990s. (El-Saeed . 2008 p117)

The relationship between the economic growth rate expressed in GDP and petroleum demand is not a true reflection of the level of development of countries. There is a phenomenon of increasing production and national income for some developing countries,

especially petroleum countries, in which the national income has increased to such an extent that the per capita income in these countries exceeds the per capita income in developed countries. This phenomenon nominally reflects a high level of development but actually does not reflect a high level of economic development, as is the case in developed industrialised countries, because the demand in many Petrol countries is still limited, because the phenomenon of increasing production and national income results from economic activity (JHINGN, 2012 P 881).

3.1.2.2 The price of crude Petrol and refined petroleum products:

Price is one of the most fundamental and effective factors in its impact on petroleum demand. In general, a low and declining price leads to an increase in demand and vice versa.

It is historically known that the low and declining price of petroleum commodities, past and present, has been one of the main reasons leading to the expansion of demand for petroleum commodities, whether in the form of crude or petroleum products .

3.1.2.3 The price of alternative energies:

Whenever petroleum prices record new developments in their level, major industrialised countries resort to alternative resources, primarily gas and coal, to reduce the quantity of petroleum and pressure prices down, especially It is possible that in the future, industrialised countries will turn to natural gas as the main source of energy because it is considered the best alternative to petroleum due to its presence (Radwan, 2006 p56), but this remains unfeasible at the present time because there is no feasible, advanced and inexpensive technology to transport natural gas from one region to another. Especially if the distance is long, as there is only one technology for transporting gas by pipeline, which is expensive and time-consuming, while large quantities of Petrol can be transported by a simple and inexpensive technology .

The International Energy Agency estimates that natural gas and coal will become the main sources of energy in the future, but what we should know is that there are currently no alternative energy sources that are better and better than petroleum .

3.1.2.4 Political stability in the world:

Political stability is no less important as it is also one of the factors affecting petroleum demand, which is directly reflected in prices, as political unrest can sometimes be the main cause of Petrol supply shortages, and this pushes the most Petrol-consuming countries to compete among themselves to obtain the required

quantity and at any price for fear of shortages. The factor of instability in the Middle East comes as a political factor that deepens the impact of the dual concentration of reserves and consumption, as the region has been suffering from chronic instability for a long time as a result of the division of the region between the major powers France and Britain, and the establishment of the State of Israel has exacerbated the instability, which has become the locus of turmoil in the region.

In addition to producing countries, transit and transit countries play a key role in security of supply, and the stability of these countries affects the stability of petroleum supplies and prices.

3.1.2.5 Population:

The population factor is a key driver of demand. An expanding population leads to increased demand, though its impact on petroleum demand is considered secondary to other factors. The influence of population is relative and depends on how it interacts with other factors, especially the level of integration of economic and industrial development. High income and high industrial development, for example in the United States of America, will have a significant impact. Low income and low industrial development, for example in developing regions and countries such as Africa, will have a smaller and more limited impact.

3.1.2.6 Climate:

The climate factor is a key element in affecting petrol demand, either by increasing or decreasing it. This is due to the annual temperature fluctuations. During the winter months, petrol demand surges, while in summer, demand drops significantly. This is evident in the final demand figures for the second quarter, which show a 2.7% to 3% decrease annually. 1 million barrels per day (MARTIN, 2024 p23). The demand for crude petrol is not the same as the demand for petroleum products. The demand for petroleum products is seasonal, unlike the demand for crude petrol.

3.2 Petroleum Supply

Petroleum supply is one of the most important factors affecting prices, as an increase in petroleum supply allows prices to fall and vice versa, so the relationship between petroleum supply and prices is inverse

3.2.1 The concept of petroleum supply :

Petroleum supply is the quantity of crude or refined petroleum that producers can supply at a specified price and within a specified

period of time, and petroleum supply is a response to what consumers demand at prevailing market prices.

The petroleum supply is represented by all or most of the petroleum produced and may be supplemented by part of the stockpile in preparation for any unexpected increase in demand or disruption in petroleum supplies, and the nature of petroleum makes its production and supply in the short term limited under the following obstacles (Al-Douri, 1983 p56)

- Technical obstacles related to short and actual production capacities, storage and transportation.

- Economic obstacles related to the impossibility of increasing Petrol investments in the short term, because they last longer and require very large financial and material resources, or trying to keep the price of Petrol stable.

Also, the elasticity of petroleum supply in the short term is almost non-existent because it is difficult for Petrol supply to keep pace with price changes, and every change in price leads to a change in supply below it, for the aforementioned reasons .

3.2.2 Factors Affecting Petroleum Supply :

The global supply of petroleum is subject to a number of determinants, primarily the demand for petroleum and its price. The determinants of petroleum demand include the level and rate of economic activity and petroleum prices, as well as the supply is determined by the production possibilities available in the fields at a given time, as the availability of large petroleum reserves does not mean that it becomes easy to increase production once demand rises. The availability of large petroleum reserves does not mean that it is easy to increase production as soon as demand rises, as it is necessary to develop the discovered fields and provide them with the means to extract petrol from underground, process it, store it and pump it to the surface. Supply is also determined by the policy of petroleum-producing countries and the extent to which they need petroleum to meet domestic consumption, export it to achieve a monetary return to meet their financial needs, or retain it to meet the needs of future generations. In this framework, we include the collective policy approved by OPEC with regard to determining the production ceiling and the distribution of quotas among members, as well as the extent of members' commitment to those quotas, and the following are the most important factors affecting the volume of petroleum supply (Abdullah, 2006p145):

3.2.2.1 Petroleum demand :

It is clear that demand for petroleum is a key factor in determining supply. When demand increases, producers respond by increasing supply, and when demand decreases, they reduce the amount offered. There has recently been a significant increase in petrol prices, leading petroleum-consuming countries, particularly the United States, to call for an increase in supply from producing countries. However, the response from producing countries has been weak, with Saudi Arabia only increasing heavy petrol supply by 300,000 barrels per day. This indicates that the short-term supply response to increased demand relies on unused production capacities. The factors affecting petroleum demand differ from those limiting supply. Political stability plays a major role in ensuring the security of petroleum supplies. Recent events in Iraq, Iran, and the Middle East highlight the significance of this factor in influencing supply. The relationship between supply and demand in the petroleum industry is complex and interconnected, involving a dialogue between producing and consuming countries, with each side implementing petroleum policies to serve their own interests (Alekhina, 2019p78).

3.2.2.2 Future petroleum price forecasts:

Forecasting future Petrol prices is extremely important for both petroleum consuming and producing countries. The major industrialised countries aim to provide the necessary quantities of Petrol at a price that suits their economic interests, especially in order to maintain the stability of their economic growth, while producing countries try to forecast future prices in order to take measures related to research and exploration operations, and determine their Petrol supplies according to the price that is in line with the needs of their economy and petroleum policy.

3.2.2.3 Petroleum reserves and petroleum exploration:

Petroleum reserves are the base on which petroleum production policy is based, and from this point of view, any production and export policy should verify the real estimation of these reserves, as there are some foreign petroleum companies operating in the territories of the host countries that may deliberately exaggerate the size of the reserves in order to convince the host countries. Some of the foreign petroleum companies operating in the territories of host countries may deliberately exaggerate the size of the reserves in order to convince the host countries that what they have is sufficient for a long time and thus reassure them of the high production and supply of their petroleum.

One of the main causes of the 1986 crisis was the excessive search and exploration operations, especially in the North Sea and Mexico, as a result of the inflated prices in the previous period, which affected the supply of petroleum and prices collapsed to less than \$10 per barrel.

3.2.2.4 High profits in the petroleum industry :

The prices of capital goods are influenced by the economy of abundance, which is the effect of the quantity produced on the cost of the units

This principle applies to the petroleum commodity in the early stages of production, but at a certain stage of crude Petrol production, we see that the higher the quantities produced, the higher the costs, because Petrol wells need additional support technologies that may exceed 30% (Jamal, 1988p98) and more of the additional production capacity when recovering any well, and because of the increased demand for petroleum, it is explored in remote and difficult areas, but the special advantage of the petroleum commodity as an energy product ready for final use. In addition to the above-mentioned factors, we find that the important driver of the petroleum supply is the realization of a large financial surplus, i.e. the high rent that can be achieved, which is the difference between the price charged to the consumer of the product and the cost of supplying this product to the consumer, where all parties operating in the petroleum branch share this surplus .

In addition to these factors, there are other factors that affect petroleum supply, including the following (Younis, 1986 p67)

- The length of time required to develop alternative sources of energy in sufficient quantities to replace petroleum on a large scale.
- The high cost of developing unconventional energy sources.
- The environmental risks that must be overcome if coal and nuclear power are to be used on a large scale.

4. Factors determining the objective (fair) price of petroleum:

Although in economics or market economics, there is no such thing as a fair price, rewarding price, reasonable price, and other cosmetic descriptions, either the price is subject to current and future supply and demand fluctuations, or it is a monopolistic price planned to achieve economic or commercial goals, especially with regard to a targeted share of OPEC Petrol in the global Petrol market and the energy market that prevents the development of alternatives (Al-Jabali)

However, there are many studies looking for a fair price for petroleum. According to the classical theory, crude Petrol prices should be determined by the forces of supply and demand, and that the marginal cost of production plays a major role in determining prices in the short and perhaps medium term, while in the long term the marginal cost of alternative energy sources to petroleum plays a major role in this area.

In economics, there is no such thing as a fair, rewarding or reasonable price. Prices are subject to current and future supply and demand fluctuations, or they are monopolistic prices planned to achieve economic or commercial goals, especially with regard to a targeted share of OPEC petrol in the global petrol market and the energy market, which prevents the development of alternatives (Al-Jabali).

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The reality is that the classical theory is not valid as a basis for determining the price of crude petrol, at least in the long term. The petrol market is governed throughout its stages by semi-monopolistic factors, which means that supply and demand are subject to many controls and restrictions. First, the major petroleum companies monopolise information related to the petroleum industry. This has led to theories of petroleum -The price of crude does not equal its marginal cost and marginal revenue, at the point where the marginal revenue curve intersects the marginal cost curve (Yunis, 1986 p43)

-The structure of the petroleum industry dictates the existence of this difference, as this structure consists of governments that try to coordinate among themselves as much as possible.

-The strategic nature of petroleum as it is a non-renewable commodity that is rapidly depleted and has flexibility and characteristics that differ from any other source of energy.

-The relationship between price and supply of, and demand for, petroleum is weaker than first thought, as the demand for crude Petrol is derived from the demand for refined petroleum products, which affects demand, and it is a depleting and non-renewable resource,

which affects supply . After this analysis, the factors that may help determine the fair price of petroleum are as follows:

4.1 Petroleum production cost:

It means the average cost, i.e. the share of each barrel of fixed costs resulting from the exploration and development of Petrol fields until the start of production, plus the share of variable costs.

4.2 For déplétion:

It is worth noting that the depletion element, although it changes from one case to another, and despite the different petroleum wealth of member states, but if this element is to be used in calculating prices, the reserves of OPEC countries must be considered as if they were a single reservoir, so that decision-makers in Saudi Arabia, for example, are no less concerned than Algeria, which has modest reserves.

4.3 Incentive:

A fair price for petroleum should include, in addition to the above, an incentive to explore and develop new petroleum fields, as this incentive is a justification for increasing investments to increase reserves on the one hand and increase the level of recovery from existing fields on the other hand (Al-Naimi, 2015 p23)

4.4 Special deals for petroleum:

The wide range of uses of petroleum, when compared to alternative energy sources, justifies the introduction of an additional element in the price that helps proportionally reduce the consumption of petroleum as a fuel and preserves as much as possible petroleum reserves for uses for which other energy sources cannot be used as efficiently.

4.5 Compensate for inflation and currency fluctuations:

Inflation and currency fluctuations have cost petroleum exporting countries a lot in terms of the erosion of the purchasing power of their reserves, and therefore these countries do not see the need to expand their production to the point of accumulating petroleum financial surpluses and then later find that these surpluses have decreased in real value due to inflation and dollar depreciation, in addition to the discrimination in Petrol prices justifies in the eyes of Petrol producers and exporters that Petrol prices are aligned with the prices of their imports from OCDE countries.

4.6 Securing development needs:

A fair price for petroleum requires that this price secures the financial returns needed for economic development in petroleum exporting countries, provided that the realization of this development

within a period of time that does not exceed the petroleum resources available in these countries, meaning that petroleum prices must be high enough to allow the accumulation of the returns required for development, taking into account the length of the development process and the limited life of petroleum, and the dependence of most Petrol exporting countries on these returns as a driver of the development process.

A fair price for petroleum is vital for serious research and development of alternative energy sources. This is something most countries need to participate in to avoid an energy crisis. A fair price would also lead to discipline in the consumption of petroleum, slowing down depletion, and achieving economic security for the exporting countries. It would also avoid the risk of excessive dependence on industrialized countries.

We estimate that the price needed to achieve this is currently around \$133 per barrel. This price should be free from the pressures exerted by oil-importing countries to keep it low. The following principles form the basis of our estimation of this price.

The Tehran Agreement, concluded between OPEC and international petroleum companies in 1971, approved the principle of raising prices by 2.5% per year to counter inflation. It also approved the principle of increasing 5 cents as a special bonus because petrol is a depleting wealth whose depletion is accelerated by increasing demand for it. The five cents in the Tehran Agreement were equivalent to 2.5% of the petroleum price, which was around two dollars per barrel. This means the annual increase rate adopted by the Tehran Agreement was 5% per year. While the Tehran Agreement is no longer in force, the principle of annual increases to counter inflation and the growth of demand for petroleum is still suitable as a basis for price progression to preserve its real value. The First Geneva Agreement established the principle of correcting the price of petroleum according to changes in the value of the dollar, which is used to price petroleum against a number of major currencies, according to which prices were increased by about 8.5% as of January 1972 following the decision to float the dollar in August 1971 and the subsequent official devaluation of the dollar in December 1971. The Geneva II Agreement was concluded in June 1973 after the second devaluation of the dollar in February 1973, under which prices were increased by 11.9% with a monthly correction according to currency fluctuations.

These are the three principles that should be adopted to estimate the annual rate of increase of the nominal price of petroleum to maintain its real value, and even assuming that the changes in the value of the dollar by increasing or decreasing against other major currencies cancel each other in the long run, the annual rate of increase according to the principle of the Tehran Convention is not less than 5% per year on average over the past 50 years, and this is what we accept as the minimum rate of annual gradient of the nominal price.

As for the base year in which the price is taken as the base year for the beginning of the gradient, its choice should take into account the logic and fairness of the price to all parties, especially the Petrol-exporting countries, and in our estimation, the price corrected in 1973, which is \$11.65 per barrel, is considered a fair price and logical compensation for Petrol-exporting countries.

Thus, using the three principles to estimate the 5% annual rate of increase in the nominal price over the past 50 years, the nominal price of the OPEC basket barrel should currently be $(11.65 * 1.05^{50}) = \$133$ per barrel.

This is the level around which the price can currently move, with a gradual rise in the future depending on the developments of the three factors that determine the annual rate of increase of the nominal price, namely the inflation rate, the annual growth rate of petroleum demand, and the changes in the value of the dollar against the major currencies recognized by the Geneva Convention.

5. CONCLUSION

The study shows that the price of petroleum is determined by a set of factors that affect supply and demand. However, the main factor in determining the price is the rate of economic growth because there is a high correlation between economic growth and petroleum demand.

Petrol prices are affected by political and security fluctuations.

The petroleum market is sensitive to various economic and political events, which makes petrol prices unstable. This has led to successive crises that have different results on the global economy. The fair and objective price rises annually by 5 percent as a result of the decline in the dollar, inflation and depletion, and is equivalent to 133 dollars in 2024.

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