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# THE GLOBAL MARKETS FOR CRUDE OIL AND THE EXTENT OF THE DOMINANCE OF THE SEVEN MAJOR COMPANIES (THE SEVEN SISTERS) OVER IT

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**Abstract:**

As the global oil market changes its structure to include the increasing importance of the world's major crude oil companies, the role of these companies becomes the importance and the control of crude oil supplies. If the world's major oil companies had greater portions of actual and potential crude oil reserves, production, exploration and development activities, and if they had greater ability to use these resources, private IOCs would dominate the global oil industry outside North America and the former Soviet Union. This was the case in each of the main sectors of the industry: upstream (crude oil production), downstream (refining and marketing of products), and the middle sector (oil transportation).

After 1970, this dominance was gradually substituted by the growing role of the national oil companies established by the major exporting countries (OPEC), which controlled their oil and gas reserves. Beginning in the early 1990s, IOCs responded by developing a more sophisticated business model aimed at maximizing shareholder value by creating and proving more reserves, while reducing costs. However, in the past fifteen years this business model has become increasingly ineffective. This was reflected in the generally weak performance of the shares of international oil companies relative to the global stock markets during this period, and in their financial performance in terms of profits and return on capital. As a result, their long-term prospects have become even more uncertain.

**Keywords:** Global Markets, Changes, Importance, Commodity And Energy, Oil Market

## INTRODUCTION

This study focuses on highlighting the importance of the major oil companies and indicating the extent of their dominance and influence and the type of relationship between them and the crude oil producing countries in various fields. Crude oil is the main resource for budgets or consuming developed countries. Rather, the importance of this commodity to all of humanity, where this topic acquires importance, care and privacy, is derived from the importance and privacy of the traded commodity, as some specialists from the media, economists and political decision makers refer to its name (the age of oil). Until now, it is one of the most important sources of energy in the world. Despite the new discoveries of other energy resources and their high costs, crude oil remains the first among the various energy sources, as it is a strategic commodity from the stage of its discovery to its marketing through the stage of converting it to other products. The economic resource since its discovery has moved to strategic areas that the developed countries seek to control, at the forefront of those first countries The United States of America includes in its territory most of the important international institutions in the world, such as the United Nations, the offices and headquarters of major multinational companies, and the political, economic and military hegemony of the United States of America. This made it always in the race to control the sources of crude oil in developing countries, in the early twentieth century when oil was discovered in the Middle East. Oil became the most vital and necessary economic field in the strategy of the monopolistic capitalist economy, and since it is the oil of the Middle East. In addition to being a source of new profits and a market for the main commercial transaction, financial, the oil industry has been subject, since its inception and until now, to the control of the major oil companies with complete and absolute control over production, transportation, marketing and pricing, with its huge sums of money and advanced technological means for exploration, drilling, production, transportation and refining. Thus conflicts between these companies to control the sources of crude oil in developing countries and their markets appeared as if they were colonies or

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semi-colonies affiliated and monopolized by them, especially American companies, where they were the main dominant on global production of important oil for a long period of time. The maximum huge profits were achieved in all stages, from oil wells to distribution stations, without any dispute or without any competition. As these giant monopolistic companies did not appear in the budgets of the major industrial countries, the owners of these companies at the expense of the producing and other industrialized countries that do not produce crude oil. Despite the fact that the oil market suffers from an oil surplus (the oil glut), it is a vital commodity for which close alternatives have not been discovered in terms of exploration and transportation costs. This appears clear when the oil market is exposed to multiple oil crises, which led to the non-flow of this necessary material to the markets, especially after the first oil shock, the October War of 1973 and the second oil shock, the first Gulf War 1980-1988, the third oil shock, the second Gulf War of 1991, and finally to the occupation of Iraq by the United States, which put its oil wealth in the grip of the American occupation year 2003.

**Research problem:** The international oil market is subject to the hegemony and control of major companies and not to the will of the countries exporting and producing crude oil, especially in developing countries, which work to serve their interests first and last.

**Research importance:** The international oil market is witnessing increasing and a quick development that have an impact on the economies of countries in which crude oil is a major resource in their budgets.

**Research hypothesis:** The research tries to verify the validity of the following hypothesis. The most important economic resource in those countries.

**The aim of the study:** The research aims to identify the extent of the dominance of the major oil companies on the global market for crude oil. It also aims to describe that domination and the degree of control of the oil industry. It shows real role played by the major oil companies in the international competition for oil and in influencing the political, economic and strategic decision of the producing and consuming countries of crude oil

**Research Methodology:** The research was based on an analytical approach that depends on the methods of induction and deduction to obtain the results.

**The structure of the study:** to test the validity of the hypothesis or its denial, the study was divided into two axes, as well as conclusions and recommendations as follows: The first part is the international oil markets and includes its concept, structure and characteristics in what reviews the economic theory in the oil market. The second is a historical look at major companies for their control over crude oil and between its location and the degree of its control.

## THE FIRST PART / THE CONCEPT, CHARACTERISTICS, TYPES AND ECONOMIC THEORY OF THE GLOBAL CRUDE OIL MARKET

### First / the concept of the oil market

Before starting to explain the concept of the oil market, it is necessary to clarify the concept of the commodity market in general, as it represents the means in which the decisions of sellers and buyers meet regarding the exchange of deals of different commodities. The junction of the intersection of supply and demand at a certain point represents the final price line of the commodity(Sarim, 2003). It is known that the relationship between the supplied quantities of a commodity and its price is a direct relationship in the case of a change in the quantity and supply factors, with the stability of the rest of the other factors affecting the market.

As for the oil market from an economic point of view, it is a group of institutions or people between whom there are exchanges of a specific commodity. So the market does not mean that someone may purchase a specific commodity by advertising it at a time when the producer of this commodity is in location thousands of miles away. This represents part of the market for this commodity, so the oil market has taken an international character because it is not limited to a particular country because it takes several economic, political and strategic aspects, and through that the oil market consists of oil-producing countries and oil consuming countries. By that the price of oil is determined as a result of a strong interaction of supply and demand and its flexibility in relation to supply and demand. Now oil is exported to the industrialized countries because it is the main commodity on which the oil-producing countries depend, and for which there are no alternatives to compensate for, and if any, it is expensive or negatively affects the two-term, and so far there is no alternative that gives the same specifications due to pollution.

### Second, a description of the global oil market

There are many theories and different opinions about the description of the oil market. There are those who view the oil market as an oligopoly market, as the oil market is monopolized by a small number of companies (oligopolistic competition), which is a kind of partial

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monopoly. These few companies focus on a few One of the mega projects that directly affect the overall supply.

**Oil market analysis according to Hotlink theory of depleted resources**

Hotlink's principle is one of the basic principles, which is one of the first and most important economic theories. Hotlink's theory of depleted resources was able to remove ambiguity and determine the fair or optimal price for depleted resources (meaning that the depleted underground resource is capital, in light of an efficient investment economic pattern that must generate a return on The lowest rate of the real interest rate, from here the price of oil is determined, which is the rent or the net price, which is renewed through the difference between marginal revenue and marginal cost, i.e. a barrel today that cannot be produced in the future). Harold Hotelnik was the first to explain the economic optimization of depleted resource extraction in 1931(*The Oil Era and Emerging Challenges*, 2011)

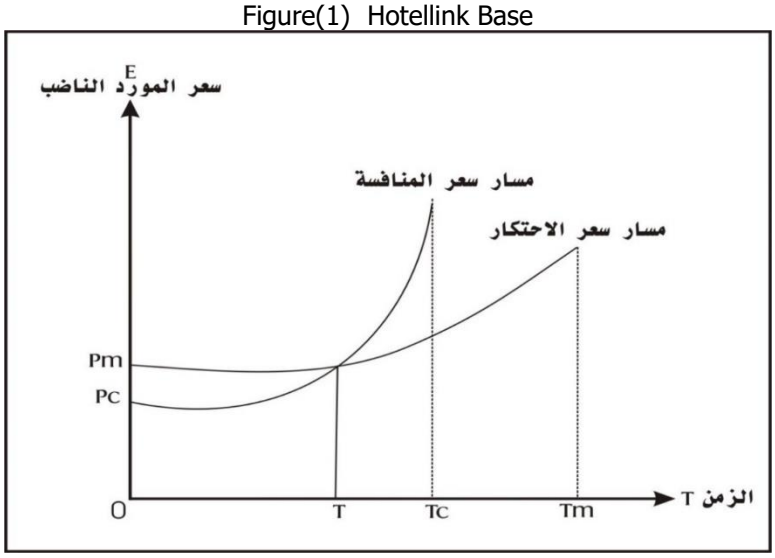
Hotelink's theory expresses a qualitative leap in oil economics, as it transformed this science from a descriptive science into an experimental science that is no less important than the rest of the other sciences, such as physics, for example. This theory has been neglected for many decades, lasting nearly 40 years, since it was published by Harold Hotlink in 1931 until 1973 (the same year of the first oil shock), some of the great economists such as SOLOW (Nobel Prize winner) and others took some theoretical aspects of the depleting resource to a small scale after it had been neglected for long periods(Musa, 2001).

Hotlink's depleted resource theory was able to diagnose the optimum extraction of the depleted resource, including crude oil, and the optimal price for the resource. This theory states that the price of a depleted resource must grow at a rate equal to the rate of interest because its reserves fall steadily over time, assuming the rule of competition.

This theory is based on several assumptions, the most important of which is the limited amount of available resources, and then their depletion with use on the one hand, and the availability of future markets on the other. It is (the price minus the cost of extraction), for a resource that can be depleted, meaning if prices rise by a rate greater than the risk-free rate of return, it is necessary to reduce the current level of oil extraction, that is, to preserve the resource instead of obtaining its cash equivalent and vice versa (Hotelling, 1931). If it increases, the rate of return is greater than the prices at that time. Oil reserves face immediate extraction operations, as those revenues are invested in immediately in cash with their high returns(Al-Qides & Ali, 2011). Here comes the importance of obtaining additional profit from the wells that enjoy the absolute advantage at the real interest rate in the market in order to agree to the survival of that resource inside the land. On the contrary, it increases the rate of extraction of the depleted source for the purpose of exploiting the alternative opportunity for return in another investment field, the return of which is not less than the rate of real interest in the market(Solow, 1974) Hotty Link refers to the net price that represents this profit for the product after subtracting the costs of extraction, but in the light of the oligopolistic market, the marginal revenue for the monopolist is the one that must grow at the real interest rate in the market, and this rule was considered a basic condition to optimize the extraction and pricing of depleted resources, including crude oil(Musa, 2001).

Figure No. (1)(Sawan, 1999) shows the path of the competition price and the monopoly price of the depleted resource according to the Hotlink rule

Figure(1) Hotellink Base



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From Figure (1) it is clear that the primary oil price of the monopolist (Pm) is higher than the primary oil price of competition (PC), and this is consistent with what was stated in the economic theory, and that the rise in the initial price of the monopolist makes the consumption of the depleted source less than in the case of competition. This leads to an important conclusion that the depletion of oil under competition will be faster than in the case of monopoly(Teece, 1982)

**Oil market analysis according to oligopoly theory**

The models in the oligopolistic market are multiple because of the different hypotheses on which it is built, and then the difference in the results you get from the behavior of the oligopolist. That is, the multiplicity of models arises from the different demand conditions for each monopolist and the change in the demand curves for his commodity according to the assumptions of influence and interdependence between competitors in the market(Sawan, 1999). There are many models in the oligopolistic market, including(Al-Akaili, 2001): the broken demand model, the price leadership model, and cartel models. The latter is one of the models that apply to the Organization of Petroleum Exporting Countries (OPEC), and the oligopolistic markets tend to take one of the following directions(otaiba, 1978):

1. The trend towards vertical agglomeration: the few producers control (oil production, oil transportation, oil refining, oil marketing), and this process is linked by a kind of vertical integration from the beginning of oil extraction to the end of its appearance in the form of different derivatives.
2. The trend towards conglomeration: The movement of companies in the international oil market indicates the prior agreements between them on the steps that each of them follows until reaching the oil commodity and its derivatives to the market, which makes them move towards full integration.
3. Producers' commitment to the price and the arrangement of price stability. This is because it is not possible for any decision to be taken unless prices come from the scheme that was set for them in light of the interaction of the forces of supply and demand in the long term, and the base point system) prevailing in this market is a prominent feature. It is applied at unified price system for all major producers despite the wide variation in the areas of production and distribution. This system prevailed since the early thirties and extended to the seventies when the Arabs adopted the slogan (oil is a weapon in the battle) in 1973 at a unified price for all major producers despite the expansion in the areas of production and distribution. It is worth noting that oil markets are determined by consuming countries, not producing countries(Ragab, 1964).

The oil market is described as the behavior of a tripartite oligopoly pattern, as the dealers in the market can be divided into three groups, namely:

1 - producing countries 2 - monopolistic companies 3 - consuming countries

Each of these groups is also characterized by an oligopolistic situation, and each group includes a number of clients, each of whom has an effective and direct impact on the oil market. This is due to the (size advantage (*)) that it enjoys, while the others enjoy such influence only from coordinated mass entry or exit from the market(Zardaq).

The market system includes two main units for making economic decisions:

1. Consumer sector: It includes both individuals and families who order (purchase) goods and services, and offer (sell) the services of the factors of production, labor, capital and land.
2. Producers sector: It includes businessmen and investors who request (purchase) the services of the production elements in the first sector, and the aim is to produce the goods and services that they offer (sell) to the consumer sector(Sarim, 2003).

From what has been clarified, the oil market differs from other markets and has its own form. It is known as the place in which oil-producing and consuming countries share, and the ability of the producer and consumer to achieve the best price that hopes to obtain is determined by the ability of supply and demand flexibility. Because of the importance of resources and the dependence of the countries of the world on it, there are international organizations that carry out this process.

**Third: Types of oil markets**

1- Rotterdam market: It is considered the most important spot market for dealing with crude oil and petroleum products because of its strategic location in the city of Rotterdam, in the west of the Netherlands, which is the largest seaport in the world.

2- The New York market: It is a market that offers tradable products, whether in spot contracts or forward contracts. Thus it brings together sellers and buyers or individuals and institutions that need to manage risks or want to achieve high profits by accepting price risk. This is a total of about three billion contracts. Annually, its value reaches an average of about a thousand trillion dollars. In addition, there branch offices located in many cities, Tokyo, London, Paris, New York Stock Exchange in this urgent name, in 1978, where the first stock exchange dealing with this type of contracts. This market is governed by a set of laws and offers Innovative solutions to face the risks faced by

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individuals who accept high profits in exchange for price risk, this market is managed by *.CME Group

3- The international oil market: The international oil market was established in 1980 in London by energy traders in response to fluctuations in oil prices in 1970. Since its inception, a variety of futures contracts have been used for hedging purposes, and futures contracts were exchanged in 1981. This market uses Brent crude in pricing of its transactions.

4- Dubai Stock Exchange: It is specialized in trading the commodity of crude oil in the Middle East region. It was established in 2007 with the aim of providing a fair price and managing risks effectively and efficiently.

**Fourth: Types of oil contracts:**

Transactions in the oil market are divided into three forms of transactions, one affected by the other, namely:

1- Spot contracts: They are known as actual or present, where dealing in them is based on the immediate delivery of the agreed upon quantities between the producer, the consumer and the buyer according to a specific price known as the spot price, which is usually represented in one shipment for each agreed deal. It is expressed economically in day-to-day swap contracts.

2- Ordinary transactions: They are direct transactions between the producer and the consumer that take place away from the organized oil markets and usually take place between two neighboring countries, one of which is an exporter of oil and the other is an importer, such as Iraq and Jordan. The price in such transactions is determined by agreement between the two parties, and it is affected by spot and future market prices

3- Forward contracts: The term contract is defined as an unconditional contract between two parties that guarantees the parties' commitment to settle the contract at a future date, to be determined when the contract is signed.

**Fifth: characteristics of the oil market**

Through the foregoing, it can be explained that some of the general characteristics of the oil market that make it different from other markets, are as follows:

1. Crude oil is a commodity of great strategic importance, as it is the main source of energy and a basic material for many industries. The nature of the commodity traded in this market is characterized by depletion, meaning that the barrel that is extracted is not compensated for by another barrel except by exploratory effort. In other words, the barrel that is extracted today requires the disbursement of very large sums if we want to compensate for the reserves, in addition to maximizing the capital risks that increase with the passage of time. Just as the depletion of oil from the ground has increased, the possibility of finding new oil becomes less. It becomes economic logic to support the idea that the price of the commodity should reflect its rarity or value
2. The oil market is affected by relevant markets such as the tanker market and freight costs, which are characterized by fluctuating and unstable and which are affected by fluctuations in global oil demand.
3. This market is described as international because of the unfair distribution of crude oil and that most countries of the world exchange oil commodities, whether they are crude oil or oil products, requesting or offering them.
4. The strongest influence in the international crude oil market is due to the demand side of crude oil and the submission of the supply side of crude oil to it, given the relative concentration of reserves and production in a few developing countries. Yet, the demand is concentrated in the group of advanced industrial countries that consume 55% of the total consumption the scientist.
5. The international market for crude oil is generally characterized by the dominance of a limited number of crude oil producing countries (sellers). Each produces a high percentage of the total production, corresponding to a large number of consumers, and this is what is called in the oligopolistic market. This number of sellers form a union whose main goal is to control the international oil market and exercise a great influence on the market as a result of its large size.
6. The freedom to enter and exit the oil market is not relatively easy to open and new production ranges on the supply side with a set of obstacles related to the scarcity of oil resources, the depletion of its reserves, the proportionality between the depletion of reserves and new discoveries, and whether the reserves are confirmed or new production technologies that enable the transformation of the potential reserve. Certainly, we must not lose sight of the high risks that characterize the oil industry, especially upstream operations, which include discovery, exploration, drilling, and production operations. The danger in this aspect is due to the possibility of not finding oil in the area under discovery, as it is possible that the results of exploration meet the presence of oil to be discovered, but in uneconomic quantities. It

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may need expensive techniques to exploit it. Thus, we find that the risk caused by the oil industry plays a significant role in the limited producers, and this corresponds to the characteristics of the oligopolistic market

7. The dealers in the oil market lack absolute freedom in determining the price of oil, which means the producers' influence on each other's decisions. The reduction of prices by one of the producers may be accompanied by a reduction from the rest of the producers, and the same is the case if one of the producers raises the price because the competition is in control Producers' decisions
8. The oil market is characterized by modernity and dynamism in a market that does not know a geographical location or even a physical location, where the speed of oil can be exchanged through multiple means of communication by taking advantage of technological developments in the field of electronic communications
9. The oil market, especially the Vertical and Horizontal Integration Authority, is characterized by the practice of international oil companies that control the upstream and downstream activities. Yet, the horizontal integration shows the stage of getting rid of the taxes imposed if the companies transfer their profits to their areas of activity, which causes a lower percentage of taxes imposed compared to its other areas of activity.

**The second aspect: major global crude oil companies**

**First: the concept of international oil companies**

The major oil companies are known as giant multinational companies, which are the basic unit of monopoly capitalism, as they play an important role in the movement of the global economy, and their control over the global market crude oil for a period of nearly fifty years. This serves the strategy of its dependent countries and is not compatible with the strategy of a particular country, as it did not arise as a mere reaction to given and existing political and economic conditions, but rather it is also an embodiment of modern capitalism's awareness of economic and political patterns appropriate to its activities on a global level. Also, its relentless endeavor imposes these patterns that this remark applies. This is evident in the strategies they have followed, whether in the short or long term.

The Italian businessman: Enrico Matti is the first to use the term "seven sisters" on these companies in the year 1950, to describe them as the largest international oil companies, which dominate the global oil industry. In 1973, these companies controlled 85% of the world's oil reserves, but they faced (and are still facing) the challenge of the OPEC cartel, and the growing capabilities of national oil companies in some emerging countries. The seven sisters are represented in the following companies in the following table

Table (1) Major International Crude Oil Companies(Sarim, 2003).

| | | | | | |
|---|---|---|---|---|---|
| **1** | **BP** | United kingdom | **British petoleum** | Anglo-Persian Petroleum Company | It became called: "The Anglo-Iranian Petroleum Company |
| **2** | **BP** | United States of America | | | |
| **3** | | Dutch-British | **Royal Dutch Shell** | Gulf Oil Company | |
| **4** | **Socal** | United States of America | **Standard oil of California** | Royal Dutch Shell Company | It became called chevron |
| **5** | **Esso** | United States of America | **Standard oli of New Jersey** | Standard Oil of California | Chivron |
| **6** | **Sony** | United States of America | **Standard oli of New York** | Standard Oil of New Jersey | It became called Exxon, and after its union with Mobil Corporation in 1999, it became called ExxonMobil |
| **7** | | United States of America | **Texaco** | Standard Oil of New York | And it became called Mobil, which united with Exxon |

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In addition to these companies, some multinational companies have appeared in the field of the oil industry, which have achieved great progress in their business numbers in this industry. Also, they have now occupied advanced positions among the top ten international companies operating in the oil industry, among which we mention:

France's Total and ConocoPhillips

Conco Philips

American company ENI

Total

**Second: The stages that the international oil companies have gone through.**

Most of these companies went through five stages until they reached their current situation, which we summarize as follows

• Commercial phase (1500-1850)

It is the stage of exploration and before the entry of the European Industrial Revolution and the movement of scientific management in America, where oil production was done automatically by the flow of some wells without production or scientific exploration.

• Economic stage (1850-1910)

It is the economic operation of oil for domestic consumption in America began.

• Franchise era between the two world wars (1910-1940)

The US presence moved to the international field by obtaining concession rights in Saudi Arabia, the Gulf, Algeria, Libya, Egypt, Latin America, Indonesia and Nigeria, led by: Shell, British Britain, Total in Iran, the Gulf, Iraq and Algeria.

**• The stage of complete control (1945-1970):**

The international oil companies took full control of the global oil industry outside its affiliated state in the various sectors of this industry from exploration and production of crude oil (upstream), refining and marketing of products (downstream), and transportation (middle sector). where its control over crude oil production and refining capacity amounted to 70% and about two-thirds of the fleet of tankers owned by the private sector. During that period, the global crude oil trade was almost entirely within its integrated operations or through long-term contracts between them(Hazlewood, 1969), there was no market Commodities in the modern sense. IOCs were in terms of financing and operations, which integrated my two operational heads(Kochhar, Ouliaris, & Samiei, 2005).

**• The stage of national companies (1940-1970)**

The major crude oil companies are the largest monopolistic organization found by the Al-Ankari agreement in 1928 to control and lead the oil market (20), until the OPEC organization was founded in 1960. Here, the forms of the relationship between these companies and the producing countries took other forms to deal with them.

**• The stage of partnership between major crude oil companies and national companies of producing countries (from 1970 until now)**

This stage started with the economic and political independence of the oil-exporting countries and the entry into buying concessions or participating in capital and the trend towards establishing national companies.

The formulas set by the oil companies to operate in the oil countries vary. They either work in the form of the best partner as defined by Chevron Texaco, or the formula of mutual interests under which BP operates, which is to provide the appropriate expertise, technology and capital in a way that achieves the goal of the host countries and secures the commercial returns for the producing companies. Of the joint projects(Okorie, 2005). Also, there are many formulas that are presented to the producing countries to participate with the oil companies, and the most important of these formulas are the following(Okorie, 2005):

**First: the oil concessions (the right to extract system)**

Which is sometimes known as the fixed tax and rent system, in which the host country grants a foreign company or consortium a contract to extract oil, which in the event of its extraction becomes the property of this company and it can sell, transfer or refine it. In return, the foreign company pays the host country a tax or revenue, and this formula prevailed for a period The international oil market has long been established, as

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this formula is a distinctive feature of the foreign mandate that prevailed in the oil countries and was allowing the host countries to exercise a very small influence in development, regulation or tax decisions at a time when foreign companies own the right of ownership of crude oil(Hook, 2020).

Second: Participation in production: According to this formula, the host country has final control over the oil produced, and the role of the foreign company or groups of companies is limited to extracting and depleting oil according to the terms of the contract concluded between them, and the foreign company provides the capital needed for investment at the beginning of the exploration phase and then extraction and building Infrastructure necessary for the development stage. In the event of a successful exploration, the first part of the extracted oil is from the foreign company's share in order to cover its expenses and invested capital, and it is called (cost oil) * and after covering the company's expenses, the oil produced is called (profit oil) and it is divided between the host country and the company The foreign company bears taxes on its share of the profit oil, in addition to a rent on all the oil produced.

**Third: Service Contracts**(Sardana, 2020)

The international oil companies contract with the national oil companies to provide their services in financing explorations and managing these operations for a period not exceeding five years. It provides a fixed percentage of its returns of not less than 18% to the national oil companies even in the event of a decrease in oil prices. However, the disadvantages of this formula are represented in the high independence enjoyed by the international oil companies in the exploration operations, and the structure of this formula may result in an increase in costs for international oil companies after the entry of national oil companies into a partner in the oil produced, which makes it a less attractive model for foreign investment. The participation of foreign oil companies with OPEC member countries varies, according to the dictates of investment laws in the member countries of the organization

Table(2) the degree of control of the seven companies in the different phases of the oil industry for a period-1953) (1965

| **Year** | Companies | **oil reserves** | **oil production** | **Sales of petroleum products** | **refining capacity** |
|---|---|---|---|---|---|
| **1953** | Seven Sisters + CFP | **%95.8** | **%90.2** | **%74.3** | **%75.6** |
| **1965** | Seven Sisters + CFP | **-** | **%76** | **%66** | **%58** |

This table is taken from Muhammad Mahrous Ismail (1988).

- Table (3) (Muhammad Mahrous Ismail, 1988)between the net income of major oil companies 1978-1984

- Amounts million dollars

| **Years** | **Bp** | **Exxon** | **Golf** | **Mobil** | **Shell** | **Chevron Socal** | **Texaco** |
|---|---|---|---|---|---|---|---|
| **1978** | **444** | **2.768** | **785** | **1.131** | **1.086** | **1.106** | **853** |
| **1979** | **1.621** | **4.295** | **1.322** | **2.007** | **3.050** | **1.785** | **1.759** |
| **1980** | **1.435** | **5.350** | **1.407** | **200.813** | **2.362** | **2.401** | **2.642** |
| **1981** | **1.072** | **4.826** | **1.231** | **2.433** | **1.989** | **2.380** | **2.310** |
| **1982** | **716** | **4.186** | **900** | **1.213** | **1.993** | **1.377** | **1.281** |
| **1983** | **866** | **4.978** | **978** | **1.503** | **2.754** | **1.590** | **1.233** |
| **1984** | **1.402** | **5.528** | **-** | **1.268** | **3.648** | **1.534** | **1.071** |

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**Third: the tasks of the international oil companies.**

International oil companies play a major country in the field of hydrocarbons. This appears through its role as a mediator between the producer and the consumer, a role that requires a great deal of flexibility and continuity to ensure the flow of oil and petroleum products from the source of their production to the final consumer on time.

**Fourth: The characteristics of international oil companies**

Oil companies are distinguished from other companies and other economic institutions in a group of features, including:

1/ The feature of integration.

2/ The property of monopoly.

3/Diversity and the expansion of economic activity.

**Fifth: The strategy followed by the major crude oil companies**

The strategies developed, planned and programmed by the international oil companies to achieve their goals are reflected in two strategies:

**1- short-term strategy**

The short-term strategies consist of basic and complementary strategies, and they are as follows:

The main strategies are to adjust the structures to the fluctuations of the oil market.

-The trend towards expanding the search for oil in the (politically nationalized) regions.

-The trend towards expanding the search for oil in areas outside the OPEC countries.

-The suitability with the development of the demand for refined products and the increasing importance of the spot market.

-The adaptation with the reduction in the degree of vertical integration and control over the later stages of oil production.

**2-Long-term strategies:**

The long-term strategies are mainly reflected in controlling the global energy market. The strategy of the major companies in the long term is to control the development of the global energy market. The largest of energy supplies to decades, in addition, trying to ensure control of the technology of the future, which will be the basis for achieving balance in the oil market in the long term.

**Sixth: Evolution of stock prices in the major international companies for crude oil.**

Financial strategy (value-based management) became increasingly popular in the 1990s and became associated with the capital asset pricing model. Since at least the 1970s, IOCs have based their strategy on maximizing shareholder value. Value-based management took off in the industry because it seemed to give a scientific basis for measuring what the return on capital should be, and thus providing a standard for project returns without which funds should be returned to shareholders rather than investing in the project. All of these ideas came together to increase returns to shareholders by encouraging higher stock prices through good performance and paying as high and stable dividends as possible. This is a perfectly fine goal of maximizing shareholder value within IOCs vigorously promoted in the 1980s. All major companies naturally began offering shares to senior management as part of incentive packages to encourage better performance. The oil sector was no exception, and therefore the senior management of international oil companies had an increasingly strong interest in the rise in stock prices, as all companies listed on a different global stock exchange and the purpose of simplifying the analysis is only highlighted on the New York Stock Exchange and data on adjusted stock prices are presented at the end of each. In a given year, stock prices did not experience significant declines or rises during the period but instead remained relatively stable. However, we can trace the values from January 2, 2020 before the Covid-19 pandemic hit the global level with 31 and 2020 when the epidemic started on December 31, 2020. The following table (4) shows that the general picture has changed dramatically. Unsurprisingly, the impact of COVID-19 on the oil industry and oil prices was felt by all the seven major global crude oil companies, all of which witnessed a decline in their stock prices.

Table (4) Comparison of stock prices on the New York Stock Exchange, January 31, March 31, and December 31, 2020)

| company | Share price January 2020/US$ | Share price March 2020/US$ | Share price December 2020/US$ |
|---|---|---|---|
| **BP plc** | **35.33** | **22.99** | **20.52** |
| **Chevron Corporation** | **114.92** | **72.46** | **84.45** |
| **Eni S.p.A.** | **29.39** | **18.50** | **20.60** |
| **Equinor ASA** | **19.10** | **11.80** | **16.42** |
| **Corporation** | **65.66** | **35.67** | **41.22** |

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| | | | |
|---|---|---|---|
| **Royal Dutch Shell plc** | **56.89** | **34.89** | **33.61** |

**() www.total.com/media/ news/short-term-price-revision-and-climate-ambition-total-announces-exceptional-8-b-asse**

**Seventh: The expectations of major international companies for crude oil prices**.

Long-term oil price forecasts are important because international oil companies use them to determine the economic feasibility of crude oil as an economic commodity and what is the appropriate price for it, in the two years 2019-2020 due to the Covid-19 pandemic, which led the majority of the seven major global companies to review their price forecasts in the near future. Or in the long-term, as in the table below, European companies published their updated hypotheses with short-term expectations (2020-2023), Shell and Total have similar expectations, as prices do not exceed 55 US dollars per barrel in 2020, and for long-term forecasts, the company estimates BP averaged an average price of $55 per barrel between 2021 and 2050, which is 27% lower than the assumption of $75 per barrel, Shell made similar forecasts with an average of $56.8 per barrel between 2020 and 2050(Sardana, 2020).

Table (5) Short and long-term oil price forecasts for crude oil companies

| Companies | **Crude Oil Price Assumptions (Brent Crude)** | | | |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **Notes** |
| **BP plc** | **Average 55$ between 2021 and 2050** | | | |
| **Chevron Corporation** | not available | not available | not available | |
| **Eni S.p.A.** | 40 $ | 48 $ | 55 $ | |
| **Equinor ASA** | **80** $**in 2030** | | | |
| **Corporation** | not available | not available | not available | |
| **Royal Dutch Shell plc** | 35 $ | 40 $ | 50 $ | **Average 56.8$ 2002-2050** |
| **Total SE** | 35 $ | 40 $ | 50 $ | |

**المصدر**

This data in this table is from Hook (2020); Sardana (2020).

The only European company to keep its long-term crude oil price forecast unchanged to $80 per barrel in 2030 Equinor.

As for the US companies, Chevron and ExxonMobil, do not follow their European counterparts and did not reveal their expectations for the long-term price trend due to climate changes and the consequences of the Covid-19 pandemic. This is to create uncertainty in the expectations of global demand for crude oil. As a result, ambiguity and lack of disclosure created difficulties for investors and shareholders in achieving the extent of accuracy Future forecasts for crude oil prices(Xin, 2020)

**CONCLUSION**

The oil industry is considered one of the most important industries that constitute the international economic and trade relations. Oil is found only in certain areas of the world, and it is the most important energy resource for the global economy and modern civilization for various countries, and therefore the process of exploration for, extracting and transporting crude oil between regions of the world is considered an independent economic activity. As a result, it requires the transfer of financial, human and technological resources between countries, in addition to the fact that the companies that perform it possess huge financial and technological capabilities. The oil industry has many companies that practice the activities of extracting and transporting crude oil in many countries of the world, but this industry is monopolized by the so-called international oil companies, or as they are called the seven major companies or the seven sisters. These

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companies are considered multinational and giants, in addition to the fact that they have controlled the global oil market for nearly fifty years. Also, this dominance has gradually decreased since the establishment of OPEC and imposed its control over the oil market with the competition with the US Energy Agency in imposing control over the market, both working towards achieving their goals. OPEC works to achieve the interests of the countries producing crude oil, since most of these countries are the main resource in financing their budgets. On the other hand, the US Energy Agency works to maintain low price levels to serve the interests of consuming countries.

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