

## Candidate 6 evidence

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a	<p>One reason why the price of oil has been so low recently has been the activity of the oil cartel OPEC. OPEC is consisted of 12 countries that all produce oil and together has control over 40% of the oil market. OPEC has refused to cut production in the wake of low oil prices so that they can keep their market share in tact. The likes of Saudi Arabia who produce 10 million barrels a day won't stop producing and this is increasing the world oil supply and helping to drive the price down.</p> <p>The US has become too biggest consumer of oil and now has also become the biggest sole producer of oil. Due to the fracking and 'shale' revolution which is ongoing in the USA the supply of oil has boomed as thousands of workers are producing millions of barrels of oil across states such Pennsylvania and Texas where over 100,000 workers each are currently producing oil. This means that the world biggest consumer of oil has dropped its demand for oil imports whilst it produces its own supply and this means that demand is dropping whilst supply is increasing and this is contributing to the low oil prices.</p> <p>Additionally, China the world's second biggest consumer of oil is suffering from an economic slowdown that is triggering demand for oil in the country to drop. Additionally, the Chinese economy is making a shift from an energy focused economy to a consumer led economy. The slowdown and the change in economic nature means that demand for oil in the world's second biggest consumer of oil is dropping and this is also triggering a drop in demand for oil.</p> <p>Furthermore, there has been a global focus on moving away from the use of fossil fuels and towards the use of renewable energy such as wind farms. This focus means that worldwide demand for oil is not as great as it once was and this has also contributed to the drop in price for oil as the world focuses on moving away from oil.</p> <p>Fuel efficiency around the world has improved greatly over the last few decades. This means that planes and cars are able to run on fuel for a lot longer and won't need to refuel as often. This means that the need for oil isn't as great as it once was and this has also contributed to the collapse in the price of oil and the need for oil due to efficiency research has dropped.</p>	
b	<p>One of the most important impacts of the low oil prices has been that inflation in the UK has dropped heavily to very low points, At one point in December inflation was even as -0.1% a form of deflation. This is a very much negative aspect of the low oil price as the target for UK inflation is 2% and the impact of the low oil prices means that this is going to very difficult to reach.</p> <p>This low point in inflation caused by the drop in oil prices also means that real wages will suffer as a consequences. Real wages are wages but with the impacts of inflation taken into account. With the UK in a state of deflation at one stage real wages have been suffering and this means that many workers will not have the income to spend and this could lead to a decrease in growth and spending across the UK</p> <p>Oil producing firms such BP have struggled because of the drop in oil prices. It has become increasingly hard to cope with the difficult drop in prices and this has resulted in BP scaling back its work force. It has led to 300 jobs in BP's north sea oil drilling platforms being lost. This highlights how British oil firms are struggling as they cannot keep with the huge drop in oil price.</p>	

	<p>The public will be encouraged to use their cars and drive more as fuel is at a very low price. This adds to a negative consumption externality as carbon emissions will increase and the atmosphere will suffer. With more people driving and emissions increasing due to the low fuel prices the impacts of the low oil prices are becoming more apparent.</p> <p>Costs of production are much cheaper as machinery isn't as expensive. An example is agriculture and due to the low oil prices it has become cheaper to use tractors and harvesters to produce goods. Evidence of this can be seen as the agricultural industry grew in the years 2014 and 2015 a big leap from 2013 and this happened after the oil prices dropped. With costs of production lower than before firms are able to increase their profits and revenues due to the low oil prices.</p> <p>There will be an increase in spending around the economy as people are paying less for a commodity like fuel and then are able to spend more on other goods. With cheaper fuel spending around the economy will increase and so profits for firms and demand for employment to meet the growing demand and spending. With more income to spend thanks to the cheaper oil prices growth around the economy will increase.</p> <p>Due to the increase in spending and the increase in profits for many non-oil producing firms. Tax revenues for the government on non-oil profits will increase. With more people spending and more profits being made by companies these profits can be taxed by the government who will make more due to the increase in profits which as a result of the spending that has encouraged because of low oil prices</p>	
c	<p>To fix the difficult low levels of inflation the UK government could use the multiplier effects to try and kick start more spending around the economy and have prices increase. To do this the government would increase the wages of public sector workers e.g. NHS nurses and have them spend this increase in income. This spending would become someone else's income who would also use the extra income to spend and so the economy would spend more and trigger an increase in inflation a negative impact of the low oil prices.</p> <p>The UK government could focus on raising the minimum wage to deal with the low real-wages that were triggered by the low oil prices. This would mean that workers would earn more and therefore the impact of the low inflation and the low oil prices of their wages wouldn't be as significant as it was before. This is one way the government could fix the damaged real wages of the worker because of the low oil prices.</p> <p>The UK government could additionally nationalise the oil companies in order to prevent them going out of business. With the low prices harming the firms such as BP and in order to maintain jobs the government could take over the industry in order to focus and concentrate on keeping the oil industry afloat despite the low prices and keep them from going into administration and out of business.</p>	