

# CONSEQUENCES OF THE CRISIS ON THE WORLD OIL MARKET FOR THE UKRAINIAN AND GLOBAL ECONOMIES

**Shmyrina A.O.**

*National Aviation University, Kyiv*

*SScientific adviser – Stepanov O.P., Doctor of Economics, Professor*

A number of factors have led to the current staggering decline in world oil prices. The most obvious of these is the COVID-19 coronavirus pandemic, which has engulfed the planet and led to a rapid decline in the world's hydrocarbon fuel consumption. There are other powerful factors, some of which are less obvious, that influenced the formation of the current dynamics of prices in the world oil market. Such factors often include international competition from major oil producers and, in particular, the inability of global oil market players such as Saudi Arabia and Russia to agree

in a timely manner on a coordinated policy of limiting oil production and, consequently, oil sales on the world market. The latest trends in the global energy balance should also be included in the category of rather strong and long-lasting factors that will affect the future dynamics of oil consumption in the world. It is, first of all, about increasing the share of renewable energy sources in its total consumption, including at the expense of oil products. Moreover, this factor will continue to work after overcoming the negative consequences for the world economy of the COVID-19 coronary pandemic. And it will manifest itself, if not in reducing oil consumption, then at least in limiting the growth rate of its production in the long run.

The April review of the International Monetary Fund (IMF) World Economic Outlook, April 2020: The Great Lockdown states that the average price of 1 (one) barrel of Brent oil in 2020 was \$ 34.40, and in 2021 - 67 , 23 USD This forecast is based on an analysis of oil futures contracts from March 27 this year. On the same basis, IMF experts predict that the price of Brent crude oil will rise to about \$ 80 / barrel. over the next five years. As different types of oil are traded on the world market, IMF experts predict that the average price of UK Brent, Dubai Fateh and West Texas Intermediate based on futures contracts was \$ 35.61 / bar. in 2020 and 67.23 dollars / bar. - in 2021, it is noted that calculated by the same method, the average oil price in 2019 was 61.39 dollars. US for 1 barrel. As we can see, the IMF does not expect world oil prices to return to pre-crisis levels, even in the next 5 years.

Since Ukraine's economy is heavily dependent on energy imports, the probable prospects for the dynamics of oil prices are being studied by domestic experts. Thus, Deputy Chairman of the National Bank of Ukraine (NBU) D. Sologub said at a briefing that the NBU in its macroeconomic forecast set the average oil price for 2020 at \$ 35 / barrel. And in the prepared by the NBU "Inflation Report. April 2020 "is forecast to increase the price of Brent oil to \$ 60-70 / barrel. in the second half of 2021 and up to more than \$ 75 / bar. at the end of 2022.

In general, despite the positive changes in the dynamics of world oil prices after the April agreement on reducing oil production within OPEC + and the emergence of generally positive forecasts of world oil prices, further prospects for the world oil market seem rather uncertain. Epidemiologists in different countries predict that the second wave of the COVID-19 pandemic may begin this fall, in combination with the traditional seasonal flu of the autumn-winter period. This will again stimulate the global economic crisis and, as a result, lower oil consumption in the world than currently projected.

Of course, in the autumn-winter period, the need for fuel oil for heating residential and non-residential premises will stimulate the growth of demand for oil. However, the second wave of the COVID-19 pandemic,

combined with the traditional seasonal flu, if this happens, will again have a very negative impact on domestic and international passenger traffic. Moreover, due to the decline in business activity in this case, freight traffic may also suffer somewhat. According to some managers of the oil industry, in the world, road and air transportation together account for about 60% of world consumption of petroleum products.

Therefore, it is possible that in the case of the second wave of the COVID-19 pandemic, global oil consumption in the last months of 2020 decreased by about 1/3 compared to the same period in 2019 with all the already known consequences for the global oil market. such as fierce competition from oil suppliers and low oil prices. In addition, it should be borne in mind that the spread of energy-saving technologies and environmental policies pursued by more and more countries, especially developed ones, are also helping to reduce global demand for oil, albeit more smoothly than during the crisis. As a result, companies may redirect some of their funds to the production of cleaner energy sources, according to the International Energy Agency.

Thus, as the above analysis showed, the world oil market is gradually emerging from the crisis caused by the COVID-19 pandemic. And although the further prospects for its development seem rather uncertain, in any case, world oil consumption at the end of this year will be lower and oil prices lower than at the end of last year. In this regard, there is an urgent need to determine the directions and key characteristics of the world and Ukrainian economies, depending on the probable course of events that will determine them.

If we describe the oil energy market, it is impossible not to move on to the topic of renewable energy sources and their impact. Energy production significantly affects the state of the environment. Combustion of fossil solid and liquid fuels is accompanied by the release of sulfur, carbon dioxide and carbon monoxide, as well as oxides of nitrogen, dust, soot and other pollutants.

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