

Importance of variable's weights for OPEC Production Quotas Allocation

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Abstract:

The objective of this paper is to estimate a weighted variables formula for that could be used to calculate OPEC quota distribution. Instead of assigning an arbitrary weight to each of the selected variables included in the formula, we estimate the weights based on the historical data, using regression analysis. Six national characteristics of OPEC member countries related to oil and social-economics factors were considered in the estimation. Time-series used from 1982 to 2002 for each OPEC member country. The results show that the estimated weights are sensitive to the periods considered in the analysis as well as the number of variable selected. However, there is no specific optimum way of dealing with the sensitive, complex quota issue.