

-Chapter 14-

Supply and demand (4 points)

1. Read the following article and answer:
 - a. Is the lack of storage space for oil a result of supply or demand? Explain (2 points)
 - b. What is the effect of cheap oil having on domestic oil production? Explain (2 points)

The oil sector is quickly running out of storage for its unprecedented surplus

By Katherine Dunn

March 27, 2020

Fortune

The world already has too much oil. But now it's running out of room to store it.

As the oil sector faces down decimated demand resulting from the coronavirus as well as the oil price war between Saudi Arabia and Russia, which has unleashed still more oil, prices have plunged more than 50% from their recent high in late February. That price drop now threatens untold numbers of jobs, and even the financial fate of whole companies and regions reliant on revenue from the sector.

But it also presents a looming logistical challenge. As drills keep drilling and refineries keep refining, the world is potentially only weeks away from running out of places to put it. According to energy analysts, this lack of space could result in production slowing and even stopping before low prices have had time to work their way through the system.

"Sometime very soon, we may have the global oil storage capacity be completely full," said Fatih Birol, executive director of the International Energy Agency, speaking on Thursday at an Atlantic Council event on the oil sector.

On Friday morning in London, Brent crude was down 1.4% on the day at \$25.97 a barrel, and WTI was down 0.18% on the day at \$22.56 a barrel.

Analysts at Rystad Energy, an oil consultancy based in Oslo, estimate that the world is likely to run out of storage at current production rates by April, estimating earlier this week that 76% of the world's storage is already full. In some regions, like Western Canada, storage could be full by the end of this month, they estimate—in other words, by Monday.

IHS Markit forecasts that by the end of June—the first half of the year—surplus oil will have already reached 1.8 billion barrels of crude, exceeding their estimate of current available storage: just 1.6 billion barrels.

That forecast reflects a wide divergence among countries, the consultancy said. On one end is Nigeria, which has an estimated additional storage capacity of just one and a half days, the shortest of all major oil producers. On the other end is China, which, after significant investments in oil storage, is estimated to have more than 52 days.

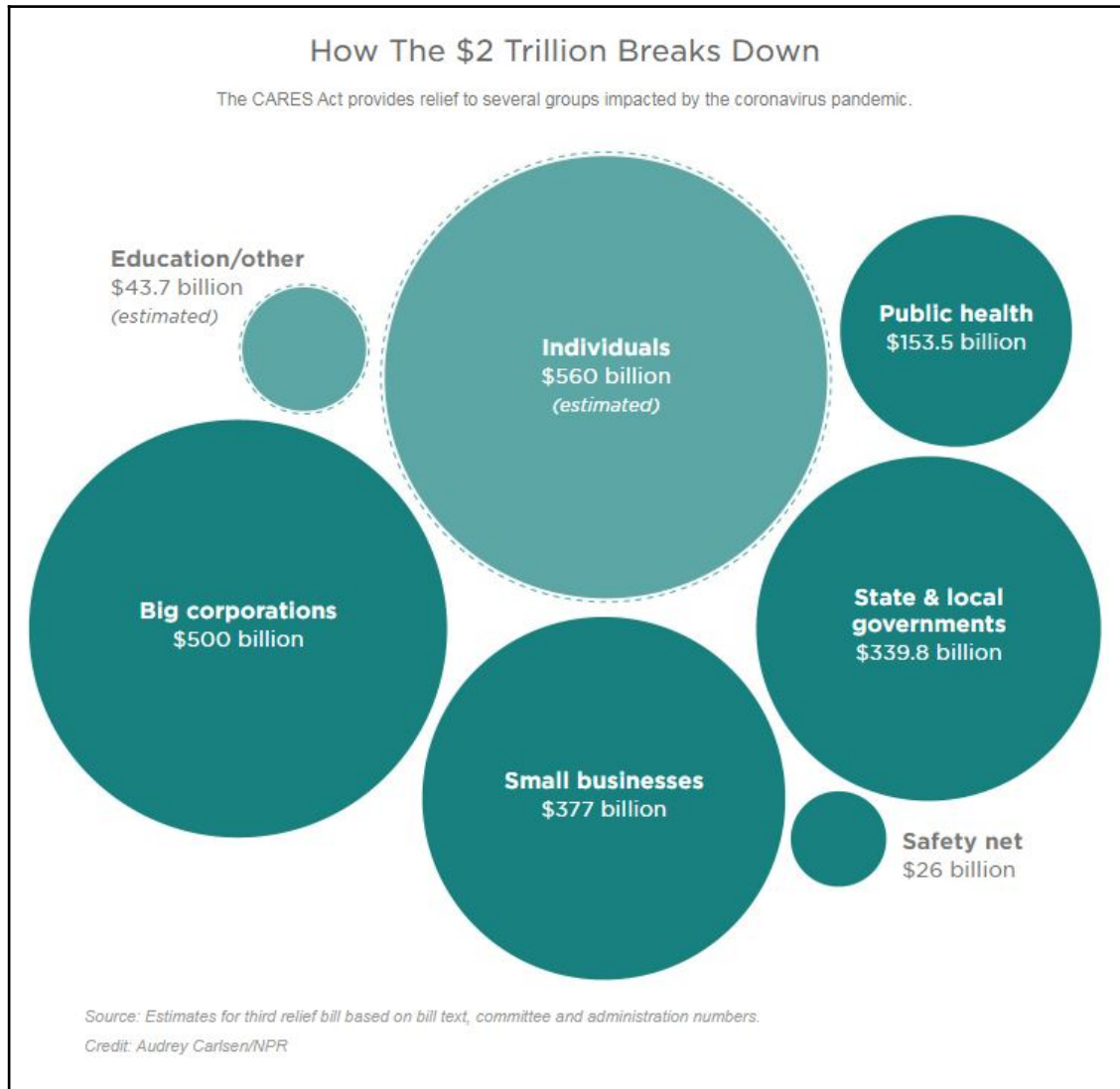
The U.S. as a whole is also on the upper end of storage estimates, with about 30 days, according to IHS Markit.

The pressure on storage marks a reversal of oil market orthodoxy: Contingency plans for countries historically involve making sure there's enough oil stockpiled to withstand a supply shock—rather than making sure there is enough storage itself.

All countries that are members of the International Energy Agency have to hold a minimum 90 days' worth of oil in storage, while the U.S. Strategic Petroleum Reserve already held nearly 635 billion barrels' worth of crude in storage by December of last year.

Factors of production (7 points)

1. Identify the factors of production? (3 points)
2. Which factor of production does COVID-19 impact the most? Explain (2 points)
3. Refer to the following graphic and answer:
 - a. The CARES Act provides aid to which factor of production? (1 point)
 - b. How will the aid impact said factor of production? (1 point)



Business Ownership (8 points)

1. What are the three types of business ownership? Provide one example of each. (6 points).
2. Which form of business ownership has the most risk for the owner(s)? Explain. (2 points).

Labor (6 points)

1. Read the following article and answer:
 - a. What are Amazon/Instacart workers demanding? Why? (2 points)
 - b. What weapon of labor (such as strikes, sit-ins, slow-downs) do you believe Amazon/Instacart employees should use to get what they want? Explain. (2 points)

- c. What weapon of business (such as scabs, lock-ins, yellow-dog contracts) do you believe Amazon/Instacart would use if its employees went on strike? Explain. (2 points)

Amazon, Instacart Grocery Delivery Workers Demand Coronavirus Protection And Pay

By Alina Selyukh and Shannon Bond

March 30, 2020

NPR

Some Amazon warehouse workers in Staten Island, N.Y., and Instacart's grocery delivery workers nationwide walked off their jobs on Monday. They are demanding stepped-up protection and pay as they continue to work while much of the country is asked to isolate as a safeguard against the coronavirus.

The protests come as both Amazon and Instacart have said they plan to hire tens of thousands of new workers. Online shopping and grocery home delivery are skyrocketing as much of the nation hunkers down and people stay at home, following orders and recommendations from the federal and local governments.

This has put a spotlight on workers who shop, pack and deliver these high-demand supplies. Companies refer to the workers as "heroes," but workers say their employers aren't doing enough to keep them safe.

The workers are asking for a variety of changes:

- Workers from both Amazon and Instacart want more access to paid sick time off. At this time, it's available only to those who have tested positive for the coronavirus or get placed on mandatory self-quarantine.
- Amazon workers want their warehouse to be closed for a longer cleaning, with guaranteed pay.
- Instacart's grocery delivery gig workers are asking for disinfectant wipes and hand sanitizer and better pay to offset the risk they are taking.

Workers at Amazon's Staten Island facility have said that multiple people at the warehouse have been diagnosed with COVID-19. Some of them plan to walk off the job on Monday to pressure the company to close the warehouse for an extended deep cleaning.

At Amazon, which employs some 800,000 people, workers have diagnosed positively for COVID-19 in at least 11 warehouses, forcing a prolonged closure of at

