

# **12<sup>th</sup> International Energy Forum 4<sup>th</sup> International Energy Business Forum**

**Cancun, 30-31 March 2010**

## **Concluding Statement by Host Country Mexico and Co-hosting Countries Germany and Kuwait**

1. The **12th International Energy Forum (IEF)** was held in Cancun from 30 to 31 March 2010 with the participation of Ministerial delegations from 63 countries. 14 international organisations were represented. Their discussions focused on the unprecedented scale and complexity of the challenges confronting global energy markets. Key themes were the need to reduce price volatility and uncertainty to generate investment, the overwhelming importance of mitigating climate change, the fight against energy poverty and the way to strengthen the producer-consumer dialogue through the IEF in order to help meet these global challenges with solutions based on shared understanding and cooperation.
2. With a view to the key role of the energy industry, Ministers interacted with 36 industry executives in the **4<sup>th</sup> International Energy Business Forum (IEBF)** which was convened on 30 March. The IEBF provided the Ministerial debate with valuable input on how to sustain investment and how to facilitate effective cooperation and collaboration between **National Oil Companies (NOC)** and **International Oil Companies (IOC)**. The priority was to work on reducing energy market volatility and uncertainties that are hampering investment and hence endangering future energy security for all.
3. Based on the guidance of Ministers at the 11<sup>th</sup> IEF in Rome (April 2008), the programme of work of the IEF Secretariat was developed along three main strands of activity, *investment, transparency and sustainability*, all under the overriding theme of **energy security**, i.e. both security of supply and security of demand. Ministers welcomed the results of the IEF programme of work which has delivered concrete recommendations and action-oriented input that has facilitated the discussions on substantive issues at the 12<sup>th</sup> IEF in Cancun, thus facilitating a better **mutual understanding** and the building of **trust** between parties.

## Energy Market Volatility

4. The global energy scene has changed dramatically since the 11<sup>th</sup> IEF Ministerial in Rome (April 2008). Oil prices spiked to unprecedented levels of nearly \$150 per barrel. The Jeddah ad-hoc Energy Meeting, held on 22 June 2008, convened Energy Ministers and petroleum industry CEOs to discuss and identify the causes and consequences of **oil price escalation** and to suggest means to improve oil market functionality. Ministers and CEO's then convened again at the London ad-hoc Energy Meeting on 19 December 2008, when oil prices had already slipped below \$40. By then, the combination of the financial crisis and the macroeconomic slowdown had impacted global energy demand in general, and oil in particular. These dramatic events with unprecedented energy market volatility illustrated the growing **interdependence** between energy producing and energy consuming countries and induced producing and consuming countries to intensify the **global energy dialogue**.
5. As a follow-up, a High Level Steering Group (HLSG) was established to oversee the work of an independent Expert Group and to provide recommendations to the 12<sup>th</sup> IEF for strengthening the producer-consumer dialogue through the IEF and for reducing volatility in energy markets. The resultant recommendations for an **enhanced IEF framework** to sustain and reinforce the commitment of producer and consumer states to the informal dialogue, as well as the proposed means for mitigating **energy market volatility**, have been officially approved by Ministers in Cancun in the **Cancun Ministerial Declaration**. This constitutes an excellent basis for a stronger and more productive dialogue in the future.
6. **Data transparency** is essential to efficient oil and gas market stability. Greater transparency aids in price discovery and limits volatility, thus reducing uncertainty for investors. Ministers commended the improvement of the performance of countries participating in the **Joint Oil Data Initiative (JODI)** since the 11<sup>th</sup> IEF in Rome. However, they also acknowledged that more is needed to enhance the transparency in the physical oil market, in particular in collecting more monthly oil data and in improving the reporting on of oil **stock** data. Ministers welcomed the progress made in preparing the extension of JODI to **natural gas** to cover monthly natural gas data and the extension to annual data on upstream and downstream **capacities and expansion plans**.

Regarding the **paper oil market**, Ministers welcomed the recent efforts by financial regulators to enhance transparency and to improve regulatory oversight of the oil futures markets. At the same time they underlined the importance of approaching the physical and financial markets' linkages and energy markets regulation in a well-coordinated way.

7. The unique composition and global coverage of the IEF positions it ideally for an enhanced role as a **neutral facilitator** of the global energy dialogue. The constructive efforts of the IEA, IEF and OPEC to identify specific areas of cooperation between them have been welcomed by Ministers. More effective cooperation between these organisations on future energy trends, the physical and financial market linkages and energy market regulation as well as data transparency, can make a valuable contribution to mitigating energy market volatility. Ministers request that the three organisations jointly report their progress on these 3 areas to the 13<sup>th</sup> IEF.

## Natural Gas

8. Since the 11<sup>th</sup> IEF in Rome, the broadening of the producer-consumer dialogue to **natural gas** has made significant progress. Ministers welcomed the establishment of the IEF-IGU Ministerial Gas Forum, which met first on 24 November 2008 and will meet again on 30 November 2010 in Doha, with the support of Qatar. The trend towards globalization in the gas markets, the investment challenge and the urgent need to enhance gas market transparency are key topics to focus on in future work. Ministers proposed an initial meeting on gas dialogue that will report back to the 13<sup>th</sup> IEF.
9. Ministers welcomed the progress made on the **extension of JODI to natural gas** and called on all relevant organisations to step up their efforts on boosting gas market transparency. Ministers asked the IEF Secretariat to report at the 13<sup>th</sup> IEF Ministerial meeting on progress and look forward to the natural gas workshop planned in October 2010 with the support of Russia.

## Investment

10. Ministers noted that to meet the projected increase in world energy demand in the coming decades we will need all energy sources, fossil fuels, renewables and nuclear for those countries choosing this option and other alternatives. The projected global **investment** needs amount to over \$25 trillion up to 2030, a huge challenge in a time of unprecedented uncertainty and volatility. The proposed work by IEA/IEF/OPEC in

their joint programme on shared analyses of energy market trends and outlook was welcomed by Ministers because it will enable the market to better understand any differences in **energy outlooks** and hence, where possible, help mitigate unnecessary uncertainties generated by different outlooks.

11. Ministers furthermore welcomed the establishment by the IEF Secretariat of the **NOC-IOC Forum**. The first one, on 30-31 March 2009, rightly stressed the importance of developing innovative models of cooperation and value-driven, long-term partnerships between NOCs and IOCs. Looking forward to the second NOC-IOC Forum in 2011, it was suggested to attempt to draw up **IEF general principles or guidelines** on NOC-IOC cooperation, based on best practices around the world, as a possible concrete tool to facilitate this cooperation.
12. Where uncertainty is caused by industry's pro-cyclical decision-making on R&D, technology and human resources, industry itself can do its best to keep decisions as much as possible, focused on the longer-term. Ministers called on industry to maintain investment in R&D, technology and human resources, acknowledging this is crucial in the long-term industry that the energy sector is. This was also a key message emerging from the IEF Symposia on **Technology** and **Human Resources**. In as far as uncertainty for investors is generated by unclear or unpredictable energy and environmental policies, governments can do a lot to improve investment conditions.

## **Sustainability**

13. In the area of **biofuels**, Ministers discussed the findings of the Report commissioned by the IEF Secretariat as a response to Ministers call in Rome, on the assessment of its potential and limitations. They discussed the importance of focusing on the sustainability of the production and consumption of all fuels, including biofuels. They also discussed the goal of developing next-generation biofuels, an area where more R&D is required.
14. Ministers affirmed that fossil fuels will still provide the lion's share of the energy supply for decades to come, although renewable energy will have to play an increasing role in the energy mix. Since there is an urgent need to mitigate climate change, it is inescapable to **also radically** improve the environmental sustainability of fossil fuels. **Carbon capture and storage (CCS)** is one of the key technologies to achieve this. The progress of CCS has been encouraging, but cost, knowledge sharing and the necessary regulatory infrastructure remain as significant obstacles. Where CCS can be deployed in conjunction with **Enhanced Oil Recovery (EOR)**, it may prove

to be a catalyst and stepping stone to commercial deployment of CCS. Ministers welcomed the joint initiative by the IEF Secretariat and the Global CCS Institute to organize a series of symposia, the first of which was held on 27-28 September 2009. Ministers took note of the key conclusions on the need for a **clear international regulatory framework** for CCS and for an effective price on CO<sub>2</sub>. They also reinforced the call for the inclusion of CCS in the Clean Development Mechanism (CDM) and other future financial mechanisms, as well as the need to better communicate the importance of CCS to the public to build awareness and broad support. Ministers look forward to the second IEF-Global CCS Institute Symposium to be held in Algiers, 31 May-1 June 2010, appreciating the support of Algeria.

15. The fight against **energy poverty** has been unsuccessful so far, with 2.5 billion people still lacking access to modern fuels for cooking and heating and, as estimated by the IEA, 1.5 billion people without access to electricity, a situation which **inhibits social, human and economic development**. Endorsing the conclusions of the IEF Symposium held in December 2009, Ministers stated that reducing energy poverty should be added as the 9<sup>th</sup> goal in the Millennium Development Goals (MDG). The initiative “Energy for the Poor” launched by King Abdullah at the ad-hoc Jeddah Energy Meeting and supported by the G20 leaders should be given a new impetus and more widespread support to mobilize the significant funding required to bridge the energy poverty investment gap. Ministers therefore commit to step up their own efforts in this area and collectively call on all relevant multilateral and bilateral organisations as well as energy industry to do the same. The IEF Secretariat needs to keep energy poverty high on its agenda and future programme of work.
16. With energy consumption increasing significantly in many developing countries, IEF can serve as a useful platform where developed consuming countries and developing countries, including producers, can discuss policies and share best practices with regard to **energy efficiency**. The importance of improving energy efficiency in all countries, developed and developing nations, consuming and producing countries, for mitigating climate change and for energy security, cannot be stressed enough. Ministers therefore welcomed the forthcoming IEF Energy Efficiency Symposium in 2011 or earlier and appreciated the commitment expressed by Japan through its extra financial contribution.

### **Strengthening the global energy dialogue: the IEF Charter**

17. The 12<sup>th</sup> IEF in Cancun has demonstrated how important the global energy dialogue under the umbrella of the IEF is in identifying cooperative solutions to global problems, in narrowing the differences among producing and consuming countries,

both developed and developing, increasing awareness of their common interest in promoting transparency, stability and predictability of energy and energy-related policies which require individual and concerted efforts including on climate change, technological development, energy cooperation, on the part of governments and related industries.

18. As we embark on the work to develop and finalize the **IEF Charter** after Cancun, IEF Ministers agreed on the need to support the IEF Secretariat to accomplish its tasks through their **annual contributions** and additional resources they may deem appropriate to add strength to the energy dialogue. Recognizing the need to maintain high-level political engagement, Ministers decided to meet **before March 2011** in Riyadh, Kingdom of Saudi Arabia, to approve the IEF Charter and to discuss progress on the analytical work outlined in the Cancun Ministerial Declaration. This Ministerial meeting will also appropriately celebrate the 20<sup>th</sup> anniversary of the producer-consumer dialogue, which started in 1991 in Paris.
19. Ministers expressed their gratitude and appreciation to those countries that have supported the IEF Secretariat's activities and events through regular and extra financial contributions or contributions in kind, as well as to companies that have provided similar support through sponsorship of events or secondment of staff to the IEF Secretariat.
20. Ministers accepted with pleasure the candidacy of Kuwait as the host country for the **13<sup>th</sup> International Energy Forum** Ministerial meeting to be held in **2012** with Algeria and the Netherlands as the co-hosting countries.