

Expanded High Level Steering Group (EHL SG) Recommendations

Reducing Volatility

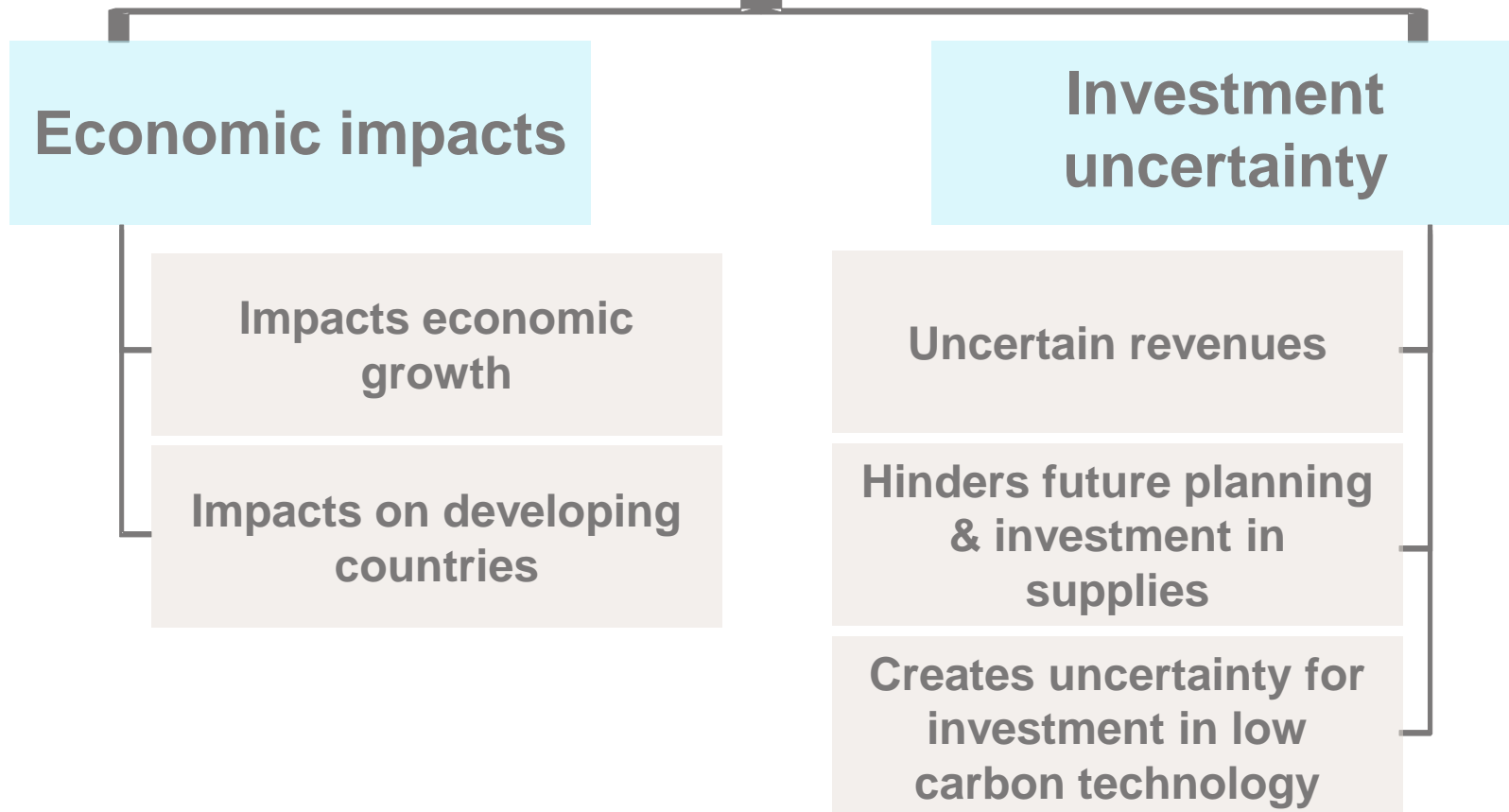
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Volatility – why do we care?

The impacts of oil price volatility



How did we get here?

Gordon Brown concerned over the impact of oil prices on the economy attends Jeddah Energy Meeting.

Jeddah Energy Meeting identifies the need for better joint understanding



London Energy Meeting identifies required work on institutional architecture and oil price volatility



IEF Expert Group is created

The dialogue needs substance

- Need joint collaboration of IEA and OPEC
- Need joint collaboration of experts
- Need robust analysis



Concrete outcomes on:

- The linkages between physical and financial markets
- Shared analysis of future trends
- Improved transparency

The linkages between physical and financial markets

Why?

- Oil is increasingly used as a financial asset
- Can contribute to volatility
- Need expert energy and financial organisations to consider the issue together

What needs to be done?

- Develop a better understanding on the links
- Develop a better understanding on the impact of financial markets
- Improve transparency
- Understand policy implications

Shared analysis of future trends

Why?

- Uncertainty about the future inhibits investment
- Anxieties about future market trends feeds through to the price
- Expectations increasingly drive prices so these need to be well informed

What needs to be done?

- Share and debate analysis of future trends
- Bring together the IEA, OPEC and other forecasters
- Better understand the assumptions, similarities and differences
- Limit the uncertainty and anchor expectations

Improved transparency

Why?

- Markets hate uncertainty and the unknown
- Need to be able to see fundamentals for them to drive the market
- Better understanding of the market leads to better investment and pricing decisions

What needs to be done?

- More timely, better quality data
- Improve transparency on historic data (demand, supply)
- Improve transparency on future data (investment)

Next steps

Strengthening the analysis for the dialogue

1. Enhanced collaboration:
 - Strong analytical input from IEA and OPEC;
 - Involvement of other Experts e.g. regulators, financial institutions.
2. Ministerial advice on:
 - Analysis
 - Risks
 - Recommendations