Expanded High Level Steering Group (EHLSG) Recommendations

Reducing Volatility

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International Energy Forum, Mexico, 31 March 2010
Volatility – why do we care?

The impacts of oil price volatility

Economic impacts
- Impacts economic growth
- Impacts on developing countries

Investment uncertainty
- Uncertain revenues
- Hinders future planning & investment in supplies
- Creates uncertainty for investment in low carbon technology
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
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