12th IEF Ministerial Forum,
Session II: Global Energy Markets: Reducing volatility and uncertainties,
Comments by HE Dr Chakib Khelil,
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Excellencies,
Ladies and Gentlemen,

I would like to express my appreciation to Her Excellency Minister Kessel and her team, for the good organization and the arrangements made for the success of this major event for energy producers and consumers.

This 12th edition of the IEF ministerial forum is taking place at a clearly different international context from the previous one. Although the global energy scene fundamental drivers remain the same, they have changed significantly in extent and relative impact.

In spring 2008, concerns were mounting - exacerbated in our view by irrationality and particular interests – about perceived resource scarcity with a looming peak in output, against the background of continued upward price movements. Let me stress that OPEC had at that time repeatedly explained that the resource and the supply were there, and that the price spike was mainly driven by speculative activity. History and facts observed since then, do support our view about the ample resource base and the need to better organize and supervise financial markets.

Today, we are hopefully witnessing a more serene global development, both one economic and energy fronts. Indeed, the concerted actions initiated by major economies leaders have contained and shortened the recession, before the world economy resumed its upward trend that I believe will likely grow to healthy levels, although questions remain about the potential impacts of large macro-economic imbalances.

From another perspective, may I underline the decisive and responsible actions taken by OPEC to balance the global oil supply and demand and stabilize markets that has contributed largely to the serenity we observe today, as oil price revolve around levels that give the right signals for timely investments and thus for adequate and sustainable future supply to the world economy.
This introduction puts in perspective the theme of our session on “energy markets volatility and uncertainties hindering investments”, to say in response, that developments observed over the last two years are source for lessons to draw in order to first understand and then to meet the challenges of volatility and uncertainties.

If we all agree that there is no silver bullet solution, it remains that any path to improvement, would start with the three prerequisites below:

- More transparency in markets functioning, particularly financial markets;
- Better data and information on physical markets and price determinants;
- Promoting a productive and forward looking dialogue between all stakeholders.

In this regard, I would like to reaffirm Algeria’s commitment to such a dialogue, as illustrated by its participation to the Jeddah and London meetings of 2008 and its involvement in the work of the High Level Steering Group that led to the Cancun Declaration, with the expected institutional reinforcement of the dialogue and the aim of reducing market volatility.

Panelists of this session have been solicited to express their views on how to improve markets functionality, with a focus on the recommendations of the High Level Steering Group, reflected in the Declaration adopted this morning. I will make some specific comments and remarks on these issues and suggestions put forward.

Regarding market volatility, I believe that we should act in order to improve financial markets regulation that would, besides more transparency, limit the extreme price variations, like those observed during 2008. It is encouraging to note that significant steps in that direction have been taken by some countries. However such enhancement of the regulatory framework would be more effective on international level, if complemented by similar moves in other regions, in a comprehensive approach. Obviously, these improvements need to be continued over time, with corrections and adjustments, in order to cope with the increasing sophistication of the financial markets. Hence, the suggestion to have regular meetings of regulators would certainly be useful to reach such objective concerning energy markets.
Concerning the perspective of building up on JODI, we consider that this exercise of collecting regularly, timely and reliable data on oil flows has been a useful initiative carried in a cooperative spirit. Such spirit and the success of the exercise are encouraging for its extension to other energy sources and we appreciate the work initiated by the IEF Secretariat towards launching the collection of monthly data on natural gas.

Indeed, current developments on the international gas markets highlight the need for such an extension of JODI to natural gas. We observe today an important unused gas capacity that might grow in the near future, putting more strain on the gas industry, with the downward pressure on price to levels that would hinder investments and sow the seeds of future imbalances and volatility.

These worrying perspectives could have been avoided, had we put in place a few years ago a comprehensive data and information collection system on natural gas, including on investments plans, that would have given the right signals to today’s observed overcapacity. With such advance warning signals, the industry would have adapted its development plans and limited any damaging consequences resulting from the unforeseen economic downturn impact on demand.

Although today petroleum and gas production capacity is more than adequate, the industry at large and producing countries in particular, are still facing the underlying uncertainties that inhibit investments throughout the entire energy chain to meet future demand. In discussing this third item of our session, may I first state the obvious: no investor would take a decision to invest and produce, if he does not believe he has a reasonable likelihood that his production will find its way to consumer at a rewarding price!

From an oil and gas exporter perspective, we do not feel comfortable about all those announced and planned policies of reducing sharply – and over a short time - consumption of fossil fuels. Oil and gas spare capacities are already significant and likely to grow in the near future. These two factors are increasing the uncertainties that inhibit investments to expand capacity, not only in upstream activities but also down the chain in transformation (refining, liquefaction…) to international transportation.

Just to illustrate these uncertainties regarding oil demand, if we take figures displayed in the two background papers of this session submitted by OPEC and IEA, we observe a wide difference on the size of the projected market for OPEC oil in 2030.
Such a large divergence of prospect highlights the importance of a shared analysis of energy markets and outlooks, in particular the holding of a yearly symposium, as suggested in the annex of the Declaration, to bring together forecasters to present and discuss the fundamental basis of long-term energy outlooks. The outcome could be considered by decision makers, as it would contribute to reducing some of the uncertainties that discourage investments.

To conclude, it is worth noting that the volatility of recent past has had some positive consequences, reflected in the reactions of both producers and consumers, with the former taking the right decision to stabilize the market while the latter initiated actions to improve financial markets functioning. Moreover, the common initiative that led to today’s declaration confirm that the will of all stakeholders to meet the challenge of reducing energy market volatility and improving transparency and predictability. Such encouraging efforts should be continued through a strengthened IEF, to the benefit of all.

Algeria, as a co-host of the next ministerial Forum of 2012 in Kuwait is committed to such objectives and we expect concrete progress by that time.

Thank you.