

**Dr Sun Xiansheng, Secretary General, IEF**  
**Opening and Closing Remarks**

1<sup>st</sup> IEF-SHFE Industry Advisory Committee Meeting  
held in the framework of the 16<sup>th</sup> Shanghai Derivatives Market  
Forum

Shanghai, 29 May 2019  
13:30-13:45

*(for use in five minutes speaking in opening session,  
introduction to moderation of the first session, and closing)*

**Introduction**

- Your Excellencies, Distinguished Guests, Ladies and Gentlemen.
- It is a great pleasure and privilege for the International Energy Forum to host the 1<sup>st</sup> IEF-Shanghai Futures Exchange Industry Advisory Committee in the framework of the 16th Shanghai Derivatives Market Forum, here in the Pudong district of the largest and most cosmopolitan city of China, Shanghai.
- My heartfelt appreciation goes out to Mr Jiang Yan, Chairman of the Shanghai Futures Exchange.
- Your hospitality enables us to strengthen the international energy dialogue with China on the world's newest energy trading platform that the Shanghai International Energy Exchange offers to Asia and the world.
- Thank you for your good work and welcoming our IEF Delegates among your guests!

- It is also a pleasure for me to salute:
  - Mr Fu Xiangsheng the Vice Chairman of the China Petroleum and Chemical Industry Federation (CPCIF), and
  - Mr Xu Bin, President & Party Secretary of the Bank of Communications of China Shanghai Branch
- I am grateful for your support and helping the International Energy Forum set up this timely meeting that I hope we will convene on an annual basis going forward.
- Of course, I am also delighted to welcome as our special guest speaker Mr Fu Chengyu, the Former Chairman of SINOPEC & CNOOC.

## **Structure**

- This first IEF-SHFE Industry Advisory Committee follows on the 1<sup>st</sup>, and 2<sup>nd</sup> Industry Advisory Committee Workshop that the IEF hosted with the United States Energy Association (USEA) and the Chinese National Petroleum Corporation (CNPC) Research Institute of Petroleum Exploration and Development (RIPED) on 27 February 2018 and 31 July in Washington and Beijing.
- Today our meeting will focus on the role of transparent price discovery and new risk management tools in enhancing producer-consumer relations and strengthening secure and sustainable energy trade flows in Asian and world energy markets.

- Our debate is structured in three sessions focusing on:
  1. Key Developments in Oil and Gas Trade with Asian Growth Markets
  2. Emerging Energy Trade Platforms and Risk Management Mechanisms to Enhance Producer Consumer Relations, and
  3. Developing Comprehensive Energy Derivatives

### **Substance**

- The non-OECD Asia region stands at the centre of a significant shift in global energy trade flows towards Asian growth markets. China and India in particular will wield greater influence over producer-consumer relations in a rapidly changing global energy policy and market environment.
- Non-OECD countries will add around 7 mb/d, and well over 400 bcm to world oil and gas demand over the medium-term.
- While Asia accounts for more than two thirds of rising world energy demand, oil and gas demand growth in China and India alone is projected at around 2 mb/d and 140 bcm and 1.3 mb/d and 30 bcm according to the most recent medium-term outlooks of the International Energy Agency (IEA) and Organization of the Petroleum Exporting Countries (OPEC).

- The momentous reversals in the U.S. oil and gas import-export balance illustrates on the supply side, how unconventional oil and gas production lead to global adjustments in oil and gas investment and trade flows.
- While U.S. overseas crude imports continue to fall over the next five years, Asian crude imports are projected to grow by around 5.3 mb/d, reaching 25 mb/d, with China and India accounting for 9.2 and 5.12 mb/d of imports respectively in 2024.
- Meanwhile the stellar rise of LNG imports into Asia and entry into force of the fuel quality requirements that the International Maritime Organisation (IMO) imposes on global maritime fuels as of 2020, show how more stringent environmental policies and clean air requirements, influence trade and investment patterns. These in turn call for better price signals and optionality in Asian markets.
- As product slates must increasingly cater to shifts in both domestic and overseas demand, producer-consumer dialogue to help make policy and market developments more transparent can help to optimise trade and investment to the benefit of all stakeholders.
- The IEF observes the following challenges and opportunities:
  - **Major shifts** in energy trade and investment flows that place Asian growth markets at the center of global energy security and require benchmarks for price discovery and risk management to be strengthened.

- **Increasing uncertainties** in oil supply and energy demand due to macro-economic cycles, geopolitical risks, and environmental considerations, these enhance
- **Market volatility:** Here the opening up of a Chinese futures market provides a solution.
- In this rapidly changing environment, energy market stability will continue to depend on building understanding and trust among producing and consuming countries through dialogue.
- This includes building new price formation and risk management mechanisms to strengthen the confidence of traders and investors in transparent market functioning.
- Producers and consumers share responsibility in providing energy security and market resiliency. Spare capacity, strategic stocks, and commercial inventories provide important physical levers to respond to sudden market developments and disruptions.
- Proactive and forward-looking engagement, through policy dialogue on predictable trade and investment conditions and ensuring that market signals are based on transparent reliable, and readily available data is even more vital in today's risk environment.
- It is here that the Shanghai Futures Exchange provides an important new anchor point to enhance confidence and foresight in a rapidly changing global policy and market environment.

- In collaboration with the International Energy Forum the Shanghai Futures Exchange will play an ever-greater role to help producers and consumers realign with new realities, uncover new investment and trade opportunities, and manage risk transparently, to reinforce energy security.

## **Closing**

- Ladies and Gentlemen, as the Secretary General of the International Energy Forum, I look forward to report on the outcomes of this 1<sup>st</sup> IEF-SHFE Industry Advisory Committee Meeting at the 8<sup>th</sup> Asian Ministerial Energy Roundtable that the United Arab Emirates will host on 10 September in Abu-Dhabi with India as co-host.
- Thank you again to the Shanghai Futures Exchange, and our distinguished moderators and guest speakers for your valuable insights that add new substance and enrich the international energy dialogue on global energy security in the changing energy environment.