



Joint IEA-IEF-OPEC Report

**on the IEA-IEF-OPEC Survey of Oil Market Participants regarding the
Impact of the IOSCO Principles for Oil Price Reporting Agencies on the
Physical Oil Market**

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Introduction

The purpose of this report is to inform the G20 Presidency on the outcomes of the Survey of Oil Market Participants on the Impact of the Principles for Oil Price Reporting Agencies (the PRA Principles) on the Physical Oil Market. The survey has been jointly conducted by the International Energy Agency (IEA), the International Energy Forum (IEF) and the Organization of the Petroleum Exporting Countries (OPEC), in liaison with the International Organization of Securities Commissions (IOSCO).

The aim of the survey is to gather relevant insights and opinions of physical market participants in order to provide an assessment of the impact of the Principles on the physical oil markets, as requested in the Communique of the G20 Finance of 5 November 2012¹. This qualitative assessment of the Principles' impact on oil price assessments by price reporting agencies since their publication on 5 October 2012², which will be further informed by a quantitative analysis later in the year, provides a complement to the IOSCO report on the *Implementation of the Principles for Oil Price Reporting Agencies*, prepared in collaboration with the IEA, IEF and OPEC and published on 9 September 2014³. In this regard, the IEA, IEF and OPEC have delivered briefings on the development and interim findings of the survey to the G20 Energy Sustainability Working Group (G20 ESWG) meeting in Brisbane on 25-27 August 2014 and to the G20 Deputy Finance Ministers in advance of the G20 Leaders Meeting in Brisbane on 15-16 November 2014.

This report is for the consideration of the G20 ESWG and the G20 Finance Ministers and Central Bank Governors meetings taking place under the Turkish Presidency in 2015 and was drafted with a view to inform the G20 Leaders meeting in Antalya on 15 and 16 November 2015, in addition to the implementation report being prepared by IOSCO in collaboration with the IEA, IEF, and OPEC that will also be submitted later this year.

Scope and Methodology

To stimulate responses and facilitate a meaningful comparison of qualitative findings, the survey questions comprised 26 multiple choice and 6 open-ended questions on which respondents could elaborate in detail (*see annex for the survey questions*). The survey was distributed to more than 80 physical oil market participants. In order to

¹ See paragraph 28 of the [Communiqué of Meeting of G20 Finance Ministers and Central Bank Governors Mexico City, 5 November 2012](#)

² See [Principles for Oil Price Reporting Agencies](#)

³ See [Implementation of the Principles for Oil Price Reporting Agencies, 9 September 2014](#)

extend the reach of the survey, the IEA, IEF and OPEC carried out collective and individual efforts to encourage responses by stakeholders active in the physical oil markets, including making the survey available on their websites. Participants were informed that names and the individual submissions would remain confidential. The survey was launched on 24 August 2014 and closed for further submissions on 30 January 2015.

While this assessment of the survey participants' submissions naturally involves judgment, the risk of bias has been limited by the above outlined methodology for distributing the survey and validating responses received. The review of this assessment among the three organisations and the need to arrive at a consensus view on these findings aims to provide further assurance that these assessments are both balanced and representative.

Summary of findings

Background: Sector Composition and Profile of Respondents

The physical oil market participants comprise, for the majority of respondents, companies in the exploration and production sector. Responses have also been received by physical market traders; companies engaged with transportation storage and other logistics; investment banks and funds; industrial consumers; and the refining and petrochemical sector. With regard to the job function of respondents, more than half are market analysts, with senior management, government and regulatory affairs and physical oil market traders providing the balance. The majority of companies that have taken the survey have an involvement in the physical oil market that is larger than 300,000 b/d. About one third record an involvement of less than 100,000 b/d, while the middle segment between 100,000 and 300,000 b/d comprises less than a fifth of respondents. The vast majority of respondents said they were subscribers to the services of one or more Price Reporting Agencies.

Observed Impact of the Principles on Price Assessments and Price Reporting Agencies Policies

More than half of the respondents characterized the overall services performed by the Price Reporting Agencies as 'acceptable, but with some room for improvement' while over a third chose the higher rating of 'satisfactory'. Only a few respondents characterized the services provided by PRAs as 'unsatisfactory'.

The vast majority of the respondents stated that the PRAs had provided sufficient transparency regarding the changes made in implementing the PRA Principles. A majority

of the respondents stated that prior to the publication of the Principles they had concerns regarding oil price assessments by Price Reporting Agencies, although a significant share of respondents noted that they had not have any concerns. Of the respondents that had concerns, a slight majority (55%) of respondents noted that the changes made by Price Reporting Agencies upon the implementation of the Principles had not addressed their concerns, while a sizeable proportion (45%) said that they had. This response may appear inconsistent with the overall positive opinion regarding the impact of the Principles expressed throughout the survey. In the subsequent question, respondents state that prior concerns were related to assessments for crude oil and jet fuel, followed by diesel and naphtha, and that the degree of existing concern corresponds to a rating of 'somewhat concerned' or less. In this regard, the findings would be consistent with IOSCO's evaluation of stakeholder feedback⁴⁴ which confirmed its "overarching conclusion that the initial efforts by the PRAs have brought significant changes to their policies and procedures" although there were some "residual concerns" that would be examined further in 2015 as the Principles take effect.

At the same time, when asked to rate the degree in which the PRA Principles had addressed specific concerns, respondents indicated that their concerns had been broadly addressed with regard to PRA's responsiveness to questions; methodological transparency; logical reasoning when judgment is made; and details of underlying data. In describing concerns that had not been addressed and improvements that should be implemented, only a few responses were received and these generally called for greater granularity regarding individual assessments as well as further engagement with the market on methodologies.

The vast majority of respondents expressed the view that the PRA Principles had led to an improvement in activities of the PRAs, in terms of engagement with the subscribers, submitters and other market participants. More than half characterized this improvement as satisfactory and more than a third said that there was still room for improvement but no need for further action at this time. Only a few respondents said that there was need for further improvements, with one highlighting the need for greater consistency of approach among the various regions by the PRAs.

In terms of whether the Principles had given rise to any new concern in the physical market, few respondents believed that they had. Of those that did, areas identified included the quality of the data, followed by the quantity of the data, and increased regulatory burden and risk.

⁴⁴ See *Implementation of the Principles for Oil Price Reporting Agencies*

With regard to the complaint policies of PRAs, physical market participants considered policies for handling complaints to be adequate in overall terms of fairness, timeliness and transparency, although only a minority of respondents had filed complaints with the Price Reporting Agencies since the implementation of the Principles. The majority of physical oil market participants that had filed such complaints were satisfied with the procedures followed.

Regarding the level of transparency provided by Price Reporting Agencies, the vast majority of respondents rated PRA transparency as either satisfactory or acceptable. The main area in which there was room for improvement was seen to be the use of 'reasoned judgment' in the assessments, whereas consistency and data transparency were seen to be less of a concern. Moreover, the price assessments provided by the Price Reporting Agencies were largely viewed to be reliable indicators and representative of the physical market in which these physical market participants operated.

Overall, physical market participants stated that the implementation of the PRA Principles had positively impacted the following areas: transparency regarding changes in PRA methodologies; dialogue with PRAs surrounding methodological changes; confidence in price assessments; and the functioning of PRAs. On a whole, the implementation of the Principles had not led to a shift in the price references used by the respondents.

Observed Impact on Submissions to Price Reporting Agencies

The majority of survey participants stated that they had not previously provided information regarding their physical trading activities to Price Reporting Agencies and a large portion stated that implementation of the Principles had not changed their company's participation in the prices assessment process. However, a sizeable portion of respondents stated that the implementation of the PRA Principles had caused them to be more engaged in the price assessment process. The recent attention given to Price Reporting Agency assessments specifically, and other benchmarks more broadly, had so far had only a neutral impact on the willingness of respondents to provide trade data and/or market commentary to Price Reporting Agencies' price assessment processes. The effect of these developments on the volume of physical oil market participants' activities had also been neutral for the vast majority of respondents.

Overall, the impact of the Principles on the physical oil market trade activities of respondents was considered to be neutral to beneficial.

Conclusion

Based on the survey responses, physical oil market participants generally consider the Principles for Oil Price Reporting Agencies to have had a positive impact on the activities of Price Reporting Agencies. Improvements have been seen in the following areas: the functioning of PRAs; confidence in price assessments; transparency regarding changes to methodologies; and dialogue with PRAs surrounding methodological changes. The implementation of the Principles was not seen to have given rise to any new concerns, or to have materially impacted the engagement of physical market participants in the price assessment process so far in the period immediately following implementation.

Annex: IEA-IEF-OPEC Survey

Survey among oil market participants on the Impact of the IOSCO Principles for Oil Price Reporting Agencies on the physical oil market

August 2014

The International Organization of Securities Commissions (IOSCO) in October 2012, published a report, *Principles for Oil Price Reporting Agencies* (PRA Principles), which set out principles intended to enhance the reliability of oil price assessments that are referenced in derivative contracts subject to regulation by IOSCO members. These principles were prepared in response to the G20 Leaders' request in November 2011 in relation to PRAs, that "IOSCO, in collaboration with the IEF, the IEA and OPEC, prepare recommendations to improve their functioning and oversight."⁵

The current phase of the work on Oil Price Reporting Agencies (PRAs) is based on the Communiqué of the G-20 Finance Ministers Meeting in Mexico City, Mexico, in November 2012, which states:

*"We welcome the report on recommendations to improve the functioning and oversight of oil Price Reporting Agencies, and ask IOSCO to liaise with the IEA, IEF and OPEC to assess the impact of the principles on physical markets and report back. We also ask IOSCO to report progress on the implementation of the principles in 2013."*⁶

In this regard, the International Energy Agency (IEA), the International Energy Forum (IEF), and the Organization of the Petroleum Exporting Countries (OPEC) invites participants in the physical oil market to take part in the following survey, which will provide input to the assessment of the impact of the principles on physical markets being prepared by the IEA, IEF and OPEC, with additional input from IOSCO.

⁵ https://www.g20.org/sites/default/files/g20_resources/library/Declaration_eng_Cannes.pdf

⁶ <http://www.g20.utoronto.ca/2012/2012-121105-finance-en.html>

Background

- 1) To help IEF validate submissions please provide your basic details on
 - a. Affiliation
 - b. Position

Details are kept confidential.

- 2) Please describe your company's primary activities in the physical oil market.
 - a. Exploration & production
 - b. Refining & petrochemicals
 - c. Transportation, storage, shipping, distribution & other logistics
 - d. Industrial consumer
 - e. Physical market trader
 - f. Investment bank, firm or fund
- 3) How would you best describe your job function?
 - a. Market Analyst/ Business Administrator
 - b. Commercial Manager/Director
 - c. Government and Regulatory Affairs Manager/Director
 - d. Physical Oil Market Trader
 - e. Investment Fund Manager
 - f. CEO/Director
- 4) Please quantify your company's activities in the physical oil market.
 - a. Less than 100,000 b/d

- b. Between 100,000 b/d and 300,000 b/d
 - c. More than 300,000 b/d
- 5) Are you or your company currently subscribers to the services of one or more Price Reporting Agencies (PRAs)?
- a. Yes (proceed to question 5)
 - b. No (proceed to question 6)
- 6) How would you rate overall the services performed by the PRAs?
- a. Satisfactory
 - b. Acceptable, but with some room for improvement
 - c. Unsatisfactory

Observed Impact on Price Assessments and PRA Policies

- 7) Please describe in the box below what major changes, if any, you have observed that the PRAs have made to their methodologies and policies as they have implemented the Principles for Price Reporting Agencies⁷ (“PRA Principles”) (no word limit).

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- 8) Have the PRAs provided sufficient transparency regarding the changes they have made in implementing the PRA Principles?
- a. Yes
 - b. No
- 9) Prior to the publication of the PRA Principles, did your company have any concerns regarding oil price assessments by PRAs?

⁷ <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD391.pdf>

- a. Yes (proceed to question 9)
 - b. No (proceed to question 13)
- 10) Have the PRA Principles resulted in changes by PRAs that addressed your specific concerns?
- a. Yes (proceed to question 10)
 - b. No (proceed to question 12)
- 11) To which physical market assessments were these concerns related, and how would you rate your level of concern on a scale ascending from 0 to 5 (with 0 representing no concern)?
- Crude oil (0 – 5 scale)
 - Heating oil (0 -5 scale)
 - Gasoline (0-5 scale)
 - Diesel (0-5 scale)
 - Jet fuel (0-5 scale)
 - Naphtha (0-5 scale)
 - Residual fuel (0-5 scale)
- 12) Please indicate on an ascending scale from 0-5 the extent to which PRA Principles have addressed your concerns on specific issues (with 5 representing that your concerns were completely addressed)
- Methodological transparency (0 - 5 scale)
 - Details of underlying data (0-5 scale)
 - Logical reasoning when judgment is made (0-5 scale)
 - Responsiveness to questions or complaints (0-5 scale)

- 13) In the box below, please explain which concerns have not yet been addressed and what improvements you would want to see implemented (no word limit).

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- 14) Have the PRA Principles led to an improvement in activities of the PRAs, in terms of engagement with the subscribers, submitters and other market participants?

a. Yes (proceed to question 14)

b. No (proceed to question 16)

- 15) How would you rate this improvement?

a. Satisfactory (proceed to question 16)

b. Still some room for improvement but no need for further action at this time (proceed to question 16)

c. Need further improvement (proceed to question 15)

- 16) In the box below, state any areas where further improvements would be needed.

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- 17) Has the implementation of the PRA Principles given rise to any new concerns in the physical market?

a. Yes (proceed to question 17)

b. No (proceed to question 18)

18) Under which of the categories listed below would you place these new concerns?

- a. Quality of data submissions
- b. Quantity of data submissions
- c. Regulatory burden and risk
- d. Commercial freedoms and confidentiality
- e. Other (no word limit)

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19) Do you find PRA policies for handling complaints by physical market participants is adequate? Please rate your assessment on an ascending scale from 0 to 5 under the below listed categories (with 5 representing completely adequate).

- Transparency (0-5 scale)
- Timeliness (0-5 scale)
- Fairness (0-5 scale)

20) Have you filed any complaints with any PRA since the Principles were implemented?

- a. Yes (proceed to question 20)
- b. No (proceed to question 21)

21) Were you satisfied with the procedure(s)?

- a. Yes (proceed to question 22)
- b. No (proceed to question 21)

22) If not satisfied, in which of the areas listed below would you like to see improvements implemented?

- a. Standard response times
- b. Reasoning behind the answers and clarifications
- c. Accountability
- d. Other (no word limit)

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- 23) What is your opinion of the level of transparency provided by PRAs regarding the basis upon which a published price assessment is developed?
- a. Satisfactory (proceed to question 24)
 - b. Acceptable, but with some room for improvement (proceed to question 23)
 - c. Unsatisfactory (proceed to question 23)
- 24) With regards to the level of transparency provided by PRAs, in which categories do you see room for improvement?
- a. Data transparency
 - b. Reasoned judgment
 - c. Consistency
- 25) On an ascending scale from 0 to 5, with 5 representing most reliable, to what extent do you consider the principle price assessments provided by PRAs to be reliable indicators and representative of the physical market so your company can use them?
- Reliability (0-5 scale)
 - Representativeness (0-5 scale)

- 26) On an ascending scale from 0 to 5, to what extent do you perceive that the implementation of the PRA Principles has positively impacted the following?
- a. Functioning of the PRAs (0-5 scale)
 - b. Confidence in price assessments (0-5 scale)
 - c. Transparency regarding changes in PRA methodologies (0-5 scale)
 - d. Dialogue with PRA's surrounding methodological changes
- 27) Has the implementation of the PRA Principles resulted in any substantial changes in the choice of PRA price references used by your company in physical market transactions?
- a. Yes
 - b. No

Observed Impact on Submissions to PRAs

- 28) In the past, has your company provided information to PRAs regarding physical trading activities?
- a. Yes (proceed to question 28)
 - b. No (proceed to question 309)
- 29) How has the implementation of the PRA Principles impacted your company's participation in the price assessment process?
- a. Engaged more
 - b. Neutral (no change)
 - c. Engaged less
 - d. Have completely disengaged

- 30) Has the recent attention given to PRA assessments specifically, and other benchmarks more broadly, had any impact on your company's willingness to provide trade data and/or market commentary to PRAs' price assessment process?
- a. Engaged more
 - b. Neutral (no change)
 - c. Engaged less
 - d. Have completely disengaged
- 31) Has the recent attention given to PRA assessments specifically and financial benchmarks more broadly resulted in any substantial change in the volume of your company's physical activities?
- a. Increased volume
 - b. Decreased volume
 - c. Has not impacted volume
- 32) How would you assess the overall impact of the PRA Principles on physical oil market trade activities
- a. Beneficial
 - b. Neutral
 - c. Adverse
- 33) With regard to the activities of PRAs, briefly highlight any further efforts that should be contemplated to promote greater transparency in the oil markets?

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