

**Dr Sun Xiansheng,
Secretary General, IEF**

28 March 2019 Vienna, Austria

Your Excellency, Ladies and Gentlemen!

It is a great pleasure to be so graciously hosted by my good friend His Excellency Mohammed Sanusi Barkindo, Secretary General of the Organization of the Petroleum Exporting Countries, today at this Third Joint IEA-IEF-OPEC Technical Meeting on Physical and Financial Energy Market Interactions.

Your Excellency, Dear Mohammed, in this age of change and uncertainty, allow me to compliment and thank you here in your headquarters for your unwavering dedication and unrelenting efforts on behalf of the Organisation of Petroleum Exporting Countries to energy market stability. A strong and healthy global economy benefits from your steady and visible hand on the steering wheel.

Having just concluded the Ninth IEA-IEF-OPEC Symposium on Energy Outlooks, alongside two meetings in partnership with the European Union and the King Abdullah Petroleum Studies and Research Centre late February in Riyadh, it is good to see so many new and old friends in the beautiful city of Vienna.

This includes of course Neil Atkinson, Head of the Oil Markets and Industry Division of the International Energy Agency, and Editor of the IEA Oil Market Report, representing IEA here today.

Dear Neil, I would like to take this opportunity to congratulate you with the launch of the IEA's medium-term Oil 2019 report just two weeks ago in Houston, and with the rich analysis and interesting outlooks it provides.

We do hope that you will one day join us at the next 10th IEA-IEF-OPEC Symposium on Energy Outlooks in Riyadh, you are welcome any time!

We launched this dialogue on the Interactions between Physical and Financial Energy Markets, after a period of increased oil market volatility, at the 12th IEF Ministerial Meeting in Cancun on 2010.

They form the third pillar of the Trilateral Work Programme that the Cancun Ministerial Declaration established between our three organisations to enhance energy market transparency and deepen collective insight into these complex physical and financial interactions.

Just as comparing outlooks has become easier over successive meetings and dialogue on is now better informed and more collegial, so too are physical and financial energy market dynamics better understood thanks to the meetings we held over the years.

Energy market and policy developments will continue to surprise. A continued commitment to global dialogue to strengthen energy security world-wide therefore remains essential to all stakeholders.

Alongside our work in the trilateral work programme, and exchanges with knowledge partners far and wide, the energy dialogue has gained vibrancy and reach. We look forward to the

- 8th Asian Ministerial Energy Roundtable that the United Arab Emirates will host in Abu Dhabi on 9-10 September 2019 with India as co-host, and the
- 17th International Energy Forum Ministerial taking place in China in 2020 with Morocco as co-hosting country.

Your Excellencies, Ladies, and Gentleman let me share my observations on current energy market developments.

First on one hand, we note that markets are rebalancing thanks to the supply adjustments under the Declaration of Cooperation OPEC and non-OPEC producing countries agreed to extend at the:

- 175th Meeting of the OPEC Conference, and the
- 5th OPEC and non-OPEC Ministerial Meeting on 6 and 7 December 2018 and reviewed just recently at the
- 13th Joint Ministerial Monitoring Committee in Baku, Azerbaijan on 18 March 2019.

On the other hand, further market balancing may suffer delays due to:

- Stellar growth of US shale production,
- Rising risks of an economic slow-down,
- Financial market imbalances, and
- Geopolitics.

Our meetings have proven their relevance over the years.

While oil market volatility is better understood, the capricious nature of oil and financial markets, on which so much depends, remains. Physical and financial energy market interactions must be kept under close review, through open and well informed dialogue therefore.

Our objective is not to arrive at fixed conclusions, but rather to share views and identify shifts and new emerging issues as physical and financial energy markets evolve.

Today physical and financial energy market interactions are driven by the:

- Recent oil market swings that reward cost reductions and enable unconventional producers to hedge production,
- The evolving role of financial and trading firms that have altered risk management options available to all,
- The impact of financial policy and regulation that affect credit lines, and position limits
- And finally, developments in market structure, such as the shift in oil trade to Asia giving rise to new price discovery mechanisms here

I look forward learning more about the developments in crude oil futures exchanges and the emergence of new crude oil benchmarks and their impact on regional markets.

Many new policy developments are taking place too, as the challenge to keep climate change within acceptable thresholds commands attention.

We are compelled to view physical financial energy market interactions not only through the lens of energy market stability, but with sustainability in mind as well.

It is therefore that we explore the issue of climate-related financial disclosures and their impact on global investment in the oil industry with great care for energy security and the legacy we leave.

Thank you, I look forward to our discussions.
