Energy Price Volatility

Noé van Hulst, Secretary General, International Energy Forum (IEF)
Mitigating Energy Market Volatility

- IEA / IEF / OPEC cooperation
- Shared analysis of future trends
- Linkages - physical and financial markets
- Enhancing data transparency (oil, gas, investment)
## Significant Flexibility in Oil System

### 2011 is not 2008

<table>
<thead>
<tr>
<th></th>
<th>IEA*</th>
<th>Change</th>
<th>OPEC*</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>World Oil Demand mb/d</strong></td>
<td>89.4</td>
<td>+1.4</td>
<td>87.9</td>
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</tr>
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</tr>
<tr>
<td><strong>Implied OPEC Spare Capacity mb/d</strong></td>
<td>3.9</td>
<td></td>
<td>5.0</td>
<td></td>
</tr>
<tr>
<td><strong>OECD Commercial Oil Stocks mb</strong></td>
<td>2676</td>
<td></td>
<td>2670</td>
<td></td>
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<tr>
<td></td>
<td>59.2 days</td>
<td></td>
<td>58 days</td>
<td></td>
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<tr>
<td><strong>IEA Emergency Stocks</strong></td>
<td>1.55 bn</td>
<td></td>
<td></td>
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<tr>
<td><strong>Libyan Oil Exports (Temp. loss) mb/d</strong></td>
<td>1.0</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td><strong>Japanese Extra Oil Demand (Temp.) mb/d</strong></td>
<td>0.15</td>
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</tbody>
</table>

* Based on April 2011 Oil Market Reports IEA / OPEC
Gas Market Flexibility

- Excess Gas Supply Capacity: Around 170 bcm in 2010 (IEA WEO 2010)

- Japan extra gas demand max 12 -15 bcm, extra LNG shipments already en route

- Other countries, Germany: industry expects extra gas demand

- Libya gas exports loss max 10.4 bcm largely compensated by other producers

- Natural gas inventories across Europe are comfortable

- Continued strong demand growth in Asia e.g. CNPC projects doubling Chinese gas consumption by 2015 around 230 bcm

- Spot prices rising e.g. TTF +17% since January

- Excess gas supply capacity may diminish faster than projected in the medium term

...and don’t forget coal: extra demand from Japan, coal prices up.
Mitigating Energy Market Volatility

Linkages between Physical and Financial Markets

Objectives

- Improve the understanding of the linkages between physical and financial markets

- Review the recent evolution of physical markets, including crude benchmarks; the evolution of energy-related financial markets; over-the-counter trading and its impact on price discovery and volatility; and the relationship between oil products and paper markets
Linkages between Physical and Financial Markets

- Emergence of oil as an asset class;
- Shift of the centre of demand growth,
- Evolving short-term price inelasticity of supply and demand;
- Wide divergence of views: Fundamentals vs financials
- Consensus: Greater transparency (oil inventories, OTC)
  Need for strong international co-ordination of regulation
  Continue “horizontal” dialogue between physical / financial oil markets

Plan next meeting in fall 2011
Enhancing Data Transparency

- **Report to G20 Finance Ministers (April 2011)**
  Oil spot market prices - assessment by oil price reporting agencies

- **Report to G20 Finance Ministers (October 2011)**
  Price volatility of oil / gas / coal

- **Joint Organisations Data Initiative (Jodi)**

![Bar chart showing performance metrics for Joint Organisations Data Initiative (Jodi)]
**Smiley Face Assessment**

**Asia**

*Pakistan is not participating in JodiOil*
Improving the Quality of

Report to IEF Ministers & G20 Finance Ministers (April 2011)

Jodi Organisations:
✓ New tools / practices, enhance interaction with data users
✓ Training Statisticians, upgrade website / database

Countries:
✓ Energy data offices better equipped / staffed
✓ Appropriate regulation and tackle confidentiality
✓ Target: 3 “Smiley Faces” before year-end 2011
Extension of JodiData™ to Gas and Annual Investment Data

Monthly gas data JodiGas
- Launch before end 2011
- Supply, demand, stocks

Cooperation with all relevant organisations
- (including GECF)

Annual data, start with JodiOil
- First results in 2012
- Capacity expansion, upstream / downstream
- Critical for demand / supply balance medium - term
The Way Forward

- **Strengthen IEF’s neutral facilitator role**

- **Deliver results for IEF13 (Kuwait 2012) & G20 on:**
  - **Transparency** (Jodi-Oil/Gas/Investment)
  - **Investment** (NOC-IOC, Jodi Investment)
  - **Sustainability** (Energy Efficiency, Energy Poverty)
ENERGY SECURITY THROUGH DIALOGUE