**Dr Sun Xiansheng,**

**Secretary General International Energy Forum**

**IEA-IEF-OPEC Physical and Financial Energy Markets Meeting**

**15 March 2018 Vienna, Austria**

Your Excellency, Ladies and Gentlemen!

It is a pleasure to be hosted by OPEC at this Sixth **Joint IEA‐IEF‐OPEC Meeting on the Interactions Between Physical and Financial Energy Markets**, and to meet with you in the beautiful city of Vienna today.

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.

Only a month ago we successfully concluded the **Eighth IEA-IEF-OPEC Symposium on Energy Outlooks** in Riyadh. 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 in London and Vienna over the years.

While **the dialogue in has gone from strength to strength**, we also note that 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. We therefore look forward to the 16th International Energy Forum Ministerial that India will host under the theme “The Future of Global Energy Security” on 10—12 April 2018 with China and Korea as co-hosts. Here IEF Ministers will reflect on the outcomes of our joint work.

Your Excellencies, Ladies, and Gentleman let me share with five observations on current energy market developments from the vantage point that the International Energy Forum enjoys in our collaboration with OPEC and the IEA.

First on one hand, we note that markets are rebalancing thanks to the supply adjustments OPEC and non-OPEC producing countries agreed to extend, and a more robust return to economic growth globally. On the other hand, robust growth of US shale production and financial market risk may delay further market balancing.

Our meetings have proven there use and relevance over the years.

Physical and financial energy market **dynamics are now much better understood** **but interactions have become more multifaceted and dynamic** since we first met in in London in 2010, and debated these in our meetings in Vienna over the years.

Our **on-going dialogue has helped provide a more nuanced and balanced understanding** of the interactions between physical and financial energy markets.

**Current market turbulence is less pronounced** than in previous episodes, consequently, even though volatility has increased after a period of relative stability.

Indeed, **our objective is not to arrive at fixed conclusions**, but rather to share views and identify shifts and new emerging issues about the interactions between physical and financial energy markets.

Today physical and financial market interactions are driven by the:

* **Recent oil market swings** that have enabled unconventional producers to hedge future production,
* **The evolving role of financial and trading firms** that have altered risk management options available to participants
* **The impact of financial policy and regulation** that may tighten credit lines, and ease position limits too
* And finally, **developments in market structure**, including the role of storage and impact of inventory data releases

**Many new market and policy developments have taken place** since we last met at the OPEC Secretariat on 15 March last year.

The relevance of our dialogue cannot be understated **considering the** **more fluid dynamics physical and financial energy markets are exposed to.**

New technologies, and shifts in demand and supply as well as policies, **severely reduce upstream investment and long term market liquidity**.

Our **discussions on oil market volatility thus far have naturally focused on developments at the front end of the futures curve**.

* On one hand, however, current physical and financial energy market interactions **impact longer cycle investment. A growing concern for long term oil market stability.**
* On the other hand, **too little is known about how physical and financial markets will respond to long-term policy goals and new technologies,** such as implementation of the Paris Agreement and changes in the power generation and transport sector.

**These long-term trends are likely to increase oil price volatility on the shorter term** as energy markets transition within the time horizons of investment decisions on medium-term oilfield development.

We should keep are eyes on the ball in front of us but also **dare to look ahead collectively to not lose sight of our shared goals on the horizon** as we progress through volatile episodes.

I say to you that with the help from my friends **His Excellency Mohammed Sanusi Barkindo, Dr Fatih Birol, represented here today by Neil Atkinson, Head of the IEA Oil Market Review, and all of you** gathered here today, **the IEF stands ready and remains committed to:**

* **Energy market stability through enhanced dialogue on physical and financial energy markets** to moderate volatility and ease transitions between investment cycles and policy turns
* **Inclusive and energy-technology neutral dialogue** among producing and consuming countries across all regions of the world
* **Market transparency through dialogue and the Joint Organisations Data Initiative** that has set a standard for cooperation among institutions.

Thank you, I look forward to our discussions.