

OIL PRODUCERS, CONSUMERS SIGN CHARTER

By AAP / 22.02.2011 07:13 AM

Major oil and gas producers and suppliers will sign in Riyadh on Tuesday a charter primarily aimed at limiting price volatility and the role of speculators, officials said.

The non-binding charter will be signed by 87 countries, representing 90 per cent of global oil production and consumption, assistant to Saudi petroleum minister Prince Abdul Aziz bin Salman told a press conference Monday.

The signing will take place at an extraordinary ministerial meeting of the Riyadh-based International Energy Forum (IEF) which will also discuss other issues like energy market regulation, outlook and transparency.

"The meeting will tackle two key issues; short-term price volatility and long-term demand and supply," of crude oil and gas, said Prince Abdul Aziz, adding that the meeting will not discuss fixing a specific price.

"It will not be a price band but rather a price framework," he said. There was almost unanimous support for Saudi King Abdullah's initiative of a \$70 to \$80 a barrel as a suitable price.

IEF secretary general Noe van Hulst said that the group's ministers agreed unanimously that sharp fluctuations in the market will be harmful.

The meeting comes as economic recovery and violence in the Middle East have driven oil prices back to levels last seen before the 2008 global financial crisis with Brent crude soaring above \$105 a barrel.

At its previous meeting in Mexico in March 2010, the IEF agreed to step up dialogue with the aim of improving transparency on the energy markets so as to reduce price volatility.

These objectives, members decided, should be enshrined in a charter and the meeting in Riyadh will endorse it.

Oil prices, after tumbling through 2008 and into 2009, have picked up steadily as the global economy has recovered.

Prices spiked Monday above \$105 per barrel for Brent crude, a major benchmark, as markets worried additionally at the possible threat to supply from spreading political unrest in the Middle East.

Higher energy costs have begun to drive rising inflation, sparking concerns that they could force countries to hike interest rates to rein in prices -- a move which would also hurt growth.

At the same time, soaring oil and other commodity prices have stoked suspicions that the markets are being driven by speculators rather than reflecting underlying demand and supply, prompting fresh calls for regulation.

Last year, the IEF put this topic on the Riyadh agenda and it has become even more topical given the rise in the energy and other markets in the past 12 months.

OPEC decided to keep its production target unchanged at its last regular meeting in December and is not due to meet again until June.

Saudi oil minister Ali al-Naimi last month said he expected oil at \$80 a barrel in 2011, and said [OPEC](#) could raise output to meet an expected two per cent increase in oil demand this year.

But several OPEC members such as Libya and Iran have taken a much harder line than Riyadh, welcoming higher prices.