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Rising oil prices heat up producer-consumer dialogue

The ministries meeting of the International Energy Forum (IEF) in Riyadh, Saudi Arabia, on the 22 February will see the birth of a new enhanced framework for dialogue between producers and consumers, IEF secretary-general Noè van Hulst tells *Argus*.

Rising oil prices mean the producer-consumer accord that the IEF hopes to create may prove elusive, as illustrated by a spat between the IEA and OPEC last month. OPEC Secretary-General Abdullah Al-Badri took exception to a statement by IEA chief economist Fatih Birol that oil prices were in a “dangerous zone” and a call by the IEA executive director Nobuo Tanaka for more flexibility by OPEC. Accusing the IEA of scaremongering and “supplying the world’s media with unrealistic assumptions and forecast”, Al-Badri said the agency must make up its mind whether it wants high oil prices to reduce consumption, or low prices to ensure economic recovery and growth.

The rise in North Sea benchmark crude prices to above \$ 100/bl this month has reinforced the IEA’s concerns. But it agrees that “the special ministerial meeting in Riyadh is an important milestone, as the new IEF charter increases the organisation’s financial stability and strengthens management. At the meeting, we will also discuss results of the IEA-IEF-OPEC joint events on oil price formation and market outlooks... to help contribute towards greater market transparency and stability.”

Over 80 countries and international organisations have been invited by the Saudi government to attend the signing of the IEF charter. “What we can expect to see in this meeting is a real step change in terms of reinforced political commitment by so many countries,” van Hulst says. The meeting will see “all the major energy producers and consumers around the table saying that they want stronger dialogue on where markets and policies are going, and on how they can use the forum to gain better mutual understanding where possible, and narrow differences between producers and consumers to help stabilise markets”.

The charter is based on guidelines agreed by the IEF ministerial meeting in Cancun, Mexico, last year (*WPA, 12 April, pp7-10*). But IEF talks will remain informal and any statements or recommendations it issues non-binding. Van Hulst says the strength of IEF dialogue lies in this informality, its frankness and the inclusion of issues “that might from time to time be difficult to deal with”.

The charter will set out how members will share the funding of the IEF budget. “Less developed countries will be exempt from paying, because we want to be inclusive rather the exclusive,” Saudi assistant oil minister and chairman of the IEF committee that drew up the charter, Prince Abdul-Aziz bin Salaman, says. The IEF secretariat is likely to remain in Riyadh.