

IEF EXTRAORDINARY MINISTERIAL, RIYADH 22 FEBRUARY

OPENING REMARKS BY MR NOBUO TANAKA, EXECUTIVE DIRECTOR, IEA

Your Royal Highness, Ministers, colleagues, and fellow energy experts.

I am very pleased to be here along side my colleagues from the IEF and OPEC, and the Chair and co-Chair of the Expanded High Level Steering Group, at the opening of this important Ministerial.

This Ministerial will mark the delivery of important products of the Cancun Declaration endorsed by Ministers at the 12th International Energy Forum last March. The sessions today are dedicated to a better understanding of the functioning of oil markets, which I know has been a central concern for Your Royal Highness and your government since the Jeddah Energy Meeting of June 2008 – a meeting from which so much of this activity has flowed.

I am particularly grateful for all the work which our Saudi hosts and the IEF Secretariat have put into making the arrangements for today's meeting. The strengthening of the Secretariat, embodied in the Charter signed today, is the latest institutional development of the Producer-Consumer dialogue. That process, begun in Paris in 1991, is something that the IEA has always strongly supported.

Stability in energy markets is important for everyone, and a strengthened consumer-producer dialogue allows us to focus on those goals that we share. This year political uncertainty has reinforced oil price rises, but so far production and trade flows of both crude and oil products have remained largely unaffected. Indeed, even if the market has tightened over the past 6 months, it appears to be generally well supplied.

But, in the unlikely event of a supply disruption, both producers and consumers possess tools to ensure the continuation of stable oil supply to the market. I spoke with Secretary General al-Badri last week, and I am confident that OPEC members are committed to

addressing disruptions and meeting demand, and they possess significant spare production capacity which could be activated if necessary. At the same time, IEA countries maintain over 1.6 billion barrels of publicly-held oil stocks which can be quickly drawn upon to ensure liquidity, and they stand prepared to use them.

The market's knowledge that both producers and consumers are prepared to act in the event of a disruption can already help to mitigate the price effects of political uncertainty.

But in the longer term, price stability and energy security are the products of transparency, dialogue, and a better understanding of the market. And so I am pleased to see the fruits of our labour since Cancun on display here.

Our joint work programme with our colleagues in OPEC and the IEF has shown the continuing value of technical level discussions on complex market operations and forecasting techniques. We have had three very

successful events and produced two joint reports, and we fully support that they be made public.

Our joint work on outlooks set the way for a fruitful exchange of assumptions and forecasts which underpin OPEC and IEA analyses, and we recognize that even though differences in those outlooks and economic assumptions will persist, having distinctive points of view does not undermine the quality of our respective analyses – in fact quite the opposite.

On oil price formation, this dialogue revealed a good deal of consensus as to the complexity of the interplay between fundamentals and financial markets in determining oil prices. Indeed our latest OMR reveals that recent price fluctuations are a product of this interplay – while fundamentals remain a key driver of prices, market expectations, financial speculation, and political uncertainties undoubtedly have their own effects.

Finally, the JODI. Over the past ten years, the Joint Oil Data Initiative made great progress and contributed enormously to transparency in the market. As the Joint Organisations Data Initiative, I am pleased to see the JODI concept spreading to other areas such as gas and annual capacity. We strive with our JODI partners and with our own governments to continue the improvement in data quality and timeliness.

As the global economy continues to pull out of economic recession, we all have an interest in price stability, a well-supplied market, and the ability to respond effectively to events. We therefore have a common interest in this dialogue and in strengthening the operation of the Forum.

The IEA looks forward to playing an active role in the Executive Board and in the preparation of the regular biennial Ministerial meetings, and above all, to continuing the consumer-producer dialogue which has already delivered so much.

Thank you.