

## Statement by IEF Secretary General, Noé van Hulst

### IEF CHARTER MARKS A NEW ERA

In 2008 the world witnessed one of the worst periods of excessive energy market volatility in recent history. As many still vividly remember, oil prices hit nearly \$150 per barrel in the summer of 2008 and subsequently went down to under \$40 per barrel by the end of the same year. Energy experts know that with oil still dominating the global energy mix, oil prices have a very important impact not only on the oil market, but also on global trade and the markets for other fossil fuels as well as on renewable energy. There is general consensus now among Energy Ministers that *excessive volatility* is bad for consuming countries and producing countries alike, because it creates huge uncertainty that seriously hampers investment and makes energy policy planning nearly impossible. Hence we can now see a broad acknowledgement among policy makers around the world for the need to do everything we can to minimize the chances that such violent price swings will recur with their devastating consequences for investment.

So which lessons have we collectively learned from the recent past? The first important lesson is that in this increasingly complex and interdependent world, no single country or group of countries can solve the global energy problems on its own. Therefore, we need stronger international cooperation on a global scale. The IEF with its global coverage, including energy consuming, producing and transit countries from IEA, OPEC and emerging economies is well placed in this respect. The recent **G20** Seoul Summit Document clearly recognizes this important fact. The **IEF Charter** creates “an *enhanced framework*” for the producer-consumer dialogue in the IEF. This implies a reinforced commitment of energy producing and consuming countries, including transit states to an open, more informed and fruitful dialogue, whilst safeguarding the informality which traditionally has allowed for a frank and honest exchange of views. It is this kind of dialogue that helps foster greater mutual understanding between producing and consuming countries on energy policy issues and, where possible, narrows the differences in views and helps build trust in policy intentions.

The second important lesson is that a fruitful producer-consumer dialogue needs to be focused on critical issues of substance. One key issue now is to do whatever we can collectively to mitigate *energy market volatility*. A crucial part of this effort is the **IEA/IEF/OPEC cooperation** programme. This cooperation has three crucial pillars. The first pillar is the better understanding of the **linkages between the physical and paper oil markets**. In the recent past we have learned that oil is not only a physical commodity, but has also become a financial asset (like gold, currencies etcetera). We need to understand much better how these linkages work, including what this implies for the improvement of the regulation of paper oil markets. On this extremely important topic IEA/IEF/OPEC organized two joint events in November 2010 in London. These events served to clearly demonstrate the value added by organizing an open and constructive dialogue between market players in the physical oil markets and regulators in the financial markets.

The second pillar is the **shared analysis of future energy trends**. Sometimes the divergences in energy outlooks between different agencies are not as well understood by market players as one might hope, thus giving rise to additional uncertainty and volatility.

IEA, IEF and OPEC jointly organized a Symposium in Riyadh in January 2011 on the shared analysis of energy market trends and short-, medium- and long term outlooks, in particularly focused on the outlooks of IEA and OPEC.

The third pillar is **enhancing data transparency**. The importance of better data transparency in the physical oil market almost cannot be overestimated. The more we know about what is actually happening in the oil market with respect to demand, supply and inventories, the better informed are the decisions that market players can take. The IEF will therefore keep working very hard in its role of coordinator of the Joint Organisations Data Initiative (JODI) to further improve the consistency, completeness and timeliness of country submissions to JODI-oil, together with its partner organisations APEC, EU, IEA, OLADE, OPEC and UNSD. In addition we are in the process of implementing the extension of JODI to natural gas and to investment, both of which are essential elements in enhancing data transparency in the energy sector. When it comes to JODI-gas, the IEF as coordinator will not only work together with its traditional JODI partners, but we also welcome a newly established cooperation with the Gas Exporting Countries Forum.

With such a large number of Ministers meeting on 22 February 2011 in Riyadh to sign the IEF Charter, 20 years after the humble start of a Ministerial producer-consumer dialogue in Paris, we are really living an **historical event**. It is appropriate that this is happening in *Riyadh*, 11 years after the then Crown Prince and now Custodian of the Two Holy Mosques, King Abdullah bin Abdulaziz Al Saud, first launched the initiative to establish a permanent IEF Secretariat in Riyadh, Saudi Arabia. Ministers will not only gather to sign the IEF Charter: they will also review and discuss the conclusions and recommendations of the IEA/IEF/OPEC cooperation programme on the linkages between physical and financial oil markets, shared analysis of energy trends and enhancing data transparency. The signing of the IEF Charter by so many countries and the strengthening of a focused cooperation between the IEF, IEA, OPEC (and other organisations where relevant) in our view signals a new and promising era of international energy governance. The IEF Secretariat stands ready to work constructively with its partners to the best of its abilities in the interest of greater stability and transparency of energy markets.

Noé van Hulst

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