Allocution de M. Pierre Lellouche,
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lors du dîner FIE-AIE-OPEP (Riyad, 24 janvier 2011)

Highness,

Distinguished Guests,

Ladies and Gentlemen,

As a result of the impetus given by President Sarkozy, G20 leaders agreed on November 11-12, 2010 at the Seoul Summit that fossil fuel price volatility needs to be tackled urgently, as an integral part of the G20 regulation package in 2011. I am sure we all are convinced that the G20, a group of countries representing 80% of global wealth, and the IEF, accounting for more than 90% of global oil and gas supply and demand, are key places to address those issues, that are, in essence, global.

One could stress the apparently diverging interests of fossil fuel exporting and fossil fuel importing countries, as reflected by current debates on how to interpret recent short term oil price increases. For sure oil producers and exporters do benefit from high oil prices, as this maximises their revenues and thus their spending programs. At the same time, consumer countries have an interest in keeping their energy bill under control. Let me take just one example: in 2010, France spent 48 billion euros in energy procurements in the wake of increasing crude prices. 48 billion euros, compared to a trade deficit in 2010 close to 50 billion euros.

Nonetheless, all major countries, both on the consumption and on the production side, have a lot of things in common. Protecting the environment and preventing climate change is one of them. Ensuring global energy security is another one: we, governments, markets, investors need more predictability on future supply and demand. Last but not least, limiting erratic energy price shifts is in the interest both of producers and consumers. Energy prices, and more specifically oil prices, are key inputs of public and private investment decisions all across the economy. Therefore the lack of predictability of prices results in a lower economic growth potential. Excess volatility makes us all lose much: private households and companies in oil and gas consuming countries, who have to cope with varying fuel prices at the tanking station or at the end of the pipe; but also, public authorities and businesses in oil producing countries, who can hardly base their medium- and long-term decisions on unpredictable prices.

And when volatility comes from market failures, that is, insufficient transparency both on physical and financial markets and possible market abuse and market manipulation on the financial side, then we have the responsibility to fix it. I am sure everyone here will concur that the oil market at the beginning of 2011, where volumes traded, including derivatives, are worth some 30 times the face value of underlying physical assets, raises new risks, and thus calls for new responses.

Ladies and Gentlemen, strengthening international oversight and regulation of oil, energy and commodity markets, is not an option, it is a public good. Remember: lack of proper regulation has led to the financial breakdown in 2008-2009. Another failure would not be forgiven, all the more as energy prices in turn affect the cost of basic commodities, like agricultural products, and hence the ability of poor people in developing countries to meet their basic needs. Food security is also at risk here.

The symposium on energy outlooks held today in Riyadh under the auspices of the most Honourable Kingdom of Saudi Arabia is a major milestone in this process, for at least two main reasons.

First, the symposium is a new step forward in advancing the dialogue between oil producing and oil consuming countries, under the IEF aegis. More particularly, I would like to congratulate you for the substantive work undertaken today and over the past weeks in bringing together the most renowned experts to discuss energy market outlooks and short, medium and long term forecasts, in order to develop mutual understanding and foster convergence. For the first time today, 20 years after the launching of the producer-consumer dialogue, IEF, IEA and OPEC are coming together to discuss these essential, even though very touchy, topics. It is a great step in the right direction.

I am also convinced there is room for further dialogue on these key subjects, taking stock of the achievements of today’s meeting and I hope this symposium on energy outlooks, jointly organized by IEF, IEA and OPEC, will become a key event for the energy community at the beginning of each year.

G20 members are now looking forward to the next IEF-IEA-OPEC joint report, in line with the Seoul commitments, and to the future producer-consumer Charter.

OPEC and IEA may have different interpretations on the reasons why oil prices have now nearly reached 100 $, their highest level since September 2008. Let us not overlook recent declarations made earlier this week. Still we have been increasingly accustomed to working together, we have common interests, short term divergences should not distract us from our joint endeavour.

Second, IEF, IEA and OPEC working jointly have to deliver on two other two pillars of the G20 “energy track”: transparency and regulation.

Enhancing transparency of physical data in the oil market obviously matters much: proposals are still to be made to improve the quality, timeliness and reliability of the Joint Oil Data Initiative. JODI is a great achievement of the producer-consumer dialogue and may even serve as a benchmark for other commodity markets. Emerging countries, which will soon represent 50% of global oil demand, have a critical role to play in increasing data availability and transparency within JODI. Private agencies providing regular data on the state of the market should also be deeply involved in this process because market players mostly rely on them as for their price anticipations.

Transparency should also fully apply to financial transactions on the oil market. It is a major prerequisite to preventing insider dealing and market abuse. Market regulators worldwide should be able to have a deep insight into the market, for them to identify who is trading, when, which volumes, and to closely monitor the risks.

In a comprehensive paper released as early as September 2010, France made a number of proposals on how to improve commodities markets regulation and surveillance at the international level: standardization of contracts, extended use of central clearing houses to mitigate systemic risks, closer oversight of over the counter (OTC) transactions through ad hoc registries… Based on these proposals to fill regulatory loopholes, France has urged the European Commission to submit new legislation in Europe from 2011 onwards. I know how committed Commissioner Barnier and his colleagues are on this important issue.

But still, whatever Europe does, we will also need to have something robust in place at an international level: global markets like oil, gas, wheat, cupper, and many others, need a global surveillance and regulation framework: unless we work out effective solutions at the international level to fix the problems as soon as 2011, future systemic crises cannot be ruled out. I am aware that work is ongoing under the

IEF guidance, as reflected by the 22 November workshop in London. I am now looking forward to the upcoming IEF/IEA/OPEC report with the International Organization of Securities Commission on the understanding of interactions between physical and financial oil markets. I am sure this report will set the stage and help build consensus, before moving to actual regulatory measures.

Highness, Delegates, Ladies and Gentlemen,

the G20 energy roadmap for 2011 is not an easy task to pursue but the French Presidency is resolved to make it happen, as President Sarkozy highlighted earlier today in a press conference. Do not spare your efforts.

Enjoy your dinner and thank you for your attention.