

## Welcome and opening remarks by OPEC Secretary General

Delivered by HE Mohammad Sanusi Barkindo, OPEC Secretary General, at the 2<sup>nd</sup> Joint IEA-IEF-OPEC Technical Meeting on the Interactions between Physical and Financial Energy Markets, 16 March 2017, Vienna, Austria.

Distinguished experts – and IEA, IEF and OPEC colleagues:

Good morning. Allow me to begin by welcoming you to Vienna and to the OPEC Secretariat for the **Second Joint IEA-IEF-OPEC Technical Meeting** on the interactions between physical and financial energy markets.

I believe it is a testament to the growing importance of this complex and evolving subject that we continue to meet and gather such a distinguished and diverse group of high level experts. We have speakers and participants here from across the physical and financial divide. To all of you: welcome.

We would like to thank our **co-organizers** for their great efforts in making this event possible. We particularly appreciate the attendance of our distinguished guest and friend, His Excellency, the Secretary General of the International Energy Forum, **Dr. Sun Xiansheng**. With his energy, commitment and foresight, Dr. Sun has already had a positive impact in strengthening and extending the consumer-producer dialogue. I had the opportunity to enjoy the warm hospitality of the IEF at the time of the IEA-IEF-OPEC Symposium on Energy Outlooks, and am more than pleased to try to return the favour with his visit to the OPEC Secretariat for this joint event. It is a pleasant industry consensus that the arrival of Dr. Sun at the IEF has dramatically changed the forum.

From the **IEA**, we have our colleague **Neil Atkinson**, the Head of the Oil Industry and Markets Division, who I understand began his career at one of our National Oil Companies – PDVSA – so it is nice to welcome you back. Mr. Atkinson has arrived fresh from releasing the *IEA Monthly Oil Market Report* yesterday, so he should have all of the latest information at his fingertips.

Today's event represents one of three regular dialogues held under the **IEA-IEF-OPEC joint work programme**, which was established and endorsed by Energy Ministers at the 12<sup>th</sup> International Energy Forum in Cancún, Mexico, in 2010. This includes the Symposium on Energy Outlooks and the Symposium on Gas and Coal Market Outlooks. These events have attracted participation at the highest levels, and also been commended at the highest level – most recently by the G20 Energy Ministers in their Beijing Communique in June of last year and by the Energy Ministers at the 15<sup>th</sup> International Energy Forum in Algeria in September 2016. These remarkable efforts are also complemented by the good work that the IEA, IEF and OPEC contribute to the JODI initiative, which has been essential to enhancing energy data transparency.

These collective efforts underscore the tangible benefits that the **strengthening consumer-producer dialogue** has brought to the market, and we look forward to deepening and enriching this engagement with close collaboration of our good friend Dr. Sun and his organization, and Dr. Birol and colleagues at the IEA.

This also highlights the importance of our work here today, and in this regard the **contribution** of everyone here in the discussions and deliberations is essential. Each of you bring a different perspective of the market – from the financial side, the physical side, governments, regulatory bodies, market analysts and experts. This is a testament to the strengths of this dialogue – and it allows us to exchange views and collectively present a more complete and rounded picture of the market and the interactions between its physical and financial sides.

We have a long day ahead of us, but allow me to offer you a few **preliminary thoughts** that I hope can serve as a brief overview of what we will be considering today.

As an Organization of physical oil producers, OPEC is keenly aware of this evolution that has taken place in the oil market, with the **emergence of oil as an asset class**, a development that took off in earnest in 2005. It is this unique perspective that has allowed the Organization to take a leadership role in highlighting the need for a better understanding of the interactions between physical and financial oil markets.

As Acting OPEC Secretary General in 2006, I had the opportunity to pioneer and co-chair a workshop organized under the OPEC **dialogue** with the European Union on the impact of financial markets on the price of oil. This laid the groundwork for subsequent **consumer-producer** Summits held in Jeddah and London in 2008, during the global financial crisis, as well as the now well-established Joint IEF-IEA-OPEC Workshops Interactions between Physical and Financial Energy Markets that have been held since 2010.

It has been through this international energy dialogue and collaboration that OPEC and our sister organizations in the IEF and IEA have helped to contribute to the more widespread recognition that **crude oil price formation** is the result of a complex interaction of physical and financial factors, including the activities of money managers.

At the same time, OPEC recognizes that **financialization of the oil market** – the result of emergence of oil as an asset class – remains an important driver of market developments, in conjunction with fundamentals as well as other non-fundamental factors. The impact of financialization on both price behaviour and market functioning is acknowledged to be evolving rather than static, and as a result requires continuous monitoring and analysis, as well as engagement with market participants across the physical and financial oil market divide. This is the reason that since my assumption of office last summer I have made an effort to engage in a dialogue with the broader financial energy community. This is in recognition that we share the same market and therefore benefit from a mutual exchange

of views and perspectives.

Allow me to provide a **brief overview of today's four sessions**.

Our **first session** on *Recent Oil Market Volatility* provides an overview of what has happened since last year's meeting and sets a framework for today's discussions.

The **second session** considers the *Evolving Role of Financial Firms in the Oil Market*. This includes banks, hedge funds and private equity firms, as well as venture capital. Following the financialization of the oil market, it is essential to follow evolving developments in this space, as it will have an eventual impact on the physical side as well.

After lunch, our **third session** is titled *Financial oil market regulation: Assessing the impact of Brexit and new US administration*. With the apparent winding down of the current regulatory cycle, this will be a very important discussion to provide a view on what shifts might take place in these two important jurisdictions.

In the **final session**, we will look at *Developments in Market Structure, including Impact on Commercial and Floating Storage*. While this is a very technical area, a great deal of money is being made by trading houses and companies that have mastered this trade – so in this regard, some might say we have left the best for last.

Just as a reminder, today's discussions will be held under the **Chatham House rule**. In terms of structure, each session will begin with a few words from the moderator and then concise presentations from our discussion leaders. Then, the floor will be open to allow for a very **interactive roundtable discussion** amongst all participants. And we look forward to the very active input from each and everyone around the table, as you are all masters of your craft.

I would now like to invite my distinguished friends and **fellow organizers** from the IEF and IEA to say a few words, starting with His Excellency, the Secretary General of the International Energy Forum, Dr. Sun Xiansheng.