

14th IEF Ministerial Opening Ceremony

Moscow | 15 May | 2014

Remarks by Aldo Flores-Quiroga Secretary General International Energy Forum

Your Excellency, Dmitry Medvedev, Prime Minister of the Russian Federation

Your Excellency, Arkady Dvorkovich, Deputy Prime Minister of the Russian Federation

Your Excellency, Alexander Novak, Minister of Energy of the Russian Federation

Honourable Ministers

Excellencies

Ladies and Gentlemen,

Good morning to you all and a very warm welcome to this 14th Ministerial meeting of the International Energy Forum in Moscow!

I want to thank the government of the Russian Federation for its magnificent hospitality and for hosting this important gathering of energy ministers from around the world – from consuming, producing, and transit states.

Let me thank as well the more than 100 Ministers, heads of international organisations, executives of energy companies, and experts that are here today. By participating in this dialogue you are contributing in the pursuit of global energy security.

I would also like to recognise the Ministers of member countries that are strong supporters of the IEF but could not come to Moscow. Some had pressing domestic matters to attend to and could not join us. Others are participating in a ministerial meeting of the European Union in Athens. And still others are not here because of their stance regarding current developments in Ukraine; like the Minister of State for Energy of the United Kingdom, who explained in a letter addressed to Minister Novak and myself that his country would not send a delegation to this Ministerial, in line with its “policy on engagement with the Russian Federation, following recent events in Ukraine.” He underscored nonetheless his country’s strong support to the IEF, and I would like to thank him and all the Ministers of IEF member countries for their on-going support.

Let me emphasise that the IEF remains ready to facilitate the producer-consumer dialogue, regardless of circumstance. Its neutral and inclusive platform is always available to its members to discuss energy issues and to find common ground in the promotion of global energy security. That is our main mission and that’s what we are here to do.

This Ministerial gathering takes place at a time of great change in the global energy sector. The geographical distribution of energy supply and demand is changing. The relative price of energy sources is changing. The energy mix in many regions is changing. The direction of interregional energy trade is changing. And the nature of threats to critical infrastructure and trade routes is changing.

These changes are evident all around us. They reach every corner of the world and are motivating a revision to energy policies and strategies virtually everywhere.

Now, an important feature of they share is that they coincide, or are an expression of, the rise of the knowledge economy. Innovations in oil exploration and production techniques, financial markets, transportation technologies, and communication and data processing, to name but a few, have transformed how we price, use, distribute, think and even *feel* about energy.

We now speak of digital oil barrels and we talk of oil as an asset class. We refer to smart grids and the emergence of the Internet of things. We pay attention to what social networks have to say on energy and the environment. We analyse “big data” and explore how it can transform our understanding of market actors and their behaviour.

From unconventional oil and gas to renewable energies, passing through energy efficiency and nuclear power, all the links of the global energy value chain are being affected by the knowledge economy.

Perhaps paradoxically, this greater knowledge has engendered new sources of uncertainty.

The process of oil price formation provides a prime example, as it is today more complex than only a decade ago. Price discovery in oil markets still follows the laws of supply and demand --of course-, but innovations in investment instruments and electronic trading have resulted in a greater interaction between physical and financial markets. The global oil market is therefore more liquid, which in principle improves the efficiency of price signals. But sudden shifts in

market sentiment, which cannot be predicted, can cause prices to diverge temporarily from fundamentals, sometimes drastically. And while a market correction will always take place, the new sources of uncertainty make long-term planning more difficult. You may recall that we woke up to the implications of this reality during the episode of high oil price volatility during 2008.

Something similar is happening to the task of securing critical infrastructure. The technologies that can deliver on the promise of smart grids are essentially the same that can disrupt national energy systems. Cyber-attacks and other forms of digital misconduct are new threats governments and companies must deal with.

So change is coming not only from factors commonly identified as the key drivers of energy markets, such as population growth or a more dynamic economy. It is also coming from the progress of knowledge and innovation. And just as it presents new opportunities, it breeds new forms of uncertainty.

Now, despite all that is changing, there are still constants to keep in mind. Humankind requires more energy every year, and the eradication of energy poverty and inequality remains a moral debt to the world. The energy industry's responsibility to the environment is significant –now more than ever, in part because of global warming. Energy resources may be abundant, but production and consumption centres are far from each other, and the trade routes that link them require on-going protection. And, as always, geopolitical events can disrupt the steady flow of energy from one region to another.

These constants and changes I have mentioned share one important trait: they can only be addressed through interdependence. Even in a knowledge economy, the evolution of prices, trade flows, the energy mix, energy poverty...and a long list of factors involved in the world of energy, domestic or international, are about

interdependence. And interdependence, by the way, applies both to what works and does not -- to opportunities and to challenges. It is for the good and the bad. When it comes to energy, we are all in this together.

Cooperation, based on the recognition that the security of supply and the security of demand are mutually reinforcing, is a powerful tool to make the best of interdependence and cope with uncertainty. It is a key component of global energy security. This has been true in the past, it is true today, and will certainly be true in the future.

The programme of this Ministerial meeting takes these developments and premises into account. It was shaped by the insights and perspectives the IEF Secretariat gathered at numerous official and expert-level meetings since the past Ministerial meeting in Kuwait two years ago -- including the IEF-IGU Ministerial Gas Forum, the Asian Ministerial Energy Roundtable, the IEF NOC-IOC Forum, the trilateral symposia and workshops organized jointly by the IEA, IEF and OPEC; IEF roundtables, and the activities of the Joint Organisations Data Initiative. It was also enriched by the contributions of the IEF Industry Advisory Committee and the International Support Group; and was evaluated and approved by the IEF Executive Board.

It is a programme built from dialogue and for dialogue, through analysis and the exchange of points of view with policymakers, industry leaders, experts, and observers of the energy world.

This Ministerial is also a special occasion for gas market data transparency. Tomorrow the eight partners of the Joint Organisations Data Initiative –APEC, Eurostat, IEA, IEF, GECF, OLADE, OPEC, UN Statistics - will officially launch the

JODI-Gas database; a very welcome achievement that will contribute to the stability of gas markets.

Of course, we cannot leave aside the importance of sustainable energy for all and the construction of resilient energy systems, which are fundamental for enhanced energy security and a clean environment. We have included these subjects in two parallel breakout roundtables, the first time an IEF Ministerial uses this more informal format.

Let me close with a reminder and an invitation. This Forum was born at a challenging moment for global energy security. Twenty- three years ago, as the Gulf War started, world leaders called for a dialogue between producing and consuming states, to find a cooperative solution to the threat of a supply disruption that could have had severe negative impact on the world.

That first dialogue sent the message that producers and consumers were ready to work together to promote global energy security.

The same type of dialogue was instrumental in sustaining cooperation during the oil price collapse at the end of the 1990s, and during the oil price spike and extreme volatility of 2008.

Today there is no oil market crisis –thankfully—and the recent period of oil price stability attests to this. There is no global gas market crisis either, since gas is mainly a regionally traded commodity, even if the regions are interconnected.

But events in Ukraine have drawn attention to vulnerabilities in gas markets that are generating apprehension. In Europe there is concern that gas flows from Russia might be interrupted. In Russia there is concern that Ukraine may be

unable to meet its contractual obligations for the purchase of gas. This situation has fuelled speculation, warranted or not, about a regional gas market disruption like that of 2009.

We see in this situation, once again, the interplay of the security of supply and the security of demand. European consumers want to know they will receive from Russian producers the gas they need; and Russian producers want to know they will recuperate the investments they have made to provide gas to European consumers.

I trust no energy crisis will arise from the current situation. But in the event it does –and I hope it does not--, I invite producers and consumers to seize the opportunity for dialogue under the neutral and inclusive platform of the IEF.

The energy ministers who lived through past crises created this Forum for this very purpose. They wisely recognised that a frank and open exchange of views through an on-going dialogue is essential to understand short- and long-term energy market developments, and to help craft appropriate energy policies and strategies for the promotion of energy security.

So, as the dialogue at this Ministerial takes off –inside this plenary room, at the roundtables, in the hallways, in meeting rooms-- I encourage you –producers and consumers alike-- to embrace the same spirit of openness and cooperation of your predecessors when they launched the International Energy Forum.

Energy is first and foremost an instrument for peace and development. When used creatively, responsibly and for the long-term, it is a powerful source of shared prosperity. History has repeatedly shown this to be the case. The future

of energy security will be no different, but it will be better, --stronger, resilient, sustainable, inclusive – through dialogue and cooperation.

Thanks again to the government of the Russian Federation for its great hospitality, and for providing the leaders, decision-makers, and experts present here today and tomorrow with this opportunity for dialogue on the new geography of energy and the future of global energy security.

Thank you.