



IEA TAKES ENERGY COOPERATION TO NEXT LEVEL AND OPENS DOORS TO NEW PARTNERS

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I recently had the pleasure of receiving Dr Sun Xiansheng, the Secretary General of the International Energy Forum (IEF), at the International Energy Agency (IEA) headquarters in Paris. The meeting with my distinguished colleague from China was a reminder of the diversity and geographic reach of the IEF's membership as it marks its 25th anniversary. I look forward to attending the IEF Ministerial in Algeria in September 2016, a landmark year for the energy producer-consumer dialogue.

This biennial event is one of the most important gatherings in the energy calendar, bringing together ministers from energy producing and consuming countries as well as leaders of industry and heads of international organisations such as the IEA, the Organisation of the Petroleum Exporting Countries (OPEC) and the International Renewable Energy Agency (IRENA). Since the last IEF Ministerial, I have been elected Executive Director of the IEA; Dr Sun was chosen to lead the IEF and another friend and colleague, Dr Mohammad Barkindo, has become the Secretary General of OPEC. I look forward to close collaboration with my distinguished counterparts at OPEC and the IEF.

This meeting comes at a crucial juncture in oil and gas markets. Since the last IEF ministerial in Moscow in 2014, the energy landscape has changed dramatically. Oil prices have lost more than half their value; international gas prices have slumped; upstream investment in oil and gas projects has shrunk; energy trading patterns are shifting; and climate change mitigation has moved to the top of the global agenda.

Among the IEA's members, the United States, once the largest consumer and importer of crude oil, is today the biggest oil producer thanks to the surge in light tight oil during the period of high oil prices. Yet OPEC remains a central force now and in the future. Indeed, our latest data show that production from the Middle East, whose members account for the majority of OPEC producers, is at a historic high, exceeding 31 million barrels per day (mb/d). This growth reinforces the fact that low-cost producers in the Middle East remain central to oil markets, and highlights the need for timely investment in future capacity, much of which will serve to replace declines in mature fields. According to IEA data, investment in the oil and gas sectors fell by 24 per cent in 2015 and is set to decline again in 2016, which would be the first consecutive two-year drop in three decades. The industry cut spending by more than US\$300 billion during this time, an unprecedented decline, even taking into account significant cost reductions.

Low energy prices bring immediate benefit to consumers and the IEA has been a strong proponent of affordable energy. However, we need to find the right balance if we are to avoid a future price spike, should shrinking investments lead to a supply shortfall. Despite the rapid growth in the share of renewables in electricity generation, fossil fuels will remain the dominant fuel in the energy mix, with non-OECD countries accounting for the majority of growth in demand. Ensuring that future demand is met requires close coordination and regular dialogue between producing and consuming nations, backed by reliable data. We also need to ensure that the switch to low-carbon energy sources and energy efficiency improvements are not derailed.

At the end of 2015, we witnessed the historic climate agreement in Paris, which provided much needed impetus to the energy transition toward a low-carbon future. We must work together to make sure that this transformation is managed in the best possible way, so as to meet the energy needs of present and future generations while keeping emissions from fossil fuels in check. It's a tall order and the IEF has a part to play as a facilitator of dialogue between nations.

The IEF's role in bringing together producers and consumers is more



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important than ever because, as new markets emerge, so too do new challenges and opportunities to address them. The IEA and OPEC, our partner in the producer-consumer dialogue, play their parts by providing reliable analysis and data to help manage this transition that is underway. Ensuring market transparency and accuracy of data is of vital importance and I would like to applaud the collective work of our three organisations along with other partners in the Joint Organisations Data Initiative (JODI). I thank the IEF for taking on the task of coordinating the JODI database, which has become an indispensable tool to governments, industry and analysts.

JODI is the most visible product of our collaboration but it is not the only activity that we undertake jointly to improve our understanding of an increasingly complex energy system. Given growing concern over energy security, geopolitical risk and environmental challenges, international cooperation is essential. The high-level annual symposium hosted by the IEF on energy outlooks, designed to compare the medium- and long-term forecasts of the IEA and OPEC, has provided better understanding of the methodologies and baselines used by our respective organisations. Significant progress has also been made on harmonisation of data through regular meetings of our statistics teams.

The fundamental role of each of our organisations is to serve our members to the best of our ability, but we have to evolve with the changing energy order. In 2013, OECD and non-OECD oil demand were roughly equal at 46 mb/d, but the balance has shifted since then. In 2016, non-OECD countries accounted for 51 per cent of all global demand and by 2040 are expected to make up some 64 per cent of total global demand in what will be a dramatic reversal of traditional roles. The IEA has historically been viewed as the champion of consumer countries, yet many of our members are now significant producers in their own right. There is not only more production in consuming nations, led by the US, but also consumption growth in producing nations, including in the Middle East.

Paradigm shift

The IEA has taken action to address this paradigm shift by extending a hand to partner countries beyond its core OECD membership. We hope to welcome Mexico to the IEA family as a full member soon and have opened the door to other major consumers on three continents through a programme of Association. China, Thailand and Indonesia, have all

signed up to this milestone in the development of global energy governance. We expect others to follow. One of the many benefits of IEA Association is enhanced data gathering from some of the fastest-growing demand centres.

There is an urgent need to put the world on track to achieve the climate change mitigation target agreed in the Paris Agreement, I have made it one of my priorities to turn the IEA into a clean energy hub. Energy efficiency is of particular importance in this area. The IEA intends to become the global voice for energy efficiency, supporting analysis, knowledge exchange, and best practice policy and implementation around the world. That is why I am delighted that the IEA is to become the home of the Clean Energy Ministerial (CEM) Secretariat, which is devoted to supporting and promoting smart, low-carbon policies and new technologies, many of which seek to enhance energy efficiency. I am pleased to see that the draft agenda for the 15th IEF Ministerial has dedicated a session to energy efficiency. I look forward to the debate and hope that it will open a new avenue for future collaboration with the IEF.

The IEA has long called for an easing of state subsidies on fossil fuels and electricity to discourage excessive energy consumption and also motivate greater efficiency. It is encouraging to see that governments around the world, including the oil producing nations of the Middle East and North Africa, are gradually introducing price reforms.

Regardless of measures to mitigate the impact of fossil fuel emissions, oil, gas and coal are expected to retain a significant share of the energy mix in the future, though gas will register the largest gain, led by a surge in demand in China and the Middle East. The decision to expand JODI to cover gas data was an important step, but much needs to be done to improve our understanding of an evolving gas market to guarantee security of supply. We look forward to further enhancing JODI oil and gas data and to ensuring that our analyses, forecasts and policy recommendations provide a framework for market stability in the years ahead.

Given the dynamic nature of energy markets over recent months, I am sure this Ministerial will provide many opportunities for producers and consumers to share views, identify challenges and strengthen dialogue.

I am looking forward to our discussions here in Algiers and would like to extend my sincere thanks to the Algerian government for hosting this important gathering. I would also like to take this opportunity to thank the government of Saudi Arabia for hosting the IEF Secretariat in Riyadh. ■