



THE CHALLENGE OF MARKET STABILITY AND ENERGY SECURITY

By H.E. Bijan Namdar Zangeneh
Minister of Petroleum, Islamic Republic of Iran

Having a glance at the history of oil prices, one may notice that the various oil price shocks and counter-shocks since the 1970s and the sharp cycles of investment are clear evidence that market adjustment mechanisms are not solely effective in dealing with many aspects of oil market problems. Rather, special attention should be paid to the importance of more focussed target-oriented dialogue and cooperation among producers and consumers in line with achieving global energy security. This is not achievable unless the world energy sector is depoliticised. Although some states do their best to merely secure their own national interests, the important point is that in the current era, interests of producers and consumers are intermingled, and their close coordination within the IEF neutral platform can lead to valuable achievements. In this regard, the role of IEF in minimising discrepancies between producers and consumers is vital.

The next decade is expected to see increases in energy demand that are to be met predominantly by fossil fuels, with oil set to continue to maintain its major role, particularly in the transportation sector. It is worth noting that by 2025, almost three-quarters of the increase in demand is expected to emanate from developing countries.

On the supply side, in the short-to-medium term, on the basis of detailed bottom-up data on upstream development plans overall, non-OPEC supply is expected to continue to increase- rising to a plateau of 63.6 mb/d by 2025. The key sources for the increase in non-OPEC supply will be the United States, Canada and Brazil. In the longer term, the balance of the global oil reserve base and the gradual depletion of non-OPEC reserves means that OPEC will be increasingly called upon to supply the incremental barrel, with its market share eventually set to rise.

As far as climate change issues are concerned, I. R. Iran has made significant efforts aimed at combating climate change, particularly in the area of GHG emissions reduction. To that effect, Iran has tried to enhance the share of natural gas in its energy basket to curb GHG emissions. Iran's Petroleum Ministry's calculations indicate that here gas had not replaced liquid fuel, the rate of GHG emissions in Iran would have increased by over 3%. It is noteworthy that the realisations of Iran's commitments in its INDC (4%

non-provisional, 8% provisional) compared with BAU scenario (base year 2010) over 2020 to 2030 is highly dependent on receiving financial aid and technology.

Iran's petroleum industry share in GHG emissions is estimated to be between 15 to 20%, stemming mainly from gas flaring. Therefore, in line with achieving zero flaring, plans have been made to negotiate with IOCs and the private sector to implement projects aimed at collecting flare gas for power generation. Moreover, facilitating development of gas fields in countries where huge volumes of gas are available and production cost is low could potentially guarantee global energy security.

Turning to one of the core objectives of the International Energy Forum (IEF) energy security through dialogue, one can claim that investment plays a prominent role in achieving this objective. It is noteworthy that the long-term picture points to the need for increased investment in oil production capacity, however, the extent of the required capital is subject to considerable uncertainty, stemming from the wide range of feasible demand growth scenarios and contrasting views on the potential evolution of non-OPEC production.

Uncertainties over future economic growth, as well as the trend of development and diffusion of newer technologies, raise questions over the future scale of investment that will be required. This uncertainty, coupled with long lead times, inevitably complicates the task of maintaining market stability. Furthermore, future challenges faced by the refining sector in adapting to new regulations and product requirements suggest there is a risk that the downstream industry could become a prime source of volatility for oil prices.

Therefore, in view of the above-mentioned uncertainties, the challenge of market stability and ensuring energy security requires sufficient investment in the field where production cost is economically viable. Undoubtedly, reasonable oil price levels and preventing harmful fluctuations could secure adequate sources of investment. To that effect, the role of the IEF as a neutral platform which facilitates and fosters dialogue between producers and consumers becomes even more prominent and influential. The IEF efforts to gather together the two parties could bring about stability to the market.

In conclusion, I wish all the best for India, the host of the 16th IEF ministerial meeting. ■