



## INTERNATIONAL ENERGY FORUM

London Energy Meeting  
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### **Progress Report on the Outcome of the Jeddah Energy Meeting**

The oil price spike in spring 2008 led the Government of the Kingdom of Saudi Arabia to call for a special Energy Meeting at Ministerial level in June 2008 in Jeddah to discuss the causes, consequences and remedies to oil price volatility. The Meeting concluded with a Joint Statement of the government of the Kingdom of Saudi Arabia and the Secretariats of IEA, IEF and OPEC identifying several areas to improve the transparency in the oil market and to improve the environment for increased investment. Below we report on the progress made on the main issues raised in the Jeddah Joint Statement focusing on initiatives taken by the IEF Secretariat. The results of these initiatives will be presented to the 12<sup>th</sup> IEF Ministerial in Mexico in 2010.

#### ***1. Energy investment: removing key uncertainties***

The Jeddah Statement stated “**appropriate increase in investment both upstream and downstream is necessary to ensure that the markets are supplied in a timely and adequate manner. Predictable energy and investment policies as well as better access to technology are necessary to this end**”.

Uncertainties related to energy demand and supply constitutes a significant obstacle for planning investments. On the demand side, importing countries need to define clear energy policies and programs to frame their energy consumption in the short and long-term. On the supply side, more predictable energy policies and stable legal and regulatory framework are necessary. Generally, transparency of energy markets is critical in reducing uncertainties and unwarranted political influence that may affect investment and its profitability.

Noting all these uncertainties, Energy Ministers have asked the IEF Secretariat to prepare a report for the upcoming 12<sup>th</sup> IEF Ministerial meeting to be held in Mexico in 2010, focusing on recommendations and actions on how to remove the key uncertainty factors holding back energy investment.

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*This report by the International Energy Forum Secretariat is devoted principally to those areas of follow-up work that the Secretariat has been directly involved with. It does not claim to be comprehensive. Since the Jeddah Energy Meeting, a number of the issues raised there have also been taken forward by other agencies or in other fora.*

## **Progress**

Responding to IEF Ministers call, the IEF Secretariat is preparing, based on a consultancy study, a report on “Unpacking Uncertainty” which will identify and priorities issues perceived as hampering investment projects both upstream and downstream. Broken down into constituent parts demand and supply uncertainties may more easily be explored and discussed by Ministers with a view to recommend policy actions.

The study will look at uncertainties surrounding

- future production realized from available oil and gas reserves, including a review of elements impacting the actual realized production levels;
- development and deployment of technology in the petroleum sector and its role in increasing oil and gas supplies;
- future evolution of the energy mix, and impact of evolving energy policies in the consuming countries with regard to development of alternative energies such as biofuels.

## ***2. Role of technology, IOC's/NOC's cooperation and human resources in the petroleum sector***

The Jeddah Statement called for an **“enhanced cooperation among international, national and service companies from all producing and consuming countries in investment, technology and human resource development”**.

In all realistic scenarios including those published by IEA and OPEC Secretariats, fossil fuels will dominate the energy mix for decades to come. Ample primary energy resources certainly exist for the foreseeable future but meeting increasing energy demand in a carbon-constrained world will try the ingenuity of even the most resourceful energy planners.

Energy Ministers gathered at the 11<sup>th</sup> IEF in Rome in April 2008 concluded that “a sustainable energy future implies efficiency improvements, technological advances in both production and consumption of fossil fuels, and development of alternative low-carbon energy sources”. Global average recovery rate in the oil industry is 35%. Every 1% increase for all the planet's conventional oilfields would bring equivalent to two years world consumption at current rates. Ministers advocated continued energy technology collaboration between producing and consuming countries.

Ministers have repeatedly advocated increased co-operation between IOC's, NOC's and service companies as a major opportunity in coping with the increasing costs, complexity and risks of large investment projects. There was a wide-ranging discussion at the 11<sup>th</sup> IEF and in

Jeddah on how the framework conditions and conduct of this kind of co-operation can be improved to optimize its potential.

Furthermore, over the past five years of high energy demand, human resource shortages have increasingly been cited as an impediment to oil industry activities and development of new supplies. The Human resources crunch is an industry-wide problem requiring global cooperation towards a resolution.

Studies show that by the end of this decade, the oil and gas industry may be faced with significant shortages, due to a wave of retirements and inadequate recruitment.

A key factor in this unfortunate situation is the perception by many potential recruits that the industry is in a “sunset” phase. Competing for recruits with the I.T. and other hi-tech sectors images of hard-hats, drilling-rigs and other heavy machinery continue to characterize the industry in the press and elsewhere even though computing power, R&D, and cutting-edge high-tech of all descriptions are the reality of a modern oil & gas company. These and other factors combine to discourage belief in the sector as an employer of choice.

At the 11<sup>th</sup> IEF Ministerial and in Jeddah, Energy Ministers addressed the urgency to work together with the oil and gas industry, universities and research centres to promote a world-wide campaign aimed at improving the image and rewards of technicians and skilled staff working in the oil and gas industry.

## **Progress**

The IEF Secretariat organized a symposium in Riyadh on 15<sup>th</sup> December 2008, jointly with IFP from France, to assess future development of technologies that could improve future petroleum supply, discuss the role of governments in promoting technological development and deployment (funding of R&D), including Carbon Capture and Storage (CCS) linked to enhanced oil recovery, and identify potential avenues for cooperation between producing and consuming countries and ways to improve such cooperation.

The IEF Secretariat is also organizing an IOC's-NOC's forum on 30-31 March 2009 in Kuwait, in cooperation with the Ministry of Oil of Kuwait and Kuwait Petroleum Corporation (KPC). The Forum will gather CEO's from national oil companies and international oil companies to explore ways for addressing hydrocarbon resource replenishment in increasingly challenging environment, assess areas of sharing NOC's and IOC's core competencies through mutually beneficial partnership models, management of mega-projects, etc. avenues and opportunities to strengthen cooperation and partnership between IOC's and NOC's and frameworks that governments should implement to that end.

Regarding human resource development in the energy sector, the IEF Secretariat will organize a symposium on Human Resources crunch in the Petroleum Industry, on 13-14 April

2009 in Doha, in cooperation with the Ministry of Energy and Industry of Qatar. The Symposium will revisit human resources requirements of the oil and energy industry and review established and existing modalities adopted by various players to find and to promote most promising proposals in order to address short-term imbalances and build up strong bases for the long-term prospects.

Discussion will focus on themes such as recruiting and retaining qualified staff, advanced technical training, sharing best practices and preparing global oil industry leaders of tomorrow.

### ***3. International support to help developing countries***

The Jeddah Statement emphasized that **“development assistance from national, regional and international finance and aid institutions, be intensified, to alleviate the consequences of higher oil prices on the least-developed countries”**

#### **Progress**

Since Jeddah, there have been unified efforts to get all parts of the international system working in response to these events. The IMF’s Exogenous Shocks Facility was successfully reformed in October to make it faster, easier and more flexible to use, and capable of providing more financing.

There has been progress on the Energy for the Poor Initiative announced by King Abdullah bin Abdulaziz of Saudi Arabia at the Jeddah Energy Meeting. This includes the establishment of a new \$500 million Energy Price Crisis Response Fund at the World Bank which will ensure that support is targeted to meet the needs of the poorest sections of society in these countries.

There has also been a rapid response from the World Bank and the regional developing banks in helping their client countries to respond to the fuel crisis. They are well positioned to help. For example, the Asian Development Bank under its Clean Energy Financing Partnership Facility has secured over \$80 million of donor funds to improve energy security and help their member countries reduce the carbon intensity of their economies. The UK’s Department for International Development (DFID) has given £1.3 million towards this effort.

Looking ahead, the IEF Secretariat is planning to hold an Energy Poverty Symposium in 2009 to assess ways of reducing energy poverty in the least developed countries.

### ***4. Promoting Energy Efficiency***

The Jeddah Statement emphasized that **“that energy efficiency is promoted in all sectors through passing on market price signals, technology transfer and the sharing of best practices in energy production and consumption”**.

Energy efficiency is of paramount importance and should be significantly improved in both producing and consuming countries. This will help mitigate CO<sub>2</sub> emissions, enhance the export potential of producing countries, and curb wasteful demand growth.

## **Progress**

Energy efficiency related issues were discussed at the first IEF/IGU Ministerial Gas Forum on 24 November 2008 and noted in the joint concluding statement by IEF Secretariat and International Gas Union. The IEF Secretariat will consult with Mexico to include the issue in the forthcoming 12<sup>th</sup> IEF Meeting in Mexico.

The IEF Secretariat will provide further input on the importance of improving energy efficiency to the Asian Ministerial Roundtable in the spring of 2009.

## ***5. Oil data transparency***

The Jeddah Joint Statement “**the quality, completeness and timeliness of oil data submitted through the Joint Oil Data Initiative (JODI) should be enhanced. In order to further improve market transparency and stability, the seven organizations involved in JODI...are called upon to start work to cover annual data that includes, among other things, upstream and downstream capacities and expansion plans**”.

One of the objectives of the Joint Oil Data Initiative is to provide a freely accessible complete, timely and comprehensive database facilitating a reliable and accurate assessment of the global oil market situation. The database, accessible at [jodidata.org](http://jodidata.org), is now being used by analysts all around the globe. The IEF Secretariat is playing an increasingly active role in co-ordinating JODI with the full support of partner organizations – APEC, EU (through Eurostat), IEA, OLADE, OPEC and UN (through the UN Statistics Division).

IEF Ministers regularly underscore the importance of transparency and exchange of data for better market predictability that can contribute to a more stable investment climate needed to enhance global energy security. JODI partner organizations are greatly encouraged in their efforts by the regular references to JODI manifested by Energy Ministers and Heads of State around the globe.

JODI partner organizations are encouraged by Ministers to further improve completeness of data submitted to JODI as well as their timeliness and accuracy. This objective constitutes one of the core activities of the IEF Secretariat. Although we have seen encouraging improvements in the recent past, much still needs to be done to further improve the JODI performance of countries (see the table of 'smiley faces' below). The IEF Secretariat therefore calls on all Ministers to actively promote the improvement of the JODI performance scores, both in their own country and abroad. Strong and continuous action is needed in order to boost JODI performance and thus improve the transparency in the oil market and help reduce price volatility.

## **Progress**

JODI Partner organizations are conducting regular training workshops on JODI to offer statisticians and experts from participating countries an opportunity to clarify and improve their knowledge of definitions, data quality assessment and oil data issues, and to share experience on best practices of oil database management.

Four regional training have been organized so far (Caracas in August 2006, Johannesburg in January 2007, Algiers in October 2008 and Bangkok in September 2008). Similar trainings are planned for 2009 including one session in Istanbul in June 2009 and possibly a second session in Quito in August 2009. The IEF Secretariat and JODI partner organisations stand ready to facilitate training/seminars/meetings for those countries that might need to develop their capability in completing the JODI questionnaire.

The IEF Secretariat is also preparing its 7<sup>th</sup> International JODI Conference planned to take place in Quito in the course of May 2009.

As follow-up to the Jeddah Energy Meeting, where Ministers called for further improvement of the Initiative and suggested its expansion to cover annual data, including upstream and downstream capacities, the IEF Secretariat convened two meetings of the JODI partner organizations. The first meeting (Luxembourg, 11 July 2008) informed JODI organizations on Jeddah recommendations and sought their views on expansion of the initiative to collect annual data.

The IEF Secretariat is presently working on an annual questionnaire which will be submitted to all relevant countries by March 2009. The ultimate aim is to provide a good overview of investment plans for the medium term, which would help the transparency in the oil market substantially. Viewed over the longer term, we would then also be able to monitor progress in the implementation of planned investment. However, it is crystal clear that this important initiative can only succeed if Ministers indeed *do everything possible to ensure the submission of these annual data.*

# Assessment of participation in JODI

😊 Good 😐 Fair ☹️ Poor

The table below assesses the degree of JODI organizations<sup>1</sup> satisfaction with data provided by participants with regard to submission (S), timeliness (T) and completeness (C) for the period from January to June 2008. Not available (n.a.) when no submission from July 2007 to June 2008.

	S	T	C		S	T	C		S	T	C
Algeria	😊	😐	😊	Germany	😊	😊	😊	Norway	😊	😊	😊
Angola	😊	😐	😐	Greece	😊	😊	😊	Oman	n.a.	n.a.	n.a.
Argentina	😊	😐	😊	Grenada	n.a.	n.a.	n.a.	Panama	😊	😐	😐
Australia	😊	😊	😊	Guatemala	😐	😐	😐	Papua New Guinea	😊	😐	😊
Austria	😊	😊	😊	Guyana	n.a.	n.a.	n.a.	Paraguay	😊	😐	😊
Azerbaijan	😊	😊	😊	Haiti	n.a.	n.a.	n.a.	Peru	😊	😐	😊
Bahrain	😊	😊	😊	Honduras	😐	😐	😐	Philippines	😊	😊	😊
Barbados	n.a.	n.a.	n.a.	Hong Kong, China	😊	😊	😊	Poland	😊	😊	😊
Belgium	😊	😊	😊	Hungary	😊	😊	😊	Portugal	😊	😊	😊
Bolivia	n.a.	n.a.	n.a.	Iceland	😊	😊	😊	Qatar	😊	😊	😊
Brazil	😊	😐	😊	India	😊	😊	😊	Romania	😊	😊	😊
Brunei	😊	😊	😊	Indonesia	😊	😊	😊	Russian Federation	😊	😊	😊
Darussalam				Iran	😊	😊	😊	Saudi Arabia	😊	😊	😊
Bulgaria	😊	😊	😊	Iraq	😊	😊	😊	Singapore	😊	😊	😊
Canada	😊	😊	😊	Ireland	😊	😊	😊	Slovak Republic	😊	😊	😊
Chile	😐	😐	😐	Italy	😊	😊	😊	Slovenia	😊	😊	😊
China	😊	😊	😊	Jamaica	😐	😐	😐	South Africa	😊	😊	😊
Chinese Taipei	😊	😊	😊	Japan	😊	😊	😊	Spain	😊	😊	😊
Colombia	😊	😐	😊	Kazakhstan	😊	😐	😐	Surinam	n.a.	n.a.	n.a.
Costa Rica	😊	😊	😊	Korea	😊	😊	😊	Sweden	😊	😊	😊
Croatia	😊	😊	😊	Kuwait	😊	😊	😊	Switzerland	😊	😊	😊
Cuba	n.a.	n.a.	n.a.	Latvia	😊	😊	😊	Syria	n.a.	n.a.	n.a.
Cyprus	😊	😊	😊	Libya	😊	😊	😊	Thailand	😊	😊	😊
Czech Republic	😊	😊	😊	Lithuania	😊	😊	😊	Trinidad & Tobago	😊	😐	😊
Denmark	😊	😊	😊	Luxembourg	😊	😊	😊	Turkey	😊	😊	😊
Dominican Republic	😐	😐	😐	Malaysia	😊	😐	😊	United Arab Emirates	😊	😊	😊
Ecuador	😊	😊	😊	Malta	😐	😐	😐	United Kingdom	😊	😊	😊
Egypt	😊	😊	😊	Mexico	😊	😊	😊	United States	😊	😊	😊
El Salvador	n.a.	n.a.	n.a.	Myanmar	😊	😐	😊	Uruguay	😊	😐	😊
Estonia	😊	😊	😊	Netherlands	😊	😊	😊	Venezuela	😊	😊	😊
Finland	😊	😊	😊	New Zealand	😊	😊	😊	Vietnam	😊	😐	😊
France	😊	😊	😊	Nicaragua	😊	😊	😊	Yemen	😊	😊	😊
Gabon	n.a.	n.a.	n.a.	Nigeria	😊	😐	😊				

<sup>1</sup> APEC, Eurostat, IEA, IEFS, OLADE, OPEC, UNSD.