

# Energy Price Volatility

Noé van Hulst, Secretary General, International Energy Forum (IEF)

# Mitigating Energy Market Volatility

- ④ **IEA / IEF / OPEC cooperation**
- ④ **Shared analysis of future trends**
- ④ **Linkages - physical and financial markets**
- ④ **Enhancing data transparency (oil, gas, investment)**



# Significant Flexibility in Oil System

## 2011 is not 2008

	IEA*		OPEC*	
	2011	Change	2011	Change
World Oil Demand mb/d	89.4	+1.4	87.9	+1.4
World Oil Supply mb/d	89.4	+1.4	87.9	+1.4
Implied OPEC Spare Capacity mb/d	3.9		5.0	
OECD Commercial Oil Stocks mb	2676		2670	
	59.2 days		58 days	
IEA Emergency Stocks	1.55 bn			
Libyan Oil Exports (Temp. loss) mb/d	1.0			
Japanese Extra Oil Demand (Temp.) mb/d	0.15			

\* Based on April 2011 Oil Market Reports IEA / OPEC

# Gas Market Flexibility



- ⊕ **Excess Gas Supply Capacity:**  
Around 170 bcm in 2010 (IEA WEO 2010)
- ⊕ **Japan extra gas demand max 12 -15 bcm, extra LNG shipments already en route**
- ⊕ **Other countries, Germany: industry expects extra gas demand**
- ⊕ **Libya gas exports loss max 10.4 bcm largely compensated by other producers**
- ⊕ **Natural gas inventories across Europe are comfortable**
- ⊕ **Continued strong demand growth in Asia e.g. CNPC projects doubling Chinese gas consumption by 2015 around 230 bcm**
- ⊕ **Spot prices rising e.g. TTF +17% since January**
- ⊕ **Excess gas supply capacity may diminish faster than projected in the medium term**

**...and don't forget coal: extra demand from Japan, coal prices up.**

# Mitigating Energy Market Volatility

## Linkages between Physical and Financial Markets

### Objectives

- ① **Improve the understanding of the linkages between physical and financial markets**
- ② **Review the recent evolution of physical markets, including crude benchmarks; the evolution of energy-related financial markets; over-the-counter trading and its impact on price discovery and volatility; and the relationship between oil products and paper markets**

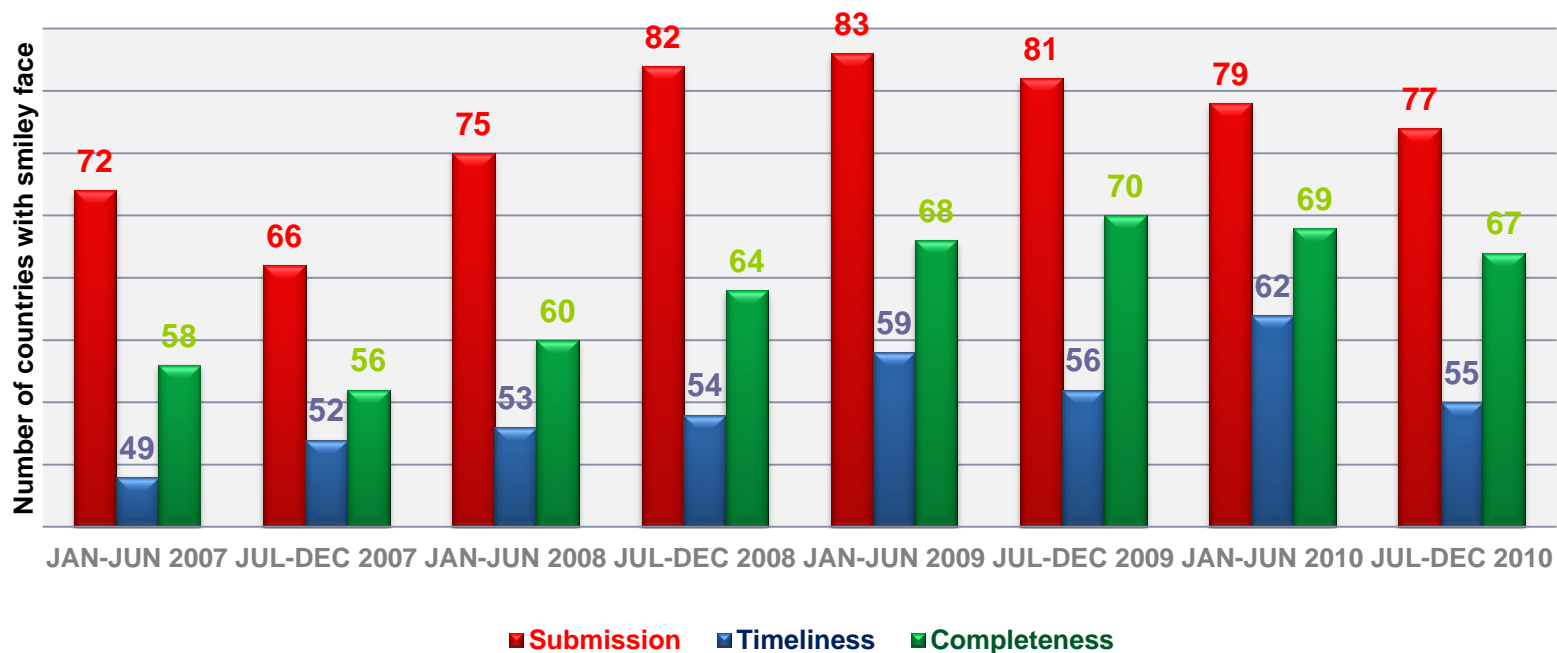
# Linkages between Physical and Financial Markets

- ④ **Emergence of oil as an asset class;**
- ④ **Shift of the centre of demand growth,**
- ④ **Evolving short-term price inelasticity of supply and demand;**
- ④ **Wide divergence of views: Fundamentals vs financials**
- ④ **Consensus: Greater transparency (oil inventories, OTC)  
Need for strong international co-ordination of regulation  
Continue “horizontal” dialogue between physical / financial oil markets → **Plan next meeting in fall 2011****

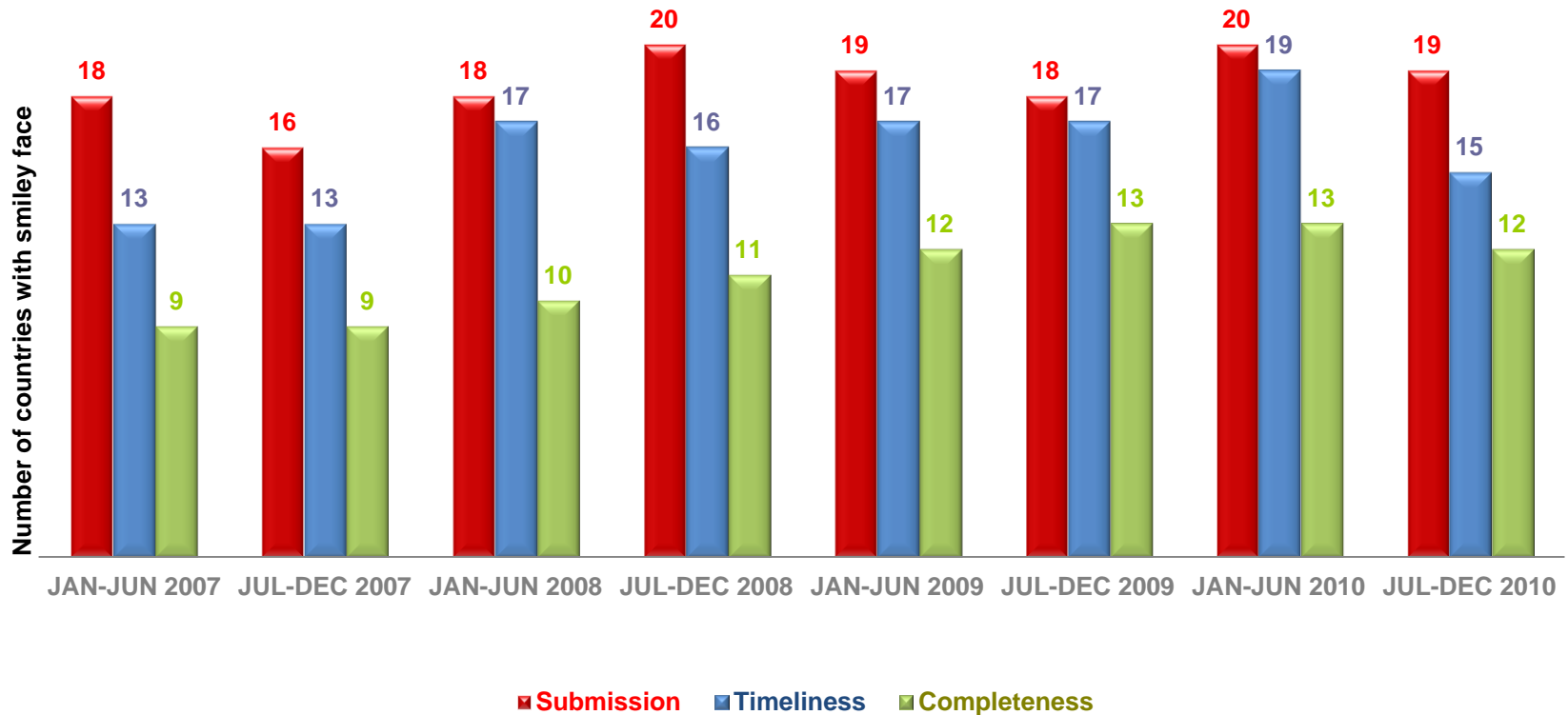


# Enhancing Data Transparency

- Report to G20 Finance Ministers (April 2011)  
Oil spot market prices - assessment by oil price reporting agencies
- Report to G20 Finance Ministers (October 2011)  
Price volatility of oil / gas / coal
- Joint Organisations Data Initiative (Jodi)  
**JodiOil** Performance



# Smiley Face Assessment Asia



\*Pakistan is not participating in JodiOil



# Improving the Quality of **JodiOil**

## Report to IEF Ministers & G20 Finance Ministers (April 2011)

### Jodi Organisations:

- ✓ **New tools / practices, enhance interaction with data users**
- ✓ **Training Statisticians, upgrade website / database**

### Countries:

- ✓ **Energy data offices better equipped / staffed**
- ✓ **Appropriate regulation and tackle confidentiality**
- ✓ **Target: 3 “Smiley Faces” before year-end 2011**

# Extension of JodiData to Gas and Annual Investment Data

**Monthly gas data JodiGas **

supply, demand, stocks



**Launch before end 2011**

**Cooperation with all relevant organisations**

(including GECF)

**Annual data, start with JodiOil **

capacity expansion, upstream / downstream

critical for demand / supply balance medium - term



**First results in 2012**

# The Way Forward



- ③ **Strengthen IEF's neutral facilitator role**
- ③ **Deliver results for IEF13 (Kuwait 2012) & G20 on:**
  - ③ **Transparency (Jodi-Oil/Gas/Investment)**
  - ③ **Investment (NOC-IOC, Jodi Investment)**
  - ③ **Sustainability (Energy Efficiency, Energy Poverty)**



**IEEF**



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