

Global Efforts to Stabilize the International Oil Market

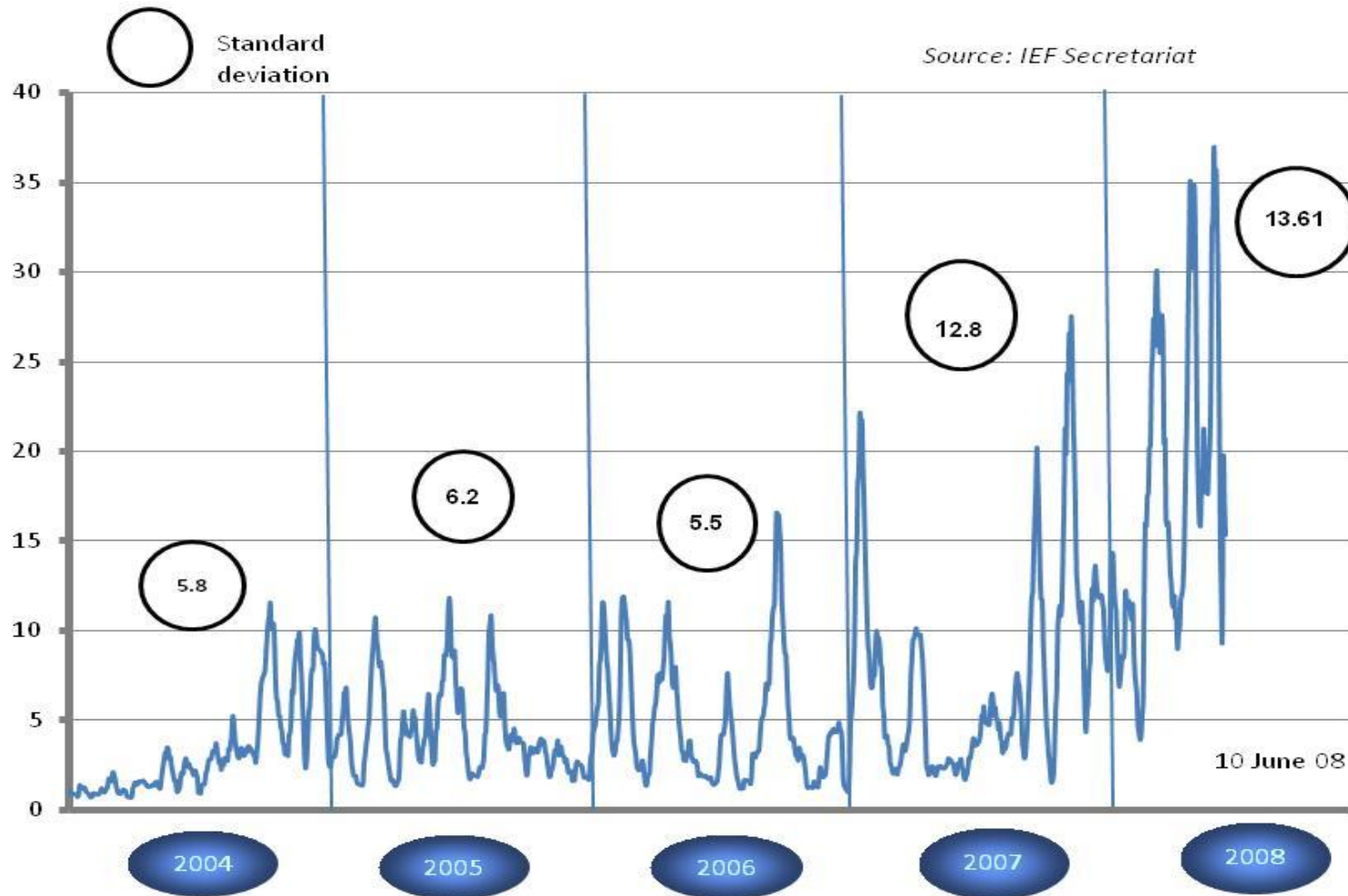
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Presentation based on the joint-paper prepared by

The Kingdom of Saudi Arabia,
The International Energy Agency (IEA),
The International Energy Forum (IEF)
and the Organization of Petroleum Exporting countries (OPEC)

Crude oil price movements (US \$/b) : intense volatility

Rolling variance of daily spot price of WTI relative to the mean of past 20 days (Month)



Causes of recent oil price developments (1)

Causes are multiple, complex and with varying degrees of influence

1- Market fundamentals-related factors

- Lower crude oil spare capacity
- Limited refining capacity, particularly conversion
- Fears of supply disruptions, driven by geopolitical concerns, accidents, weather and technical shut-ins
- Perceived market concerns over resource base and future supply
- Pressure of distillates on prices

Causes of recent oil price developments (2)

2- Other important causes, not related to underlying demand and supply trends

- Increasing interaction between oil and financial markets, making oil more of a financial asset
- Increasing investment inflows from financial institutions into oil (and other commodities) futures and OTC markets
- Uncertainties about monetary, fiscal, energy, investment, trade and environmental policies
- Unrealistic assessment of oil market situation and price projections by some entities

Consequences of oil price developments

Present oil price rise and persistent volatility, if unchecked, will be detrimental to long-term oil market stability and world economy

- Adverse impact on economic growth, especially in least-developed countries
- Higher inflation risks
- Increased flow of investment into alternative fuels
- Continued price volatility gives confusing signals to investors
- Increased activity of funds in oil futures markets, in spiraling effect

Joint and concerted efforts and follow-up

Current developments
require

CONCERTED, JOINT EFFORTS

from all parties

– **PRODUCING** and **CONSUMING** countries,
OIL INDUSTRY and **ALL CONCERNED PARTIES** –

to bring

STABILITY TO INTERNATIONAL OIL MARKET

for

BENEFIT OF ALL

Proposals for stabilizing international oil market

Taking into account the diverse national circumstances and priorities, as well as the shared interest in a stable global oil market and sustainable economic growth, the following proposals can be considered:

- Spare capacity throughout oil supply chain is important
- Appropriate increase in investment, both upstream and downstream, is necessary for timely and adequate supply
- Predictable energy and investment policies, and better access to technology, are necessary
- Enhance co-operation among international, national and service companies in investment, technology and human resource development
- Promote energy efficiency in all sectors, through passing on market price signals, technology transfer and sharing of best practices
- Intensify development assistance to alleviate consequences of higher oil prices on least-developed countries

Proposals for stabilizing international oil market (Cont'd)

- **Improve transparency and regulation of financial markets**
- **Enhance the quality, completeness and timeliness of oil data** submitted through the Monthly Joint Oil Data Initiative (JODI) and **start covering annual data** (e.g. upstream and downstream capacities and expansion plans)
- Immediate collaboration (IEA and OPEC, together with IEF) on **shared analyses of oil market trends and outlook**, as well as impact of financial markets on oil prices
- It is recommended to **convene a working group** to follow up needed actions from the highlighted proposals as appropriate

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Thank you