Energy Dialogue to Respond to Global Challenges

“Welcome Address”

I have the honour and great pleasure to give a warm welcome to all the participants to the 11th International Energy Forum that Italy with the support of India and Mexico as the co-hosting countries, will be hosting in Rome from 20 to 22 April 2008.

It is now seventeen years since the first meeting of the energy producing and consuming countries in Paris in 1991. The meeting in Paris was the start of the dialogue that since the year 2000 became the International Energy Forum. When we review the outcomes of this dialogue between producers and consumers we find that in addition to the growing number of participating countries and contribution of world energy leaders, many obstacles and barriers to international understanding and co-operation have been overcome, and that debate went deeper on practical elements and visions regarding our energy future.

The general theme of the 11th International Energy Forum is “Energy Dialogue to Respond to Global Challenges”.

In a world of increasing interdependences, enhanced dialogue between governments and between governments and industry is essential for meeting the energy challenges in a sustainable way. Clearly, consensus is not expected in all matters. All parties are aware of the responsibilities they must assume for energy markets to function well and to take the necessary action.

To ensure the involvement of the world energy industry, the Ministerial Forum of 21-22 April will be preceded by the 3rd International Energy Business Forum on 20 April. This is a full-day event allowing interaction between Ministers and energy industry leaders. Results of the International Energy Business Forum will be reported to the Ministers’ meeting.

The Ministerial Forum is organised along four sessions reflecting the main challenges ahead of us: Enhancing energy resource availability, Ensuring energy investment, Towards a sustainable energy future, The IEF for global energy security and dialogue.

Energy security connotations remain a key agenda item of the global energy dialogue. Rising world energy demand poses a formidable challenge to new energy supply. Long-term energy scenarios depend upon policies that governments around the world may adopt to diversify the energy mix and protect the environment. The role of natural gas in the future energy mix, its new supply routes, LNG prospects and the promise of biofuels are all subjects deserving discussion.

With regard to energy investment, industry has to deal with the increasing complexity of markets and associated risk factors while facing intensifying competition. Security of contracts and stability of legal environment and market regulation are a continuing concern. Uncertainties related to oil and natural gas supply and demand add significant obstacles to production planning and investment decisions.

Co-operation between international oil companies and national oil companies is a major opportunity while coping with the increasing costs, technology requirements and risks of large investment projects.

(Continued on page 23)
TRUE DIALOGUE:
FROM WORDS TO ACTION

IEF Ministers meet in Rome on 20-22 April 2008 at a time of unprecedented high energy prices and growing concerns about energy security, global warming and geopolitical tensions. The general theme of the 11th IEF is “Energy Dialogue to Respond to Global Challenges”. This theme is well chosen for two simple reasons. The first is that all of the main energy challenges are truly global today: high prices, energy security and CO₂ emissions. Nobody is immune to these and they affect every country. The second is that the IEF umbrella covers over 70 countries and they turn over more than 90% of global oil and gas production and consumption. In a world of increasing interdependence between producing and consuming countries, this impressive coverage alone establishes the IEF as an ideal platform upon which to build appropriate responses to these global challenges.

My message as new Secretary General is that constructive and frank dialogue in Rome is more important than ever and that this dialogue can and should deliver practical results to achieve more stability in energy markets. Why is it so important to be open and frank in the dialogue? Because only if all parties say what they really think and believe, can we hope to make progress. True dialogue is more than just a polite exchange of views. True dialogue means we not only send our own message to the receiving party, but that we seriously listen to what the other party has to say and are open to change or adapt our own view. Let me give a concrete example. We now see widely diverging views on the future share of biofuels in transport. Whether this will remain limited to a few percent or will rapidly grow to 20% or more makes a huge difference for oil investment decisions today. A frank dialogue between consuming and producing countries on this key topic may serve to arrive at a realistic joint assessment that can reduce this uncertainty for investment.

The consumer-producer dialogue cannot, however, live by words alone. True dialogue should also lead to practical results, to action being taken. I see two main areas in which this would be very useful. One is improving the transparency in oil and gas markets. In oil, a lot has already been achieved by the Joint Oil Data Initiative (JODI), co-ordinated by the IEFs. More timely and more complete data on oil consumption, production, trade and stocks help to improve transparency in the oil market and dampen oil price volatility, enhancing stability and predictability. The more transparent we make the market, the less room we leave for unfounded speculation and the closer we get to fundamentals. Although JODI has achieved a lot already, more progress is needed on all fronts: timeliness, quality and completeness. The IEF Secretariat calls for the consistent and sustained engagement of all countries to make JODI the standard source of monthly oil data. Investigating the extension of JODI to natural gas is definitely on our agenda, with inter-regional trade in gas growing rapidly- mainly through LNG. However, we should not expect any quick and spectacular results from this. Gas markets are not yet as global as those of oil and are much less transparent. And we have a long way to go in this area.

The second area where action is warranted is the investment framework. This has been a prominent topic on the agenda of the IEF ever since Amsterdam 2004. The time is ripe to identify practical ways to improve the conditions for investment in the oil and gas industry, both upstream and downstream. Consumer and producer countries as well as industry leaders consistently mention uncertainty as the greatest barrier to investment. The IEF Secretariat is now trying hard to “unpack uncertainty” by identifying key barriers to investment on both the demand and the supply side. Tackling these barriers can help reduce uncertainty and encourage investment. Let me mention just two of those factors here. One is the skilled labour shortages which increasingly delay existing investment projects and drive up costs. We need to dispel the image of the oil and gas industry as a dinosaur industry and promote the reality of a cleaner, more efficient oil and gas future in order to revitalise interest in the study of petroleum engineering and other key disciplines necessary to sustain the oil and gas industry in the next phase of its development. This is an important task and one which the IEF Secretariat may be able to address in conjunction with our partners in industry and IEF countries. Another key factor may be the escalation of risks and costs of complex investment projects across the value chain. Increased co-operation between NOCs and IOCs may help in mitigating these risks and costs. This again might be an area where the IEF Secretariat could be instrumental in achieving practical results to maximize the potential of this kind of co-operation.

It is my sincere hope and wish that Ministers and CEOs meeting in Rome can and will engage in a truly open and frank dialogue leading to practical results which will significantly improve the stability and predictability in energy markets, all to the benefit of the world economy and a healthy and sustainable growth of energy trade and investment. The valuable contributions of both Energy Ministers and CEOs in this IEFs Newsletter are highly promising in this regard and offer a very stimulating read.
Energy Dialogue to Respond to Global Challenges is the leading theme of the 11th International Energy Forum and 3rd International Energy Business Forum. The theme reflects the fact that to be able to cope with the continuing and changing challenges in front of us, energy exporting and consuming countries need to strengthen and further develop a constructive dialogue. The dialogue would contribute to identify and implement new solutions, international co-operation and partnership.

We considered it fundamental to facilitate an open and effective debate during the sessions of both the Ministerial and Business Forum.

To achieve this it was decided to build upon the experience of the 9th IEF in Amsterdam and 10th IEF in Doha. As a consequence, each session of the 11th IEF has a Minister chairing, a discussion panel and a moderator.

It is up to the Chair to introduce the subject and set the framework and scope. Sessions 1, 2 and 3 of the Ministerial Forum are chaired by the Ministers from the hosting country and co-hosting countries in a row. Session 4 is chaired by the Minister of the Kingdom of Saudi Arabia, the hosting country of the IEF Secretariat. Most of the Sessions of the Ministerial Forum have background papers. It was decided to ask the International Monetary Fund and World Bank to prepare documents on the macroeconomic impact of energy prices and on trends in energy investment, respectively. These documents would complement the papers prepared and presented by the IEA, OPEC and IEF Secretariats.

Members of discussion panels were invited to make their short statements to launch the debate while representing different viewpoints. Moderators should stimulate the discussion, raise issues, underline points of interest, converging and diverging views.

The International Energy Forum has a distinct and unique nature. Its participants can influence global energy policy today and in the future, nevertheless the Forum is not expected to issue any decisions or bring any agreements with direct or immediate impact on the world energy market and price levels. To ensure free discussion and dialogue the practice is to hold the entire Forum under the Chatham House Rules. Each participant in the Forum is free to use the information received, but neither the identity nor the affiliation of the speaker, nor that of any other participant, may be revealed.

The preparation of the programme of the Forum and the definition of its topics are the result of a co-operative effort by the hosting country, Italy, the two co-hosting countries, India and Mexico, and the IEF Secretariat in Riyadh which gave the Forum framework and content.

The IEF countries, the IEA and OPEC Secretariats as represented in the Executive Board, contributed to the identification of issues, priority subjects and directions as they appear relevant vis-à-vis a highly dynamic energy context and uncertain energy future. The International Support Group and Industry Advisory Committee provided the Executive Board and IEF Secretariat with advice and input.

The 10th International Energy Forum in Doha underscored the role of uncertainties in the energy markets and called for reducing risk through enhanced transparency of data and intention. It recognised the importance of access to energy markets as the role of developing countries in the dialogue is becoming more important. It emphasised the need to invest for future security and to rectify bottlenecks such as lack of trained personnel. The 10th IEF also called for measures to increase public awareness towards the changing energy trends while triggering prudence in energy utilisation.

In preparing the programme for the 11th IEF we endeavoured to ensure continuity of the dialogue on the topics that needed more discussion and exchange of ideas. For instance, more emphasis is given to the role of natural gas and biofuels in the present and future energy mix. Some of the topics, came to the top of the 11th IEF agenda because of events that had taken place since the 10th IEF in Doha. Further related topics, which were receiving extensive coverage in dedicated events, were not given prominence in the programme.

Basing upon former experience, it was decided to provide Ministers and Heads of International Organisations participating in the 11th IEF with ample room and facilities for their bilateral meetings.

Knowing it is impossible to meet everybody’s wishes and desires, we did our best to prepare a programme that we assume is able to serve the majority of interests and above all to secure the continuity and productivity of the dialogue.

Also on behalf of Executive Board delegates, we would like to thank all those who were generous with their inputs, ideas and time towards our task and we are looking forward to an interesting and effective Forum.
The first ministerial meeting between oil producers and consumers took place in the summer of 1991, seventeen years ago. Since then, the global petroleum and energy markets have confronted five major challenges.

The first major challenge, which I call the development of a globalized oil market, started in the eighties and took on defined shape in the nineties. The globalization of the oil market means that prices are decided freely within an open market, petroleum is directed to where the demand is, and buyers and sellers are fully integrated at the global level.

With the help of this globalized market, producers and consumers have been able to deal successfully with many problems with minimum impact on energy markets and wider economies. Crises such as the production cuts from Nigeria and Venezuela in early 2003, the halt of Iraqi oil exports in March 2003, the reduction of oil production from the Gulf of Mexico and damage to oil refineries in 2005 as a result of Hurricanes Katrina and Rita, and the loss of Alaskan production the following year were all met successfully within the context of this global market system. In other words, I believe this is a challenge we as producers and consumers have successfully met.

The second major challenge we are facing today is the recent flood of money into the oil futures markets from various directions, including hedge funds, institutional and individual investors, traders, and speculators. As an indicator of the scale of this development, I would note that paper markets have grown 45 times faster than physical markets over the last four years. Of course, there is a lot of debate about the impact of this new money and these new players in the oil market. Many experts believe that the influx of investments into the future oil market—which is also related to other financial developments such as fluctuations in the value of major currencies, the sub-prime mortgage crisis, and interest rate movements—are behind the increase of oil prices during the last eight months.

The third challenge is reducing harmful emissions from fossil fuels while at the same time making sure these sources of energy are available to contribute to higher economic growth and human prosperity, especially within developing countries. In this regard, I believe that we should avoid political or individual economic self-interest and focus instead on scientific and technological solutions such as carbon capture and storage, as well as efficiency in energy uses, cleaner burning fuel formulations, and more efficient engine designs.

The fourth challenge is dealing with the artificial fear about the availability of oil supplies, resources and production capacity. Frankly, I believe that this fear has neither a scientific nor an economic basis. Nevertheless, it is creating a perception of scarcity and is therefore helping to push oil prices higher and higher. Take for example the issue of petroleum resources: all respected petroleum engineers, geologists and upstream professional organizations believe that the world has enough petroleum resources to easily meet demand for at least the next 30 years. Yet, a handful of non-specialists are able to scare the world with theories about peaking oil reserves.

The second area related to fear and scarcity is the issue of production capacity. For example, we in Saudi Arabia have a current production capacity of 11.3 MB/D and 12.5 MB/D by year end 2009. Yet some people who have never actually visited Saudi Arabia and who have a limited scientific knowledge about production capacity and the oil industry in general (let alone the specifics of the Kingdom’s oil industry) lower their estimates of Saudi production capacity to the range of 10 to 10.3 MB/D. Regardless of their motivation in low-balling their numbers, they create a fear of availability of oil in case of supply shortage which bolsters oil prices.

The fifth challenge we face is the increasing level of engagement between food markets and production and energy markets and uses. For the last one hundred and fifty years, petroleum has been used to produce more and more and cheaper and cheaper food; at the moment, however, some food crops are being increasingly used as sources of energy for cars, planes and other transportation vehicles. Let us leave aside the wisdom of such policies and practices, and for the moment simply note that the energy and food markets are increasingly interlocked, not only at a national level but also at the international level. This is a major issue for all of us, and it requires a logical, scientific and economic approach if we are to optimize both energy use and food production.

In sum, the last four challenges indicate that we as producers and consumers still have collaborative work to do if we are to resolve the concerns and problems which affect the wellbeing of our citizens. One method, among others, to deal with these challenges is to strengthen the existing framework we have for multilateral co-operation and collaboration which includes both the International Energy Forum and its Secretariat.
The world is concerned about energy security, and justifiably so. Headlines trumpet the news of ever higher oil prices and warn of the dangers of global warming. Finding alternative sources of energy to complement existing resources and address these concerns is crucial. Various key actors in the world’s energy markets are already making decisions that will have a major impact on the fortunes of virtually every nation on earth. Our collective economic well-being is at stake.

Mexico shares these concerns. As one of the world’s main oil exporters—and also as a growing importer of oil products and energy technologies—Mexico has a considerable interest in stable energy markets.

It is crucial that energy prices reflect the true cost of bringing new resources to market for the consumers that need them. As a producer, we need to receive fair compensation for our oil reserves; as a consumer, we need to supply our domestic needs at prices that are consistent with economic growth. And like most countries, Mexico is vulnerable to the increasing effects of global warming. At the forefront of our energy strategy, we stress responsible policies that are compatible with sustainable development.

Mexico shares these concerns with many countries, and we know that they cannot be addressed unilaterally. International energy markets are far more integrated today than in the past century, when the first serious initiatives for energy co-operation appeared. One result of this has been to make it abundantly clear that, at least in energy matters, we are all in the same boat. If we hope to overcome the world’s current energy challenges, we desperately need greater dialogue, consultation, and effective co-operation between producers and consumers.

In an effort to promote closer energy relations and co-operation, Mexico has joined its neighbours to the North and South, as well as its partners in other regions. Mexico has worked to improve energy access and technical capacity in Central America. At the same time, we have participated in the drafting of conventions that allow for the peaceful use of nuclear energy.

Along the way, Mexico has worked to establish efficiency standards, improve the collection of statistical information regarding supply and demand, and develop new energy links for all of North America. Looking forward, we have appealed to our friends and partners throughout the world for greater scientific co-operation. Through bilateral and multilateral dialogue, we seek new and visionary ways to address our own challenges, as well as to help solve those of the international community.

Make no mistake, the struggle we face will be a battle. If we are to win, we must work more closely with international financial institutions, agencies for international co-operation, and other organizations to facilitate the construction of infrastructure in less-developed countries. In many developing nations, the lack of terminals, ports, roads, and other necessary facilities make it virtually impossible to realize the potential for energy co-operation. In short, there is insufficient funding for energy projects throughout the world, and the situation is worst in the regions that need it the most.

Mexico is delighted to participate in the 11th IEF, and we are honored to have been selected as host of the next IEF in 2010. We realize that this is a great responsibility. We accept the challenge, and we undertake it both solemnly and enthusiastically. Mexico is an emerging market with a strategic—-if not pivotal—-position, placed by fate between the developed and developing economic regions of the world. Our experience helps us to understand the needs of all regions; we believe that Mexico is ideally suited to help build bridges of co-operation between all countries…bridges that the world desperately needs.

Welcome!
The first meeting of the energy producers and consumers that took place in Paris in 1991 was the start of the dialogue Marathon. Since 2000 the dialogue is continuing as the International Energy Forum (IEF).

Since then, a permanent Secretariat has been established and, as of the Amsterdam Forum in 2004, the International Energy Business Forum (IEBF), bringing together politicians and energy industry leaders, has preceded the Ministerial Forum. The IEBF has been a welcomed addition to the dialogue process as it gives the operators of the Energy Industry a unique platform to air their concerns and needs for a more efficient and timely response to the challenges they have to address.

JODI, the Joint Oil Data Initiative, managed by the IEF Secretariat is developing well and increased political support will greatly enhance its effectiveness and benefits. Presently, JODI is limited to oil and will in time cover natural gas and other important sources of energy so as to include more elements and factors that influence the global energy balance.

Irrespective of what topics are chosen for the different sessions of both, the Ministerial and those with the industry leaders, the objectives of the dialogue remain unchanged from those of the Paris meeting in 1991.

In setting the agenda for the Doha Forum, held in 2006, we revised the format to encourage discussions beyond the listed topics and allow participants to raise issues they considered important and relevant. The unprecedented number of bilateral discussions that took place throughout the Doha Forum was a good indicator of the level of willingness and desire for better understanding of issues and readiness for co-operation in attempting to bridge gaps and jointly move along the road that leads to agreed objectives of mutual benefits.

The ultimate goal of the dialogue will remain to be full transparency of agendas leading eventually to joint planning of the global energy balance. There are numerous keywords that can be used in the search for energy security, however, transparency and co-operation will remain the most important.

We hope and expect that the Rome 11th International Energy Forum and the 3rd International Energy Business Forum will achieve more for all involved. We strongly believe that we are on the right path and all will eventually harvest the fruits of our sincere efforts in making the dialogue successful.
The 11th International Energy Forum is taking place at a decisive juncture. More than ever before, the political agenda is dominated by the question of a secure, affordable and climate-friendly supply of energy. More than ever before, dialogue and co-operation are important.

One issue in particular is predominant: the rising oil price. This issue was also at the heart of the last International Energy Forum in Doha. Anyone who hoped that the continuation of the dialogue outside the ministerial conference would steady the markets and bring about a lasting reduction in the price of oil has been disappointed. The oil price today is significantly higher.

For this reason, the International Energy Forum has taken on the task of co-ordinating a database for an exchange of information on the oil market. JODI, this first joint project, remains a vital task. We need a further improvement in transparency, and co-operation between the stakeholders needs to be expanded and consolidated. Timely, precise and reliable reports of all relevant data, and the participation of additional countries, are especially important.

Similarly, the concern about sufficient and timely investment to maintain a stable oil supply has become more pressing since Doha. Progress needs to be made on this.

There is no lack of explanations of the major fluctuations in price we have seen in recent years. Many stakeholders benefit from a high oil price – as long as demand does not collapse. On the other hand, a high oil price hits the poorest countries hardest. And it is also having an increasing impact on broad low-income sections of the population in less-poor countries. Energy bills are accounting for a rising proportion of consumer spending.

One key response to these challenges is energy efficiency. Energy saving is still the best energy source. Ensuring that energy is consumed economically, and giving top priority to energy efficiency, are not measures targeted against the producer countries. On the contrary: efficient use of oil and energy conserves resources and thus extends their lifetime, not least in the interest of the producers.

This means that producers and consumers gain time in which to prepare for a future energy mix with a higher proportion of new energy sources. They should start using the time now – and they should do so together. An enormous market is going to develop here. That already seems clear today.

The International Energy Forum emerged in the light of two oil crises. So far, the emphasis has chiefly been on a secure supply of what is currently our most important and most versatile fuel. Oil will remain the dominant theme of our dialogue for a long time to come.

But this much is already clear: as the dialogue becomes deeper and more established, it fosters an understanding of the interests, perspectives and constraints on both sides – consumers and producers. In this way, trust is built up. Both sides are becoming more and more focused on the interrelationships of a future global energy policy. Alongside security of supply, other increasingly important topics include the energy mix, efficiency, technology and climate protection.

The International Energy Forum can make a major contribution to a global dialogue reaching beyond the traditional issues relating to the oil market. It is the only organisation of its type which is open to any country which has questions to ask about a secure and sustainable energy future.

I am glad that Germany can continue to support the work of the IEF, both as co-host at the 12th International Energy Forum in Mexico in 2010, and as a member of the Executive Board.
The year 2008 could mark a milestone in the long history of petroleum, as the oil price crossed the highly symbolic threshold of $100 /barrel. This new development stirred debate all over the world, in oil exporting and importing countries, regarding its causes, sustainability and implications for both parties.

Indeed, whereas some perceive it as cause for alarm, others look at it as though it was a mere short-lived spike, in the current cycle of the petroleum industry. Yet a serene analysis of the current price environment, allows some interesting observations.

- There is a consensus that the current price include a significant share (up to one third according to several analyses) due to non market fundamentals;
- The yearly average price for 2007 was still lower than the highs reached in the early 1980’s, when put in real terms;
- The global economy has shown, over the last few years, a genuine resilience to this upward oil price path;
- The positive implications in terms of a more efficient use of a finite energy resource, less carbon emissions and a highly stimulating booster for the promotion of renewable energy sources, on the long transition road to a new economy.

From these observations, we can draw some conclusions regarding the challenges that the ongoing global energy trends raise for producers and consumers, but more importantly the multiple opportunities they offers for all stakeholders.

Indeed, if one third of the current price level is due to factors other than supply and demand, there is clearly room for producers and consumers to join force to reduce volatility, through better regulation of the speculative activities, increasing predictability, etc… OPEC has been calling for such joint effort through dialogues with various parties within the oil importing world but also with other oil and gas producers.

There is evidence today that the relatively slow expansion of the petroleum industry over recent years was to a great extent a result of the divestment in human capital over the previous two decades that followed the price collapse of the mid eighties. Industry should meet the challenge of balancing short term benefits of cost cutting, with the long term reward of a strong comparative advantage of investment in human resources, when opportunities are offered by the ever expanding global energy needs.

Algeria, like other petroleum exporting countries, has been actively looking for a shared solution to the common challenges facing oil producing and consuming countries. Hence, as an OPEC member it is an active proponent of dialogue with consumers, and as within the IEF it has been a committed member since its inception.

On the domestic front, Algeria has been for decades promoting the use of environmentally friendly energy carriers such as natural gas and LPG, to replace more polluting fuels. One positive side effect was to free more petroleum for export. For the same long period, Algerian oil industry has invested heavily to reduce flared gas to marginal levels. On the same track, Algeria has developed a major Carbon Capture and Storage (CCS) project in the gas prone region of In Salah, which is one the few such projects worldwide.

More recently, Algeria has launched an ambitious programme to develop the vast potential of its renewable energy sources, particularly solar. A first hybrid gas solar power plant, using the solar thermal technology is under construction and should be followed by others, with the objective of meeting 10% of the electricity need of the country by 2030 through renewable energy.

Apart from contributing to the dialogue and co-operation to meet the current challenge of stabilising oil market, Algeria is committed to implement an energy policy which includes environmental protection and to promote renewable energy sources. Thus, it is looking for co-operation with all stakeholders, including the industry and the research community to achieve its stated targets.

On the eve of our 11th International Energy Forum, we are looking forward to join force with interested parties to explore all avenues for co-operation to secure a sustainable energy path.
MINISTER GÜLER

“Energy Security and Producer-Consumer Energy Dialogue”

Energy, being the fundamental ingredient of economic and social development, continues to top the political agenda of every country in the world in the sense that, energy resources are limited and distributed unevenly in the world, while demand is continuously rising as populations grow and economic growth sustains.

Given this global situation, hydrocarbons will continue to be the fuel of choice for decades to come, but their development and production have entered a new phase. Reserves are large but finite, operations in new areas are becoming even more technically complex, and non-conventional hydrocarbons will form a larger part of the production base in the future.

It is obvious that the Middle East, North Africa and CIS regions with their vast oil and gas reserves, comprising the two thirds of the remaining oil and gas reserves of the World, will be the centre of gravity for future balancing of the supply-demand pendulum and will play the leading role in global oil and gas supply security.

Geopolitics steered by globalization and long term interests, will yield long-term strategic partnerships and co-operations. Both producers and consumers will have an impact on shaping the future and regional stability should strongly be supported. Limited energy sources of countries and increase in consumption have led the “self-sufficient energy” strategy of the countries to become “the development of international trade and regional integrations” strategy. Therefore energy trade is expanding rapidly, increasing mutual interdependence among countries and regions. Hence regional and inter-regional co-operation strengthens the global energy policy interrelationship in the energy world.

While energy markets around the world are more open now to trade, competition, and foreign investment than at any time in history, questions regarding market liberalization, transparency, and security of supply are pulling markets in the other direction. Competing forces seem to pit producers against consumers, development against sustainability, competition against regulation, and national issues against transparency. The solution is, to establish the economic linkages that connect producing countries to consumers increasing co-operation and creating a more stable, sustainable international environment.

For accessing and securing energy a well established and consistent co-operation among countries is needed. Governments must act decisively to accelerate the actions for this co-operation. Co-operative international research and development can promote effective energy policy and lay the groundwork for technology breakthroughs in clean, distributed energy sources that can benefit populations in the developing world.

In this context, the International Energy Forum (IEF) can encourage international dialogue and co-operation between energy consuming and energy producing countries by deepening dialogue among those involved in energy affairs, as well as enhancing transparency among governments by creating common energy databases. The Forum can also contribute to global energy security by converging producers’ and consumers’ policies to establish a win-win situation for both parties. Facilitating discussions on global energy security and encouraging producers and consumers to recognise the commonality of their interests is the only way of sustaining global economic growth, and the IEF is and will be expected to work towards achieving this goal.
An enormous challenge facing us today is ensuring reliable and affordable energy to the billions of people across the world. Inter-regional trading in crude oil and products accounts for over 50% of the global oil production. The global hydrocarbon supply chain is complex, covering large distances, different modes of transport spanning diverse geographical regions, a huge variety of products, etc. The supply chain is an important link between producer and consumer nations which drives the wheels of the modern global economy. Developing countries in Asia and Africa have to meet the growing energy needs of their people. Also, the geographical endowment of global hydrocarbon resources points towards an increasing interdependence in the future, with economies of both producing and consuming countries closely intertwined.

The turbulence in the international oil market over the past 5 years and record high oil prices are hard facts. The Speculators vs Fundamentals theory has generated a lot of debate but shed little light on the reasons for high oil prices. There is no denying the fact that structural shortcomings across the hydrocarbon supply chain are responsible for this situation and addressing them urgently should be a key focus for all of us.

Dialogue is the only method for addressing matters of such urgent concern in today’s globalised world. India is committed to this principle of dialogue among oil producing and consuming nations, based on trust and mutual respect for one another. India has taken the initiative to strengthen the process of dialogue by hosting Ministerial Round Tables involving major Asian consumers and producers. The first Ministerial Round Table was held in January 2005 and saw the participation of Middle East producers and major Asian consumers. This was followed by another Ministerial Round Table in November 2005 for sharing of perspectives by North & Central Asian producers and Asian consumers.

India has made significant contributions to the supply chain, particularly in the refining sector. During the last 10 years, India’s refining capacity has more than doubled from 62.2 million tons to 149 million tons. From a net product-importing nation, India has emerged as a major product export hub, with current exports of over 30 million tons. We have plans to add about 98 million tons of refining capacity in the medium term. In the area of exploration and production also, India has taken several initiatives. 6 rounds of the New Exploration and Licensing Policy (NELP), with attractive terms, have been held, inviting international bids and the seventh round is in progress currently. While we are relentlessly working on the domestic E&P sector, we are also encouraging Indian companies to take up E&P activities abroad. We believe in an investment climate that promotes free trade with lower barriers to investment. India will continue to strive to positively contribute to the world oil supply chain both in the Upstream and Downstream sectors.

India, an Executive Board member of the International Energy Forum Secretariat and co-host of the upcoming 11th IEF at Rome is committed to playing an active role in the emerging global energy scenario. The theme of the IEF “Energy Dialogue to Respond to the Global Challenges” reflects the most pressing global concern today. Beginning with the first step of bringing the producers and consumers together to share their perspectives, the upcoming IEF ministerial round attempts to embark on a path of collective action to respond to the energy challenges facing us. This is indeed a giant step forward. I am optimistic that our collective efforts in this sphere will take us forward and enable us to confront issues in a cohesive and concerted manner.
MINISTER NOZARI

“Dialogue and Co-operation: the Only Way Forward”

As Ministers and officials of the energy producing and consuming countries are gathering to meet in historical city of Rome for 11th International Energy forum, they can look back with some sense of satisfaction to achievements of the dialogue among themselves to tackle the numerous challenges in the international energy arena in the relatively short history of this process.

As a founding member of OPEC and one of the pioneers in oil production which will mark its 100th year as an oil producer this June, Iran has always promoted dialogue with other producers and consumers, since we believe that the challenges in this area are so complex, no single group can claim to have solutions for them on its own. In this connection, we took practical steps in the early 1990s to invite major consumers and producers for a meeting in the historical city of Isfahan. The success of this initiative prompted participants to institutionalize the dialogue in following years.

The challenges our industry has had to face in recent years has become even more complex, making co-operation among all parties involved vital for the smooth functioning of energy markets. I hope this forum will be successful in bringing closer the viewpoints of producers and consumers of energy to ensure the long term stability of international energy markets.

- It is our strong belief that the energy industry is an industry of peace and requires political stability for unhindered flow of investment which is a pre-condition for security of energy supply.
- Some consumers attempt at channeling funds for alternative energy sources without due consideration to their economic viability. The resulting inventory stockpiling will heighten the concerns of producers about surplus capacity expansion.
- Investments in cleaner fossil fuels by developed consuming countries which possess financial resources and technological capabilities will not only address environmental concerns but also help the issue of security of supply and demand.
- The fact that current oil price levels have little to do with market fundamentals and are more responsive to issues such as US dollar weakness as well as political and geopolitical concerns, for the sake of market stability, the function of speculators in the paper markets needs to be addressed.
- The gas sector which is much more capital intensive, and natural gas which is the fuel of choice for its environmental-friendliness, require greater support and encouragement from producers, consumers and the industry. All attempts must be directed to develop the required technology and financial resources.
- Co-operation in energy conservation and utilization in producing countries together with gradual elimination of subsidies will be a major step towards ensuring access to energy supplies. Both producers and consumers should implement policies supportive to this end.
- The transfer of alternative energy technologies, especially nuclear energy and clean fossil fuels, which are being pursued by major consumers, is the legitimate right of all consumers. Although Iran is a major and reliable energy exporter, because of its young population, it has no choice but to utilize all accessible forms of energy including nuclear energy. Our approach to this issue is also non-political.
I recently had a very fruitful dialogue with my counterpart, His Excellency Ali Al-Naimi, Minister of Petroleum and Mineral Resources of the Kingdom of Saudi Arabia. We had a very cordial exchange of views particularly on the effect of the spiraling cost of fuel in the global market. While agreeing on the circumstances which compel oil producing countries to increase prices, I am particularly concerned about the hardships faced by developing countries as consumers due to oil price increases.

The phenomenal rise in the price of oil has affected almost every country in the world except the producing countries; the most affected being the third world countries or the developing countries. The recent astronomical rise in the price has caused the virtual collapse of the economies of several developing countries and this in turn has affected the living standards of the ordinary people, even the matter of procuring basic essentials has become a serious issue. Therefore, it is very important to focus on the economic situation of the consumer.

I am now representing a consumer country. But very soon I will also represent a producer country. Even when my country becomes a producer, my focus will be to protect the consumer.

The oil price hike has affected the economic growth and indeed created a high rate of inflation resulting in the prices sky-rocketing to an intolerable height.

Needless to state, that oil is the major energy source on which agricultural and industrial activities are based, and in the absence of any alternative sources of energy at the moment, even the activities in these two areas have slowed down. Developing countries now find it extremely difficult to achieve their development targets.

The negative effect of this price hike, apart from lowering the living standards of the people, has made democratically elected governments of the developing countries targets of terrorist activities and destabilizes elected governments.

These are issues of such vital importance that it is hardly necessary to emphasize the need to address them by the International Energy Forum (IEF) in its forthcoming Ministerial meeting to be held in Rome in the month of April 2008. The agenda would be a multilateral dialogue amongst the member countries to find remedies such as alternative sources of energy, not excluding an appropriate mechanism to prevent further increase in the prices.

I would like to put forward a couple of important suggestions to be considered at the forthcoming International Energy Forum. I suggest that it is appropriate to monitor the comparative price increases and take remedial measures to minimize the negative effects.

I would further suggest that the attention of leaders of oil producing countries be drawn to the establishment of a Fund through which a certain percentage of price increase can be used exclusively to compensate developing countries.
### 3rd IEBF and 11th IEF Programmes

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>20 April 2008</strong></td>
<td><strong>3rd International Energy Business Forum</strong></td>
</tr>
<tr>
<td>09.00 - 09.15</td>
<td>Welcome Address</td>
</tr>
<tr>
<td>09.15 - 11.00</td>
<td>SESSION 1: Energy Partnerships</td>
</tr>
<tr>
<td>11.00 - 11.30</td>
<td>Coffee Break</td>
</tr>
<tr>
<td>11.30 - 13.00</td>
<td>SESSION 2: Energy Investments</td>
</tr>
<tr>
<td>13.00 - 13.15</td>
<td>Photo Session: Heads of Delegation</td>
</tr>
<tr>
<td>13.15 - 14.30</td>
<td>Lunch and continuing bilateral meetings</td>
</tr>
<tr>
<td>14.30 - 16.00</td>
<td>SESSION 3: Reducing Market Uncertainties</td>
</tr>
<tr>
<td>16.00 - 16.30</td>
<td>Coffee Break</td>
</tr>
<tr>
<td>16.30 - 18.00</td>
<td>SESSION 4: Technology and Human Resources</td>
</tr>
<tr>
<td>18.00 – 18.15</td>
<td>Summary Report to be reported to the 11th IEF</td>
</tr>
<tr>
<td>20.00 – 21.30</td>
<td>Welcome Cocktail</td>
</tr>
<tr>
<td><strong>21-22 April 2008</strong></td>
<td><strong>11th International Energy Forum</strong></td>
</tr>
<tr>
<td><strong>21 April 2008</strong></td>
<td><strong>11th International Energy Forum - Day One</strong></td>
</tr>
<tr>
<td>09.00 - 09.30</td>
<td>Official Opening Ceremony and Opening Address</td>
</tr>
<tr>
<td>09.30 - 12.30</td>
<td>SESSION 1: Enhancing Energy Resource Availability</td>
</tr>
<tr>
<td>12.30 - 15.00</td>
<td>Lunch and continuing bilateral meetings</td>
</tr>
<tr>
<td>15.00 - 18.00</td>
<td>SESSION 2: Ensuring Energy Investment</td>
</tr>
<tr>
<td>20.00 – 22.00</td>
<td>Gala Dinner</td>
</tr>
<tr>
<td><strong>22 April 2008</strong></td>
<td><strong>11th International Energy Forum - Day Two</strong></td>
</tr>
<tr>
<td>09.00 - 12.00</td>
<td>SESSION 3: Towards a Sustainable Energy Future</td>
</tr>
<tr>
<td>12.00 - 12.15</td>
<td>Photo Session: Heads of Delegation</td>
</tr>
<tr>
<td>12.15 - 14.30</td>
<td>Lunch and continuing bilateral meetings</td>
</tr>
<tr>
<td>16.30 - 16.45</td>
<td>Final Remarks</td>
</tr>
<tr>
<td>16.45 - 17.30</td>
<td>Closing Statement and Press Conference</td>
</tr>
</tbody>
</table>
The energy challenge confronting society is one of the defining issues of our generation. I like to think of it as three interrelated, partially conflicting goals. The first is to promote economic growth and reduce poverty around the world. The second is to supply sufficient affordable energy to fuel such growth. The third is to stabilize and reduce the emission of greenhouse gases that contribute to global warming. Put simply, the question is how to produce more energy while emitting fewer greenhouse gases.

The world’s current predicament limits our room to manoeuvre. We are experiencing a surge in the growth of energy demand due to rising population and economic development. After 2015, easily accessible supplies of oil and gas probably will no longer keep up with demand, so we need to develop a variety of additional energy sources, including unconventional oil and gas, alternative energy and nuclear. And even if we do develop and deploy all these resources, we will still struggle to match demand. So we must also find radically more efficient ways of using energy.

Shell’s new energy scenarios represent two different, equally plausible futures leading up to 2050. The first scenario, called Scramble, describes a world in which people fear that energy security is a zero-sum game, with clear winners and losers. Nations rush to secure energy resources only for themselves. Policymakers are hesitant to take measures to curb energy consumption – until supplies run short. Similarly, governments don’t seriously address greenhouse gas emissions until major climate shocks trigger reactions in society.

The Blueprints scenario describes a world of co-operation. Many coalitions at different levels of government create a patchwork of policies to take on the challenges of economic development, energy security, and environmental pollution. Gradually, policies converge across the globe. Cap-and-trade mechanisms that put a price on industrial CO₂ emissions gain international acceptance. Rising CO₂ prices in turn accelerate innovation, spawning breakthroughs. A growing number of cars are powered by electricity and hydrogen, while industrial facilities are fitted with technology to capture CO₂ and store it underground.

Looking at the world we live in today, we see both competition and co-operation. That’s not necessarily a bad thing. We need commercial competition that is rule-based and fair, and we need political co-operation that creates a global level playing field for companies, so they can help secure energy supplies and mitigate climate risk through innovation and new projects.

Countries that export energy and countries that import it are mutually dependent. Consumer countries want secure supplies, while producer countries require secure demand to justify large investments in their energy sectors. Moreover, climate change knows no borders. When it comes to greenhouse gas emissions, we are all in the same boat. It’s in all of our interest to row in the same direction.
The competitive advantage of the international oil companies (IOCs) has been traditionally based on their great experience in the sector, on great investor muscle and on advanced technological development. However, forty years ago the IOCs had access to over 85% of the global reserves and they negotiated almost lifelong concessions with the governments of producer countries.

Nowadays, the IOCs have access to only 14% of the proven global reserves and they are finding increasing difficulties in acquiring new oil and natural gas reserves. This new reality is translated into low reserve replacement ratios (RRRs).

It is clear that the IOCs are seeing that their entry into projects with great potential is limited. It is also true that the national oil companies (NOCs) have developed sufficient financing capacity in order to expand their business in the domestic and international markets, but what is important is not to overlook the fact that both the IOCs and the NOCs are facing a common challenge of great dimensions.

This challenge is the growing demand from emerging countries, a new environment that affects two-thirds of the world’s population. The size of the population concerned means that the availability of resources through exploration and the development of reserves is a crucial subject for the sector and for the world.

The world’s oil needs can only be covered by investment. The magnitude of the challenge needs all of the capital sources, of both the NOCs and the IOCs.

It is true that it has historically been the IOCs that have carried out over 70% of the global investments in both upstream and downstream, but both the dynamic of restricting access of the IOCs to the resources and the greater financial muscle of the NOCs determine the need to re-double the investments by everyone.

We must all be aware that the investment capacity is being limited by the new environment of price increases of metals and due to the lack of capacity in industry in both machinery and skilled manpower. It is worth setting out one example. The wholesale price indices related to the oil industry underwent an increase of higher than 160% between 2004 and 2007. This produces a situation in which the nominal increase in investments only makes it possible to cover the increase in inflation, while the real investments continues being at a rate below what is necessary to meet the challenge of growing global demand.

It is possible that the current environment of growing prices has led to a lack of confidence and difference in opinions between some parties and others but the challenge is common and unique for everyone. Mutual trust is of the utmost importance and the IEFS can contribute to this goal. Also, it would be very appropriate to carry out joint IOCs-NOCs projects that generate production increases in the short term at the lowest possible cost with the aim of not increasing the bottlenecks of the system even further. This joint effort entails giving the best of each one: the NOCs having access to the reserves and their growing financial capacity and the capacity to run large projects and to adapt to the technological and regulatory change of the IOCs.

Repsol YPF is an international integrated oil and gas company based in Spain and operating in over 30 countries. It is the leader in Spain and Argentina, one of the ten largest private oil companies in the world and the largest private energy company in Latin America in terms of assets.
Our industry deals with continuously increasing complexity. Technically, we are attacking deeper waters, harsher environments, heavier oils and tougher projects. Commercially, the competitive landscape is changing and the race for resources is more intense than ever. Politically, terms and conditions are under pressure all over the world. The resources we exploit influence the global power balance, generate cash flows that can make or break governments, and have a direct impact on all aspects of everyday life. Hydrocarbons go to the core of the challenge between energy security and demand on the one hand, and climate change on the other. It would be breaking news if resource access was easy or not a hot topic.

Our industry has an impressive track record in terms of meeting growing energy demand. I have no doubt that this will be the case also going forward. However, we have never had to deal with more complexity, and we have never been more dependent on working together to succeed. That is why I consider technology and collaboration to be our key instruments in the hunt for new reserves.

Beyond fiscal incentives, technology is key to commercialise smaller discoveries and to get maximum recovery and value out of existing reserves. It unlocks reserves in frontier areas, and it is often the pivot in competitions for new business or partnerships with national and international oil companies.

I think technology-driven, integrated oil and gas companies continue to bring important things to the table. First, we bring full value-chain skills. There is significant value to be added further down the chain. Second, technology is not primarily about hardware, but about the ability to drive, develop and apply technology in real projects. Going forward, integration skills will be in more demand than ever.

However, I think it is reasonable to ask if our industry now finds itself at a crossroads. Abundant capital is out there chasing limited traditional E&P opportunities. I think we are all now faced with a new game: How to accommodate interests and expectations in a world that has prospered even between $50-100/barrel:

- Governments have clear expectations in terms of resource rent and control
- National oil companies want to build their own industrial capacity to strengthen them at home and/or abroad
- Host societies have developmental aspirations that they expect oil and gas to underpin
- International oil companies answer to shareholders and depend on acceptable returns and governance
- Service companies want to get the maximum out of their niche expertise and capabilities

I don’t find any of these expectations unreasonable. Therefore I believe we now are in a phase of realignment and rebalancing of business models. The business models of the future will have to align interests in ways that create genuine win-win partnerships. They will be more collaborative and draw on best practice from companies and sectors. The companies that will be the best at striking the balance may also strike the best deals.

**STATOILHYDRO**

“We Are All Now Faced with a New Game”

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StatoilHydro is an international integrated energy company, based in Norway. The company is the leading operator on the Norwegian continental shelf (NCS) and has operations in 40 countries. It was established on 1 October 2007 following the merger between Statoil and Hydro’s oil and gas activities. The company has about 29,000 employees worldwide.
This is the first time the International Gas Union (IGU) addresses you directly through this newsletter by invitation of the International Energy Forum Secretariat, for which we are both grateful and honoured.

For those who do not know us, IGU is the world’s largest international forum of natural gas, currently covering 68 countries which represent over 95% of the gas traded in the world. Every triennium, its members – currently 100 between gas and energy organisations and companies – provide voluntary experts to the technical committees who conduct a number of studies and projects. These are presented at the World Gas Conference, on the closing of the triennium. The 24th World Gas Conference - which concludes the 2006-2009 triennium - will take place on 5-9 of October 2009 in Buenos Aires, Argentina.

This exchange of information and know-how – which encompasses topics from production well to burner tip, including related topics involving LNG, sustainable development, economics, regulation and geo-political issues – is the way IGU achieves its Mission, of promoting technical and economic progress, improving competitiveness and emphasising sound environmental performance, safety and reliability of the global gas industry.

However, IGU has also declared its Vision of serving as the spokesman for the gas industry worldwide through co-operation with Governments, policy-makers and international energy-related organisations, and it is here where we envision that this bonding with the IEF will establish a landmark in the history of IGU.

The last decade has displayed a clear trend of growing complexities surrounding crucial energy issues like security of supply, project financing, increasing operational and maintenance costs, and environmental concerns, which for now have been partially addressed, and mostly by means of a fragmented and regional approach.

It is in this context where high-level forums like the IEF, involving producers and industry leaders, as well as governments and authorities who represent the interest of the consumers, is crucial to debate and agree on equitable and sustainable schemes for both the energy value-chain and the end user.

Given the increasing role and responsibility natural gas is playing in the global energy matrix and, as a consequence, the huge amount of up front investments that the Gas Industry has to face, we are certain that IGU is in an excellent position to add significant value to these producer-consumer dialogues.

Some of the topics we believe are of interest to both organisations, which are currently being developed in the projects of our 2006 - 2009 Triennial Work Programme, are the following:

- Key drivers, obstacles and challenges of both corporate and government parties involved in the natural gas industry
- Key issues for long term partnerships
- Gas market integration
- Balancing the needs of security of supply and demand
- Sustainable development (in economic, operational and environmental concerns)

In these lines, we are very grateful for the invitation to attend the 11th International Energy Forum in Rome next month, where we hope to extend the relationship between our organisations, with the prospect of organising a joint meeting later this year. We are certain the outcome of this meeting will prove to be very valuable, and will provide grounds to further debate which we would be honoured to host during our next World Gas Conference.

The International Gas Union (IGU) was founded in 1931. It is a worldwide non-profit organisation with the present Secretariat located in Oslo, Norway. The objective of IGU is to promote the technical and economic progress of the gas industry. The members of IGU are associations and entities of the gas industries in 68 countries.
Representatives from the International Energy Agency (IEA) were among the small group of participants in the first meeting of what was initially called the “Producer-Consumer Dialogue,” which took place in Paris in 1991. This gathering, which sought to overcome the tensions between oil-producing and oil-consuming countries and focus instead on shared interests and concerns, was unprecedented at the time. Seventeen years later, the “dialogue” can only be called a great success, as Ministers and senior policy makers from over 90 countries have been invited to come to Rome for the 11th International Energy Forum (IEF) Ministerial meeting.

I would like to start by welcoming the new IEF Secretary General, Noé van Hulst. Mr. van Hulst brings a wide breadth of experience to this challenging position. A skilled policy maker with many years working on energy issues, he also spent over four years as one of the senior officials at the IEA. The IEF Secretariat will certainly flourish under his leadership.

Since its establishment in Riyadh in 2003, the IEF Secretariat has been given the mandate to further develop the “dialogue” between oil- and gas-producing and consuming countries. In addition to supporting the organisation of the biennial Ministerial meetings, the IEF broadened its scope to include the energy industry. The International Energy Business Forum integrates top-level executives from the major energy companies into discussion with policymakers. This new dimension underscores the important role of industry in energy issues ranging from investment to technology. One potential area for future IEF activity could be ensuring the development of human resources in the energy sector given the current shortages of skilled personnel.

The role of the IEF in improving data collection and dissemination has also been instrumental. In particular, the IEF should be congratulated for its outstanding contribution in building and running the Joint Oil Data Initiative (JODI). More work needs to be done, however, and the IEA looks forward to continued close co-operation with the IEF to further improve the quality and timeliness of oil and, perhaps eventually, gas data. In addition to collaborating on data, statistics and other energy-related subjects, the IEA is pleased to serve on the IEF’s Executive Board. These multiple and productive linkages between the secretariats ensure coordination and maximise the potential for synergies.

With oil prices surging past $100 per barrel and uncertainty characterising global energy markets, the ongoing dialogue between producers and consumers is more important than ever. The IEF is the appropriate facilitator, but member governments must provide both support and input. As Ministers convene in Rome, it is my hope that they will provide clear guidance for the future activities in which the IEF can add value.

In a relatively short time, the IEF secretariat has established a presence in the energy arena. The IEA is committed to continue its efforts to work and collaborate with the IEF. As long as there are energy producers and consumers, we will need dialogue.

The International Energy Agency (IEA) acts as energy policy advisor to its member countries in their effort to ensure reliable, affordable and clean energy for their citizens. It was founded in 1974 and is based in Paris.

Its mandate has broadened to incorporate the “Three E’s” of balanced energy policy making: energy security, economic development and environmental protection. Current work focuses on climate change policies, market reform, energy technology collaboration and outreach to the rest of the world, especially major consumers and producers of energy like China, India, Russia and the OPEC countries.

IEA’s member countries are: Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Japan, the Republic of Korea, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Slovak Republic, Spain, Sweden, Switzerland, Turkey, United Kingdom, United States.
One word: interdependence. In an era of globalisation, expanding international trade, instant mass communications, rapidly advancing technology and greater mobility; it is perhaps the word that most aptly fits the world in which we live.

And at the heart of all this is the global energy system, something on which the whole world depends. It is a system that is finely balanced and one where stability must be the mantra. The right decisions need to be made, as the interrelationships between economic growth, social progress, energy security and the protection of the environment become ever more fundamental. OPEC attaches great importance to this, which can be viewed in the Riyadh Declaration that concluded the Third OPEC Summit of Heads of State and Government in Saudi Arabia last November.

The Organization has long recognised the importance of adopting a multilateral approach to the producer-consumer dialogue. This includes being actively involved with the International Energy Forum Secretariat and the development of the Joint Oil Data Initiative (JODI), as well as conducting energy dialogues with the European Union, China, Russia, a number of other non-OPEC producers and the International Energy Agency.

As an industry inclusivity is paramount. We must continue to push existing and new avenues of co-operation with innovative thinking, collaboration, timely adaptation and swift action on key issues. It begs the question: what areas should we be looking at?

Whilst JODI has made much welcome headway in advancing the provision of accurate, reliable and timely data, improvements can still be made to ensure a better understanding of the market. We all know that certainty is vital. None of us want the volatility that has characterized the recent past, since it is damaging to all responsible parties.

What is important is to recognize that we are not just talking about historical data. For example, recent energy and environmental policy initiatives, involving subsidies for competing fuels and higher tax rates, tend to push towards a reduction in oil demand. We need to know exactly how these will play out given the long-lead times and major investments required. Over- or under-investment is not conducive to a well-balanced market.

Technology is an important area too, particularly in the promotion of cleaner fossil fuel technologies. This was highlighted at the recent OPEC Summit, with four Member Countries – Saudi Arabia, Kuwait, Qatar and the UAE – announcing that they would contribute a total of $750 million towards funding research into energy, the environment and climate change.

One such technology is carbon dioxide capture and storage, which is a proven technology and has a large economic mitigation potential. What needs to be recognized, however, is that developed countries, bearing the historical responsibility, and having the technological and financial capabilities, should take the lead in the development and deployment of this technology, as well as in its transfer to developing countries.

The human resource is a further area of concern and the difficulties in finding and hiring skilled labour need to be addressed at a global level. This means concerted efforts to restore this essential capacity, by facilitating education and training in energy disciplines, and making the industry an attractive career choice.

What is clear is that we need to co-operate with each other to promote synergies and drive real change in our industry that benefits all parties. Not just as producers and consumers, National Oil Companies and International Oil Companies, but as partners working together towards the shared objective of a stable and sustainable energy future in an increasingly interdependent world.

The Organization of the Petroleum Exporting Countries (OPEC) is a permanent, intergovernmental Organization, created in 1960. OPEC’s headquarters is located in Vienna.

OPEC’s mission is to coordinate and unify the petroleum policies of Member Countries and ensure the stabilization of oil markets in order to secure an efficient, economic and regular supply of petroleum to consumers, a steady income to producers and a fair return on capital to those investing in the petroleum industry.

OPEC’s member countries are: Algeria, Angola, Ecuador, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, UAE, Venezuela.
The International Energy Forum Secretariat (IEFS)

The IEF Secretariat was established following the Osaka announcement at the 8th IEF in Japan on 23 September 2002.

The Secretariat is a permanent body which provides the framework for informal yet substantive dialogue between oil and gas producers and consumers. Its role is to structure and co-ordinate the activities of the IEF and ensure the continuity and development of the dialogue. Exploring common ground between oil and gas producing and consuming countries, international organizations, and industry it seeks to foster the concept of interdependence and build confidence, exchange information and develop understanding of the underlying energy-related issues affecting the world community, especially as they relate to energy security.

The Secretariat is based in the Diplomatic Quarter of Riyadh, Saudi Arabia where it has been headquartered since its inception in December 2003. It is governed by a Secretary General responsible to an Executive Board of 15 IEF participating countries and two international organizations (IEA and OPEC).

The Mission of the Secretariat is:

To enhance and deepen the global consumer-producer dialogue on energy;

To promote the role of stable and transparent energy markets for the health of the world economy, security of supply and demand, and the expansion of global trade and investment in energy resources and technology;

By providing platforms to promote the study and exchange of views of the inter-relationship between energy, technology, environmental issues, economic growth and development;

By finding practical ways to enhance transparency in markets and investments;

The Secretariat seeks to foster and promote the relationship between the energy industry and the governments of oil and gas producing and consuming countries through the active involvement of the industry in the activities of the IEF. This manifests itself not only in the form of the International Energy Business Forum (IEBF) at CEO level, but also through the permanent Industry Advisory Committee (IAC) at expert level.

Executive Board (EB)

The Secretariat of the International Energy Forum is governed by an Executive Board comprising fifteen IEF countries plus the IEA and OPEC Secretariats.

The Executive Board is the only decision-making body of the Secretariat with decisions taking place, preferably, by consensus, but if necessary by simple majority vote.

Following each IEF a new Executive Board is selected by a core group of Board members under the chairmanship of the host country of the next IEF Ministerial. The host country is joined in this selection panel by their co-hosting countries, and the host and co-hosting countries of the previous IEF. Saudi Arabia, as host country of the headquarters of the Forum’s permanent Secretariat, completes the composition of the core group alongside the Secretariats of the IEA and OPEC.

Selection of the remaining members bears in mind the objective of securing an overall balance between consuming and producing countries, developed and developing countries as well as geographical spread. Due consideration is also given to the respective contributions of the countries to the IEF and the Secretariat as well as rotational needs.

The Executive Board meets at least twice annually at senior officials’ level to discharge its duties which include inter alia approval of the theme and programme of the biennial IEF Ministerial and IEBF as well as the Programme of Work, Budget and statements of account of the Secretariat.
International Support Group (ISG)

The Host Country and Secretariat are offered supportive expert advice and guidance on the Secretariat’s Programme of Work and on the theme and content of the IEF Ministerial by a group of committed IEF countries in addition to those represented on the Executive Board.

Previously known as the Informal Support Group, the International Support Group predates the IEF Secretariat and has long been the corner-stone of the agenda-building process for the Ministerial Forum. With a strong degree of institutional memory this well-established group is able to offer informed and supportive advice to each host country (and now also to the Secretariat).

The ISG’s suggestions as to the direction that should be taken with regard to themes and topics for the IEF and IEBF are considered by the Secretariat, Host Country and Executive Board in the formulation process for each Ministerial. The Secretariat increasingly also relies on this group of committed participating countries to guide and advise them on the enactment of the programme of work approved by its Executive Board.

As interdependence becomes increasingly important, so does the need to understand its complexities and the drivers behind its evolution. The global nature of this group of policy advisors and senior experts provides useful insight into the dynamic geopolitical arena and offers the IEF Secretariat opportunity to benefit from their combined insights and observations. This facilitates the agenda-building process and provides a rationale for action based on a synthesis of the group’s experiences.

Membership of this group is granted at the invitation of the Secretary General and Chairperson of the Executive Board although there is an automatic right of access for those countries that pay their contributions to the IEF Secretariat regularly.

Membership of the Group includes:

Algeria, Bahrain, China, France, Germany, India, Iran, Italy, Japan, Kuwait, Mexico, Netherlands, Norway, Qatar, Russia, Saudi Arabia, South Korea, South Africa, Turkey, United Arab Emirates, United Kingdom, United States of America, Venezuela, plus the EU, IEA and OPEC Secretariats.

Industry Advisory Committee (IAC)

The IEBF is supported by the Industry Advisory Committee which is currently drawn from the ranks of NOCs and IOCs headquartered in countries which are members of the International Support Group. The Committee was first convened in June 2005 at the invitation of IEF host-country Qatar.

The primary purpose of the committee is to provide input to the agenda-building process for the IEBF and through this association to reinforce the importance of industry to the dialogue process. The Secretariat will maintain constant contact with the IAC in the intervening period between Ministerials to develop and deepen its understanding of the industry perspective on dialogue issues and to leverage industry expertise in tackling those issues most pertinent to commercial solutions.

Membership in this group is at the invitation of the Secretary General and Chairperson of the Executive Board.

Current members of the IAC include:

ADNOC, BAPCO, BP, CHEVRON, CNPC, CNOOC, ENEL, ENI, GASTERRA, IOC, NIOC, KPC, NIPPON OIL, PEMEX, PETRONAS, PDV, QP, REPSOL YPF, SAUDI ARAMCO, SHELL, SONATRACH, STATOILHYDRO and TOTAL.
Sustaining IEF Countries’ Engagement and Performance

The objective of the Joint Oil Data Initiative (JODI), a high-level agreement, is to achieve a step change in provision of timely and accurate oil market data which is essential to the stability of oil markets. The Initiative, which started as a simple oil data collection exercise, expanded rapidly to become a World Database, with more than 90 countries, representing more than 90% of global oil production and consumption, and submitting oil data on a monthly basis to JODI.

Encouraged by the strong political support extended to JODI at various high-level fora, the IEF Secretariat, the coordinator of the Initiative since January 2005, co-operates closely with JODI pioneer organizations: the Asia-Pacific Economic Co-operation (APEC), the European Union through Eurostat, the International Energy Agency (IEA), the Latin-American Energy Organization (OLADE), the Organization of Petroleum Exporting Countries (OPEC) and the United Nations through the UN Statistics Division (UNSD), to improve the reliability and timeliness of JODI data. Other stakeholders such as the International Monetary Fund (IMF) are also associated to this work on various occasions.

Since the 10th IEF Ministerial in Doha, activities implemented by the JODI partner organizations to improve this objective cover the whole data collection and dissemination chain, from data providers (industry and participating countries) to data users (oil market players).

A JODI Manual was released in November 2006 with the objective of helping data providers and users in understanding the methodology and definitions used in the JODI questionnaire. JODI being a global initiative, the Manual was translated from English to French, Spanish, and Russian with other languages being considered.

Recognizing the importance of direct contact and interaction with JODI stakeholders, the IEF Secretariat and partners organize conferences to provide a platform for participating countries and data users to assess and debate the progress of the initiative; implement in situ regional training workshops on oil statistics for participating countries; and since 2007, the IEF Secretariat also offers short-term internships at its Riyadh Headquarters for officials from developing countries in charge of oil statistics collection and dissemination.

Within the last two years, the IEF Secretariat hosted the 6th International JODI Conference in November 2006 gathering more than 100 participants from more than 30 countries; three regional training workshops have been organized for Latin-American countries in Venezuela in August 2006, Sub-Saharan African countries in South Africa in January-February 2007 and Middle Eastern and North African countries in Algeria in October 2006; the IEF Secretariat held two internship sessions in July and September 2007 with participants from Azerbaijan, Myanmar, India and Vietnam.

The IEF Secretariat and JODI partner organizations responded to IEF Ministerial requests to include more oil flows in data reported to JODI and to expand, in due course, the initiative to include data of other sources of energy. They released to the public data on refinery intake and output in November 2006 and data on imports and exports in March 2008. Moreover JODI partners have implemented an expanded JODI questionnaire which is presently assessed by JODI organizations for a fixed trial period. The IEF Secretariat is also currently investigating the feasibility of extending JODI to natural gas in order to improve the transparency in the gas market.

Promotion of JODI is also crucial and the IEF Secretariat is networking with JODI data users to benefit from their comments and suggestions. In March 2008, the JODI website was redesigned to improve ease of use and accessibility. JODI principles are also being conveyed to countries that are not yet part of the initiative, and the Secretariat takes every opportunity to inform these countries, at all levels, about the benefit of being part of this unique inter-organizational initiative. They are also invited to attend regional workshops as observers.
The IEF Secretariat is committed to the objectives of JODI, its flagship activity, and will spare no effort to make this visible accomplishment of the consumer-producer dialogue an internationally recognized contribution to oil market stability. The successful training programme will continue in 2008 and beyond. A fourth training workshop for Caspian and Central Asian countries is presently being prepared to take place in June 2008 while a training workshop for South-East Asian countries should also take place fall 2008. Progress made on the expanded JODI questionnaire will be assessed on the occasion of a 7th International JODI Conference.

IEF Ministers gather at the 11th IEF Ministerial in Rome at a time of unprecedented high and volatile oil prices. The updated table of smiley, neutral and grumpy faces has been recently posted on the JODI website. The table reflects the degree of JODI partners’ satisfaction with data submissions from participating countries; it shows clearly that efforts from all the countries to improve performance in terms of timeliness, quality and completeness of data submitted to JODI must be sustained.

www.jodidata.org

“Welcome Address”

by H.E. Pier Luigi Bersani

(Continued from page 1)

Expanding the world’s conventional resources base will require deeper drilling, longer transport routes and facing more severe conditions. Soaring project costs and lack of technical staff offset part of the incremental investment which is being made during the most recent years. Non-conventional resource development and production can only be achieved with new technologies that are likely to be capital and energy intensive.

Concerns about energy supply and climate change have given new impetus to energy diversification and efficiency in consuming countries. Technological advances are contributing to modifying the energy mix. High expectations are put on technological development to find new resources, to develop and recover them at lower cost, to prepare low-carbon energy options, to use energy efficiently.

The potential for saving energy is huge. In view of their shared concerns, producing and consuming countries have a fundamental interest in taking measures to encourage the most effective production, transport and use of their energy.

Still in quite a few countries the cost of energy and access to it are an essential ingredient to their economic growth and social development. Access to energy under stable and affordable conditions might help reduce gaps between countries and contribute to poverty eradication. Again access would be better granted under policies that are conducive to global energy security.

Confronting all these challenges participants in the Forum may wonder if a new world energy order is achievable. I would say that the search for a new energy order entailing broader and increased international co-operation is our long-term goal. The 11th International Energy Forum in Rome can lay further ground to make this goal attainable.

Positive affirmation of security through timely action is the shared platform which may allow governments and industry to move ahead. Countries may wish to act to enhance energy availability and security while co-ordinating their initiatives.

Improved transparency of energy market fundamentals would help market stability, allow better assessment of future energy requirements and facilitate the definition of energy policies. Progress in the Joint Oil Data Initiative (JODI) is important to this end. Building upon four years of the JODI experience and success, it appears that information and data dissemination on all aspects of the energy system and best practice on market regulation and projects can help countries and their interests to better cope with an uncertain energy future while promoting international partnership and removing uncertainties.

Continuing our energy dialogue is the best tool we have. The International Energy Forum and its Secretariat have an essential role to provide the dialogue with continuity, content and direction. I believe that the mission of the Secretariat should be confirmed during the Forum and receive new impulse and vision.
The 11th IEF, hosted by Italy on 20-22 April 2008, marks seventeen years of informal and forward-looking dialogue on energy at the level of Ministers. In the IEF, Ministers of energy producing and consuming countries, of industrialized and developing countries, address issues of energy security and the links between energy, environment and economic development. Their global dialogue transcends traditional political, economic and energy policy dividing lines of nations at a time of increasing interdependencies. Recognizing the crucial role of industry, IEF Ministers interact with CEOs of leading energy companies in the International Energy Business Forum which preceeds the Ministerial Meeting.

The IEF Secretariat is an inter-governmental entity set up in December 2003 and headquartered in Riyadh, Saudi Arabia to enhance and provide continuity to this unique global Ministerial level dialogue on energy in which more than seventy key countries participate. The Secretariat also serves as co-ordinator of the Joint Oil Data Initiative with the support of APEC, Eurostat, IEA, OLADE, OPEC and the UN Statistics Division.

IEF Participants

ALGERIA ANGOLA ARGENTINA AUSTRALIA AUSTRIA AZERBAIJAN BAHRAIN BANGLADESH BELARUS BELGIUM BOLIVIA BRAZIL BRUNEI BULGARIA CANADA CHAD CHILE CHINA COLOMBIA CONGO (DR) CONGO (R) COTE D’IVOIRE CROATIA CUBA CYPRUS CZECH REPUBLIC DENMARK ECUADOR EGYPT ETHIOPIA FINLAND FRANCE GABON GERMANY GREECE HUNGARY INDIA INDONESIA IRAN IRAQ IRELAND ITALY JAPAN JORDAN KAZAKHSTAN KUWAIT LIBYA LITHUANIA MALAYSIA MALTA MAURITANIA MEXICO MOROCCO NETHERLANDS NEW ZEALAND NIGERIA NORWAY OMAN PAKISTAN PHILIPPINES POLAND PORTUGAL QATAR ROMANIA RUSSIA SAUDI ARABIA SLOVAKIA SOUTH AFRICA SOUTH KOREA SPAIN SRI LANKA SUDAN SWEDEN SWITZERLAND SYRIA THAILAND TRINIDAD & TOBAGO TUNISIA TURKEY TURKMENISTAN UAE UK UKRAINE USA UZBEKISTAN VENEZUELA VIETNAM YEMEN APEC EC GCC IAEA IEA IMF OPEC OLADE OPEC UN WB WTO

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The IEF website www.iefs.org.sa has been recently upgraded, we invite you to visit the site and give us your feedback.