CHANGES AND CHALLENGES

The world energy market is in a period of substantial changes and new challenges are in front of us. Profound transformation of the world economy, uncertain geopolitical developments, environmental and climate change constraints, all exert pressure on the supply and the demand for energy. The volatility and the high level of oil prices are detrimental for the sustainability of the world economy; they harm both producers and consumers. International frameworks for dialogue on trends and policies therefore become more necessary than ever.

The International Energy Forum with its high level meetings is the main arena for a global energy dialogue between producer and consumer countries, as well as energy industry, all of which need to make efforts to increase the stability and transparency of the international oil market. Our common interest is to create reliable instruments to improve the information available on the market. For this reason, I welcome the Joint Oil Data Initiative lead by the IEFS and I am pleased that Eurostat is actively contributing to its development.

Further strengthening of the EU’s international energy relations is one of my priorities. I believe that the internationalisation of energy policy is the only way to overcome the future common energy challenges. These challenges are not exclusively related to the availability of supplies, but also to sustainable development. On the demand side, energy efficiency needs to take priority in the development and implementation of energy policies at world level in order to reduce the pressure on the demand for resources. Both supply diversification and demand side policies are necessary having in mind the prospects for growth in energy demand and the environment and climate change constraints.

(Continued on page 8)
NOTE FROM THE SECRETARY GENERAL

The Road to the 10th IEF Ministerial in Doha in April 2006 passed through Rome, when host country Qatar convened the first meeting of the Informal Support Group of countries on 11 April 2005. The ISG advises the Host Country and co-hosts China and Italy on the agenda for the Ministerial that will focus on the theme “Energy Security, a Shared Responsibility”. Themes for the 2nd International Energy Business Forum, where CEOs will interact with Ministers back-to-back with the Ministerial, will be discussed at a meeting of the Joint Committee of oil companies of ISG countries that Qatar will convene in Vienna on 27 June 2005.

Regional and inter-regional energy co-operation is assuming increasing importance for global developments as we prepare for the 10th IEF Ministerial. Our April issue reported from the First Roundtable of Asian Ministers on Regional Co-operation in the Oil Economy hosted by India in association with the IEF Secretariat. In this issue H.E. Andris Piebalgs, the European Commissioner for Energy, highlights his focus on strengthening the EU’s international energy relations and H.E. Dr. Chakib Khelil, the Minister of Energy and Mines of Algeria and President of APPA, presents the results of the 2nd African Petroleum Congress. The Secretariat was associated with the final EuroGulf Conference (inter-regional cooperation between the EC and the GCC) hosted by Kuwait on 2-3 April 2005.

H.E. Mani Shankar Aiyar, the Minister of Petroleum and Natural Gas of India, presented his “Asian Energy Vision” when he gave the 1st IEF Lecture in Riyadh on 28 March 2005. This was the first in a continuing series that will offer Ministers an international platform from which to make major policy speeches when visiting Saudi Arabia.

The IEF Secretariat and the Royal Institute of International Affairs have agreed on a co-operative tie-up. The Secretariat will likewise co-operate with a broad range of research institutes in support of the global dialogue on energy in the IEF. Chatham House convened in association with the IEFS a Workshop on the International Energy Dialogue in London on 27-28 April 2005.

This issue introduces a new regular feature: “From Confrontation to Dialogue”. Here prominent energy personalities will share their perspectives on the producer-consumer dialogue – past, present and future. The first contribution comes from Dr. Helga Steeg, who served as Executive Director of the IEA from 1984-1994, crucial years in the development of more co-operative producer-consumer relations.

The CEOs’ corner of the Newsletter, which started in our last April issue with an article by the Chairman and CEO of ExxonMobil Mr. Lee. R. Raymond, continues with an article by the “Petroleum Executive of the Year”, the President and CEO of the world’s largest oil producing company Saudi Aramco, Mr. Abdullah S. Jum’ah.

The Executive Board approved at its Rome meeting the Financial Statements and Auditors’ Report for 2004 for the Secretariat. The Report along with the Secretariat’s annual activity report has subsequently been sent to all IEF participating countries from which voluntary financial contributions have been requested for 2005.

THE EXECUTIVE BOARD

The 9th Meeting of the Executive Board of the IEF Secretariat took place in Rome, Italy on 12 April 2005 and was chaired by Dr. Ramzi Salman of Qatar. Italy is a co-hosting country, along with China, for the 10th IEF Ministerial that Qatar is hosting in Doha on 22-24 April 2006.

The Executive Board approved the Auditors’ report for Secretariat activity in 2004 and requested the Secretariat to distribute the report to IEF participating countries. A number of administrative issues were discussed and new guidelines for revision and implementation of Programmes of Work were adopted.


The delegation of India informed the Executive Board of the outcome of the First Roundtable of Asian Ministers on Regional Co-operation in the Oil and Gas Economy convened by the Minister of Petroleum and Natural Gas of India, H.E. Mani Shankar Aiyar, in association with the IEF Secretariat in New Delhi on 6 January, and presented follow-up proposals.

The Executive Board was also informed of progress in the Secretariat’s co-ordination of the Joint Oil Data Initiative and a Secretariat commissioned study on Asian Energy Security funded by the Government of Japan. The Executive Board will hold its 10th Meeting at Secretariat headquarters in Riyadh in September/October 2005.
AFRICA IN THE GLOBAL DIALOGUE

The Republic of South Africa hosted the 6th IEF Ministerial in October 1998 bringing the African dimension of the global energy dialogue to the fore. South Africa is continuing its support of the IEF as a member of the Secretariat’s Executive Board. And South Africa will again be center stage when hosting the World Petroleum Congress in Johannesburg in September this year.

Energy is an area also of increasing regional attention and co-operation in Africa as confirmed at the Second African Petroleum Congress that took place in Algiers on 16-17 February 2005 under the auspices of the African Petroleum Producers’ Association (APPA). The Congress voiced an African energy ambition that no doubt will be increasingly heard in global contexts as well.

At the invitation of the President of APPA, H.E. Dr. Chakib Khelil, Minister of Energy and Mines of Algeria, Secretary General Walther had the honour to present the IEF and Secretariat activities to the Congress, underscoring also the importance of links between regional co-operation and the global dialogue endeavour at Ministers’ level in the IEF.

We are very appreciative of H.E. Dr. Khelil’s support of the IEF and the following contribution to the IEF Newsletter. After 19 years of service in the World Bank, Dr. Khelil returned to Algeria in 1999 to become Adviser to the President and Minister of Energy and Mines. He has since served also as President of OPEC, the African Energy Commission, OAPEC and APPA.

The Second African Petroleum Congress

by H.E. Dr. Chakib Khelil
Minister of Energy and Mines of Algeria and President of APPA

Algeria was pleased to host, under the High Patronage of His Excellency President Abdelaziz Bouteflika, the Second African Petroleum Congress which was held in Algiers, from 16 to 17 February 2005. An exhibition by oil companies held alongside the Congress, from 14 February up to the end of the Congress.

This second edition of the Congress followed two years after the maiden edition was held in Tripoli, Libya. As a continental event created by African oil producing countries on the platform of the African Petroleum Producers’ Association (APPA), this year’s edition of the Congress has further confirmed its potentialities as a prime oil and gas event in which major issues that are crucial to the growth and sustainable development of oil and gas and by extension, the African energy sector, are brought into sharp focus. Going forward, the Congress is bound to grow further in value and importance.

Apart from bringing policy leaders, corporate decision-makers and operators in the African oil and gas sector together, the Second African Petroleum Congress (CAPE II) also attracted the leadership of international organisations dealing with energy matters and international cooperation, including the International Energy Forum, OPEC, OAPEC, OLADE, AFREC, African Union and UNCTAD. By inviting the participation of these institutions, APPA once again demonstrated its willingness to seize every opportunity to engender and sustain dialogue with a broad range of stakeholders, on evolving harmonious hydrocarbon resource development strategies as well as global energy cooperation and security. It is my belief that a sustainable and beneficial development of the oil and gas industry requires this level of dialogue.

The themes of this year’s Congress, ranging from the risks and management of coastal pollution from oil production activities, oil revenue management, strategies for the reduction of gas flaring to the challenges and perspectives of training in the African oil and gas business, form issues of public policy interest and special importance to our Member Countries. Increasing international attention is also being drawn to some of these issues.

These pertinent themes were analysed and discussed in excellent papers presented during the Congress, with a number of far-reaching recommendations made. One of the major recommendations of the Algiers Congress was the creation of a multinational African company with rapid deployment capability to deal with coastal pollution risks and accidents arising from oil production activities. The initiative of Algeria in this regard was announced during the Congress and it was very well received.

Earlier on, APPA Council of Ministers held its Twenty-Second Ordinary Session in Algiers. All the twelve Member Countries attended the Session and six African countries attended as observers. Apart from reviewing progress on the implementation of the Association’s Sixth Programme of Action, the Council considered ways and means of further strengthening the Association.

The high points of the Council’s Session this year include the formal adoption of the Association’s vision and mission statements and the admission of two new Member Countries, Chad and South Africa, into the Association.

(Brief on APPA on page 4)
H.E. Mani Shankar Aiyar, the Minister of Petroleum and Natural Gas of India, presented his "Asian Energy Vision" when kindly accepting to give the First International Energy Forum Lecture in Riyadh on 28th March 2005. The Lecture attracted more than 130 Saudi officials, foreign Ambassadors, oil company executives and media. It was held in conjunction with the Minister’s official bilateral visit to Saudi Arabia.

Spearheading a new and dynamic Indian energy diplomacy, Minister Aiyar outlined how India is meeting the formidable challenge of securing the increasing amounts of energy, especially oil and natural gas, needed to fuel the country’s rapid eco-economic development in a sustainable way. The Minister highlighted the enhanced awareness of complementary Asian producer-consumer interests that emerged from the First Roundtable of Asian Ministers on Regional Co-operation in the Oil and Gas Economy that he convened in New Delhi in January 2005 in association with the International Energy Forum Secretariat. He underlined the increasing importance of the Asian dimension of the global energy dialogue within the IEF.

The IEF Secretariat was proud to host this first of what will be a continuing series of lectures, offering Ministers an international platform from which to make major policy speeches when visiting Saudi Arabia.

(Please find the conclusions of the Delhi Roundtable of Asian Ministers and a special article by Minister Aiyar in the April edition of the IEFS newsletter).

BRIEF ON APPA
by Executive Secretary Dave Lafiaji

The African Petroleum Producers’ Association (APPA) is an intergovernmental organisation created in 1987 in Lagos, Nigeria, to serve as a platform for African petroleum producing countries to cooperate, collaborate, share knowledge and competence; it aims to promote common policy initiatives and projects in all facets of the petroleum industry with a view to maximising the developmental and welfare benefits accruable from petroleum exploitation activities in the Member Countries in particular and in Africa in general. It is an organisation committed to seeking understanding, cooperation and partnerships primarily within but also outside the African continent.

APPA currently comprises fourteen member countries namely, Algeria, Angola, Benin, Cameroon, Chad, Democratic Republic of Congo, Congo, Cote D’ivoire, Egypt, Gabon, Equatorial Guinea, South Africa, SPLAJ (Libya) and Nigeria. Altogether, these countries account for more than 80% of Africa's oil and gas reserves and more than 90% of its current oil output.

The Association is determined to work vigorously with regional as well as international organizations/institutions such as the IEF Secretariat in the process of transforming its vision into continuing beneficial results for its Member Countries.

APPA sees its long-term role as that of a strategic focal point in hydrocarbon energy matters in Africa.
FUELLING THE FUTURE
Energy Security, a Shared Responsibility

by Dr. Ramzi Salman,
Chairman of the Executive Board of the IEF Secretariat

The development of the producer-consumer dialogue since it was first held in Paris in 1991 has gone well beyond all expectations. Since 1999 the dialogue has been conducted in the biannual International Energy Forum, the last of which was held in Amsterdam with the participation of seventy countries and International Organisations.

Qatar, supported by China and Italy as co-hosts, will be hosting in Doha the 10th International Energy Forum, as well as the 2nd International Energy Business Forum, from 22 to 24 April 2006. Preparations for the Forum are well on their way. The IEF Secretariat, established in 2003 to provide the framework for informal dialogue between oil and gas producing and consuming countries on issues across the whole energy spectrum, is assisting in these preparations.

As host, Qatar will try to find the perfect match between its position as a supplier of energy whilst reflecting on its rich heritage of Arab customs and traditions. The intention is to create an informal and relaxed atmosphere, which will encourage open, intense dialogue and active participation by all delegations. In addition to an interesting and challenging agenda, Qatar will focus on practical elements, which it hopes will contribute to and support such an atmosphere. On top of this, Qatar wishes to recognise that the 10th IEF represents an important milestone in the 15 year history of the Dialogue.

With the increase of world energy demand, both energy exporting and importing countries face unprecedented challenges. Present and future supply and demand fundamentals need to achieve a sustainable balance. Significant and sustained investments are required throughout the whole energy chain to secure the continuity of present production and to compensate for capacity constraints in the face of increasing demand.

Energy is essential to the world economy. To harness it as a catalyst for economic growth and optimise its value for all parties, stable, transparent and non-discriminatory markets are a prerequisite. However, the market is influenced by many externalities, which contribute to uncertainty and emphasise or create impediments to sustainable development both in producing and consuming countries. Bilateral and regional dialogue has its place and its positive contributions are often witnessed. However, recognising the global nature of energy markets and the need for transparency on the same scale, an international dialogue at the highest political level is essential to bind together the individual efforts of sovereign nations.

Ministers play an effective role in instigating legal frameworks and national policies conducive to stability, transparency and commercial viability in the energy market. The means by which to accomplish a stable market and equitable access to energy are firmly established as core objectives of the consumer-producer dialogue.

Ministers gather at this Forum to discuss bottlenecks, problems and potential solutions. It is for policymakers to recognize that achieving the objective of easy access to energy for all is a responsibility shared by both producers and consumers.

It is therefore that the 10th International Energy Forum will focus on the theme “Energy security, a shared responsibility”.

Dr. Ramzi Salman, Advisor to the Second Deputy Prime Minister, Minister of Energy and Industry of Qatar has previously served as Deputy Secretary General of OPEC.
JOINT WORKSHOP

The Royal Institute of International Affairs (Chatham House) convened a workshop on the International Energy Dialogue in London on 27-28 April 2005 in association with the Iefs. Themes included regional dialogues, WTO and trade, investments, demand and market conditions as well as sustainable development.

In his introductory statement to the Workshop, Secretary General Walther presented the political level producer-consumer dialogue in the IEF and Secretariat activity. He underscored the relevance of workshop discussions and background papers to the on-going development of themes for the 10th IEF in Doha on 22-24 April 2006, where issues relating to energy security will be brought to the fore.

Chatham House will refine background papers presented to the workshop in light of discussions as further input to the development of themes for the next IEF Ministerial. The Workshop was chaired by Mr. John Mitchell, Associate Fellow at Chatham House.

Dialogue under the Microscope

by John Mitchell

What processes and institutions can advance the objectives discussed at the Amsterdam IEF in May 2004?

That was the question posed to the workshop organized by Chatham House, the independent London think tank, in association with the Secretariat of the International Energy Forum, and attended by senior government officials from fourteen IEF participating countries, academic researchers and company executives.

Academic experts highlighted the absence of any agreed process for cooperation between importers and exporters in responding to short-term and temporary price disruptions (up or down). Organizations like the WTO, to which more and more oil exporters are seeking accession, do not deal with price instability.

The WTO and related GATS and TRIMS agreements do however, affect state trading, subsidies and access to service, and could possibly give an opening for negotiation about consumer taxation.

In contrast to the vacuum on price issues, there are many initiatives on obstacles to foreign investment: plurilateral agreements such as the Energy Charter Treaty and NAFTA, regional dialogues centred on the EU, and a network of US bilateral agreements. In Asia high-level political meetings set an environment for bilateral agreements related to specific cross-border projects.

The longer-term transition to a more sustainable energy system was linked to the economic sustainability of resource-exporting countries.

JOINING HANDS

The International Energy Forum Secretariat and the Royal Institute of International Affairs are co-operating in their mutual endeavours to promote global, sustainable energy development. A special focus of co-operation is on issues related to energy security and the links between energy, environment and economic development.

The co-operative tie-up envisages annual exchanges of information on activities carried out and planned with a view to agreeing on joint activities as appropriate. The websites of the Iefs and Chatham House provide links to the website of the other.

The Iefs will co-operate with a broad range of research institutes as part of its mission to support and enhance the global dialogue on energy at the level of Ministers in the International Energy Forum.
CEOs’ CORNER

Mr. Abdallah S. Jum‘ah, President and Chief Executive Officer of Saudi Aramco was recently selected the Petroleum Executive of the Year for 2005 by the Energy Intelligence Group. He began his career in Saudi Aramco in 1968 and has since 1995 served as President and CEO of the world’s largest oil producing company, managing a quarter of the world’s total oil reserves. Mr. Jum‘ah also serves on the company’s Board of Directors and on the Supreme Council of Petroleum and Mineral Affairs chaired by H.M. King Fahd of Saudi Arabia.

In this continuing “CEOs’ Corner” of the Newsletter, Mr. Jum‘ah gives his industry perspectives on energy challenges ahead as we approach the 10th IEF Ministerial and the Second International Energy Business Forum in Doha in April 2006.

Energy is the prime mover of world economies, and indeed of our civilization. Consequently, the availability of stable and adequate energy supplies is central to sustainable economic development.

The availability of stable energy supplies, however, is impacted by complex and evolving factors. Developed nations have a large and mature base of energy consumption, while their growth rates are relatively moderate. On the other hand, developing nations currently have a smaller base of consumption, but higher growth rates. Available information on the future, and even current, demand varies in quality and entails many uncertainties. At the same time, the gap between the consumption and indigenous production of energy around the world, of oil in particular, is growing, leading to more petroleum trade. The rapidly increasing trade in all products, including petroleum, is a welcome development, as it leads to interdependence, reduced barriers between nations, and a more integrated and harmonious world. Looking at energy markets, oil in particular is increasingly becoming a “financial” commodity, as well as an economic input for end-users. The future availability of alternative sources of energy and technologies provide additional dimension to the global energy scene.

In this environment, keeping abreast of economic developments across the globe and developing deep understanding of demand growth patterns, supply-side issues, and long-term energy objectives of governments, is essential to reliably meeting energy demand. Achieving this objective clearly requires a two-way flow of information between consumers and producers.

Certainly, free markets have a role in commercially meeting the world’s energy demand. However, governments, and the industry, also have a responsibility to consumers when it comes to further lightening the environmental footprint of energy products. They also have a legitimate role in policy-level energy planning, oversight of financial markets, and ensuring that various energy sources are offered a level playing field that would enhance energy supply prospects.

With growing international oil trade, government involvement in facilitating cross border pipeline trade and managing sea lanes and strategic channels is also a foregone conclusion. So, appropriate government involvement in the energy business serves a useful purpose. However, if such involvement were to interfere with the smooth and economic running of businesses, it could lead to inefficiency that would run counter to the long-term public interest. These pros and cons call for a delicately balanced partnership between governments and industry.

Energy businesses involve long time horizons. In the case of oil, investments in exploration and discovering sufficient reserves well ahead of the need to develop them, as well as production flexibility, are important factors in ensuring global supply reliability. Well-run national oil companies, which are less prone to short-term investor pressures, play an important role in helping the world meet the need for reliable oil supplies. In fact, the foundation of Saudi Aramco’s strategic direction includes providing energy to the world, actively supporting the further development of Saudi Arabia’s social and economic capacity, while fulfilling corporate social responsibilities in the international arena. And, at the same time, we maintain a strong commercial focus.

I have no doubt that despite complexities and challenges, the industry will meet the world’s energy demand, with national and international energy companies playing their appropriate roles. This enterprise will be facilitated by a robust consumer-producer dialogue, and by governments and industry partnering, while keeping in mind both public interest and the companies’ needs for legitimate profits.

I would like to conclude by stressing the importance of the Joint Oil Data Initiative spearheaded by the International Energy Forum Secretariat. This initiative will undoubtedly contribute to better information for both producers and consumers, thus enhancing the planning and reliability of future energy supplies. This will be of valuable service to the world economy, and the fulfillment of people’s ambitions for a better life around the world.
EUROGULF

Kuwait hosted the final high-level conference of the EuroGulf project between the European Commission and Gulf Co-operation Council in Kuwait City on 2-3 April 2005 in association with the IEF Secretariat. The conference was inaugurated by H.E. Sheikh Ahmad Fahad Al-Ahmad Al-Sabah, Minister of Energy of Kuwait and President of OPEC and H.E. Andris Piebalgs, the European Commissioner for Energy. Key-note speeches were also made by heads of the IEF, IEA and OPEC secretariats underlining the importance of inter-regional EuroGulf cooperation also in perspective of the global producer-consumer dialogue endeavour.

The conference gathered senior officials of EU and GCC countries, academic experts, consultants and company representatives. Topics and project proposals discussed included: economic and political conditions for energy security, efficiency and transparency of international oil markets, prospects for GCC gas consumption and exports to the EU.

The IEF Secretariat hosted the first EuroGulf Workshop in Riyadh on 5-6 April 2004. EuroGulf is a research project on EU-GCC energy relations supported financially by the European Commission and involving a consortium of European and Arab research institutions.

In conjunction with the Conference, the IEF Secretary General had the opportunity to brief Energy Commissioner Piebalgs in a separate meeting further on Secretariat activity and discuss co-operation. The Commissioner confirmed the importance that the European Commission attaches to the producer-consumer dialogue at political level in the International Energy Forum and continued support. Eurostat is a partner in the Joint Oil Data Initiative co-ordinated by the IEF Secretariat. The EC participated in the first meeting of the Informal Support Group (see page 12) for the forthcoming 10th IEF Ministerial. The EC was itself co-host when Venezuela convened the 4th IEF in 1995.

Changes and Challenges by H.E. Andris Piebalgs (continued from page 1)

The European Union is developing regional strategic partnerships with its neighbours, its main suppliers and its transit countries. Security of supply is of paramount importance for the EU, as our external supply dependence is increasing. At the same time, we are progressing well in the process of establishing the most integrated energy market in the world able to provide security of demand for suppliers. The EU has opened its market to foreign investors and suppliers, and we would like to see this also happening in other areas of the world.

The integration of the EU internal energy market goes hand in hand with regional integration initiatives in the energy sector covering the South East Europe countries, the Mediterranean and the Middle East. Russia is a key partner for the EU and an extensive energy dialogue has been developed since 2000. The European Commission has also established an energy dialogue with Norway. Last year the Commission launched new initiatives aiming at boosting regional energy cooperation and integration for the Caspian countries. Energy cooperation is being enhanced with Ukraine. With the Gulf Cooperation Council we are carrying out the Eurogulf project in cooperation with the IEF. On the 9th of June we had for the first time a bilateral Energy Dialogue meeting with OPEC. Irrespective of oil price levels, this high level dialogue with OPEC should lead to a permanent exchange to identify, analyse and overcome common challenges. Equally important, and now developing rapidly, is an effective consumer-consumer dialogue, notably to spread new energy efficient and sustainable technologies, to jointly address the challenges of high energy prices and global warming.

I am convinced that the above regional and bilateral cooperation incentives will reinforce and make more effective the global dialogue at the IEF.

The next 10th IEF Ministerial meeting in Qatar in April 2006 will mark 15 years of dialogue between producers and consumers. This is an important success.

The Qatar meeting will be a good opportunity to make an evaluation of results and further possible improvements. If we want to reduce uncertainty and favour investments in the energy chain, we should discuss the world trends for supply and demand in the short and medium term. We have to examine which policies need to be implemented both by producer and consumer countries to increase the transparency and effective working of the market in order to get a stable global oil market and price. On the demand side, the dialogue should focus on the role of energy efficiency measures and diversification policies, which should become a priority at world level. As remembered above, we have to find ways to make effective policy co-operation and pooling of resources for the research and development of clean technologies. Finally, we must provide solutions to improve co-operation between producers and consumers in order to facilitate the access to energy of the large part of the world population which is still without it.

We have to take up this exercise again to face the challenges of the future. Different countries are facing now common energy problems and only with a dialogue we will be able to find the necessary common solutions. The IEF meeting provides us an excellent framework to achieve this goal.

H.E. Andris Piebalgs took up the post of European Union Energy Commissioner in November 2004. He has previously been Minister of Finance and Minister of Education of Latvia and served as his country’s Ambassador to the EU and Estonia as well as Deputy Secretary of State in the Ministry of Foreign Affairs.
Since the first oil crisis in 1973/1974 there was strong confrontation between oil producing and oil consuming countries. Oil exporting countries strived for higher income through higher oil prices. The Organisation of Petroleum Exporting Countries (OPEC) was created in the sixties. The oil consuming countries were strongly hit by abrupt price and production regime policies of OPEC in 1973. The western industrialised countries agreed to share their common hardship and founded the International Energy Agency (IEA) in 1974.

While the International Energy Program - the founding statute of the IEA- already mentions the desire of cooperative relations between oil producing and oil consuming countries through a purposeful dialogue, it took until 1991 for such discussions to start.

The roots of the confrontation can be traced back to the time before 1973/74. The reasons were of political - Middle East conflict- and economic nature – dominance and abuse of market power by governments and companies in the oil sector. The situation culminated in 1973. Economic recession worldwide was the main consequence of the drastic changes in the oil sector.

Although bilateral relations between individual countries of both camps did not stop, there were no multilateral approaches. On the contrary the Conference on Economic Cooperation in Paris between 1976 and 1977 ended in the energy sector with a clear disagreement on price formation of oil and exports of industrial goods exclusive of inflation. At UNCTAD in 1979 when the issue of economic interdependence was a major topic the IEA Countries suggested that oil should be included in the deliberations but the idea was turned down by OPEC Countries. No common ground could be found, especially on the respective roles of policy intervention and the prerogative of a functioning market. The situation was aggravated at that time by demands of the developing countries to change the structure of the UN System particularly in the World Bank and the IMF.

Since the middle of the 1980s the price of oil decreased considerably. Oil demand fell and diversification into new oil fields and alternative energies changed the market patterns. Within IEA Members there was disagreement on the usefulness of a new start for a dialogue. It ranged from one option to give a renewed approach a try or to scepticism on the usefulness of repetitive exercises on differing policies. In a situation like this it is sometimes helpful if the main players of the game meet in extreme privacy to sort out positions. Some such efforts did take place.

But there was not always a deadly serious discussion between Governing Board members on the dialogue. Once, for instance, an intervention was made that the Executive Director should refrain from talking to Ministers or representatives of OPEC in privacy. My answer was that I would not veil my face if I were to meet an OPEC Minister at a conference whom I had met previously as Director General in the German government. That was the end of this discussion.

The first Gulf War changed the political scene dramatically. The formation of the Alliance to free occupied Kuwait lead to the conviction that talking on energy seemed to be in the interest of all. In 1991 a first ministerial meeting called by France, at that time not yet an IEA member, and Venezuela took place where only some IEA Ministers participated.

France joined the IEA and other IEA members abandoned their scepticism. Full participation of all IEA members and important oil producers and consumers around the world could be witnessed at the next meeting initiated by Norway, and co-hosted by Egypt and Italy.

The IEA started with High Level experts meetings from producing and consuming countries and the OPEC Secretariat. Issues were transparency, exchange of information on energy outlooks and energy and environment. Price formation and production regimes have deliberately not figured on the agenda of Ministerial or expert meetings.

Since 1991 the Ministerial and technical meetings between producers and consumers take place regularly. I welcome the development of the International Energy Forum. Clearly difference of interests between buyers and sellers will remain. But if there is a framework for discussion it helps avoid crisis.
IEFS ACTIVITY UPDATE

Recent


2-3 April 2005: Final high-level conference of the EuroGulf project between the European Commission and Gulf Cooperation Council held in Kuwait in association with the IEFS and inaugurated by H.E. Sheikh Ahmad Fahad Al-Ahmad Al-Sabah, Minister of Energy of Kuwait and President of OPEC and the European Commissioner for Energy H.E. Andris Piebalgs.

2 April 2005: Secretary General had bilateral meeting with European Energy Commissioner Pielbags to present IEFS activity and discuss co-operation in promoting the producer-consumer dialogue.

4 April 2005: The IEFS Secretariat took part in informal meeting hosted by the United Nations Economic Commission for Europe (UNECE) in Geneva on energy reserves and resources data.

11 April 2005: The IEFS Secretariat chaired 1st meeting of the Review Committee of the Joint Oil Data Initiative (JODI) and took part in JODI inter-organisational meeting with APEC, Eurostat, IEA, OLADE, OPEC and UNSD in Vienna, Austria.


12 April 2005: 9th Meeting of the Executive Board of the Secretariat held in Rome, Italy.


7 May 2005: The Administrator of the Energy Information Administration (EIA) within the Department of Energy of the United States, Mr. Guy F. Caruso, discussed co-operation on visit to the IEFS Secretariat.

23 May 2005: The International Monetary Fund (IMF) delegation headed by Mr. M.S. Khan, Director of Middle East and Central Asia Department visited the IEFS Secretariat to be briefed on the Joint Oil Data Initiative and other Secretariat activity and to discuss co-operation.

6-7 JUNE 2005: The IEFS Secretariat participated in the 8th IEA Energy Experts’ Meeting.

Upcoming

21 June 2005: The IEFS Secretariat chairs the 2nd meeting of the Review Committee of the Joint Oil Data Initiative in Paris, France.

22 June 2005: Inter-organisational meeting of the Joint Oil Data Initiative takes place between the IEFS, APEC, Eurostat, IEA, OLADE, OPEC, UNSD in Paris, France.

27 June 2005: Host Country of the 10th IEF, Qatar, convenes in Vienna, Austria, the first meeting of the Joint Committee of oil companies to prepare for the 2nd International Energy Business Forum that will take place on 22 April 2006 in Doha, Qatar in conjunction with the 10th IEF Ministerial.

7 July 2005: The IEFS Secretariat will take part in an informal meeting hosted by the United Nations Economic Commission for Europe (UNECE) in Geneva on energy reserves and resources data.

Autumn 2005: The IEFS Secretariat moves into new purpose-built Headquarters in Riyadh.

Early October 2005: The Executive Board of the IEFS Secretariat holds its 10th Meeting in Riyadh.

Fourth Quarter 2005: Official Inauguration of the new IEFS Secretariat Headquarters in Riyadh.
THE JOINT OIL DATA INITIATIVE

Since our last newsletter, the assessment of JODI data quality has been the priority task of the six pioneer organisations, the IEFS and the Review Committee established for that assessment.

The Review Committee is chaired by the IEFS Secretariat and comprises representatives of each partner organisation. It held its first meeting on 13 April at the OPEC Headquarters in Vienna.

Participants discussed work in progress and agreed on the methodology to be used for the assessment of the quality of the JODI data and on the timetable for the next few months. The independent oil analyst hired by the organisations to ensure the impartial assessment of the JODI data attended the meeting as well.

The Review Committee urged the organisations to continue their effort on improving the timeliness, completeness and coverage of JODI submissions; to encourage their member countries to submit JODI questionnaires with M-1 and M-2 data (as the historical series will not be revised at the moment); to ensure that participating countries comply with the JODI definitions; to further investigate missing questionnaires/data and conversions factors used.

The independent oil analyst, based at the IEFS Headquarters in Riyadh, is now finalizing a report that includes both a quantitative and a qualitative assessment of the JODI data for each country. This work, carried out in close co-operation with the Review Committee members, comprises of a comparison of the JODI data with national and secondary sources, deviations, trends, internal consistency checks and other.

The first part of the evaluation is now complete on 1 June the Review Committee members have given further feedback on the results as well as improvements to be made for the preparation of the final report.

The organisations will hold a second Review Committee meeting back-to-back with an Inter-organisational JODI meeting on 20-21 June at the IEA Headquarters in Paris. The independent oil analyst will present his final report on the quality of the JODI data. Participants will then discuss and agree on details of the launch of the JODI database as well as the timing of the next JODI Conference.

On 23 May 2005 a delegation from the IMF, headed by Mr. Mohsin Khan, Director of the Middle East and Central Asia Department, visited the Secretariat. During the meeting the IEFS welcomed the IMF’s offer of collaboration with the aim of improving timeliness, accuracy and transparency of oil market data, and discussed with the delegation the potential for cooperation in connection with JODI.

JODI is a co-operative effort co-ordinated by the IEF Secretariat with the active participation and full support of APEC, EUROSTAT, IEA, OLADE, OPEC and UNSD.

For further information please read our monthly JODI Newsletter available on the Internet at http://www.oil-data-transparency.org and contact Energy Analyst, Bruno Castellano at the IEF Secretariat (bruno.castellano@iefs.org.sa).
The first ISG meeting in preparation for the 10th IEF in Doha took place in Rome on 11 April, chaired by Dr. Ramzi Salman, Adviser to the Second Deputy Prime Minister of Qatar and Chairman of the Executive Board, and with participation of representatives of France, Germany, India, Italy, Japan, Kuwait, the Netherlands, Norway, Russia, Saudi Arabia, Korea, United Arab Emirates, United Kingdom, United States of America, Venezuela, the IEA and OPEC Secretariats, European Commission as well as the IEF Secretariat.

The Informal Support Group meets prior to the biannual IEF Ministerials to advise the Host Country on themes and subjects, on countries and organisations to be invited and various arrangements for the ministerial discussions. The final decision on these modalities rests with the Host Country and is subject to Executive Board approval. The ISG is convened and chaired by the Host Country. Countries and organisations making up the ISG include the Executive Board members.

### IEF Participants

ALGERIA ANGOLA ARGENTINA AUSTRALIA AUSTRIA AZERBAIJAN BAHRAIN BANGLADESH BELGIUM BRAZIL BRUNEI BULGARIA CANADA CHINA CZECH REPUBLIC DENMARK ECUADOR EGYPT FINLAND FRANCE GABON GERMANY GREECE HUNGARY INDIA INDONESIA IRAQ IRAN IRELAND ITALY JAPAN JORDAN KAZAKHSTAN KOREA KUWAIT LEBANON LIBYA LITHUANIA MALAYSIA MEXICO MORROCO NETHERLANDS NEW ZEALAND NIGERIA NORWAY OMAN PAKISTAN PHILIPPINES POLAND PORTUGAL QATAR ROMANIA RUSSIA SAUDI ARABIA SINGAPORE SLOVAKIA SOUTH AFRICA SPAIN SRI LANKA SUDAN SWEDEN SWITZERLAND SYRIA THAILAND TRINIDAD & TOBAGO TUNISIA TURKEY TURKMENISTAN UAE USA UKRAINE UK UZBEKISTAN VENEZUELA VIETNAM YEMEN EC GCC IAEA IEA OAPEC OPEC UN WTO

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