Your Excellencies, Ladies & Gentlemen,

It will soon be fifteen years since the first meeting of the willing energy producing and consuming countries in Paris in 1991. That was the start of the consumer-producer dialogue marathon, which in 1999 became known as the International Energy Forum, the tenth of which will be held in Doha. Participants from all over the world, each with a different local and regional background, will come to Qatar to discuss global energy issues.

The energy markets, at different times since 1991, witnessed many changes. While they were fairly neutral at times, they had periods of glut and low prices and others of tightness and high prices. Since 2003, the markets have been volatile and prices have been on the rise registering at times record nominal levels. Even though the trend showed minor reversals, markets remain unsettled and prices are expected to remain, for the short term at least, at levels which consumers consider high while producers consider reasonable.

(Continued on page 3)
NOTE FROM THE SECRETARY GENERAL

This sixth issue of the IEFs newsletter is published on the eve of the 10th International Energy Forum Ministerial and 2nd International Energy Business Forum. At a time of heightened global energy consciousness, “Fueling the Future: Energy Security, a Shared Responsibility” is the theme chosen for the Doha Ministerial, which also marks fifteen years of deepening political level dialogue between energy producing and consuming countries.

In his message of welcome to Doha and the Ministerial, our Host, H.E. Abdullah bin Hamad Al-Attiyah, Second Deputy Prime Minister and Minister of Energy and Industry of Qatar expects markets to remain unsettled with prices, for the short term at least, at levels which consumers consider high and producers consider reasonable. He urges discussions to concentrate on structural faults and identify remedies to be targeted. Modes of co-operation between all the players and measures to achieve market stability are on the Doha agenda.

From the Newsletter’s “Ministers’ Rostrum”, H.E. Lindwe Hendricks, Minister of Minerals and Energy of South Africa, brings African energy concerns to the fore. She notes how current high prices of crude oil have negative impact on developing countries, which are net importers of crude, and create challenges with regard to securing sufficient affordable and efficient energy. And H.E. François Loos, Minister Delegate for Industry of France, calls the producer-consumer dialogue in the IEF “A Winning Formula” that enhances energy security worldwide by recognizing the interdependence of countries. With the historical focus on oil and gas, he suggests incorporating other energy sources, such as electricity and renewables, into the global energy equation.

The Secretariat was honoured to attend the meeting of G8 Energy Ministers in Moscow on 15-16 March and very much encouraged by Ministers confirming their support for a strengthening of dialogue among energy producer, transit and consumer countries and for the Joint Oil Data Initiative that is being co-ordinated by the IEF Secretariat. We render the concluding statement from G8 Energy Chair, H.E. Viktor Kristenko, Minister of Industry and Energy of the Russian Federation, and are looking forward to G8 Ministers bringing their perspectives to the IEF.

We are grateful to Dr. David O’Reilly, Chairman and CEO of Chevron Corporation, and Mr. George Verberg, President of the International Gas Union, for their contributions to this issue’s “CEOs’ Corner”, to the new Secretary General of the Energy Charter, H.E. Andre Mernier and to Professor Robert Mabro, the former Director of the Oxford Institute for Energy Studies, and Dr. Walid Khadduri, Economic Editor of “Al-Hayat”, for their perspectives, all of which give interesting food for thought as IEF Ministers meet in Doha.

Ministers have received earlier this year the Secretariat’s Programme of Work for 2006 as approved by the Executive Board of the Secretariat. The Doha IEF offers Ministers an opportunity to give their further, direct political guidance and suggest specific activities enhancing the Programme of Work as a Road Map for Secretariat activity towards the 11th IEF and beyond.

“All Roads lead to Rome”. This is true also for the next IEF Ministerial that Italy will host two years from now. With continued political and financial support of participating countries, the Secretariat will now eagerly embark on its trek to Rome – stopping here and there on the way to provide additional supportive platforms for dialogue in its ongoing mission to strengthen the global political level dialogue on energy in the IEF.

THE JOINT COMMITTEE

Host Country Qatar convened in Doha on 23 January 2006 the second meeting of the Joint Committee of representatives of industry set up to advise on themes for the 2nd International Energy Business Forum. Following up discussions in their first meeting in Vienna in June 2005, participants expressed general agreement with the proposed agenda items, and stressed the importance of maintaining synergy with the Ministerial agenda to optimize the added value of industry participation in the dialogue process.

The meeting was chaired by Dr. Ramzi Salman, Adviser to the Second Deputy Prime Minister and the Minister of Energy and Industry of Qatar, and Chairman of the Executive Board of the IEF Secretariat. Companies represented, and headquartered in IEF Informal Support Group countries, were BP, Chevron, ConocoPhillips, ENI, ExxonMobil, Gasunie, Kuwait Oil Company, Norsk Hydro, PDVSA, Petroleum Association of Japan, Saudi Aramco, Shell, Sinopec, Statoil and Total. In addition to host country Qatar, the IEA, OPEC and IEF secretariats also took part.
MESSAGE FROM THE CHAIRMAN

Dear IEF participants,

Over a year of work, with the help of many, has been put into the preparations of the programme and logistics of the 10th Ministerial Forum and the 2nd Business Forum.

In preparing the programme, we endeavoured to ensure continuity of the dialogue on the topics that needed more discussion and exchange of ideas. Some of the topics, which were on the back burners in the past, as well as new ones, came to the top of the 10th IEF agenda because of events that had taken place since the 9th Forum in Amsterdam. Some related topics, which get extensive coverage in dedicated forums, were not given prominence in our programme.

The 2nd IEBF was allocated a full day and for the first time industry representatives were involved in the preparation of the programme and setting topic priorities.

Knowing it is impossible to meet everybody’s wishes and desires, we did our best to prepare a programme that serves the majority and above all secures the continuity and maximum productivity of the dialogue.

I wish to thank all those who were generous with input, ideas and time towards our task and look forward to an interesting and fruitful forum.

“THE DIALOGUE CITY”

by H.E. Abdullah bin Hamad Al-Attiyah

(Continued from page 1)

The Forum is not to debate or determine the level of prices, but will have to concentrate on the structural faults that caused the drastic changes and identify the remedies to be targeted. Additionally, the modes of cooperation between all the players on the energy scene and the measures necessary to achieve market stability will be topics on the agenda.

It is not difficult to make a long list of reasons for the recent trouble in the supply chain. However, it is important to recognize the structural changes that have taken place along the supply chain. Most of the reasons often mentioned for the inadequacy of some links of the supply chain are short term factors. Not many realize or acknowledge that the real cause was the important structural changes in the industry that started about half a century ago.

The recent surge in demand exposed the inadequacy of several links of the supply chain, causing panic and severe price volatility sending shocks all along the energy supply chain. Now we are better aware of the inadequacies, with consumers worrying about supplies while big oil reserve owners wonder when the tide will turn and how much damage high prices could cause to their resources monetization plans.

So, we have a situation very close to an armed truce and most, on both sides of the divide, are keen to put a graceful end to it with the minimum of losses and costs. Therefore, the time is ripe to move towards long term solutions. The 10th International Energy Forum, along with the 2nd International Energy Business Forum, with its theme “Fuelling the Future – Energy Security, a Shared Responsibility,” offers the ideal opportunity to do so.

I have invited 68 Ministers, 8 Heads of International Organizations and 40 CEOs of the leading energy companies to discuss the key issues that have been included in the agendas of the Business Forum, to be held on 22 April, and the Ministerial Forum, to be held on 23 and 24 April. The majority of the invitees have confirmed their attendance and I look forward to welcoming all of you in Doha - “the Dialogue City” - to a very interesting, open and productive forum.
MINISTERS’ ROSTRUM

In this special article for the Ministerial, H.E. Lindiwe Hendricks, Minister of Minerals and Energy of South Africa raises energy issues of concern to developing Africa and reflects on discussions at the 18th World Petroleum Congress that South Africa hosted in September 2005. She notes how current high prices of crude oil have negative impact on developing countries, which are net importers of crude, and create challenges with regard to securing sufficient affordable and efficient energy.

Minister Hendricks, a lawyer by training, was appointed Minister of Minerals and Energy in June 2005 after having served as Deputy Minister of Trade and Industry for six years. She was previously a Member of Parliament from 1994-1999.

South Africa hosted the 6th IEF Ministerial in 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.

“Energy for Development”

I am grateful to the Government of the Kingdom of Saudi Arabia which has been able to host the IEF Secretariat in Riyadh. This kind gesture on behalf of the international community is appreciated by the Government of South Africa. I thank the Government of Qatar for accepting to host the 10th IEF Ministerial Meeting and the 2nd International Energy Business Forum. My heartfelt gratitude also goes to the IEF Secretariat for affording me the opportunity to share my thoughts with the International Energy fraternity. It is my hope that as we deliberate on energy issues, we will be able to shed light on some of the concerns faced by developing countries.

It was a great honour for South Africa and Africa to host the 18th World Petroleum Congress (WPC) for the first time on the African Continent. At this historic event we were able to highlight the capabilities of African countries in the petroleum sector. Increasingly countries in Africa, including South Africa are becoming important players in this sector and the location of the WPC on African soil was recognition of this growth in our petroleum industry. Judging by the opinions that were shared with me, the conference was an overwhelming success and I would like to thank all those who attended and contributed no matter how small, to making this event a world class WPC. I hope that we shall see the WPC back on the African continent again in the not too distant future.

As a developing region Africa has its capabilities, but also faces a number of limitations. The developmental challenges in Africa, and the role of energy and of oil in particular in addressing those developmental challenges, was an important theme at the WPC. Several papers alluded to the fact that the availability of energy is a necessary, but not a sufficient precondition for economic growth and development.

Economic historians such as W.W. Rostow have applauded technology as the engine of economic growth, and energy had been relegated to a lower position. The WPC began to ask if such theories should not perhaps be revisited. Whilst the WPC had plenty to say about the advances in energy technology, it went beyond this to also consider the role that the development of energy resources can play in engendering economic growth and development in developing regions.

For those developing countries that are fortunate enough to have energy resources to develop and have a comparative advantage in this sector, there is no doubt that energy can become an ‘engine of economic growth’. It is important for global economic growth, and to reduce the poverty that still exists in African countries, that we give more attention to supporting these energy rich but underdeveloped countries. In doing so we need to continually be aware of the impact that the exploitation of energy resources has on surrounding communities and the environment. It is also critical that as development efforts are supported over-reliance on one commodity does not take place. The dangers of not diversifying an economy are all too apparent during downturns in the commodity cycle.

The current high prices of crude, which are a boon to the energy rich countries, have a negative impact on those developing countries which are net importers of crude, and have created challenges for developing countries to have sufficient affordable and efficient energy. The WPC noted these challenges and that the high cost of energy has now become a constraint to strategies that were aimed at alleviating energy poverty in developing countries. I am concerned that the WPC did not sufficiently address the relationship between these challenges, and energy development and provision.

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France hosted the First Ministerial Seminar in 1991 and has continued to play an active role since, on the Secretariat’s First Executive Board from 2002-4 and the last two years as a member of the Informal Support Group that has advised on the agenda for the 10th IEF.

H.E. François Loos, Minister Delegate for Industry of France, characterizes in this special article for the Anniversary Ministerial the producer-consumer dialogue at political level in the IEF as “A Winning Formula” that enhances energy security worldwide by recognizing the interdependence of participating countries. Referring to the IEF’s historical focus on oil and gas, Minister Loos calls for other energy sources, such as electricity and renewables to be incorporated into the global energy equation.

Minister Loos was appointed to his present position in June 2005 after having earlier served as Minister Delegate for Foreign Trade and as Minister Delegate for Higher Education and Research. He was Chairman of the “Parti Radical Valoisien” from 1999-2003 and is a founding member and member of the political bureau of the UMP (“Union pour un Mouvement Populaire”).

“The first International Energy Forum (IEF) was held in Paris in 1991. It was hosted by France and organized along with Norway and Venezuela. This initiative to bring together producer and consumer countries, whose interests seemed to be contradictory, if not somewhat antagonistic, met with quite a bit of skepticism at the time. Fortunately, this did not take long to overcome and the beginning of a true process of dialogue was established and continues to be reinforced between consumer and producer countries. The success of the initiative can be witnessed today with 70 countries and 10 international organizations, including the International Energy Agency (IEA) and the Organization of Petroleum Exporting Countries (OPEC), expected to attend the 10th IEF in Doha on 22-24 April 2006. We have now even reached the stage where countries compete to have the honor of hosting this important event.

Over the last fifteen years, the IEF has served to reinforce this new approach to international energy issues that has been adopted by all major stakeholders. The outstanding success of the IEF formula has been well-demonstrated. Underlying this success is a widely-held political conviction among the international energy community that dialogue allows us to avoid the confrontation between producer and consumer countries that led to the oil crisis in the seventies. In other words, oil is no longer being used for political ends in international relations. This is a major achievement to which all member countries are justly proud to have contributed.

Other key factors accounting for the ongoing success of the IEF are:

- It is an informal meeting ground for Ministers as there are no binding decisions on sensitive issues such as oil price and volumes, and a joint communiqué is not issued; only the host country puts out a statement under its sole responsibility.
- It provides the perfect opportunity to exchange viewpoints on developing a common approach to energy issues, envisaging the future of world energy, and overcoming the primary interests of consumer and producer countries respectively.
- The constructive dialogue increases awareness of the need to share responsibility for ensuring security of supply despite market uncertainties.
- The common interests of producer and consumer countries to achieve optimal allocation of investment to meet growing global demand are identified.
- Direct bilateral meetings are facilitated between Ministers in parallel with the formal sessions.
- The IEF constitutes an international organization without the weight of a traditional administrative structure.
- Discussions are based on consensus and the will to compromise in a win-win spirit.
- The very fact of holding a highly-visible meeting every two years sends a positive signal to the market and helps to reduce tensions.

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• The reliable energy supply plays a key role in development of world’s economies bearing in mind that the well-being, way and quality of life of people directly depend on access to energy.

• Ministers are aware that the 21st Century is sure to witness a significant increase of the global consumption of energy, primarily by dynamically developing economies. Despite the increased presence of alternative sources in the energy mix, the fossil fuels will remain the basis of the world energy industry for at least the first half of the 21st Century.

• Ministers discussed the challenges to the global energy security, issues related to promotion of market efficiency of the fuel and energy sector. We note that meeting energy security challenges will require reliance on market-oriented approaches aimed at increasing energy supply and stemming growth in demand, while encouraging market-based pricing, competition, energy efficiency, and conservation.

• Ministers point out the importance of further development and strengthening of dialogue among energy producer, transit and consumer countries, including information exchange on the current situation as well as medium- and long-term plans and programmes of development of their respective energy sectors.

• Ministers confirm our support for appropriate international initiatives such as the Joint Oil Data Initiative aimed at greater accessibility and transparency of data on reserves, demand and supply, stocks and production capacities.

• Ministers note that a stable future of the international energy sector requires significant investment in the production,
transportation and processing of energy resources. We recognize that to attract investment it is essential for countries to have open and favourable investment regimes including stable and predictable regulations, clear tax laws, and efficient administrative procedures as well as fair and reciprocal access to markets along the energy value chain.

- Ministers favour the implementation of the Action Plan adopted last year by our leaders in Gleneagles which includes a wide range of measures to promote innovations, increase energy efficiency and enhance environmental protection.

- Ministers proceed from the fact that diversification of the energy portfolio in terms of energy sources, suppliers and consumers as well as delivery methods and routes will reduce energy security risks not only for individual countries but for the entire international community. Joint efforts of the G8 and other countries aimed at wider use of renewable and alternative energies, development and implementation of innovative energy technologies and development of low-carbon energy would contribute substantially to the solution of this strategic task. For those countries that wish, wide-scale development of safe and secure nuclear energy is crucial for long-term environmentally sustainable diversification of energy supply.

- Ministers agree that continued international cooperation to develop the low carbon technologies of the future will be crucial. Facilitating development and deployment of innovative energy technology solutions will have longer-term environmental, economic and energy security benefits and be key to a global sustainable energy future.

- A significant reduction of the gap in energy supply between developed and undersupplied less-developed countries is a major aspect of global energy security.

A new Executive Board of the Secretariat will be formed immediately after the 10th IEF. As stipulated in the Statutes of the Secretariat, host and co-hosting countries of the 10th IEF, host and co-hosting countries of the 11th IEF and host country of the IEF Secretariat along with the IEA and OPEC secretariats will meet in Doha on 25 April, under the chairmanship of Italy, to select seven additional countries to serve on the new Executive Board through the next Ministerial. The selection of additional countries will be made with a view to securing an overall balance between consuming and producing countries, developed and developing countries as well as geographical spread, bearing in mind the respective contributions of the countries to the IEF and the Secretariat and rotational needs.

The Executive Board meets at least twice annually at senior officials’ level. It approves the theme and programme of the biennial Forum as well as the annual Programme of Work, Budget and statements of account of the Secretariat.

The Secretariat would like to thank the out-going Executive Board, chaired by Dr. Ramzi Salman, representing Qatar, for close and constructive co-operation in promoting the producer-consumer dialogue in the IEF. The Executive Board serving through the 10th IEF has consisted of the following fifteen members: Qatar (Host of 10th IEF), China and Italy (Co-hosts of 10th IEF), Netherlands (Host of 9th IEF), Iran and Norway (Co-hosts of 9th IEF), Saudi Arabia (Host Country of IEF Secretariat), the IEA and OPEC Secretariats (non-voting members) along with India, Japan, Mexico, Russia, South Africa and Venezuela. Following the 9th IEF, this Executive Board has held five meetings: in Riyadh in June 2004, in Doha in September 2004, in Vienna in December 2004, in Rome in April 2005 and again in Doha in October 2005.
CEOs’ CORNER

Dr. David J. O’Reilly was elected Chairman of the Board and Chief Executive Officer of Chevron Corporation in January 2000. A Chemical Engineer, he started his career with Chevron Research Co. in 1968. Dr. O’Reilly is a director and a member of the Executive Committee and Policy Committee of the American Petroleum Institute and a member of various national and international councils, including the World Economic Forum, National Petroleum Council and the Trilateral Commission.

Chevron, a strong supporter of the IEF and the IEBF, has participated actively in the Joint Committee of representatives of industry that has advised 2nd IEF Host and co-hosts on themes and agenda for the Doha meeting of Ministers and CEOs and has given generous financial support to the activity of the IEF Secretariat.

Dr. O’Reilly outlines in this special article for the Ministerial elements for a co-operative framework for global energy security, which includes use of the IEF to continue a substantive producer-consumer dialogue.

“Partnerships – A Framework for Success”

Energy security is one of the most critical issues facing the world today. With the world’s population expected to grow by 1.5 billion people over the next 20 years and worldwide demand for energy to grow by more than 40 percent in the same period, delivering reliable, affordable supplies of energy is one of the biggest challenges we face as an industry and as a global community.

Meeting this growing demand for energy, which is unprecedented in the world’s history, will require a robust response from all parties in the energy value chain – NOCs, governments, IOCs, and consumers. It must be a multilateral response. There are few industries as global, and as interconnected, as energy. Success in addressing energy challenges will come not from isolation, energy “independence,” or unilateral, nationalistic energy policies. In an interconnected marketplace, sustained success can be significantly enhanced through cooperative partnerships.

We are seeing the fruits of cooperation and partnership around the world, particularly in the Middle East. They include the Kingdom of Saudi Arabia’s leadership role in maintaining robust production to help stabilize global markets; the massive investments in GTL infrastructure in Qatar and other countries to create a new generation of ultraclean energy; and new oil and gas exploration openings from the Gulf to North Africa.

To create true global energy security we need to collaborate on a framework in which cooperation and partnership can continue to flourish. The fundamental elements of this framework should include:

- Open markets. We need to enhance the free flow of capital and investment, and the sharing of transparent, detailed data on supply and demand. The Joint Oil Data Initiative is a good

step in the right direction.

- Sound policies. Governments should provide predictable, secure fiscal and regulatory regimes, balance supply security with demand security, and develop policies that recognize the interdependency of global energy markets.

- Robust technology. We should continue investing in technology to conserve and optimize the resources we have now while developing a full range of future energy sources and mitigating the environmental impact of our industry’s operations.

- Energy efficiency. This is the cheapest form of new energy we have at our disposal. We should focus on ways to capture new energy savings in transportation, power generation and facilities management.

- Responsible development. One of our biggest responsibilities as an industry, and as a global community, is to use energy as a platform for broader economic growth and social well-being and to ensure that the economic benefits of energy production flow to all stakeholders.

Putting this framework into place will require leadership-responsible, accountable leadership from key players throughout the energy chain. It must be leadership rooted in action, not words. And it must be leadership rooted in partnership, not nationalism or isolation. For too many, the benefits of globalization are still just a promise. True energy security – the successful delivery of affordable, reliable energy – is one of the key levers of a fully functioning global economy. Let’s use the platform of the IEF to continue a substantive producer-consumer dialogue and accept the leadership challenge of creating the new level of energy security required for a growing, multilateral world.
Mr. George H. B. Verberg is President of the International Gas Union, the official NGO of the world gas industry. In addition to underlining the importance of dialogue between governments and industry, Mr. Verberg focuses in this article for the Newsletter and message to the 2nd IEBF also on the need for policy transparency, consistency and sustainability as well as on the need to fight against corruption.

The IGU gathers associations and entities from 67 countries. The 23rd IGU World Gas Conference will take place in Amsterdam on 6-9 June 2006. Mr. Verberg was the CEO of N.V. Nederlandse Gasunie for twelve years up to 2004. His Government experience includes a six-year tenure as Director General of Energy in the Ministry of Economic Affairs of the Netherlands.

**“License to Operate”**

The world is anxious to learn what progress the Producer-Consumer Dialogue will make in improving the relations between our mutually dependent countries and the role the energy industry can play in the huge multi-faceted challenge in front of us. How to cope with the ever rising demand for energy, and how to save the planet from tipping towards a disastrous course? It will be clear that IEF Ministers are in a privileged position to influence the course to where we will sail.

May I underline three items, which I think do have a universal value, for producers and consumers, for the public sector and the private sector:

First, the exploitation of the oil and gas reserves in a country is best served if it is part of a broader energy and economic policy. A policy which is transparent and which enables also local communities (where oil and gas reserves are being exploited) to see and experience what is in it for themselves. Consistency over time of such a policy is recommended in order to enhance both the acceptability by the people and the investment climate. Although such a policy is the sole responsibility of governments, it would gain strength if developed and implemented in a dialogue with the oil and gas industry. The industry is fully prepared to offer its capabilities to both the country and the local community in which they work to maintain a sustainable ‘license to operate’.

Secondly, sustainability in its broad sense should be an integral part of any energy policy. The allocation of energy resources over domestic use and exports, as well as the allocation over present and future generations will help to define sustainability. Transparency in objectives and implementation will help to balance the two sides of that important equation: security of supply and security of demand. Transparency can provide better timing of investments and will thus serve stable price developments. In general, economies worldwide are better equipped to handle high energy prices than to handle very volatile prices.

Thirdly, the fight against corruption and bribery in the public and private sectors needs to be given high priority. It will take time and persistence. But, if no progress is made the results for the community at large are appalling. Over time it tears down essential civil belief in and respect for the rightness of their ‘own’ policy-makers. Private companies should strictly adhere to a no-corruption policy. A country where corruption has become part of daily routine is lowering substantially its economic growth potential.

The International Gas Union, the official NGO of the world gas industry, wishes IEF Ministers and the Secretariat inspiration in coping with the tasks ahead.

Previous contributors to the CEOs’ Corner:
- Mr. Lee Raymond, ExxonMobil (2), Mr. Abdalla Jum’ah, Saudi Aramco (3)
- Mr. Bjorn Stigson, World Business Council for Sustainable Development (4)
- Mr. Jeroen van der Veer, Royal Dutch Shell (5), Mr. Helge Lund, Statoil ASA (5)

LOOKING BACK

Dr. Walid Khadduri has lectured extensively on the oil industry and Middle East affairs and is now Economic Editor of the Arabic daily Al-Hayat (Beirut). He was previously Editor of the Middle East Economic Survey (MEES) where he followed the producer-consumer relationship for more than twenty years. Prior to that he served with the Organisation of Arab Petroleum Exporting Countries (OAPEC) in Kuwait as Director of Information and International Affairs.

Dr. Khadduri presented a paper on “Information and Oil Markets” at the meeting of IEF Ministers convened by Minister of Petroleum and Mineral Resources H.E. A. Al-Naimi on occasion of the inauguration of IEF Secretariat headquarters on 19 November 2005. In this article Dr. Khadduri notes achievements of the producer-consumer dialogue and the importance of transparency and communication to avoid misunderstandings. He urges joint programmes to address grassroots concerns about environment and the role of hydrocarbons.

by Dr. Walid Khadduri

From Confrontation to Dialogue

“The results are evident, though not very public”

The relation between oil and politics is not a marriage made in heaven. The first ministerial meeting of the International Energy Forum (IEF) in Paris 15 years ago took place only a few months after Desert Storm. While there have been many other conflicts since, the biennial venues have nonetheless found mutual grounds among energy producers and consumers, and have identified new issues to be tackled in future agendas.

The teething problems of the early nineties are behind us. The Forums have become universal, representation is at ministerial level, and a procedure for sharing the responsibility of holding the meetings between producer and consumer countries has been established.

Resolving these issues in an amicable manner over the years has allowed for the gradual growth of a new “global energy forum” that has facilitated multilateral, regional and bilateral interaction among the ministers and their aides.

The results are evident, though not very public.

Despite the score of conflicts in the past 15 years, there has hardly been a physical shortage of crude oil. Much of this can be attributed to the consultations, meetings and scenario preparations that take place before and after such events.

Lack of information that hampers proper planning in an industry that takes 5-10 years for projects to implement is also being tackled, with the hope that the Joint Oil Data Initiative (JODI) takes off on a firmer ground and forms the basis of a wider network and more timely credible information that serves those concerned. The fact that this initiative was kicked off by the IEA and OPEC, and is managed by the International Energy Forum Secretariat (IEFS) in Riyadh is a demonstration of how much has been accomplished compared to the sensitivities and reservations of the past.

However, global issues are changing rapidly and so is perhaps the agenda of the forums.

While there is a recognition that more energy will be consumed in the coming decades because of the increasing population and rising standard of living, there is concern on the part of the consumers about the security of oil supplies and anxiousness on the part of the producers about the future rate of growth of oil demand. The misunderstandings raise concerns that are reflected in policy planning and public statements.

Worldwide, there is an increasing grassroots worry about environment and the role of hydrocarbons. It is necessary for both producers and consumers to move away from a “dialogue” on this issue and initiate joint programs to tackle the problem to the mutual interest of all those concerned.

This leads, among other things, to the public image of the oil industry. For despite its contribution to the modern economy, it needs to communicate a clearer and more transparent message of how it does its work and what it takes to ensure the comfort of billions of people worldwide.
LOOKING AHEAD

**Professor Robert Mabro**, the Director Emeritus of the Oxford Institute for Energy Studies, and founder and first director of the prestigious annual Oxford Energy Seminar, is the Nestor of academic oil market commentators. His publication list is long and celebrated. In addition to awards from the International Association for Energy Economics and OPEC, Professor Mabro has been awarded a CBE (Commander of the British Empire) and has received state decorations for his achievements also from Venezuela, Mexico and France.

Having followed the development of the political level producer-consumer dialogue in the IEF from its beginning, and always getting quickly and elegantly to the point, Professor Mabro underlines that effective dialogue has to move from talk to action. He urges the producer-consumer dialogue to give higher priority to reform of the oil price regime and to address investment reluctance and sharing of costs of necessary surplus capacity.

From Confrontation to Dialogue

“Sulking is not nice…”

All reasonable persons will agree that co-operation between parties divided by different interests is to be preferred to confrontation. Similarly, a dialogue that may, or may not, lead to co-operation is to be preferred to the sulking of those who refuse to talk to each other. Sulking is not nice, or so we say to a child who in a dispute with a sibling or a friend says: “I am not talking to you”. The child soon recants; adults and governments often do not.

A dialogue does not always live up to its reputation. It may turn out to be sterile; dialogue des sourds as the French say. It may add to misunderstandings instead of removing them. When a dialogue breaks down the situation instead of improving worsens. And some may argue that a fight is more likely to solve certain problems than protracted negotiations.

What about the dialogue between oil-importing and oil-exporting countries that started and failed in 1976 and was resumed in the 1990s?

The parties are buyers and sellers of oil in international trade. Buyers are interested in the lowest price they can get, and in continuous availability of the stuff in the required quantities and quality. Sellers seek the highest price they can get, and would like to attract custom corresponding to the supplies at hand.

In oil, international prices are determined in futures markets whose verdicts are universally accepted and operations revered. Never mind that these markets trade financial instruments, a different commodity than physical oil.

The importing countries are price takers; there is nothing they can do other than complaining about OPEC when they do not like the price. They seem to ignore that OPEC has not administered the price of oil since 1986. Governments, like generals, always fight the previous war.

The exporting countries, namely OPEC, attempt to influence oil price movements indirectly by sending signals to the market. Sometimes the signals work, sometimes they are irrelevant, sometimes they misfire.

The issue that should gain high priority in the dialogue is the reform of the price regime. In oil, the availability issue comes under the headings of security of supply and of demand.

Security of supply depends partly on investment in capacity all along the value chain. Let the dialogue talk about the reluctance of private companies to invest downstream; the impact of demand pessimism on NOCs’ investments; the sharing of the costs of necessary surplus capacity; the failure of the Energy Charter to take account of host countries’ interests. Only then we would be talking.

The security of demand is a call to consuming countries not to discriminate against oil. Discrimination is for revenue reasons, and is now justified by environmental concerns. Let the dialogue address effectively the CO₂ problem by agreeing on joint financing of R&D of carbon sequestration.

An effective dialogue has to move from talk to action. And the action, on the JODI model is in establishing joint working parties that will toil for months on such subjects as oil price regimes, investments and environment.

Good Bye and Good Luck.
I am delighted to make this contribution to the newsletter of the International Energy Forum Secretariat, at a time when Ministers are gathering for the 10th IEF Meeting in Doha. The meeting is a very timely one in a world of climate change, growing demand and increasing competition for hydrocarbon resources.

Meeting future demand for energy will require new technologies and huge investment in all areas of the supply chain. Given the long-lead time for major production and infrastructure projects, there is a common need to ensure that investments materialise in time to meet projected demand. However, there is a risk that lack of adequate policy frameworks can prevent investment capital from being directed to the most efficient energy supply (or energy-saving) projects; it is a major challenge for governments to create a favourable climate based on transparency, reliability and non-discrimination in order to attract the necessary investment, and also to create conditions that can encourage resource-owning countries to develop these resources for export to international energy markets.

As global energy trade increases, an increasing number of investment projects rely on free and uninterrupted cross-border energy flows through fixed infrastructure. This puts a particular premium on mechanisms for international cooperation, since the development of cross-border infrastructure requires common rules to ensure reliability all along the supply chain. There is a particular need to ensure transparent rules for international transit flows, in order to reduce the risk of interruptions to energy supply.

The attention of international leaders also has to remain firmly on the huge – and still largely untapped – potential to mitigate the environmental impacts of energy use, both through cooperation on reducing emissions and through further improvements in energy efficiency.

These challenges – facilitating investment, promoting secure cross-border energy supply, and addressing the environmental impacts of energy use – constitute a very substantial agenda for international energy cooperation. The question remains, however, what the world’s leading producers and consumers of energy can do in practice to enhance their collective energy security.

Dialogue on these issues between producers, consumers and transit countries is extremely important, and I take this opportunity to wish the 10th International Energy Forum in Doha every success.

At the same time, I would like to underline the role of the innovative international legal instrument provided by the Energy Charter Treaty. This Treaty, which has been signed by fifty-one producer, transit and consumer countries across Europe and Asia, provides a binding framework for the entire energy chain, including not only the protection of energy investments but also the terms under which energy can be traded and transported across different national jurisdictions to international markets. It also includes a commitment to policies and regulatory frameworks that can improve energy efficiency.

This unique legal framework is proving to be of increasing interest to new non-member countries, particularly in Asia. By establishing common ‘rules of the game’ for international energy cooperation, and committing themselves to observe them in practice, I am convinced that governments can make a distinctive and tangible contribution to strengthened international energy security.
The paradox for Africa is that with all the energy resources on the continent and the exports of crude and other forms of energy, we have not yet managed to energise our households, both rural and urban with clean and efficient energy carriers; neither have energy rich African countries been able to fully benefit from the high energy prices because of the pervasive underdevelopment which requires affordable energy in order to grow.

External partners and the international community such as the International Energy Forum have a key role to play in helping developing countries overcome these challenges, and contributing towards sustained economic growth in developing countries. In this regard the world has set itself targets through the Millennium Development Goals, and it is a priority for us to achieve them.

South Africa has since 1994 recognised the substantial benefits in providing access to energy for all its citizens and embarked on a massive programme in this area. While we have not as yet achieved universal access, the progress we have made in providing over 72% of our population with electricity (from less than 30% in 1994), in establishing Integrated Energy Centres in rural areas, and the introduction of modern thermal fuels have been far-reaching and have in part contributed to the sustained and robust economic growth our country is currently experiencing. South Africa is committed to trying to achieve universal access in the next decade and in line with the Millennium Development Goals we are committed to reducing poverty by 2015.

One other theme that recurred during the conference was the great strides that have been made in innovative ways to find and exploit natural gas resources. Natural gas together with the emergence of the renewable energies sector, offer some hope to those that have been reliant upon imported energy. There is an increasing acceptance that these two cleaner energy carriers are destined to play an increasing role in the future energy mix of many countries. More recently South Africa hosted an African Ministerial Conference on Hydropower which sought to increase the levels of co-operation and explore the greater use of hydropower as an energy source. Hydropower and other forms of renewable sources of energy are high on our agenda.

As regards our current organization, for all of the reasons cited above, there appears to be no need to change a winning formula. The next step should be towards enlarging the scope of the International Energy Forum. Historically, the focus has been on oil and gas but the time has definitely come to incorporate other energy sources, such as electricity and renewables, into the global energy equation.

The IEF debate should continue to address the best means to achieve a balance between energy demand and supply by assessing the factors that impact the market. Other issues such as the consequences of new technologies, the role of innovation, the link between energy consumption and sustainable development, and the new energy economy, could also be introduced.

There is indeed consensus among the international energy community to extend and deepen the dialogue as the key political factor underlying security of supply throughout the world.
ACTIVITY UPDATE

Recent

17 January 2006: Secretary General met with Minister Delegate for Industry H.E. F. Loos to update on IEFS activity and discuss the producer-consumer dialogue, Paris, France.

17 January 2006: Secretary General had consultations with IEA Executive Director C. Mandil, Paris, France.

18 January 2006: Secretary General met with Minister of Economics Affairs, Energy and Foreign Trade H.E. M. Verwilghen to update on IEFS activity and discuss the producer-consumer dialogue, Brussels, Belgium.

19 January 2006: Secretary General had consultations with Ambassador A. Mernier, Secretary General of the Energy Charter, Brussels, Belgium.

21 January 2006: Secretary General met with Minister of Petroleum and Mineral Resources H.E. A. Al-Naimi to update on IEFS activity and discuss the producer-consumer dialogue, Riyadh, Saudi Arabia.

23 January 2006: Host country Qatar convened in Doha the second meeting of the Joint Committee with representatives of international energy companies in preparation for the 2nd International Energy Business Forum.

1 February 2006: Secretariat took part in meeting of Steering Committee for Studies in support of Roundtable of Asian Ministers on Regional Co-operation, New Delhi, India.

10 February 2006: Secretariat took part in inter-secretariat meeting of the Joint Oil Data Initiative partners hosted by Eurostat in Luxembourg.

6 March 2006: Secretary General lectured on the producer-consumer dialogue and IEF at King Faisal Centre for Research and Islamic Studies, Riyadh, Saudi Arabia.

13-14 March 2006: Secretary General spoke on the producer-consumer dialogue and IEF and Energy Analyst B. Castellano presented the Joint Oil Data Initiative at International Energy Security Conference in Moscow, Russian Federation.

15 March 2006: Secretary General met with Minister of Industry and Energy H.E. V. Khristenko to update on IEFS activity and discuss the producer-consumer dialogue, Moscow, Russian Federation.

15-16 March 2006: Secretary General spoke on the IEF and Global Energy Security at meeting of G8 Energy Ministers held in Moscow, Russian Federation.

26 March 2006: Secretary General of the Organization on Security and Co-operation in Europe (OSCE) M. Perrin de Brichambaut visited IEF Secretariat headquarters to discuss co-operative ties, Riyadh, Saudi Arabia.

4 April 2006: Delegation from the Department of Trade and Industry and Foreign Office of the UK was informed of Secretariat activity and development of JODI, and discussed producer-consumer dialogue, on visit to Secretariat headquarters in Riyadh.

12 April 2006: Secretariat published 7th JODI Newsletter.

Upcoming

21 April 2006: Meeting of IEF Informal Support Group of Countries chaired by Qatar in Doha, Qatar.


25 April 2006: Selection of New Members of the Executive Board of the IEF Secretariat (to serve through the 11th IEF).

10 May 2006: Secretary General speaks at 14th Session of the UN Commission on Sustainable Development, United Nations, New York, USA.

11 May 2006: IEF Secretariat co-chairs inter-secretariat meeting of Joint Oil Data Initiative partner organizations hosted by the United Nations Statistics Department in New York, USA.

16 May 2006: Secretary General speaks at 8th Arab Energy Conference in Amman, Jordan.

19 May 2006: Secretary General speaks at IEA-OPEC Experts’ Workshop hosted by the Minister of Petroleum and Energy of Norway in Oslo, Norway.

The 10th International Energy Forum and 2nd International Energy Business Forum to be hosted by Qatar in Doha on 22-24 April, offer a high-level opportunity for update on and discussion of progress of the Joint Oil Data Initiative since the 9th IEF Ministerial. The commitment of governments to contributing to improved transparency in the oil market through submission of timely and accurate data to JODI is crucial for the success of the Initiative. As mentioned earlier in this issue of the Newsletter, the Secretariat is greatly encouraged by the support for JODI reconfirmed by G8 Energy Ministers at their meeting in Moscow last month.

Inter-secretariat meeting

On 10 February 2006, EUROSTAT hosted the first meeting of the year of the JODI partner organizations in its headquarters in Luxembourg gathering representatives of the IEIFS, APEC, EUROSTAT, IEA, OPEC and UNSD.

The IEIFS presented the latest developments regarding the JODI World Database, which has worked well since its release to the public in November 2005. The Secretariat is addressing some difficulties encountered in the server response time. A new Beyond 20/20 browser, including colour cell features, will be made available on the JODI website soon.

APEC, EUROSTAT, IEA, OPEC and UNSD presented their updated assessments on timeliness, completeness, coverage and quality of the JODI submissions from their member countries. They noted an improvement in the timeliness of submissions and in the data quality. Missing questionnaires have been submitted by the participating countries. However, some problems still remain especially with stock data. Consolidation of the existing database remains the first priority of the organizations.

In order to increase the data quality in the short term, the organizations also discussed at the Luxembourg meeting preparations for training sessions for the participating countries as well as the preparation of a manual on the definitions and the methodologies used in JODI.

Training workshop

At the preceding Inter-Secretariat JODI meeting in Paris in November 2005, several proposals for training programmes were discussed. In Luxembourg, a draft programme incorporating all the positive features was presented and it was envisaged that the first training session could take place in South America before summer 2006 and the second one in Africa before the end of the year.

The training sessions will help the participating countries report better quality data in the JODI questionnaire. The workshops will offer participants the opportunity to get clarifications about the definitions used in the JODI questionnaire, data quality assessment, oil data issues and to share their experience on data validation best practices and data collection issues. To complete the energy picture, presentations on methodology of energy balance and socio-economic data will also be made at the training sessions.

Methodology manual

The organizations agreed in Luxembourg that the purpose of the manual is not to revise the JODI questionnaire, but rather to reflect the current state of the art. Therefore all the definitions used by the organizations for the JODI questionnaire will be included in the manual, although the long run goal should be to have harmonized definitions. JODI partners hope to have the manual ready, at least in its electronic format, for the first training session.

Expanding JODI

The Luxembourg meeting also discussed the possibility to expand JODI by adding more data to the questionnaire or by releasing data which is currently collected, but not available on the JODI website, such as refinery intake or refinery output. The organizations agreed that before collecting more data, the questionnaire would have to be modified and discussed with the participating countries, probably within the framework of a JODI Conference.

Next meeting of JODI partners

The next inter-secretariat JODI meeting will be hosted by UNSD in its headquarters in New York on 11 May 2006. Main issues include the organization of the first training workshop for Latin American countries, the JODI manual and the organization of the 6th JODI Conference that is envisaged to take place in November 2006. In conjunction with the meeting, the seven partner organizations will also have the opportunity to present JODI to delegates to the 14th Session of the UN Commission on Sustainable Development which at the time will be taking place and be focusing on energy issues.
The 10th IEF, hosted by Qatar on 22-24 April 2006, marks fifteen 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.

The IEF Secretariat is an international 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 sixty 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 Department.

INTERNATIONAL ENERGY FORUM

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