



## DIALOGUE REFLECTS OUR COMMON INTEREST IN WELL-FUNCTIONING ENERGY MARKETS

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This year, we can celebrate 25 years of regular, fruitful energy policy dialogue between producers and consumers of oil under the International Energy Forum. The Ministerial meeting in Algiers is the 15th ordinary Ministerial meeting in the producer-consumer dialogue, in addition to two extraordinary Ministerial meetings in 2008 (Riyadh and London).



CELEBRATING 25 YEARS OF THE PRODUCER-CONSUMER DIALOGUE

There is good reason to celebrate this 25th anniversary and how the dialogue has developed since the beginning. It all started in Paris in 1991, when the French government, supported by Venezuela, hosted the first dialogue meeting. The initiative was met with scepticism from many countries, and only a few countries were represented at a political or high level at the first meeting. Although the importance of stable energy markets was recognised, the need for dialogue between producers and consumers was not. The general thinking was that OPEC stood on one side defending producers' interests and the IEA stood on the other side representing the consumers. That approach was more confrontational than cooperative. There was scepticism about a more multilateral approach replacing bilateral or regional cooperation. Many countries were staunch defenders of the principle of no interference in the market, claiming that the invisible hand should clear the market and set prices. It is good to see that after this difficult birth the dialogue has developed and grown. The dialogue process took an important step further in 2000, when Saudi Arabia and the then Crown Prince Abdullah at the Ministerial meeting in Riyadh (IEF7) took the initiative to establish and host the IEF secretariat in Riyadh. Today the IEF has 72 member countries, and these countries account for 90 per cent of global supply and demand for oil and gas.

For decades, Norway has argued for the benefits of

closer dialogue and improved cooperation between producers and consumers of oil. We have seen the need for international organisations to reap these benefits. In the dialogue process Norway has seen the advantage of being both an oil exporter and an industrialised Western country, and we have seen that there is a role to play as a mediator. Norway has actively supported the dialogue process from the very beginning, including the preparation for the very first meeting in Paris. The second Ministerial meeting was held in Norway in 1992.

Why is the dialogue process important? First of all, because dialogue is a prerequisite for trust between the various players in the oil market, between the producers of oil and the consumers of oil. Access to energy is key to economic and social development. Petroleum resources are not evenly distributed and security of supply has often been an area of concern for importing countries. For petroleum producing and exporting countries on the other hand, the oil industry is a source of income and a key source for economic development. To these countries, security of demand is important. These interests are in no way contradictory. Stable energy markets are important for importing as well as exporting countries. Recognition of this fact and recognition of interdependence and mutual interest between producer and consumer countries rather than competition has been the foundation for the dialogue process.

Through closer dialogue between producer and consumer countries, exchange of views and information, uncertainty is reduced and predictability increased. This contributes to more stable energy markets. Investments in the energy sector are capital-intensive and have long lead times. A more stable market and less uncertainty will promote timely investments to meet consumers' needs at lower cost.

Prices have been a sensitive issue in the producer-consumer dialogue. Prices are, and must be, set in the markets. There is a broad acceptance today that a well-functioning market is the best means to determine supply and demand and allocate resources. The dialogue process has contributed to establish this acceptance, by fostering a better understanding between the different players of the importance of prices and their effect on both the supply and the demand side. This is beneficial for both oil consuming and oil producing countries in the long run.

Transparency and access to information is crucial



Energy processing island near Hammerfest, Norway

for a well-functioning market. In that respect, the Joint Organisations Data Initiative (JODI) project in oil and later its extension to gas (JODI-Gas) have been very important. However, there is still room for improvement. If we are sincere about the importance of stable markets we must be willing to submit timely and reliable data. According to JODI, timeliness, coverage and reliability of oil data are at reasonable levels for the top 30 oil producers and consumers. The challenge now is to increase the coverage for other countries, to reduce the delay in data submissions and to further enhance the data quality.

The complexity of the oil market has increased with the closer link between the physical market and the financial market. In cooperation with OPEC and the IEA, the IEF has done an important job in focusing on that issue, fostering dialogue across market segments

and improving knowledge about these specific markets and the interlink between them. The financial market will continue to be an integral part of the oil and gas market. It brings liquidity and offers tools for risk management. A well-functioning market presupposes knowledge, transparency and regulation.

The global energy dialogue is about interdependence between energy producers and energy consumers. Basically, we are facing many of the same challenges. In order to solve these challenges and ensure global energy security we need to have a common ground of understanding. Over the years, we have built that platform through the IEF and we need to enable that platform to solve the most demanding challenge facing us all today: how to supply affordable energy to support economic and social development and at the same time curb and reduce climate change. ■