



ENERGY DIALOGUE – BECAUSE IT MATTERS

By H.E. Terje Søviknes,
Minister of Petroleum and Energy, Kingdom of Norway

Twenty-six years ago, the second IEF ministerial meeting was held at Solstrand in the county of Os where I served as Mayor for seventeen years before being appointed Minister of Petroleum and Energy in Norway.

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 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 a difficult birth the dialogue has developed and grown.

The dialogue process took an important step further in the year 2000, at the IEF7MM, when Saudi Arabia and the then Crown Prince Abdullah at the ministerial meeting took the initiative to establish and host the IEF secretariat in Riyadh.

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 if we are to reap these benefits. In the dialogue process, Norway has seen the advantage of being both an oil exporter and an industrialized western country, and we have seen that we have 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.

Why is the dialogue process important? First, 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 the 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 and an exchange of views and information,

uncertainty is reduced and predictability increases – 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 and demands 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 for a well-functioning market. In that respect, the JODI project on oil statistics – and later also on gas – has 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. ■