

IEF Ministerial meeting

Energy markets: mitigating volatility

Remarks by

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Kingdom of Saudi Arabia

13 March

Kuwait City, Kuwait

Your Excellencies, Distinguished Guests, Ladies and Gentlemen.

I would like first to extend my sincere gratitude to the State of Kuwait for hosting the 13th International Energy Forum Ministerial meeting. I would also like to express my appreciation to the governments of Algeria and the Netherlands for co-hosting this important gathering. It is a pleasure to be a member of such an esteemed panel of speakers.

Ladies and gentlemen, the central theme of this session is how to mitigate volatility in international oil markets. Volatility is bad for the consumer, bad for producers and bad for the sort of long-term planning required in the energy business. Market volatility is not in the interest of anyone present here today.

We all know that oil prices traditionally have been more volatile than many other commodity or asset prices. Yet even though market

fundamentals are sound, the past decade has witnessed unprecedented movements in oil prices. Today, the oil market is generally balanced, and there is ample production and refining capacity. And as I have noted many times before, Saudi Arabia and others remain poised to make good any shortfalls – perceived or real – in crude oil supply.

In the recent past, misinformation about peak oil, and unsubstantiated concerns about production capacity have helped drive volatility. It is clear that global events have an impact on the price of oil, and that the often sensationalist reporting of such events have a disproportionate impact. But, ultimately, volatility is caused by speculation in the marketplace, based on conjecture over tighter supply-demand balances in the future, and increased interest in energy commodities as an asset class for financial investors. It is this emphasis on “paper barrels”, rather than actual cargoes, which creates problems.

Ladies and gentlemen, it is clear that no single country or group of countries can ensure market stability. For many years, Saudi Arabia has worked with the producers and consumers to reduce volatility and ensure stability. Our production and investment decisions, and our support for the IEF and the Joint Organizations Data Initiative, or JODI, are all contributions towards this objective.

Gaps in available market data only add fuel to the speculative fire, which is why JODI offers a unique solution to decision makers. The initiative, which provides important energy data to the public, is regularly commended by energy ministers and other policymakers for its contributions to market transparency and stability. With nearly 100 participating countries, JODI covers almost 90 percent of global oil supply and demand and greatly enhances energy data transparency. Energy producers and consumers both see JODI as an important tool in reducing future energy volatility, as well as helping countries plan

better for the future. I encourage all Governments to support and promote the initiative.

Ladies and gentlemen, our focus here today, and the ongoing focus of the IEF, is to increase cooperation, transparency and openness so that volatility can be minimized. It is not simple nor is it easy. But just because it is not easy, does not mean it cannot be achieved.

ENDS - 500 WORDS