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**A New Era in Oil Market
Management (?)**

**Claude Mandil
Executive Director
International Energy Agency**



The Producer-Consumer Dialogue: It Is Working...

Considerable progress has been made. The IEA and OPEC share views on:

- Need to ensure adequate energy sector investment**
- Importance of market stability, security of supply and demand**
- Continued support for technology RD&D**
- Increased data transparency**
- Less vulnerability to oil price swings – both in consumer and producer countries**
- Global access to modern energy**



Tangible Results from Dialogue

- **Number of successes:**
 - ◆ Venezuela supply disruption, build-up to Iraqi conflict
 - ◆ JODI data exercise
 - ◆ Riyadh IEF Secretariat
 - ◆ OPEC input to IEA investment study (*World Energy Investment Outlook*) ; joint workshop
- **Better understanding of each other:**
 - ◆ Consistent lines of communication
 - ◆ “Technical” meetings



... But There Are Still Differences

Despite dialogue, there are still key areas of disagreement:

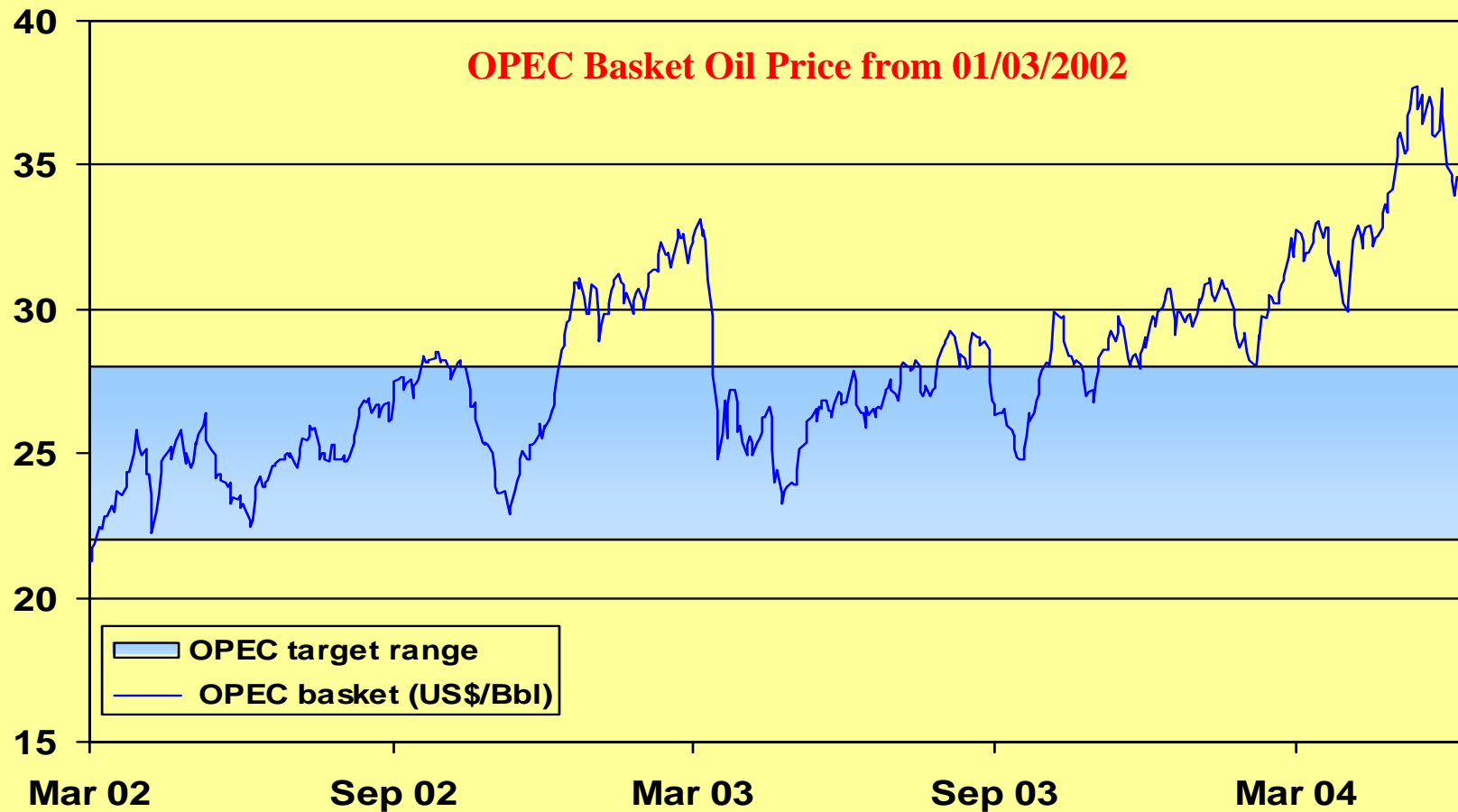
- Role of the market and idea of “right price” or “price band”**
- Producers’ low-stock and production quota policy**
- Access to reserves**
- Policy approach to environmental concerns**
- Consumer taxation policies**



Contradictions

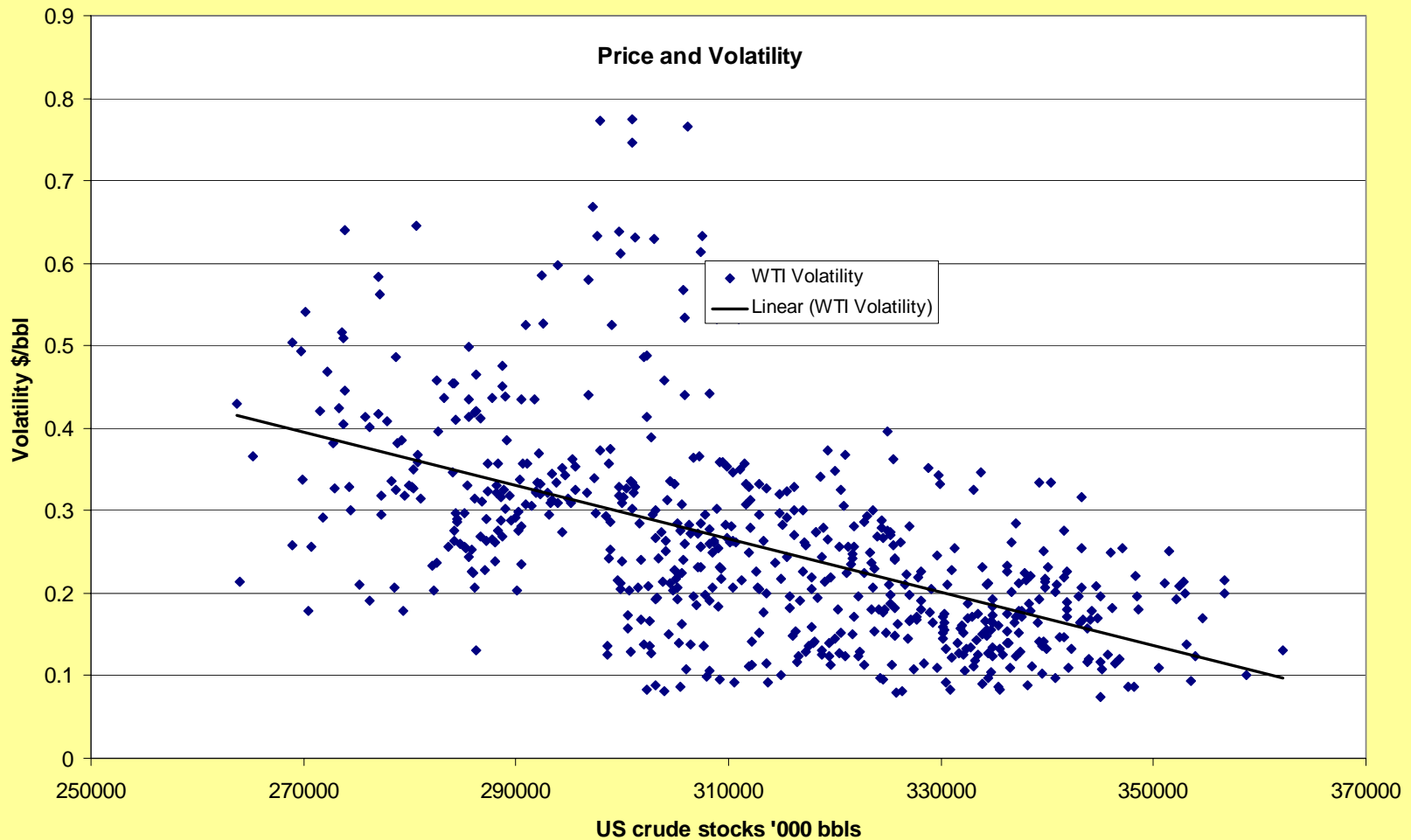


Producers support a price band... but do not enforce it



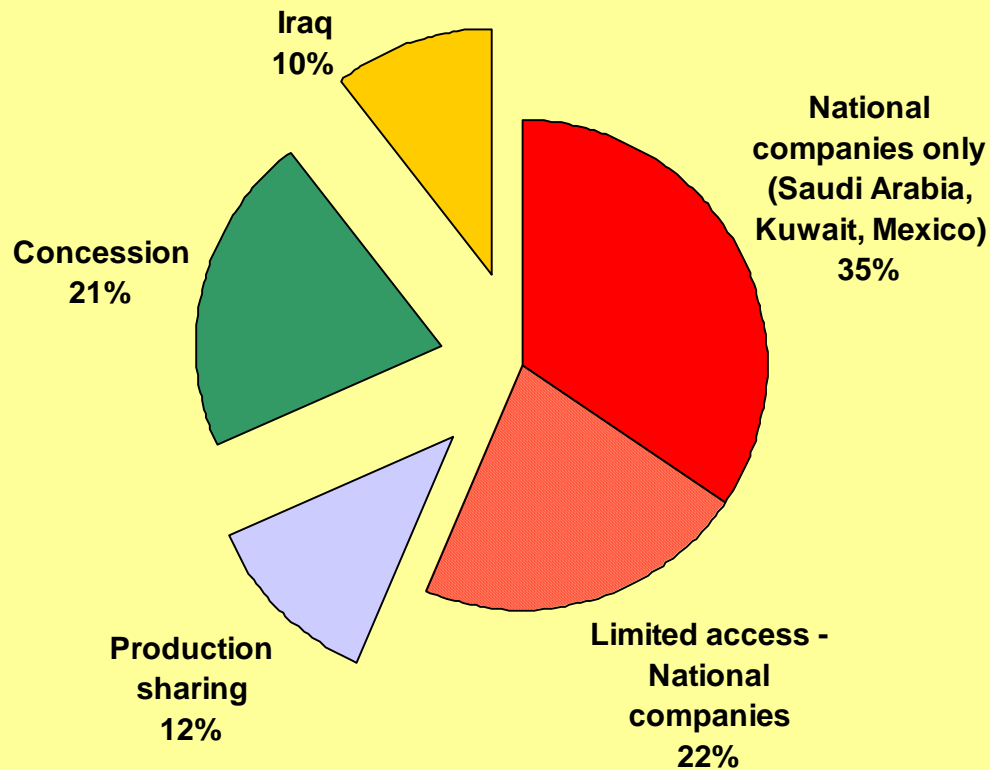


Producers claim to dislike volatility... but pursue a “low stock” policy





Producers express concern about future investment... but curtail access to reserves



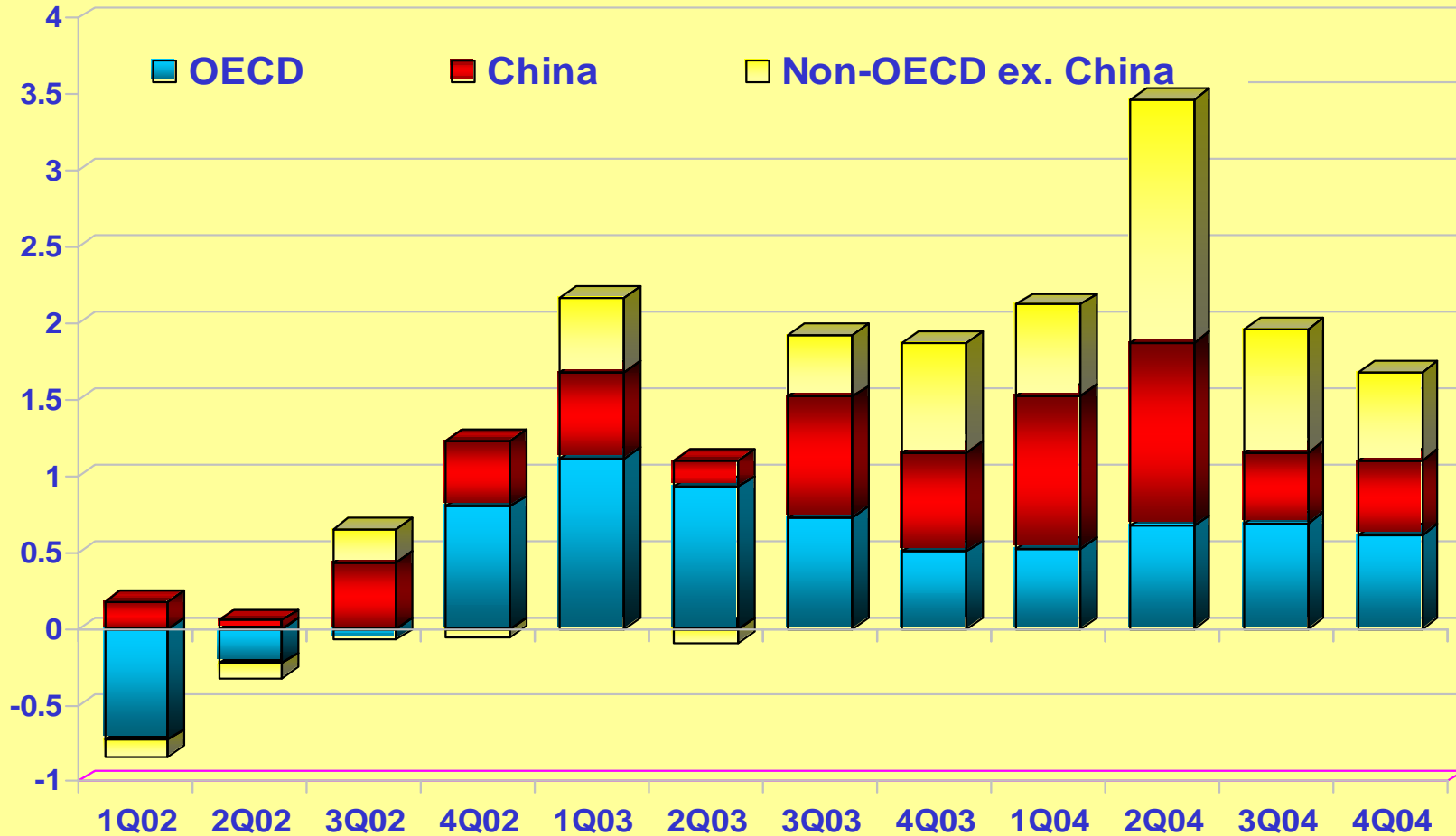
1,032 billion barrels

Access to much of the world's remaining oil reserves is restricted



Consumers complain about high oil price...but demand remains strong

Oil Demand Recovery: OECD Vs Non-OECD (mb/d)

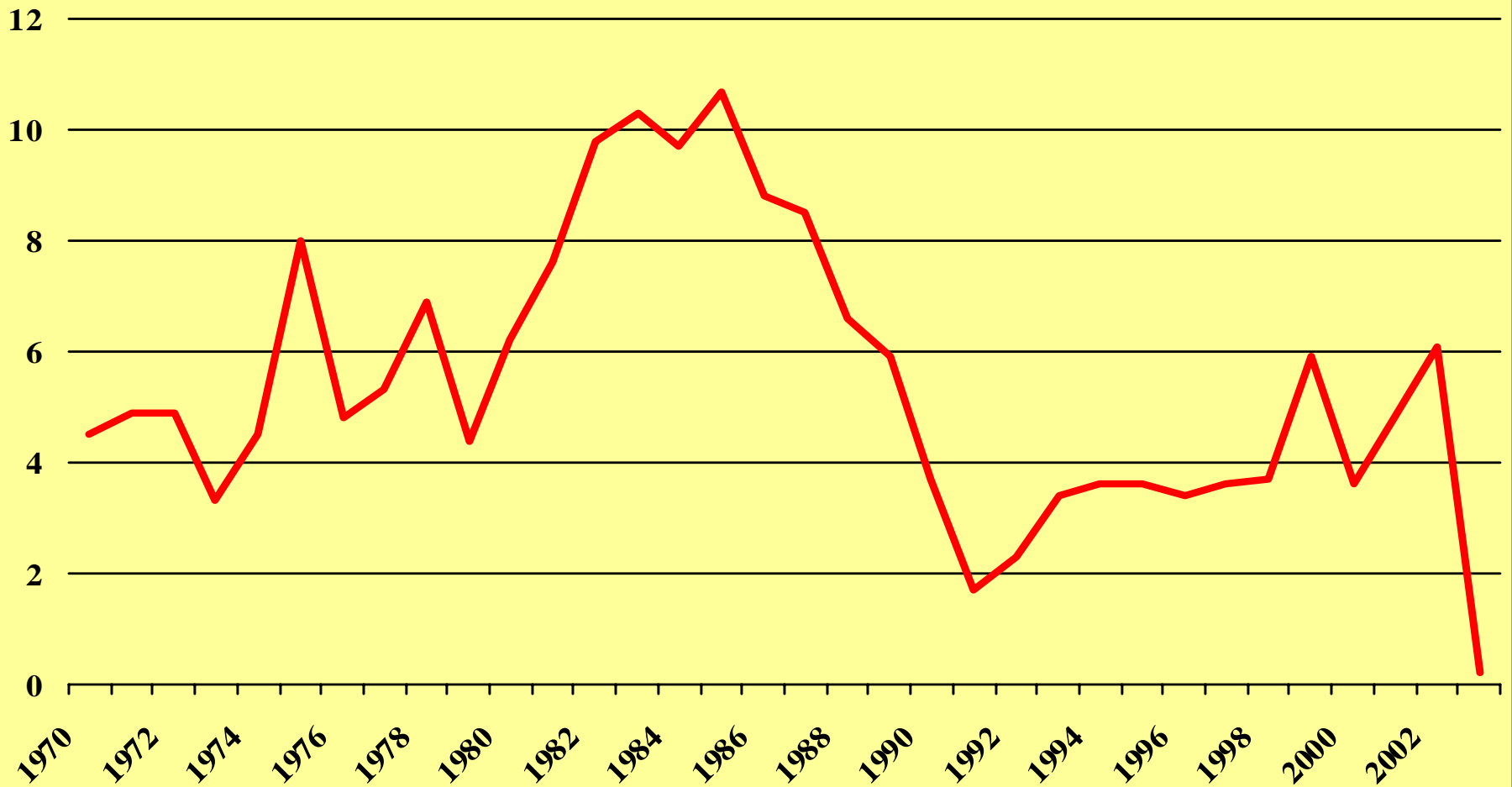


Non-OECD, notably China, drives oil demand growth



Mbd

Consumers call for more surplus production capacity... but it would not exist in an open market



Historic OPEC spare production capacity is declining

Source: EIA



Even More Contradictions...



Oil Market Management Is Not New

- Producers have collaborated to attempt to manage the oil market for over three decades**
- While the dialogue has helped to identify many common areas of interest, producer-consumer disagreements remain – especially in relation to market management**
- Many of these differences contain contradictions – could these be resolved through further dialogue?**



Ushering in a New Era?

- **Producers and consumers will be most successful if they take on these challenges and overcome contradictions together:**
 - **Need to mobilize investment to generate spare capacity and restore confidence and market stability**
 - **Need to act on commitments to data transparency, technical meetings and collaborative studies**
 - **Need to fund RD&D and promote technology**
 - **But most important, need to supply the market – building the integrity of the dialogue process**