

Energy Markets: Mitigating Volatility

Statement by

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*13th Ministerial Meeting,
International Energy Forum
Kuwait, 14th March 2012*

In the Name of Allah

Mr. Chairman, Excellencies,

Ladies and Gentlemen

It is a great honor and pleasure for me to represent the government of Islamic Republic of Iran at the 13th Ministerial Meeting of the International Energy Forum in Kuwait and have the opportunity to express my views on energy markets, ways of mitigating volatility and the required ways for enhancing stability in the market. I hope discussions raised in this meeting, will pave the grounds for further stability of the oil market. I would like to thank the government of Kuwait for hosting this meeting and for their warm hospitality.

There is no doubt that dialogue and cooperation ought to aim at identifying concerns and making efforts for reaching a common policy and commitment towards establishing constructive cooperation and interaction for restoration of energy security in the world.

Today, when the issue of dialogue between producers and consumers is raised, the expectation is that there would be no huge gap between the views of the two sides. The expectation is that it would enhance our understanding of mutual interdependence and contribute to mutual trust, and pave the way for making national decisions and international cooperation more transparent.

First of all, while reviewing the history of two decades of producer-consumer dialogues, I wonder if energy policies of consuming countries based on non confrontation with producers have almost reached their objectives. Have uncertainties about the future oil supply and demand , investment needs of producers in upstream and downstream sectors, and the huge cost of

maintaining and /or enhancing excess production capacity been addressed and eliminated? Have the unilaterally imposed political and economic atmosphere on the oil market and pressures such as political and economic sanctions exerted on producers been eliminated?

Undoubtedly, cooperation is a two-way process, which will be materialized through "listening to others' views", "exploring for grounds of cooperation" as well as "political and economic interactions".

In order to establish a stable energy market free of severe volatility, the following fundamental factors should be taken into consideration:

- 1- Existence of enough resources and the establishment of reliable production capacity;*
- 2- Making plans aimed at long-term and accountable exploitation of energy resources;*
- 3- Security of demand for producers, and security of supply for consumers;*
- 4- Systematizing the activities of speculators in major international bourses and exchanges;*
- 5- Providing investment potentials for both upstream and downstream sectors, and enabling free access to capital markets, technology and the relevant equipment;*
- 6- Noninterference of consumers in the market through instruments such as the strategic reserves and so on;*
- 7- Making all efforts at stabilizing the market through timely supply of the needs of the market; and*
- 8- Noninterference in the demand sector and not levying huge taxes on end-users.*

-Iran, as the second largest OPEC producer and the first ranking basin of cumulative hydrocarbon reserves in the world is of the opinion that the

issues of oil and gas production, transfer and consumption are intermingled with global security, and due to this, we believe that persistence of energy security requires further cooperation among producers and consumers, efficient market performance, preventing tough price volatilities, and finally establishing transparent and stable relationships between the concerned parties.

- *Due to being aware of the common interests of their own nations and the interrelationship of the economic interests of producers and consumers, producers have always committed themselves to timely provision of the needs of the market to attain market stability.*

Having a history of over one hundred years in the petroleum industry, Iran has never initiated using oil as a political tool. We are of the opinion that energy security may not be achieved through interference in the domestic affairs of countries, but the most important principle in the changing geopolitics of the world's energy is the free flow of capital, technology and goods in the market.

Hence, we are of the opinion that unfortunately the trend of dialogue between producers and consumers has not been successful in establishing an atmosphere of healthy cooperation, depoliticizing oil and energy industries, and eliminating sanctions, to the extent that producers and consumers expected. We hope to achieve the elevated objectives of the producer-consumer dialogue and cooperation among producers and consumers more than ever.

Unfortunately, some big countries who are among the major energy consumers, view oil as one of the basic constituents in their military, security and political strategies, and use it as a political tool against oil producing countries. Undoubtedly, exerting unilateral economic constraints of political instigations is a threat, which jeopardizes free trade and continuity of oil supply in the world, and ultimately all the concerned groups in the oil market including

producers and consumers will face various problems. On the other hand, the role of oil exchange markets in market fluctuations and price volatility cannot be overlooked. The regulations dominating financial and oil exchange markets should be developed in a way to bring about transparency and control, which will certainly contribute to mitigating volatility.

- *Investment in capacity expansions either in upstream, downstream and the transportation sector is highly essential. Nevertheless, establishment of peace and political stability in the producing countries is among the required pre-requisites of investment flow continuity. In addition, without financial and technical cooperation of oil consumers, producers are not able to meet the relevant needs, on their own.*
- *In relation with climate change, which is among the severe and long-term challenges of the global community, industrial countries are expected to avoid discriminative attitudes in environmental issues, and discontinue their support of pollutant energies, especially coal. Producers believe in the principle of common but differentiated responsibilities and the implementation of relevant conventions, provided that the relevant policies and arrangements and the issue of greenhouse gases are well-balanced and comprehensive, and provided that the impact of the new regulations on producing countries, whose economies depend on oil revenues are taken into consideration.*
- *Finally, I would like to reiterate that energy policies for enhancing productivity, substitution and mitigating dependence on oil, while aiming at ensuring energy security, are not merely bound to industrial countries; rather, those policies are the legitimate rights of all countries including producers.*
- *To wrap up, I would like to announce that the important target of producer-consumer dialogue is enhancing the level of mutual*

understanding and identifying the needs of the parties and making efforts to eliminate the barriers ahead of the targets.

The core of the cooperation between producers and consumers should be a logical link between reserves, investment, technology, and access to global markets without political barriers to assure security of energy supply and demand, and to guarantee the world's sustainable development.

Through the establishment of such processes, the common interests of both groups of producers and consumers will be insured and the road will be paved for the restoration of energy security, and mitigating market volatilities.

Thank you for your attention.