Joint statement by IEA and IEEJ

On 25 February 2010 the International Energy Agency (IEA) and the Institute of Energy Economics Japan (IEEJ) conducted a joint oil price formation workshop in Tokyo, with the support of Japan's Ministry of Economy, Trade and Industry (METI). The workshop aimed to discuss oil price formation dynamics, and was a resounding success, as over 80 participants from the oil industry, research bodies, financial institutions and regulators, exchanges and international organizations were in attendance. There was strong participation from emerging Asian economies. The workshop was the third in a series organized by the IEA, following previous events in New York (2004) and Paris (2008).

Although a wide variety of views was aired regarding the relative importance of the many drivers influencing oil prices, the impact of price volatility and potential measures aimed at combating excessive volatility, attendees agreed on a number of key issues that need to inform future policy actions aimed at helping markets work better:

- Firstly, volatility is an inescapable feature of markets, which cannot ever be totally eradicated, nor is it desirable to try to do so. But excessive volatility can be controlled by means of better operating markets and improved visibility of current conditions and expectations for the market in the future;
- Secondly, the issue of data transparency is paramount for a better understanding of oil market dynamics. Improved data on demand, supply and stocks are key to a better grasp on market fundamentals, notably in the emerging markets that are now playing an increasing role, such as Asia. However, equally important is greater granularity on financial market information. Recent welcome moves to enhance reporting requirements by the CFTC and others need to be continued, and potentially extended to OTC derivatives markets.
- Thirdly, participants also agreed that enhanced cooperation between key research institutions and analysts must broaden and deepen into the complex inter-relationships between physical and financial markets.
- Fourthly, many participants highlighted that efforts to further regulate commodity markets must take into account important factors such as liquidity and the ability to manage risk, which could be impaired if incoming regulation is applied in too stringent a manner.
- Finally, clearer and more consistent longer term policy efforts are required in areas such as encouraging investment, a continued shift towards market pricing and oil use efficiency measures.