

IEA-IEF-OPEC Symposium on Energy Outlooks

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On January 24, the International Energy Agency, the International Energy Forum and the Organization of Petroleum Exporting Countries cosponsored a Symposium on Energy Outlooks at the IEF secretariat in Riyadh, Saudi Arabia. More than 40 experts from the three international organizations and countries mainly in Europe, the Americas and the Middle East participated in the meeting. They had discussions based on IEA and OPEC presentations about short- and long-term energy outlooks.

The ultimate objective of this symposium was the promotion of dialogue between oil producing and consuming countries. In a bid to anticipate the international energy landscape that is now described as facing “unprecedented uncertainties”, experts from the IEA for oil consuming countries and OPEC for oil producing nations had frank discussions on common points and differences regarding future outlooks and various challenges accompanying these outlooks. The role of IEF was to provide platform to promote dialogue between the two sides. The three international organizations cosponsored the symposium as a conference to discuss international energy problems, following a meeting and a workshop on crude oil pricing in London last November, as agreed at a gathering of IEF energy ministers that took place in Cancun last March (see A Japanese Perspective on the International Energy Landscape (20) on November 26, 2010).

The symposium first dealt with short-term outlooks through 2011. Generally, participants might have found many common viewpoints and challenges concerning short-term outlooks. They compared and discussed various important elements on oil market outlook, including economic growth projections as assumptions, global oil supply/demand outlooks based on these economic projections, non-OPEC production estimates, crude oil prices' elasticity on oil supply and demand, demand for (or the call on) OPEC crude oil, and surplus OPEC production capacity as the gap between total OPEC production capacity and the actual OPEC production. While some differences were seen between projected numbers for the above mentioned elements, directions and estimates regarding many of these points were basically close. Symbolically, the IEA and OPEC presented very close estimates of an increase in the call on OPEC for this year (2011), which is the most important indicator of the direction of changes in the

supply/demand balance.

But I also found several important differences as well. Most interesting in this respect were discussions on the large difference between the IEA and OPEC with regard to global oil demand estimates for 2010. Specifically, the IEA estimated that global oil demand in the year increased by 2.7 million barrels per day, the second-largest growth in the past decade (after the growth of nearly 3 million bpd in 2004). But OPEC estimated the increase in 2010 at 1.6 million bpd. The OPEC-estimated growth, though firm, was as much as 1.1 million bpd less than the IEA estimate. The problem is that the difference not only indicates the gap the views on demand itself, but also seems to suggest the gap between their analyses of crude oil price hikes since the second half of last year. One viewed a demand increase as large enough to tighten the supply/demand balance and boost crude oil prices, while another interpreted the increase as a moderate one and attributed the crude oil price hikes primarily to other factors. Such difference might have been resulted from the gap on demand growth estimates for 2010.

In this regard, the difference in demand growth estimates may relate to a gap in views about the influence of financial factors on crude oil prices and in prescriptions to the price hikes. Interestingly, discussions on the influence of financial factors on crude oil prices have become very popular and been carried out worldwide in recent years. But there are polarized views on this issue and no easy conclusion or agreement can be reached. Sometimes in that how we view the importance of supply/demand factors affects how we view of the importance of financial factors, in-depth discussions on the gaps on supply/demand analysis may be concluded as significant.

As for long-term outlook, there are several commonalities in the directions of future development and predicted results between those by IEA and OPEC. But there are many substantial differences between the two outlooks, with regard to such factors as frameworks or scenarios for the outlook as well as some key results of the outlooks. Such differences can be interpreted as natural because the longer-term influences of energy and environment policies and technology development on energy demand are more uncertain. The presence of diversified forecasts of the uncertain future can be viewed as sound in a sense. In a sense, results of long-term outlook depend on answers to the following questions: How stringent would restrictions on carbon dioxide emissions be?; What policy measures would be taken in response to such restrictions?; What policies would be adopted to address social policy problems such as energy poverty and subsidies?; How strong would such policies be?; What elements of advanced technologies would become “mainstream”?; Would any revolutionary event come to greatly affect the development of certain energy sources (like “shale gas revolution”?; What economic or social structure changes would accompany the development of China, India and other emerging countries?; How fast would their development be? It is difficult to give any accurate answers to these questions at this moment. In this context, IEA and OPEC should deepen discussions not on their forecast gaps but on their views about the factors bringing about such gaps. Such approach may be important for enhancing their mutual understanding.

While various approaches or methods exist for enhancing and deepening mutual understanding, the Riyadh meeting has led to a common recognition that it is important to focus on areas that are significant for both oil consuming and producing countries and that feature great future uncertainties. Therefore, regional analyses concerning China, India and Russia may be considered for a possible area of collaboration. An area concerning research on natural gas related to the effects of the shale gas revolution may also be a candidate for collaboration. Meanwhile, there was constructive discussion that it would be effective to analyze and discuss the above-mentioned gaps in elements of supply/demand forecasts from a more technical viewpoint. For example, it was pointed out that it would be important for experts to have in-depth discussions on historical supply/demand data gaps, base-year data for forecasts and definitions of various data. This may also be considered as a specific feasible and workable idea.

Views about the future course of the international energy landscape, facing “unprecedented uncertainties”, may bring about important implications for energy and environment policy planners/makers, energy industry participants, the entire industry and ordinary citizens. IEA and OPEC are expected to improve each other’s energy supply/demand outlook through the promotion of dialogue between oil producing and consuming countries and contribute to the stabilization of international energy markets and to the entire international community.

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