

# **Global Commodities Forum**

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## **Speech delivered at the Global Commodities Forum**

by

**H.E Mr. Germánico Pinto,**

Minister of Non-Renewable Natural Resources of  
Ecuador and President of the OPEC Conference on the  
importance of Global Dialogue on energy to improve  
cooperation between oil-exporting and importing  
countries.

*"The views expressed are those of the author and do not necessarily reflect the views of UNCTAD"*



## SPEECH

HE Germanico Pinto, Minister of Non-Renewable Natural Resources of Ecuador and President of the OPEC Conference on the importance of Global Dialogue on energy to improve cooperation between oil-exporting and importing countries, to be delivered at the Global Commodities Forum, Geneva, 22-23 March, 2010

Excellencies, ladies and gentlemen,

It is a pleasure to be here and a privilege to speak in front of such distinguished audience. I thank the organizers of the Global Commodities Forum for this opportunity.

The energy industry-like the rest of the global economy-is today experiencing a period of enormous uncertainty. The pace of the global economic recovery and its impact on energy demand is still far from certain. We believe that now, more than ever before, a global dialogue on energy is essential to a stable and sustainable energy future.

Dialogue and cooperation is something that my country, Ecuador-and OPEC as an Organization-has been pursuing for many years. And it is something we remain committed to into the future.

The responses of governments to the recent economic crisis have demonstrated the importance of coordinated efforts. And ever-more complex challenges, such as energy security and environmental sustainability, cannot be met by individual industries or even countries alone. We live in an interconnected world where dialogue and cooperation are vital to promote the openness and transparency required for producers and consumers to be attuned with each other's needs. We must work together to create a stable environment in which properly-grounded decisions about the future can be made.

An essential ingredient to stable oil markets is a realistic oil price. Thanks to recent dialogue and communication, it is now widely accepted that an oil price high enough to encourage producers to invest, and low enough to support economic growth is of benefit to all. Although during the past months we have witnessed a more stable and realistic oil price, we should not forget to extreme volatility that has characterized to recent past. Increased speculative activity has led to acute and excessive price fluctuations and the market has been driven by factors totally unrelated to supply and demand. It is something that creates major difficulties for both consumers and producers. It is essential that the market is justified by fundamentals.

Any successful dialogue on global energy need to focus on helping to eliminate the excess speculation that has plagued the oil market in recent years. In line with this, last year saw the 6<sup>th</sup> Ministerial Meeting of the EU-OPEC Energy Dialogue-an essential channel of communication that was begun in 2005 and that had engendered a relationship based on mutual understanding openness.

At last year's meeting, both parties endorsed calls for an urgent and global response to the challenges to the stability of the oil market posed by the financial markets. This, and previous OPEC-EU workshops on the subject, has helped both producers and consumers to better understand the problems posed by excess speculation.



We are now encouraged to see some countries taking steps to introduce regulatory reforms to financial markets and commodity trading practices. It is a step in the right direction.

Any global energy dialogue needs to have at its fore the key issues of the security of energy demand and supply. Consumers must be sure that their future oil requirements will be met, and producers must be certain that there is demand for their product. Uncertainties and surround the future of alternative energies and the role of national and international environmental policies-coupled with other industry challenges such as inflated costs and a lack of qualified oil personnel-create big challenges for oil producers when it comes to future planning.

An open and honest dialogue has the potential to stop governments from unfairly discriminating against different energy sources. At present, some countries subsidize coal while imposing heavy taxes on petroleum products. From an environmental perspective, this clearly does not add up. There needs to be more objectivity and transparency when it comes to how energy sources are treated. Consumers also need to ensure their oil demand forecasts are accurate and reliable.

These forecasts are often influenced by unrealistic expectations regarding alternative sources of energy.

OPEC Member Countries play a vital role in meeting the world's energy needs. We are not alone in our belief that fossil fuels will remain the main source of energy well into the future. While the Organization welcomes diversity in the overall energy mix, we also believe that both alternative sources of energy and technologies will be slow to gain momentum and thus slow to gain concrete share of the global energy market. Therefore, we need to be cautious about how to proceed.

OPEC Member Countries have worked hard to improve the environmental credentials of oil over the years, and continue to do so. In this respect, carbon capture and storage technology has the potential to significantly help abate the growth in CO2 emissions. But again, dialogue and cooperation are essential to properly harness the potential and to develop even more win-win technologies. The industrialized world-having the financial and technological capabilities-must lead the way and commercialize such technologies quickly.

Linked to these efforts, the Ecuador Government has presented an innovative, emblematic and breakthrough project, which represents Ecuador's proposal to the world, in view of the serious problem of climate change, not only as a contribution to its mitigation but also for its prevention: the Yasuní-ITT initiative which opens a mechanism to prevent greenhouse gases emissions, keeping fossil fuel reserves indefinitely unexploited in an area of high environmental and cultural fragility, and represents a strong commitment towards biodiversity conservation and forest preservation.

In just a few days time, OPEC will be attending the 12<sup>th</sup> International Energy Forum (IEF) in Cancun, Mexico- an event that aims to build bridges of cooperation between energy producers and consumers. Since the 11<sup>th</sup> IEF meeting in 2008, there has been unprecedented turbulence in energy markets in general, and oil markets in particular. OPEC is committed to dialogue through this Forum, which offers a unique opportunity to reach common positions.

The IEF-with its permanent Secretariat in fellow OPEC Member Country Saudi Arabia- is the world's largest gathering of energy ministers. It comprises a grouping that includes not only IEA and OPEC countries, but also key players in the energy sector such as Brazil, China, India, Mexico, Russia and South Africa.



OPEC plays an active part in the IEF dialogue and continually looks for ways to enhance collaboration and increase understanding between different energy participants. To this end, we support and participate in the IEF's JODY initiative, which encourages openness and data transparency in the oil market. Energy security depends on precisely these initiatives, which improve the quality and accuracy of the data and research relevant to our industry.

Excellencies, ladies and gentlemen.

Despite all the uncertainties we have examined today, large investments to expand both the upstream and downstream sectors are currently underway in OPEC Member Countries. We are confident that current investments will satisfy demand for OPEC crude and also continue to provide a comfortable cushion of spare capacity. Today, current spare capacity in Member Countries already exceeds six million barrels a day. We are playing our part—we look to other stakeholders for equal commitment.

From OPEC's perspective, its Third Summit of Heads of State meeting in Riyadh in 2007 called for developing existing and new avenues of cooperation with all stakeholders, and it is in this spirit that our Organization will continue to operate. And my country, as a Member of OPEC, embraces the efforts to enhance dialogue with all stakeholders throughout the energy industry.

We will strive to promote understanding between producing and consuming countries and we urge other to do the same. It is only through joint efforts that we can successfully tackle the complex and emotive challenges of energy security, and contribute to a more stable, equitable and sustainable world.

Thank you for your kind attention.