AMERICAN INSTITUTE FOR CONTEMPORARY GERMAN STUDIES
AT JOHNS HOPKINS UNIVERSITY

global public policy institute

# Governing Global Oil

## Trends, Challenges and Policy Implications for the Transatlantic Alliance

2 – 3 April 2009, Bolger Center, Potomac, MD

www.gppi.net

**Global Public Policy Institute**
Reinhardtstr. 15
10117 Berlin · Germany

Tel +49-30-275 959 75-0
Fax +49-30-690 88 200
E-Mail gppi@gppi.net
Web www.gppi.net

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# 1. Introduction

The transatlantic political environment was fundamentally transformed in early 2009. A new U.S. administration, led by President Barack Obama, assumed office in Washington, D.C. A few months later (in early April 2009), a new European Commission was elected. And now, just two months later, elections for the European Parliament are slated to take place.

These leadership changes on both sides of the Atlantic open much needed political space for a reassessment of the transatlantic partnership, and an analysis where joint leadership in global governance is necessary and feasible. Clearly, the nature of the transatlantic relationship has changed significantly since the end of the Cold War. Old certainties have given way to many disagreements, at times even mutual suspicion. Yet, it is also true that the transatlantic partners share common interests in a broad range of key global public policy issues, and can tremendously benefit from mutual learning and joint action.

Energy security is one of the issue areas where there is scope for mutual learning and joint action for the transatlantic partners. While Europe and the United States each have to deal with distinct challenges in their quest to ensure a reliable supply at reasonable cost, they do share a common dependency on oil.

Oil continues to stand firmly at the front and center as a source of energy for the transatlantic partners, and indeed for the rest of the world. In contrast to widely held perception, oil will remain a critical component of our energy mix, supplying an estimated 33 percent of global energy as far into the future as 2030. Hence, it remains the single largest fuel in the primary fuel mix and total consumption is expected to increase by 70 percent. Being a crucial component of the economic and social health of a nation, experts have referred to oil as a "hinge" upon which economic development is critically dependent.[1]

Not surprisingly, therefore, "black gold" has always been a politically charged commodity. Reliable access to oil at a reasonable cost has been, and will continue to be, of prime strategic value. This applies not the least to the transatlantic alliance. Both the EU and the U.S. are and will remain heavily dependent on fossil fuels to power their post-industrial economies.

However, a number of significant, interlocking trends are currently transforming the framework conditions for global oil markets and require us to rethink the suitability and effectiveness of current governance arrangements that underpin the production, financing, trade and consumption of the resources.

1. **The rise of new consumers.** A number of emerging economies (most notably China and India) are increasingly significant consumers of oil. Their impact is already being felt in global energy markets, and is likely to become much more prominent in the coming years. Yet, these new consumers are so far not integrated in key institutions that govern global oil (e.g., China and India are not members of the International Energy Agency, IEA).

[1] Yergin, in Kalicki and Goldwyn (2005), pp.60-61.

2. **The increasing role of state players on oil markets.** Since the decolonization era, there have been several waves of nationalization of oil and gas resources among producer countries. In recent years, and mainly induced by rising resource prices, this trend has gained speed, as examples such as Venezuela, Bolivia or Russia demonstrate. In addition, since rising consumer countries like China heavily rely on national oil companies to secure their soaring import needs, state-owned companies emerge as dominant players also on the consumers' side. As a result, an estimated 85 percent of all known oil reserves are now controlled by state-owned companies, a share that is likely to increase further within the next decade.

3. **The elevation of climate protection and domestic resource governance to "high energy politics."** The traditional notion of energy security was built on a narrow interpretation of the well-established mantra "reliable supply at reasonable cost." Increasingly, however, the conception of energy security is widened to include issues such as climate change and also domestic resource governance. It is recognized that an effective and sustainable system of energy governance will have to address the environmental and developmental consequences of fossil fuel production and consumption in credible ways.

Together, these trends and their overall effect on the global oil market present significant challenges. It is crucial to determine exactly what implications these trends will have for the existing institutions and mechanisms of global oil governance, and what transatlantic partners can and should do to effectively deal with the resulting challenges.

This Transatlantic Energy Security Dialogue brought together professionals from all relevant sectors (governments, NGOs, business, the media, think tanks and universities) in order to promote constructive debate on these issues through keynote speeches, panel discussions and working groups. The dialogue sessions were also designed to complement GPPi's research program on global energy governance as well as AICGS' energy focus in the Institute's Business & Economics Program and served as an important forum for both presenting ideas and receiving feedback. In particular, the conference aimed to fill a critical gap in the current public debate on global oil in the U.S. and Europe which focuses more narrowly on individual actors' security considerations. In addition, the governance perspective with respect to the oil market is virtually absent in both the U.S. and European debates on energy security.

The following report is based entirely upon conference proceedings and is divided into the following sections: Chapter 2 introduces the institutions that help to govern the global oil market. Chapter 3 analyzes current trends in the global oil market. Chapter 4 provides recommendations for reforming the institutions in light of the trends challenging the oil market.

## 2. The Institutions Governing Global Oil

With concerns of dwindling global hydrocarbon reserves, current research and public policy debates on energy security in Europe and America are characterized by a singular focus on the supply side of the energy equation, and more specifically its geopolitical dimension. What remains under-explored and, as a result, thus far poorly understood is which mechanisms are suitable to promote positive-sum outcomes rather than zero-sum games in a changing energy world. Identifying the potential for positive-sum outcomes in the future of global energy relations requires a thorough understanding of the way in which markets and rules are currently structuring global energy relations, how these are set to change in the years and decades ahead, and how these markets and rules influence supply, the use of, demand for as well as access to resources.

Conference participants presented a general categorization of institutions governing global energy, with a focus on the global oil market. First, institutions exist that are designed to correct market failures. International oil and gas markets are no near perfection than any other market structures. Following the 1973–4 oil price shocks, major energy-consuming nations established the IEA which, in addition to acting as a source of energy market statistics, introduced distinct rules to provide a framework for two specific mechanisms of short-term supply (risk) management: the International Energy Program (IEP), which established national emergency oil stocks among members, and the Coordinated Emergency Response Mechanism (CERM).

Second, institutions have been set up that are designed to lower transaction costs (e.g., by sharing and disseminating information). Examples include, among others, mechanisms that have been created to foster consumer–producer dialogue, such as the International Energy Forum (IEF). Both producers and consumers have a primary interest in promoting transparency which could reduce uncertainty in international energy markets and thus adjustment costs for both consumers and producers. The IEF enhances mutual understanding and allows the discussion of long-term issues between producers and consumers. The IEA's data-gathering and sharing activities are another example of an institution designed to lower transaction costs.

Finally, institutions have been created that are designed to set rules and standards for market exchange. Rather than just collecting and sharing information, these institutions are designed to prescribe, encourage or constrain certain behavior on the part of market participants. At the international level, this includes rules set and surveyed by bodies such as the World Trade Organization (WTO) and the Energy Charter Treaty (ECT).

Despite the prescribed role of institutions in the global energy governance context, participants questioned and discussed the actual role played by some of the key institutions: the International Energy Agency (IEA), International Energy Forum (IEF), Organization for Oil Exporting Countries (OPEC), and the Extractives Industry Transparency Initiative (EITI) in various working groups and panel discussions. Some participants argued that institutions merely influence rather than govern today's oil market because they are in need of updating—both in membership and in focus—and as such are less capable of determining outcomes in the market.

### *Consumer Cooperation: The International Energy Agency (IEA)*

The International Energy Agency (IEA) was established under the umbrella of the Organization for Economic Cooperation and Development (OECD). When the IEA was founded, member countries accounted for more than 70 percent of world oil consumption; today that figure is closer to 55 percent and falling rapidly. IEA member countries have long-standing emergency response measures including strategic stocks, supply-sharing, demand management, etc. However, any organization that seeks to represent the interests of consumers needs to include rapidly-growing countries such as China and India in order to increase coordination amongst consumer countries regarding data sharing and common positions vis-à-vis exporters.

At present, joint exchanges between the IEA and the emerging economies are ongoing. China has been present at IEA conference and ministerial meetings, has participated in emergency training and is also receiving advice from the IEA on the development of their strategic petroleum reserve, which should, by 2020, reach 90 days worth of oil imports. India has also sent representatives to IEA meetings and is also working toward a strategic petroleum reserve with an equivalent of 90 days worth of oil imports (albeit at a rate slower than China).

However, a number of obstacles remain before China and India can be integrated into the IEA. First and foremost, as an institution of the OECD, the IEA would need to relax membership requirements that at present demand a market economy and democracy, free and open markets, non distorted prices and data transparency. Second, until the requirement of 90 days worth of emergency stocks is met (and their usage is coordinated with the IEA), both China and India are ineligible to join. Furthermore, current voting shares in the IEA are based on oil consumption statistics of 1973 and do not adequately reflect current consumption trends. If China and India were to join the IEA, these voting shares would likely have to be updated, a potentially difficult political hurdle, particularly if it would challenge the current veto authority of the U.S.

There also remains a more fundamental question, namely whether China and India actually want to join. While benefits to membership certainly exist, as of yet neither has officially asked to enter the organization, potentially due to concerns regarding their sovereignty to make crucial decisions (i.e., regarding their strategic stocks) or being drawn into climate change projects. At present, both China and India have the benefit of free-riding the current system and, other than perhaps a feeling of achievement if they were to join, the actual benefit at present is relatively small.

Introducing new members begs potentially old questions: what is the right balance between emergency stocks, and other demand-side emergency policies, and spare production capacity? Who should pay? And what are the "rules" for using them? Additionally, with the rise of new consumers and rising demand projected from industrialized countries, security of supply continues to be a pressing concern.

### *The Organization of the Petroleum Exporting Countries (OPEC)*

In 2010, OPEC will mark its 50th anniversary. Only few international institutions have received as much public attention as this association of oil-producing countries. In fact, over the years, OPEC has become almost synonymous with the age of oil.

Yet, the reach and impact of OPEC has remained a much debated topic. While some observers suggest that OPEC is a powerful cartel controlling prices and outputs, others have suggested that the organization—perhaps with the exception of the early 1970s—has remained a toothless tiger, unable to leverage its potential due to the fractiousness of its membership.

OPEC members share a number of commonalities that would seem to suggest a high degree of coherence in decision-making. Most significantly, for all OPEC members, revenues from the oil business represent a sizeable amount of overall state revenues. Also, in all OPEC members oil exploration and production is largely under state control and, at the time of creation of OPEC, all members could be characterized as developing countries. Finally, to this day all OPEC members score very low on various democracy indexes, including the Economist Intelligence Democracy Index.

However, these apparent commonalities mask a number of important differences that have been the key drivers behind OPEC's inability to really control the oil market. Two stand out: First, and most importantly, the different size of absolute reserves across OPEC members has resulted, time and again, in significant intra-OPEC conflicts over the price policy of the organization. Members with large reserves, such as, for example Saudi Arabia, have a "long shadow of the future" in the oil market and thus have an interest in a moderate price policy that keeps consumers "hooked" on oil consumption rather than investing in energy efficiency measures or alternative energy sources. Members with low reserves, in contrast, have an interest in driving up prices as much as they can in the short-term in order to maximize revenues. Second, while oil producing countries are often treated as one homogenous political block in public debate, the reality is that they are marked by significant different political outlooks and religious traditions. From the outset, regional rivalries in the Middle East undermined the effectiveness of OPEC to speak with one voice. The competition for leadership in the region between Saudi Arabia and Iran has frequently undermined OPEC. Also, political alliances matter. During the Cold War, Saudi Arabia's relationship with the U.S. was not built singularly on oil; the House of Saud was fiercely anti-communist and thus worked with the Americans to "stem the red tide" in the Middle East and elsewhere. Other producer countries chose different sides at times. The East-West confrontation thus spilled over into OPEC, with often damaging results for the ability of oil producers to jointly manipulate the oil market.

Taken together, these variables have historically acted as a steady set of conflict lines that have inhibited OPEC's ability to control the market and prices. Thus, despite some perceptions that OPEC is a powerful cartel that can act as one body to set production quotas and subsequently dominate price-setting, some studies suggest that the organization's heterogeneous membership has historically undermined OPEC's effectiveness to actually achieve its goals. More generally speaking, the balance of power between producers and consumers has been determined more by shifting market conditions (a weak market benefitting consumers, a tight market giving producers the upper hand) rather than the influence of OPEC.

With resources becoming increasingly scarce in the new millennium, the public debate is again focusing on the role of OPEC as a "cartel" in the global oil market. Indications seem to suggest that, in the recent past, OPEC has been quite effective in controlling outputs, and thus prices, and many observers now see OPEC as a credible player again. A key question then is not only what role *has* OPEC played, but more importantly, what role *can* the organization play?

Recognizing these latest OPEC successes in "steering" the oil market, conference participants nonetheless agreed that the producer organization is unlikely to have a significant or even deciding impact on market movements in the years ahead. Most importantly, OPEC still lacks the mechanisms needed to effectively control production and it will need to effectively reconcile above-mentioned differences before they would have the chance to impact prices. However, various other factors also come into play. In contrast to the heyday of OPEC in the 1970s, the oil market today is completely global, and very liquid. OPEC's ability to effectively manage global output is thus extremely limited, especially since the organization is only "controlling" a limited portion of global supply.

Conference participants accepted the clear challenges not only facing OPEC, but the IEA as well. On the one hand, the IEA has a rather homogeneous composition and needs to diversify while OPEC struggles with its heterogeneity. These challenges and the continued concerns over security of supply and ensuring demand suggests that there is much room for productive discussion between producers and consumers, between governments, companies and consumers in this area.

### *The International Energy Forum (IEF)*

Due to the unprecedented price swings in the oil market and its negative effects on all market participants, many analysts stress that there is now a window of opportunity for producers and consumers to come together and discuss how best to avoid these swings in the future.

The formation of the International Energy Forum (IEF) Secretariat in 2003 in Riyadh has served as an opportunity for the OECD and OPEC to discuss issues concerning the global oil market as well as to pave the way for further dialogue. Additionally, the Joint Oil Data Initiative (JODI) was formed in order to promote the distribution of accurate data and improve market transparency.

The IEF is the only organization which covers all key consuming and producing countries, including those outside IEA and OPEC, and represents 90 percent of global oil and gas supply and demand in its membership. Its goal is to enhance and deepen global consumer-producer dialogue and promote more stable and transparent energy markets through high-level platforms involving government and industry as well as through improving market transparency, investment conditions and sustainability.

JODI, part of the toolbox that the IEF has at its disposal, seeks to improve global oil market stability and predictability by enhancing oil market transparency through the exchange and release of monthly oil data such as levels of production, imports, exports and stocks at the global level. The collection mechanism functions by the submission of data by participating countries to respective organizations such the as Asia Pacific Economic Cooperation (APEC), Eurostat, the International Energy Agency (IEA), Organización Latinoamericana de Energía (OLADE), the Organization of the Petroleum Exporting Countries (OPEC) or the United Nations Statistics Division (UNSD). These organizations, in cooperation with the IEF, conduct a data check for accuracy before the IEF releases the data on the JODI website.

In order to ensure that the data received is both comprehensive and valid, the IEF has developed a JODI training program for national oil statistics officials and representatives from the oil industry with the objective of promoting JODI, sharing experience on data validation and best practices on data collection, and improving the quality oil data reported in JODI. Furthermore, JODI holds various regional training workshops as well as one-on-one talks which provide additional assistance for improving data accuracy and consistency.

However, since the primary providers of the data are energy companies who incidentally also use this data for planning purposes, a free-rider problem exists where those who do not report can still benefit from those who do. In other words, the incentive to share this data is still quite low.

### *The Extractive Industries Transparency Initiative (EITI)*

Traditionally, global energy governance has been a value-blind enterprise dominated by crude 'realpolitik' concerns. This situation has changed dramatically over the past 10 years due to the rise of "good governance" as a concern in global energy relations. In their 2007 Heiligendamm summit statement, the G-8 vowed to support good governance and anti-corruption initiatives such as the Extractive Industry Transparency Initiative (EITI). What caused the rise of the "good governance" agenda? What is the record in terms of implementing reform initiatives? What are the prospects for the good governance agenda?

Global energy governance can play a meaningful role in supporting transparent and accountable extractives processes. However, old paradigms linking and limiting governance discussions to security of supply are still in play and actively limit progress in this domain. Still, in the late 1990s there was a push for global energy governance. It emerged as a topic for discussion as the debate on quality of governance proliferated and savvy norm-entrepreneurs such as Transparency International came out with their corruption and transparency indexes. The role of the market also helped propel the global energy governance debate to the top of political agendas. With the Cold War over and oil prices falling to historical lows, a soft market gave consumers some leverage to demand "better" practices from producers and producing states.

The Extractive Industries Transparency Initiative (EITI) is an example of a good governance initiative. EITI supports improved governance in resource-rich countries through the verification and full publication of company payments and government revenues from oil, gas and mining. In its current form, EITI is a coalition of governments, companies, civil society groups, investors and international organizations who voluntarily align themselves with the goals and requirements of the initiative. However, even its proponents question its long-term viability and applicability in different country and production contexts. Nigeria is widely viewed as a successful application of the EITI program. However, a closer look suggests that EITI was successful in Nigeria because of a series of context-specific realities and not indicative of the program's viability. It was argued that EITI was well accepted because the Nigerian political strata sought more funding for domestic projects anticipating increased political support—the "good governance" agenda was not Nigeria's agenda.

Some proponents of the system observed that, in fact, not a lot of actors genuinely buy into EITI and most countries lack the political climates or national contexts that encourage adopting the program. For this reason, EITI will prove difficult to replicate elsewhere. Critics and supporters alike worry that EITI requires little accountability and follow through from its signatories. Membership can be misleading. Many African countries, despite initial resistance, now welcome EITI. However, this is likely a result of EITI's limited capacity to enforce its mandate—it has no capacity to ensure that the values of good governance are adhered to. As a result, once adversarial African nations identified the loopholes present in the policy, they more willingly adopted the program. It is vague in rhetoric and requirements easily sidestepped because alternatives to full implementation and stalling tactics exist. Countries can sign up to EITI, slowly implement requirements and maintain observer status to avoid changing their accounting practices.

Participants argued that EITI's non-regulatory and non-mandatory design is the lesser of two evils—adopt EITI and avoid mandatory regulation while also appearing to step up good governance efforts. A critical question, then, posed by participants was whether EITI was designed to change behavior or to change behavior and create genuine buy-in from governments. That is, should EITI seek to, and therefore potentially be reformed to, challenge not just practices but mindsets. In its current design, some conference participants argued that it does little of both. Questions were raised whether EITI in fact supported compliance loopholes—both governments and corporations who know the standards imposed on them by the EITI can and likely do work around constraints with creative accounting.

Good governance will likely always remain a highly politicized issue. Indeed institutions and initiatives must reconcile the need to be flexible in order to account for complex and heterogeneous membership, with the serious need to ensure compliance. Azerbaijan has recently completed the EITI validation procedure and has been named the first EITI compliant country since the initiative began to take shape in 2002. In recognition of some of the concerns raised above, but enthusiastic about signing on the first compliant country, EITI has expanded its reach. The launch of EITI++ is an effort to expand goals beyond simply "publish what you pay" to provide countries with technical assistance—

financial and policy-related—throughout the entire value chain of extractive industries, and help them to improve management of resource-related wealth. EITI++ was conceptualized in a time of skyrocketing commodity prices, even today with prices $100 less per barrel compared to the levels seen in the summer of 2008, the ++ scheme has the potential to not only support the ideals of good governance, but also pragmatically support absorption capacity and bolster domestic economic development—identified as two key steps toward realizing the global energy governance agenda. The expanded reach of EITI++ seeks to build on EITI's successes and increase support for countries looking to promote good governance. However, despite these efforts, the question remains—will the added scope be enough to compel changes in the age-old realpolitik dominant in the global oil arena?

## 3. Trends Challenging the Institutional Framework of Global Oil

While conference participants strongly emphasized the need to begin moving past the age of fossil fuels, they also agreed that a) fossil fuels will continue to represent the primary source of the world's energy for some time to come and b) the world is not running out of oil, natural gas or coal. Based on data in the *BP Statistical Review of World Energy*, world proven reserves are now at more than 1.2 trillion barrels, or roughly equivalent to more than 41 years of current production. For natural gas, that figure is over 60 years, and for coal it is over 130 years. Furthermore, these figures have been rising over time as the world has consistently replaced the volumes produced with some combination of new discoveries or extensions and improved recovery rates for existing sites. As proven reserves, these resources can feasibly be recovered in the future. This does not, however, represent the overall resource endowment and, in addition to these reserves, additional resources exist—such as oil shales, gas hydrates or Canadian oil sands projects—not currently under active development. As many conference participants emphasized, the problem is not what is in the ground, but rather what takes place above it. The challenges we are then faced with are the policies which impede the development of those resources.

There are, however, a number of significant, interlocking trends that are currently transforming the framework conditions for global oil markets and require us to rethink the suitability and effectiveness of current governance arrangements that underpin the production, financing, trade and consumption of the resources. Specifically, the rise of new consumers; the increasing role of state players on oil markets and the implications of this on investment; and the elevation of climate protection and domestic resource governance to "high energy politics" present significant challenges to the global oil market. Furthermore, we need to note that these dynamics are playing out in the midst of a serious global economic downturn, which has caused a sharp decline in energy consumption and prices. The origins of this crisis have undercut faith in market systems, which will have a profound impact on the broader macroeconomic policy context, and on the oil market. In this context, it is crucial to determine exactly what implications these trends will have for the existing institutions and mechanisms of global oil governance, as well as what transatlantic partners can and should do to effectively deal with the resulting challenges.

### *Rise of New Consumers*

Despite the current reduction in demand, the newly industrializing countries in Asia are increasing competition for access to energy resources. This year, the only areas of appreciable oil demand growth have occurred in China and the Middle East. In fact, data shows that countries that subsidize oil consumption have accounted for all of the net growth in global oil consumption in recent years while, in countries where retail prices are driven by market forces, oil consumption has been consistently falling in face of rising prices. In addition, since rising consumers countries like China heavily rely on national oil companies to secure their soaring import needs, state-owned companies have emerged as dominant players also on the consumers' side. As a result, an estimated 85 percent of all known oil reserves are now controlled by state-owned companies, a share that is likely to increase further within the next decade. Since these countries are now contributing the majority of the world's economic growth, a shift in the center of gravity is taking place.

China's, and to some extent India's, energy demand has become legend and has shaken oil markets. However, despite the vocal debate about Chinese and Indian companies "scrambling for resources" and subsequently locking up reserves, various experts now cite evidence that economic, not political, decisions drive Chinese and Indian behavior. While the central governments do have the ability to break contracts to bring oil home if needed, much of the oil produced is actually sold on international markets and not directly consumed. In both countries, the government plays a large role in the activities of energy companies, specifically in China. The government provides low-rate financing, investment decisions need to be approved due to government control, and leadership of companies is interwoven with the Communist Party and, thus, there is a political side to leadership careers. Chinese foreign policy in particular has been highly influenced by the oil companies, but these very same companies are also trying to move more toward a commercial model. However, while there are commercial reasons for going abroad, there are very powerful and, usually, ill-informed supply fears from governments, both in China and India as well as in the United States. The mentality among policymakers is that energy is too important to be left to the market.

### *Resource Nationalism and the Increasing Role of State Players in Oil Markets*

As noted above, National Oil Companies (NOCs) have come to control the bulk of global reserves and production. In addition, they increasingly manage to overcome their "competitive disadvantages" in E&P technology and project management by bringing service companies on board, such as Schlumberger or Halliburton. While International Oil Companies (IOCs) access to resources is still possible (for example, Exxon Mobile has not yet been hit hard and still commands access to sizeable reserves), albeit with lots of equity, many markets are opening up to IOCs only on the basis of service contracts as opposed to full access to resources (i.e., in Iraq, Kazakhstan and, potentially, Nigeria). However, some expect that the lower oil prices will provide an opportunity for IOCs to once again get access to and develop new reserves.

Nevertheless, with many expecting NOCs to control even more reserves and production in the future, established "Big Oil" is faced with the double challenge of decreasing reserves and increasing competition in an area which had kept it in business, i.e., technological and managerial skills.

At present, NOCs account for roughly 41 percent of all upstream oil investments being made, a significant proportion of which is made up of investments by Saudi Arabia (Saudi Aramco) and Brazil (Petrobras).

There are four key features of National Oil Companies (NOCs):

1. **State ownership based on beliefs**, as oil is a strategic commodity, it should therefore be in the control of the state.

2. **Low economic efficiency**, with the lack of competition being the key factor.
3. **Poor economic performance**, as non-commercial objectives such as job creation, social infrastructure projects, limited operational experience and government requirements hinder performance.
4. **Governance issues** such as lack of transparency and accountability.

NOCs have both significant advantages as well as disadvantages when competing in the international oil market. Advantages include political support in overseas operations from the government (which is also true in some cases for IOCs) in the form of energy diplomacy through low-interest loans, willingness to pay a premium for access to resources as well as a willingness to accept lower returns on the investment.

The disadvantages for NOCs in overseas operation are that they are latecomers in the international market and are thus quite frequently marginal players who need to offer additional incentives to gain access (though some participants emphasized that part of their value is that they are not IOCs and are thus lacking the political baggage). Coupled with the general lack of management skills and experiences, the non-commercial obligations of NOCs such as ensuring "energy security" for the state, large work forces and deals made for non-commercial purposes oftentimes leads to inefficiency and distract capital from necessary investment projects. Furthermore, a lack of international standards of governance leads to significant criticism, specifically with respect to environmental concerns as well as labor standards and human rights. Participants stressed a number of additional concerns impacting NOCs, including the effect of low oil prices on research and development, price volatility and demand elasticity (i.e., consumers changing habits).

## *Underinvestment and Volatility*

States have strongly enhanced their control of known global oil reserves and production, and their share is set to increase significantly over the coming years. Hence, state-owned companies play a pivotal role in exploration projects. However, in virtually all cases, state-owned oil companies are, at present, failing to commit sufficient investment to meet projected increasing demand. The ongoing financial crisis, while presently inducing a reduction in demand, is likely to amplify the problem as global economies recover and demand increases. The IEA, in this respect, is worried about a price spike around 2012-2015.

It was anticipated that world production capacity would rise to roughly 109 million barrels per day by 2014 (from the current 94.5 million barrels per day), but 7.6 million barrels per day of this increase is now "at risk" due to project deferrals or cancellations. There were also 35 new projects planned in OPEC member countries which could now be delayed past 2013. Major IOCs, on the other hand, have indicated that they are sticking to their big investment plans; however, some developments have slowed down to take advantage of falling costs.

In Russia, for example, while oil production increased by 50 percent from 1998-2007 and contributed to accumulated Russian cash reserves of roughly S600 billion (as oil and gas taxes provide more than 50 percent to the budget), the oil price decline in 2008 decreased oil revenues and thus decreased cash reserves by one-third, or to roughly $386 billion. Further adding to this, Russian oil production declined in 2008 by 0.9 percent and, according to estimates, will continue to decline by 1-2 percent in 2009.

The impact of these developments on Russian energy sector investments is significant. Many expect a decrease in investment of about 20 percent in 2009 due primarily to the much lower oil prices and high oil taxation. While some tax relief for the oil industry, roughly $4-5 billion, was implemented on 1 January 2009, this is certainly not enough to generate new investment. The president of Lukoil, a company which has reduced investment in 2009 by 20 percent, has said that more tax relief is necessary if fields in East Siberia, North Russia and offshore fields, which are extremely expensive due to lack of infrastructure and high cost technology, can be developed. Without additional tax relief, production will continue to decline. But also state gas monopolist Gazprom has announced cuts in planned investments.

Increasing oil price volatility presents another challenge. Normally, price movements reflect current tightness of the market (supply and demand balance) and expectations of future tightness. However, the last few years have seen an increase in both the absolute levels and the volatility of oil prices, which have been linked to a variety of factors such as a decline in production capacity, rising demand, hurricanes in the Gulf of Mexico, severity of winters, geopolitical tensions in the Middle East, Africa, Nigeria and Venezuela or market speculation.

Not long ago, the world experienced the greatest growth in demand for oil, with spare capacity resting at roughly 2 million barrels per day and prices rocketing upwards. Not long afterwards, the oil price tumbled 80 percent from its peak at almost $150 per barrel down to almost $40 per barrel and demand has contracted by 1.8 million barrels per day. Latest figures of spare capacity, a "cushion" which helps to stabilize uncertainty and prices, are at about 6.4 million barrels per day, or roughly 8 percent of demand. Furthermore, the geopolitical risk premium which existed in prices is now gone. The new trading range for the next two years is anticipated at somewhere between $40 and $60.

Most conference participants agreed that the role of speculation (futures markets) in inducing these huge price swings is greatly exaggerated. While the pure increase in volume over the past few years may have amplified the price swings, speculation in the oil market plays a vital role in unbundling some of the risk for market participants. In fact, as some conference participants noted, commodity prices without futures markets went up significantly more than those with a futures market.

In addition, some have emphasized that the drop of the U.S. dollar significantly impacted the price of oil. However, while the drop in the dollar likely added some upward pressure to the price of oil, there is not a clean correlation that suggests this had a major impact.

The question is what, then, was the primary reason for oil price volatility? Based on the conference discussions, the recent volatility was likely due to a combination of traditional (market fundamentals) and non-traditional (emerging market demand, drop in the dollar, subsidies, etc.) forces which culminated in a type of "perfect storm."

## *Climate Change*

It is becoming increasingly accepted that any new national, regional or global energy strategy must take into account mechanisms for mitigating greenhouse gas emissions. However, despite the very vocal arguments about moving away from fossil fuels toward more environmentally friendly sources of energy, fossil fuels will remain a key part of the world's energy mix for decades to come. As consumers push toward changing our energy mix in response to climate change, we need to ensure that we do not provoke an energy crisis on the way there by failing to invest in additional oil and gas production.

While in recent years the debate in the U.S. was primarily focused on energy independence and the EU debate was primarily focused on limiting carbon emissions, the election of President Barack Obama in the U.S. has changed things. The Obama administration has provided a significant down payment for building a "green economy" and the opposing strategies of the EU and the U.S. are now reconciling, the result of which could open the door for increased cooperation among the U.S. and the EU on climate change issues.

In its 2009 budget, Omnibus package and stimulus package the Obama administration provides funding, loan guarantees and grants for research, development and deployment of new technologies, specifically targeting solar, biomass, geothermal, wind, low-carbon emission coal and new battery technologies. There is also increased support for a smart electricity grid and cut tax breaks for the oil and gas industry.

In addition, the U.S. government is now pursuing a comprehensive climate policy which includes the development of a cap-and-trade system. While the pushing through of climate legislation in the U.S. seemed an impossible task in the past, the combination of a Democratic majority in Congress as well as the more tangible political driver for a cap-and-trade system, namely, income to decrease the federal budget deficit, has made this much more likely.

While many argue, especially in the U.S., that any climate change mitigation mechanism would have to include China in order to be effective, participants at the conference stressed that the West's strategy for engaging China on climate change issues has thus far been flawed. Since climate change has been a cumulative process over the past few centuries of industrialization, the Chinese position is that it is their "turn" to reap the benefits of industrialization, namely an increased standard of living for its citizens.

The EU strategy, on the other hand, is strongly linked with an ambitious climate change policy which includes ambitious goals for renewables, namely in the form of its 20-20-20 strategy (20 percent of energy production from renewables and a 20 percent reduction of emissions based on 1990 levels by 2020), as well as the continued development of its emissions trading scheme (EU ETS).

## 4. Reforming the Institutions Governing Global Oil

It is clear that institutions with which to govern global oil exist. However, most participants agreed that despite the potential value of institutions to govern, no one outweighs the market itself. Institutions, rather, play a more complementary or facilitating role and should be designed as such.

Nevertheless, institutions still matter. The market needs to be well regulated to function properly. A well-functioning market requires access to reliable information, and institutions can serve as valuable mechanisms to share and disseminate such information to foster transparency. Of course, governing requires more than just regulating information. Indeed, governments should and can intervene in the market to ensure responsible behavior and to address "externalities" such as climate change, energy security and market failures. In this respect, two questions resulting from the clear balancing act needed between regulation and freedom in the market are: what needs to be done with today's oil market to keep up with a changing world, and what role can institutions play in that context?

Markets are a part of this answer. The data suggests that when given the chance to do so, both producers and consumers respond to price signals. Accordingly, one major challenge should be to articulate policies that help expand the reach of market forces among both consumers and producers. One solution offered was to reduce subsidies, and another, to broaden economically-rational access to known resources and prospective areas. We were reminded however, that "well-regulated" policies are needed to have a successful market. As such, regulations that improve information gathering capacity without extreme administrative burdens and regulations that increase transparency and confidence (i.e., clarity around the financial markets) can help ensure a well-functioning market.

### *Integrating New Consumers in Emergency Mechanisms*

While the new consumers put a huge strain on existing resources and energy governance mechanisms, it is becoming increasingly necessary to integrate them into the existing energy system at the least possible cost. In this respect, there is an urgent need to integrate countries such as China and India into the IEA in order to ensure that emergency responses to supply disruptions are coordinated among all consumers. While numerous obstacles exist which make this process difficult, several suggestions were raised by participants including relaxing certain IEA membership requirements, for example, by allowing non-OECD members to join the IEA and creating a tiered membership system for countries who are working toward achieving various IEA requirements, including developing strategic reserves.

### *Facilitating Investment into New Resources and the Role of State Players*

It is anticipated that the world will need to invest approximately $12 trillion in the oil and gas sector by 2030 (or nearly $500 billion per annum) to maintain market balance. In order to achieve such massive investments, recommendations included the need to develop cross-investment throughout the value chain, since it is mutually beneficial to NOCs and IOCs, as well as sustain research and development efforts in pursuit of efficiency and cost improvement through technological advances, despite the current economic slowdown. Furthermore, more skilled staff is desperately needed in order to meet future global oil and gas requirements.

Moreover, despite the overall lack of investment opportunities in oil and gas projects, there are additional opportunities for investment and cooperation which exist for the EU, the U.S. and producers, e.g., Russia, such as promoting investments into energy efficiency and conservation, reduction of energy intensity, climate change and renewable energy investments, as well as nuclear cooperation.

As an example of the role institutions can play in the market, with the notable exception of Saudi Arabia, recent investment increases have not occurred in areas where the largest and cheapest resources are located. The potential medium- to long-run problem of underinvestment is particularly elucidated here. As prices began falling last summer, industry investment activity has contracted as well—a trend exacerbated by the credit crunch. This suggests that necessary and more cost-effective investments that could and likely should have been made failed to happen. Governance of the market can therefore play an important role, and in this context, allocate scarce resources efficiently, at the lowest cost to society as a whole—which benefits both producers and consumers.

### *Managing Oil Price Volatility and the Role of the International Energy Forum*

The lack of investment now due to the global economic downturn will inevitably cause price spikes in the future. Therefore, it is essential to promote investment now in order to mitigate this risk and reduce volatility in the future. In addition, to assist in the reduction of overall volatility, it is necessary to develop more predictable tax regimes and clear $CO_2$ policy frameworks.

Furthermore, in order to reduce volatility in the long-term there is a need for institutions that more completely represent the interests of both producers and consumers and that bring those interests together in a dialogue that is non-confrontational. The International Energy Forum (IEF) is a step in the right direction in this regard. In particular, the IEF's focus on better and timelier oil market data is constructive and builds confidence and transparency.

The short-term goals of the IEF are to create a better assessment of oil market conditions through monthly submission of core oil data. The medium- to long-term goals are sound planning and timely investments in order to meet future demand, which can be promoted through annual submission of data on petroleum reserves, production capacities and other key information. In this respect, the further development, promotion and uptake of the IEF's Joint Oil Data Initiative (JODI) is essential.

While undoubtedly a step in the right direction, many countries still do not send consistent and/or accurate data. There is also a need to promote JODI and increase capacities along the whole value chain, including ministries, companies and users of JODI data.

Lastly, it is also a positive development to put energy security dialogue into a wider economic and political perspective by including key consumers and producers in the G-20 process.

### Promoting Good Governance and the Role of EITI

The Extractive Industries Transparency Initiative (EITI) brings a variety of actors to the table and establishes overarching goals for improving global energy governance. However, the EITI as currently designed needs to build on its legitimacy by having a greater capacity to monitor commitments and set requirements that ensure they are met. Part of this shift might include an outcome-oriented approach that clearly describes desired outcomes and potential measures for achieving transparency and accountability. The process-oriented approach currently employed protects laggards and the vagary of desired outcomes creates loopholes.

The EITI would also benefit from acknowledging and accepting critical feedback. The EITI++ is perhaps a first sign that it is responsive to criticisms, but not all concerns have been addressed by the expansion of the program. Rather, many of the vagaries are still in place. EITI needs to explicitly address individual issues that contribute to corruption and design processes and outcomes to tackle these concerns, for example, the long-standing capital flow concerns in which financial institutions still participate in money laundering by sidestepping EITI requirements.

EITI might also benefit from the addition of non-African members with strong reputations for good governance practices. It is unclear what role a race to the top might play in the context of global energy governance, but the addition of major producing nations such as Norway could serve to improve the legitimacy of the Initiative and even catalyze a race to the top.

### Addressing Climate Change

For mitigating climate change, participants emphasized the role the U.S. has to play on two important fronts: First, by increasing investment in energy efficiency, new building, fuel and appliance standards, developing new renewable energy standards and modernizing its electricity grid. And second, by providing the leadership needed in order to provide significant momentum for gathering allies and using U.S. bargaining power to produce a global deal on climate change which includes countries such as China and India. Other argued, however, that in order to engage China, and to some extent India, the West needs to shift the debate away from "climate change" and focus more on tangible domestic issues such as air and water quality (and thus indirectly promote the climate change agenda). Essentially, the West needs to convince countries such as China and India that it is in their best interest to join.

Furthermore, it is essential to try and develop a consensus on responsibility for emissions, namely, should the producers or the consumers of produced goods bear the responsibility? In this respect, it is necessary to reconcile the positions of the West and the emerging economies and determine the role of each. For example, some participants argued that the West should, to whatever extent possible, reduce consumption and emissions in order to accommodate the new consumers as well as look further into fostering technology cooperation.

Lastly, since fossil fuels will remain a significant source of the world's energy for decades to come, participants stressed the necessity of improving technologies such as Carbon Capture and Sequestration (CCS) in order to take advantage of significant coal deposits in a clean way.

### *An Integrated Approach: The EU and the U.S.*

Aside from the anticipated convergence between the EU and U.S. on climate change policies, there are a number of areas where the EU and the U.S. can work together on energy issues. While it is to some extent necessary to discuss different complex problems in energy markets through the various specialized forums, the lack of coherence among institutions leaves room for a more integrated approach. In this respect, the EU and the U.S. should collaborate on implementing the above recommendations, namely, to bring the IEA up to date by including new consumers, promote the good governance agenda through more effective means, promote more consumer-producer dialogue and market transparency in order to provide better information on market developments, collaborate on sending the right policy signals for increased investment in both fossil fuels as well as renewables and, last but not least, finally collaborate on climate change mitigation policies.

## Annex 1: Conference Program

**D A Y 1**

**11-12:30pm** **Arrival and Registration**

**12:30pm** **Lunch**

**02:00pm** **Welcome**

- *Jan Martin Witte, Associate Director, Global Public Policy Institute, GPPi*
- *Jack Janes, Executive Director, American Institute for Contemporary German Studies, AICGS*

**02:30pm** O P E N I N G S P E E C H & P A N E L D I S C U S S I O N

**Beyond price and access: From "security of supply" to "governing global oil"**

A number of major trends are currently challenging the global oil market, including increased demand, resource nationalization, a decline in non-OPEC reserves, investment gaps, growing intransparency and, as a consequence, price volatility. Despite efforts to diversify away from fossil fuels, oil will remain the primary component of the energy mix on both sides of the Atlantic for decades to come. The opening speech and panel discussion will address these major trends and, with respect to the traditional definition of security of supply (reliable access at affordable prices), discuss whether and to what extent the "governance" of global oil markets needs to be adapted with regards to these new trends and externalities.

Opening Speech: *Fareed Mohamedi, Partner and Head of Markets and Country Strategies, PFC Energy*

Panelists:

- *Andreas Goldthau, Assistant Professor, Central European University and Fellow, GPPi*
- *Mark Finley, General Manager of Global Energy Markets, BP America*
- *Charles Ebinger, Director, Energy Security Initiative, Brookings Institution*

**04:00pm** **Coffee Break**

**04:30pm** W O R K I N G G R O U P S E S S I O N ( I )

**Global oil market trends and implications for market actors and prices**

The first working group session will address major trends in the global oil market. It will examine, in a political context, the increasing tendency toward resource nationalization and its implications for future supply. The second working group will examine the newly strengthened role of

NOCs in the oil market, while the third working group will discuss the issue of price volatility, its causes and implications.

- W O R K I N G  G R O U P  A

  ***Increased demand, lagging supply: State companies and the problem of underinvestment***

  States have strongly enhanced their control of known global oil reserves and production, and their share is set to increase significantly over the coming years. Hence, state-owned companies play a pivotal role in exploration projects. However, in virtually all cases, state-owned oil companies are lacking sufficient investment to meet increasing demand. Does the trend towards increasing nationalization of resources have an effect on re-channeling investments? What can be learned about the rationales of investment policies by examining selected NOCs? Is the "investment gap" about to turn into a "supply gap"? What effect will the current price roller coaster have on investment levels and existing E&P projects?

  Introduction: *Adam Sieminski, Chief Energy Economist, Deutsche Bank*

  Commentator: *Prof. Bo Kong, Professorial Lecturer of International Policy and Director of the Global Energy and Environment Initiative, School of Advanced International Studies, Johns Hopkins University*

- W O R K I N G  G R O U P  B
  ***National oil companies: the end of IOCs?***

  National Oil Companies have come to control the bulk of global reserves and production. In addition, they increasingly manage to overcome their "competitive disadvantages" in E&P technology and project management by bringing service companies on board, such as Schlumberger or Halliburton. Hence, established Big Oil is faced with the double challenge of decreasing reserves and increasing competition in an area which had kept it in business, i.e. technological and managerial skills. Will NOCs be able to entirely sideline IOCs? What are the consequences of these trends for IOCs and what is their future role in global oil? How will the business models of oil market players have to change? How might the market look in 2030 and what does this imply in terms of rules and regulation?

  Introduction*: Janet Xuanli Liao, Lecturer in Int'l Relations and Energy Security, Centre for Energy, Petroleum and Mineral Law & Policy, University of Dundee*

  Commentator: *Willy Olsen, Oil and Gas Advisor, INTSOK*

- W O R K I N G   G R O U P   C

  ***Increased demand, market transparency and speculation: the myths and realities of price volatility***

  The last few years have seen an increase in both the absolute levels and the volatility of oil prices, which have been linked to a variety of factors such as a decline in production capacity, rising demand, the simultaneous increase in geopolitical tensions in the Middle East, Africa and Venezuela or market speculation. To what extent does this roller coaster reflect market fundamentals? What are the drivers behind price increases and volatility? What can be done to calm nervous markets? What mechanisms can be put in place (or currently exist) that provide and communicate accurate market information?

  Introduction: *Ruchir Kadakia, Associate Director, Oil Market Analysis, CERA*

  Commentator: *Timo Behr, Fellow, Global Public Policy Institute*

**05:45pm** **Break**

**06:30pm** **Dinner**

**Dinner Speaker:**

*Eckart von Klaeden, Member of the German Bundestag and Foreign Policy Spokesman, CDU-CSU*

**09:00pm** **Night Cap**

***The political economy of Iraq's reemerging oil market***

Speaker: *Ambassador Charlie Ries, Senior Fellow, RAND Corporation and Former Coordinator for Economic Transition in Iraq*

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**D A Y   2**

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**09:00am** P A N E L   D I S C U S S I O N   I I

***New players, new approaches? The energy agenda on both sides of the Atlantic***

The new Obama administration has flagged energy as one of the most prominent issues areas to be dealt with, while the new EU Commission, against the backdrop of the latest gas dispute, has lifted energy security to the top of its agenda again. What can we expect from these new administrations regarding the energy mix, long term demand patterns and salient issues related to import dependency? Will the goal of "energy independence" remain high on Washington's agenda, as stressed during the election campaign? With implicit expectations of a renewed transatlantic agenda, what structures exist which provide adequate means for discussing key energy issues? To what extent do current fora such as the G8/G20 provide this opportunity? Is a new high-level, transatlantic forum necessary or advisable? Where do interests overlap? What approaches will both administrations take to substitute fossil fuels with renewables? What does that imply for a transatlantic agenda?

Panelists:

- *Luisa Ragher, Head of Energy, Transportation and Environment, Washington Delegation of the European Commission*
- *Ambassador Charlie Ries, Senior Fellow, RAND Corporation*
- *Albert Bressand, Executive Director, Center for Energy, Marine Transportation and Public Policy (CEMTPP), Professor of Practice in International and Public Affairs, Columbia University, SIPA*

**Q&A**

**10:30am** **Coffee Break**

**10:45am** WORKING GROUP SESSION (II)

**Regional trends in energy markets and implications for market actors and prices**

This working group session will zoom in on three regions to discuss challenges for the structure and institutions of the global oil market. The first working group will discuss the impact of dropping world oil prices on resource nationalism in Russia. The second will examine the "good governance" agenda and the third working group will discuss the implications of rising energy demand by Asian nations (in particular China and India).

- WORKING GROUP A

  ***Russia and the CIS: The end of 'resource nationalism'?***

  Russia's economic success in recent years has been fuelled by oil and gas rents. A significant portion of the government's budget depends on revenues from energy sales; at a price of less than USUSD 70 per barrel, the Russian government budget runs a deficit. What impact does the recent price drop for oil have on investment projects in Russia? To what extent may this foreshadow the reversal of the recent trends towards resource nationalism in Russia (as recently witnessed in Venezuela)? What are the prospects for international energy companies in Russia and the CIS more generally? What are policy options for consumer nations?

  Introduction: *Leonard Coburn, President, Coburn International Energy Consultants*

  Commentator: *Roman Kupchinsky, AZEast Group*

- WORKING GROUP B

  ***The Good/Bad Nexus in Global Energy Governance***

Traditionally, global energy governance has been a value-blind enterprise dominated by crude realpolitik concerns. This situation has changed dramatically over the past 10 years due to the rise of "good governance" as a concern in global energy relations. In their 2007 Heiligendamm summit statement, the G-8 vowed to support good governance and anti-corruption initiatives, such as the Extractive Industry Transparency Initiative (EITI). What explains the rise of the "good governance" agenda? What is the record in terms of implementing reform initiatives? What are the prospects for the good governance agenda?

Introduction: *Ricardo Soares de Oliveira, Lecturer, Oxford University*

Commentator: *Michael Levitsky, Lead Economist, Oil, Gas and Mining Policy Division, the World Bank*

- WORKING GROUP C

  ***China, India and the "quest for oil": Supply security strategy or market behavior?***

  China's energy demand has become legend, and has shaken oil markets. Yet, while much has been debated about China's "quest for oil" in Africa, empirical evidence suggests that Chinese NOCs act more according to market rationales than assumed. Moreover, and contrary to public perception, the new consumers have largely relied on markets to satisfy their energy demand. What is the evidence behind allegations that China strategically buys into reserves and locks up supply? What are China's and India's long term strategies regarding energy security, energy diversification and sources of supply? What implications does that have for functioning of global markets?

  Introduction: *Llewelyn Hughes, Harvard University*

  Commentator: *Mikkal Herberg, Research Director, National Bureau of Asian Research Energy Security Program*

**12:00pm** **Lunch**

*Room: Overland Room, Reception Building*

**01:30pm** KEYNOTE SPEECH & PANEL DISCUSSION

**From talk to walk: A transatlantic agenda for the "new" energy security**

- Keynote Speaker: *Peter Ammon, State Secretary, German Federal Foreign Office*

Panelists:

- *Edward Chow, Senior Fellow, CSIS*
- *David Goldwyn, President, Goldwyn International Strategies, LLC*

Moderated by: *Birgit Wetzel, Freelance Journalist*

**Q&A**

**03:00pm** W O R K I N G G R O U P S E S S I O N ( I I I )

**Bridging the divides: Strategies for the U.S., Europe and effective global energy governance**

A number of bridges remain to be built in order to move towards more effective global energy governance. In this context, the first working group will focus on how to strengthen consumer-producer dialogue, specifically through the International Energy Forum (IEF) and the Joint Oil Data Initiative (JODI). The second working group will examine cooperation between the "old" oil consumers and emerging economies such as China and India.

- W O R K I N G G R O U P A
  ***Strengthening consumer-producer dialogue: The International Energy Forum and the Joint Oil Data Initiative***

  The formation of the International Energy Forum (IEF) Secretariat in 2003 in Riyadh has served as an opportunity for the OECD and OPEC to discuss issues concerning the global oil market as well as to pave the way for further dialogue. Additionally, The Joint Oil Data Initiative (JODI) was formed in order to promote the distribution of accurate data and improve market transparency. However, many countries still do not send consistent and/or accurate data. To what extent do these mechanisms provide an accurate forecast of the market?

  Introduction: *Dr. Said Nachet, Energy Director, International Energy Forum*

- W O R K I N G G R O U P B

  ***Consumer cooperation: Emerging economies and governance institutions***

  The International Energy Agency (IEA) is an institution of the OECD world and no longer adequately represents all major oil importers. It has become necessary that in order to increase coordination amongst consumer countries regarding data sharing and common positions vis-à-vis exporters, the OECD world needs to coordinate policies with emerging economies such as China and India. What bargaining chips can transatlantic actors utilize in order to integrate non-OECD consumers better into the rules of the IEA's short-term risk management mechanisms? What reasons exist for emerging economies to opt-out of IEA membership?

  Introduction: *Wilfrid Kohl, Adjunct Professor, Johns Hopkins University SAIS*

Commentator: *Heinrich Kreft, Senior Foreign Policy Adviser, CDU-CSU Parliamentary Group, German Bundestag*

- W O R K I N G   G R O U P   C

***OPEC at 50: Looking ahead***

In 2010, OPEC will mark its 50th anniversary. Only few international institutions have received as much public attention as this association of oil-producing countries. In fact, over the years, OPEC has become almost synonymous with the age of oil. Yet, the reach and impact of OPEC has remained a much debated topic. While some observers suggest that OPEC is a powerful cartel controlling prices and outputs, others have suggested that the organization – perhaps with the exception of the early 1970s – has remained a toothless tiger, unable to leverage its potential due to the fractiousness of its membership. With resources becoming increasingly scarce in the new millennium, the public debate seems to shift again. Indications are that, in the recent past, OPEC has been quite effective in controlling outputs and thus prices. Many observers now see OPEC as a credible player again. What will the role of OPEC be in the 21st century? What implications does this have for consumer nations?

Introduction: *Jan Martin Witte, Associate Director, GPPi and Andreas Goldthau, Assistant Professor, Central European University and Fellow, GPPi*

**04:15pm** C O N C L U D I N G   D I S C U S S I O N
Moderated by *Jan Martin Witte*

**04:45pm** F A R E W E L L

## Annex 2: List of Participants

**Dr. Peter AMMON**

State Secretary, German Federal Foreign Office

**Mr. William ARNOLD**

Director, International Government Relations and Senior Counsel: Middle East, North Africa, Latin America, Shell

**Mr. Timo BEHR**

Fellow, Global Public Policy Institute

**Prof. Albert BRESSAND**

Executive Director, Center for Energy, Marine Transportation and Public Policy (CEMTPP) and Professor of Practice in International and Public Affairs, Columbia University, SIPA

**Mr. Edward CHOW**

Senior Fellow, Center for International and Strategic Studies

**Mr. Leonard COBURN**

President, Coburn International Energy Consultants, LLC

**Mr. David DETJEN**

Partner, Alston & Bird LLP

**Mr. Peter DORAN**

Lead Research Analyst, Energy Security, Center for European Policy Analysis (CEPA)

**Dr. Charles EBINGER**

Senior Fellow and Director Energy Security Initiative, Brookings

**Mr. Mark FINLEY**

General Manager, Global Energy Markets & US Economics, BP America

**Mr. Thomas GEISEL**

Senior Vice President and Director, Gas Supplies North, E.ON Ruhrgas, Berlin

**Dr. Raymond GILPIN**

Associate Vice President, Sustainable Economies, United States Institute of Peace

**Dr. Andreas GOLDTHAU**

Assistant Professor, Central European University and Fellow, GPPi

**Mr. David GOLDWYN**

President, Goldwyn International Strategies, LLC

**Mr. Al HEGBURG**

Deputy Assistant Secretary of International Energy Policy, US Department of Energy

**Mr. Mikkal HERBERG**

BP Senior Research Fellow for International Energy, Pacific Council on International Policy

**Mr. Rudolph HOUCK**

Partner, Eaton & Van Winkle LLP

**Mr. Wade HOXTELL**

Research Associate, Global Public Policy Institute (GPPi), Berlin

**Dr. Llewelyn HUGHES**

Research Fellow, Consortium on Energy Policy Research, Mossavar-Rahmani Center for Business and Government, John F. Kennedy School of Government, Harvard University

**Dr. Jackson JANES**

Executive Director, American Institute for Contemporary German Studies, Johns Hopkins University

**Mr. Ruchir KADAKIA**

Associate Director, Global Oil Group, Cambridge Energy Research Associates

**Prof. Wilfrid KOHL**

Adjunct Professor of International Relations, Paul Nitze School of Advanced International Studies (SAIS), Johns Hopkins University

**Prof. Bo KONG**

Adjunct Professor, International Policy Department and Director, Global Energy and Environment Initiative, School of Advanced International Studies, Johns Hopkins University

**Dr. Heinrich KREFT**

Senior Foreign Policy Advisor, CDU-CSU, German Bundestag

**Mr. Roman KUPCHINSKY**

Partner, AZEast Group

**Mr. Ben LANDO**

Energy Editor, United Press International and Editor, Iraq Oil Report

**Mr. Michael LEVITSKY**

Lead Economist, Oil, Gas and Mining Policy Division, the World Bank

**Dr. Janet Xuanli LIAO**

Lecturer in Int'l Relations and Energy Security, Centre for Energy, Petroleum and Mineral Law & Policy, University of Dundee

**Ms. Jamie MANZER**

Research Assistant, Global Public Policy Institute (GPPi), Berlin

**Mr. Fareed MOHAMEDI**

Partner and Head of Markets and Country Strategies, PFC Energy

**Dr. Said NACHET**

Energy Director, International Energy Forum Secretariat

**Mr. Willy OLSEN**

Oil and Gas Advisor, INTSOK

**Mr. Richard O'NEILL**

Chief Economic Advisor, US Federal Energy Regulatory Commission

**Ms. Luisa RAGHER**

Head of Transport, Environment and Energy, Delegation of the European Commission in Washington

**Ambassador Charlie RIES**

Senior Fellow, RAND Corporation

**Ms. Jessica RIESTER**

Research Program Assistant and Publications Coordinator, American Institute for Contemporary German Studies, Johns Hopkins University

**Ms. Lea ROSENBOHM**

Project Manager, Energy Security Initiative, Brookings

**Mr. Adam SIEMINSKI**

Chief Energy Economist, Deutsche Bank

**Dr. Ricardo SOARES DE OLIVEIRA**

Lecturer, Comparative Politics, Department of Politics and International Relations, Oxford University

**Ms. Juliane VAN EGMOND**

Director of Federal Government Relations, Bayer MaterialScience LLC

**Ms. Kirsten VERCLAS**

Research Program Associate, American Institute for Contemporary German Studies, Johns Hopkins University

**Mr. Eckart VON KLAEDEN**

Member of German Parliament and Foreign Policy Spokesman (CDU-CSU)

**Mr. Stan WATTERS**

Director of Development, American Institute for Contemporary German Studies, Johns Hopkins University

**Mr. Christian WERNICKE**

Sueddeutsche Zeitung

**Dr. Birgit WETZEL**

Freelance Journalist

**Dr. Jan Martin WITTE**

Associate Director, Global Public Policy Institute (GPPi), Berlin

# Organizer Information

## *The Global Public Policy Institute*

The Global Public Policy Institute (GPPi) is an independent think tank based in Berlin and Geneva. Our mission is to develop innovative strategies for effective and accountable governance and to achieve lasting impact at the interface of the public sector, business and civil society through research, consulting and debate.

***Our approach:***

- **We are an independent and non-profit institute**. We receive project funding from foundations as well as our project partners and clients from the public and private sectors. We re-invest profits from consulting activities into our research work.
- **We build bridges between research and practice**. Our international team combines research and public policy expertise with management consulting skills. We foster the exchange of knowledge and experience between researchers and practitioners.
- **We promote policy entrepreneurship**. Our work strengthens strategic communities around pressing policy challenges by bringing together the public sector, civil society and business.

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Through its three program areas (Business & Economics; Foreign & Domestic Policy; and Society, Culture & Politics), AICGS provides a comprehensive program of public forums, policy studies, research, and study groups designed to enrich the political, corporate, and scholarly constituencies it serves.

For more information on AICGS, please visit www.aicgs.org.

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The "Transatlantic Energy Security Dialogues" series and GPPi's "Global Energy Governance" research program is supported by a grant from the European Commission as well as generous support from the Dräger Foundation, E.ON AG, E.ON Ruhrgas AG, and the German Marshall Fund of the United States.

GPPi and AICGS would also like to thank the Elfriede Dräger Memorial Foundation, the Daimler-Fonds im Stifterverband für die Deutsche Wissenschaft, the supporters of AICGS Business & Economics Program and Mr. David Detjen, Esq. for their generous support of this conference.

**European Commission**

The European Commission supports the Global Public Policy Institute's research project "Changing Rules of the Game: Global Energy Governance in the 21st Century" as well as the TESD conference series through a generous "EU-US Policy Research and Debate" grant. More information on the European Commission can be found at http://ec.europa.eu/index_en.htm.

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**The German Marshall Fund of the United States**

The German Marshall Fund of the United States (GMF) is a nonpartisan American public policy and grant making institution dedicated to promoting greater cooperation and understanding between the United States and Europe.

GMF does this by supporting individuals and institutions working on transatlantic issues, by convening leaders to discuss the most pressing transatlantic themes, and by examining ways in which transatlantic cooperation can address a variety of global policy challenges. In addition, GMF supports a number of initiatives to strengthen democracies.

Founded in 1972 through a gift from Germany as a permanent memorial to Marshall Plan assistance, GMF maintains a strong presence on both sides of the Atlantic. In addition to its headquarters in Washington, D.C., GMF has six offices in Europe: Berlin, Bratislava, Paris, Brussels, Belgrade, and Ankara.

For more information, please visit http://www.gmfus.org.

**Daimler-Fonds im Stifterverband für die Deutsche Wissenschaft**

The Daimler-Fonds im Stifterverband für die Deutsche Wissenschaft is designed to support science and research as well as young academics in science and technology. Currently, the Daimler-Fonds focuses on three program areas: First, structural problems in academic education; second, engineering technology; and third, international academic

collaboration. As part of its foci, the Daimler-Fonds has been especially instrumental in implementing endowed chairs at universities in eastern and western Germany and supporting the internationalization of academic programs. The Daimler-Fonds also supports the Deutsche Zukunftspreis, an award given by the German President for technology and innovation. In its international programs, the Daimler-Fonds supports programs in eastern European countries, in the United States, South Africa, China and Israel.

**AICGS Business & Economics Program**

The AICGS Business & Economics Program generates insights into the institutional, political, cultural, and historical factors that shape our responses to deepening economic integration and the challenges of globalization. The Program focuses on topics such as regulation and governance in the global economy, Germany in the European Union, domestic economic reform and adaptation, and the impact of innovation on economic development.

## Acknowledgements

GPPi and AICGS would like to thank all the speakers, moderators and participants for helping to make the 5th "Transatlantic Energy Security Dialogues" conference a success.

Lastly, a special thanks to Jennifer Windell for her assistance and to the rapporteurs (Kirsten Verclas, Jessica Riester, Jamie Manzer and Wade Hoxtell), without whom this conference report could not have been possible.