The Need For Cooperation Between Producers & Consumers

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OPEC Surplus Oil Production Capacity

OPEC Surplus Crude Oil Production Capacity

Source: Short-Term Energy Outlook, April 2011
• KSA has been the main oil producer with surplus capacity to be effectively utilized to stabilize markets.
• KSA as the swing producer – historically not very successful.
Significant surplus capacity is the only way forward to manage prices.

Successful market stabilization needs:
1. Substantial spare capacity
2. Successful management of that capacity
3. Viable model for financing spare capacity
4. Reducing the effect of speculation on market prices
The Way Forward

• A possible Price Stabilization Fund:
  1. Sufficient capital to finance surplus capacity and manage markets.
  2. Buy on the down swing, and sell on the high swing.
  3. Devise some indicators for long term price trajectories

The Way Forward

• The need for cooperation between producers and consumers.
• Producers: KSA, Iraq, Iran, Venezuela, Russia?
• Consumers: USA, Europe, China, India, Japan
Conclusion

A call by the International Energy Forum to initiate serious discussion on international cooperation on surplus capacities and market stabilization

(OPEC, IEA, Russia, China, India, Brazil)

Thank you for your attention