



IEA, IEF, and OPEC host
Second Joint Workshop on the
“Interactions between Physical and Financial Energy Markets”

29 November 2011
Vienna, Austria

The IEA, IEF, and OPEC jointly hosted their second high-level technical workshop in Vienna on 29 November 2011. The event brought together experts from industry, academia, governments, price reporting agencies, and the financial and regulatory sectors to discuss the interactions between physical and financial energy markets. The Workshop was held under the Chatham House Rule.

This workshop builds on the insights already gained on these issues in previous events, namely the first Joint IEA-IEF-OPEC Workshop on “Understanding the New Dynamic: How do the Physical and Financial Markets for Energy Interact” and the first Forum on “Energy Market Regulation: Clarity and Coordination”, which were held on 22-23 November 2010 in London.

Discussions began in a session examining recent research and academic insight on interactions between physical and financial markets. Participants focused on the extent of the impact of speculative activity in the oil market, with a range of views expressed regarding the factors driving recent oil price movements, including fundamentals and the financialization of commodities. Participants highlighted the importance of improving data transparency in both financial and physical markets.

The second session examined industry views on the influence of speculative activity and the potential impact of recent regulatory reforms in both the US and Europe. Market players emphasized the role of fundamentals in setting pricing trends in the longer term. At the same time, discussions acknowledged the effect that the financialization of commodities has had on the oil market, including short-term price movements. The importance of the joint report of IEA-IEF-IOSCO-OPEC to the G-20 on the issue price reporting agencies was also noted.



A third session looked at regulatory reform affecting over-the-counter derivatives markets with a special focus on energy. Differences in both regulatory approach and the pace of reform between regions were highlighted, as was the need to implement existing proposals in a timely and consistent manner. The challenges faced by market participants and exchanges in dealing with the new regulatory framework were discussed. The need for further international regulatory coordination was emphasized.

In the fourth session, the Workshop concluded with an overview of emerging issues and key challenges facing both financial and physical energy markets. The session focused on implications for the energy markets of the structural change in supply and demand dynamics, as well as the impact on commodity markets of the current financial crisis facing developed economies.

The three Secretariats will provide their member governments with a full summary of the workshop proceedings, which will also be provided to the IEF Ministerial Meeting on 13-14 March 2012.