Ladies and Gentlemen,

I am delighted to return here today and speak once again at the Headquarters of the International Energy Forum.

It is very thoughtful of the Secretary-General to have invited me here on this, my first visit to Saudi Arabia as Executive Director of the IEA.

I was last here three years ago as Energy Minister of the Netherlands. As I mentioned then, the Dutch government feels a special affinity to the IEF - not only because it has been active in the producer-consumer dialogue since the very beginning, but also because it was able to play an active role as a co-Chair of the IEF in 2004, and therefore central to designing the practical and legal arrangements needed to set up the Secretariat. I should also say once again, how grateful we all are for the generosity of the Saudi government in providing such an elegant home for the Forum.

The IEA is a long-time supporter of the producer-consumer dialogue - and I hardly need to say that we remain committed to playing our full part.

So I would like to talk today about some of the challenges we face, and what I see to be the most important fruits of producer-consumer dialogue. I’d also like to focus on two recent IEA events – our Ministerial meeting and the launch of the 2011 World Energy Outlook.

But let me start with the challenges we face. When I spoke in 2008, it was only weeks after the landmark Jeddah Energy Meeting, where the Saudi Government and the IEF played a key role. Along with key producer and consumer governments, and other organisations including the IEA, we all helped to stabilise oil markets and to chart a way forward for better managing these challenges in the future.

Nevertheless, the priorities which were highlighted then, remain valid today. Those include

- Adequate investment both upstream and downstream
- Better market data and transparency
- Collaboration between the IEA, IEF and OPEC staff to produce more consistent market data and analysis
- Cooperation within the business sector on investment, technology and human resources
• Access to energy for the world’s poor
• and improvements in energy efficiency.

It is notable how effectively the Forum has built these priorities into its work programme in the three years since then.

Let me mention just four workstreams – JODI, work with business, energy efficiency and access, and of course the facilitation of joint oil market analysis with OPEC.

• First, take JODI - we are celebrating this year the 10th anniversary of the Joint Organizations Data Initiative. From the start, the IEA has been a keen supporter of JODI. The recent World JODI Conference in Beijing highlighted the growing appetite for JODI data. But it also underscored the need to do more, and to do it better, to establish JODI as a benchmark for oil statistics and as a key concrete success of the producer-consumer dialogue.

For me, this is imperative as more transparency on oil market data has long been seen as a prerequisite for reducing volatility in oil markets. Increasing use of the data by business and industry customers is an encouraging sign of JODI’s increasing reputation. Therefore, all organisations involved in JODI need to work hard to further improve data quality to deliver what markets need.

But we should not take these successes for granted.

And we should move quickly. The next IEF Ministerial Meeting in Kuwait in March 2012 gives us a great opportunity to do what needs to be done.

• Second, I am pleased to recognize - especially before you, as members of the Industry Advisory Committee - how effectively the Business Forum has pursued its agenda, not only through the International Energy Business Forum, which now regularly opens the biennial Ministerial - but also through the IOC/NOC Forum and working groups. There, we have taken a hard look at the practical issues of technology, human resources, and international cooperation.

• Thirdly, I commend the Forum’s emphasis on the difficult issues of energy efficiency and access to energy. These are two issues which we at the IEA work hard to keep at the forefront of energy policy. They may sometimes appear unglamorous, and progress can be slow. But both are vital to achieving energy sustainability in the long run.

• Finally, I want to say that I have also been very impressed in my first few weeks at the IEA by the very substantial progress that has been made in promoting joint work on oil markets and energy forecasting between our Agency, and our colleagues in the IEF and OPEC.

Oil price volatility and geopolitical risks to oil markets are issues which affect both investment decisions and supply security. Better understanding and navigating the uncertainties inherent to both are in the mutual interest of producers and consumers, and our work continues.
Next week in Vienna we will see the second workshop analyzing the relationship between the physical and financial markets for oil. And in January, held here in Riyadh, will be the second in the annual series of symposia on energy outlooks, where both our WEO 2011 and the OPEC World Oil Outlook can be presented to an expert audience and discussed in depth.

The last two years have also seen work commissioned from our three organisations by the G-20, the latest being a study on the role of the Price Reporting Agencies in the oil markets.

These initiatives can all be traced back to the Jeddah Energy Meeting in June 2008, as well as subsequent meetings at London and Cancun which looked to strengthen the Forum, leading eventually to its new Charter. Negotiating the new Charter required hard and detailed work, and I would like to commend those who made it a success. The fact that 86 countries signed the Charter at the Special Ministerial in Riyadh this past February was a fitting reward.

We can now look forward to Kuwait in March. And I wish you every success for the forward planning of that event during meetings here tomorrow.

I would like to leave plenty of time today for questions and discussion. But before I do, let me share with you some thoughts which have come out of our own IEA Ministerial, held in Paris last month. And I would also like to share some insights from the latest edition of World Energy Outlook, which we launched in London only last week.

Our Ministerial focused on “Our Energy Future: Secure, Sustainable and Together”. The Ministers reached some important conclusions and I would like to highlight three points.

- First, no country can achieve energy security, economic development and sustainability by acting alone. All major energy players must work together. For the first time, seven partner countries joined the Ministerial discussions: China, India, Russia, Brazil, Mexico, Indonesia and South Africa - as well as two accession countries, Chile and Estonia.

- Second, the risks to energy security are many and various. But security and sustainability are two sides of the same coin: without sustainability there is no security and vice-versa. Ministers recognised that more effort to de-carbonise the energy system, and faster progress on energy efficiency, are essential.

- Thirdly, national authorities must cooperate with the private sector to establish predictable and attractive frameworks for energy investments. A special session of the IEA Energy Business Council during the Ministerial highlighted how important this is to meet the increasing global Energy demands.

Finally, let me turn to another recent accomplishment: the launch 10 days ago of the 2011 edition of the annual World Energy Outlook. So what can we expect, particularly for oil and gas?

The central scenario for this is now the New Policies Scenario which takes into account recent government policy commitments and assumes they will be implemented in a cautious manner.
Under those conditions, demand for energy increases by one-third between 2010 and 2035. 90% of this growth will come from outside the OECD. Hence the importance we place in cooperating with major Partner countries.

Demand for all fuels rises, though the share of fossil fuels falls slightly from 81% to 75%. Oil retains the largest share of primary energy supply at just over 28%, global oil demand increasing at 0.5% per year.

In the oil market, long-term trends in both demand and supply will maintain upward pressure on prices – approaching $120/bl in real terms by 2035. And so we repeat: the age of cheap oil is over.

On the supply side, the costs of bringing oil to market rise as new fields are more distant and more difficult. And squeezed public spending, along with perceived political risks, could discourage investment. A special “deferred investment scenario” in the WEO supposes one third less investment in the short term than in the NPS, resulting in a $150 price spike five years out.

On the demand side, all net increase comes from the transport sector where demand is particularly inelastic, raising global demand from 87 mb/d today to 99 mb/d in 2035.

Oil imports to the US drop to under 3 mb/d by 2035, as demand falls and domestic production continues to revive (thanks partly to unconventional oil). But 90% of the aggregate production increase still comes from the MENA region, with OPEC’s share of global production ending up above 50%. The rising import dependence on a small number of producers will inevitably heighten concerns about supply security – despite the reliability of regional producers.

Meanwhile gas demand rises strongly and nearly catches up with coal. The largest increase comes from Russia, followed by China, Qatar, USA and Australia. Much of that comes from unconventional gas, whose share rises to 20% of the total by 2035. All in all, global gas trade doubles.

Energy security, maintaining investment, price volatility - all these issues as well as sustainability, energy access, and more in the WEO - are relevant for everyone here, both producers and consumers. And they set an ambitious agenda for all of us. In the spirit of continued dialogue, I look forward to working with all of you as we take on the many challenges facing the global energy sector. In the past ten years, a lot of progress has been made. I am confident that through continued close consultation and cooperation, we can make even more.

Thank you very much for your attention. And thank you once again to the IEF Secretary General for inviting me here today.

I look forward to answering your questions.