Intervention by Nobuo Tanaka

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Concern about energy security in 1973 led to the creation of the International Energy Agency after the 1st oil shock had literally forced our members to act to ensure that they would never again be so vulnerable to a major disruption in oil supplies. Now, thirty five years later, British Prime Minister Gordon Brown has warned that the world is once again facing an era-defining "3rd oil shock".

IEA analysis supports this view. It shows that the so-called oil burden, or the expenditure on oil as a percentage of GDP, is now close to past peaks. However today's surge is fundamentally different than before. We are in the world's first demand-led oil shock. And the short-run opportunities for switching to other fuels are now so limited as oil has become heavily concentrated in the transport sector where substitutes are currently far from cost effective. Nevertheless the end-results are much the same. Consumers are restricting travel. Truck drivers are going on strike. Airlines are closing down. And producers themselves have made clear that they do not see this level of prices or volatility as being in their interests.

Unfortunately there is no overnight solution that will dramatically reduce the oil price but there are things that can be done. Let me briefly emphasise the most crucial steps.

Firstly, while many factors have influenced the rise in prices, including the weak dollar and the impact of speculation, the underlying problem lies in the fundamentals. The IEA's recent Medium-Term Oil Market Report concluded that the level of spare capacity will actually improve over the next two years. But, to avoid it dropping back to low levels in subsequent years, producers and consumers need to act together to put more oil onto the market in the short term and encourage greater capacity additions in the upstream and downstream. The recent Jeddah Energy Meeting convened by King Abdullah was a good first-step forward and the announcements by Saudi Arabia and

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several other key producers to increase investment will clearly help improve the outlook.

Secondly, consuming nations need to be bolder in encouraging energy efficiency, maintaining fuel excise levels and in phasing out price subsidies so that they send the right signals to the market;

Thirdly, we need to build confidence and clarity by improving data transparency in reserves, production, consumption and stocks.

And finally, for many emerging countries, which are now increasingly reliant on oil imports and are playing a much more significant role in international energy markets than they did in 1973 or 1979, this is effectively their 1st oil shock. For this reason, there is a need to reinvigorate the IEA by expanding the participation of the world's fastest growing countries - above all China and India - in its activities. After all, the energy challenges we are now facing in terms of both energy security and climate change are global challenges and call for a global response. We have learned best policies and practices around the world from Members of the IEA and many others. We look forward to sharing this experience more broadly. A logical starting point is to co-ordinate measures in times of oil supply emergencies. This would build on the IEA's long-standing dialogue on crisis management with many countries gathered here today. Another key area for co-operation is on energy efficiency. In this respect, the formation of the International Partnership for Energy Efficiency Co-operation (IPEEC) is a promising initiative. A third area is the development of broader international co-operation on promising new energy technologies such as carbon capture and storage.

I will not go beyond these brief comments at this time, so please let me close my intervention by thanking the Government of Japan for inviting the IEA to participate in these crucial talks.

Thank you.

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