

31 March 2010

CANCUN MINISTERIAL DECLARATION

12th IEF, Cancun, Mexico

29-31 March 2010

1. We, Ministers of Energy and High-Level Government Representatives, met on the occasion of the 12th IEF in Cancun, Mexico, from 29-31 March 2010, to discuss progress made since the 11th IEF held in Rome, Italy, from 20-22 April 2008 under the theme of “energy dialogue to respond to global challenges”.
2. We reiterated our appreciation to the Kingdom of Saudi Arabia for taking the initiative of holding an *ad-hoc* Energy Meeting, called by the Custodian of the Two Holy Mosques, King Abdullah Bin Abdul-Aziz, in Jeddah, in June 2008 and to the United Kingdom for hosting a further meeting, called by the Rt. Hon. Gordon Brown MP, Prime Minister, in London, in December 2008.
3. We welcomed the establishment of the High-Level Steering Group (HLSG) to provide recommendations to the 12th IEF for strengthening the architecture of the consumer-producer dialogue through the IEF and for reducing volatility in energy markets. We also expressed our appreciation to the members of the independent Expert Group¹ for their valuable work as well as to the eleven countries² which have volunteered to participate in the HLSG. We commended the IEA, IEF and OPEC for their technical support to the HLSG. We acknowledged that the recommendations and implementation plan of the HLSG have been reviewed and endorsed by an Expanded High-Level Steering Group (EHLSG) composed of representatives from producer and consumer, developed and developing countries, a process to which we attached a great value.
4. We discussed and approved the recommendations and implementation plan of the EHLSG, as contained in Attachment I, for an enhanced IEF framework to sustain and reinforce the

¹ The Expert Group members are: Mahnoush Arsanjani, Guy Caruso, Bassam Fattouh, Michael Greenberger, Claude Mandil and Adnan Shihab-Eldin.

² The HLSG members are: Algeria, France, Germany, Japan, Kuwait, Mexico, Norway, Qatar, Saudi Arabia, UK and the US.

commitment of producer and consumer states to the informal dialogue, as well as proposing means for mitigating energy markets volatility. We also welcomed the constructive efforts of the IEA, IEF and OPEC to identify specific areas of cooperation between them, that are in line with and supportive of the recommendations of the EHLSG. We commended them for their positive discussions and valuable agreement (Attachment II), and invited them to ensure rapid implementation.

5. We decided to establish a new High-Level Steering Group, composed of representatives of the countries that approve this Ministerial Declaration³ and wish to be actively engaged in the process of overseeing the drafting of the IEF Charter, with a mandate to develop and finalize the IEF Charter, in accordance with the Guiding Principles contained in the EHLSG's Recommendations and Implementation Plan. This mandate includes selecting experts, as needed, and overseeing their work. The HLSG draft of the IEF Charter should be reviewed by a newly-constituted Expanded High-Level Steering Group, comprising all the countries that approve this Ministerial Declaration.
6. Given the importance of strengthening the consumer-producer dialogue, we recognized the need to maintain high-level political engagement during this year and we decided to meet before March 2011 in Riyadh, Kingdom of Saudi Arabia, to approve the IEF Charter and to discuss progress on the analytical work outlined in the recommendations. In the run-up to that meeting, the HLSG will follow the progress on the implementation of the areas of cooperation between the IEA, IEF and OPEC.

³ The following countries approved the Ministerial Declaration: Algeria, Angola, Australia, Austria, Azerbaijan, Bahrain, Belgium, Brazil, Brunei Darussalam, Bulgaria, Canada, China, Colombia, Costa Rica, Czech Republic, Denmark, Ecuador, Egypt, Finland, France, Germany, Greece, Hungary, India, Indonesia, Iran, Iraq, Ireland, Italy, Jamaica, Japan, Jordan, Korea, Kuwait, Mexico, Morocco, Netherlands, New Zealand, Nigeria, Norway, Oman, Pakistan, Philippines, Panama, Peru, Poland, Portugal, Qatar, Romania, Russia, Saudi Arabia, Slovak Republic, South Africa, Spain, Sri Lanka, Sudan, Sweden, Switzerland, Thailand, Turkey, Turkmenistan, United Arab Emirates, United Kingdom, United States of America, Venezuela and Yemen.

Attachment I

Recommendations and Implementation Plan

I. Architecture of the Consumer-Producer Dialogue

1. The institutional structure of the IEF needs to be strengthened to reinforce the commitment of producer and consumer countries to the dialogue and to ensure predictable and sustainable funding of the IEF Secretariat at an adequate level that is commensurate with the expanded role and additional tasks of the IEF.
2. In this regard, *an enhanced framework* is needed for the IEF to sustain and reinforce the commitment of producer and consumer states to the dialogue while safeguarding the informality of this dialogue:
 - Such an enhanced framework is also necessary to maintain the commitment of the states to the Secretariat and to enable the Secretariat to follow-up and take effective action toward achieving the goals of the IEF. It is important to stress that the enhanced framework will not interfere with the informal dynamics of the dialogue or the nature of the concluding statements issued at the end of the Ministerial Meetings. It will: (i) affirm the commitment of the membership to the informal dialogue; (ii) maintain stability in expectations of the continuity of the dialogue, within the IEF and for other important actors in the market; (iii) increase the authority of its views, statements and communiqués as well as the projects undertaken by the Secretariat; and (iv) be an expression of commitment to the work of the Secretariat and its financial needs.
 - The IEF and its Secretariat need a Charter to incorporate the enhanced framework. The current Statute defines only the structure of the Secretariat under the supervision of the Executive Board. What is lacking are the following: (i) a preamble or provision describing the purpose of the IEF itself, namely informal dialogue on a range of energy and energy-related issues among producer and consumer states; (ii) provisions concerning membership in the IEF (see paragraph 3 below); (iii) description of financial support system from the members to the Secretariat; and (iv) provisions dealing with the participation in the Charter by states.
 - The Charter, which is to be called the Charter of the International Energy Forum, would be approved at a Ministerial Meeting. States wishing to sign up to the Charter should express their support for the Charter and its provisions by submitting a written official communication to the Secretary-General of the current IEF Secretariat. The Charter would become effective when a certain requisite number of states, to be agreed upon

therein, have submitted their official communication to the Secretary-General of the IEF. In order to avoid any interruption in the ongoing work of the IEF, states should either agree to continue with the current IEF arrangement pending the establishment of the new enhanced framework, or alternatively, decide to provisionally use the core provisions of the Charter, pending notification of participation by states.

3. The Guiding Principles for the IEF Charter are as follows:

- The *objectives of the IEF* in the Charter should be precisely stated while remaining flexible enough to address changing circumstances. In broad terms, the IEF should continue to aim its work at: (i) narrowing the differences among producing and consuming countries, both developed and developing; (ii) increasing awareness of their common interest in promoting transparency, stability and predictability of energy and energy-related policies which require individual and concerted efforts on the part of governments and related industries; and (iii) designing and supporting Secretariat projects including the collection, compilation and dissemination of data and information and analyses that contribute to market transparency and, in the process, assist IEF countries in making their dialogue more focused and effective. The IEF should also aim at identifying principles and guidelines to enhance energy market stability and sustainability. Such principles and guidelines should emerge as the result of logical conclusions of technically sound analysis encompassing all related factors and interests of all relevant parties.
- Regarding *membership*, the IEF should be open to all states that wish to participate and have notified the Secretary-General that they support the Charter. It would be highly desirable that the members include major oil and gas producers and consumers, as well as major economies.
- The Charter should *enhance the critical role of the Secretariat* as the administrative arm of the IEF, in this inclusive process of dialogue, by making the dialogue more focused, precise, productive through proactive projects of gathering and assembling reliable and relevant data, analyses and studies; providing technical training for members and administrative support where appropriate to the Ministerial IEF Meetings.
- The *Executive Board (EB)* would have oversight responsibility for approving the programme of work and budget of the IEF Secretariat. The composition of the EB should be a combination of permanent members, consisting of the major energy producers and consumers to enable their consistent engagement in the dialogue, and rotating members. The size of the EB could be expanded but needs to be kept within the limits of what is manageable and practical for decision making purposes. It is further desirable to continue with the participation of IEA and OPEC Secretariats on the EB as non-voting members.

- The *International Support Group* (ISG) providing advice to the host country of IEF Ministerials and to the IEF Secretariat's activities, should also be upgraded to facilitate greater engagement of countries that do not participate in the EB.
- *Funding* should be designed to ensure the provision by the members of adequate and predictable financial resources to sustain an annual budget as approved by the Executive Board reflecting political commitments from member countries. It should include the following: i) members contributions in accordance with a formula mutually-determined by the members; ii) governments' supplemental contributions to specific additional activities; iii) contributions from industry participants in the Business Forums. Least Developed Countries would not be expected to pay membership contributions.
- The IEF could hold *Extraordinary Ministerial Meetings*, in addition to its biennial Ministerial meetings. The IEF could also allow for the possibility to establish *Working Groups* at Ministerial levels on an ad hoc basis. Procedures to convene Extraordinary Ministerial Meetings and to establish Ad Hoc Ministerial Working Groups need to be defined.

4. The content of the dialogue should be improved:

- To lead the IEF towards a *more result-oriented forum*, the agenda for the Ministerial Meetings should be more precise. Materials prepared by the Secretariat should take account of the agenda of the upcoming Ministerial Meeting and should aim at making available, in advance of the Meeting, pertinent factual information as well as sound analyses relevant to the agenda to facilitate discussions on concrete issues.
- The IEF should continue the practice of issuing host country *Concluding Statements at the close of its Ministerial Meetings*, with no formal requirements of approval by the members of the IEF. This does not preclude the Forum, itself, from other forms of communications with respect to the outcome of the Ministerial Meetings.
- The *IEF Secretariat should be strengthened to play a prominent role as a neutral facilitator in the global energy dialogue*. Its resources should be expanded to enable it to effectively execute both its current program and the recommendations for the improvement of the quality of the dialogue, including the provision of: (i) reliable data to achieve greater energy market transparency, and (ii) insightful understanding of a range of analyses to provide a common ground for discussing critical energy issues. Financial stability must be built into the budget of the Secretariat to ensure long term planning and the fulfillment of multi-year programmes.
- The IEF Secretariat, in performing its work, should be careful to avoid duplication and *not to encroach upon the purview of either the IEA or OPEC*. Whenever feasible and practical, the IEF Secretariat, in the performance of its tasks, should collaborate closely with such organizations. The output of the IEF Secretariat should be expanded, preferably by means of *collaboration with other relevant multilateral organizations and*

fora with its own concrete contributions and through external contracts. The IEF Secretariat should also be mindful of identifying, and where appropriate filling, gaps in the information and data relevant to the producer-consumer dialogue.

- The IEF Secretariat should improve its attractiveness to be able to recruit *world-class professionals* and could *leverage* a core of highly qualified staff through increased use of programme and project management working in partnership with high quality research institutions in member countries or, when appropriate, through small satellite offices in select locations.
- The *provision of data and information on energy related issues* is a critical part in improving the content of the dialogue. There are increasing quality and timeliness of JODI data thus far. However, there is still a significant information gap, diminishing the efforts of the IEF in creating market transparency. In order to provide transparency and assist in minimizing volatility in energy markets, the IEF Secretariat data and information system should be forward-looking. Further support for the IEF Secretariat's ongoing work in the expansion of JODI to cover natural gas is needed. Additional expansion of JODI should also include data on investment in new capacity in the upstream and downstream oil and gas sectors, in cooperation with relevant organizations. The comparison of official data against secondary (other than governmental) sources and subsequent analyses could prompt participating states to provide better data, thereby improving JODI's timeliness and quality. The IEF Secretariat should also explore the collection of demand-relevant data such as energy pricing information, energy intensity and energy efficiency measures.
- The current *industry participation* in the IEF is useful and should be maintained and where possible expanded. However, the expansion of industry contribution should not be allowed to jeopardize the independence of the IEF Secretariat.

II. Energy Market Volatility

5. With regard to *Energy Market Volatility*, energy markets should be as transparent as possible to enable their efficient and effective operation and timely and improved market related *data* should facilitate better understanding of market price behaviour and appropriate *regulatory responses*. The unique composition of the IEF (covering both producer and consumer countries including major producers outside OPEC and major consumers outside IEA) and its neutral status position the IEF Secretariat for an enhanced role in providing improved and expanded relevant *market data* and compiling/pulling together relevant *analytical reports* with respect to both the physical and paper oil market. This with the objective to achieve a more constructive and focused producer-consumer dialogue, based on a greater degree of trust and openness, that could promote confidence-building measures among producers and consumers and send strong market signals to help stabilize long-term expectations.

6. More specifically, the following proposals have been endorsed:

- The *IEF areas of cooperation with IEA and OPEC in considering i) future energy trends; ii) the physical and financial market linkages and energy market regulation and iii) data transparency* (Attachment II) should be rapidly implemented in order to achieve a better understanding of energy markets functioning. Under item (ii), where authorities are considering additional regulation and to help create efficient and effective market conditions, it is proposed for the consideration of the relevant authorities that any regulation should (i) promote market transparency; (ii) retain necessary market liquidity and (iii) be implemented in a practical fashion, avoiding a disorderly unwinding of positions affected by any new regulation.
- The IEF Secretariat should focus on providing *improved and expanded data* and information as well as the preparation of regular comparative *reports* on the basis of a compilation of existing material addressing the root causes of volatility, the relationship between market fundamentals and speculation and mechanisms to improve market efficiency.
- In this connection, the steady improvement of JODI, a concrete outcome of the producer-consumer dialogue, and the development of monthly gas data collection and annual investment data in cooperation with JODI partner organizations is highly commendable. Indeed, the JODI model is an effective one that can be further improved and enhanced to achieve greater market transparency including through the collection of demand-side data. The IEF Secretariat should disseminate such information and analysis through all possible channels, including Ministerial Meetings, interim meetings at the expert level, JODI and other IEF databases.
- The IEF Secretariat should catalogue *regulatory efforts* in major energy derivatives markets, bearing in mind that the role of the IEF in reducing market volatility should continue to be non-regulatory, leaving direct market oversight responsibility to states. Indeed, given concerns about the lack of conclusive data, the IEF should not advocate any particular form of regulation.
- The IEF as a neutral forum should i) encourage and promote mutual understanding *of views* about energy markets; ii) sustain momentum for a better mutual understanding of views by building *confidence* through improved *information sharing* among the parties; iii) act as the forum through which a better mutual understanding of views is communicated to the market and iv) *disseminate* key information related to marginal cost, investment levels, and alternative energy sources that could help stabilize short and long-term expectations.

7. The IEF Secretariat should draw up detailed implementation plans that set out what additional activities need to be undertaken in order to implement the above actions and recommendations, in accordance with the Implementation Plan outlined below.

III. Implementation Plan

8. The following Implementation Plan is adopted:

Action	Responsibility of	Implementation on
Drafting of the IEF Charter	New HLSG; Review and endorse by EHLSG	After March 2010
Final approval of and decision on the IEF Charter	Ministerial meeting In Riyadh	Before March 2011
Political declaration in writing submitted to the Secretary General of the IEF expressing the wish of becoming a member of the IEF in accordance with the terms of its Charter	Individual States	Following the final approval and adoption of the IEF Charter
Implementing the New Organisational setting; Staffing; Developing the IEF Secretariat strategic planning and two-year work programme and budget	New Executive Board; The IEF Secretariat	March 2011 and beyond

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Attachment II

The IEA/IEF/OPEC areas for cooperation

The IEA, IEF and OPEC identified the following specific areas for cooperation between the three organisations.

1. Shared analysis of energy market trends and outlook

Both the IEA and OPEC regularly publish energy and oil outlooks covering the short-, medium- and long-term. In addition, on the occasion of the International Energy Forum, both organizations usually contribute by submitting focused energy analysis and outlook, which are presented to IEF Ministers.

Short- to long-term energy outlooks are also published by other government, consultancy, banking and academic institutions.

The Joint Communiqué of the Jeddah Energy Meeting, issued by the host country Saudi Arabia and the Secretariats of IEA, IEF and OPEC, called for shared analyses of oil market trends and outlooks.⁴

The IEF will act as a platform for sharing insights and exchanging views about energy market trends and short-, medium- and long-term energy outlooks, including analysis of market behaviour and discussion of key drivers of the energy scene and associated uncertainties.

The IEF will organize, in co-operation with the IEA and OPEC, an Annual Symposium at the IEF Secretariat in Riyadh, with participation from the main institutions that publish regular energy outlooks. The Symposium could cover the previous year's market behaviour, as well as the short-, medium- and long-term energy outlooks. To focus the discussion at the Symposium, the IEF will produce an introductory paper, in consultation with IEA and OPEC. The IEA, the IEF and OPEC will jointly produce a Symposium report.

The first Symposium is scheduled to take place in January 2011.

⁴ "There should be immediate collaboration between the IEA and OPEC Secretariats, together with the IEF Secretariat, on preparing shared analyses of oil market trends and outlook, as well as of the impact of financial markets on the level and volatility of oil prices, which can be used to better understand the market situation". *Jeddah Energy Meeting, 22 June, 2008, Statement by Saudi Arabia, IEA, IEF and OPEC Secretariats.*

2. Physical and financial markets' linkages and energy markets regulation

The functioning of energy markets is continuously evolving. The increasing complexity of the different market layers for price discovery and risk transfer, from spot to derivatives, requires a better understanding of the functioning of each of these markets, as well as the interaction between the physical and financial markets.⁵ This offers a fruitful area for greater cooperation among the IEA, IEF and OPEC Secretariats, as well as relevant multilateral organizations.

The issue of adequately regulating financial markets in general, and commodity markets in particular, has recently gained prominence. It is recognized that regulations have important effects on market functioning and participants' behaviour. While markets are increasingly global, regulations remain country-specific and vary among jurisdictions. Changes are also regularly introduced.

The IEF, in co-operation with the IEA and OPEC, could act as a platform to help improve understanding of the linkages between physical and financial markets, and provide an overview of current and proposed regulatory developments:

1. Better understanding requires further research and access to improved data on pricing of crude oil international benchmarks, as well as access to expanded and improved data regarding energy futures and derivatives markets.
2. The dual nature of crude oil, both as a physical commodity and as a financial asset, makes it very difficult to disconnect physical and financial markets. It would be useful to gather a group of knowledgeable experts to share views and analysis on the linkage between physical and financial markets. Workshops on energy market functioning will be jointly held on a regular basis, with participation from government, industry, banks, regulators, multilateral institutions, and academia to share data, analysis, research findings and proposals. Following the EU-OPEC Workshop on the impact of financial markets on the price of oil & volatility (Vienna, April 2009) and the IEA/IEEJ Workshop on oil price volatility (Tokyo, February 2010), the objective would be to organize the first joint IEA/IEF/OPEC Workshop before the end of 2010. The IEF Secretariat will produce a report

⁵ Jeddah Energy Meeting Statement noted that "the transparency and regulation of financial markets should be improved through measures to capture more data on index fund activity and to examine cross-exchange interactions in the crude market." *Jeddah Energy Meeting, 22 June, 2008, Statement by Saudi Arabia, IEA, IEF and OPEC Secretariats.*

summarising existing views with regard to the interaction between physical and financial markets, in consultation with the IEA and OPEC Secretariats.

3. Regulators will be invited to meetings, under the Chatham House rule, with the participation of experts from multilateral institutions and academia, to exchange views about recent regulatory developments and their impacts on market volatility, to share lessons and best practices, identify new challenges and discuss near-term prospects for regulatory evolution. The first meeting could be arranged back-to-back with the first workshop referred to in para. 2 above.

3. JODI related activities

Joint Oil Data Initiative (JODI) partner organizations' efforts have contributed to steady improvement in timeliness, comprehensiveness and quality of data submission in recent years and the Initiative is increasingly highlighted in almost every Energy Ministers meeting. Such progress has led to calls by Energy Ministers to do more and collect other relevant information, such as annual data on investment and natural gas data.

3.1 Annual Data on Investment

The Jeddah Energy Meeting Communiqué called for further improvement of market transparency and stability and the seven organizations involved in JODI (APEC, Eurostat, IEA, IEF, OLADE, OPEC and UNSD) are called upon “to start work to cover annual data that includes, among other things, upstream and downstream capacities and expansion plans”.

Participants at the London Energy Meeting (19 December, 2008) noted the importance of providing accurate, complete, and timely data to the Joint Oil Data Initiative, “including information on upstream and downstream capacities and expansion plans”. In this regard, they noted the importance of working with the IEF to enable participants to provide high-quality data to JODI and affirmed that further efforts should be undertaken in this regard, especially with respect to inventories. They emphasized the importance of annual data on investment plans and welcomed the IEF's plans to implement the collection and publication of this data as soon as possible. Work on JODI should continue to be conducted in close cooperation with the other six JODI partner organizations, especially the IEA and OPEC.

3.2 Natural Gas

The 11th IEF Ministerial Meeting called on the IEF, IEA, OPEC and other JODI partner organizations to build on their experience in collecting monthly oil data through

JODI, a concrete outcome of the global energy dialogue, highly commended by IEF Ministers, and work on extending JODI to cover natural gas data.^{6 7}

The IEA, IEF, OPEC and other JODI partners have already started such extension and are testing member countries' ability to report most relevant information on natural gas (supply, demand, imports and exports both liquid and gaseous) on a regular basis.

The ongoing work to improve and expand JODI will be continued as planned (as per the decision of the last JODI Inter-Secretariat meeting in Paris, 21 October, 2009). In cooperation with the other JODI partner organizations and the Gas Exporting Countries Forum (GECF), the IEA and OPEC as well as the IEF as the co-ordinator of the Initiative will continue to play a leading role in JODI.

4. Activities related to the G-20 or to energy-relevant organisations

At the Pittsburgh Summit, the G-20 was designated to be the premier forum for international economic co-operation and the Leaders' Statement covered energy. The G-20 includes major economies, which are all participating in the IEF.

The IEA, IEF and OPEC will cooperate closely on any joint activities relating to the G-20, or to energy-relevant organisations, as could be agreed by the three Organizations.

5. Web-based facility

The IEF, in cooperation with the IEA and OPEC, will provide a web-based facility to access, including through links, i) publicly available energy outlooks and associated studies ; ii) energy market legal and regulatory texts and related studies. The IEF, in cooperation with the IEA and OPEC, will also establish an electronic forum dedicated to the subject of market functioning and behaviour, where experts, researchers, multilateral organisations members and others, can exchange views, post research findings and share publications.

⁶ "Given the trend towards globalization in the gas market, it is time to progressively extend JODI to natural gas. Ministers encouraged the IEF Secretariat to take the initiative to make this happen, working together with other relevant international organizations and to report to the next Ministerial meeting, progress made in this regard." *11th IEF Ministerial Meeting, Concluding Statement, 20-22 April, 2008.*

⁷ "We note the Joint Oil Data Initiative (JODI) as managed by the International Energy Forum (IEF) and welcome their efforts to examine the expansion of their data collection to natural gas." *G20 Leaders' Statement, The Pittsburg Summit, 25 September 2009.*