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Joint Press Release

OPEC-EU Workshop on the Impact of Financial Markets on the Oil Price

The Organization of the Petroleum Exporting Countries (OPEC) and the European Union (EC) today concluded a two-day Joint Workshop on the Impact of Financial Markets on the Price of Oil. The event was co-chaired by the OPEC Acting Secretary General, Mohammed Barkindo and the EU Director for Conventional Energy Sources, Heinz Hilbrecht.

The workshop encompassed a wide range of differing views and perspectives, including those from oil companies, investment banks, stock exchanges, regulators, research institutions, hedge funds, pension funds, producers and inter-governmental agencies. While a broad array of related issues were discussed, the workshop focused on two key questions, namely:

- How well the current spot and future market structure performs the functions of price discovery, price transparency and risk transfer;
- Whether greater financial participation in oil has significantly influenced oil prices and price volatility.

Overall, the workshop highlighted the increasing integration of the physical and financial oil markets as well as the considerable potential for even greater interaction. Moreover, it was noted that over the last few years, financial market instruments have diversified and the market is continuing to evolve. The positive impact of financial markets, through liquidity and greater transparency in price discovery, was recognized, as well as the possible adverse effects such as higher price volatility if investors periodically exaggerate price trends. Additionally, concern was expressed that the futures and futures

option are based on a very narrow volume of physical trading in major benchmark crudes, pointing the need for, among other things, the introduction of more representative physical benchmark contracts. Finally, the workshop emphasized the need for good regulation and the release of more frequent and high quality market data, which would benefit all market participants.

At the close of the workshop, OPEC and the EU noted that the successful outcome of the workshop, as well as the positive constructive nature of the dialogue, point to the need to expand the initial research on this complex and important subject. As a result, OPEC and EU agreed to pursue further research on this subject.

The next event to be held under the Energy Dialogue will be a Workshop on Energy Policies to be held in Brussels in the first half of 2007.
