

A Win-Win Effort: Lifting the Veil on Energy Data

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A transformation is taking place as Middle East producers open up decades of historically guarded statistics on their energy reserves and production. This new transparency will enhance the decision-making process for energy market stakeholders around the world and help with the region's goal of becoming a leading energy hub aligned to its leading producer status.

Data access is vital for global energy risk management and efficiency. It provides transparency into the world's supply-demand balance and encourages investors to support energy infrastructure projects and trading ecosystems and is especially important given continued forecasts of strong demand.

The challenge to boost data transparency is twofold. First, encouraging the growth and quality of data collection and second, learning how to best apply the knowledge generated by billions of data points every day. Creating workflow analytics enable energy stakeholders to digest the usefulness of data. Essentially, these numbers help create comprehensive forecasts that minimize risk and aid in hedging against price volatility.

The financial support required for some energy infrastructure projects, such as refineries and pipelines, can stretch into the decades and extensive data access gives project financiers a clearer long-term outlook. It also reduces the rate of energy stakeholders' and investors' knee-jerk reactions to shifts in market dynamics, such as geopolitical uncertainty and sharp price movements.

The Paris-based International Energy Agency said that spending at oil and gas fields fell by 25% in 2015 to \$583 billion, with another 24%

expected in 2016. Spending cuts were inevitable due to lower oil prices since mid-2014, but would such cuts have been as steep if the industry had better insight into countries' energy production, consumption and reserves data? By way of example, an initiative to improve immediate access to data is the new and free smartphone application unveiled by OPEC and the UAE's Ministry of Energy in November at OPEC's Annual Statistical Bulletin.

The push to unwind decades of opacity and improve data transparency is a long journey, which took a big step forward when the Joint Organizations Data Initiative (JODI) was agreed in 2002. JODI gathers data from around 100 countries on key indicators for oil supply and demand and from approximately 80 countries on gas supply and demand. The data is collated and disseminated through the JODI-Oil and JODI-Gas World Databases, which are hosted by the International Energy Forum.

This continues to be a laudable effort, but there is more work to be done, especially in terms of timeliness. Worldwide, the gap between countries that punctually submit their data and those that lag behind remains wide.

Many also need to improve their data-gathering processes to reduce the volume of numerical discrepancies, as opaque or inaccurate statistics hamper stakeholders' confidence that the rest of the data is useful. As the global conversation to improve data transparency gains more traction, it will need to incorporate the need to standardized data harvesting and management processes. Should all countries' data submissions include condensates in their crude figures, for example? The rapid growth of digital data and the Internet of Things – when network connectivity for everyday objects

enables them to send and receive data with each other – can reduce the human cost of manual data reporting and improve the efficiency of historical and comparative data sets. Boundaries to protect stakeholders' intellectual property will also have to be determined.

To complement the Middle East's efforts to improve the transparency of local supply-demand flows, S&P Global Platts began publishing independent prices for the region's gasoline, middle distillates including diesel and jet fuel, and fuel oil on October 3. The assessments are normalized to loadings in the UAE's Port of Fujairah, which recently appointed S&P Global Platts to publish the port's weekly inventory data on an aggregate basis for the major categories of refined oil products, including fuel oil, diesel and gasoline.

The new assessments and the Port of Fujairah's inventory data will generate important data points that will help heighten the global energy market's understanding of key developments in the Middle East. Such understanding is integral to investors' plans considering that the region produces a third of the world's oil exports. What is the value of oil products in the Middle East? How does the Port of Fujairah's trade pattern impact the world's largest energy hubs of Singapore, Rotterdam and Houston? These efforts reflect the UAE's progressive attitude to data transparency, as per the country's National Vision 2021, with calls from energy stakeholders to unite the seven emirates' data to create a centralized hub gaining momentum.

There are no losers in this global push for transparency as less guesswork and more facts give energy stakeholders around the world the confidence needed to navigate bouts of volatility, plan investment decisions and manage risk. ■