The Benefits of Data Transparency in Oil

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Presentation outline

• Why are economists obsessed with data transparency?
  • Its role in neo-liberal economic theory
  • Weaknesses in that role

• Issues for oil markets
  • The oil data is simply poor (was terrible)
    • Evidence
    • Why is the data so poor?
      • “Much is known by many” makes aggregate collection difficult
      • Conversions factors and definitions make comparison difficult
      • Secrecy, strategic concerns and self interest leads to misleading data

• Myths and realities over data transparency

• But there are important benefits
Why are economists obsessed with data transparency?

- Its role in neo-classical economic theory
  - Economics 101 = key assumption of ‘perfect competition’
  - Role in ‘efficient markets’ which are seen as optimum

- Why it maybe increasingly irrelevant?
  - Underlying naïve behavioral assumptions flawed
    - See recent Nobel prizes in economics
    - Are ‘efficient markets’ desirable?
      - Unattainable?
      - Distorted by externalities, public goods, and issues of equity
    - ‘Washington Consensus’ no longer credible
      - Seriously damaged many countries
Data transparency issues for oil markets

- The data is simply very poor – evidence
  - Constant revisions
    - My own experience – 1996 EME data from BP compared to the IEA

- Why is the data so poor?
  - Transparency = “Much is known by many” = aggregate collection difficult
    - Inevitable lead times
  - Conversions factors and definitions make comparison difficult
    - Converting hydro/nuclear production into MTOE

- Secrecy/strategic/self interest concerns leads to misleading data
  - A Latin American country inventing a statistical history of energy
  - UK National coal board electricity forecasts of late 1960s
  - Texas oil production post Waco 1993?
  - OPEC quotas and reserve estimates
Secrecy/strategic/self interest concerns leads to misleading data

• Mid 1980s – how to allocate quotas to avoid arguments?

• Determine OPEC quotas by a formulae

• What should the formulae contain?
  • Reserves and populations
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• Mid 1980s – how to allocate quotas to avoid arguments?

• Determine OPEC quotas by a formulae

• What should the formulae contain?
  • Reserves and populations
  • Change the recovery factor (and populations!)

OPEC proven oil reserves 1980-95

BP Statistical Review of World Energy
Myths and realities over data transparency

• JODI’s reasons to encourage better data?
  
  • Reduces market volatility and ensures prices stability = **myth** created following the Iraqi invasion of Kuwait
    • Role of ‘paper markets’ and ‘herd behaviour’ – “A lemming is an animal with a strong sense of direction”
    • However, driving ‘paper markets’ are ‘wet barrel markets’
  
  • Better short term forecasts = **reality**
    • Need to know the starting point
  
  • Supports better decision making = **reality**
    • Especially if starting point is more accurate
  
  • Encourages investment = **myth or reality?**
There are important benefits from dialogue

• Dialogue to try and sort out data differences does help mutual understanding

• JODI’s dialogue has helped to iron out many differences of definition and conversion factors – data has improved

• Why should individual countries bother?
  • Elements of a public good in collective data gathering
  • Does improve decision making in the country
• THANK YOU FOR YOUR ATTENTION

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