

The Benefits of Data Transparency in Oil

Professor Paul Stevens

Distinguished Fellow, Chatham House, The Royal Institute of Economic Affairs

Professor Emeritus, University of Dundee

Distinguished Fellow, Institute of Energy Economics, Japan

14th International JODI Conference

Cairo 20-21st October 2019

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

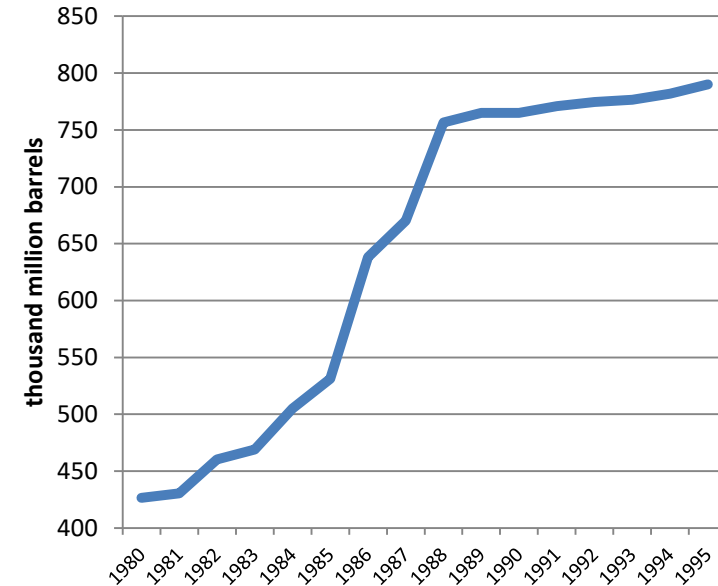
- The data is simply very poor – evidence
 - Constant revisions
 - My own experience – 1996 EME data from BP compared to the IEA
- Why is the data so poor?
 - Transparency = “Much is known by many” = aggregate collection difficult
 - Inevitable lead times
 - Conversion factors and definitions make comparison 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

- Mid 1980s – how to allocate quotas to avoid arguments?
- Determine OPEC quotas by a formulae
- What should the formulae contain?
 - Reserves and populations

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
 - 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

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- **THANK YOU FOR YOUR ATTENTION**
 - **pstevens@chathamhouse.org**