

UNCTAD

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Recent developments and new challenges in commodity markets, and policy options for commodity-based inclusive growth and sustainable development

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Developments and Challenges in Commodity Markets, Policy Options for Commodity-based Inclusive Growth and Sustainable Development by

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‘Forecasting is not a respectable human activity.’
- Peter Drucker

“Prediction is difficult - especially of the future”
- Storm Petersen, Danish humorist





- ***Heavier-than-air flying machines are impossible.***

Lord Kelvin 1895

- ***A severe depression like that of 1920-1921 is outside the range of probability.***

The Harvard Economic Society, November 16, 1929

- ***I think there is a world market for about 5 computers.***

Thomas Watson, Chairman of IBM, 1943

- ***There is no reason for any individual to have a computer in their home.***

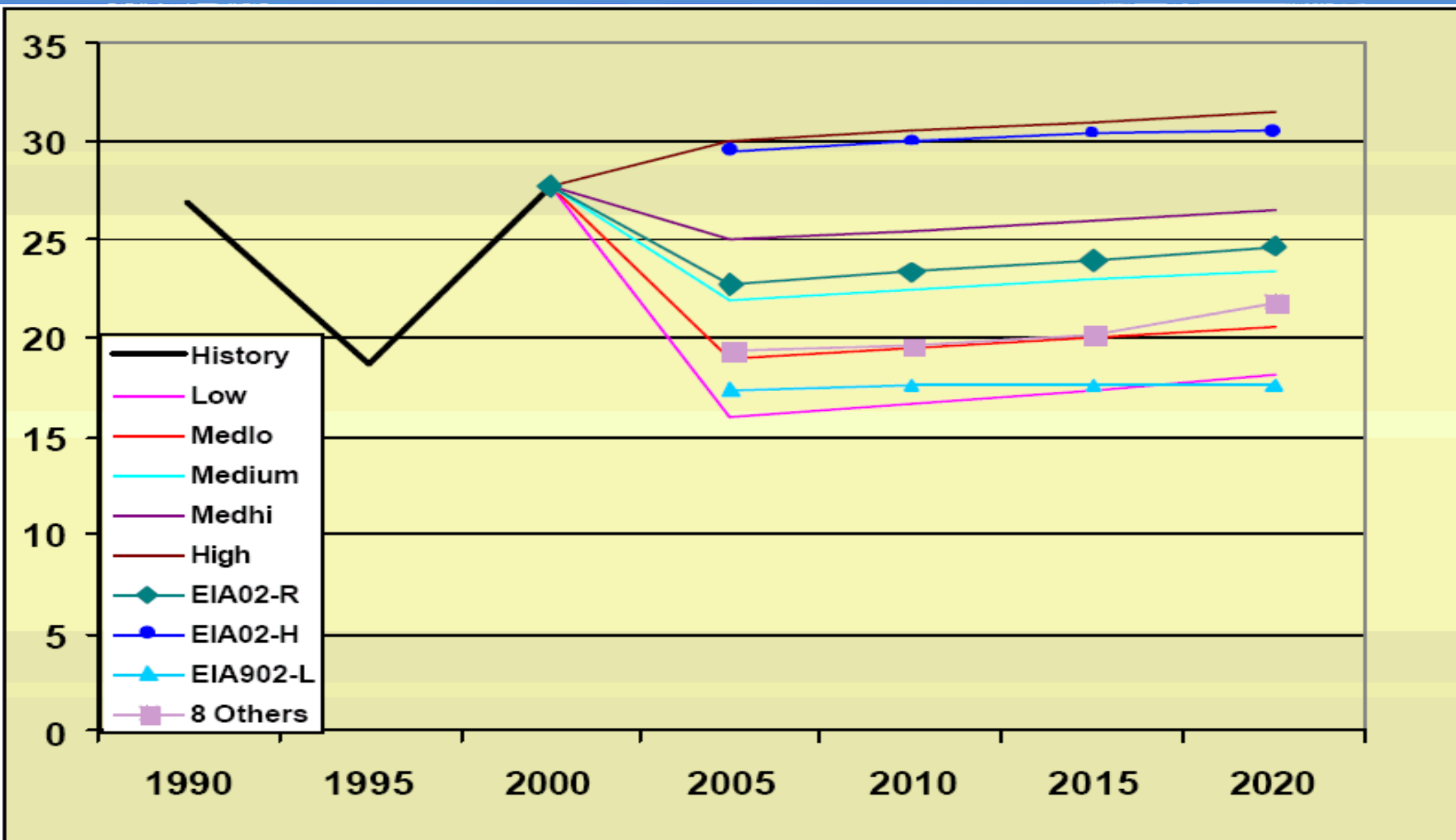
Ken Olsen, President of Digital Equipment Corporation, 1977

- ***Gas is a premium, noble fuel that should not be wasted for power generation.***

US and European legislation, mid '80s



Oil price forecasts made in 2002



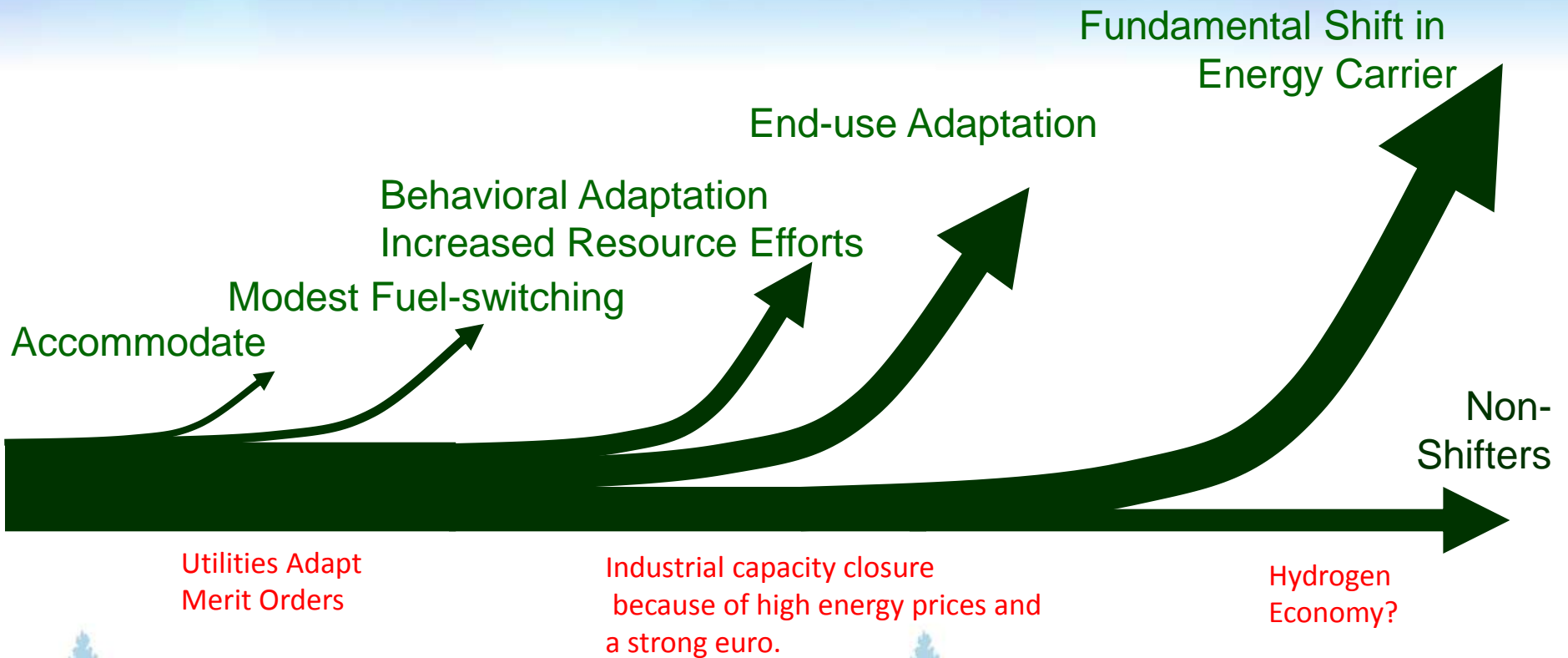


Decision Inertia: Supercycle or Bubble?

Near-term

Medium-term

Long-term





Fuels Markets Key Questions



- Upstream/Midstream investments to de-bottleneck
- Demand destruction by pricing and macro-economic policy
- Demand construction by development policy
- Technology choices and technology obligations





Carbon Dilemmas/ Choices



Starting Point

*Trade to Manage Carbon Exposure
Risk of Higher Cost of Late Adoption*

Minimalist

€40/t

?

€30/t

?

€20/t

?

€10/t

?

*Invest to Shift Portfolio
Risk of Over-response*

Paradigm Shift

Energy policy triangle – shifting from markets

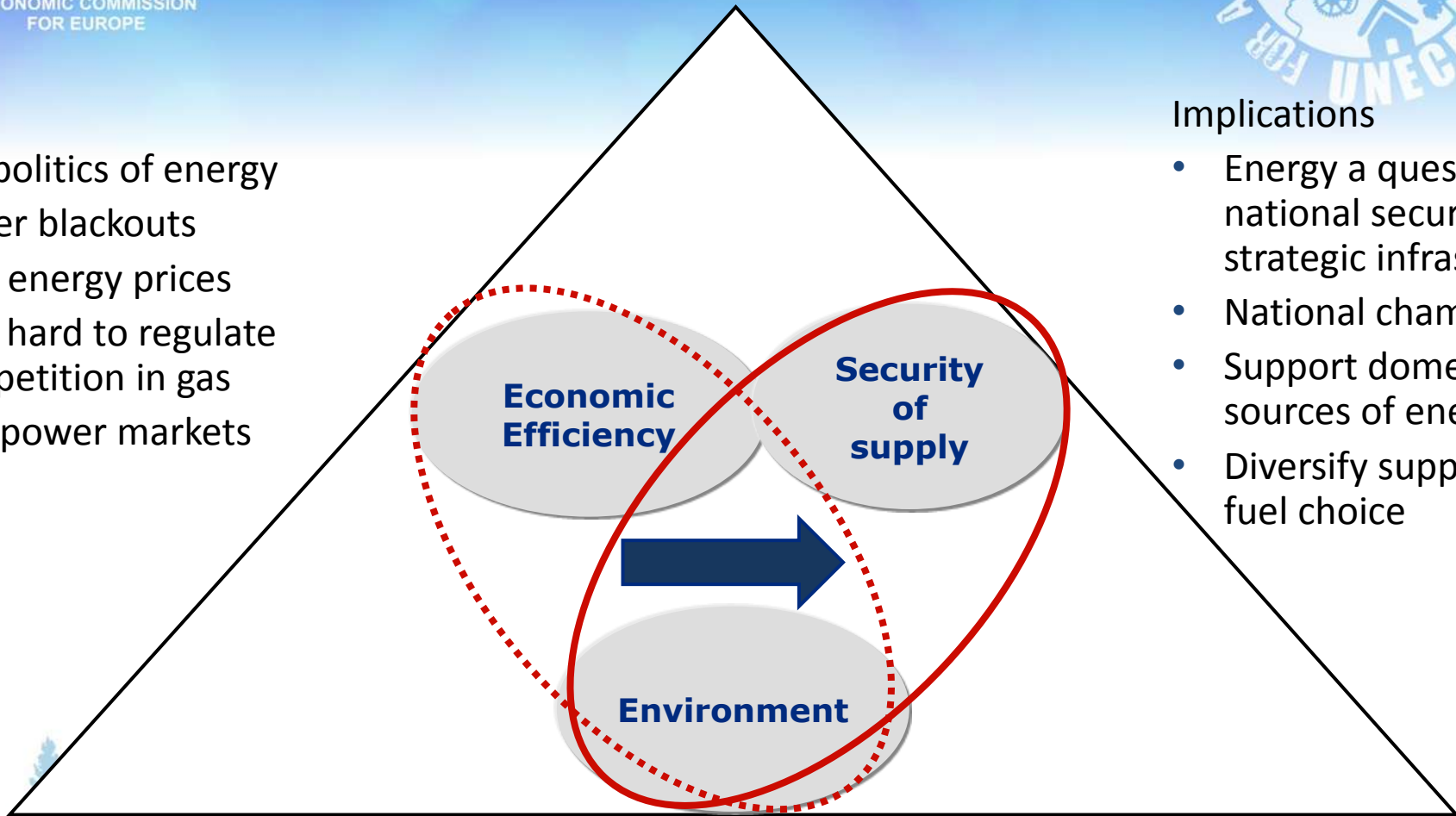


Drivers

- Geopolitics of energy
- Power blackouts
- High energy prices
- Very hard to regulate competition in gas and power markets

Implications

- Energy a question of national security and strategic infrastructure
- National champions
- Support domestic sources of energy
- Diversify supplies and fuel choice



Interconnectivity: Ripples across the global economy





Think S.T.E.E.P.



Social

Technology

Environment

Political

Economics

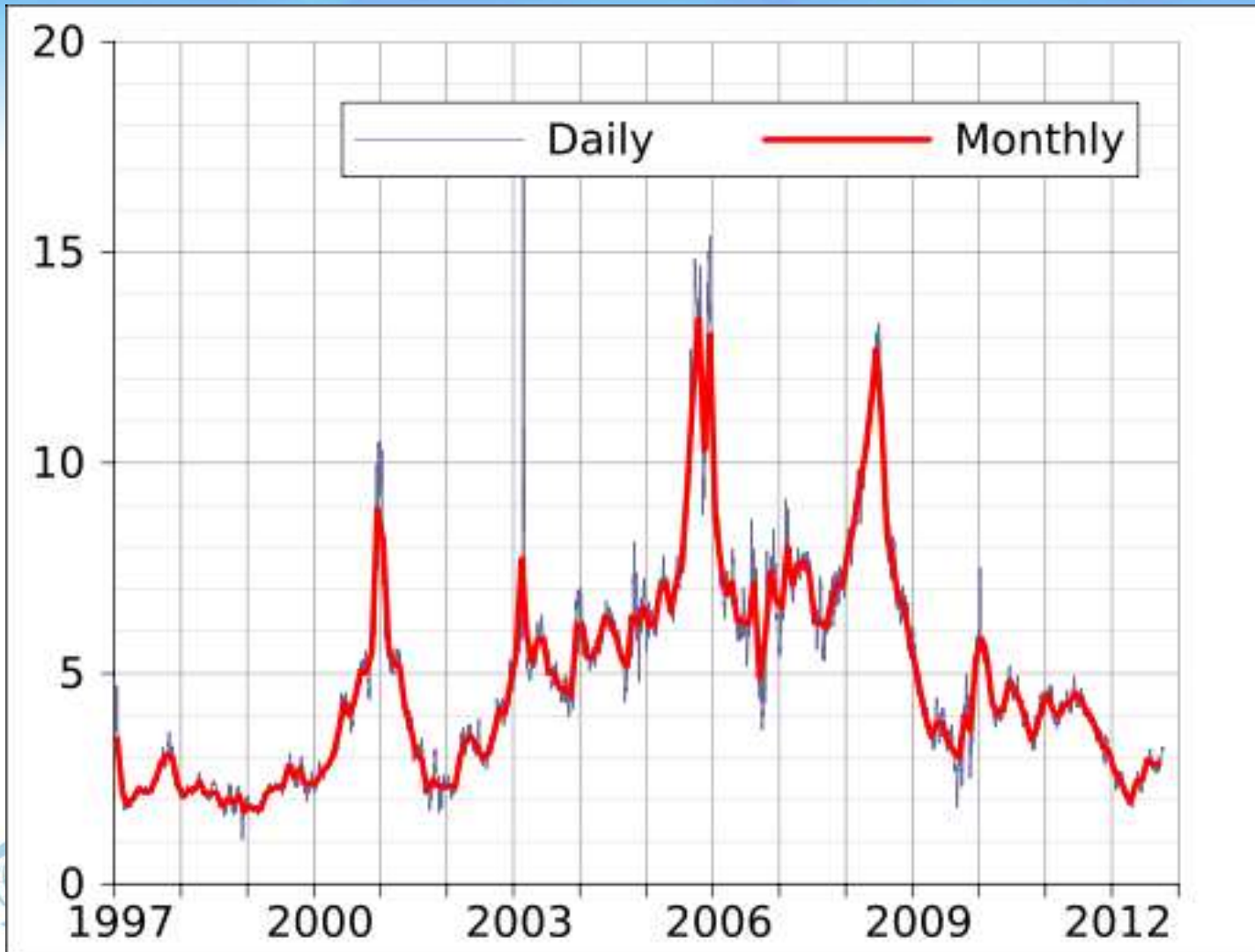




THANK YOU!



Henry Hub Gas Prices





European Gas Prices

