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

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Multi-Year Expert Meeting On Commodities and Development

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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
- Modest Fuel-switching
- Accommodate

Medium-term
- Behavioral Adaptation
- Increased Resource Efforts

Long-term
- Fundamental Shift in Energy Carrier
- End-use Adaptation

Non-Shifters
- Industrial capacity closure because of high energy prices and a strong euro.
- Utilities Adapt Merit Orders
- Hydrogen Economy?
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

Invest to Shift Portfolio Risk of Over-response

Minimalist

Paradigm Shift

- €40/t
- €30/t
- €20/t
- €10/t
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

Economics

Political
THANK YOU!
Henry Hub Gas Prices
Natural Gas (Europe), average import border price excluding UK

Source: Archer Daniel Midland Investor Services, as reported on www.mongabay.com.