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Ladies, Gentlemen, and your Excellencies,

In April 1973, Foreign Affairs published an article by U.S. Ambassador James Akins, "The Oil Crisis: This Time the Wolf is Here." He predicted oil prices would rise due to increasing demand, a lack of production capacity, and supply shortages. Akins criticized oil companies and experts for their inability to predict the crisis.

He was right, the wolf came. In fact, since then, many wolves came and went, all with different shapes, tendencies, and motives.

The wolf in the early '70s led to a major shift in the management of the oil market, from the hands of the Seven Sisters to OPEC countries.

Most of the time, the actions of producers have led to successful results. However, time is needed for a positive outcome to be realized; ranging from two months all the way to two years. Balancing the oil market and achieving the desired results takes time. If the desired result is not immediate, then there is a lot of speculation and negative comments about the agreement made by some analysts. Inadequate outcomes have been largely due to either decisions being made based on fast-changing information, or some producers not cooperating in good faith.

There are some important ingredients needed for success:

- First, sound leadership by capable countries and respected individuals such as that recently demonstrated by Saudi Arabia and Russia.

- Second, not giving up quickly; sometimes you have to try over and over again, and again, with different approaches to reach a successful outcome.

- Third, there has to be a sincere willingness to make a sacrifice in terms of production cuts. Faithful implementation of cuts is needed and the leaders and the major producers should set a strong example by strictly adhering to their own new targets.

- Fourth, the cooperation of non-OPEC producers should be elicited, if these countries are able and willing to deliver; promises alone are not enough.

- Fifth, while decisions are based on the prevailing information at the time, we need to understand from the beginning that this information keeps changing, and the group will therefore have to show flexibility at each step in the process since specific details and projections change from month to month. They should be prepared to adjust their decisions accordingly, if needed.

- Sixth, it is necessary to develop a clear and fair mechanism to determine the parameters of the agreement, such as using independent secondary sources as a baseline for estimating production, as well as to reduce output by an equal percentage from each country.

Ladies and gentlemen, at this point, I would like to talk about the Russian-OPEC cooperation, particularly with Saudi Arabia, to rebalance the international oil market, which has recently taken a new direction. I should mention that discussions for working together between OPEC and Russia, with the blessing of Saudi Arabia, started in 1983 and has continued since. They have involved heads of states, ministers, deputy ministers, and oil experts, from both countries.

One year after oil markets collapsed in 1986, the then new Saudi Minister of Petroleum Hisham Nazer visited Moscow to discuss the potential of Russia participating in any production adjustment. This was followed by many visits at all levels, and especially during oil crises. Russia, however, was hesitant to participate in any agreements that would cut its production, largely due to domestic energy, economic, and political reasons.

However, unlike previous discussions on cooperation, the latest agreement with Russia has various factors supporting its success. First and foremost, there is a shared financial imperative among all oil producers, including Russia, to see oil prices strengthen.

Another major difference is the proactive involvement of Russian Energy Minister Alexander Novak. The minister has taken a hands-on approach in working with the 12 companies that account for 90 percent of Russia's production. The minister meets twice a month with companies to ensure all companies are supporting the agreement. The stronger participation by the companies, which has effectively been mandated by President Vladimir Putin, is a major factor in its success.

In early 2016, Russia took a leading role, alongside Saudi Arabia, in approaching other countries to seek a freeze in production. Later that year, both countries took a leading role in bringing more than 20 countries to the table toward collectively cutting production by 1.8 million barrels per day (mb/d).

Had it not been for this cut, today's oil prices might have been lower than $30 per barrel and the participating countries' production would be higher by 3-4 mb/d.

Overall, OPEC and collaborating countries have demonstrated leadership, flexibility, and good management during this time. Current arrangements are not perfect but better than before. Yet some of the countries are not showing full commitment to the spirit of agreement. Nevertheless, the agreement is proving to be very successful.

Ladies and gentlemen, OPEC, through its alliance with key non-OPEC producers, has recently created a new paradigm for managing markets with the establishment of a joint ministerial committee made up of ministers from both sides to ensure the agreement is fully implemented. In addition, for the first time ever, a technical team of experts was created to monitor closely production levels and compliance by all participants. Unlike any other previous agreement, the technical committee meets every month following the release of production data by secondary sources rather than waiting until the end of the deal to report the results to ministers. Rather than functioning as a watchdog ready to criticize underperformers, the continuous engagement among officials from the committees and member countries has created a new level of cooperation and proved to be a significant pillar of the Vienna agreement.

For the OPEC and non-OPEC alliance, an effort to rebalance the market was always going to be a longer marathon with some obstacles along the way, contrary to traders who want to sprint to the finish line.

Ladies and gentlemen**,** I would like to conclude with some words about the future. The wolf of lower oil prices is behind us. Commercial stocks are being drawn down gradually, more slowly than initially hoped. Global oil demand is growing by more than 1.5 mb/d this year, and robust growth is forecasted for 2018. Demand growth therefore will eclipse new supply, which is projected at around 1.3 mb/d. When the demand is ahead of supply the market is on strong footing.

The new market management paradigm will continue until at least March and probably longer. Some market analysts have argued that once the agreement ends the producers will flood the market with new supplies but this view is shortsighted. After all, it is in the best interest of producers to create a soft landing and not disrupt the market's newfound balance. This is the most likely outcome.

With the current arrangement and commitment of major producers, and their willingness to adjust and extend the agreement, I believe as commercial oil stocks continue to contract, oil prices will gradually increase. We even might hit $60 per barrel before the end of 2017 or the beginning of 2018.

Thank you for your kind attention.