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The conference organised by the Oxford Institute for Energy Studies on issues of oil price volatility and price swings was held on 9 October at St Catherine's College. It brought together participants from governments, oil companies, academia, and banks. It was an important event. We are happy to publish here a summary minutes of the discussions (without attributions) written by Bassam Fattouh and Paul Segal; and an article by Robert Mabro where he attempts to classify views on this complex subject under a number of 'streams of thought'. The conference was so interesting that the organisers could not keep Asinus, this stubborn, intrusive but charming beast away from it. In this issue of *Forum* Asinus muses exclusively on the themes of the conference.

The longstanding debate on whether 'speculation' or 'fundamentals' drive oil prices in the futures exchanges of New York and London was only resolved by arguing that speculation cannot be clearly defined (which is surprising) and by the more cogent observation that speculators also hedge and hedgers are implicitly speculating by taking a view on a particular price.

The fundamentals of supply and demand are not available in real time. This is inevitable. There are delays in the production and distribution of reliable data. Traders do not know what the state of the fundamentals is at the time when they operate on derivatives markets. They try to guess using proxies or non-oil variables about which information is immediately available. It seems that in the absence of solid information about current fundamentals, views about their likely state in the medium or long term are an important oil price determinant. Not the only one of course, otherwise the oil price will not move. Views about the long term do not change from day to day.

Notwithstanding all that, views expressed by participants were sometimes so different as to induce some scepticism about the prospects of a consensus on ways to prevent the future reoccurrence of a huge oil price swing. Such a consensus between the main parties with interests on the world oil scene is the necessary condition for designing and implementing remedial action.

In the previous issue of Forum

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we included articles on wind energy. This inaugurated a series on renewable energy and technological developments that may affect world demand for oil. We continue with a review of a book detailing the extraordinary achievement of William Kamkwamba, a young Malawi boy, who managed to build a small windmill and obtain electricity in his dark room, then his home, then his village.

In this issue of *Forum* we have two articles on solar power, a source so abundant that it could cover a high multiple of current world energy requirements, but so expensive to harness as to drastically constrain its development. Malcolm Keay assesses with his renowned objectivity the challenges facing solar and its prospects by asking the question: Will solar energy find its place under the sun? The answer is yes but only if costs can be significantly brought down. Despite considerable efforts and some progress this objective has not yet been achieved.

Till Stenzel describes in an interesting contribution the Desertec initiative, a plan to develop solar energy production in North Africa to supply the electricity needs of the region and export the surplus to Southern Europe. The difficulties are assessed. But the author ends with an optimistic note pointing out that many academics, policymakers and private companies are working hard to solve the economic problems involved. They will 'make Desertec a reality, not in the distant future but much sooner than many skeptics may think.' Let us very much hope that the initiative will succeed.

The problems of oil production are catching media headlines. The decline in Norway's production together with decline in the UK Continental Shelf, Mexico and other countries are providing ammunition to the proponents of the peak oil theory. The Norwegian situation is authoritatively discussed by Lars Erik Aamot, a high official of the Ministry of Petroleum and Energy. Another headline that caused some excitement was about an increase in Russian oil exports that put that country ahead of Saudi Arabia. Shamil Yenikeyeff argues that this apparent achievement is more of a glitch than the beginning of a trend. He points to the many factors that hinder investments in the oil sector, mainly but not exclusively the fiscal regime.

Finally, another important topic addressed in this issue is the pricing of natural gas. In this respect there is a fundamental difference between the pricing of oil and gas in international trade.

There is greater consistency in the pricing of oil than in gas where there are different pricing systems resulting in significant differentials not only between different regions of the world (the USA, Europe, and the Far East) but within the same region. This is the case in Europe. Howard Rogers, noting that the same gas in Europe is priced at $8 per million Btu if imported from Russia or Algeria, and only $3 per million Btu while spot gas in the UK is selling at about $3 per million Btu, asks: Why? And more importantly: is this structure sustainable.

All the topics in this issue are subject to debate because of fundamental differences of views. Surely readers have much to say about this or that subject that happens to interest them. They are warmly invited to put pen to paper and send a letter to the Editor expressing their opinions. We will be publishing them to foster debates.

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