

Robert Mabro and the consumer–producer dialogue

Ian Skeet

Robert Mabro has always been a realist. Maybe, if he had been brought up in Beirut rather than Alexandria, he would have been a cynic. Anyway, by 1969 he was, via SOAS, an economist in Oxford, at St Antony's. The later 1960s and the 1970s were, of course, the years in which OPEC was at its peak of influence and energy, in its various manifestations, was at the forefront of public awareness. For an economist who happened to be fluent in English, French, and Arabic, energy was an obvious interest to cultivate.

This happened also to be the period in which Shell was developing, under Pierre Wack, its scenario planning. In 1973 the company was in the position of needing to develop a better understanding of the thinking, aspirations, and motivations of oil producers, particularly those of the Arabian Gulf – while Mabro lacked any real understanding of the oil companies and their objectives. So, in 1973, Shell Planning arranged for Mabro to join them for a year and both parties benefited greatly.

OEPC, OES, OIES, and consumer–producer relations

Mabro's experience with Shell enabled, or at least greatly helped, him to create the Oxford Institute for Energy Studies (OIES) in 1982. The OIES, while primarily a research institute, can also be seen, together with the Oxford Energy Policy Club (OEPC, established in 1976), and the Oxford Energy Seminar (established in 1978), as an embodiment of consumer–producer relations and dialogue. It has always been a centre in which both sides could meet, discuss, propose, and argue about their respective interests on an informal and serious basis.

However, consumer–producer relations have also, and more visibly, had a formal existence in official and governmental circles. Indeed, they are a continuing and integral process on almost every level on almost every subject of international concern. In the context of energy, there have been specific examples of attempts to create a 'Dialogue' to achieve particular objectives – notably after the 1973 price takeover by OPEC and again in the late 1970s after the second bout of OPEC price increases.

.....

'THE OIES ... CAN ALSO BE SEEN AS AN EMBODIMENT OF CONSUMER–PRODUCER RELATIONS AND DIALOGUE.'

.....

I doubt that Mabro ever imagined that these official Dialogue proposals would lead to any kind of agreement. In reality, the intentions of both sides – consumers and producers – were completely at odds. A majority of the consumers, led by the USA, was looking for a pricing system; the producers were looking for a firmer position in the general international trading and financial system. The net result of early negotiations was the formation of the IEA by the consumers without reference to the producers. Subsequently, the Conference on International Economic Cooperation (CIEC) experience covered everything and achieved nothing. And OPEC efforts to formulate its own Long Term Strategy did nothing for the producers.

Apart from these heavily ambitious, but practically fruitless, efforts at governmental level to create some sort of internationally workable set of policy guidelines or agreements, there were many voices in the energy industry, producing companies, the academic profession, think tanks, and

also individuals who were encouraging, proposing, or pouring cold water on the whole idea of consumer–producer dialogue.

Mabro's paper promoting consumer–producer dialogue

As might be expected, Mabro entered this debate and produced an OIES paper¹ on the subject in 1991. Quotations from this paper appear in this article.

This paper offered a realistic, rather than an idealistic, programme for an attempt at Dialogue. Some elements of the paper would, in part at least, be relevant today – in the unlikely circumstance that anybody sought to reopen the debate, or even proposed such a thing, although the agenda would reflect today's problems (whatever they might appear to be) rather than those of 1991 which by now may seem embedded in history.

The paper opened with a concise statement about the necessary context in which dialogue could be effective. It says: *'The need for a dialogue with a view to eventual agreement or co-operation between two parties arises*

- *when each of them faces problems caused by the actions or policies of the other party, or both face common problems caused by external factors;*
- *and when there exists a belief that these problems cannot be easily solved (or that their effects cannot be significantly mitigated) by each party acting on its own or through the autonomous operation of market forces yielding rapid and relatively painless adjustments.*

In other words, there must be problems for both parties (perhaps of a different nature) that cause or threaten to



produce significant damages (perhaps to a different degree) to all of them. ... When these conditions are satisfied, it becomes legitimate, indeed rational, for all parties to raise and attempt to explore the issue of co-operation.'

It suggests the identification of the main features of the 'oil problem' as being either political or economic arising from:

- civil commotion in the exporting countries, international conflicts that involve these countries and the importers, or regional conflicts;
- under-investment that threatens a price explosion;
- a slack market that threatens a price collapse.

While the political aspects of the 'oil problem' are generally distinct from the economic, the effect of a sudden price increase or decrease can create political instability for the producers – the best example, perhaps, being the Iranian Revolution. The paper then concentrates on the nature of the oil market, before returning to the political questions that are inevitably intertwined

Note

¹ 'A Dialogue Between Oil Producers and Consumers: The Why and the How', Robert Mabro, OIES, SP2, 1991.

in the market. The lack of consensus amongst consumers (in particular the difference in fundamental objectives between the USA, Europe and, to a lesser degree, Japan and the Far East) has always affected the international scene strongly.

The paper concludes by suggesting what the agenda might be for a useful dialogue between oil producers and consumers. It makes the obvious (but not necessarily observed) point that a dialogue does not imply agreement, least of all a multilateral agreement between states. Dialogue is nothing but an exercise in exploration which can lead to different types of discovery, or none. With this in mind, the paper suggests an agenda to include:

- The design of schemes to finance the holding of surplus capacity in the producing countries, and strategic stocks in the consuming countries.
- The form in which exchange of information on investment, both by countries and companies, could be usefully organized.
- The form in which information could be collated and published on

production levels (by the producers) and on stock levels and prices of market transactions (by the consumers/companies).

- Discussion on the subject of investment guidelines and potential – both for oil companies in the upstream of producer countries and for producer countries in the downstream of consuming countries.

The paper specifically excludes the environment as a subject for dialogue – not because it was not of vital concern, but because in 1991 the issue was highly divisive and would have guaranteed the failure of any dialogue that might be started. The paper is also cautious, to the point of ambivalence, about the general subject of price level discussion. It accepts, however, somewhat unwillingly that price is better avoided in the opening stages of any dialogue although '*a permanent taboo would be a fatal and unnecessary mistake*'.

No Dialogue took place then, nor has it since, but, of course, dialogue has always continued.