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## **LUTZ KILIAN: Quantifying oil price risks**

When discussing an economy's energy security, the first and foremost question is what oil price risks this economy faces. These risks arise from unpredictable fluctuations in the real price of oil in global markets. This presentation discusses improved real-time methods of forecasting the real price of oil at horizons up to one year. I contrast the resulting forecasts with actual outcomes for 1990-2010 and with the predictions of alternative forecasting methods such as oil futures prices or no-change forecasts. I also discuss the construction of forecast scenarios. Forecast scenarios allow us to assess the effects of hypothetical events on oil price forecasts. Examples include a global recovery, a financial crisis, an unexpected oil supply disruption, or a period of growing political tension in the Middle East resulting in speculative pressures.

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