

Security of Supply and Regional Energy Cooperation

INOGATE Regional Workshop on Energy Infrastructure
Brussels, 10 December 2015

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- **Overview of the Energy Charter Process**



From the European Energy Charter to the Energy Charter Treaty

Dec. 1991

European Energy Charter



Political commitment -
not legally binding

Dec. 1994

Energy Charter Treaty (ECT)



52 states + EU and Euratom – legally binding, entered into force April 1998
Open for accessions for states and REIOs which have signed the European Energy Charter

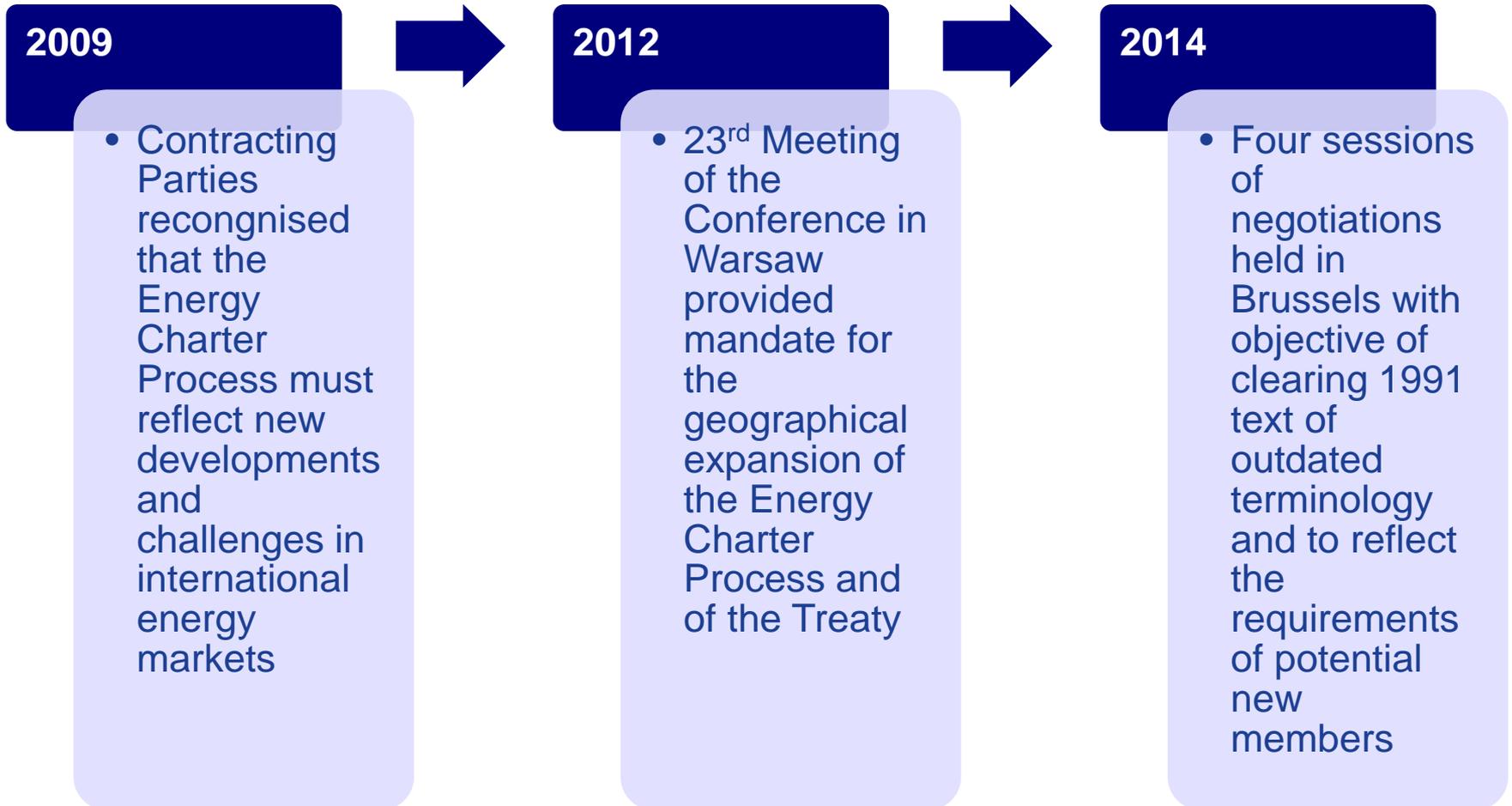
Energy Charter Conference



Based on the ECT – decision making body
Main task to review and facilitate the implementation of the principles of the Charter and the ECT
Members: signatories of the ECT
Observers: signatories of the European Energy Charter, invited states and international organisations



Modernisation Process





International Energy Charter

- ❑ Political declaration updating the 1991 EEC
- ❑ Reflects modern energy challenges
- ❑ Reaffirms 1994 ECT
- ❑ Negotiated by more than 80 states throughout 2014
- ❑ Adopted by 75 countries in 2015

THE HAGUE
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- ❑ **Regional Cooperation in South Caucasus**



Georgian Flagship Initiative

- ❑ Promoting political dialogue to foster regional electricity cooperation;
- ❑ Developing sustainable energy resources and transport corridors;
- ❑ Facilitating investments into regional energy infrastructure;
- ❑ Enhancing cooperation through a systematic channel for knowledge and information sharing.



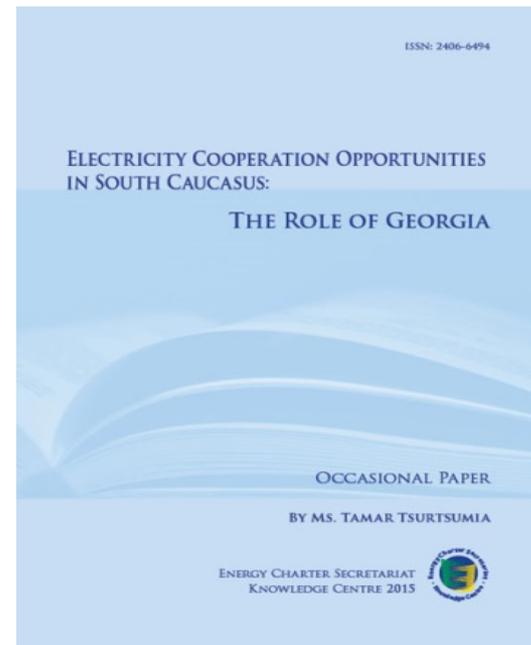
Benefits of Regional Cooperation





Trade Opportunities

- ❑ Existing cooperation in power sector along two electricity corridors:
 - ❑ East–West Electricity Corridor (EWEC): Power Bridge Project and BSTP;
 - ❑ North-South Electricity Corridor (NOSEC): Interconnections Georgia–Russia and Armenia–Iran
- ❑ Broader regional scope:
 - ❑ Security of supply;
 - ❑ Exports diversification;
 - ❑ Power trade “hub”





Role of the Energy Charter

- ❑ Promoting political dialogue for the development of sustainable energy resources;
- ❑ Establishing legal framework and building trust to facilitate regional energy trade;
- ❑ Exchange of information, best practices and lessons learnt;
- ❑ The Energy Charter as a multilateral instrument for international cooperation with its legal components and broad geographic scope could provide the necessary institutional platform.



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- **Energy Transit under ECT**



What is special about energy transit?

- ❑ Energy difficult to store => timing matters;
- ❑ Reliance of energy trade on fixed infrastructure - built specifically for transporting energy;
- ❑ Fixed infrastructure investment – capital intensive;
- ❑ Energy transportation is capacity restricted;
- ❑ Pipelines/grids often controlled by incumbent companies, natural monopoly;
- ❑ Sensitive for energy security.



Transit provisions of the ECT

- ❑ Definition of transit
- ❑ Freedom of transit
- ❑ Co-operation of TSOs
- ❑ Non-discriminatory treatment of transit
- ❑ New capacity
- ❑ Security of established flows
- ❑ Conciliation procedure



Objectives of draft Transit Protocol

- ❑ To ensure secure, efficient, uninterrupted and unimpeded transit;
- ❑ To promote transparent and non-discriminatory use and access to Energy Transport Facilities;
- ❑ To facilitate the construction, modification and operation of transit infrastructure;
- ❑ To minimise the harmful environmental impacts of transit;
- ❑ To promote the prompt and effective settlement of disputes.



Review of ECT Transit Provisions

□ Methodology

In line with the structure of the Questionnaire + classification based on geographical location of the Contracting Parties.

□ Responses received

- European Union;
- Central Asia;
- Caucasus;
- Other European:
- Other Constituency.



Conclusions of the Review

- ❑ Divergences in regulatory and institutional approaches regarding energy transit, trade and cross-border transport;
- ❑ Incompatibility between national legislations, different domestic institutional environments and incoherence in the informal practices of potential stakeholders;
- ❑ Multiple and cumbersome authorisation procedures related to the construction and/or expansion of cross-border infrastructure.



Possible outcomes

- ❑ To start negotiations of a Multilateral Framework Agreement on Transit of energy resources on a new basis;
- ❑ To start negotiations on a regional transit protocol in case of interest expressed by specific countries.



UNGA Resolution 67/263

- ❑ Sponsored by Turkmenistan and 72 UN members;
- ❑ The need for extensive international cooperation for promoting the reliable transportation of energy;
- ❑ Turkmenistan committed to host international meeting of experts;
- ❑ Three meetings held so far:
 - Ashgabat (December 2014)
 - Brussels (April 2015)
 - Beijing (November 2015)



Relevance of Multilateral Transit Instrument

- ❑ Cross-border and transit energy infrastructure crucial in view of the main energy policy goals:
 - ❑ Growing dependence of consuming countries on imported energy;
 - ❑ Emergence of new energy producers, often in land-locked countries;
 - ❑ Increasing volumes of energy traded across borders, often involving transit.
- ❑ Transit remains special case due to the different interests of producers, consumers and transit countries.



Thank you for your attention !

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Common rules for global energy security