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- Overview of the Energy Charter Process
- Regional Cooperation in South Caucasus
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- Overview of the Energy Charter Process
<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec. 1991</td>
<td>European Energy Charter</td>
<td>Political commitment - not legally binding</td>
</tr>
<tr>
<td>Dec. 1994</td>
<td>Energy Charter Treaty (ECT)</td>
<td>52 states + EU and Euratom – legally binding, entered into force April 1998&lt;br&gt;Open for accessions for states and REIOs which have signed the European Energy Charter</td>
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<td></td>
<td>Energy Charter Conference</td>
<td>Based on the ECT – decision making body&lt;br&gt;Main task to review and facilitate the implementation of the principles of the Charter and the ECT&lt;br&gt;Members: signatories of the ECT&lt;br&gt;Observers: signatories of the European Energy Charter, invited states and international organisations</td>
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Modernisation Process

2009
- Contracting Parties recognised that the Energy Charter Process must reflect new developments and challenges in international energy markets

2012
- 23rd Meeting of the Conference in Warsaw provided mandate for the geographical expansion of the Energy Charter Process and of the Treaty

2014
- Four sessions of negotiations held in Brussels with objective of clearing 1991 text of outdated terminology and to reflect the requirements of potential new members
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
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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

**Economic**
- Economies of scale
- Optimal use of available resources
- Sharing capacity reserves
- Export revenues

**Social**
- Access to energy resources
- Poverty alleviation
- Reliability and quality of service

**Technical**
- Energy security
- Enhanced reliability and emergency support
- Technology transfer
- Efficiency gains

**Environmental**
- Climate change mitigation
- CO2 reduction
- Deforestation

Sustainable Development
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