

# ANNUAL REPORT 2003

**ENERGY CHARTER SECRETARIAT**



## TABLE OF CONTENTS

FOREWORD BY THE SECRETARY GENERAL .....	3
BACKGROUND TO THE ENERGY CHARTER PROCESS .....	4
2003 – THE YEAR IN PICTURES .....	6
IMPLEMENTATION OF THE ENERGY CHARTER'S LEGAL INSTRUMENTS IN 2003: .....	9
1. ENERGY EFFICIENCY .....	10
2. INVESTMENTS .....	12
3. TRADE .....	14
4. TRANSIT .....	16
SPOTLIGHT ON THE ENERGY CHARTER'S WORKING GROUPS .....	18
EXTERNAL ACTIVITIES .....	21
RELATIONS WITH NON-SIGNATORIES AND OTHER INTERNATIONAL ORGANISATIONS .....	23
RATIFICATION OF AND ACCESSION TO THE ENERGY CHARTER TREATY ...	26
PUBLIC RELATIONS .....	28
ORGANISATIONAL ISSUES .....	29
INTRODUCING THE SECRETARIAT'S SENIOR STAFF .....	30
ANNEXES:	
I PUBLICATIONS ISSUED IN 2003 .....	33
II ENERGY CHARTER MEETINGS IN 2003 .....	34
III SENIOR STAFF SPEAKING ENGAGEMENTS IN 2003 .....	35
IV OFFICERS OF THE ENERGY CHARTER CONFERENCE IN 2003 .....	38
V ORGANISATION CHARTS OF THE CONFERENCE AND SECRETARIAT .....	39



FOREWORD BY THE SECRETARY GENERAL



## FOREWORD BY THE SECRETARY GENERAL



This is the fourth year in succession in which the Energy Charter Secretariat has produced an annual report on its activities. The primary aim is to ensure transparency to our “shareholders”, the fifty-one European and Asian governments that are members of our organisation, concerning the Secretariat’s implementation of its annual Work Programme. But we also hope that this document will help to give a wider audience of readers a clearer picture of what the Energy Charter process is all about, and what the Secretariat does in support of its aims.

Regrettably, it did not prove possible to secure our organisation’s main objective for 2003, namely unanimous adoption by the Energy Charter’s member-states of an Energy Charter Protocol on Transit, on which much of the Secretariat’s efforts have been focused over the last four years. The decision to suspend further work on the Protocol taken at the end of the year, in the light of ongoing disagreements between two parties to the negotiations, is undeniably a major disappointment. But the door has not been closed on this issue, and I firmly believe that the Energy Charter process still offers the best forum within which to develop new legal rules governing energy transit flows in the Eurasian space. Accordingly, the Secretariat will continue in 2004 to maintain close contacts with the main parties involved in the negotiations, with a view to establishing the prospects for bringing the draft Transit Protocol back to the Charter Conference for further consideration at the earliest possible moment.

In other areas, the Secretariat has continued to develop its work in support of implementation of the Energy Charter Treaty by our member-countries in relation to the four key “pillars” of its coverage – energy efficiency, investment issues, energy trade and transit. Increasingly, in response to the wishes of our members, this work has taken the form of policy-oriented activities and studies. Our aim is to demonstrate that the Treaty is a legal tool that can help our members as they reform and develop their domestic energy markets. But we also see the Charter process’s role increasingly as a forum for policy exchanges between governments on the many common challenges that they face in building competitive open energy markets.

I am encouraged by the progress that we have made in developing the Energy Charter’s relations with non-member countries over the last year. There are promising signs that the objective set by our members of undertaking a targeted expansion of the Energy Charter process can be achieved, and I intend to increase further our focus on this goal in the year ahead.

As always, the Secretariat welcomes feedback and comments on its activities as described in this Annual Report, which should be addressed to us by e-mail at [annualreport@encharter.org](mailto:annualreport@encharter.org)

Dr Ria Kemper  
Secretary General  
Energy Charter Secretariat



## BACKGROUND TO THE ENERGY CHARTER PROCESS

### Energy Charter Treaty

The Energy Charter Treaty and the Energy Charter Protocol on Energy Efficiency and Related Environmental Aspects were signed in December 1994 and entered into force in April 1998. To date the Treaty has been signed or acceded to by fifty-one European and Asian states as well as the European Communities. The Treaty was developed on the basis of the European Energy Charter of 1991, but whereas the latter document was drawn up as a declaration of political intent to promote East-West energy cooperation, the Energy Charter Treaty is a legally-binding multilateral instrument, the only one of its kind dealing specifically with inter-governmental cooperation in the energy sector.

The fundamental aim of the Energy Charter Treaty is to strengthen the Rule of Law on energy issues, by creating a level playing field of multilateral rules to be observed by all participating governments. The Treaty's provisions focus on five broad areas: the protection of foreign investments, based on the extension of national treatment, or most-favoured nation treatment (whichever is more favourable); non-discriminatory conditions for trade in energy materials, products and energy-related equipment, based on WTO rules; freedom of energy transit through pipelines, grids and other means of transportation; dispute resolution; and energy efficiency and related environmental aspects.

### Energy Charter Conference

The Energy Charter Conference is the governing and decision-making body for the Energy Charter process, and was established by the Energy Charter Treaty. All states who have signed or acceded to the Treaty are members of the Conference, which meets on a regular basis – normally twice a year – to discuss policy issues affecting international energy cooperation; to review implementation of the provisions of the Energy Charter Treaty; and to consider possible new instruments and projects on energy issues. Meetings of the Conference are normally held in Brussels. Regular meetings of the Conference's subsidiary groups on transit, trade, investments and energy efficiency are held in between Conference meetings. Since December 1998 Mr Henning Christophersen, former Vice-President of the European Commission, has held the post of Chairman of the Energy Charter Conference.



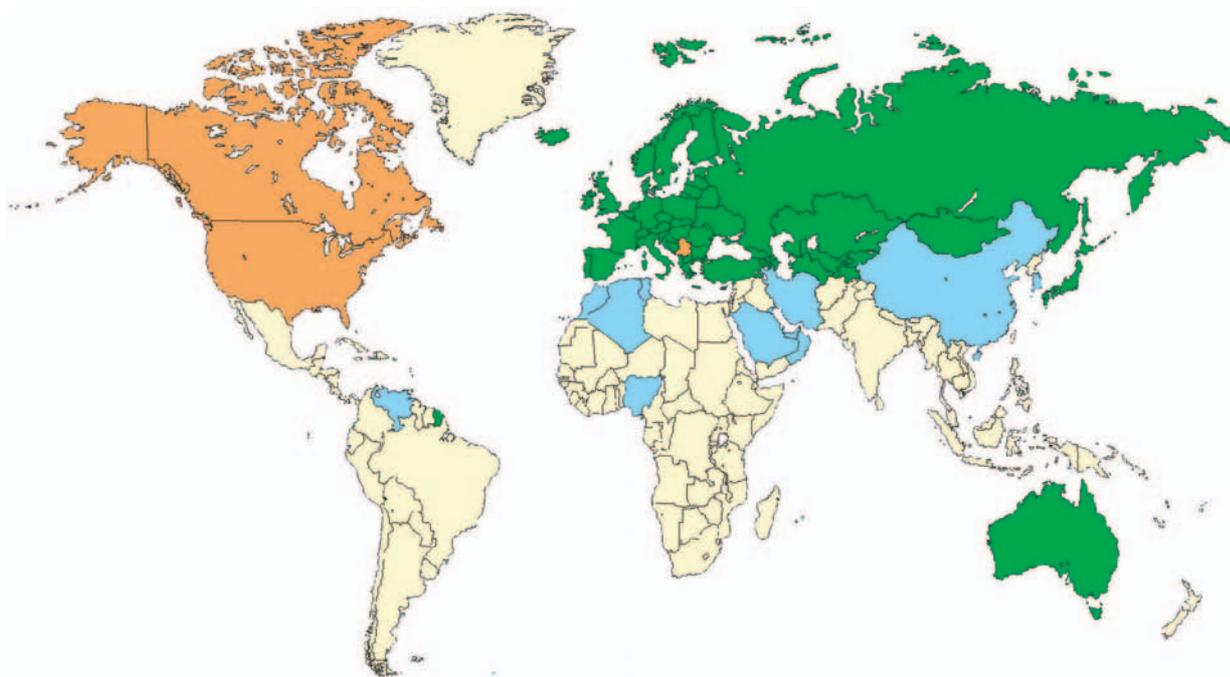
*Henning Christophersen*

### Energy Charter Secretariat

The Conference is served by a permanent Secretariat based in Brussels. The Secretariat is staffed by experts from various countries of the Conference's constituency, and is headed by a Secretary General, elected by the Conference's member-states.



## MAP OF THE ENERGY CHARTER'S CONSTITUENCY



Countries marked in **green** are Energy Charter Treaty signatories, those marked in **orange** are signatories to the European Energy Charter (but not the Treaty), and the countries marked in **blue** are observers. The information represented on the map is valid as of January 1, 2004.

### *Members of the Energy Charter Conference:*

Albania, Armenia, Austria, Australia\*, Azerbaijan, Belarus\*, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Cyprus, Denmark, Estonia, European Communities, Finland, France, Georgia, Germany, Greece, Hungary, Iceland\*, Ireland, Italy, Japan, Kazakhstan, Kyrgyzstan, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Moldova, Mongolia, Netherlands, Norway\*, Poland, Portugal, Romania, Russian Federation\*, Slovakia, Slovenia, Spain, Sweden, Switzerland, Tajikistan, The former Yugoslav Republic of Macedonia, Turkey, Turkmenistan, Ukraine, Uzbekistan, United Kingdom.

### *Observers to the Energy Charter Conference:*

States: Algeria, Bahrain, People's Republic of China, Canada\*\*, Islamic Republic of Iran, Republic of Korea, Kuwait, Morocco, Nigeria, Oman, Qatar, Saudi Arabia, Tunisia, United Arab Emirates, United States of America\*\*, Venezuela, Serbia and Montenegro\*\*.

International Organisations: ASEAN, EBRD, IEA, OECD, UN-ECE, World Bank, WTO, CIS Electric Power Council, BSEC, BASREC

\* Denotes state in which ratification of the Energy Charter Treaty is still pending as of January 2004

\*\* Denotes Observer state which has signed the 1991 European Energy Charter



## 2003 – THE YEAR IN PICTURES

**This section shows some of the highlights from the Energy Charter Secretariat’s activities during the course of 2003**



Secretary General Ria Kemper and OPEC Secretary General Dr Alvaro Silva Calderón share a panel at the Workshop on the Energy Charter Treaty organised by the OPEC Secretariat in Vienna, January 2003. The Workshop provided a high-level opportunity to discuss the Treaty with OPEC’s member-states and consider possibilities for strengthening dialogue between the two organizations.

Ms Anna Chikun of Belarus receives a certificate from Simon Lacey of the World Trade Institute in Bern, Switzerland, upon completing the training course on State Trading Notifications arranged by the Secretariat for representatives of non-WTO member-states that are signatories to the Energy Charter Treaty (February 2003)



Secretary General Ria Kemper signs a Memorandum of Understanding on Cooperation between the Energy Charter Secretariat and the Ministry of Infrastructure of Mongolia, Ulaanbaatar, June 2003. Mongolia is the “youngest” member-state of the Energy Charter process, having completed its accession to the Energy Charter Treaty in 1999.



Meeting between Secretary General Ria Kemper and Mr N. Enkhbayar, Prime Minister of Mongolia, Ulaanbaatar, June 2003. Dr Kemper's first visit to Mongolia, at the invitation of the Mongolian government, took place in the context of the Secretariat's ongoing efforts to build up the "Asian dimension" of the Energy Charter process.

Mr Vladimir Djangirov, Executive Secretary of the CIS Electric Power Council, addressing the Seminar on "Regional Energy Cooperation and the Role of the Energy Charter Process", organized jointly by the Secretariat and the Government of Uzbekistan in Tashkent, September 2003



Secretary General Ria Kemper meets with Mr Nikolai Tanaev, Prime Minister of Kyrgyzstan, during her official visit to Bishkek at the invitation of the Kyrgyz government, September 2003

Deputy Secretary General Andrei Konoplyanik together with Serhiy Yermilov, Minister of Fuel and Energy of Ukraine, at the 2nd Polish International Oil and Gas Summit, Krynica (Poland), September 2003





During a dinner-debate on “Recent Developments in the Energy Charter process” organized by the European Energy Foundation at the European Parliament, Brussels, in November 2003 (left to right: Patrick Lambert (European Commission), Rolf Linkohr MEP (President of the European Energy Foundation), Ria Kemper)

Meeting between Dr Andrei Konoplyanik, Deputy Secretary General, and Mr Bijan Zanganeh, Minister of Petroleum of the Islamic Republic of Iran, Tehran, November 2003. Iran became an observer-state to the Energy Charter process at the end of 2002.



During the Conference on “Eurasian Natural Gas: Opportunities and Risks” organized jointly by the Secretariat, the International Association of Oil & Gas Producers (OGP) and the European Union of the Natural Gas Industry (Eurogas), Brussels, November 2003

Mr Uwe Fip (Vice-President, Ruhrgas AG) and Mr Jean-Marie Dauger (Vice-President, Gaz de France) share a platform at the Conference on “Eurasian Natural Gas: Opportunities and Risks”, Brussels, November 2003





## IMPLEMENTATION OF THE ENERGY CHARTER'S LEGAL INSTRUMENTS IN 2003

*The following sections of the Annual Report describe the activities and work that the Secretariat has undertaken in 2003 in relation to the four main areas of cooperation covered by the Energy Charter Treaty and the Energy Charter Protocol on Energy Efficiency and Related Environmental Aspects (energy efficiency, investment issues, trade, transit).*

**“This Treaty establishes a legal framework in order to promote long-term cooperation in the energy field, based on complementarities and mutual benefits... The Contracting Parties shall work to promote access to international markets on commercial terms, and generally to develop an open and competitive market, for Energy Materials and Products.”**

*From Articles 2 and 3 of the Energy Charter Treaty*

**“The (Energy Charter) Secretariat shall provide the Charter Conference with all necessary assistance for the performance of its duties and shall carry out the functions assigned to it in this Treaty or in any Protocol and any other functions assigned to it by the Charter Conference”**

*Article 35(4) of the Energy Charter Treaty*



## ENERGY EFFICIENCY

*Energy Charter's contribution in this area is recognised at Ministerial level in 2003. Review process continues to be the core of the Secretariat's activities, whilst support is also provided for policy discussions on energy efficiency issues within the Energy Charter's Energy Efficiency Working Group.*

**"We support further efforts to improve energy efficiency and promote renewable energy sources as a means of meeting environmental objectives. Our Statement on Energy Efficiency reaffirms these goals. We also note the progress report by the Energy Charter Secretariat on implementing the provisions in the area of energy efficiency, and invite it, in cooperation with other relevant international organisations, to report on further progress on energy efficiency efforts at our next conference."**

***Extract from Ministerial Declaration adopted at the United Nations Economic Commission for Europe's Fifth Ministerial Conference on "Environment for Europe", Kiev, 21-23 May 2003***

In May 2003, the "Environment for Europe" Ministerial Conference organized in Kiev, Ukraine, by the United Nations Economic Commission for Europe (UN-ECE) reviewed and welcomed a report submitted by the Energy Charter Secretariat entitled "The Road Towards an Energy-Efficient Future". This report assesses the progress made in implementing the commitments taken on by countries under the Energy Charter Protocol on Energy Efficiency and Related Environmental Aspects (PEEREA), and under the 1998 Aarhus Ministerial Declaration, to develop national policies and programmes to promote energy efficiency. At the Conference Ministers adopted a Statement on Energy Efficiency, which recognized the value of the framework offered by PEEREA for cooperation in developing energy efficiency policies, and invited the Energy Charter Secretariat to submit a further report on this subject to the next UN-ECE "Environment for Europe" Ministerial. In the margins of the Kiev Conference, the Secretariat co-organised a well-attended Seminar on Energy Efficiency issues together with the Ukrainian State Committee on Energy Conservation.

The report is based on the findings obtained through the Secretariat's ongoing cycle of individual country reviews of energy efficiency policies and programmes, designed to assess on an individual country basis how successful governments have been in implementing their energy efficiency commitments under PEEREA, and where possible improvements could be made. In addition to collating and presenting "regular" reviews (of which there were nine in 2003) to the Charter's Energy Efficiency Working Group, the Secretariat also organized two in-depth energy efficiency reviews in 2003, of Denmark (the first time that an EU member-state has undergone one of these reviews) and the Czech Republic. These reviews, undertaken by a multi-national team of experts supported by the Secretariat, are presented, together with a set of associated recommendations, to the Energy Charter Conference for endorsement, and are subsequently published under the authority of the Secretary General.



Developing the role of the Energy Efficiency Working Group as a forum for energy efficiency policy discussions has also provided a major element of the Secretariat's work in 2003. To increase the group's inter-action with other relevant actors, the Secretariat arranged for presentations to be made at its meetings by representatives of the European Parliament and the European Commission (on the present status of development and adoption of various EU Directives designed to promote energy efficiency), the International Energy Agency (on how best to promote energy efficient homes), the EBRD, FEDARENE (the European Federation of Regional Energy and Environment Agencies), and by government representatives of several countries, on specific developments concerning energy efficiency policies.

2003 also saw an increase in the focus of the Energy Charter process on the financial aspects of energy efficiency promotion. A panel discussion on addressing barriers to investments in energy efficiency was organized for the June 2003 meeting of the group, involving, in addition to regular delegations to the group, state energy agencies, commercial banks and private companies. This discussion, supported by analytical papers provided by the Secretariat, was designed to help identify the regulatory and administrative barriers to energy efficiency investments in various countries, and to consider different approaches to overcoming them. Additionally, the Secretariat issued a report on "Third Party Financing – Achieving its Potential", funded by the government of Sweden, which analyses the experience gained to date by a number of EU and central European countries in applying performance contracting for energy efficiency projects in both the public and private sectors.

A further, related panel discussion was organized in the group in November 2003 on the opportunities presented by the United Nations Kyoto Protocol for financing energy efficiency projects through the use of flexible mechanisms such as Joint Implementation. The Secretariat provided analytical support for this discussion, which will form the basis for a more comprehensive report on energy efficiency financing in the context of climate change mitigation policies during 2004.



During the Seminar on Energy Efficiency Policies organized by the Secretariat and the Ukrainian authorities and the National Technology University in Kiev, May 2003, in the margins of the UN-ECE "Environment for Europe" Ministerial. Left to right: Sabine Froning (Euroheat & Power), Tudor Constantinescu and Erik Sørensen (Secretariat)



## INVESTMENT ISSUES

*Four reviews conducted of individual countries' energy-sector investment climate and market structure. Best-Practice Guidelines on Energy Market Restructuring welcomed by the Energy Charter Conference. Policy discussions increasingly central to the work of the Charter's Investment Group.*

**“When countries elect to undertake energy market restructuring, including privatization, it is important that they do so in as efficient, cost-effective and socially responsible manner as possible. In this situation, there is clearly much to be gained by studying and drawing conclusions from the experience of countries that have already gone through the same process. The Energy Charter, bringing together as it does the transition economies of Eastern Europe and the CIS with leading OECD member-states, provides an excellent forum within which to do this”.**

***Professor Argyrios Fatouros  
(Emeritus Professor of International Economic Law  
at the National University of Athens),  
Chairman, Energy Charter Investment Group***

The Secretariat supports implementation of the Energy Charter Treaty's investment-related provisions by conducting a series of country reviews on investment climate and market structure issues. These reviews are then discussed in the Charter's Investment Group, and the associated recommendations to the governments concerned are subsequently forwarded to the Energy Charter Conference for endorsement.

Each review assesses both the given country's compliance with the requirements of the Treaty to ensure non-discriminatory treatment for foreign investors in the energy sector, and also the extent to which it has succeeded in creating domestic energy market structures that are in line with the Treaty's goal of promoting open, competitive markets. During 2003 such country reviews were completed on Georgia, Mongolia, the Russian Federation and the Slovak Republic.

These country reviews, along with notifications received from governments, provide input for the continuing update of the so-called “*Blue Book*” - the document which registers, by category and by country, all remaining measures maintained by the Energy Charter's member-states that are not in conformity with the Energy Charter Treaty's “best-endeavours” commitment to ensure non-discriminatory treatment of foreign investors when making an investment (i.e. in the “pre-establishment” phase). Regular revisions of the “*Blue Book*” have been issued throughout the year and made available publicly, for transparency purposes, via the Energy Charter web-site.

Sharing policy advice among member-states on how to restructure national energy markets in an efficient manner is an important part of the policy dimension of the Energy Charter process regarding investment issues. In this context, the Secretariat published during 2003 a set of “*Best-Practice Guidelines on Restructuring (including Privatisation) in the Energy Sector*”, with the aim of assisting those countries in the Charter's constituency that are in the process of transition to competitive domestic energy markets. The Guidelines provide advice for the governments of such countries, based on analysis of the experience gained and lessons learned by countries that have already introduced competition and privatization in their energy sectors.



The Secretariat prepared a comparative study on the legislative regimes of five former Soviet states with regard to terms of access to upstream oil and gas investment for discussion within the Charter's Investment Group, and intends to publish a revised version of this study early in 2004. A separate paper focused on emerging trans-continental energy routes in Asia. In line with the Charter Conference's agreed strategy of increasing the Energy Charter process's dialogue with the business community, the Secretariat also arranged for presentations to be made to the Investment Group during 2003 by Mr Menno Grouvel, Vice-President of the TOTAL Group, on TOTAL's upstream investment activities in Azerbaijan, Kazakhstan and Russia, and by Mr Doru Morariu, General Manager of Sakhalin LNG (Shell International Gas), on the Sakhalin-II PSA project in the Russian Federation (operated as a joint venture by Shell, Mitsui and Mitsubishi).

**“As economies in transition, Russia and transit countries are considered by investors to be subject to significantly higher economic, political and institutional risks than those in OECD countries... Russia has signed the Energy Charter Treaty, which sets out common rules on energy trade, investment protection, transit and dispute resolution, but has yet to ratify it. Ratification of the Treaty, as well as agreement on the Transit Protocol currently being negotiated between member-countries of the Treaty, could play an important role in encouraging investment in long-distance gas-export pipelines to Europe and Asia”.**

*From the International Energy Agency's  
“World Energy Investment Outlook 2003”*



Dr Doru Morariu (General Manager, Asia-Pacific Governance, Shell International Gas Ltd.) delivering a presentation on the Sakhalin-II PSA project, Russian Federation (operated as a joint venture by Shell, Mitsui and Mitsubishi), to the November 2003 meeting of the Energy Charter's Investment Group



## TRADE

*Issues relating to trade in electricity provide the main focus. Supporting policy discussions between the Charter's member-states on various aspects of the development of electricity markets in the Eurasian area has commanded most of the Secretariat's attention in this area.*

*“On trade-related issues, two studies were prepared on OPEC and the WTO, and OPEC's involvement in the Energy Charter Treaty (ECT). A joint OPEC-UNCTAD workshop was held in November, and further workshops were planned for next year on both WTO-related issues and on OPEC's involvement in the ECT process “.*

*from OPEC's Annual Report 2002*

During 2003 the major focus of the Energy Charter process in the area of trade has been on electricity issues. In support of policy discussions among the Charter's member-states on the existing barriers to developing cross-border electricity trade and how to remove them, the Secretariat prepared a number of studies on specific electricity-related issues for discussion within the Energy Charter's Trade Group.

Among these studies were an analytical paper on how to promote renewable energy sources in a manner not detrimental to trade, an assessment of the linkages between trade and environmental issues in the electricity sector, a report on inefficiencies in electricity pricing within the Energy Charter's constituency, and an examination of the present extent of market concentration in the electricity sector in the Eurasian area. The results of the discussions of these studies in the Trade Group were presented to the Energy Charter Conference for consideration.

These policy studies were undertaken as a follow-up step in developing a more comprehensive study on “Regional Electricity Markets in the ECT Area”, which was finalized during 2003, based on an updated version of an original draft prepared the previous year, and was published by the Secretariat under the Secretary General's authority. This study, which incorporates substantial input provided by member-states via the Trade Group, provides a detailed overview of the present status of development of electricity markets in the Energy Charter's constituency and points to trade-related measures that might be adopted at national and multilateral levels in order to facilitate inter-regional electricity trade.

Substantial debate was generated at the Energy Charter Conference in 2003 by the related proposal put forward by the Electric Power Council of the Commonwealth of Independent States (CIS) to commence negotiations on a legally-binding Protocol on Electricity among the Energy Charter's member-states. The aim of such a Protocol would be to create an enhanced framework of rules under international law for the promotion of inter-regional cooperation on electricity issues. Whilst this proposal enjoys strong support from the member-states of the CIS Electric Power Council, a consensus in favour of elaborating such a Protocol has yet to be reached within the Charter Conference.



The Secretariat has aimed in 2003 to inform the debate over this issue by providing analyses, based on the initial proposal of the CIS Electric Power Council, on how such a legal instrument on electricity might be used to address existing barriers to trade and to create a minimum legal standard for electricity market liberalization among the Charter's member-states.

In addition to the above policy-oriented activities on electricity, the Secretariat continued in 2003 its multi-annual programme of activities in support of implementation of the trade-related provisions of the Energy Charter Treaty (which replicate the trade regime of the World Trade Organisation (WTO) with regard to energy-related trade with and among the Treaty's Signatories). In this context, the Secretariat focused on providing technical assistance to the national administrations of those Energy Charter member-states that are not yet members of the WTO (of whom there were nine during 2003) regarding compliance with their trade-related obligations under the Treaty. Among other things, this assistance took the form of a training course for representatives of these countries on notification of State Trading Enterprises, organized at the World Trade Institute in Bern in February 2003 with the financial support of the government of Switzerland.

**“The shift in activities of the Energy Charter's Trade Group towards analytical work reflects an increasing need in our constituency to provide answers to a wide spectrum of trade policy issues that the energy sector is currently facing”.**

***Steivan Defilla, Senior Scientific Adviser  
in the Federal Ministry of Economics of Switzerland,  
Chairman of the Energy Charter's Trade Group***



During a meeting of the Energy Charter's Trade Group, October 2003. Left to right: Pascal Laffont (Secretariat), Simon Lacey (World Trade Institute), Andras Lakatos (Secretariat), Steivan Defilla (Chairman of the Trade Group)



## TRANSIT

*Despite consistent efforts throughout the year, adoption of the Energy Charter Protocol on Transit was not achieved. First set of Model Transit Agreements presented to the Energy Charter Conference in December. Secretariat commences preparations for a new phase of transit-related activities, beginning with a series of studies on policy issues arising from the negotiations on the Protocol's text.*

**“The issue of transiting Russia’s gas across the European Union should be dealt with in the framework of the Energy Charter, not the WTO. This opinion was voiced today by Russia’s Deputy Prime Minister Viktor Khristenko. “From our point of view, this is impossible as a matter of principle: to leave aside the Energy Charter which has been established especially to deal with such issues, and take the topic to negotiations on the WTO. Our position is simple – WTO in no way resolves transit problems” – Khristenko stated.”**

*From RIA-Novosti, Moscow, 1 December 2003*

Completion of an Energy Charter Protocol on Transit, negotiations on which commenced in early 2000, has constituted one of the key priorities of the Energy Charter process in recent years. The primary aim of the Protocol is to create an enhanced set of rules under international law covering cross-border flows of energy in the Eurasian area, building on the existing transit-related provisions of the Energy Charter Treaty. Aside from its legal significance, the Transit Protocol is also of political importance in the context of achieving ratification by Russia of the Energy Charter Treaty, given the stipulation made by the Third Composition of the Russian State Duma that the ratification process can only be completed once a satisfactory Transit Protocol is in place.

By the end of December 2002, only three open issues remained in the draft text of the Protocol (*the European Union’s proposal for a Regional Economic Integration clause, the Russian proposal for a so-called “Right of First Refusal” for existing transit shippers, and the precise formulation to be used in the draft Article dealing with transit tariffs*), all of which related almost exclusively to differences in position between the European Union and Russia. Accordingly, the Secretariat’s efforts during the first part of 2003 concentrated on organizing and supporting bilateral consultations between these two parties, held under the auspices of the Energy Charter Conference Chairman, aimed at finding solutions to the outstanding issues acceptable to all the Charter’s member-states. Following intensive negotiations, which lasted into the autumn, a final compromise “package agreement” was tabled for adoption at the Energy Charter Conference meeting in December 2003.

Regrettably, it became clear during the meeting that a unanimous decision to adopt the Protocol could not be achieved. In particular, this was due to the consequences of an ongoing debate between the EU and Russia over the inclusion of demands relating to energy transit in their bilateral talks over Russian accession to the WTO (*see inset quote from Russian Deputy Prime Minister on this topic*). As a result, it was decided to suspend further work on the draft Transit Protocol, with the Conference Chairman issuing a statement urging all member-states to be guided by the principles incorporated in the draft Transit Protocol when regulating energy transit flows through their territories. The Secretariat will keep this matter under review during 2004, with the aim of establishing the prospects for the Conference to revert to finalization of the Transit Protocol at the earliest possible stage. In the meantime, the proposed final draft text of the Transit Protocol has, under the authority of the Conference Chairman, been made publicly available on the Energy Charter web-site.



This disappointing outcome brings to a temporary halt the process of legal negotiations that has commanded the major part of the Secretariat's resources in the area of transit over the last four years. However, the door has not been closed on the Transit Protocol, and efforts will continue to revive the process of securing its adoption during the coming year. At the same time, there will be a parallel shift in emphasis in the Energy Charter's work to focusing on how member-states implement their obligations under the Energy Charter Treaty, and to developing further dialogue between member-states over the major issues of contention that arose during negotiations on the draft Transit Protocol. For this purpose, the Charter Conference agreed in 2003 to establish a new Group on Transit issues, replacing the previous Transit Working Group that had functioned as a negotiating forum for the development of the Protocol's text. This new Transit Group, which held its first meeting in the autumn of 2003, has a wide remit to monitor implementation of the Protocol and the transit-related provisions of the Treaty, but also to act as a policy forum for the discussion of all aspects of energy transit within the Eurasian area.

In support of the work of this Group, the Secretariat prepared an overall analytical study during 2003 on policy issues affecting the development of natural gas markets in the Eurasian area, including a study of the global liquefied natural gas (LNG) market. The Secretariat also compiled (in cooperation with the respective national authorities) country reports on the domestic legislative frameworks for natural gas transportation and transit that exist in Ukraine, Slovakia, the Czech Republic, Belarus and Poland. A detailed study on the consequences of introducing cost-based gas prices in the Slovak Republic was also prepared by the Secretariat for discussion within the group, whose members welcomed these reports and agreed that such analytical studies should be continued.

The other main transit-related activity conducted by the Secretariat in 2003 concerned the development of Model Transit Agreements. These Model Agreements have been under development in parallel with the Transit Protocol, and are designed to serve as a compendium of best practices on which government and companies can draw in relation to specific projects that involve energy transit. Several meetings of a Legal Advisory Task Force, comprised of expert senior lawyers, were convened by the Secretariat during 2003 in order to develop the draft texts of two Model Agreements (the Inter-Governmental Model (IGA) and the Host-Government Model (HGA)). Two meetings of an Expert Group on Model Transit Agreements, open for participation by all Energy Charter member-states and by energy industries, were also held. As a result, first editions of the IGA and HGA were presented to the Energy Charter Conference on 10 December 2003, and have been made available on the Energy Charter web-site. It should be noted that although the Charter Conference took positive note of these first editions of the Model Agreements, this does not imply any legal obligation on governments or companies to use them in relation to any specific project, since they are "non-binding" in nature.

**“The Council reiterates that the EU-Russia energy dialogue and the Energy Charter process are mutually supportive and complement each other, the most important issues under this process being the ratification by Russia of the Energy Charter Treaty and the finalisation of negotiations on the Transit Protocol”**

***From Conclusions adopted by the meeting of  
the European Union's Council of Ministers on Transport,  
Telecommunications and Energy, 14 May 2003***



## SPOTLIGHT ON THE ENERGY CHARTER'S WORKING GROUPS

### Working Group on Energy Efficiency

The Energy Charter Conference's Working Group on Energy Efficiency and Related Environmental Aspects is the main body responsible for monitoring implementation of the energy-efficiency related provisions of the Energy Charter Treaty and the Energy Charter Protocol Group on Energy Efficiency and Related Environmental Aspects (PEEREA). It meets twice a year to consider in-depth and regular reviews on the national energy efficiency policies and programmes of selected member-countries, and to conduct policy discussions on other issues relating to implementation. It has also provided the main channel for input from member-states into the preparation of the Energy Charter Secretariat's contribution on energy efficiency issues to the United Nations Economic Commission for Europe's "Environment for Europe" process.

Increasingly the focus of the Group's policy discussions has been on issues relating to financing energy efficiency projects, with a view to transferring know-how and best-practice advice from those member-countries that have already achieved major energy efficiency gains to those with economies in transition that still have much to

do in this regard. Participation in the work of the Group is open to the national administrations of all Energy Charter member-countries and observers.



The Chairman of the Energy Efficiency Working Group since 1998 is **Mr Peter Helmer Steen**, Deputy Director General of the Danish Energy Agency. An engineer by training, Mr Steen has spent the major part of his career in senior positions within the Danish Energy Agency and DONG, the National Oil and Gas Company of Denmark.

### Investment Group

The Energy Charter's Investment Group provides a forum for expert-level discussions among representatives of member governments on all aspects on implementation of the Energy Charter Treaty's investment provisions, and more generally on issues relating to the climate for energy investments in the Charter's member-countries. The Group receives and reviews on a regular basis country reports on the investment climate and market structure in the energy sectors in individual states; reviews the overall progress made by the Charter's membership in removing from national legislation measures not in conformity with the Treaty's provisions concerning non-discrimination of foreign investors; and considers and discusses ongoing legislative developments within the wider Eurasian area that affect the conditions enjoyed by investors in energy-sector projects. In recent years, the Group has also taken on a growing role as an interface for dialogue on investment climate issues between the Energy Charter's member-governments and the business community, with regular presentations to the Group by representatives of major energy-sector investors now being included on the agenda of its twice-yearly meetings.



Since May 2001 the Investment Group has been chaired by **Professor Argyrios Fatouros**, Emeritus Professor of International Economic Law at the National University of Athens. He brings to this position a wealth of experience in senior positions, including at Ministerial level, within the Greek administration. He was actively involved in negotiations on the Energy Charter Treaty in the early 1990s, and also served as Greece's Permanent Representative to the OECD from 1982-85.



## Trade Group

The work of the Energy Charter's Trade Group is directed at monitoring member states' compliance with the trade provisions of the Energy Charter Treaty and also at capacity-building among those of them that are not yet members of the World Trade Organization, providing advice and guidance as required in this context. Through this work, the Trade Group aims to promote the integration of the latter group of countries into the international trading system, by familiarizing them with the disciplines and requirements of WTO membership, and helping them to apply WTO rules with specific regard to energy trade, in line with their obligations under the Treaty. The Group also serves as the main forum for discussions among the Energy Charter's member states on policy issues affecting trade in energy in the Eurasian area, and on how barriers to such trade might be removed.



Since May 2001 the Trade Group has been chaired by **Mr Steivan Defilla**, Senior Scientific Adviser on Technology, Environment and Energy policy in the Federal Economics Ministry of Switzerland. An energy specialist by background, with particular expertise on electricity issues, Mr Defilla has also worked in the past as a business accountant and an economic sanctions investigation officer, and spent a period of service in the early 1990s with the Embassy of Switzerland in Moscow.

## Transit Group

The Energy Charter's Transit Group was established in June 2003 by decision of the Energy Charter Conference. It represents a successor body to the previous Transit Working Group (chaired by former IEA Executive Director Dr Helga Steeg), which from 1999 to the end of 2002 was responsible for the preparatory work and negotiations on an Energy Charter Protocol on Transit. The task of the new Transit Group is to monitor compliance by the Energy Charter's member-states with their transit-related obligations under the Energy Charter Treaty and to promote dialogue in general between governments on transit-related issues. In this context, the Group receives and reviews country reports on domestic legislative frameworks concerning the transportation and transit of energy resources, in particular natural gas. It also holds discussions on policy matters relating to energy transit, such as the development of competition in the natural gas supply sector and the methodologies currently in use in the Eurasian area to determine transit tariffs. Pending the appointment of an external Chairman, the Transit Group is chaired *pro tem* by the Energy Charter Secretariat.



## Budget Committee

The Energy Charter's Budget Committee, comprised of representatives of all member-states of the Energy Charter process, is responsible for reviewing the Secretariat's annual budget proposal, which is then submitted with the Committee's recommendation to the Energy Charter Conference for approval. It is also responsible for monitoring member-states' compliance with their obligations to make national budgetary contributions to the Secretariat, reviewing the annual external audit of the Secretariat's accounts, and approving voluntary contributions from member-states and other external sources to the Secretariat's budget.

Since January 2002 the Committee has been chaired by **Mr Hakki Akil**, Deputy Director General in the Ministry of Foreign Affairs of Turkey. Mr Akil's career within the Turkish Foreign Service has included postings in Damascus, Paris and Geneva, where he was Deputy Head of Turkey's Permanent Mission to the World Trade Organization. He has also served as Chairman of the WTO's Budget Administration and Finance Committee and as a member of the Board of Directors of the WTO Pension Management Fund.





## EXTERNAL ACTIVITIES

*2003 witnessed a shift in emphasis in the Energy Charter's activities towards the organization of external events, designed to promote a wider awareness of the Energy Charter process and the work it undertakes.*

**“In our view, only cooperation and fair competition will lead to stability, growth and security and thereby benefiting all players, people and states. Any attempt to exaggerate the differences and difficulties in resource holder regions simply leads to further complication of challenges that are decades long. Our hope is that the Energy Charter Treaty will play an important and beneficial role in promoting multilateralism and cooperation, thereby increasing the security of energy over the next decades.”**

*Extract from speech by Mr M.H. Nejad Hosseinian, Deputy Minister of Petroleum of the Islamic Republic of Iran, to the Conference on “Regional Energy Cooperation in Central Asia and the Role of the Energy Charter process”, Tashkent, Uzbekistan, September 2003*

During 2003 the Secretariat organized three major external events, i.e. events also open for participation by a wider circle of business, academic and non-governmental representatives, in addition to the regular cycle of formal meetings of the Energy Charter Conference and its working groups.

In May 2003, in the margins of the United Nations Economic Commission for Europe's Ministerial Conference on “Environment for Europe”, a *Seminar on energy efficiency issues* was held in Kiev by the Secretariat in cooperation with the Ukrainian State Committee on Energy Conservation. This well-attended event, which was made possible thanks to voluntary financial contributions from the governments of Denmark and Finland, provided a platform for a high-quality debate between government representatives and other experts on the optimal means of promoting energy efficiency in transition economies, and also in the context of energy market liberalization within the EU. In addition to presentations from the Ukrainian hosts and the Secretariat, expert speakers from Poland, Switzerland, Finland, Denmark, the European Commission, Euroheat & Power, the IEA and the EBRD also participated.

In September 2003, the Secretariat organized jointly with the government of Uzbekistan a Seminar on “*Regional Energy Cooperation in Central Asia and the Role of the Energy Charter process*” in Tashkent. This event, for which additional financial support was provided by the UK Foreign and Commonwealth Office, brought together government representatives of the Central Asian states and other countries from the wider region, including Russia, China, Mongolia, Japan, Turkey and Iran, for discussions on the many challenges facing the Central Asian region in the energy sector, and how the governments of the region can cooperate in order to tackle them. Representatives of international organizations and the business community also participated. This was the first Seminar of its kind to be held focusing specifically on the contribution of the Energy Charter process to regional cooperation in Central Asia, with the aim of raising awareness in that region of how the Treaty’s rules can help in this respect as a legal foundation for building open, competitive energy markets.

“*Eurasian Natural Gas – Risks and Opportunities*” was the topic of a major two-day Conference organised by the Energy Charter Secretariat in Brussels in November 2003 jointly with the European Union of the Natural Gas Industry (Eurogas) and the International Association of Oil and Gas Producers (OGP). This Conference brought together over 200 decision-makers from gas producing states, European governments, energy companies, regulators, financial institutions and parliamentarians for a focused debate, held under “Chatham House rules”, on the key issues affecting the development of the Eurasian natural gas market over the coming twenty years. Key participants included Stig Bergseth (Chairman of OGP and Senior Vice-President of Statoil), Stanislav Tsygankov (Head of Foreign Relations Department of Gazprom), Peter Hughes (Vice President, BP Gas, Power and Renewables) and Energy Charter Conference Chairman Henning Christophersen. Among the main issues discussed were the inter-dependence of individual gas markets in the Eurasian area, the security of natural gas supply for future decades, the obstacles to creating a competitive natural gas market in Eurasia, the role of LNG in the Eurasian continent’s supply mix, and the legal and regulatory conditions needed to establish competitive natural gas markets.

The above events were supplemented by regular contacts at political level by the Secretary General with governments of the Charter’s member-states and with leading energy companies active in the Charter’s constituency. In this context, the Secretary General visited in 2003, inter alia, Japan, Mongolia, Uzbekistan, Kyrgyzstan, Norway, Germany, France, the Netherlands and Russia, holding bilateral meetings in each case with senior officials from the respective national administrations concerning the activities of the Energy Charter process. In addition, the Secretary General and other members of the Secretariat’s senior staff undertook an extensive programme of external speaking engagements during the course of the year (*see Annex III*).



Plenary session of the Seminar on “Regional Energy Cooperation and the Role of the Energy Charter Process”, organized jointly by the Secretariat and the Government of Uzbekistan in Tashkent, September 2003



## RELATIONS WITH NON-SIGNATORIES AND OTHER INTERNATIONAL ORGANISATIONS

*Further steps taken during 2003 to strengthen the Energy Charter's relations with non-member countries and promote a targeted expansion of the Energy Charter process. Continuation of cooperation and dialogue with other international organizations dealing with energy cooperation in the Eurasian space.*

*“The Ministers appreciated the briefing of the Secretary-General of the Brussels-based Energy Charter Secretariat to the ASEAN Senior Energy Officials meeting on the experience gained by the Energy Charter process and on the useful lessons to promote such important cooperation projects as the Trans-ASEAN Gas Pipeline and the ASEAN Power Grid Projects. To foster more active dialogue and regular exchange of information between the Energy Charter Secretariat, ASEAN will seek for observer status at the Energy Charter Conference with the ASEAN Centre for Energy as the coordinating entity.”*

*From Joint Press Statement  
adopted by the 21<sup>st</sup> ASEAN Energy Ministerial,  
Malaysia, 3 July 2003*

A promising channel for developing the Energy Charter's place in the global dialogue between energy consumers and producers emerged during 2003 in the form of an enhanced institutional dialogue with the **Organization of Petroleum Exporting Countries (OPEC)**. Following up on meetings in 2002 between the Secretary Generals of the two bodies, the Energy Charter Secretariat was invited to participate in a Workshop on the Energy Charter Treaty for OPEC member states hosted in Vienna in January 2003 by the OPEC Secretariat. In addition to OPEC's own members, Russia, the EU, Norway and the EBRD also sent high-ranking participants to contribute to the discussion. The Workshop underlined a growing interest on the part of OPEC and its member-states in studying the potential benefits of the Treaty as a vehicle for cooperation with consumer countries.



Primarily as a result of the above Workshop, an application was received during the first half of 2003 from the **Federal Republic of Nigeria** to be granted observer status at the Energy Charter Conference and its subsidiary bodies. This application was unanimously approved by the Charter Conference in June 2003, with the result that the Nigerian government is now entitled to receive all official Energy Charter documents and to attend all meetings of the Energy Charter process in an observer capacity. Nigeria thus became the eighth member-country of OPEC to be granted observer status within the Energy Charter process.

In March 2003, the Secretariat hosted a meeting for representatives of states that currently enjoy observer status at the Charter Conference, designed to increase their understanding of the aims and obligations of the Energy Charter Treaty, and to encourage them to give serious thought to their intentions regarding the possibility of accession to the Treaty. This general event was supplemented by consultations with individual observer-states. In January the Secretariat received a high-level delegation from the government and energy industries of **Algeria**, which has for a number of years enjoyed observer status at the Charter Conference. This provided an opportunity to discuss the possibility of Algeria moving towards accession to the Treaty, and to increase the Algerian government's understanding of the implications of such a step.

At the invitation of the Presidency of the European Union, the Secretary General participated in high-level Euro-Mediterranean Energy Forum meetings held in Athens in May 2003 and in Rome in December 2003, where she presented the benefits of closer participation in the Charter's work for the countries of North Africa. The EU's Energy Ministers have underlined the importance they attach to the closer involvement of **southern Mediterranean countries** in the Charter process (*see box below*).

Efforts continued in 2003 to strengthen the Asian dimension of the Energy Charter process. In June 2003 the Secretary General was invited to make a presentation to the 21<sup>st</sup> Meeting of Senior Energy Officials of the **Association of South-East Asian Nations (ASEAN)** in Langkawi, Malaysia, on the subject of the Energy Charter Treaty's role on transit issues and its potential relevance for natural gas transportation projects in South-East Asia. It was agreed at this meeting that the development of closer relations and information exchanges between ASEAN and the Energy Charter would be in the interests of both organizations. As a result, an application was received for the ASEAN Centre for Energy to be granted observer status within the Energy Charter process, and was unanimously approved by the Energy Charter Conference in December 2003.

The Secretariat also maintained and developed its dialogue with the **People's Republic of China**, which became an observer to the Energy Charter in 2001, and with the Energy Charter's most recently admitted observer state in the Asian region, the **Republic of Korea**. In July 2003 the Secretary General visited Seoul for talks with the Korean government, and invited the Korean authorities to consider the possibility of accession to the Energy Charter Treaty.

The Secretariat has also sought to build on the positive momentum of its dialogue in the previous year with the **Islamic Republic of Iran**, which became an observer to the Energy Charter in December 2002. Iran's cooperation with the Charter process was discussed by the Secretary General at her meeting with Iran's Deputy Petroleum Minister Mr Nejad Hosseinian in September 2003 (in the margins of the Secretariat's joint Seminar with the Uzbek government in Tashkent), and high-level discussions were continued by the Deputy Secretary General during his visit to Tehran in November 2003. As a result, plans are now established to organize a Workshop on the Energy Charter Treaty and the potential implications of Iranian accession to it in Tehran in February 2004. The Secretariat has continued regular contacts with the Tehran-based Secretariat of the **Economic Cooperation Organisation (ECO)**, a regional inter-governmental body whose membership includes seven existing member-states of the Energy Charter process plus Afghanistan, Iran and Pakistan. A meeting between the Secretary Generals of the two organizations took place in Brussels in March 2003, and between their respective Deputy Secretary Generals in December 2003 in Tehran.



Cooperation between the Secretariat and other relevant **international organisations** continued in 2003. In particular, the Secretariat maintained its traditionally close working relations with the International Energy Agency and the Baltic Sea Regional Energy Cooperation organization (BASREC), and also developed contacts and exchanges of information as required with such bodies as the Black Sea Economic Cooperation (BSEC), EBRD, OSCE, UN-ECE and WTO.

**“The Council welcomes the intention of those Mediterranean Partners who have not yet acceded to the Energy Charter Treaty and encourages them to make progress in fulfilling the conditions of access to the Treaty”.**

***From Conclusions adopted by the meeting of  
the European Union’s Council of Ministers on Transport,  
Telecommunications and Energy, 14 May 2003***



## RATIFICATION OF AND ACCESSION TO THE ENERGY CHARTER TREATY

*No further ratifications of the Treaty took place in 2003. Process of accession by Serbia and Montenegro delayed, but under way.*

“Ratification of the Energy Charter means only one thing for Russia as of today - namely, completion of negotiations and reaching final formulations on the one single protocol that the Energy Charter Treaty did not include. That is the Protocol on Transit.... Once we achieve satisfactory results on this Protocol, we will be ready to sign it. So far, there is no result. Therefore, we are proposing to continue the work and seek a mutually acceptable outcome - and then, correspondingly, options will open up with regard to the Energy Charter Treaty in general.”

*Extract from press conference given in Brussels on 23 June 2003 by Viktor Khristenko, Deputy Prime Minister of the Russian Federation*

The Secretariat's Work Programme attaches priority to the promotion of ratification of the Energy Charter Treaty by all of its signatory states. Accordingly, the Secretariat continued in 2003 to monitor relevant developments in the five countries that have signed but not yet ratified the Treaty (*Australia, Belarus, Iceland, Norway and the Russian Federation*), and to provide any assistance and information that may be requested in this regard.

Unfortunately, no substantial progress was made by these five states towards ratification during 2003. In the case of Russia, whose ratification of the Treaty is one of the Charter process's top priorities, the Secretary General visited Moscow in April 2003 at the invitation of the Chairman of Gazprom for discussions on this subject and the related issue of the Transit Protocol, during which visit she also held meetings with the Deputy Minister for Economic Development and Trade responsible for gas industry reforms, and with the Chairman of the Energy, Transport and Communications Committee of the Russian State Duma. A further visit to Moscow for high-level consultations with the Russian government at the level of Deputy Prime Minister Viktor Khristenko was undertaken by the Conference Chairman and the Secretary General in November 2003. Throughout the year, the Secretariat has also maintained dialogue at working levels with interested parties in the Russian government, parliament and energy industries over issues relating to the Treaty's eventual ratification.



One country – Serbia and Montenegro - is currently in the process of accession to the Energy Charter Treaty (this process was formally initiated by the Federal Republic of Yugoslavia, but has been continued by Serbia and Montenegro). Initially it had been anticipated that Serbia and Montenegro would be in a position to complete its accession to the Treaty by the end of 2003. However, for internal reasons relating to changes in the constitutional structures of the country, this timetable has had to be extended, with the objective that Serbia and Montenegro's accession will make substantial progress in the course of 2004.



## PUBLIC RELATIONS

*Series of publications issued by the Secretariat in 2003, a range of articles published in energy periodicals and news outlets, and a wide number of speaking engagements undertaken.*

Under its Work Programme, the Secretariat is responsible for promoting and raising awareness of the Energy Charter Treaty, and the ongoing activities conducted in relation to its implementation, in relevant circles. Aside from the increased focus placed in 2003 on the organization of external events to raise the Energy Charter's profile (see *External Activities section on pages 21-22*), the Secretariat has issued a number of publications during the course of the year, which are available to the general public (see *Annex I*). In the area of energy efficiency, the following publications were issued: *In-Depth Energy Reviews of Estonia and Romania*, "The Road Towards an Energy-Efficient Future" (text of report submitted to the UN-ECE Ministerial Meeting in Kiev in May 2003), and "Third Party Financing – Achieving its Potential". Other Energy Charter publications in 2003 were: "Best-Practices on Market Restructuring, including Privatisation, in the Energy Sector", "Applicable Trade Provisions of the Energy Charter Treaty", and "Regional Electricity Markets in the ECT Area". All of these publications are available in downloadable form on the Energy Charter website and can be ordered in hard copy from the Secretariat.

The Secretariat has continued to issue press-releases on developments of interest in the Charter process, and to publish a newsletter, "Charter News", which appears every quarter and is distributed (in English and Russian) to a wide audience of government and business representatives, journalists, academics, researchers and others. Since the beginning of the year, in response to feed-back received from readers, the newsletter has been expanded from four to eight pages per edition.

The Secretariat issued a CD-ROM during 2003 containing the texts of the Energy Charter Treaty and related legal documents, plus a range of background information about the Charter process. The CD-ROM is designed to provide a general information tool for use by government officials, researchers, energy companies, journalists and others with an interest in the Energy Charter process.

In addition, the Secretary General and Deputy Secretary General have contributed a number of articles and interviews on the development of the Energy Charter Transit Protocol and other aspects of the Energy Charter process's activities for energy journals and publications in Europe and Russia. The Secretary General, Deputy Secretary General and other members of the Secretariat's senior staff have also carried out a substantial programme of speaking engagements at relevant Conferences with the aim of publicizing the Charter process and increasing public awareness of its work (see *Annex III for list of speeches made in 2003*).



## ORGANISATIONAL ISSUES

***The Secretariat is responsible for all aspects of the organization of meetings of the Energy Charter Conference, its subsidiary bodies and other events held under the umbrella of the Energy Charter process***

In addition to its role in providing analytical support for the core activities of the Energy Charter process (as described on pages 10-17 above), the Secretariat was also responsible for the planning and organization of the fourteen meetings of the Energy Charter Conference and its subsidiary bodies held in 2003 (see full list in Annex II), and for the joint organization of three external events held in Kiev, Tashkent and Brussels. In addition, the Secretariat provided organizational support for two meetings of the “Friends of the Energy Charter Conference Chairman” (an informal body of selected representatives that meets on the eve of each session of the Charter Conference), two meetings of the Legal Advisory Task Force on Model Transit Agreements, and one meeting of the Charter Conference’s Legal Advisory Committee (convened in this case in order to provide legal guidance on certain formulations employed in the draft text of the Energy Charter Protocol on Transit).

For all of these meetings, the Secretariat has aimed to ensure the timely preparation and dissemination of documents, the provision of interpretation from and into the two working languages of the Charter process (English and Russian), and the provision of necessary visa and other administrative support for delegates attending meetings of the Charter process.

Under the Secretariat’s secondment programme, which offers work-placement opportunities for young professionals from those of the Charter’s member-states with economies in transition (and in exceptional cases observers), representatives of Mongolia, the People’s Republic of China, Moldova and Azerbaijan were based with the Secretariat in Brussels during 2003.

The Secretariat’s permanent staff comprises 29 persons, the same level as in 2002. The Secretariat’s budget, which for 2003 was 4.7 million Euros, is funded through national contributions from the governments of the Energy Charter Treaty’s signatory states, calculated through an adjusted scale of contributions based on that used in the United Nations system.



## INTRODUCING THE ENERGY CHARTER SECRETARIAT'S SENIOR STAFF

### Ria Kemper, Secretary General



Dr Kemper was appointed to her present position in January 2000. She is German by nationality and a specialist in international law. Her early career was spent with the German Federal Ministry of Economics where she was Head of the Ministry's Electricity Division from 1987-1991. From 1991 to 1995, she served with the International Energy Agency (IEA) in Paris as Head of the Country Studies Division charged with reviewing the energy policies of IEA member countries. From 1995 to 1999, Dr Kemper held the post of President of the Federal Office of Economics, an agency under the German Federal Ministry of Economics and Technology dealing with implementation of federal economic policy and programmes over a wide range of issues.

### Andrei Konoplyanik, Deputy Secretary General



Dr Andrei Konoplyanik of Russia was appointed Deputy Secretary General in March 2002. He is an energy specialist and holder of a PhD and Doctorate of Science in international energy economics. Having begun his career with the Institute of World Economy & International Relations of the USSR Academy of Sciences (IMEMO) and the USSR State Planning Committee (Gosplan), he served as Deputy Minister of Fuel and Energy of the Russian Federation from 1991 to 1993, with particular responsibility for external economic relations and foreign investments. He subsequently worked as an Adviser to the Russian government and to the State Duma, where he headed the drafting group preparing legislation on Production Sharing Agreements. In the mid-90's he was an executive director of the Russian Bank for Reconstruction and Development. From 1999 to early 2002 he was President of the Moscow-based Energy and Investment Policy and Project Financing Development Foundation. From 1997 to 2002 he was Visiting Lecturing Professor on World Energy Markets at the State University of Management, Moscow.



### **Erik Sørensen**, Director for Energy Efficiency and Investment Issues



Erik Sørensen is Danish by nationality, and has served with the Secretariat since September 2002. Prior to joining the Secretariat, he worked in the area of energy research and consulting, firstly with DRI/McGraw-Hill and then as a Partner of the ECON consultancy group, where he headed the group's Paris office and managed several major studies on European gas and electricity issues, including a number of assignments dealing with energy sector restructuring in the transition economies of eastern Europe. Earlier in his career, he served as Head of Economic Analysis of the Danish state oil and gas company DONG, as Head of Division in the International Energy Agency, and as an adviser in the European Commission. An economist by background, he holds a Master's degree in macroeconomics from the University of Copenhagen.

### **Leif K. Ervik**, Director for Trade and Transit Issues (outgoing)



Leif Ervik of Norway left the Energy Charter Secretariat after eight years of service at the end of 2003. Having begun his career with the OECD, he held Professorships at the Norwegian School of Economics and Business Administration and Dartmouth College (USA), and undertook research at the Christian Michelsens Institute in Bergen, before serving as Deputy Director of the Norwegian Petroleum Directorate in the mid-1980s. He joined the Energy Charter Secretariat in 1995, having previously chaired the negotiations on a large number of articles in the Energy Charter Treaty in his former capacity as Special Energy Counsellor at the Norwegian Mission to the EU in Brussels.

### **Kalin A. Borissov**, Director for Trade and Transit Issues (incoming)



Kalin Borissov of Bulgaria takes up his appointment as the Secretariat's new Director for Trade and Transit issues, and for relations with non-member countries, in January 2004. Having begun his career with the United Nations (UNDP), he joined the Bulgarian Foreign Service in 1990 and served from 1991 to 1995 in the Bulgarian Mission to the United Nations in Geneva, where he also participated in Bulgaria's accession negotiations to GATT (WTO) and its negotiations on an association agreement with EFTA. From 1995 to 2000 he headed the European Union's Liaison Office for the Multi-Country Environmental Programme based in Budapest. Since 2001 he has worked with the Danube Commission's Danube Clearance Project, aimed at removing the debris of bridges in the Novi Sad area of Serbia & Montenegro destroyed during military operations in 1999, serving as Director of the Project from 2002 onwards, and leading it to its successful completion by the end of 2003.

### **Adnan Amkhan**, Head of Legal Affairs



Adnan Amkhan, a British national, has headed the Energy Charter Secretariat's legal affairs Unit since May 2000. Prior to joining the Energy Charter Secretariat, he was a lecturer in law at the University of Edinburgh where he taught and supervised postgraduate students in international law, international economic law and international commercial arbitration. He has advised governments, international organisations and multinational companies on matters relating to international law, WTO law, international investment law, energy law and international commercial arbitration. He has given expert legal opinions before domestic and international courts and tribunals, including the International Court of Justice and the International Chamber of Commerce.

### **Denis Westerhof**, Head of Administration and Finance



Denis Westerhof of the Netherlands has headed the Secretariat's Administration and Finance Unit since 1997. Having graduated in Economics from Rotterdam's Erasmus University, he worked for several years in the United Arab Emirates and Saudi Arabia before joining the European Commission in 1991. From there he was seconded to work for the Energy Charter Secretariat, and became a permanent member of the Secretariat's staff in 1995.



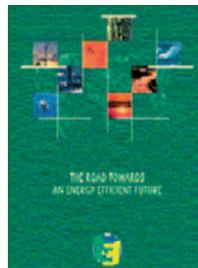
## ANNEXES

### ANNEX I – PUBLICATIONS ISSUED BY THE SECRETARIAT IN 2003

*All of the publications listed below are available on the Energy Charter web-site and can be ordered from the Secretariat in hard-copy form.*



“In-Depth Review of Energy Efficiency Policies and Programmes of Estonia”



“The Road Towards an Energy-Efficient Future” (*report submitted to the UN-ECE “Environment for Europe” Ministerial*)



“In-Depth Review of Energy Efficiency Policies and Programmes of Romania”



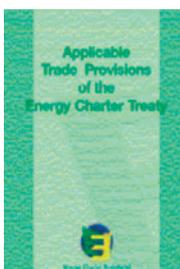
“Best-Practice Guidelines on Energy Market Restructuring, including Privatisation”



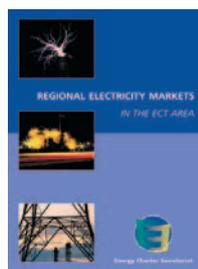
“In-Depth Review of Energy Efficiency Policies and Programmes of Turkey”



“Third Party Financing – Achieving its Potential”



“Applicable Trade Provisions of the Energy Charter Treaty”



“Regional Electricity Markets in the ECT Area”



## ANNEX II – ENERGY CHARTER MEETINGS IN 2003

### *Meetings of the Energy Charter Conference and its Subsidiary Bodies*

6-7 May	Trade Group
26-28 May	Investment Group
4 June	Ad-hoc Group on Gas Policy Issues
5-6 June	Expert Group on Model Transit Agreements
11-12 June	Working Group on Energy Efficiency and Related Environmental Aspects
26 June	Twelfth Meeting of the Energy Charter Conference
18 September	Budget Committee
18 September	Ad-Hoc Group on Secretariat's draft Work Programme for 2004
20-21 October	Trade Group
29 October	Transit Group
30-31 October	Expert Group on Model Transit Agreements
3-4 November	Investment Group
19-20 November	Working Group on Energy Efficiency and Related Environmental Aspects
8 December	Budget Committee
9 December	Preparatory meeting of the Energy Charter Conference
10 December	Thirteenth Meeting of the Energy Charter Conference

### *External Events*

20 May	Seminar on "Energy Efficiency: The Way from Aarhus to Kiev", Kiev ( <i>organised jointly by the Secretariat and the State Committee of Ukraine for Energy Conservation</i> )
23-24 September	Seminar on "Regional Energy Cooperation in Central Asia and the Role of the Energy Charter Process", Tashkent ( <i>organised jointly by the Secretariat and the Government of Uzbekistan</i> )
12-13 November	Conference on "Eurasian Natural Gas Markets – Opportunities and Risks", Brussels ( <i>organised jointly by the Secretariat, the International Association of Oil &amp; Gas Producers (OGP) and the European Union of the Natural Gas Industry (Eurogas)</i> )



## **ANNEX III – SPEAKING ENGAGEMENTS UNDERTAKEN BY THE SECRETARIAT’S SENIOR STAFF IN 2003**

### ***By the Secretary General***

Speech to the Conference on “Oil and Gas – Strategic Dialogues” at Royal Institute of International Affairs, London

**25th February**

Presentation “Towards a Eurasian Energy Market” to the Conference on “Energy Choices for Europe”, European Parliament, Brussels

**5th March**

Presentation on the Energy Charter Treaty and the Transit Protocol negotiations to the FLAME 03 Conference, Amsterdam

**20th March**

Session Chairman at IEA Round-table on “Caspian Oil and Gas Scenarios”, Florence

**15th-16th April**

Speech (in German) on “The Energy Charter Treaty – A Multilateral Framework for Energy Cooperation in Eurasia”, Munich

**12th May**

Presentation to Round-table session on “Pipelines versus LNG in developing markets: competition or cooperation?” at the 22nd World Gas Conference, Tokyo

**1st June**

Presentation on the Energy Charter Treaty to the 21st Meeting of ASEAN Senior Energy Officials, Langkawi, Malaysia

**30th June**

Chairman of session on “Competition in network industries and long-term gas supply” at the World Forum on Energy Regulation, Rome

**7th October**

Presentation on “The Wider European Energy Policy Perspective” to the Gas Transmission Europe Autumn Conference, Paris

**22nd October**

Presentation on “Recent Developments within the Energy Charter” to dinner-debate organized by the European Energy Foundation at the European Parliament, Brussels

**4th November**

Speech (in German) on “Caspian Energy and European Interests – the Role of the Energy Charter Treaty” to the Conference on “Caspian Energy and European Interests”, Berlin

**10th November**

Speech on Energy Charter issues to the 2nd Energy and Geopolitical Forum of the “Club de Nice”, Nice

**21st November**

***By the Deputy Secretary General***

- 6th March** Presentation on “Caspian oil and gas, Russian gas reforms and Energy Charter process” at the Royal Dutch Shell Senior Management meeting - Caspian Region, The Hague
- 9-10 April** Speech on “Multilateral Legal instruments as a means of reducing the risks of project financing and the cost of raising capital” at the Conference on “Project Financing in the oil and gas sector of Russia and the CIS”, Moscow
- 17th April** Speech on “Energy Charter Transit Protocol: unresolved issues between EU and Russia and ways to solve them” to the Energy, Transport and Communications Committee of the Russian State Duma, Moscow
- 28-29 April** Speech on “Energy Charter Transit Protocol – half a step away from finalisation?” to the “Gas of Russia 2003” International Forum, Moscow
- 27-28 May** Presentation on “The Energy Charter Treaty: development of multilateral energy transit cooperation in Turkey and the Caspian Region” to the Caspian – Black Sea Oil and Gas Conference, Istanbul
- 7th June** Presentation on “Formation of the Eurasian Energy Market and Energy Charter Process” at the 26th Annual Conference of the International Association for Energy Economics (IAEE) “New Challenges for Energy Decision Makers”, Prague
- 19th June** Presentation on “Some key issues for future development of the Russian oil & gas economy” at the Brussels Energy Round Table (BERT)
- 29th June** Presentation on “Russia and the Energy Charter” at the Conference on “Energy issues in Euro-American relations and the influence of Russia”, Berlin
- 1st July** Presentation “Towards a single Eurasian gas market – the role of the Energy Charter process” to the Conference on Natural Gas Markets, Supply and Technology, Paris
- 4th September** Session Chairman and Presentation “East meets West in the new world order, developing new business relationships, Energy Charter process establishing new rules of the game” to the 2nd Polish International Oil and Gas Summit, Crynica, Poland
- 1st October** Speech on “The Energy Charter and the Russian Economy” to the standing seminar on “Russia’s Economic Growth – problems and prospects”, Institute of Economic Forecasting, Russian Academy of Sciences, Moscow
- 16th October** Presentation on “Streamlining Russian Oil Legislation towards International Standards” to Conference on “Russian Oil: Global Marketing and Investment Strategies in the CIS and Caspian Region”, Paris
- 17th November** Session Chairman and Presentation on “Caspian Gas Transportation via Trans-National Pipeline Systems and the Role of the Energy Charter process” to the Conference on “Caspian Gas Strategies for Development”, Brussels
- 29th November** Presentation on “Energy Security and Development of International Energy Markets, with particular focus on the Energy Charter’s Role” to the 8th IIES International Conference on “Energy Security and New Challenges”, Tehran

***By the Director for Energy Efficiency and Investment***

Presentations on the Energy Charter's transit rules and investor protection provisions to Seminars organized under the EU's MEDA cooperation process.

Presentation on "The Energy Charter and its Transit Regime" to the 9th Annual Middle East Gas Summit, Cairo

**7th March and  
27th June**

**20th October**

***By the Director for Trade and Transit***

Presentation on Energy Charter issues to Conference on "Power Sector in Russia and the CIS: Developments and New Opportunities", Moscow

**28th October**

***By the Head of Legal Affairs***

Lecture on "The Energy Charter Treaty" for the International Economic Institutions course at the Université Libre de Bruxelles

Presentation on "The Role of the ECS in the EU-25 oil industry" to the Slovene National Oil Committee Conference in Portoroz, Slovenia

**2nd April**

**10th April**

Presentation "New Multilateral rules for Gas Transit across Eastern and Western Europe" to the 10<sup>th</sup> Annual Central European Gas Conference, Zagreb

**29th April**

Presentation on "Attracting Foreign Investment by offering Treaty Protection" to the Investment Protection Forum of the British Institute of International & Comparative Law, London

**10th October**

Speech on "Globalisation and Settlement of International Commercial Disputes" to the International Conference on the Settlement of International Commercial Disputes, Kuala Lumpur

**13<sup>th</sup> October**



## **ANNEX IV – OFFICERS OF THE ENERGY CHARTER CONFERENCE AND ITS SUBSIDIARY BODIES (valid as of 10<sup>th</sup> December 2003)**

### ***Energy Charter Conference***

Chairman	Mr Henning Christophersen (Denmark)
Vice-Chairmen	Mr Kazuyuki Katayama (Japan)
	Mr Andrei Denisov (Russia) ( <i>with effect from 10 December 2003</i> )

### ***Transit Group***

Chaired *pro tem* by the Energy Charter Secretariat

### ***Energy Efficiency Working Group***

Chairman	Mr Peter Helmer Steen (Denmark)
Vice-Chairman	Professor Tamas Jaszay (Hungary)

### ***Investment Group***

Chairman	Professor Argyrios Fatouros (Greece)
Vice-Chairman	Mr Miroslaw Duda (Poland)

### ***Trade Group***

Chairman	Mr Steivan Defilla (Switzerland)
Vice-Chairman	Mr Peter Stefanov (Bulgaria)

### ***Budget Committee***

Chairman	Mr Hakki Akil (Turkey)
Vice-Chairman	Ms Katrin Forgó (Austria)

### ***Energy Charter Staff Advisory Board***

Chairman	Ambassador Bernard Bot (Netherlands) ( <i>to November 2003</i> )
	Dr Helga Steeg (Germany) ( <i>from December 2003</i> )

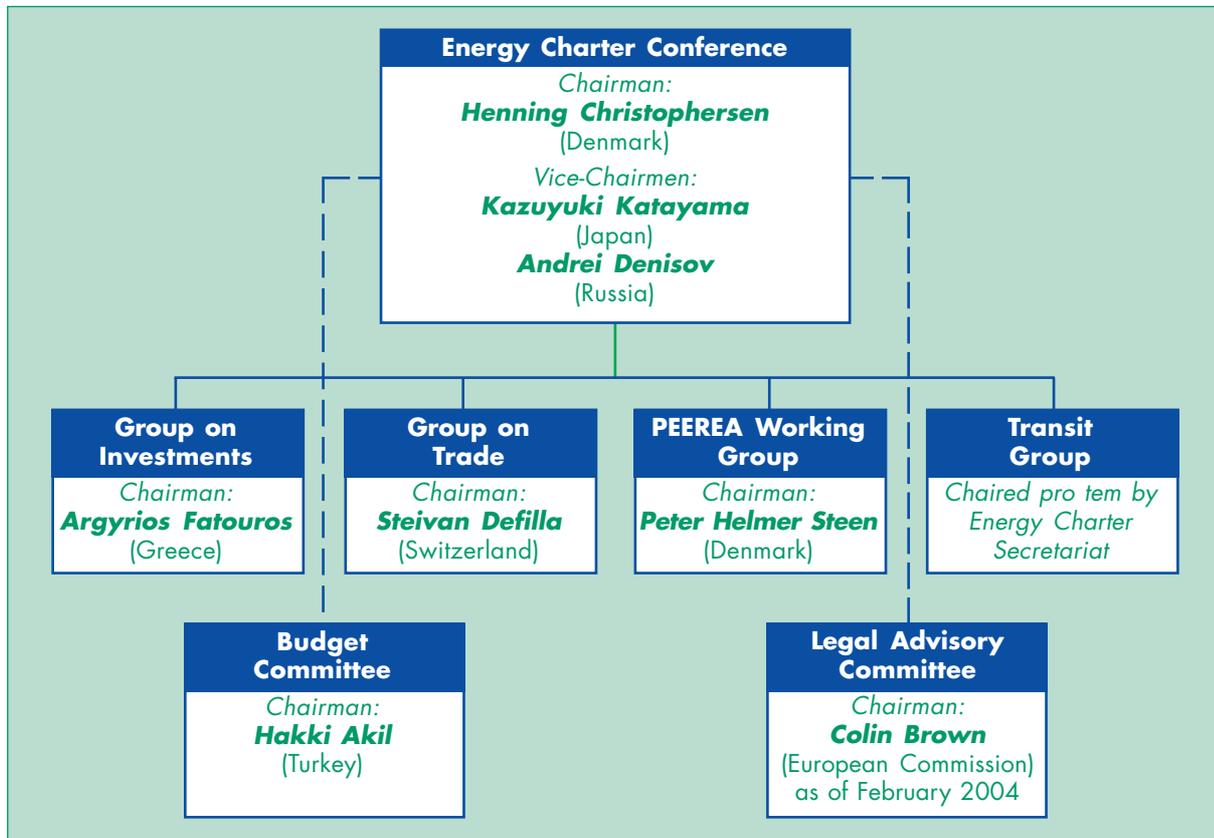
### ***Legal Advisory Committee***

Chairman	Mr Esa Paasivirta (European Commission) ( <i>to December 2003</i> )
	Mr Colin Brown (European Commission) ( <i>with effect from February 2004</i> )

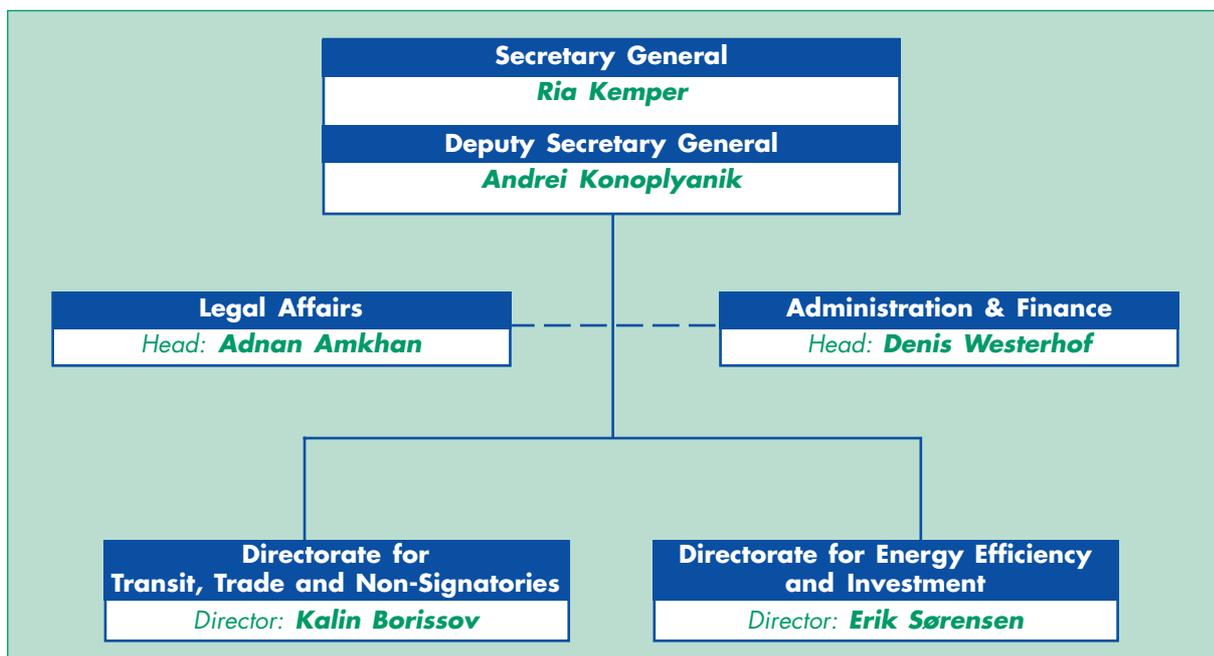


## ANNEX V

## ORGANISATION CHART – ENERGY CHARTER CONFERENCE



## ORGANISATION CHART – ENERGY CHARTER SECRETARIAT

(Valid as of 1<sup>st</sup> January 2004)





## **ENERGY CHARTER SECRETARIAT**

Boulevard de la Woluwe, 56  
B-1200 Brussels  
Belgium

Tel. +32-(0)2 775 98 00

Fax +32-(0)2 775 98 01

E-mail [info@encharter.org](mailto:info@encharter.org)

<http://www.encharter.org>