Foreword

I am pleased to welcome you to this Annual Report of the Energy Charter for 2006, which also covers my first year in office as Secretary General. It has certainly been an eventful and stimulating year, during which questions of international energy cooperation have never been far from public attention.

My priority as Secretary General has been to promote the authority and visibility of the Energy Charter. Events dictated that this work began immediately upon taking up my new position; on my second day in the office in January, I wrote to both the Russian and Ukrainian authorities, drawing attention to the Energy Charter principles and, if necessary, the Treaty’s dispute settlement mechanisms, as a basis for a solution to their bilateral dispute over gas supply and transit.

The events of January alerted many to the value of an international legal framework to mitigate risks affecting the energy sector, and re-focused attention on the contribution of the Energy Charter to international energy security. In this context, it was gratifying that the principles of the Energy Charter were specifically reaffirmed by the G8 at their summit in St Petersburg in July.

Much of the debate about the Energy Charter in 2006 related to the issue of Russian ratification of the Treaty. I would not underestimate the importance of this issue, and have been strongly engaged during the year in discussions with the Russian authorities and the Russian State Duma. However, this debate on ratification has occasionally cast a longer shadow than it ought to.

This is partly because the discussion has been plagued by serious misunderstandings about the actual provisions of the Treaty, particularly in relation to the questions of access to resources and access to infrastructure (see pages 6-10).

It is also because the debate has tended to obscure the fact that the Energy Charter is already a functioning instrument of international law, ratified by 47 members, and that this unique legal framework is attracting growing interest from current non-member countries looking to address today’s energy challenges.

I hope that the information in this Annual Report provides a more complete picture of the Treaty and the activities of the Charter process, and and I am sure that, through the joint efforts of our member countries, the Charter will continue to make a tangible and pragmatic contribution to a secure and sustainable energy sector across Eurasia.

André Mernier
Secretary General
Energy Charter Secretariat
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The roots of the Energy Charter date back to a political initiative launched in Europe in the early 1990s, at a time when the end of the Cold War offered an unprecedented opportunity to overcome economic divisions. Nowhere were the prospects for mutually beneficial cooperation clearer than in the energy sector, and there was a recognised need to ensure that a commonly accepted foundation was established for developing energy cooperation among the states of Eurasia. On the basis of these considerations, the Energy Charter process was born.

In a world of increasing interdependence between net exporters of energy and net importers, it is widely recognized that multilateral rules can provide a more balanced and efficient framework for international cooperation than is offered by bilateral agreements alone or by non-legislative instruments. The Energy Charter Treaty therefore plays an important role as part of an international effort to build a legal foundation for energy security, based on the principles of open, competitive markets and sustainable development.

The Energy Charter Treaty and the Energy Charter Protocol on Energy Efficiency and Related Environmental Aspects were signed in December 1994 and entered into legal force in April 1998. To date the Treaty has been signed or acceded to by fifty-one states plus the European Communities (the total number of members is therefore fifty-two).

The Treaty was developed on the basis of the Energy Charter Declaration of 1991. Whereas the latter document was drawn up as a declaration of political intent to promote energy cooperation, the Energy Charter Treaty is a legally-binding multilateral instrument.

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 rules to be observed by all participating governments, thereby mitigating risks associated with energy-related investments and trade.
Members of the Energy Charter Conference:

Albania, Armenia, Australia*, Austria, Azerbaijan, Belarus*, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, European Union, 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, United Kingdom, Uzbekistan.


Observers:

States: Afghanistan^, Algeria, Bahrain, People’s Republic of China, Canada^, Islamic Republic of Iran, Republic of Korea, Kuwait, Morocco, Nigeria, Oman, Pakistan○, Qatar, Saudi Arabia, Serbia^, Tunisia, United Arab Emirates, United States of America^, Venezuela.


^ denotes observer state which has signed the 1991 Energy Charter Declaration.
○ denotes observer state whose request for accession has been approved by the Energy Charter Conference.
What does the Treaty do?

The Treaty’s common ‘rules of the game’ for the energy sector are designed to encourage investment and trade, to ensure reliable transit, to promote efficient energy use, and to provide neutral mechanisms for the resolution of disputes.

The Energy Charter is based on the idea that international flows of investments, capital and technologies for the energy sector are mutually beneficial, and a primary aim of the Treaty is to promote the necessary climate of predictability that can attract private sector involvement.

The Treaty does not create investment opportunities for companies by forcing open access to resources or defining a certain market structure for Energy Charter member countries. These are sovereign decisions for member governments.

However, once an energy investment is made, the Treaty is designed to provide a stable interface between the foreign investor and the host government. This stability is particularly important in the global energy sector, where projects are highly strategic and capital-intensive, and where risks have to be assessed over the long-term.

It is a major task to reduce these risks, as far as possible, by creating a stable and transparent investment climate. The Energy Charter Treaty assists by offering binding protection for foreign energy investors against key non-commercial risks, such as discriminatory treatment, direct or indirect expropriation, or breach of individual investment contracts.

Another priority for the Treaty is to promote reliable international trade and transit flows. This is a particularly important issue for Eurasian energy security, since a high proportion of oil and gas in Eurasia is delivered through long-distance pipelines that cross multiple national borders and jurisdictions.

Under the Treaty, member countries are under an obligation to facilitate energy transit in accordance with the principle of freedom of transit and not to interrupt or reduce established energy transit flows.

The Treaty also requires that all member states act to minimise the harmful environmental impact of energy-related activities. The Treaty does not have binding targets in this area, but member countries use the Energy Charter as a forum to exchange information on programmes and policies that have been successful in improving energy efficiency.

Does the Treaty oblige countries to provide foreign investors with access to their national energy resources?

While the Energy Charter is based on the idea that international flows of investments and technologies in the energy sector are mutually beneficial, national sovereignty over energy resources is a core principle of the Treaty (ECT Article 18).

Each member country is free to decide whether and how its national energy resources are developed, and also the extent to which its energy sector is open to foreign investors.
**Does implementation of the Treaty mean mandatory third party access to pipelines and energy networks?**

The Treaty includes an obligation on member countries to facilitate energy transit across their territory, in line with the principle of freedom of transit, and an obligation to secure established transit flows. At the same time, an Understanding included in the Treaty makes it clear that the Treaty provisions “do not oblige any Contracting Party to introduce mandatory third party access”.

Negotiations on an Energy Charter Transit Protocol aim to clarify the operational meaning of ‘freedom of transit’ for the energy sector, on the basis of the existing Treaty provisions. The overall aim is to provide clear and transparent rules for international energy transit flows, which can encourage the efficient development and use of energy transportation infrastructure and reduce the risk of interruptions to supply.

**How does a country join the Charter process?**

The first step for a country wishing to join the Energy Charter is to sign the 1991 political declaration (the 'European Energy Charter'). On the basis of this commitment to the principles of the Energy Charter, the country then becomes an observer to the Energy Charter and is granted access to all meetings and documents.

The next stage is accession to the Treaty itself. This is a more lengthy process, since a country must first assess the compatibility of its domestic legislation with the provisions of the Treaty. Once the relevant reports have been approved by the Energy Charter Conference - the Energy Charter’s governing body in which all member countries are represented - the applicant country is invited to accede to the Treaty.

The Treaty is open for accession by any country that wishes to participate, that is ready to take on the obligations in the Treaty, and whose application is accepted by the Energy Charter Conference.

**If a country becomes a member of the WTO, what is the added benefit of being part of the Energy Charter?**

The Energy Charter shares core principles with the World Trade Organisation, in particular the principles of transparency and non-discrimination. The rules of the Treaty are fully compatible with those of the international trading system, and in practice the Energy Charter Treaty has been a valuable stepping stone for some member states on their way towards accession to the WTO.

However, the Energy Charter goes further than the WTO framework in addressing specific challenges for the energy sector. There is no counterpart in the WTO system to the Energy Charter Treaty’s provisions on the protection of investment. The Charter also covers in more detail the issue of energy transit, and includes a distinctive mechanism for the resolution of energy transit disputes. In relation to the energy sector, memberships in the WTO and in the Energy Charter are complementary.

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**To consult all ‘frequently asked questions’ or to ask your own question about the Energy Charter, visit:**

[www.encharter.org > FAQ](http://www.encharter.org > FAQ)
The ECT and International Energy Security

Energy has been at the top of national and international policy agendas in 2006, kept there by high prices, concerns about energy supply and the environmental impact of energy use, and also by the decision of the Russian Federation to make energy security a priority during its presidency of the G8.

The Energy Charter featured prominently in this debate, with much attention being paid to the issue of Russian ratification of the Treaty (see opposite page). However, a main challenge during the year was to develop a consensus on the common principles that should underpin international energy security.

At the St Petersburg G8 Summit in July, agreement was reached to enhance energy security through actions in the following key areas:

* increasing transparency, predictability and stability of global energy markets;
* improving the investment climate in the energy sector;
* enhancing energy efficiency and energy saving;
* diversifying energy mix;
* ensuring physical security of critical energy infrastructure;
* reducing energy poverty, and;
* addressing climate change and sustainable development.

These themes, which were developed in the G8 Plan of Action on Global Energy Security, are close in spirit and substance to the 1991 Energy Charter, the political declaration which has been signed by 56 countries, including all members of the G8, and which provided the political foundation for the negotiation of the Energy Charter Treaty. All G8 members expressed their support at the St Petersburg Summit for the principles of the Energy Charter.

The 1994 Energy Charter Treaty is specifically designed as an instrument for the international community to ensure that these principles are implemented in practice. The contribution of the Charter in this respect is addressed in more detail on pages 10-11.

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"Clear, stable and predictable national regulatory frameworks significantly contribute to global energy security, and multilateral arrangements can further enhance these frameworks.

We support the principles of the Energy Charter and the efforts of participating countries to improve international energy cooperation.

From the G8 Plan of Action on Global Energy Security
16 July 2006

The Plan of Action on Global Energy Security, adopted by G8 leaders at their summit in St Petersburg, reflects the outcome of discussions over the first six months of 2006 under the Russian G8 Presidency.

The Plan of Action underlined that energy security is best assured by a strengthened partnership between energy producing and consuming countries, and stressed that open, transparent and competitive energy markets are the cornerstone for a common energy security strategy.

Ambassador Takekazu Kawamura (second from right), Japan’s Ambassador to the European Union, was appointed as the successor of Henning Christophersen as Chairman of the Energy Charter Conference at the meeting of the Conference in Brussels on 20 November 2006. From left to right: Secretary General Andre Mernier, Henning Christophersen, Ambassador Kawamura, Deputy Secretary General Andrei Konoplyanik."
ECT and International Energy Security

Title I (Objectives) of the 1991 Energy Charter

"Within the framework of State sovereignty and sovereign rights over energy resources and in a spirit of political and economic cooperation, (the signatories) undertake to promote the development of an efficient energy market throughout Europe and a better functioning global market, in both cases based on the principle of non-discrimination and on market-oriented price formation, taking due account of environmental concerns."

Principles of the Energy Charter

The Russian Federation and the ECT

Russia signed the Energy Charter Treaty in 1994 and has accepted provisional application of the Treaty pending ratification. This means that Russia has agreed to apply the provisions of the Treaty to the extent that they are consistent with Russia’s constitution, laws and regulations.

The lack of Treaty ratification leaves ambiguity about the extent of Russia’s legal rights and obligations under the Treaty. This is why ratification by Russia, as by all signatory states, is an important objective of the Charter process.

Russia has linked progress with ratification to the resolution of a number of questions. In relation to the Treaty itself, the main issue relates to certain provisions on transit, which the Russian side sees as ambiguous and would like to see clarified. This issue is a subject for discussion in the negotiation of a Transit Protocol to the Treaty (see page 19 for more details on the Protocol).

The Russian side has also raised the question of trade in nuclear materials with the European Union. At the time of signature of the Energy Charter Treaty in 1994, the EU and Russia agreed to exclude this trade in nuclear materials from the scope of the Treaty, foreseeing instead a separate bilateral agreement. However, this bilateral agreement remains to be concluded.

The debate over ratification has been complicated by some persistent misunderstandings about the Energy Charter Treaty, notably in relation to the implications of the Treaty for access to resources and access to infrastructure (see ‘frequently asked questions’ on the preceding page).

The absence of ratification does not present an obstacle to the practical and technical work of the Energy Charter process, in which Russia is an active participant.

Russia has underlined that the Energy Charter retains importance as the only document establishing international rules for the energy sector, and reaffirmed its commitment to the principles of the Energy Charter during its presidency of the G8. At the same time, it has called for efforts to ensure that this document reflects current realities and challenges in the energy sector.

A system of cooperative energy security must promote dialogue among energy producers, consumers, transit states and the private sector.

We do not need to invent such a system from scratch. We in Europe in particular must revitalize and adapt existing forms of energy cooperation.

The Energy Charter, which entered into force in 1998 and has been ratified by more than 40 countries, predominantly in Europe and Asia, sets standards in investment protection, trade and conflict resolution and embraces renewable energies and energy efficiency as key goals.

We have to revitalize the Charter, broaden its influence and win the support of additional states.”

Frank-Walter Steinmeier, Minister of Foreign Affairs of Germany, from an article published in the International Herald Tribune, 23 March 2006
Implementing the Energy Charter Treaty

The year 2006 saw strong endorsement of the principles of the Energy Charter as a basis for international energy cooperation (see preceding section). The main objective of the Treaty and of the Charter process as a whole is to ensure that these principles are implemented in practice.

Some of the strongest means to promote compliance with Energy Charter principles are included in the Treaty itself: all of the Treaty’s substantive provisions are accompanied by mechanisms to resolve disputes, both between states and – in the case of the Treaty’s investment provisions – between individual investors and host governments. Eight years after the Treaty entered into force, these mechanisms have a significant operational record (see page 24 for more details).

But if they are to be implemented, the Treaty obligations and related principles need to be clearly understood by the main actors in the energy sector. The Energy Charter featured prominently in public statements and in the media in 2006, particularly in the context of G8 discussions on energy security. While much of the commentary was accurate, there were some aspects of the debate that were misleading: two of the most common misunderstandings were that the Energy Charter Treaty obliges member countries to open up access to energy resources for foreign companies, and that it requires mandatory third party access to pipeline networks. The Secretariat has made a concerted effort to provide accurate information on the Treaty and the Charter process, for example through the launch of an improved website for the Charter in December 2006.

A large part of the work of the Charter process is designed to provide information on compliance with obligations under the Treaty, as well as recommendations on how the principles in the Treaty can better be pursued. In 2006, this work included in-depth country reviews on the investment climate in Turkey and the former Yugoslav Republic of Macedonia, a follow-up report on the investment climate in Ukraine (see page 12), an in-depth energy efficiency review of Sweden, and regular energy efficiency reviews of Kazakhstan, Romania, FYROM, the Slovak Republic and Switzerland (see page 20). The Trade and Transit


A main outcome of the 2004 Review was that all member states confirmed their commitment to the Energy Charter process, and recognised the continuing value of a broad cooperative framework for promoting energy investments, facilitating cross-border flows of energy and improving energy efficiency across Eurasia.

The 2004 Review looked at ways in which the process should evolve in order to respond to changes in energy markets, such as the liberalisation of European energy markets, and also in view of broader developments such as the accession of member countries to the WTO and the enlargement of the European Union.

A key objective was therefore to ensure the efficiency of the Charter process by concentrating its activities in areas where the Charter’s legal basis and broad constituency provide it with clear advantages.

André Mernier, in a letter to the Financial Times, 26 April 2006
What role did the Energy Charter play in the 2005/2006 dispute between Russia and Ukraine?

The dispute over gas supply and transit between Russia and Ukraine in 2005-2006 generated a lot of international attention and comment.

Representatives of both Russia and Ukraine made numerous references during the dispute to Energy Charter provisions and principles as a basis for finding a solution. Under the Treaty, member countries are under an obligation to facilitate energy transit in line with the principle of freedom of transit and not to interrupt or reduce established energy transit flows.

The Secretary General wrote to both parties on 3 January recalling that the Treaty has mechanisms for dispute settlement, including a specific conciliation procedure for transit issues, and proposing that these be used in the event that no bilateral agreement was reached.

The conclusion of an agreement on 4 January between Gazprom and Naftohaz meant that this proposal was overtaken by events.

In subsequent months, the Energy Charter has encouraged a dialogue between member states on risks that can have an impact on transit flows (see page 17).

"We encourage continued work on the implementation of the Energy Charter Treaty and PEEREA, and confirm that compliance with these instruments is of central importance to the Energy Charter process in order to promote stable and sustainable energy supplies on a mutually beneficial basis."

From the conclusions adopted by the Charter Conference following a review of the Charter process in 2004

Group continued its work in 2006 on a broad transparency initiative on cross-border energy flows in the Energy Charter constituency (page 16).

The credibility of Energy Charter principles is reinforced by the ability of the Charter process to respond promptly to new developments and challenges on energy markets. With this in mind, the Secretariat put a particular emphasis in 2006 on questions related to the reliability of energy transit: following the dispute between Russia and Ukraine early in the year, the Secretariat initiated a renewed dialogue between parties along the gas chain on technical and operational issues that can affect the reliability of transit flows. There was also demand from member states for information on international pricing mechanisms for oil and gas, as many member countries found themselves adjusting to a higher price environment for hydrocarbons (see pages 17-18).

The projected growth in international trade in oil and gas requires instruments to reduce risks associated with cross-border infrastructure projects. Alongside the framework provided by the Treaty itself, the Secretariat and the Legal Advisory Task Force therefore took the initiative to revise and update the Charter’s Model Agreements on Cross-Border Pipelines (see page 15).

There is also a direct link between the application of Energy Charter principles and efforts to broaden the coverage of the Energy Charter Treaty, whether through ratification of the Treaty by existing signatories, or through the accession of new members. There was particular interest in the Charter process in 2006 from countries in Southern Asia (see page 30).

Finally, the Charter has to ensure close working cooperation with other relevant international organisations in promoting energy security. In this respect, there was strong technical cooperation with the IEA throughout the year, and the annual policy conference in Brussels in October 2006 was held jointly with the IEA and OSCE (see page 28). The Energy Charter applied for observer status with several WTO bodies whose work is of relevance to the Charter’s mandate; the Charter’s Working Group on energy efficiency has started preparation of a report to the UN-ECE Environment for Europe Ministerial meeting, which will take place in Belgrade in 2007, and there have also been regular contacts in Southeast Europe with the institutions of the Energy Community Treaty.
Reviews of the investment climate in member countries are a main part of the work of the Charter’s Investment Group, and these reviews have evolved significantly in recent years with the introduction of ‘in-depth’ studies, undertaken by the Energy Charter Secretariat in close cooperation with the countries concerned. Each review examines the country’s compliance with the requirements of the Treaty, and also the extent to which it has succeeded in creating domestic energy market structures in line with the Treaty’s goal to promote open and competitive markets.

There were two in-depth investment reviews completed by the Charter in 2006, of FYROM and of the Republic of Turkey. In each case, the Secretariat visited the country concerned, and member countries assisted as co-examiners in the peer review of the report (Turkey and Bulgaria assisted as co-examiners in the report on FYROM; the Netherlands and Russia assisted with the report on Turkey).

In the case of the former Yugoslav Republic of Macedonia, the Charter Conference welcomed the progress made by the Macedonian authorities since the previous Energy Charter review in 2000, in particular the improvements to the legal framework for investment, and the establishment of a legal and regulatory basis for a competitive market structure in the energy sector.

As a party to the Energy Community Treaty in Southeast Europe, FYROM is committed to the adoption of the EU’s acquis in the energy sector; the Conference encouraged further measures to ensure good governance and the implementation of current legislation, and noted that fuel diversification and reducing dependence on external resources are strong reasons for promoting energy savings and usage of renewable energy resources.

In relation to the Republic of Turkey, the Charter Conference welcomed the reform programme that has boosted investor confidence and created a market model in line with the EU’s

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"Leaders thoroughly discussed questions related to energy security, reiterating their earlier calls for multilateral measures to promote stable, effective, and transparent global energy markets, and agreed to cooperate in relevant international fora with a view to meeting these challenges. In this context, they noted the importance of the Energy Charter Treaty."

From the Chairman’s Statement on the meeting of Heads of State of the Europe-Asia Meeting (ASEM), which brings together the ten members of ASEAN, China, Japan, Korea, the Member States of the European Union and the European Commission, Helsinki, 10-11 September 2006
The Chairman of the Charter’s Investment Group in 2006 was Michael Caramanis from Greece. Since 2004 Dr Caramanis is the President of the Greek Regulatory Authority for Energy.

Michael Caramanis

Dr Caramanis is a renowned expert on energy regulation and restructuring, and has also held senior academic positions in the United States, including the position of Professor of Manufacturing Engineering at Boston University’s College of Engineering.

Shukhrat Khamidov, Head of Department for Investment at JSC ‘Uzbekenergo’, was the Vice-Chairman of the Charter’s Investment Group in 2006.

The Energy Charter and Investment Security

There is a huge need for new investment in order to meet growing global demand for energy. A significant risk to energy security is that policy frameworks can prevent investment capital from being mobilised and directed to the most efficient energy supply or energy-saving projects. The challenge is to reduce, as far as possible, these policy risks by creating a favourable investment climate based on openness, consistency and non-discrimination.

The Energy Charter Treaty takes a balanced approach to investors’ access to resources. On the one hand, the Treaty is explicit in confirming national sovereignty over energy resources: each member country is free to decide how, and to what extent, its national and sovereign energy resources will be developed, and also the extent to which its energy sector will be opened to foreign investments. On the other hand, there is a requirement that rules on the exploration, development and acquisition of resources are publicly available, non-discriminatory and transparent.

Once a foreign investment is made in line with a country’s national legislation, the Treaty is designed to provide a reliable and stable interface between this investment and the host government. The Treaty protects foreign investors against non-commercial risks such as discriminatory treatment, direct or indirect expropriation, or the breach of individual investment contracts. The need for stability in the relationship between investors and host governments is particularly acute in the energy sector, where projects tend to be long-term and highly capital-intensive.

The binding rules contained in the Energy Charter Treaty can play a significant and positive role in mitigating investment risks along the entire energy chain. This is because they provide investors with the possibility to protect their rights by taking the host government to international arbitration. Since the Treaty came into force in 1998, several investor-state disputes have already been addressed under the Treaty and successfully resolved, either by amicable settlement or by an arbitral award (see page 25).

The existence of an effective mechanism for the resolution of disputes provides persuasive encouragement for states to observe their obligations under the Energy Charter Treaty. As the Charter’s Industry Advisory Panel has observed, “although dispute settlement provisions should normally be perceived as instruments of ‘last resort’, they are of significant value in providing a constructive framework for the resolution of investment related disputes and may thereby make a significant contribution to investor confidence and to a more reliable investment environment”.

“We will also work to remove barriers to enable both producing and transit nations to join multilateral treaties such as the European Energy Community Treaty and the Energy Charter Treaty. These instruments establish rules which govern trade and investment in energy and related equipment, and enable disputes to be resolved through law.”

From the UK Government’s Energy Review, June 2006
An issue rising up the policy agenda in many Energy Charter member countries is **investment in new fuels**, and the Investment Group has been analysing risks and other investment issues related to the development of alternative (non-petroleum) liquid fuels, particularly liquid bio-fuels.

Many countries, including the EU member states, have started to promote bio-fuels in an attempt to reduce oil dependency and reduce greenhouse gas emissions. So far, only ‘first generation’ bio-fuels are commercially available. Among first generation bio-fuels, ethanol made from sugar is the most efficient crop. Europe is currently the leader in bio-diesel production.

Nevertheless, there are still some open questions about the prospects for bio-fuels. Some of these fuels are cost-competitive only at high oil prices, or when subsidies are available. There is also a continuing debate in some cases about their overall environmental impact.

These issues are addressed in detail in a report prepared by the Secretariat, available in early 2007 on the Charter’s web site.

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acquis. The Conference also acknowledged Turkey’s strategic role as an energy corridor and a trading partner between east and west, noting the various projects in place on under development that are reinforcing this role, and underlining the importance of transparency and non-discrimination in such projects.

The Charter’s Investment Group considered a follow-up report on **Ukraine**, presented by the Ukrainian authorities following an initial review in 2002. This follow-up report highlights positive policy measures taken by Ukraine in recent years, while recognising that more needs to be done to improve the investment climate in the upstream oil and gas industry, the main pipelines industry and the power and heat industry.

The Secretariat also prepared a special communication on **Kazakhstan**, which examined recent changes in investment-related legislation, notably the amendments to arrangements for Production-Sharing Agreements, increases in taxation as a reflection of higher oil prices, and a rent tax on exports of crude oil and gas condensate.

The Investment Group has continued its efforts to reduce the number of exceptions to national treatment for investors in the ‘pre-investment phase’, that is, when making investments in other member countries. Typical restrictions of this type are formal restrictions on access to certain types of investment opportunity, restrictions in relation to land / real estate and in participation in privatisation processes.

As shown in the table below, the number of such exceptions shows a gradual downward trend, in line with the obligation in the Treaty to work to remove such exceptions. However, progress remains relatively slow, and the Investment Group will continue to focus on this issue in 2007.

**Number of Exceptions to National Treatment for the ‘pre-investment phase’, as registered by member states in the ‘Blue Book’**

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"Afghanistan needs investment and regional trade in order to provide energy for its people and for its development, and we consider that a closer association with the Energy Charter can help us meet these important objectives."

Ambassador Mahmoud Saikal
Deputy Minister of Foreign Affairs of Afghanistan, (right) shakes hands with Ambassador Van de Geer of the Netherlands at the signing ceremony of the 1991 Energy Charter Declaration, Kabul, 4 August 2006
The Investment Group also heard presentations from a wide range of government, business and academic perspectives during its meetings in 2006, including:

- The European Commission’s Energy Sector Enquiry, Ricardo Cardoso from the Commission’s DG Competition;
- Investment Needs in Central Asian Gas Transport, by Professor Temur Salikhov, Director of Institute of Power Engineering and Automation under the Uzbekistan Academy of Sciences;
- Competition and Market Creation in the UK, by Cemil Altın of OFGEM;
- Oil and Gas Policies in Russia, by Martha Brill Olcott, Carnegie Endowment for International Peace;
- Recent Trends in Investment Disputes, by Antonio Parra, former Deputy Secretary General of ICSID.

The Group also benefited from presentations by senior representatives of the private sector, in particular from Vattenfall, Union Fenosa, Naftohaz Ukrainy, and the Georgian-Ukrainian Gas Pipeline Project.

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**Updating the Charter’s Model Agreements for Cross-border Pipelines**

*Workshop: Brussels, 17-18 October 2006*

“Oil and gas pipelines are the arteries of the global energy economy. Putting new pipeline infrastructure in place requires extensive cooperation between states and with investors, and the Energy Charter is looking to contribute a transparent, balanced and neutral starting point for negotiations on new projects”, said André Mernier, Secretary General of the Energy Charter Secretariat, at the opening of a two-day expert workshop in Brussels.

Through its binding investment and transit provisions, the Treaty directly supports the establishment of new transportation capacity and thereby facilitates the diversification of supply and of export. However, the Charter process also provides non-binding instruments that can help new projects get off the ground.

The aim of the Energy Charter’s Model Agreements is to identify key areas of interest to all parties involved in the negotiations on new cross-border pipelines, and thereby to facilitate the development of new infrastructure links that will be needed to accommodate rising demand for energy. The Agreements are intended to be used as an integrated package, including an Intergovernmental Agreement (IGA) and Host Government Agreements (HGA).

The workshop in Brussels was organised by the Secretariat to highlight recent developments with the revision of the Model Agreements. International pipelines raise complex issues, requiring attention to a host of political, economic, social and environmental questions. An *ad hoc* Legal Advisory Task Force, consisting of leading legal experts from private practice and from industry, has been engaged during 2006 in updating the Charter’s Model Agreements in the light of best international practice.

Experts from international law firms, financial institutions and from the Secretariat covered a wide range of issues at the two-day workshop, including project economics and financing, land rights, protection of people, the environment and project infrastructure, social issues, responsibility and liability, and dispute settlement mechanisms.

The Legal Advisory Task Force is developing the second edition of the Model Agreements on the basis of first editions that were endorsed by the Energy Charter Conference in December 2003. It is anticipated that the new draft Agreements will be presented to the Energy Charter Conference for approval in 2007.

*For more information, visit: [www.encharter.org](http://www.encharter.org) / Trade & Transit / Model Agreements*
The Energy Charter’s Trade & Transit Group reports to the Energy Charter Conference and is responsible for discussion of all issues related to cross-border energy flows that are covered by the Treaty. Its main tasks are:

- Monitoring and assistance in the implementation of the Treaty and related instruments on trade and transit, suggesting recommendations for improvement of compliance;
- Facilitation to the discussions among the members of the Charter constituency on promoting and securing cross-border energy flows based on the Energy Charter Treaty;
- Analysing the ways to facilitate the development of open, competitive and sustainable energy markets, and energy flows across the Charter constituency.

The Charter’s Trade and Transit Group continued its work in 2006 on a broad transparency initiative on cross-border energy flows in the Energy Charter constituency. This includes reports on compliance with Treaty provisions on oil and gas transit (for publication in 2007), and a major study on gas transit tariffs and tariff methodologies in selected Energy Charter member countries, released in spring 2006, and available on the Charter’s website.

The study reviewed tariff arrangements for existing and new gas pipeline systems, and also analysed the overall consistency of gas transit tariffs with Energy Charter provisions, which include in particular the obligations to ensure transparent, cost-based and nondiscriminatory transit tariffs. It showed that tariff levels and methodologies differ widely across the constituency of the Energy Charter, and examined potential reasons for this divergence, including technical parameters (pipeline diameter, pressure), geographical conditions, and economic factors such as depreciation of the system and changes in exchange rates.

In general, the analysis showed a significant difference between tariffs charged in EU and non-EU countries, although this difference has started to narrow in recent years. There are also differences in many countries, both within and outside the EU, between tariffs for transit and for domestic transportation.

The study does not suggest a generally applicable methodology for setting transit tariffs, but it does include specific recommendations on promoting transparency, cost-reflectiveness and non-discrimination. Improving the degree of transparency with regard to the conditions for energy transit is perhaps the most immediate challenge, and one that applies to a greater or lesser degree across the Energy Charter constituency. The gas transit tariff study was complemented in January 2007 with the release of a similar analysis of oil transit tariffs.

Q. What can be done to make sure that the risk of a disruption to energy supply is reduced in the future?

Commissioner Piebalgs: “... I think the most important instrument could be the Energy Charter and the Transit Protocol. The Energy Charter Treaty has been ratified by Ukraine, and signed but not ratified by Russia. On the Transit Protocol, we still need a final agreement, I think that is quite evident that there should be clear-cut rules for transit of gas ... I expect that during Russia’s G8 Presidency these issues will be brought on the agenda by Russia and by other G8 countries because it is very important to establish a clear and transparent mechanism to avoid any disruption of supplies.”

Excerpt from an interview with European Commissioner Andris Piebalgs on the BBC Radio 4 ‘Today’ programme, 4 January 2006
The Chairman of the Charter’s Trade and Transit Group in 2006 was Mithat Rende, Deputy Director General in the Ministry of Foreign Affairs of Turkey.

As Deputy Director General, Mr Rende was responsible within the Ministry for international cooperation on questions of energy, water and the environment, and his service as Chairman of the Trade and Transit Group was highly appropriate given Turkey’s emerging importance as a major transit country.

Victor Kalmykov, Deputy Head of the Department for Trade Negotiations in the Ministry of Economic Development and Trade of the Russian Federation, was appointed as Deputy Chairman of the Trade and Transit Group in November 2006.

The Energy Charter and Reliable Gas Transit

Workshops: Brussels, 19 May; Bratislava, 27 September 2006

The rapid growth of international trade in natural gas is highlighting the importance of mechanisms that can ensure the reliability of cross-border energy flows. Such mechanisms are particularly important for gas supply to Europe, where existing and planned pipeline routes often cross multiple national borders on their way from producer to consumer.

Following the dispute between Russia and Ukraine in 2005/2006, which led to a temporary reduction in gas deliveries to markets further downstream, the Energy Charter has been promoting a strengthened dialogue between partners along the entire energy value chain on the main risks that can affect energy transit flows. In addition to the regular meetings of the Charter’s Trade & Transit Group, the Secretariat organised two specialised expert workshops on the main regulatory and operational requirements for ensuring reliable energy transit.

A primary objective of the first meeting, which took place in Brussels in May 2006, was to develop a clear overview of factors that have the potential to disrupt energy transit flows. It also considered in detail how to facilitate investment in new transit capacity, given a projected increase in energy trade across the Energy Charter constituency in the coming years. The discussion was based on presentations of projects, each of which drew attention to a different set of issues in relation to the provision of new transportation capacity: amongst these were the Balgzand Bacton Line (BBL) between the Netherlands and the United Kingdom; and the capacity expansion of the Trans-Austria Gas pipeline (TAG) which is a major artery for gas supply to Italy.

A follow-up meeting was organised in Bratislava in cooperation with the Slovak Ministry of Economy in September 2006, on the eve of the Annual Conference of Gas Infrastructure Europe, the association representing gas transmission companies, storage system operators and LNG terminal operators in Europe. This workshop brought together government and industry experts from across the Energy Charter constituency and examined all major operational aspects of gas transit flows, especially interoperability, interconnection management, gas balancing and storage.

The discussion at these meetings provided valuable guidance for the future work of the Energy Charter. Among the main conclusions was the need for greater transparency both on the rules applicable to energy transit and on the actual flows.

There was an understanding of the need for an inclusive forum for cooperation on technical issues, which can foster a common understanding along the entire gas value chain of operational issues that can affect cross-border flows. Finally, the workshops underlined the value of agreed mechanisms for the resolution of disputes, such as the conciliation procedure foreseen in the Energy Charter Treaty, which allow for settlement of any differences without interruptions to transit flows.
Removing barriers to trade in electricity has been a feature of the work of the Energy Charter, and the Secretariat organised in May 2006 a roundtable meeting, which aimed to analyse the costs and benefits of greater interconnection and discussed the instruments that could be needed to foster increased cross-border trade.

The discussion was based on a series of regional examples from Southeast Europe, the Caucasus and from Central Asia, and served as guidance for the Energy Charter’s further work in this area. The draft Programme of Work for 2007 foresees a concentration for the future on encouraging regional trade in the Caspian and Central Asian region, based on approaches that have proved successful in other areas.

Presentations made during this roundtable meeting are available at the Charter’s website, www.encharter.org (see ‘Meetings’).

A related priority for the Charter is to provide a forum for presentation and discussion of new cross-border energy projects in member and observer states. During 2006, the Trade and Transit Group hosted presentations on the Kazakh-China oil pipeline, on the gas transport options from Turkey to EU countries (Nabucco, the Turkey–Greece and Greece–Italy interconnectors), on the oil pipeline projects bypassing the Turkish straits, and on gas pipeline projects involving Pakistan (Iran-Pakistan-India and Turkmenistan-Afghanistan-Pakistan).

In addition, the Group continued work on the implementation of ECT competition provisions (ECT Article 6), and on obstacles to the transfer of technology (Article 8), including an assessment of the potential role of the Energy Charter in fostering cooperation for the development of new technologies for the energy sector.

International Oil and Gas Pricing Mechanisms

International oil and gas markets have undergone significant changes in recent years. In the oil sector in the mid-80s spot and futures markets took over the OPEC system of official selling prices as the predominant oil pricing mechanism.

In the natural gas sector spot and futures trading are well developed in North America and the UK, while substantial parts of internationally traded gas continue to be traded under long-term contracts with price formulas with reference to the market prices of replacement fuels like crude oil and oil products. The question is: will gas follow oil on the way to a worldwide commodity pricing mechanism?

An understanding of pricing mechanisms is an important key to understanding many current developments in energy markets, and with this in mind the Secretariat conducted in 2006 two expert workshops for member states on the technical and economical aspects of oil and gas pricing. These two workshops took place in Brussels in June and in September, with presentations from the Secretariat and from invited external experts. At a time when contractual and pricing arrangements are a major issue for many Energy Charter member states, there has been strong demand for analysis and expertise on these topics.

The result of the Secretariat’s work on this topic will be a publication on ‘Oil and Gas Pricing Mechanisms’, which will be available in spring 2007 both in electronic and in printed form.
The Energy Charter Treaty’s existing Transit provisions oblige Signatory states, in accordance with the GATT/WTO principles of freedom of transit, to facilitate transit on a non-discriminatory basis.

Following the Treaty’s adoption in 1994, a consensus emerged within the Treaty’s governing body, the Energy Charter Conference, that these provisions on energy transit issues could be amplified and strengthened in order to mitigate some specific operational risks that continued to affect energy transit flows. This led to the opening of multilateral negotiations on a Transit Protocol to the Energy Charter Treaty.

Multilateral agreement was reached on the bulk of the Protocol’s text at the end of 2002. There remained some open issues to be resolved before the Protocol could be finalised, and these have been the subject of continued discussion since then between the European Union and Russia. The text of the draft Protocol, as of end-2003, is available on the Energy Charter’s website (see under ‘Trade and Transit > ‘Transit Protocol’).

Experts from Russia and the European Union conducted an intensive round of exploratory talks in 2006 on the draft text. Clarifications and text proposals that were developed during these discussions cover transparent and non-discriminatory ways to manage congestion in networks and grids, and provisions on cost-reflective tariffs. However, it was not possible to reach consensus on all issues during these informal talks.

The main issue requiring further consideration is how, and to what extent, the Protocol can include mechanisms to help establish long term transit arrangements where appropriate – in particular in connection with long-term supply contracts. This is an important issue for secure energy supply, and one that requires a satisfactory and balanced solution for the benefit of consumers, producers and transit countries. A related issue is the application of the Transit Protocol within the European Union; how, and to what extent, the rules of the Protocol interact with the legislation of the EU’s internal market.

At the meeting of the Energy Charter Conference in November 2006, the member states reviewed the status of the draft Protocol, and invited Russia and the European Union to continue their bilateral consultations and to keep other member countries informed of progress through the Energy Charter’s Trade and Transit Group.

The Secretary General attended in December 2006 the opening of a new gas metrology centre in Boyarka, Ukraine, emphasising in his remarks the importance of transparency in regional flows of natural gas. The centre was co-financed by the European Commission and NJSC ‘Naftogaz of Ukraine’. Here Mr Mernier (right) is pictured with (from right to left): Volodymyr Sheludchenko, Chairman of the Board of Naftogaz; Andris Piebalgs, European Commissioner for Energy, and (speaking) Andriy Klyuyev, Deputy Prime Minister of Ukraine.
In 2006 the Charter’s PEEREA Group continued its activities along two well-established axes: firstly, monitoring progress in member countries in improving energy efficiency, and secondly, analysis and research in specific policy areas in which participating countries have a strong interest.

The main country-specific activity was the in-depth review of energy efficiency programmes and policies in Sweden. A strength of the Energy Charter’s work on energy efficiency is that it allows for an exchange of experience between countries facing a variety of policy challenges. Some Energy Charter member states are only starting to develop and implement a strategy in relation to energy efficiency, and it is very beneficial to have access to the experience of countries like Sweden that have long made it a national priority to promote sustainable development.

Energy efficiency policy in Sweden has been successfully promoted through a combination of energy and emissions taxation and tax deductions, technology procurement, mandatory labelling, subsidies and grants, municipal advisory services, research and other policy instruments. A green certificate system has stimulated the electricity production from renewable sources.

Nevertheless, further improvements are needed in order to reach ambitious targets for efficiency energy use, especially in the overall analysis and assessment of the economic potential of energy efficiency and renewables in the country, more effective regulation of the district heating sector and promotion of CHP, increased cooperation with municipal authorities and involvement of small and medium-sized enterprises and services in energy efficiency programmes.

The PEEREA review team was led by a representative of Poland and composed of members from Albania, Italy the Netherlands and the Secretariat; recommendations arising from the review were adopted by the Energy Charter Conference.
The Chairman of the Working Group on Energy Efficiency since 1998 is Mr Peter Helmer Steen, Director of the ‘Danish North Sea Partner’.

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. Before taking up his present position, he was Deputy Director General of the Danish Energy Authority.

In 2006, Mr Peter Helmer Steen was assisted by two Vice-Chairmen, Professor Tamas Jaszay of Hungary and Wolfgang Stinglwagner of Germany.

The Charter and Energy Efficiency

The importance of energy efficiency and its relation to a cleaner environment was already underlined in the 1991 Energy Charter Declaration. The subsequent Energy Charter Treaty, and in particular Article 19 of the Treaty, requires that each Contracting Party minimise, in an economically efficient manner, harmful environmental impacts arising throughout the energy cycle.

The Energy Charter Protocol on Energy Efficiency and Related Environmental Aspects (PEEREA) was negotiated, opened for signature and entered into force at the same time (16 April 1998) as the Energy Charter Treaty. Building on the provisions of the Treaty, PEEREA requires its participating states to formulate clear policy aims for improving energy efficiency and reducing the energy cycle’s negative environmental impact.

By way of contrast to other activities in the Charter process, the emphasis in the work on energy efficiency is not on legal obligations but rather on practical implementation of a political commitment to improve energy efficiency. This is promoted through policy discussions based on analysis and exchange of experience between the member countries, invited independent experts and other international organisations.

Through the implementation of PEEREA, the Energy Charter provides its member countries with a menu of good practices and a forum in which to share experiences and policy advice on energy efficiency issues. Within this forum, particular attention is paid to such aspects of a national energy efficiency strategy as taxation, pricing policy in the energy sector, environmentally-related subsidies and other mechanisms for financing energy efficiency objectives.

In addition to the in-depth review of Sweden, representatives of FYROM, Kazakhstan, Romania, Slovak Republic and Switzerland reported to the PEEREA Group in 2006 on national energy trends and developments in energy efficiency policies.

* In **FYROM** the 2004 Energy Efficiency Strategy and the new Energy Law from 2006 have established the strategic and legal framework for increasing energy efficiency and renewable energy in the country. Secondary legislation for energy efficiency in buildings and labelling of household appliances has been developed.

* In **Romania** in 2003-2004 the government has approved national medium-term energy, energy efficiency and renewable energy strategies. Currently the role of the national energy efficiency agency (ARCE) is being strengthened.

* In **Kazakhstan**, market liberalisation and the planned increases of energy prices are expected to stimulate energy efficiency. State activities and resources are mainly directed at energy efficiency in the public sector.

* In the **Slovak Republic** the Energy Performance of Buildings act of 2005 establishes the basis for improving the energy performance of buildings. The last Energy Policy of the Slovak Republic was approved by the government in January 2006, and includes energy savings as a priority.
Estonia and Moldova reported on progress in implementing the recommendations made in the in-depth energy efficiency reviews of these countries in 2003 and 2004, respectively.

Estonia has kept growth in energy consumption at a rate which is less than half of the increase in GDP. The new energy policies and new regulation of the energy markets have resulted in a more favourable environment for energy efficiency. Driving forces and challenges ahead are the rising energy prices and the transposition of the EU directives on thermal standards of buildings, on energy services and eco-design. Moldova has also seen some improvements in energy intensity, but more action on energy efficiency is required in combination with planned improvements in energy infrastructure.

There have been very important developments in recent years on international cooperation on climate change, notably the entry into force of the Kyoto Protocol and the launch of the EU’s emissions trading system for CO₂. Several energy targets are set in the ten-year (2001-2010) SwissEnergy programme: a 10% reduction in fossil fuel consumption, an electricity demand growth cap of 5% over the decade, the stabilisation of hydropower generation capacity and targets for electricity and heat production from non-hydro renewables.

Cogeneration (CHP) and district heating (DH) are used in many Energy Charter countries, but the respective shares in power and heat production vary widely between countries.

The share of cogeneration in total power production varies between 10 and 50 percent and the share of district heating in total heat production varies from less than 5 to more than 60 percent.

Many countries have the potential to increase their overall energy efficiency through higher shares of cogeneration and of district heating, and by reducing energy losses when upgrading district heating systems.

A report prepared by the PEEREA Group and released in 2006 deals with the role of local authorities in promoting cogeneration and district heating.

One conclusion reached was that successful programmes and policies are contingent on the capacity of local authorities to implement measures that are designed to meet local needs, take into account social conditions, and improve the environment, without distorting energy markets.

In Switzerland there are three priority sectors for end-use efficiency: public sector and buildings, industry and services, including appliances, and transport. Several energy targets are set in the ten-year (2001-2010) SwissEnergy programme: a 10% reduction in fossil fuel consumption, an electricity demand growth cap of 5% over the decade, the stabilisation of hydropower generation capacity and targets for electricity and heat production from non-hydro renewables.

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The report was developed in the Charter’s Working Group on Energy Efficiency, and pays special attention to the implications for both EU and non-EU countries of the EU’s ‘Linking Directive’. This Directive allows EU member states to gain emission credits through the Kyoto Protocol’s project-based mechanisms (Joint Implementation and the Clean Development Mechanism) by investing in emissions-saving projects in countries that have ratified the Protocol.

(signs reads) ‘Dear Colleagues. Before leaving: have you turned off the lights and all electronic equipment?; have you closed all windows and doors?’

With fast rising energy prices, the issue of energy efficiency is rising fast up the policy agenda in many countries with economies in transition.

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The transport sector represents the largest oil consuming sector in the world and therefore one of the main challenges for policies on climate change and security of energy supply.

A report presented for discussion to the PEEREA Group concentrates on trends in energy consumption, CO₂ emissions and efficiency in the transport sector, technical and non-technical measures to improve energy efficiency, and policies promoting energy efficiency in the transport sector (including taxation, promotion of alternative fuels, possibilities to introduce CO₂ trading schemes, etc).

The PEEREA discussions have involved other international organisations and stakeholders with clear responsibilities in the transport area, and the aim is to identify policies that can assist in improving energy efficiency in transport.

In 2006, the PEEREA Group also developed a report on the evaluation of energy efficiency policies and measures, which addresses the critical public policy issue of the effectiveness of energy efficiency policies and programmes. The report examines the costs and institutional capabilities required for undertaking proper evaluations, and also considers how the contribution of energy efficiency measures can be assessed in relation to other policy objectives, for example in relation to climate change or the transport sector. The study includes a number of specific examples from various countries as well as evaluations made by international organisations.

This report is due to be finalised and disseminated in 2007, alongside a study on renewables on the demand side. However, the most prominent output from the PEEREA Group in 2007 will be a report on delivering energy efficiency improvements across the Energy Charter constituency, which will be delivered to the UN-ECE ‘Environment for Europe’ Ministerial Meeting in Belgrade. This report will highlight both main areas of progress (including energy standards for buildings, appliances and CHP/DH) and areas of challenge (such as transport and energy efficiency financing). The report is being prepared in response to the invitation from the previous Ministerial Meeting in 2003 in Kyiv, and will emphasise the political importance of energy efficiency measures in meeting environmental objectives.

“This is the vision we must work together to complete; convergent and effective rules, to promote the most efficient production and use of energy. This means open, non-discriminatory access to energy markets, networks and resources. It means the right regulatory framework and a level playing field, to ensure this access and to promote other objectives, such as environmental objectives.”

The Energy Charter Treaty contains a comprehensive system for settling disputes on matters covered by the Treaty. The two basic forms of binding dispute settlement are state-state arbitration on the interpretation or application of almost all aspects of the Treaty (except for competition and environmental issues), and investor-state arbitration for investment disputes. There are special provisions, based on the WTO model, for the resolution of inter-state trade issues and the Treaty also offers a conciliation procedure for transit disputes.

The starting point for all these mechanisms is the desirability of an amicable agreement between the parties to any dispute. However, in the event that this does not prove possible, then the Treaty opens a number of additional avenues to promote and reach a settlement.

* **Disputes between parties to the Treaty**: Article 27 provides for an arbitration procedure for disputes regarding the interpretation or application of the Treaty (except for competition and environmental issues).

* **Disputes between investors and host governments**: Article 26 provides various options for investors to take host governments to international arbitration in the event of an alleged breach of the Treaty’s investment provisions.

* **Transit disputes**: Article 7.7 provides a specialised conciliation mechanism for transit disputes, allowing for a faster and less formal procedure without interruption to transit flows.

* **Trade disputes**: Article 29 and Annex D include a mechanism (closely following the WTO model) for settling trade disputes between Energy Charter member countries, provided that at least one of them is not a WTO member.

* **Competition and environmental issues**: as far as disputes concerning competition (Article 6) and environmental issues (Article 19) are concerned, the Treaty provides for bilateral (in the case of competition) or multilateral (in the case of environmental protection) non-binding consultation mechanisms.
Use of the investor-state mechanism

Eight years after the Treaty entered into force, the investor-state dispute settlement mechanism has a proven operational record. If an investor chooses to bring a dispute to arbitration, there are three possible avenues: the International Centre for the Settlement of Investment Disputes (ICSID - an autonomous international institution with close links to the World Bank); a sole arbitrator or an ad hoc arbitration tribunal established under the rules of the United Nations Commission on International Trade Law (UNCITRAL); or an application to the Arbitration Institute of the Stockholm Chamber of Commerce. International arbitral awards are binding and final, and each Contracting Party is obliged to make provision for the effective enforcement of such awards in its area.

The frequency with which disputes are brought by investors under the Energy Charter Treaty is increasing, due in part to an increased awareness among energy investors and the legal community about the Treaty. Bringing a case to international arbitration is a last resort for any investor. Nonetheless, the existence of an effective option to take a case to arbitration is important in encouraging member countries to observe their Treaty obligations and in promoting a stable environment for investment in line with the objectives of the Treaty.

List of Investor-State Dispute Settlement Cases (as of end 2006)

<table>
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<th>Investor:</th>
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<td>Libananco Holdings (Cyprus)</td>
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<td>Pending</td>
</tr>
<tr>
<td>Azpetrol (Netherlands)</td>
<td>Azerbaijan</td>
<td>2006 - ICSID</td>
<td>Pending</td>
</tr>
<tr>
<td>Cementownia “Nowa Huta” (Poland)</td>
<td>Turkey</td>
<td>2006 - ICSID</td>
<td>Pending</td>
</tr>
</tbody>
</table>

NB: There is no requirement that investor-state disputes be notified to the Secretariat, nor is the Secretariat involved in the administration of the investor-state dispute settlement procedure. This information was compiled by the Secretariat from various public sources.
The aim of the Industry Advisory Panel is to strengthen the dialogue with the energy industry and the financial sector on the main directions of the Energy Charter process, with a particular focus on risk mitigation and improvement of the business climate.

The initiative to create the Panel was launched by the Greek Presidency of the EU, and the Charter Conference approved terms of reference and the initial composition of the Panel in 2004.

The Panel acts as a consultative body for the Energy Charter process as a whole and provides advice on the Charter’s work related to energy investments, cross-border flows and energy efficiency.

The Energy Charter’s Industry Advisory Panel focused on two principal issues in 2006, access to capital and access to infrastructure.

The discussions on access to capital highlighted the difficulties for companies in some parts of the Charter constituency in raising finance for investment projects. While there is abundant finance available on the international money markets, this is available in some countries only at higher cost and shorter duration. In this context, the Panel noted the links between access to capital and the level of risk associated with individual markets, and welcomed efforts - including those in the Charter process - to promote a favourable investment climate in the countries concerned.

On access to infrastructure, the Panel heard presentations from a number of members, highlighting some practical and policy issues that could be taken up in the Charter process. The discussion centred on the appropriate balance between the need to secure investment in new infrastructure, often associated with long-term contracts and a degree of exclusivity for the use of transportation networks, and the benefits of an open access regime. The Panel’s conclusions on this issue were presented both to the Charter’s Investment Group and to the Energy Charter Conference.

A Communication from the IAP was presented to the Charter’s member states at their meeting in November 2006 by Howard Chase of BP Europe, the Panel’s Chairman. Concluding his report, he underlined industry support for the Energy Charter Treaty, whose benefits are additive to other bilateral and regional initiatives, and suggested that there is scope for the Charter to expand its influence and activity at a time when energy is at the top of the international agenda.

The Charter’s member countries welcomed the Communication from the Panel and reaffirmed the importance of a strong dialogue with the energy industry. They also re-confirmed the IAP’s mandate and invited it to continue with its advisory work; the Secretariat will follow up on the findings of the Panel in its future activities.

Howard Chase  
Chairman of the IAP, Director, European Government Affairs, BP Europe.

Eloy Alvarez Pelegry  
Secretary General; Union Fenosa Gas

Kevin Bortz  
Director, Natural Resources, EBRD

Oleg Buchnev  
General Director, NIIgasekonomika, Gazprom

Paul Bulteel  
Secretary General, Eurelectric

Ksenia Datsko  
Chief of Foreign Relations and Protocol, RAO UESR

Jean-Marie Devos  
Secretary General, Eurogas

Kiril Gegov  
Chief Executive Director, Bulgargaz

Levan Gogodze  
Member of the Supervisory Board, Georgian Gas International Corporation

Emanuel Höhener  
CEO, EG Laufenburg AG

David Isenegger  
Legal Counsel, Shell EP International Ltd.

Geert Joosten  
President, Gas Infrastructure Europe

Anastasia Kalkavoura  
Head of International Activities Department, Hellenic Petroleum

Carmel Kilkenny  
Commercial Manager, BHP Billiton

Michel Kolly  
Head of Power and Emissions Trading, TOTAL

Serhiy Korniush  
Head of Department for External Economic Relations and Investment, NEC Ukrenergo

Othmar Kranz  
Consultant, Österreichische Elektrizitäts-Wirtschafts AG (Verbund)

Frank Kuijlaars  
Head, Integrated Energy CEEMEA, ABN AMRO

Takashi Kuroko  
Senior Vice President, Energy Business Division, Mitsubishi Corporation

Evgeny Mishuk  
Chairman of the Executive Board, CIS Electric Power Council

Andrzej Osiadacz  
President of the Board, PGNiG

Cenk Pala  
Head of the Strategic Development Department, BOTAS

Beate Raabe  
Director, EU Affairs, OGP

Klara Rakhmetova  
Director of Department, Kazmunaigaz

Karl-Peter Thelen  
Head of Regulatory Affairs, E.ON Ruhrgas AG

Tom Therkildsen  
Special Advisor, Natural Gas Strategy, Statoil

Nazim Veliyev  
Head of Science and Technical Department, SOCAR

Masaakira Yokoyama  
General Manager, London Office, JOGMEC
Putting the global energy economy on a secure and sustainable path of development will require renewed efforts from governments and international organisations. This was a key message from a high-level Conference, organised jointly in Brussels on 25 October 2006 by the Energy Charter, the International Energy Agency and the Organisation for Security and Cooperation in Europe, on the role of governments and international organisations in promoting energy security.

The aim of the Conference, which took place following the G8 discussions on energy security in St Petersburg in July, was to identify points of converging interest between countries along the energy value chain, and to discuss policies and instruments that can provide a constructive framework for international energy cooperation and enhanced energy security.

Representatives of governments, industry and other stakeholders from across Eurasia and across the Atlantic were welcomed at the Conference by Karel De Gucht, Foreign Minister of Belgium and OSCE Chairman-in-Office, by Henning Christophersen, Chairman of the Energy Charter Conference, and by Ambassador William Ramsay, Deputy Executive Director of the IEA.

“Energy security will remain on top of the global political agenda. Therefore, I call on all countries to acknowledge the importance of strengthening dialogue and co-operation not only between governments themselves, but also between governments and industry”, said Mr De Gucht.

Ambassador William Ramsay, Deputy Executive Director of the International Energy Agency, underlined the need for transparent and coherent governance in order to maintain investor confidence and secure upstream investment. “For this enhanced market diversity is also important, to complement well-established trade links and to strengthen overall energy sector performance.”

Speakers at the Conference include high-level representatives from energy producing states – Russia, Iran, Norway – from major transit countries such as Ukraine, as well as from net energy importers such as the European Union and the United States, and from the co-hosting organisations, the Charter Secretariat, IEA and OSCE.

Speeches and presentations made at this Conference are available at: www.encharter.org > Meetings
The Conference in Brussels was opened by (from left): André Mernier, Secretary General; Henning Christoffersen, Chairman of the Energy Charter Conference; Karel De Gucht, Foreign Minister of Belgium and OSCE Chairman-in-Office, and; Ambassador William C. Ramsay, Deputy Executive Director of the International Energy Agency.

The event attracted high-level participants from more than forty countries across Eurasia and from the United States, along with representatives of the energy industry, academia and other stakeholders; it was held in the Palais d’Egmont in Brussels.

Assadollah Maleknejad (left), International Energy Consultant and former Director of Gas Marketing and Export at the National Iranian Oil Company, provided his perspective on Iranian gas export options, alongside Hilal Raza, Director General of the Hydrocarbon Institute of Pakistan, and Ambassador Ramsay from the International Energy Agency.

Speakers at the final session on ‘Access to Markets’ included Leonid Grigoriev (left), President of the Institute of Energy and Finance in Moscow, and Isak Novruzov, Deputy Minister of Energy of Georgia. The session was chaired by Mithat Rende (right), Deputy Director General of Energy, Water and Environment in the Ministry of Foreign Affairs of Turkey and Chairman of the Charter’s Trade and Transit Group.

Drawing conclusions from the day’s discussion were: (from left) Ralf Dickel, Director for Trade, Transit and Relations with Non-Signatories at the Energy Charter Secretariat; Ann Eggington, Head of Non-Member Countries Division for Europe, the Middle East and Africa, International Energy Agency, and; Bernard Snoy, Coordinator of OSCE Economic and Environmental Activities.
Relations with Non-Signatories

Pakistan

At its meeting in November 2006, the Energy Charter Conference unanimously invited the Islamic Republic of Pakistan to become the 53rd member of the Energy Charter, opening the way for Pakistan to accede to the 1994 Energy Charter Treaty.

The decision of the Conference was based on the request from Pakistan and upon three reports, prepared by the Government of Pakistan and the Charter Secretariat in 2006, which analysed the compatibility of Pakistan’s legislation with the provisions of the Energy Charter Treaty and reviewed the investment climate and policies relating to energy efficiency. These reports did not identify any measures preventing Pakistan from applying the Treaty provisions.

“This is a significant decision for the Energy Charter process, for Pakistan, and for international energy cooperation” said the Chairman of the Energy Charter Conference, Mr Henning Christophersen. “Demand for energy is growing rapidly in Pakistan and across South Asia. This will require new investments in energy production and infrastructure, and attention to the environmental impact of energy use. The Energy Charter can help Pakistan to meet these challenges.”

After the approval of Pakistan’s accession, the head of Pakistan’s delegation, Mr Mukhtar Ahmad, Advisor to the Prime Minister of Pakistan, said that the Charter could assist Pakistan in its ambition to promote economic development by expanding regional energy investment and trade. “The Treaty’s provisions on energy trade and the groundbreaking provisions on energy investments have no equivalent in any other multilateral instrument of this importance”, said Mr Ahmad.

Pakistan will legally become a party to the Energy Charter Treaty and member of the Energy Charter Conference 90 days after the receipt of notification that Pakistan has completed its own procedures for accession and ratification.

The 1991 Energy Charter Declaration, also known as the European Energy Charter, provides the political foundation for the Charter process.

The Declaration is a concise expression of the principles that should underpin international energy cooperation, based on a shared interest in secure energy supply and sustainable economic development.

Following signature by Afghanistan (see opposite page), this political Declaration has now been signed by fifty-six countries, including the United States and Canada. All signatories to the Declaration are observers to the Charter process, and signature is a first and necessary step towards accession to the 1994 Energy Charter Treaty.

Observer states are entitled to attend all meetings of the Energy Charter Conference and its working groups, and to receive all related reports and analysis. For a list of observers to the Energy Charter, see page 5.

President Musharraf of Pakistan said that the Energy Charter Treaty can help Pakistan in its ambition to become a major country for regional energy trade, during a meeting with the Secretary General in Brussels on 12 September 2006.
Relations with Non-Signatories

“The challenges addressed by the Energy Charter are not limited to a select group of countries. These are global issues, and the Energy Charter is also responding to interest from other countries outside its traditional constituency.

The Energy Charter is an open organisation, and has been strongly influenced in recent years by the general trend towards globalisation. The Asian dimension of the Charter has in particular become prominent, as countries across this region look for instruments to meet their own energy needs.”

From the address by André Mernier, Secretary General, to the Annual Conference of Eurogas, Brussels, 22 September 2006

“We acknowledge the role of the Energy Charter Treaty in promoting energy security. We look positively at the increasing interest shown by some ASEAN + 3 countries to deepen the understanding of the Energy Charter process.”

From the Chairman’s Statement on the outcome of the meeting of Ministers of Energy from the countries of the Association of Southeast Asian Nations (ASEAN) plus China, Japan and Korea, 27 July 2006

Afghanistan

Afghanistan became the latest observer state to the Energy Charter in August 2006, when it signed the 1991 Energy Charter Declaration at a ceremony in Kabul. The decision of the Government of Afghanistan to seek a closer association with the Energy Charter is part of a broader effort to promote greater regional economic cooperation in Central and South Asia.

Afghanistan imports electricity from neighbouring countries, and is looking to expand this regional trade; it also has potential as a transit country for exports of natural gas from Central Asia to the growing markets of South Asia.

A Conference on regional cooperation took place in Kabul on 4-5 December 2005, co-chaired by Afghanistan and the UK, and attended by representatives from neighbouring countries, the G8, the UN and international financial institutions. The ‘Kabul Declaration on Regional Economic Cooperation’, adopted at the conclusion of this Conference, encouraged Afghanistan to consider joining the Energy Charter.

East and Southeast Asia

Alongside the closer association by Pakistan and Afghanistan with the Charter process, other countries across Asia have also demonstrated their interest in the Charter as a means of strengthening energy cooperation.

A meeting in Vientiane in July of Energy Ministers from the ten countries of the Association of Southeast Asian Nations (ASEAN) together with China, Japan and Korea welcomed the interest shown by Asian countries in the Charter (see above). This call was reinforced at the meeting of Heads of State of the Europe-Asia Meeting in Helsinki in September.

Southeast Europe

Meeting with the Secretary General in June, the Serbian Minister of Energy and Mining Radomir Naumov underlined that Serbia was interested in pursuing accession to the Charter Treaty. He added that the investment protection provided by the Treaty would complement the Serbian efforts in other areas to restructure and reform its energy sector. Accession by Serbia and in addition by Montenegro would mean that all the countries of Europe are signatories to the Energy Charter Treaty.
The work of the Energy Charter Conference and its subsidiary working groups is supported by a small multinational Secretariat, based in Brussels. The staff of the Secretariat is drawn from across the Energy Charter constituency, and it is led by a Secretary General appointed by the Conference.

The Secretariat’s activities are included in an annual Work Programme, which is subject to approval by the Energy Charter Conference. The priorities for Energy Charter activities in 2007 were approved by the Conference in November 2006, and are drawn from the international debate on energy security:

* Facilitating investment in all stages of the energy supply chain through transparent, open and non-discriminatory legal and regulatory frameworks
* Ensuring reliable cross-border energy flows and international energy transit
* Promoting energy saving and energy efficiency measures
* Supporting the transparent operation of international energy markets
* Raising awareness about the principles of the Energy Charter, and responding to interest from non-member countries in the Charter process

Since January 2006, the Secretary General of the Energy Charter Secretariat is André Mernier, from Belgium. Before becoming Secretary General, Mr Mernier had a distinguished career in the Belgian foreign service, including four years as Ambassador in Moscow from 2000-2004.

The Deputy Secretary General since 2002 is Andrei Konoplyanik from Russia. Dr Konoplyanik, a former deputy Minister of Energy, is an energy economist who has written and commented extensively on developments in the energy sector across Eurasia.

The budget for the Energy Charter process in 2006 was 4.5 million Euros, funded through contributions from member states. The share of national contributions is calculated using a scale based on that used in the United Nations.

The Charter’s Budget Committee was chaired in 2006 by Yrjö Saharakorpi from Finland.
There were twenty-nine staff in the Secretariat in 2006, and, apart from the Secretary General himself, who took up his office in January 2006, the Secretariat welcomed two other new members of staff during the year. A full organigramme is available on the Energy Charter website (see under ‘Secretariat’)

Sedat Çal, from Turkey, is a lawyer by training, and was previously the Head of Department in the Turkish Treasury responsible for financing of infrastructure projects and public-private partnerships. He is working as a senior expert on investment issues, taking over from Joachim Karl, who left in 2005 to take up a position at UNCTAD.

The Secretariat also welcomed Olga Sorokina, a Russian national, who arrived from the IEA to work on the Charter’s public information policy, including the new website and the Charter’s publications.

One staff member left the Secretariat in 2006, when the Energy Charter said a grateful farewell in September to Erik Sørensen, who has served as Director of Investment and Energy Efficiency since 2002. His replacement is Mr Dario Chello, who took up this position in February 2007. Before joining the Secretariat, Mr Chello was the Head of International Affairs under the General Director for Energy in the Italian Ministry of Economic Affairs.

In addition to the staff under contract, the Secretariat benefited from the assistance of seven short-term secondees and interns in 2006: these were Mohammad Ali Raza (Pakistan), Katsiaryna Yafimava (Belarus), Viktoria Bulyuk (Russia), Vahan Rubenyan (Armenia), Sergiy Esaulov (Ukraine), Nasir Andisha (Afghanistan), and Tsvetelina Delcheva (Bulgaria).
New Publications and Reports
available at www.encharter.org

Gas Transit Tariffs and Tariff Methodologies in Selected Energy Charter Member Countries

Cogeneration and District Heating: Best Practices for Municipalities

The Impact of CO2 Reduction Measures on Energy Trade

Energy Efficiency and Emissions Trading

Country Reports - Investment

In-depth Review of the Investment Climate and the Market Structure in the Former Yugoslav Republic of Macedonia

In-depth Review of the Investment Climate and the Market Structure of the Republic of Turkey
Follow-up Review of the Investment Climate and Market Structure in Ukraine

**Country Reports - Energy Efficiency**

In-depth Review of Energy Efficiency Policies and Programmes in Sweden

Regular Review of Energy Efficiency Policies and Programmes in Switzerland

Regular Review of Energy Efficiency Policies and Programmes in Romania

Regular Review of Energy Efficiency Policies and Programmes in Slovakia

Regular Review of Energy Efficiency Policies and Programmes in the former Yugoslav Republic of Macedonia

Regular Review of Energy Efficiency Policies and Programmes in Kazakhstan
Annex I

Meetings and Events in 2006

10 March  
Russia - EU informal Expert Meeting on the draft Transit Protocol

30 March  
Industry Advisory Panel

7 April  
2nd Russia - EU informal Expert Meeting on the draft Transit Protocol

4 May  
3rd Russia - EU informal Expert Meeting on the draft Transit Protocol

15 May  
4th Russia - EU informal Expert Meeting on the draft Transit Protocol

16 May  
Expert Meeting on Instruments to Foster Cooperation in the Electricity Sector

17-18 May  
Trade and Transit Group

19 May  
Expert Meeting ‘Providing Reliable Gas Transit’

23-24 May  
Investment Group

9 June  
5th Russia - EU informal Expert Meeting on the draft Transit Protocol

14-15 June  
Working Group on Energy Efficiency and Related Environmental Aspects

22-23 June  
Seminar on International Pricing Mechanisms for Oil and Gas

14-15 September  
Second Seminar on International Pricing Mechanisms for Oil and Gas

19 September  
Budget Committee

19 September  
Ad Hoc Expert Meeting on the Secretariat’s draft Work Programme for 2006

A main focus for the international debate on energy security throughout 2006 was provided by the decision of the Russian Presidency of the G8 to make energy security a central theme of their presidency. At their summit in St Petersburg in July, the G8 countries expressed their support for the principles of the Energy Charter.
<table>
<thead>
<tr>
<th>Date</th>
<th>Meeting</th>
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<tbody>
<tr>
<td>27 September</td>
<td>Industry Advisory Panel</td>
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<tr>
<td>27 September</td>
<td>Expert Meeting on ‘Operational Requirements for Reliable Gas Transit’, Bratislava</td>
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<tr>
<td>17-18 October</td>
<td>Workshop on ‘Recent Developments with the Energy Charter’s Model Agreements’</td>
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<td>19-20 October</td>
<td>Investment Group</td>
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<td>25 October</td>
<td>Conference on ‘The Role of Governments and International Organisations in Promoting Energy Security’ (organised jointly with the IEA and the OSCE)</td>
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<td>26-27 October</td>
<td>Trade and Transit Group</td>
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<tr>
<td>9-10 November</td>
<td>Working Group on Energy Efficiency and Related Environmental Aspects</td>
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<td>13 November</td>
<td>Budget Committee</td>
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<tr>
<td>13 November</td>
<td>Ad Hoc Preparatory Meeting for the Energy Charter Conference</td>
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<tr>
<td>20 November</td>
<td><em>Seventeenth Meeting of the Energy Charter Conference</em></td>
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*Hartmut Schneider (right), Deputy Director General for Energy in the German Ministry of Economic Affairs and Technology, in conversation with Tim Gould, Senior Advisor at the Secretariat, at an Energy Security Conference in Moscow in March*
### By the Secretary General

<table>
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<tr>
<th>Month</th>
<th>Speech/Presentation</th>
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<tr>
<td>February</td>
<td>‘The Energy Charter and EU Energy Policy Priorities in 2006’: Presentation to the EU Council’s Energy Group, Brussels</td>
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<td></td>
<td>‘An Energy Charter Perspective on Eurasian Gas Market Developments’: Presentation to the Board of Eurogas</td>
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<tr>
<td>May</td>
<td>‘The Energy Charter in East Asia’: Presentation to the Nippon Kaidenren (Japanese Business Federation), Tokyo</td>
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<tr>
<td>July</td>
<td>‘Southeast Asian Energy Security; the Contribution of the Energy Charter Treaty’: Presentation to the meeting of Ministers of Energy from the countries of ASEAN plus China, Japan and Korea, Vientiane, Laos</td>
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<tr>
<td>September</td>
<td>‘The Future Role of the Energy Charter Treaty’: Speech to the Annual Conference of Eurogas, Brussels</td>
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<td></td>
<td>‘La Charte de l’énergie: son rôle actuel et futur’: Club de Nice Forum Energie et Géopolitique ”La Ville et la Sécurité Énergétique”, Nice</td>
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<tr>
<td>December</td>
<td>‘Russia and the Energy Charter Treaty’: Presentation and discussion with the Committee on Energy, Transport and Communications of the Russian State Duma, Moscow</td>
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Selected speeches and presentations are available at [www.encharter.org](http://www.encharter.org)
### By the Deputy Secretary General

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<tr>
<th>Month</th>
<th>Presentation</th>
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<tr>
<td></td>
<td>'Ukrainian-Russian Gas Dispute and the ECT': Presentation at the Workshop organized by CEPS on &quot;Security Implications of Russian Energy Policy&quot;, Brussels</td>
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<td></td>
<td>'Russian Presidency in the G-8, Energy Security and the Energy Charter process': Presentation at the Energy Committee of the Association of European Businesses, Moscow</td>
</tr>
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<td></td>
<td>'Russian gas to Europe, energy security and ECT: possible risks and mechanisms of their prevention/mitigation': Presentation at the Energy Security Roundtable, Canadian Embassy, Moscow</td>
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<tr>
<td>April</td>
<td>«Договор к Энергетической Хартии – ключ к обеспечению международной энергетической безопасности»: Выступление на совместном заседании Комитета Торгово-Промышленной палаты РФ по безопасности предпринимательской деятельности и Экспертного клуба «Аквилон», Москва</td>
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<td>«Международное сотрудничество в энергетике и ключевая роль процесса Энергетической Хартии в обеспечении международной энергетической безопасности»: Выступление на конференции «Международное измерение энергетической безопасности России», МГИМО-БИПи, Москва</td>
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<td></td>
<td>«Энергетическая Хартия и ее ключевая роль в обеспечении международной энергетической безопасности»: Выступление на конференции на тему «Глобальная безопасность и «восьмерка»: вызовы и интересы», Москва</td>
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<tr>
<td>June</td>
<td>'Russia, European Union, energy security and the Energy Charter process':- Presentation at the RUSI-WEF “Russia, Central Asia and the Caucasus: energy &amp; security conference”, London</td>
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<tr>
<td>September</td>
<td>'Energy Charter’s role in improving international energy security': Presentation at the Meeting of Energy Ministers of the members of the Organisation for Black Sea Economic Cooperation, Sochi</td>
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The Deputy Secretary General was also a regular contributor to energy journals in 2006, publishing in such publications as «Нефть России», «Нефтегазовая Вертикаль», «Нефть, газ и право», «Ведомости», the 'Petroleum Economist' the 'Russian/CIS Energy & Mining Law Journal' and the 'Journal of Energy and Natural Resources Law'.

Deputy Secretary General
Andrei Konoplyanik addressing the Energy Ministerial of the Black Sea Economic Cooperation, held under the Russian BSEC Presidency in Sochi on 26-27 September.
Selected Presentations by Other Members of the Energy Charter Staff

January


Boyko Nitzov: 'Trans-border Gas Pipelines: from Concept to Project'; Presentation at an ECS Seminar for Chinese officials, Beijing

Ralf Dickel: 'Investments for the Future, the Global Perspective: the Energy Charter: Best Available Protection for Investments': Presentation to the IEA/IGU/CIEP High-Level Conference on Regulation of Natural Gas Markets, Paris

February

Yulia Selivanova: 'International Trade in Energy': Session on energy at the WTO Regional Workshop for University Professors in Central and Eastern Europe, Central Asia and the Caucasus, Vienna

March


Ralf Dickel: 'Instruments of the Energy Charter to Promote Sound Gas Markets, Investment, Transit and Trade': Presentation to the IEA Meeting of the Committee on Non-Member Countries, Paris

Ralf Dickel: 'Gas Transit Tariffs in Eurasia, Comparison of Methodologies and Results': Presentation to the FLAME Conference, Amsterdam

Graham Coop: 'Examining the Impact of the Energy Charter Transit and Dispute Settlement Provisions on Access to Gas Sources': Presentation to the FLAME Conference, Amsterdam


Gürbüz Gönül: 'The Energy Charter Transit Principles and Their Implementation: Gas Transit Tariffs': Presentation at the Turkey, Caspian and Black Sea Oil and Gas Conference, Ankara


April


Tim Gould: 'Some Considerations on the Russia-Ukraine Gas Dispute': Presentation to the colloquium "Eurasian Pipelines – Road to Peace, Development and Interdependencies", Harriman Institute, Columbia University, NY

Ralf Dickel: 'Instruments of the Energy Charter / Gas Transit Tariffs in Eurasia – Comparison of Methodologies and Results': Presentation to a Gazprom Delegation, Paris

May


<table>
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<tr>
<th>Month</th>
<th>Speakers and Presentations</th>
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</table>
| June    | **Graham Coop**: 'International Legal Issues affecting Cross-border Pipelines': Presentation at the Conference on "Advanced International Boundary Disputes in Oil and Gas", London  
  **Ralf Dickel**: 'The Energy Charter: Benefits of a Multilateral Instrument Power': Presentation to the Conference "Power through Energy, the International Relations of Energy", Brussels |
| August  | **Tim Gould**: 'Future Gas Supply to Europe': Presentation to a seminar for journalists, organised by E-Control, Vienna |
  **Yulia Selivanova**: 'Transition to a Sustainable Energy Future: Global Trade Rules and Energy Policies': Presentation to an Expert Meeting on Energy Standards, Climate Change and International Trade, Geneva |
| October | **Ralf Dickel**: 'What Role for Long Term Contracts?': Presentation to the OIES Gas Research Programme, Oxford  
  **Ralf Dickel**: 'Die Rolle internationaler Organisationen': Presentation to the Advisory Board of EVG, Dresden  
  **Ralf Dickel**: 'Die Energie Charta und die Rolle internationaler Organisationen': Round table discussion at VNG, Leipzig  
  **Ralf Dickel**: 'Gas Prices: The Role of Long-Term Import Contracts': Workshop on EU Gas Markets organised by the ITRE Committee of the European Parliament, Brussels  
  **Boyko Nitzov**: 'The Energy Charter Treaty: Provisions and Implementation': Presentation to the APERC Mid-Year Workshop, Tokyo |
| November | **Miharu Kanai**: 'Investment, Energy Security and the Energy Charter Treaty': Presentation to the UNCTAD Expert Meeting on FDI in Natural Resources  
  **Boyko Nitzov**: 'The Evolving Role of TNCs in Extractive Industries': Presentation at the UNCTAD Brainstorming on the Outline of the World Investment Report 2007  
  **Ralf Dickel**: 'Die sichere Energieversorgung in Europa – was bringt uns die Zukunft?': Presentation at E-Control, Vienna  
  **Gürbüz Gönül**: 'The Energy Charter Treaty and its Principles on Energy Transit': Presentation at the 10th Energy Congress of Turkey, Istanbul |
| December | **Tim Gould**: 'What Role for the Energy Charter in East and South Asia': Presentation to the colloquium "Eurasian Pipelines – Road to Peace, Development and Interdependencies", Harriman Institute, Columbia University, NY  
  **Gürbüz Gönül**: 'The Role of the Energy Charter in Energy Security': Presentation at the Regional Seminar of the ENCORED Project "South-East Europe Gas and Electricity Corridors", Ankara  
  **Ralf Dickel**: 'Market Structure and International Gas Pricing Mechanisms': Presentation to the IIASA Round Table on Security of Supply and Security of Demand, Laxenburg, Austria |
Meetings of the Energy Charter Conference and its Subsidiary Groups are open to representatives of member and observers states, as well as to representatives of international organisations having the status of observers. A full list of these countries and organisations is available on page 5.

Information on the Industry Advisory Panel is available on page 26.

Regular meetings of the Energy Charter Conference, the governing and decision-making body of the Energy Charter, take place once a year, usually in November / December.

In addition to the groups mentioned above, there are other ad hoc meetings and advisory bodies that meet on specific topics, such as the Legal Advisory Task Force (see page 15), the Expert Group on Model Agreements, and an ad hoc group that meets to discuss the Charter’s Programme of Work.
Energy Charter Conference
Chairman: Takekazu Kawamura (Japan)
Vice-Chairmen: Ivan Materov (Russia)

Investment Group
Chairman: Michael Caramanis (Greece)
Vice-Chairman: Shukhrat Khamidov (Uzbekistan)

Trade and Transit Group
Chairman: Mithat Rende (Turkey)
Vice-Chairman: Victor Kalmykov (Russia)

Energy Efficiency Working Group
Chairman: Peter Helmer Steen (Denmark)
Vice-Chairmen: Tamas Jaszy (Hungary)
Wolfgang Stinglwagner (Germany)

Budget Committee
Chairman: Yrjö Saharakorpi (Finland)

Industry Advisory Panel
Chairman: Howard Chase (BP)
The Energy Charter’s web site - at www.encharter.org - was re-launched in December 2006 and gives access to public information about the Charter process, including all publications, and details of past and forthcoming events organised by the Energy Charter Secretariat.

The Secretariat also publishes a regular electronic newsletter with details of Energy Charter meetings, activities and developments. If you are interested to receive this newsletter, please subscribe by visiting the Charter’s web site. For any other queries, please contact the Secretariat at the address below, or send an email to info@encharter.org.

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