

**ENERGY CHARTER  
SECRETARIAT**

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Brussels, 27 November 2018

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| Related documents:<br>CC 633, CC 641 |
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**DECISION OF THE ENERGY CHARTER CONFERENCE**

**Subject: Report by the Chair of the Strategy Group**

The Energy Charter Conference at its 29<sup>th</sup> Meeting held on 27-28 November 2018 **took note** of the Report by the Chair of the Strategy Group as contained in document CC 633 (attached hereto).

Keywords: Report, Chair, Strategy Group

## REPORT BY THE CHAIR OF THE STRATEGY GROUP

1. **Strategy Group meetings.** In line with its terms of reference (CCDEC 2010 (3) StG), the Strategy Group held two meetings in 2018, on 22 March (Chaired by the Vice-Chair of the StG, Ms. Sofía Sanz Estébanez) and on 25 October (Chaired by the Chair of the StG, Ms. Elzbieta Piskorz, and the Vice-Chair, Ms. Sofía Sanz Estébanez). In order to facilitate the process of modernisation of the ECT, the Strategy Group decided on the establishment of a Sub-Group on Modernisation. The Subgroup on Modernisation of the ECT held 6 meetings in 2018.
2. **Chairmanships priorities.** The Strategy Group took note of the regular updates by the Romanian Chairmanship as well as priorities of the upcoming Chairmanships, which were approved by the Conference based on the consensus reached among them: Albania (2019), Azerbaijan (2020), Armenia (2021), and Mongolia (2022).
3. **Chairmanship election.** At the request of the Energy Charter Conference in 2017, the Strategy Group discussed changes to the rules of procedure of the Energy Charter Conference in order to facilitate the process of election of the Chairmanship. The Strategy Group proposed to insert a deadline for the reception of nominations, stressed the need to reach consensus and clarify the selection in case there are more than one candidate for a particular year. The proposed changes were approved by the Conference on 14 November 2018.
4. **Bucharest Declaration.** The Strategy Group participated in the preparation of the text of the Bucharest Declaration. The draft of the Bucharest Energy Charter Declaration (StG 122) was presented by the Romanian Chairmanship at the last meeting of the Strategy Group. Due to time constraints it was not possible to hold substantial discussions. Therefore, delegations were requested to send their comments on the proposed text. The Chair and Vice-chair of the Group were duly informed on the comments received as well as on the subsequent discussions that took place among a small number of Contracting Parties that finalised the draft text. Once the consolidated version was supported by the Contracting Parties, the Declaration was submitted to the Conference for its adoption in Bucharest (CC 630).
5. **Review.** According to Article 34 (7) ECT, at intervals of not more than five years to be determined by the Conference, the Conference shall thoroughly review the functions provided for in the ECT in the light of the extent to which the provisions of the Treaty and Protocols have been implemented. At the conclusion of each review the Charter Conference may amend or abolish its functions and may discharge the Secretariat. The Strategy Group discussed the proposal concerning the conduct of the Review that includes the procedure and timetable as well as the terms of reference (StG 116 Rev), and received expressions of interest from Japan, Kazakhstan and the European Union to act as

coordinators of the Review. The Strategy Group recommended the Conference to approve the amended proposal and the list of Contracting Parties to act as coordinators.

6. **Russian Federation.** In 2009, Russia informed the Depository (Portugal) of its intention not to become a participant to the ECT and its termination of the provisional application of the Treaty mentioning both Art. 45 of the ECT and Art. 18 of the Vienna Convention of the Law on Treaties of 1969. However, some subsequent practice could be considered as contradictory with part of such notification. During the last meetings of the Budget Committee, several delegations requested additional information and discussion regarding the current legal status of Russia within the organisation and the potential recovery of its unpaid contribution (StG 119/BC 316). The Strategy Group started to consider the current status of Russia but agreed to wait to the report of the Legal Advisory Committee (requested by the Vice-Chair of the Budget Committee) before finalising the discussions on the matter.
7. **Modernisation.** The first phase of modernisation of the Energy Charter Process was finalised successfully in 2015 with the adoption of the International Energy Charter (which updated the initial political declaration signed in 1991). Today, 89 countries and international organisations have signed it. The next step in the modernisation exercise is to consider the potential need and usefulness of updating and/or clarifying some provisions of the ECT. Following the decision of the Conference in 2017 (CCDEC 2017 23), the Sub-Group on Modernisation (a subgroup of the Strategy Group that was established to centralise and conduct the discussions on modernisation) met several times in 2018 and presented its conclusions at the last meeting of the Strategy Group. The Strategy Group took note then of the results of the consultations (with Observers and the industry) and internal discussions carried out by the Sub-Group on Modernisation and recommended the Conference the approval of the list of potential topics for modernisation identified by the Subgroup (CC 626). The Strategy Group also requested the Secretariat to prepare, after the approval of the list of topics by the Conference, a report to be discussed at the next meeting of the Subgroup on Modernisation on the potential policy options for each of the topics listed (including the context and the potential instrument to be used), based on the current main international trends.
8. **CONEXO.** The policy on consolidation, expansion and outreach (CONEXO) was adopted in August 2012. The Energy Charter Conference adopted in June 2015 the CONEXO policy on consolidation, expansion and outreach for the period 2015 – 2018, and asked the Energy Charter Secretariat (ECS) to provide written progress reports for the targeted countries through the Strategy Group and to the Energy Charter Conference”. The Strategy Group took note of the CONEXO report 2012-2018 (StG 118). In order to reflect the results obtained in consolidation and reduced focus on outreach in the report submitted to the Strategy Group the Secretariat pointed out on the need to review the current CONEXO policy with the target to focus on the enlargement component, as well as the necessity to simplify the accession procedure. The Strategy Group decided to address possible policy discussion and adoption of the “Enlargement Policy”, replacing the current CONEXO policy and possible simplification of accession procedure, during

the 2019 Review. The discussion on the idea to set up eligibility or prioritisation guiding principles for potential new observer countries would also be addressed during the 2019 Review.

9. **New accessions.** The Strategy Group was informed of Jordan's accession to the ECT and took note of Yemen's ratification of the ECT. Jordan is a Contracting Party as of 11 December 2018. Yemen deposited the ratification instruments to the Embassy of Portugal in Paris in October 2018 and will therefore become a Contracting Party in January 2019.
10. **Iran.** The Strategy Group was informed of the organisation and outcomes of the 12<sup>th</sup> International Energy Conference that took place in Tehran on 19-20 June 2018, which was co-organised by Secretariat.
11. **Knowledge Centre.** Since its inception in early 2013, the Knowledge Centre has evolved substantially and nowadays provides a large number of services that contribute to strengthen core areas of the work of the Secretariat in relation to the external environment. The Knowledge Centre promotes the visibility of the Energy Charter Process, raises awareness on ECT issues and reinforces the Secretariat's expansion efforts. The Knowledge Centre supports areas of work of all units of the Secretariat. The Strategy Group took note of the progress and results achieved by the Knowledge Centre (StG 121). It stressed the importance of quality check of publications and also budgetary implications of the administrative support provided to the Beijing Research Centre.
12. **MoU.** The Strategy Group took note of the Model of Memorandum of Understanding (MoU), and requested the Secretariat to provide the benefits and budget implications of any future proposed MoU.
13. **Diplomatic Dialogues.** The Strategy Group did not reach consensus on the initiative presented by the Secretariat on International Energy Charter Diplomatic Dialogues (StG 107 Rev). Instead, the Strategy Group encouraged Contracting Parties to keep on involving the diplomatic services to raise awareness on the Energy Charter among the respective diplomatic communities because such input can contribute to the discussions especially in the context of the Modernisation of the ECT and CONEXO.
14. **Vision/Mission/Strategic statements.** It is usual practice for any organisation to define and communicate statements on the organisation's vision, mission and strategic objectives. These are usually publicly communicated for the purposes of informing and engaging stakeholders and are used to direct the development of more detailed programmes, activities and strategic communications. As yet, the International Energy Charter is without such statements. The Secretariat proposed to develop statements for the vision, mission and strategic objectives of the organization (StG 101 – StG 101 Rev4). In March 2018 the Strategy Group agreed on the internal use of vision/mission/strategic statements, but further discussions in the framework of the Energy Charter Conference was deemed necessary regarding the external use of these statements.

15. **Caspian Sea.** Ms. Klara Rakhmetova, Chair of the Subgroup on Transit and of the Implementation Group, made a presentation on the recently signed Agreement on the Legal Status of the Caspian Sea. The Strategy Group took note of it.

16. **Recommendation:** The Conference is asked to take note of this report.