

**ENERGY CHARTER
SECRETARIAT**

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Related documents: CC 768

DECISION OF THE ENERGY CHARTER CONFERENCE

Subject: Report by the Chair of the Budget Committee

The Energy Charter Conference at its 33rd Statutory Meeting held on 22 November 2022 **took note** of the attached Report by the Chair of the Budget Committee.

Keywords: Report, Chair, Budget Committee

REPORT BY THE CHAIR OF THE BUDGET COMMITTEE

This Report provides an overview of the activities undertaken by the Budget Committee in 2022.

Meetings of the Budget Committee

1. In 2022, four regular meetings and one extraordinary meeting of the Budget Committee were held on 28 February, 26 April (extraordinary), 30 May, 23 September and 24 October 2022. All meetings of the year were chaired by its Chairperson, Mr. Christian Bühlmann (Switzerland). Despite the calls of the Chair and the Secretariat to Member Countries to nominate a vice-Chair of the Budget Committee, no nomination was received and the position remained vacant in 2022.
2. As a consequence of the COVID-19 pandemic and taking into account travel restrictions in the ECT area, all meetings have been organised by videoconference over Zoom.
3. The following delegations attended at least one of the meetings of the Budget Committee in 2022: Austria, Belgium, European Union, Germany, Greece, Japan, Jordan, Kazakhstan, Kyrgyzstan, Lithuania, Mongolia, Slovakia, Spain, Switzerland, Türkiye, Ukraine, United Kingdom and Yemen.

Introduction

4. In addition to the regular administrative and financial matters, the Budget Committee continued and concluded the implementation of the decisions of the Conference (Message 1645/20) following the Review based on Article 34(7) of the Energy Charter Treaty in 2019. In particular, the Budget Committee concluded:
 - i. the revision the Financial Rules and its Implementing Instructions; and
 - ii. a new risk management protocol.

after having finalised in 2021:

- iii. the update of the terms of reference of the Budget Committee;
- iv. the review of the structure of the Budget;
- v. the overview of the transformation of the accounts to the International Public Sector Accounting Standard (IPSAS);
- vi. the review of the structure of the programme of work based on a prioritisation exercise; and
- vii. the Terms of Reference for the External Auditor, the call for tender for the new External Auditor and its selection.

5. The main regular topics discussed during the meetings of the Budget Committee were:
- i. the final implementation of the programme of work 2021;
 - ii. the final implementation of the Budget 2021;
 - iii. the collection of contributions 2021;
 - iv. the outstanding contributions of the Russian Federation for the years 2010 to 2014;
 - v. the Financial Statements and the Auditor's report for the year 2021;
 - vi. the acceptance of voluntary contributions from the European Union and Türkiye;
 - vii. the suspension of the provisional application of the Treaty for Belarus and its impact on contributions and the budget;
 - viii. the annual increase of salaries and allowances at 1 January 2022 and the special adjustment of salaries and allowances at 1 March 2022;
 - ix. the creation of a new activity "Cooperation for Restoring the Ukrainian Energy Infrastructure" before its transfer to the Implementation Group;
 - x. the finalisation of the draft Programme of Work for 2023;
 - xi. the finalisation of the draft Budget for 2023.

Financial and Administrative Matters

Financial Statements and Auditor's report

6. The Financial Statements at 31 December 2021, together with the Auditor's report, were discussed in September. As in previous years, the Auditor released a qualified opinion in relation to the contributions of the Russian Federation since their inclusion in the accounts were not in line with IPSAS Standards. Since there was no other particular issue, the Budget Committee recommended the Conference to discharge the Secretary General from his management and administrative responsibility in respect of the budget for 2021. The Conference discharged the Secretary General on 12 October 2022 ([CCDEC202223](#)).

Programmes of work 2021 and 2023

7. The Budget Committee took note of the final status of implementation of the programme of work for 2021.
8. The Budget Committee also revised the draft programme of work 2022-2023 for the year 2023 to include the new activity "Cooperation for restoring the Ukrainian Energy Infrastructure" ([CCDEC202209](#)) and recommended to the Conference the approval of the revised programme of work for 2023 during its meeting on 22 November 2022 (CC 767).

Budgets 2021, 2022 and 2023

9. The Budget Committee was informed by the Secretariat on the final implementation of the budget, basis for the financial statements 2021, as well as the implementation of both the Established Officials and Temporary Officials posts for the year 2021.

10. The Secretariat informed the Budget Committee about the status of implementation of the budget 2022 at 30 August 2022 and, then, at 30 September 2022, including the implementation of posts of established and temporary officials at these dates.
11. The Committee recommended to the Conference the revision of the budget 2022 on several occasions:
 - i. the withdrawal from Australia ([CCDEC202202](#));
 - ii. the offer by the European Commission of a voluntary contribution ([CCDEC202208](#)) and Türkiye (CC 778, in progress at the date of this document) to finance the new activity “Cooperation for restoring the Ukrainian Energy Infrastructure”;
 - iii. the suspension of the provisional application of the ECT for Belarus (CC 779, in progress at the date of this document); and
 - iv. the offer by the Republic of Türkiye of a voluntary contribution (CC 778, in progress at the date of this document) to finance the new activity “Cooperation for restoring the Ukrainian Energy Infrastructure”.
12. The Budget Committee also discussed the revision of the budget 2023. After additional information provided by the Secretariat and further discussions on the matter, the Committee recommended to the Conference the approval of the revised budget 2023 during its meeting on 22 November 2022 (CC 766).

National Contributions

13. The Budget Committee was regularly informed during the year on the collection of national contributions for 2022 as well as the outstanding contributions (prior to 2022). The Committee also discussed the cases of Belarus which provisional application of the Treaty has been suspended, thus the payment of its contributions, as well as the outstanding contributions of the Russian Federation for the years 2010 to 2014 for which no decision was taken and discussions will resume at a later stage.
14. The Committee also urged countries with outstanding contributions to take the necessary steps to settle their arrears and requested the Secretariat to continue informing on the progress on collection of contributions including budgetary implications as well as reporting when appointment of officials and voting rights are affected by arrears.

Implementation of the Conclusions of the Review under Article 34(7) of the Energy Charter Treaty

15. The Budget Committee continued implementing the conclusions of the Review under Article 34(7) of the Treaty, including the international public audit recommendations as mandated by the Conference (Message 1645/20). The work was time-consuming for both the Budget Committee and the Secretariat. With the finalisation of the Financial Rules, including its Implementing Instructions, and the Risk Management Protocol, during its two first regular meetings of the year, the Budget Committee concluded all tasks mandated by the Conference.

Financial Rules and Implementing Instructions

16. The Budget Committee continued the review and revision of the Financial Rules and their Implementing Instructions. The process concluded and the Conference endorsed the revision of the Financial Rules and Implementing Instructions which entered into force on 25 August 2022 ([CCDEC202214](#)).

Risk Management Protocol

17. The Budget Committee continued elaborating the Risk Management Protocol. The Committee concluded its work on the matter during its meeting on 30 May 2022 and recommended to the Conference the approval of this new Risk Management Protocol which was endorsed by the Conference and is applicable since 20 September 2022 ([CCDEC202216](#)).

Outlook

18. The Energy Charter Secretariat benefits from a solid financial situation with a General Reserve Fund standing at 60% of an annual expenditure. The withdrawal of Australia as a Signatory is currently being compensated by an exceptional withdrawal of the General Reserve Fund in addition to the ordinary withdrawal of 10%. While the Secretariat can work on this basis for some years, the current Budget is not financially sustainable. The already announced withdrawals of several Contracting Parties to the Treaty may incur the need for an increase of national contributions or a substantial restructuring of the Secretariat.

Conclusions

19. In 2022, apart from discussing ordinary financial and administrative matters, the Budget Committee finalised its work on the implementation of the conclusions of the Review under Article 34(7) of the Treaty including the conclusions from the Independent Public Audit.
20. In particular, the Budget Committee concluded the revision of the entire set of rules governing the budgetary matters of the Energy Charter Secretariat and established a new Risk Management Protocol.
21. The Financial Situation of the Secretariat is currently sound but in the mid-term not sustainable. The announced withdrawals of Contracting Parties may require adjustments in the Budget – either an increase of national contributions or a substantial restructuring of the Secretariat.