

**ENERGY CHARTER
SECRETARIAT**

CCDEC 2023

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Brussels, 20 November 2023

Related documents: CC 799

DECISION OF THE ENERGY CHARTER CONFERENCE

Subject: Report by the Chair of the Budget Committee

The Energy Charter Conference at its 34th Statutory Meeting held on 20 November 2023 **took note** of the attached Report by the Chair of the Budget Committee.

REPORT BY THE CHAIR OF THE BUDGET COMMITTEE

This Report provides an overview of the activities undertaken by the Budget Committee in 2023.

Meetings of the Budget Committee

1. In 2023, three regular meetings and two extraordinary meeting of the Budget Committee were held on 21 April, 27 April (ad hoc), 5 June (ad hoc), 12 June, 22 September. All meetings of the year were chaired by its Chairperson, Mr. Christian Bühlmann (Switzerland). Despite the calls of the Chair and the Energy Charter Secretariat (Secretariat) to Member Countries to nominate a Vice-Chair of the Budget Committee, no nomination was received and the position remained vacant in 2023.
2. 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 2023: Austria, Czech Republic, the European Union, Georgia, Germany, Japan, the Hashemite Kingdom of Jordan, Kazakhstan, Kyrgyzstan, Lithuania, the Slovak Republic, Sweden, Switzerland, Turkmenistan, Turkey and the United Kingdom.

Introduction

4. The main regular topics discussed during the meetings of the Budget Committee were:
 - i. the final implementation of the Programme of Work 2022 and the implementation of the Programme of Work 2023;
 - ii. the final implementation of the Budget 2022 and the implementation of Budget 2023;
 - iii. the collection of contributions 2022 and 2023;
 - 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 2022;
 - vi. the preparation of the draft Programme of Work for 2024-2025;
 - vii. the preparation of the draft Budget for 2024-2025.

Financial and Administrative Matters

Financial Statements and Auditor's report

5. The Financial Statements at 31 December 2022, together with the Auditor's report, were discussed at the September meeting. The Auditor released a unqualified opinion on the Annual Accounts 2022. 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 2022. The Conference is to approve the discharge the Secretary General (CC794).

Programmes of Work 2022 and 2023

6. The Budget Committee took note of the final status of implementation of the Programme of Work for 2022.
7. The Budget Committee took note of the status of implementation of the Programme of Work for 2023.

Budgets 2022, 2023, and 2024-2025

8. The Budget Committee was informed by the Secretariat on the final implementation of the Budget, basis for the financial statements 2022, as well as the implementation of both the established officials and temporary officials posts for the year 2022.
9. The Secretariat informed the Budget Committee about the status of implementation of the Budget 2023 as of 31 July 2023.
10. The Committee allocated a significant amount of time and resources to the preparation of the Budget for the biannual 2024-2025, taking into account several public announcements of intention to withdraw from the Energy Charter Treaty (ECT) and the official notifications of withdrawal submitted to the Depository of the ECT by several Contracting Parties during the period of 2022 – 2023, with some withdrawals becoming effective during 2023 (see para. 13 below).

National Contributions

11. The Budget Committee was regularly informed during the year on the collection of national contributions for 2023 as well as the outstanding contributions (prior to 2023). The Committee also discussed 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.
12. 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.

Outlook

13. In 2022 - 2023, seven Contracting Parties announced their intention to withdraw from the ECT, and four (Germany, France, Poland, Luxemburg) officially notified their withdrawal from ECT to the Depository. These withdrawals will become effective at the end of 2023 for Germany, France, Poland, and in June 2024 for Luxemburg.
14. Additionally, the announced coordinated withdrawal of a significant part of Contracting Parties may further affect the financial situation of the Secretariat.
15. The Secretariat benefits from a significant General Reserve Fund standing at about 2,500,000 EUR or 60% of an annual expenditure at its level of 2023, or almost 100% of an

annual expenditure at its level of the proposed Budget 2024. While the Secretariat is thus able to operate on this basis for several years, the current Budget is not financially sustainable in the medium to long term.

16. The announced and officially notified withdrawals of several Contracting Parties to the ECT have affected the available Budget for 2024-2025 by causing it to be significantly decreased, thus triggering the need to reduce the size of the Secretariat and to reorganise it, as approved by the Conference (CCDEC2023 10). In this regard the draft budget 2024 – 2025 pending to be approved by the Conference foresees a reduction of the Budget by 45% from 4,160,325 EUR in 2023 to 2,256,485 EUR in 2024 – 2025. As a Consequence the draft Budget foresees a reduction of the number of officials of the Energy Charter Secretariat from 23 Staff Members at the beginning of 2023 to 9 Staff Members in 2024 – 2024. In order to implement the decision, the Secretary General has sent out termination letters to all staff in July 2023. The procedure to fill the remaining staff members (5 without Senior Management) has been started in October 2023 and shall be concluded as soon as possible.
17. Several additional pending announcements of intention to withdraw create the need for close monitoring of the Budget, with the potential for its further revision.
18. The deadlock in the approval of the modernised Energy Charter Treaty creates substantial uncertainty about the future of the organisation and therefore also on the budgetary situation. From a budgetary point of view a swift termination of the deadlock and approval of the Modernisation would facilitate budgetary planning to a large extent. Furthermore, it would allow for a restart of the expansion activities and therefore attracting new contributing Contracting Parties.

Conclusions

19. In 2023, apart from discussing ordinary financial and administrative matters, the Budget Committee has concentrated its work on the preparation of the Budget 2024-2025 and the Programme of Work for 2024-2025.
20. The financial situation of the Secretariat has been adversely affected by the withdrawals of several Contracting Parties, and therefore the substantial restructuring of the Secretariat as of 1 January 2024 is necessary and justified.