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DECISION OF THE ENERGY CHARTER CONFERENCE

Subject: Secretariat's Work Programme for 2003

[The Energy Charter Conference at its 11th Meeting held on 17-18 December 2002,] in the light of the outcome of its earlier deliberations under agenda item 5 (transit issues) with regard to the Protocol on Transit, adopted the Secretariat's Work Programme for 2003 as contained in document CC 229 [Annex] on the following basis:

- The envisaged programme of activities on transit related issues (section 2.4, pages 11-13 of CC 229) is approved for implementation in its present form, but subject to the understanding that the Secretary General will be allowed a certain element of flexibility in reallocating staff resources, where necessary, in order to take account of the continuation of work in early 2003 on the finalisation of the Energy Charter Protocol on Transit and the priority requirement for the Secretariat to provide support for this work.
- The Secretary General will be invited to report to the next meeting of the Charter Conference on the Secretariat's implementation of the transit-related section of its Work Programme during the first half of 2003.

Keywords: Secretariat's Work Programme

Energy Charter Secretariat's Work Programme for 2003

as adopted by the Energy Charter Conference
at its 11th Meeting held on 17-18 December 2002

INTRODUCTORY NOTES

General

The Secretariat's draft Work Programme for 2003 envisages a continuation of the present cycle of multi-annual activities relating to the implementation of member states' commitments under the Energy Charter Treaty with regard to investment issues, trade, transit and energy efficiency and related environmental aspects. However, a shift in emphasis of the Secretariat's activities is proposed in certain areas for 2003 in order to take account of three factors:

- Increasing emphasis is being placed on the need to develop the Energy Charter's role as a policy forum for discussions among governments and the business community on current issues relevant to international energy cooperation. The importance of strengthening this policy dimension of the Charter process was underlined in particular at the Special Session of the Charter Conference in December 2001 marking the Energy Charter's tenth anniversary, and was highlighted in the text of the Declaration adopted by the Conference on that occasion. The Secretariat has therefore sought to reflect this increased emphasis on policy-related work in the activities that it has proposed for 2003, in particular in the areas of investments, trade and transit, whilst at the same time maintaining its focus on monitoring and facilitating implementation of the legal obligations of the Treaty, which has formed the core of the Secretariat's work hitherto.
- In the specific area of transit, the Work Programme proceeds from the understanding, as agreed at the 10th Meeting of the Charter Conference on 20th June 2002, that negotiations on the text of a Protocol on Transit will not be continued beyond the end of 2002. Assuming that the negotiations will be concluded successfully, an increased focus is envisaged in 2003 on analytical work by the Secretariat on some of the key issues of concern to member states in the area of transit that have been highlighted during the course of negotiations on the Protocol.¹
- There appears to be an increasing body of opinion among member states, which was also voiced at the Special Session in December 2001 and is reflected in the text of the Declaration adopted on that occasion, that a more pro-active approach should be pursued towards a possible targeted expansion of the Charter's membership, in particular in the North African, Middle Eastern and Asia-Pacific regions. Accordingly, the Secretariat is proposing, within the overall limits of budgetary and human resource constraints, to devote greater attention to the development of relations with non-signatories in 2003.

The Work Programme has been drafted on the assumption that two meetings of the Charter Conference and of each of its subsidiary bodies will be held during the course of 2003 -

¹ In the light of present uncertainties over the outcome of negotiations on an Energy Charter Transit Protocol, the section of the Work Programme for 2003 on transit issues may need to be revisited before the Charter Conference adopts it.

although it should be noted that this does not exclude, at this stage, the possibility that further meetings may be required depending on progress made in relation to specific issues.

Under section 2 of the Work Programme (“Directorates”) staff and consultancy months have been allocated to individual activities based on the priorities among them. Calculations of staff and consultancy months allocated to individual activities correspond to the proposed 2003 Budget and Establishment Table (document BC 117).

In all areas of activity described in the draft Work Programme, the Secretariat will strive, in accordance with Article 34(4) of the Treaty, to ensure that its activities are complementary with those of other relevant international organizations. Accordingly, the calculated staff time devoted to the activities described below encompasses in each case the need to devote certain Secretariat resources to the development of cooperation with such organisations.

Investment Issues

It is proposed that the Secretariat’s traditional activities on investment issues (assessment of member-countries’ policies through country reports, monitoring of exceptions in the “Blue Book”, further development of best practice guidelines on market restructuring) be augmented in 2003 by the initiation of a series of activities aimed at increasing the policy focus of the Investment Group’s work. In this context, proposals have been included in the draft Work Programme to commence work inter alia on horizontal reviews of investment obstacles in the energy sector, on increasing transparency regarding the investment policies of member states, and on the possibility of supplementing the present series of country reports with in-depth investment climate reviews in selected cases.

Trade

It is expected that in 2002 and 2003, those ECT signatory states that are not yet members of the World Trade Organization (WTO) will come closer to WTO accession, or will become WTO members. Therefore, the geographical scope of application of the trade provisions of the Treaty will continue to decrease. As a result, a progressive shift is foreseen in the Charter’s trade activities from notification reviews, which is currently the major activity in the area of implementation and enforcement of the Treaty’s trade provisions, to a greater focus on analytical work.

The Secretariat intends to deepen and expand its ongoing work on electricity. As agreed by the Group on Trade, activities in this area will include updating the study on Regional Electricity Markets on the basis of information provided by members; consultations and dialogue with electricity market players, and further research and analysis. The Secretariat will also commence and/or continue, as appropriate, work on certain horizontal issues, possibly including (1) trade distorting subsidies in the energy sector, including dual pricing, and (2) classification of multilateral energy services for the purposes of both the ECT and the General Agreement on Trade in Services (GATS).

Other activities relating to trade are based on the assumption that in 2003 energy-related trade with those Signatories/Contracting Parties that are not members of the WTO will remain governed by GATT/WTO rules as applicable under the ECT. The Secretariat will continue to closely monitor developments in these countries’ WTO accession negotiations and intensify co-operation with the WTO in order to develop synergies that would benefit those Contracting Parties/Signatories moving towards WTO membership. Information

exchanges with the WTO Secretariat will be maintained in order to keep abreast of developments in WTO negotiations as they relate to the energy sector.

Transit²

Based on the understanding that negotiations on a Protocol on Transit will be completed in 2002, the focus of the Secretariat's proposals for transit-related activities in 2003 is placed on the development of further policy-oriented analytical work on certain key issues relating to transit that have arisen during the negotiation process. Thus, studies are proposed on domestic gas transportation/transit regimes in selected countries, and on their inter-relation with general competition law.

Moreover, the Secretariat proposes to develop further and expand upon the initial policy paper on natural gas market issues that it prepared in 2002 (submitted to the June 2002 Meeting of the Charter Conference as document CC 211), based on the Conference's conclusions that in general the submission of such papers is to be welcomed, and that the initial study on natural gas markets requires further work in several areas. Since a number of issues relating to gas markets and gas transit are horizontal in nature, further work on this study will be coordinated between both Directorates in the Secretariat, and certain issues raised may be considered more appropriate for discussion in the Charter's Investment Group.

Finally, an initial concept will be developed for the possible undertaking by the Secretariat, on a voluntary basis, of a new activity concerning the establishment of new energy transportation facilities relevant for cross-border flows, in line with corresponding proposals raised during the course of negotiations on the Protocol.

Energy Efficiency and Related Environmental Aspects

The draft Work Programme for 2003 envisages a continuation of the cycle of regular and in-depth energy efficiency reviews as the Secretariat's core activity, together with the finalisation of the report on energy efficiency that is due to be submitted on behalf of the Charter Conference to the UN-ECE Environmental Ministerial Conference in Kiev in May 2003. In addition to undertaking new reviews, the Secretariat will also organise follow-up work on the implementation of recommendations from past in-depth reviews. Other activities proposed for 2003 seek to build further on existing policy-related initiatives that have been launched within the Energy Efficiency Working Group during 2002, for example on the coordination of environmental and energy efficiency policies, on energy efficiency-related investments, and on cogeneration and district heating. In all of the above areas, the Secretariat will aim to cooperate closely with other relevant international organisations, in particular the IEA and BASREC.

² See Footnote 1 on page 1.

Energy Charter Secretariat's Work Programme For 2003

ACTIVITIES

1. PRIVATE OFFICE (72 staff-months³)

The Secretary-General and Deputy Secretary-General, supported by the Private Office, will be responsible for:

- overall direction and operational co-ordination of the Secretariat's work, and strategic and political aspects of the Secretariat's role, including the development of contacts with governments of Contracting Parties/Signatories at an appropriate political level, with their diplomatic representations in Brussels, and with relevant international organisations and institutions, with the aim of promoting implementation and awareness of the Treaty and its related instruments;
- high-level political contacts with those Signatories that have yet to complete their ratification of the Charter's legal instruments, with the aim of facilitating the ratification process;
- consultations at political level with countries wishing to become more closely involved in the Charter process and eventually to accede to the Treaty;
- relations with the energy industry, including its associations or unions, and with other relevant bodies and organisations dealing with energy issues;
- raising the level of public awareness of the Treaty and its impact on the energy sector via public relations activities, participation in international conferences, and missions to constituent states and to the headquarters of relevant international organizations;
- advice and organisational support for the Conference Chairman to ensure his close engagement in policy matters relating to the Charter process and to facilitate informal political consultations where required between the Chairman and Contracting Parties/Signatories.

³ All staff-month calculations include secretarial support and secondees' output.

2. DIRECTORATES

2.1 Ratification, Accession and Relations with Non-Signatories

2.1.1 *Ratification of the Treaty/PEEREA/Trade Amendment* (6 staff-months)

The Secretariat will continue to provide advice and support to those Signatories (Australia, Belarus, Iceland, Norway and the Russian Federation) which have not yet completed their national ratification procedures for the Treaty. Support and advice will also be provided to Contracting Parties/Signatories in relation to the ratification of the Trade Amendment; this latter support will focus on non-WTO Contracting Parties/Signatories because of the WTO related content of the Trade Amendment.

2.1.2 *Accession* (3 staff-months)

The Secretariat will upon request assist new participants in signing the European Energy Charter and/or in gaining the status of a regular observer at the Charter Conference meetings, and will initiate the accession process as appropriate. The Secretariat will continue to assist the present Federal Republic of Yugoslavia in the consultation process for the elaboration of their terms for accession to the Energy Charter Treaty and the Energy Charter Protocol on Energy Efficiency and Related Environmental Aspects.

2.1.3 *Relations with Non-Signatories* (13 staff-months)⁴

Whilst bearing in mind the need to balance expansion of the Charter process with a deepening of its substance within its existing constituency, the Secretariat proposes to increase its focus in 2003 on relations with non-signatories, in line with the support expressed at the Special Session of the Charter Conference in December 2001 for a targeted expansion of the Charter's geographical coverage.

More intense contacts will therefore be pursued with countries that have expressed interest in closer relations with the Charter process. In particular, dialogue with the authorities of the People's Republic of China will be continued seeking closer involvement of China to the Energy Charter process, following China's acquisition of Observer status in December 2001. A more intensified dialogue will also be pursued with the Republic of Korea on the benefits of possible full accession to the Treaty, following the anticipated admission of Korea into the Charter process as an observer in December 2002. With the aim of further strengthening the Asian dimension of the Charter process, the possibility of establishing and developing relations will be explored also with other Asian countries. Dialogue with Mediterranean states, in particular Tunisia, Morocco and Algeria, will also be continued, following up on the outcome of activities in 2002 designed to increase these countries' familiarity with the aims and obligations of the Treaty

In addition, the Secretariat will seek to enhance its relations with states in the Middle Eastern region, including those that are presently observers to the Charter Conference, and in particular Iran (following the anticipated admission of Iran into the Charter process as an observer in December 2002). In this context the Secretariat plans to hold a seminar in Brussels for representatives of these states aimed at familiarizing them with the Energy

⁴ This resource allocation is in addition to the resources that will be devoted by the Private Office in 2003 to developing relations with non-signatories at a political level.

Charter process. If interest is shown by one of these states, the Secretariat will consider launching a joint study with them to measure the potential benefits of that state being a member of the Energy Charter. The Secretariat will also pursue the proposal to organize a joint Seminar on the Treaty with the Tehran-based Secretariat of the Economic Cooperation Organization (ECO), which was discussed during the Secretary General's visit to Tehran in November 2002, as a follow-up to a first such joint event with ECO held in Ankara in January 2001.

Dialogue and cooperation with international and/or regional organizations (e.g. APEC, BASREC, Gulf Cooperation Council and OPEC) may also be pursued, with a view to increasing awareness of the Charter process in relevant fora dealing with energy matters.

2.2 Investment Issues

2.2.1 Country Reports on Investment Climate and Market Structure (23 staff-months plus 1 consultancy-month)

The Investment Group will review the reports on Investment Climate and on Market Restructuring in accordance with the agreed Table of Contents.⁵

The reports should aim to cover information on the general investment climate through examination of relevant legislation, with particular emphasis on market access developments. The documentation will also cover the existence and nature of relevant state entities and monopolies. Special emphasis will be placed on monitoring remaining pre-investment exceptions in view of the undertaking of Contracting Parties/Signatories to remove progressively restrictions for investors of other Contracting Parties/Signatories.

The reports will likewise focus on the development of the regulatory framework for and the process of energy market restructuring. The aim is to facilitate discussion among experts on the complex and politically sensitive issues of restructuring energy markets and privatisations, focusing on countries with economies in transition. This review process concerning individual countries will be accompanied by work on general "Best Practices Guidelines on Restructuring/Privatisation" (see activity 2.2.4).

Representatives of economies in transition in the Investment Group have requested that reports should not only be presented by member countries in transition, but also by more advanced market economies. The purpose of these reports, which could be limited to 1-2 reviews per year, is to share amongst all participants the experience gained by those countries in the process of privatisation and restructuring. This activity promises to be an important element in developing further the role of the Investment Group as a forum for policy exchanges and debates.

In order to enhance the Country Reports on Investment Climate and Market Structure, the Secretariat proposes to send experts to the examined country possibly together with delegates from the examining countries. Such a team would provide their views on the investment climate in the examined country as an additional input to the report and the recommendations to the government. On a voluntary basis the Investment Group might consider whether to supplement the regular country reviews by in-depth reviews, where the situation is examined in more detail than in the regular reviews. Subject to the willingness

⁵ These reports will continue to be available on the Energy Charter web site.

of member-states to put forward participants for review teams, such reviews could follow the “peer review” format as already practiced in the area of energy efficiency.

2.2.2 Horizontal Reviews of Investment Obstacles in the Energy Sector (6 staff-months plus 1 consultancy-month)

In addition to the individual country reviews mentioned under 2.2.1, it is proposed to initiate a process of horizontal reviews concerning remaining investment obstacles in the energy sector. Such reviews could be undertaken separately for oil and gas on the one hand, and the electricity sector on the other hand. A horizontal review could also be undertaken with regard to restructuring and privatisation experience and lessons learned in the constituency. The purpose of these activities would be to provide up-to-date information about investment conditions in various energy sub-sectors of member countries.

As compared to the individual country reports, this concept would have the advantage that it allows for a direct comparison of investment regimes between member countries, and their openness to foreign investment. It would also provide an opportunity to engage in a policy dialogue between delegations concerning their experiences with foreign investment in specific energy sectors, and their possible future plans concerning restructuring and privatisation. Finally, the horizontal reviews could be of particular interest for potential investors in the gas, oil or electricity business who have not yet decided where to invest, and therefore seek a comparative analysis of investment conditions in various countries.

2.2.3 Monitoring of Exceptions in the “Blue Book” (4 staff-months)

The Secretariat will continue its overall analysis and monitoring of pre-investment exceptions as listed in the “Blue Book”. The purpose of this activity is to provide for full transparency concerning existing exceptions to non-discriminatory treatment, and to work towards their gradual elimination in the future.

One of the most efficient mechanisms to promote such a “roll-back” has proved to be consideration within the Investment Group of relevant legislation, with particular emphasis on market access developments. The Secretariat will pursue such peer-review activities with respect to individual non-conforming measures notified by Contracting Parties/Signatories, as well as to categories of notified exceptions.

2.2.4 Best Practices Guidelines on Privatisation/Restructuring (9 staff-months)

The Best Practices Guidelines project is part of the effort directed towards the general aim of exchanging experience and stimulating discussion on possible approaches to restructuring and privatisation in the energy sector. It follows a policy recommendation from the G8 Energy Ministerial in Moscow in April 1998. The current focus of the project is on economies in transition that are or may be contemplating privatisation, or have to deal with post-privatisation restructuring problems. The Guidelines offer voluntary principles designed to maximize the benefits and reduce the costs of transition from a non-market to a competitive market environment in the energy industries, to assure the efficiency of energy markets, to provide functioning compact mechanisms for formulating and implementing energy sector policy objectives in a market environment, as well as to suggest ways to manage efficiently energy sector restructuring and privatisation programs.

A first set of the Guidelines has been completed by end of 2002. It is suggested that this first set be discussed with interested parties, including policy-makers, privatisation agencies,

industry representatives and other international organisations (e.g. EBRD), at a Seminar/Workshop in Brussels in the first half of 2003. Thereafter, the Guidelines will be finalised taking into account the comments received and will be forwarded to the Conference in June 2003 for endorsement. The Secretariat will develop proposals on appropriate follow-up steps for further development of the Best Practice Guidelines.

2.2.5 Information Exchanges and Policy Dialogue (2 staff-months)

The Investment Group will continue its mutual exchange of information on measures adopted by Contracting Parties/Signatories with regard to energy-related foreign investment. The main objective of this initiative is to provide delegations with up-to-date information about recent developments in this area, to examine whether these developments might have implications for the position of Contracting Parties /Signatories under the ECT, to supplement the generic country reports on investment climate and market restructuring by individual recent cases, and to invite a discussion of these issues amongst participants. The Secretariat also proposes to strengthen further the role of the Investment Group as a forum for policy dialogue between all interested parties concerning the implementation of the Treaty's investment provisions. In this context, the Secretariat will pursue inter alia the preparation for publication of occasional papers on selected issues relating to foreign investment and market structure/privatisation in the energy sector.

2.2.6 Improving Transparency (3 staff-months)

The Secretariat intends to establish individual country pages on the ECS website during 2003/2004 in cooperation with member countries. The aim is to provide interested readers with up-to-date information on ECT-related issues in member countries (for instance, status of ratification of ECT, texts of energy-related legislation, coordinates of relevant state authorities and links to their national websites, and other similar issues).

2.2.7 Supplementary Treaty Issues (3 staff-months plus 0.5 consultancy-months)

The Secretariat will continue to support the Contracting Parties/Signatories' discussions related to the Supplementary Treaty ("ST"). In this context the Secretariat will closely monitor the developments in the WTO concerning the GATS and the preparations of WTO negotiations on a multilateral framework for investment. In addition, work will continue on environmental and social issues related to the ST.

2.3 Trade

2.3.1 Follow-up to the electricity study (14 staff-months plus 1.5 consultancy-months)

The Secretariat's study "Regional Electricity Markets in the ECT Area" was presented by the Secretariat and discussed with member states during 2002, supplemented by consultations with industry.

The outcome of these discussions has provided the basis for further direction and updating of the electricity study in 2003 and, possibly, additional related papers on topics of particular importance and interest. Additional research and analyses may *inter alia* cover such topics as: market concentration in the power sector; state trading practices; inefficiencies in electricity pricing; network pricing methodologies as well as basic principles of grid codes; trade effects of promotional schemes for renewable energy sources; or the links between electricity trade and environmental issues. Some of these

projects may require the involvement of consultants in addition to the Secretariat's resources.

2.3.2 Monopolies and exclusive or special rights (5 staff-months plus 1.5 consultancy-months)

The Secretariat's study on "Regional Electricity Markets in the ECT Area" has shown that in some markets electricity enterprises continue to enjoy *de jure* or *de facto* monopoly situations or exclusive or special rights (state trading enterprises) which are – in certain circumstances – major impediments to trade in electricity.

The Secretariat will substantiate this finding by preparing background papers on operations of state trading enterprises in the electricity sector as they relate to international trade. The objective of the initial paper will be to identify various governmental policy objectives behind establishing or maintaining state trading enterprises and to better understand when and how their operation hinders trade. This paper will complement the Training Course on State-Trading Notification to be held in 2003 and will be submitted to the Group on Trade for its general policy discussion on the relationships between governments and electricity companies.

2.3.3 Subsidies in the energy sector, including dual pricing (6 staff-months)

Energy subsidies, including dual pricing in the energy sector, are among key trade distorting factors. Their reforms and - where possible - progressive elimination would bring about market economy structures and thereby greatly contribute to market integration among ECT countries. Based on the general policy discussion on subsidies, including dual pricing, held at the November 2002 meeting of the Group on Trade and its background note, the Secretariat will prepare an in-depth analytical paper on trade distortions caused by energy subsidies, including dual pricing. The objective will be to assess the impact of energy subsidies, including dual pricing, maintained by non-WTO members on economic efficiency and international trade.

2.3.4 Notification system and follow-up on notifications (4 staff-months)

The Secretariat will keep Contracting Parties/Signatories informed of their notification obligations. Notifications by non-WTO Contracting Parties/Signatories under the WTO-by-reference approach and Article 29(3) notifications will continue to be collected primarily through direct contacts with governmental agencies responsible for trade. The posting of notifications on the Internet will be continued.

While all notifications will have to be reviewed by the Group on Trade, the Secretariat will focus on those key areas that the Group on Trade might wish to select as priority issues for 2003. At this stage, the areas of state trading and subsidies appear to merit special attention in 2003. In the case of notification of balance-of-payment restrictions or regional trade agreements, the Secretariat will perform those activities that are triggered by the relevant WTO provisions.

2.3.5 Trade dispute settlement under Annex D (2 staff-months)

The Secretariat will monitor developments in the WTO negotiations on the improvements of the Dispute Settlement Understanding and will make proposals, as appropriate, to amend

the trade-related dispute settlement provisions of the ECT in the light of the outcome of those negotiations.

The Secretariat will maintain, and seek to expand, the roster of panellists in order to be in a position to establish a panel, if so required.

2.3.6 Technical cooperation (2 staff-months)

The Secretariat will continue to offer to non-WTO countries the possibility of technical cooperation in relation to the ECT's trade provisions, including notifications. Individual non-WTO members that so request will be assisted in their efforts to fully implement the trade-related provisions of the Treaty. In order to implement this cooperation, the Secretariat will seek voluntary contributions for technical assistance programmes and participate in the execution of such programmes.

2.3.7 Contribution to Energy Service Negotiations (5 staff-months)

Energy services are within the scope of application of both the ECT and the GATS. However, such services are not defined by either of the two agreements. While there have been negotiations in both the Energy Charter and the WTO aiming at a definition and classification of such services and their components, no conclusive results have yet been achieved. Based on extensive past work on the issue, the Secretariat will prepare for the first meeting of the Group on Trade in 2003 a draft classification of energy services, with a view to contributing to future energy service negotiations.

2.4 Transit⁶

2.4.1 Energy Charter Protocol on Transit (13 staff-months)

It is assumed that negotiations on the Transit Protocol will be concluded in 2002. Once the text is finalised, there will be a need to prepare the Protocol for adoption and signing. In this context the Secretariat will provide organisational, technical, legal and linguistic support.⁷

2.4.2 Model Agreements (6 staff-months)

According to the current schedule, a first draft set of both the Intergovernmental and Host Government Model Agreements is to be completed by the end of 2002. It is proposed that, during the early part of 2003, the two drafts will be discussed by both the Expert Group and the Legal Advisory Task-Force on Model Agreements, with a view to submitting the drafts to the Charter Conference in June 2003.

As a follow-up, the Secretariat proposes that the Model Agreements project is kept up to date by consulting with interested parties and conducting research in relevant fields. It is also proposed that during 2003 the Secretariat prepare a legal commentary on the two Model Agreements with a view to publishing them as a package. In addition, the possibility

⁶ See Footnote 1 on page 1.

⁷ Note: the proposed level of resources devoted to this activity in 2003 reflects the assumption that, as in the case of the Treaty and Trade Amendment, linguistic and translation support in preparing the Transit Protocol for adoption and signature will be available also from the corresponding services of the European Union.

of developing other Model Agreements in areas of interests to member states will be explored.

*2.4.3 Comparative study of domestic natural gas transportation and/or transit laws
(12 staff-months)*

As a new direction in the Secretariat's transit-related work, it is proposed that several issues relating to the regulation of natural gas transportation and transit in the Charter's constituency, which have been discussed extensively during the Transit Protocol negotiations, merit further analysis and discussion among member states. In this context, the Secretariat plans to prepare a series of country reports analysing domestic legislation on the transportation of natural gas across the territory of a given country using existing energy transport facilities. For 2003 it is foreseen to analyse Belarus, Kazakhstan, Russia, Turkey, Uzbekistan, Ukraine, Poland, the Czech Republic and the Slovak Republic, and also the energy transportation regime applicable within the European Union. This selection is proposed on the basis of the size of the current and expected natural gas flows of the signatories to the Treaty. Domestic natural gas transportation legislation will be compared to international natural gas transit obligations found in the Treaty and the WTO Agreement. In addition, domestic natural gas transportation legislation will be compared to general principles of energy market liberalization.

The objective of this project is to establish and maintain a dialogue on the proper implementation of principles of law relating to the non-discriminatory transportation of natural gas. The idea is to involve administrations of the countries examined, in order to ensure the quality of the analyses, and to rely to a large extent on information provided by them for the compilation of the reports. The Secretariat will prepare initial drafts for further discussion with the respective national administrations and among delegations, based on preparatory work conducted already in line with the Secretariat's Work Programme for 2002 (CC 202, activity 2.4.2).

2.4.4 Competition Issues (7 staff-months plus 1 consultancy-month)

On the basis of the analyses prepared under activity 2.4.3, the Secretariat plans to conduct a study comparing the solutions selected in different countries regarding the interface and jurisdiction between special energy market laws and regulations and the general competition laws of these countries. Competition law plays a significant role in the public regulation of the natural gas market, due to the natural monopoly of natural gas transportation networks or pipelines, and due to the prevalence of state-owned vertically integrated companies in the natural gas market.

*2.4.5 Consultation and dialogue on the establishment of new energy transport facilities
(6 staff-months)*

The Secretariat will analyse the establishment of a framework and mechanism for consultation and dialogue on the establishment of new energy transport facilities relevant for cross border flows. The objective in 2003 is to develop a concept for such a mechanism and to test it with the administrations of member states and other key players in the Eurasian energy market.

It should be underlined that the aim of proposing this work is in no way to limit the rights of host countries to proceed with such projects. Rather, the purpose of such a consultative framework is to allow sponsors and host governments to present planned projects, as well

as to discuss with delegations concerned the ways to foster the optimal use of existing capacity and the optimal timing of additional capacity, it being understood that commercial confidentiality in relation to individual projects must be ensured.

2.5 Follow-Up on Study on Natural Gas Market Issues

(11 staff-months plus 1 consultancy-month)

In line with the outcome of discussions at the 10th Meeting of the Charter Conference on 20th June 2002 with regard to the policy paper CC211, the Secretariat intends to expand further on the subjects covered in that paper, inter alia with regard to issues of security of natural gas supply. One of the aims will be to assess how different sources of natural gas external to the territory of Eurasia, such as LNG (on the contribution of which to the Eurasian gas market a first assessment by the Secretariat is to be presented to the Charter Conference in December 2002), North-African natural gas production or natural gas-to-liquids technologies, might affect the future of the Eurasian natural gas market. Other subjects for analysis might include the question of incentives for investment in natural gas infrastructure during periods of regulatory change.

2.6 Enquiry Points

(1 staff-month)

The Secretariat will facilitate and organize the integration of Enquiry Points into all aspects of the Charter process in order to raise efficiency of implementation of the Charter instruments and to ensure transparency, including on institutional developments. It will continue to inform Contracting Parties/Signatories on designated enquiry points, and, where necessary, will review existing enquiry points to make sure that they are available to provide relevant information. Utilization of the Energy Charter website will also be pursued to strengthen the function of Enquiry Points.

2.7 Environmental Aspects (Article 19 of the Treaty) - Co-ordination of environmental and energy efficiency policies

(12 staff-months plus 1 consultancy-month)

The energy sector has a significant impact on the environment in all industrialised countries, whether market economies or countries with economies in transition. Environmental aspects should be treated as being of equal importance in the areas of production and the use of energy. However, environmental policies often do not exploit the full potential that energy efficiency improvements could bring to the environment.

In the year 2002 a first report explored the issue of integrating energy efficiency policies with other economic and environmental policies, identifying key barriers as well as successful practices. The issue of integration was also addressed through the review process and through the discussion of specific country reports in the Working Group on Energy Efficiency and Related Environmental Aspects. One of the main conclusions was that there is a real need to better co-ordinate and integrate energy efficiency and environmental policies and measures. The Secretariat plans to start analytical work on this aspect in 2003. A discussion paper will be produced and a panel discussion will be hosted by the Working Group. Positive experiences linked to the use of Joint Implementation will be highlighted in order to build a case for better energy efficiency/environmental policies co-ordination.

3. ENERGY CHARTER PROTOCOL ON ENERGY EFFICIENCY AND RELATED ENVIRONMENTAL ASPECTS (PEEREA)

In 2002 the Working Group on Energy Efficiency focused its attention on preparing the follow-up report to the 2003 Kiev UN-ECE Ministerial Conference. The review process and the in-depth energy efficiency reviews were considered a priority in this regard. The Group has also taken specific action in areas identified as priorities by the Charter Conference, such as Third-Party Financing and Cogeneration/District Heating. It is proposed that the review process will continue to be a core activity, serving also as a basis for additional specific analyses and reports.

3.1 Review process

(13 staff-months plus 2 consultancy-months)

The review process relies on two complementary actions: the development of a general monitoring system of national policies and programmes and in-depth energy efficiency reviews. The review process is the basis for achieving a platform of international analysis and discussion on efficiency and environmental issues of common concern.

The regular reviews serve mainly for monitoring progress in implementation of PEEREA. This process represents a long-term task, as reviews have to be regularly updated and each country should present periodically recent developments and progress within the Working Group meetings. The Secretariat will assist countries in preparing and presenting their reports. Once finalised, these reports will be made available on the website of the Energy Charter, together with an executive summary prepared by the Secretariat.

The in-depth reviews serve as the main tool for offering peer guidance to governments in developing and implementing their energy efficiency policies and programmes. The Secretariat will continue to undertake in-depth reviews of energy efficiency policies for selected countries (Denmark and the Czech Republic have volunteered to host such reviews in 2002). In certain situations co-operation with other international or regional organisations is envisaged (e.g. BASREC, with whom the Secretariat is currently discussing the possibility of a joint in-depth review of Latvia in 2003). Follow-up on the implementation of the recommendations of the in-depth energy efficiency reviews will also continue to be organised.

The Secretariat will report on the implementation of the Treaty, PEEREA and of the energy efficiency-related commitments adopted at the 1998 UN-ECE Ministerial Conference in Aarhus to the Kiev Environmental Ministerial Conference in 2003 in accordance with the UN-ECE invitation. The Secretariat also plans to contribute to a possible Seminar on integrating energy efficiency and environmental policies to be organised on the occasion of the Ministerial meeting.

In order to establish a better link between policies and measures and energy efficiency improvements further attention will be paid to energy efficiency indicators. The Secretariat will continue to co-operate with the IEA and the “Agence de l’Environnement et de la Maitrise de l’Energie” (ADEME) on this subject.

Based on this review process, making use of the information collected and taking into account the identified priorities, specific analysis and activities will be undertaken as underlined below. At the same time, improved dissemination of these analyses and of progress realised by the countries in the area of energy efficiency should also be pursued.

3.2. *Investing in Energy Efficiency* (4 staff-months plus 1 consultancy-month)

The Secretariat has already developed work in the area of financing energy efficiency. This work has been concretized in an Energy Efficiency Manual and in a report on Third Party Financing (to be completed in 2002).

Based on previous work done by the Secretariat, the PEEREA Working Group considered that further guidelines for making an energy efficiency-related investment were needed. Practical barriers in obtaining the required authorizations, the lack of confidence and sometimes of specific expertise on the part of commercial banks, and the lack of resources at the level of municipalities, are some examples of subjects to be studied and discussed by the Working Group.

A panel discussion will be organized on these issues. Subsequently, the Secretariat's intention is to prepare a report that will identify and compare major barriers to financing energy efficiency and cogeneration/district heating projects in several countries. The issue of financing renewable energy projects may also be covered to some extent. This report should also be based on the experience of industry. It should promote dialogue within the PEEREA Working Group and may serve as an investment guide for energy efficiency projects.

3.3 *Cogeneration and District Heating – Best Practices and Coordination* (3 staff-months)

The Secretariat has already initiated work on the evolution, barriers and opportunities for Cogeneration and District Heating (2002 report), in line with the requirement contained in PEEREA for Contracting Parties to develop initiatives for “support and promotion of cogeneration and measures to increase the energy efficiency of the district heat production and distribution systems to buildings and industry”.

The Working Group discussed the main issues and challenges faced by the Cogeneration/District Heating industry in the context of market liberalisation and of economic restructuring. A follow-up report will be prepared on these issues and will be discussed in the Working Group, with a view in particular to identifying and promoting best practices and improve co-ordination between national and local authorities involved in this process.

4. **LEGAL AFFAIRS** (30 staff-months plus 1 consultancy-month)

Legal Affairs will provide overall legal assistance and advice to the Charter Conference and its subsidiary bodies.

Legal Affairs will assist and provide legal advice to the Secretariat in respect of:

- Internal and external legal inquiries
- Staff and administrative matters
- The on-going negotiations with the Belgian authorities on social security issues in the context of the Headquarters Agreement.

Legal Affairs will provide legal advice and assistance to the Secretariat Directorates.

Legal Affairs will further be responsible for:

- Providing legal and technical support to the Legal Advisory Committee
- Relations with the Depositary
- Providing legal advice regarding ratification and entry into force of the Treaty, PEEREA, Trade Amendment and other instruments to be adopted under the Charter's auspices
- Continuing to represent and to promote the Energy Charter process in relevant international conferences and legal circles.

5. ADMINISTRATION AND FINANCE

(66 staff-months)

The main areas of work of Administration and Finance are Budget, Personnel, Financial Administration, Information Technology and Support Services; specific activities are as follows:

Budget: preparation of draft Budgets, financial control of expenditure, collection of outstanding contributions and preparation of documents for the Budget Committee;

Personnel: recruitment and appointment procedures and all other issues related to the implementation of the Secretariat's Staff policies and rules;

Financial Administration: administration and control of all commitments, payroll and expenditure; preparation of annual Financial Statements and assistance in the Audit procedure;

Information Technology: maintenance and upgrading of all communication and other technical facilities of the Secretariat, ensuring the functioning of all IT systems, developing and maintaining the public and restricted areas of the organisation's Web-site;

Administration and Support Services: various activities, notably office management, document dissemination procedures and support for all ECS meetings.

**ENERGY CHARTER SECRETARIAT WORK PROGRAMME 2003
SUMMARY OF STAFF MONTH CALCULATIONS**

<u>I Directorates</u>	<u>No. of Staff Months</u>
Ratification	6
Accession	3
Non-Signatories	13
Total Ratification/Accession/Non-Signatories	22
Country Reports	23
Horizontal Reviews	6
Blue Book	4
Best Practice Guidelines	9
Information Exchanges/Policy Dialogue	2
Improving Transparency	3
Supplementary Treaty	3
Total Investment	50
Electricity Study Follow-up	14
Monopolies/Exclusive Rights	5
Subsidies/Dual Pricing	6
Notifications	4
Annex D Dispute Settlement	2
Technical Cooperation	2
Classification of Energy Services	5
Total Trade	38
Transit Protocol	13
Model Agreements	6
Comparative Study of Gas Laws	12
Competition Issues	7
Consultations on New Transport Facilities	6
Total Transit	44
Environmental Aspects (Art. 19 of ECT)	12
PEEREA	20
Total Energy Efficiency & Environment	32
Study on Natural Gas Market Issues	11
Enquiry Points	1
TOTAL FOR DIRECTORATES	198
II Private Office	72
III Legal Affairs	30
IV Administration & Finance	66
V GRAND TOTAL FOR ECS	366

This calculation corresponds to the proposed Establishment Table of 29 staff (29 x 12 months per person = 348 months), plus 18 months' worth of secondees' time.