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DECISION OF THE ENERGY CHARTER CONFERENCE

Subject: Secretariat's Work Programme for 2007

The Energy Charter Conference at its 17th Meeting held on 20 November 2006 *approved* the Work Programme for 2007 as included in document CC 324 (*Annex*).

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as adopted by the energy Charter Conference
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The priorities for the Secretariat's draft Work Programme for 2007 are taken from the main themes of the current international debate on energy security. They draw also from the Plan of Action on Global Energy Security that was agreed by the G8 at its St Petersburg Summit in July 2006, which confirmed the support of G8 countries for the principles of the Energy Charter. The Secretariat has been guided by the need to continue implementation of the conclusions of the Review of the Energy Charter process, adopted by the Charter Conference in December 2004.

The draft Work Programme is structured in two parts. The first section below presents the guidelines for the Secretariat's draft proposal, i.e. the considerations that informed the proposed choice of activity and the means of implementation. The second section describes the substantial, thematic priorities for the Secretariat's work in 2007, and the activities that the Secretariat proposes in each of these thematic areas. The proposal is drafted on the assumption that the existing organisational structure of the Charter process will be maintained for 2007.

A detailed activity schedule is attached as Annex I to this draft proposal, and a summary of the allocation of staff months for each activity is included as Annex II.

GUIDELINES FOR THE DRAFT PROPOSAL

In preparing the draft Work Programme for 2007, the Secretariat took into account the following principles that relate to the overall efficiency of the Charter process:

- ⇒ The need for each activity to have a substantial link to the implementation of a provision of the Treaty, and for each activity to have a tangible and defined output;
- ⇒ The benefit of an approach which allows the regular working groups to be complemented by specialised workshops and technical seminars on specific issues; this improves the interaction of the Energy Charter process with the energy industry and other interested parties, and provides greater flexibility to deal with new challenges as they arise;
- ⇒ A concentration on areas where the Energy Charter has a comparative advantage, i.e. where the nature of the Treaty and / or the Charter's constituency make it best placed to act;
- ⇒ The need to raise the profile of the Energy Charter, and to increase awareness about its principles and activities;
- ⇒ The requirement to ensure good coordination and cooperation with other international organisations, and with the energy industry.¹

¹ More information on measures to raise the profile of the Energy Charter and to ensure cooperation with other international organisations is available on p. 6 of this draft proposal

PRIORITY AREAS FOR ACTIVITY IN 2007

With these guidelines in mind, the Secretariat proposes the following five priority areas for activity in 2007:

1. Facilitating investment in all stages of the energy supply chain through transparent, open and non-discriminatory legal and regulatory frameworks

A main instrument to promote this objective is the in-depth country reviews of the investment climate and market structure (activity 4.1). The reviews address progress and deficiencies in the market reform process; the peer review by other Energy Charter member countries and the Conference's endorsement of the Investment Group's recommendations to the examined country adds weight to the process. Participation is voluntary and the final reports are the result of a cooperative effort between the examined country and the Secretariat. As part of the preparation, a team of Secretariat staff visits the country to be examined to get a first-hand impression of policies and of the major challenges facing the reform efforts in the energy sector.

In addition, countries are requested to report on developments in the investment climate and market structure two to three years following an in-depth review. These follow-up reports provides an occasion for monitoring compliance with the policy recommendations endorsed earlier by the Conference and give, as needed, further guidance to the countries.

In addition, work will continue on the improvement of entry conditions for foreign investors in the energy sector (activity 4.2). 2007 will see a continuation of the initiative launched in 2005 to reduce the number of remaining country-specific exceptions to the principle of non-discrimination in the pre-establishment phase of an investment.

The risk reduction dialogue which started in 2005 will continue in 2007 (activity 4.3) with a focus on risks affecting the financing of energy projects. The work will include identification and assessment of specific types of political and regulatory risks and development of options for risk mitigation policies. It would draw on contributions by the Industry Advisory Panel, who in 2006 addressed the issue of access to capital for the financing of energy investments in economies in transition.

As part of the risk-reduction dialogue the Secretariat intends to organise specialised workshops on different aspects of financing energy projects, including the key challenges and success factors for major cross-border pipeline investments.

Policy coordination and market integration through regional cooperation can bring substantial economic gains while enhancing the energy security for the participants individually as well as collectively. A new activity (2.3) will look at models for regional cooperation and how these can reduce barriers to trade and investment. Within this activity, there will be a particular focus on the potential for cooperation and cross border trade in the electricity sector in the Caspian region and Central Asia.

The Secretariat also proposes to address specific obstacles to technology transfer in the energy sector, and how these can be removed (Activity 5.5).

2. Ensuring reliable cross-border energy flows and international energy transit

The Secretariat will complete its assessment (activity 5.1) of the extent to which relevant risks for cross-border energy flows are already covered by the ECT, the extent to which other risk mitigation mechanisms are available, and also any gaps that may exist in the provision of security for cross-border energy flows and how these can be addressed.

A relevant instrument in this regard is the Model Agreements on cross-border pipelines, which are being revised and updated with the assistance of the Legal Advisory Task Force on Model Agreements. It is envisaged that the second edition of the Model Agreements will be completed in 2007 (activity 7.2).

To reduce the risk of transit conflicts, it will be useful to better understand the nature of possible conflicts and to ensure a common view on the basic facts of potential conflicts between the parties. Therefore the Secretariat proposes to organise a series of seminars and workshops on best practice of operational aspects of reliable transit and to foster transparency and communication on operational issues by all players involved in transit (Activity 5.4).

The Secretariat will continue to support further work on the Transit Protocol on a bilateral and on a multilateral level, as required in line with the decision of the Charter Conference.

3. Promoting energy saving and energy efficiency measures

The country review process (activity 6.1) is a core activity in the area of energy efficiency. It allows monitoring national policy developments and trends in efficiency levels. It also provides a basis for exchange of experiences in the area of energy efficiency policies and the formulation of best practices adapted to the situation of the individual member countries. There are two major activities in this area:

- ⇒ The peer in-depth reviews are undertaken for normally two countries every year. A review team composed of representatives from a range of Energy Charter member countries assisted by the Secretariat meets with the national authorities and organisations involved in energy efficiency policy formulation and implementation. The purpose of the review visit is to obtain a first hand knowledge and understanding of the situation in the reviewed country before the drafting of the review report and the development of the policy recommendations.
- ⇒ The regular reviews of energy efficiency policies and developments are elaborated by the member countries themselves and presented to the PEEREA Working Group for discussion. They constitute a source of information valuable for the Energy Charter process.

Alongside the formal reviews, the PEEREA Group will organise Round Table presentations in order to provide information and exchange views on the most recent latest national developments in the area of energy efficiency.

The 'Environment for Europe' process under the UN-ECE is preparing for the next Ministerial Conference, taking place in Belgrade in autumn 2007. The Energy Charter and the PEEREA group will report to the Ministerial meeting on developments in energy efficiency policies and will be involved in the process in order to secure the recognition of the importance of energy efficiency for the environment.

In addition, work is foreseen in 2007 on several specific energy efficiency issues. They include:

- ⇒ Contribution to a study on Evaluation and Monitoring of Energy Efficiency in the EU 25;
- ⇒ Energy efficiency improvements in the public sector (activity 6.2);
- ⇒ The potential for efficiency improvements in small and medium sized enterprises (activity 6.3).

Draft reports will be discussed in the PEEREA group before being finalised and published.

4. Supporting the transparent operation of international energy markets

The Secretariat will continue to encourage member states to present on a voluntary basis the technical, legal and regulatory framework of ongoing cross-border oil and gas pipeline projects and to make the information public, inclusive of updating the Energy Charter oil and gas pipeline maps showing the status of ongoing projects (Activity 5.3).

In addition, the Secretariat is completing its analysis of the implementation by member countries of key Energy Charter provisions on transit. These reports address in particular the application of the non-discrimination principle and practices for access to networks, as well as transit tariffs and underlying methodologies. As these are finalised, they are being made available and will be regularly updated in cooperation with member countries.

The Secretariat intends to finalise its report on “International Oil and Gas pricing mechanisms” for publication in the spring of 2007, and continue its efforts to discuss the results of this report with member and observer states through specialised workshops (Activity 5.6).

Finally, as part of Activity 5.4 (operational issues to ensure reliable transit), the Secretariat will look to identify possibilities for regular exchange of information on cross-border flows of gas across Eurasia to contribute to transparency on major Eurasian gas streams and on potential problems with security of supply.

5. Raising awareness about the principles of the Energy Charter, and responding to interest from non-member countries in the Charter process

As the annual policy event the Secretariat plans to organise a conference on new policy risks for major energy investment projects. The conference will take place in October 2007. It will address investor risks caused by evolving legislative and regulatory processes in both developed market economies and in economies in transition. A special emphasis will be on new risks which are triggered by differences in the national legislative and regulatory processes across the Eurasian continent. The conference, which will be organised with the cooperation of other international organisations, will be directed at attracting participants from the energy business, governments, international and regional organisations and regulators.

The Secretariat also plans to organise, together with the International Centre for Settlement of Investment Disputes (ICSID) and the Arbitration Institute of the Stockholm Chamber of Commerce, a Conference on Dispute Resolution and the Energy Charter Treaty. This is scheduled to take place at ICSID’s conference facility in Washington on 18 May 2007.

The Secretariat will make a particular effort to ensure that information on the Treaty and on the results of the activities described above is readily available, both in printed form – where publication is justified – and electronically through the Energy Charter’s web site. The launch of a new web site in early 2007 will give the Secretariat the capacity to reach a wider audience with its public information.

Finally, the Secretariat will respond to interest from non-member countries seeking closer association with the Energy Charter. This interest has been particularly evident in South Asia, where Pakistan and Afghanistan are in the process of accession to the Treaty. The Secretariat will take up topics with specific relevance for the region, like electricity cooperation between Pakistan, Afghanistan and the Central Asian member states of the Energy Charter Treaty or ongoing gas pipeline projects in South Asia to promote local seminars and workshops on the role of the Energy Charter.

In line with the conclusions of the meeting of Ministers of Energy of the ASEAN + 3 (China, Korea and Japan) group in July 2006, the Secretariat will continue its efforts to deepen the association between the Energy Charter and the countries of Southeast Asia, also through contacts with the ASEAN Centre for Energy.

COOPERATION WITH OTHER INTERNATIONAL ORGANISATIONS

In all areas of activity described in the Work Programme, the Secretariat will strive, in accordance with Article 34(4) of the Treaty, to ensure that its activities are coordinated with those of other relevant international organizations.

The most relevant organisation in this context is the International Energy Agency (IEA), but this consideration applies in specific areas also to the World Trade Organisation (WTO), UN-ECE, the International Energy Forum (IEF), the EBRD, World Bank and Asian Development Bank, and regional organisations such as the Association of South-East Asian Nations (ASEAN), the Baltic Sea Regional Energy Cooperation (BASREC) and the Organisation of Black Sea Economic Cooperation (BSEC).

In relation to the WTO, the Energy Charter's application for observer status in relevant WTO bodies is pending, and the Secretariat is continuing to manage cooperation on an ad hoc basis, including through cooperation on the provision of technical assistance on the rules applicable to trade in energy. Concerning the IEA, it is proposed to continue the close informal cooperation in relation to planned activities, in particular with regard to country reviews undertaken by both organisations. The Charter will also be cooperating closely with the UN-ECE in the preparation of the 2007 Environment for Europe meeting in Belgrade.

ANNEX I – DETAILED ACTIVITY SCHEDULE

The following annex includes a detailed description of all Secretariat activities foreseen under the draft Programme of Work. Each activity is allocated a number of staff months, with the allocation of resources corresponding to the Establishment Table of the Secretariat.

1. PRIVATE OFFICE

(84 staff months)

The Private Office, led by the Secretary-General, will be responsible for:

- ⇒ Overall direction and operational co-ordination of the Secretariat's work in line with the conclusions of the 2004 Review;
- ⇒ Contacts with member and observer governments and with relevant international organisations and institutions in order to promote implementation of the Treaty and its related instruments;
- ⇒ Contacts with member countries that have yet to complete ratification of the Charter's legal instruments with the aim of facilitating the ratification process, as well as consultations at political level with countries wishing to become more closely involved in the Charter process;
- ⇒ Relations with the energy industry and its associations, and with other relevant bodies and organisations dealing with energy issues, including the newly established Industry Advisory Panel;
- ⇒ Raising public awareness about the Treaty through public relations activities and through an active external information policy, including the maintenance of the Energy Charter's web site and the dissemination of printed and electronic materials produced by the Secretariat;
- ⇒ Advice and organisational support for the Conference Chairman and Vice-Chairmen.

In addition to the above, Private Office is responsible for the coordination, monitoring and quality control of all work relating to the translation of Energy Charter documents from and into Russian.

2. CROSS-CUTTING ACTIVITIES²

(20 staff months)

2.1	<i>Conference on new policy risks for major energy investment projects</i>	<i>4 staff-months</i>
(i)	<i>Output: Annual policy conference</i>	<i>Timing: Autumn 2007</i>

As the annual policy event the Secretariat plans to organise a conference on new policy risks for major energy investment projects, both upstream and downstream. The conference will take place in October 2007. It will address investor risks caused by evolving legislative and regulatory processes in both developed market economies, in economies in transition and in developing countries. A special emphasis will be on new risks which are triggered by differences in the national legislative and regulatory processes across the Eurasian continent. The conference, which will be organised with the cooperation of other international organisations, will be directed at attracting participants from the energy business, governments, international and regional organisations and regulators.

2.2	<i>Support to the Industry Advisory Panel [ECT Articles 9(3), 6(2), PEEREA Article 3(6)]</i>	<i>4 staff-months</i>
(i)	<i>Outputs: Assistance to the meetings of the IAP in 2007</i>	<i>Timing: two meetings in 2007 Q1, Q3</i>
(ii)	<i>Ensuring the interaction with the Conference and its subsidiary bodies</i>	<i>as needed</i>
(iii)	<i>Development of best practices</i>	<i>ongoing</i>

The Industry Advisory Panel (IAP) has had five meetings since its establishment in 2005, making views and advice from the energy business available to the Energy Charter process, with a specific focus on risk mitigation and improvement of the business climate. The IAP has been an instrument to strengthen the interaction between the Energy Charter constituency and the energy industry.

The Secretariat will support the meetings and activities of the Panel and secure the interaction between the ECT constituency and the IAP, in accordance with the Terms of Reference of the IAP adopted by the Conference. Furthermore, the Secretariat will follow discussions at the IAP and help to develop sets of best practices concerning access to resources, transportation capacity and markets as well as pre-arbitration investment dispute settlement.

This activity assumes that the Conference decides in 2006 to renew the mandate of the IAP.

² For the purposes of staff month allocations, these activities represent 14 months of staff time from the Directorate for Investment and Energy Efficiency, and 6 months from the Directorate for Trade, Transit and Relations with Non-Signatories.

<p>2.3 <i>Reducing barriers to trade and investment through regional cooperation</i> [ECT Articles 3, 4, 7, 10]</p>	<p>12 staff-months 2-3 consultancy-months</p>
<p><i>Outputs:</i></p> <p>(i) <i>Discussion, based on an analytical paper by the Secretariat, on the effects of regional energy cooperation on the investment climate (examples from Southeast Europe, Central Asia, ASEAN)</i></p> <p>(ii) <i>Creation of a network of experts across the Caspian region and Central Asia for knowledge-sharing on best practice for reform of electricity markets and promotion of regional trade</i></p> <p>(iii) <i>Regional workshop(s) in Central Asia and in the Caucasus</i></p>	<p><i>Timing:</i> Q3 2007</p> <p>By end 2007</p> <p>Q2/3 2007</p>

Regional cooperation and integration are important in the energy sector and particularly in the electricity and gas sectors. Policy coordination and market integration may result in substantial economic gains while enhancing the energy security of the participants. There are different experiences of regional cooperative initiatives in the energy field across the Energy Charter constituency. The most recent example is in Southeast Europe, where the politically recognized need for regional cooperation and integration led to the Energy Community Treaty, which entered into force on 1 July 2006.

In all regions, a commitment from governments is required, as well as strong interaction with industry and other stakeholders, in order for regional initiatives to bring results. Discussion of these issues in the Energy Charter will focus on key elements in regional cooperation needed to reduce barriers to trade and investment. Representatives from regional organizations will be invited to discuss with the Investment Group their experiences and the role of regional cooperation for the investment climate.

In relation to the electricity sector, the Charter has a mandate (from the 2004 Review Conclusions) to promote regional cooperation. It should concentrate on areas where it can provide tangible additional value. Whereas the issue of east-west trade in Europe is already covered by the UCTE/Eurelectric/CIS Power Council dialogue, due to history and geography there is a particular need to promote cross border cooperation and trade in the electricity sector in the Caspian region and Central Asia (including Pakistan and Afghanistan) an area where the Energy Charter can make a difference to foster regional electricity cooperation and trade.

The objective of this cooperation should be to create a viable basis for the electricity sector to provide the electricity needed by the population while benefiting from cooperation and trade with neighbouring states. Given the status of the development of the electricity sector in these regions, it is important to highlight policies that can remove obstacles to cross-border trade. This should be done in cooperation with experts from the countries concerned under the guidance of the Secretariat, assisted by regional workshop(s) as required.

The Energy Charter can serve to make available existing practical experience on energy reform, especially to and between countries in transition and developing countries as well as information on ongoing projects and to create a common platform for electricity trade.

3. RATIFICATION, ACCESSION AND RELATIONS WITH NON-SIGNATORIES

3.1	<i>Ratification of the Treaty / Trade Amendment / PEEREA</i>	<i>4 staff-months</i>
	<i>Outputs:</i>	<i>Timing:</i>
(i)	<i>Support to Signatory States in their ratification process of the Treaty and related documents</i>	<i>Ongoing</i>
(ii)	<i>Entry into force of the Trade Amendment</i>	

The Secretariat will continue to provide technical advice and support to those Signatories that have not yet completed their national ratification procedures for the Treaty, the Trade Amendment and / or the PEEREA, and to inform the debate within the countries concerned on the implications of ratification and the application of the Treaty and related documents.

It is envisaged that a continuation of the efforts in 2006 to promote ratification of the Trade Amendment will allow the Trade Amendment to enter into force in 2007, once the required $\frac{3}{4}$ of ratifications has been achieved.

3.2	<i>Accession to the Treaty / Trade Amendment / PEEREA by new members</i>	<i>12 staff-months</i>
	<i>Output:</i>	<i>Timing:</i>
(i)	<i>Support to the preparatory stage for accession of new member countries to the Treaty and related documents</i>	<i>Ongoing</i>

Signatories to the 1991 Energy Charter Declaration that wish to accede to the Treaty must prepare reports on the compliance of their national legislation with the provisions of the Treaty, a report on the investment climate and exceptions to national treatment and a report on energy efficiency. The Secretariat will continue to assist countries in this process; the current signatory states that have expressed an interest in accession are Pakistan, Afghanistan and Serbia. The Secretariat's efforts will focus on assisting Pakistan, Afghanistan and Serbia – and other countries wishing to accede – to participate fully in the Energy Charter process.

This process will be assisted where possible by nationals of the acceding country working with the Secretariat in the framework of its secondment program. .

3.3	<i>Relations with non-Signatories</i>	<i>8 staff-months</i>
	<i>Outputs:</i>	<i>Timing:</i>
(i)	<i>Respond to interest from governments in South Asia, Southeast Asia and from producing countries in the Middle East and North Africa</i>	<i>As required</i>
(ii)	<i>Increase visibility of the Energy Charter in South Asia by organising local events addressing topics of regional relevance</i>	<i>As requested by acceding countries</i>

The focus for activities with non-signatories, in line with the conclusions of the 2004 Review, will be on South Asia and Southeast Asia and on energy-producing countries in the Middle East and North Africa.

Movement towards accession by Pakistan and Afghanistan to the Energy Charter Treaty will give the expansion process in South Asia certain political momentum, which should have a positive impact on the interest of neighbouring countries seeking closer association with the Energy Charter.

In line with the conclusions of the meeting of Ministers of Energy of the ASEAN + 3 (China, Korea and Japan) group in July 2006, the Secretariat will continue its efforts to

deepen the association between the Energy Charter and the countries of Southeast Asia, also through contacts with the ASEAN Centre for Energy.

Depending on support by the Chinese Administration, the Secretariat will organise a seminar on the Energy Charter in China in early 2007.

The Secretariat will also seek to involve representatives of observer states (and international organisations) into its regular activities wherever appropriate. The Secretariat will take up topics with specific relevance for the region, like electricity cooperation between Pakistan, Afghanistan and the Central Asian member states or ongoing gas pipeline projects in South Asia to promote local events highlighting the potential role of the Energy Charter.

4. INVESTMENT

(42 staff months + 2 consultancy months)

4.1	<i>Country Reports on Investment Climate and Market Structure</i> [ECT Article 10, Article 9]	20 staff-months
(i)	<i>Outputs:</i> Two in-depth ICMS Reports	<i>Timing:</i> One in spring, one in autumn
(ii)	Follow-up Reports	Two to three in both spring and in autumn

The in-depth country reports on Investment Climate and Market Structure have proven to be a useful instrument for assessment of the implementation of the Energy Charter Treaty. The reports deal with complex and sensitive issues of the investment conditions in the energy sector, as well as restructuring of energy markets, privatisation and access to capital. With the Secretariat's detailed evaluation, the ICMS reports are the basis for the 'peer review' of policy developments in the examined countries. The Secretariat will continue to seek a balance in this activity between information on OECD countries and on other Energy Charter member countries.

The review process will include monitoring, through follow-up reports, of compliance by member countries with the policy recommendations adopted by the Charter Conference in respect of earlier ICMS reports. This procedure will give member countries an opportunity to share their experience in implementing the policy recommendations and to discuss recent developments.

4.2	<i>Improving Entry Conditions for Foreign Investors</i> [ECT Articles 10(3), (5), (9)]	10 staff-months
(i)	<i>Outputs:</i> Reduction in the number of remaining exceptions to national treatment	<i>Timing:</i> Ongoing
(ii)	Monitoring report on multilateral investment issues	Q3 2007

The Secretariat will continue to work on the improvement of entry conditions for foreign investors in the energy sector. To this end, an initiative has been launched to reduce the number of remaining country-specific exceptions to the principle of non-discrimination in the "Blue Book" (i.e. non-conforming measures of Contracting Parties/Signatories in the pre-establishment phase of an investment). The overall purpose of the undertaking is to facilitate much needed foreign investment in the energy sector across the Energy Charter constituency, thereby contributing to overall energy security.

This activity also aims to give more prominence to commitments of the Contracting Parties/Signatories not to introduce new non-conforming measures ("standstill clause"), and to provide for full transparency concerning existing country-specific exceptions of various types. Furthermore, the Secretariat will pursue the existing monitoring mechanism with respect to individual non-conforming measures notified by Contracting Parties/Signatories.

In addition, the Secretariat will prepare a note on developments in the WTO regarding the GATS and the status of any discussion on multilateral investment issues. This monitoring report was requested by the Investment Group to inform the debate over the prospects for resuming negotiations on the Supplementary Treaty. At the time of the last exchange of

views on this issue in May 2005, there was agreement in the Group not to resume negotiations at that time.

4.3	<i>Risk Reduction Dialogue [ECT Article 2]</i>	<i>8 staff-months 2 consultancy-months</i>
(i)	<i>Output: Development of options for risk mitigation policies in relation to the financing of energy projects; workshop(s) on this issue for member governments and industry.</i>	<i>Timing: Q2 / 3 2007</i>

The Secretariat will continue its work on risk reduction in the energy sector in 2007, with a focus on risks affecting the financing of energy projects. The work will include identification and assessment of specific types of political and regulatory risks and development of options for risk mitigation policies.

The focus will be on (1) encouraging the removal of market barriers through establishing a transparent, efficient and stable legal, regulatory and institutional framework both upstream and downstream in the energy chain; (2) helping to develop regulatory regimes for the upstream petroleum sector, the electricity and the gas markets, which provide incentives for capacity expansion in line with demand; and (3) assisting in the building of confidence of investors by promoting rational energy policies, independence in regulation, and fair and transparent dispute settlement mechanisms. Consultant assistance is planned for detailed technical issues. This activity will draw upon the input from the IAP on issues of access to capital and access to infrastructure.

The Secretariat plans in 2007 to hold workshop(s) on different aspects of financing energy projects, including the key challenges and success factors for major cross-border pipeline investments. Preliminary discussions have been held with the Ukrainian authorities about holding such an event in Kyiv. The Secretariat intends to address these issues in close cooperation with member governments, other international institutions, and the energy industry – including the IAP members and representatives of various infrastructure investment projects (BTC, BBL, Nabucco, Green Stream).

4.4	<i>Review of ECT Implementation in selected areas [ECT Article 2]</i>	<i>4 staff-months</i>
(i)	<i>Output: Occasional papers and presentations to the Investment Group</i>	<i>Timing: Spring / Autumn Meetings of the Investment Group</i>

The Investment Group will continue its exchange of information and assessment related to measures adopted by the Contracting Parties/Signatories with regard to energy related foreign investment. This activity has been recognized by the Group as being an important element in monitoring implementation of the ECT's investment provisions. It supplements the country reports on investment climate and market structure.

In this context, the Secretariat will prepare occasional papers on selected investment-related issues, and will continue to invite representatives of relevant bodies (energy companies, financial institutions, academia and international organisations) to make presentations on their investment-related activities in member countries.

5. CROSS-BORDER ENERGY FLOWS: TRADE & TRANSIT

5.1	<i>Instruments to manage and secure cross border energy flows: the role of the Energy Charter [ECT Articles 3, 5, 7]</i>	8 staff-months
(i)	<i>Output: Report for discussion in the Group and eventual public dissemination</i>	<i>Timing: Report to be issued mid-2007</i>

The Secretariat will complete its assessment of the extent to which relevant risks for cross-border energy flows are already covered by the Energy Charter Treaty, the extent to which other risk mitigation mechanisms are available, and also any gaps that may exist in the provision of security for cross-border energy flows and how these can be addressed. This report can provide valuable guidance for future activities in the Trade & Transit Group on providing secure cross-border energy flows.

5.2	<i>Activities related to the Transit Protocol</i>	<i>As needed (provisional allocation of 6 staff-months)</i>
(i)	<i>Output: Support to the negotiations on a bilateral and / or multilateral basis as required.</i>	<i>Timing: Ongoing</i>

This activity depends on the decision by the Energy Charter Conference on how to proceed in 2007. The final allocation of resources between this item and other activities on Trade and Transit will be adjusted in line with the Conference decision.

5.3	<i>Transparency on selected new energy transport facilities and on the conditions for energy transit across the Energy Charter constituency</i>	12 staff-months
(i)	<i>Outputs: Voluntary presentations at meetings of the Trade & Transit Group, made available to the public</i>	<i>Timing: Spring / Autumn 2007</i>
(ii)	<i>Updated maps of Eurasian pipelines showing planned projects</i>	<i>Spring 2007</i>
(iii)	<i>Finalised reports and regular updated information on gas transit provisions and oil transit provisions, and on transit tariff methodologies for oil and gas in selected Energy Charter countries.</i>	<i>From Spring 2007</i>

The Secretariat will continue to encourage member states to present on a voluntary basis the technical, legal and regulatory frameworks for ongoing cross border oil and gas pipeline projects and to make the information public. This activity includes an update of the Energy Charter maps for oil and gas pipelines, of ongoing cross border oil and gas pipeline projects and to make the information public, inclusive of updating the Energy Charter map showing the status of ongoing projects.

In addition, the Secretariat is completing its analyses of the implementation by member countries of key Energy Charter provisions on transit. These reports look at the application of the non-discrimination principle and practices for access to networks for transit/transport of gas and oil in selected countries, and also transit tariffs and underlying methodologies

for cross-border oil and gas pipelines. As they are finalised, these reports are being made available and will be regularly updated in cooperation with member countries.

5.4	<i>Operational issues to ensure reliable gas transit [ECT Article 7.5]</i>	<i>8 staff-months</i>
(i)	<i>Outputs: Workshops / technical seminars for relevant experts involved in cross-border energy flows of gas and oil.</i>	<i>Timing: as opportune during 2007</i>

To reduce the risk of transit conflicts, a common understanding of transit risks and potential problems is necessary all along the gas supply chain. The Energy Charter process offers the opportunity to serve as a forum for knowledge and information sharing and policy discussion on trade and transit issues between all member countries, be they producers of energy, consumers or transit countries.

Given continued interest in this topic from member countries, the Secretariat therefore proposes to hold expert workshops addressing technical and operational issues affecting transit flows, and will make the results available in suitable form to member states. A first technical workshop on operational aspects of gas transit was held at the end of September 2006 in Bratislava, and helped to identify topics that need to be addressed under this activity in the coming year. Papers and conclusions from this activity will be the subject of discussion in the Trade & Transit Group.

As part of this activity, the Secretariat will seek to identify possibilities for regular information on cross-border flows and stocks of gas across Eurasia, to contribute to transparency on major Eurasian gas streams and on potential problems with security of supply.

5.5	<i>Transfer of technology in the energy sector [ECT Articles 8 and 19 (g)]</i>	<i>10 staff-months</i>
(i)	<i>Outputs: Paper and discussion on obstacles to transfer of technology in the energy sector</i>	<i>Timing: Spring 2007</i>
(ii)	<i>Paper and pilot project evaluating the potential role of the Energy Charter in cooperation on technology development</i>	<i>Autumn 2007</i>

The work done by the Secretariat in 2006 has highlighted the importance of intellectual property rights for transfer of technology, and showed different approaches that can facilitate technology transfer. Activities in 2007 will focus on specific obstacles to technology transfer in the energy sector, with reference to examples from member countries, and how these obstacles can be removed.

It is also envisaged to evaluate the potential role of the Energy Charter in facilitating technology cooperation among member states: analysis of the role of international institutions in technology transfer showed that there are few instruments for cooperation in technology development which are fully accessible for all Energy Charter member countries. The Secretariat proposes, through a paper and pilot project, to evaluate a potential role of the Energy Charter in cooperation on technology development, addressing specific needs and the situation of its member countries, while avoiding duplication of work already done by IEA. The pilot project will assess the potential for cooperation in technological development and efficient use of biofuels / biomass. The eventual evaluation will be presented and discussed at the autumn meeting of the Group with a view to report to the 2007 Energy Charter Conference.

5.6	<i>International pricing mechanisms for oil and gas</i> <i>[ECT Article 3]</i>	<i>8 staff-months</i>
(i)	<i>Outputs:</i> <i>Report and workshops on international pricing mechanisms for oil and gas</i>	<i>Timing:</i> <i>Report to be launched at the Flame Conference in March 2007, workshops as required</i>

The Secretariat intends to finalise its report on ‘international oil and gas pricing mechanisms’ for publication in March 2007. In parallel to the work on the report, the Secretariat also organised workshops for member countries in 2006 on international pricing mechanisms, in which experts from the Secretariat and invited speakers explain the context and implications of the various pricing mechanisms that are used internationally. The intention of this work has been to inform the debate on international energy pricing, in line with the reference to ‘market-oriented price formation’ in the 1991 Energy Charter Declaration.

The response to these seminars indicated that this is a topic where the Secretariat can contribute to raise capacity and awareness among member and observer countries. On the basis of the published report, the Secretariat therefore proposes to continue with specialised workshops on international pricing mechanisms, and to expand its analysis on the basis of requests from member countries to additional factors determining international energy pricing and prices.

6. ENERGY EFFICIENCY AND RELATED ENVIRONMENTAL ASPECTS

(36 staff-months)

<p>6.1 <i>Review process, monitoring and Belgrade Ministerial Conference</i> <i>[ECT Article 19; PEEREA Articles 3,8; Kyiv Ministerial Declaration]</i></p>	<p>22 staff-months 2 consultancy-month</p>
<p><i>Outputs:</i></p> <p>(i) <i>Two in-depth reviews of national energy efficiency policies</i></p> <p>(ii) <i>Five standard energy efficiency reviews</i></p> <p>(iii) <i>Two progress reports on earlier in-depth reviews</i></p> <p>(iv) <i>Delivering Energy Efficiency; Report to the 'Environment for Europe' Ministerial in 2007</i></p>	<p><i>Timing:</i></p> <p><i>One in Spring, one in Autumn</i></p> <p><i>Three in Spring, two in Autumn</i></p> <p><i>One in Spring, one in Autumn</i></p> <p><i>September / October 2007</i></p>

The country review process will continue to be a core activity of the PEEREA Group, providing the basis for monitoring and facilitating the implementation of PEEREA.

The in-depth reviews are the main tool for offering peer guidance to governments in developing and implementing energy efficiency policies. They will continue to be developed for selected countries. Follow-up on the implementation of the recommendations of earlier in-depth reviews will also continue.

The regular reviews, which monitor progress in implementation of the PEEREA obligations, should be updated at regular intervals. The Secretariat will assist countries in preparing and presenting their reports.

The Round Table presentations about latest national developments and events in the area of energy efficiency will be continued. They serve to increase transparency and for exchange of experiences on national policies.

The Secretariat will contribute to a study on Evaluation and Monitoring of Energy Efficiency in the EU 25, led by the French Agency for Environment and Energy Management (ADEME) under the "Intelligent Energy - Europe" programme. A special session on this project will be organised back-to-back with one of the PEEREA meetings.

The Secretariat will follow closely the Environment for Europe process under the UN-ECE and will, as agreed in the PEEREA Group and based on the Kiev Ministerial Declaration, prepare a report on trends in energy efficiency and policy developments for the Belgrade Ministerial meeting scheduled to take place in autumn 2007. The Secretariat will participate in the preparatory process, with a view to ensure that appropriate attention is given to the issue of energy efficiency in the Environment for Europe process.

6.2	<i>Energy efficiency in the public sector</i>	<i>7 staff-months 1 consultancy-month</i>
	<i>Output:</i>	<i>Timing:</i>
(i)	<i>First draft of report</i>	<i>Autumn 2007</i>

There is a good potential for energy efficiency improvements in the public sector where governments and other public authorities have a direct responsibility. Measures in this sector can be applied in other sectors, and procurement schemes can support the use of innovative technologies and advanced energy management practices.

A report will analyse national approaches to improve energy efficiency in the public sector with a view to identify best practices. A panel debate will be organised in the PEEREA Group on this subject.

6.3	<i>Energy efficiency in small and medium enterprises</i>	<i>7 staff-months 1 consultancy-month</i>
	<i>Output:</i>	<i>Timing:</i>
(i)	<i>First draft of report</i>	<i>Autumn 2007</i>

Small and medium enterprises (SMEs) represent an important part of the economy. In the SMEs there are often important potentials for energy efficiency improvements. Managers need more knowledge of how to tap this potential, which promises economic and environmental benefits.

A report will identify policies supporting SMEs gaining energy efficiency. The report will, considering the diversified situation of SMEs, cover enterprises in different economic sectors and different types of PEEREA countries. A panel debate in the Working Group meeting will be organised to support the finalisation of the report.

7. LEGAL AFFAIRS
(30 staff-months)

7.1	<i>Provision of legal advice</i>	<i>10 staff-months</i>
	<i>Outputs:</i>	<i>Timing:</i>
(i)	<i>Advice on the interpretation and application of the Energy Charter Treaty</i>	<i>as required</i>
(ii)	<i>Advice on internal and administrative matters</i>	<i>as required</i>

Legal Affairs' main responsibility is to provide legal advice to the Charter Conference and its subsidiary bodies as well as to all departments of the Secretariat, on issues related to the interpretation and application of the Energy Charter Treaty and related instruments (including the Rules of Procedure of the Charter Conference). This category includes both substantive issues and procedural issues. It is likely that many of these issues will require significant input from Legal Affairs in the course of 2007.

Legal Affairs also provides legal advice to the Secretariat regarding its daily operations, in particular regarding relations with the host government and in the area of human resources. As far as the Secretariat can foresee, these permanent responsibilities should not exceed the staff months allocated to them for 2007.

7.2	<i>Development and review of new legal instruments</i>	<i>9 staff-months</i>
	<i>Outputs:</i>	<i>Timing:</i>
(i)	<i>Second edition of Model Agreements on cross-border pipelines</i>	<i>For submission to the Charter Conference in 2007</i>
(ii)	<i>Advice on the draft Transit Protocol</i>	<i>as required</i>

The Secretariat's ad hoc Legal Advisory Task Force on Model Agreements ("LATF") is developing a second edition of the Model Agreements on cross-border pipelines, and progress on a revised and updated text is scheduled to be presented to legal experts from member states at a workshop in October 2006.

It is envisaged that work on the second edition of the Model Agreements should be completed in 2007; draft texts will be presented for review to the Expert Group on Model Agreements (which consists of legal experts from member state governments), and subsequently for consideration and endorsement by the Energy Charter Conference. The Secretariat will ensure that the new editions are widely disseminated to host governments, energy investors and the legal community.

Advice on issues related to the Transit Protocol depends on progress in bilateral consultations between Russia and the EU, and on the decision by the Energy Charter Conference on how to proceed in 2007. The final allocation of resources between this item and other activities of Legal Affairs will be adjusted in line with the assessment of the Conference.

7.3	<i>Relations with the Depository</i>	<i>2 staff-months</i>
	<i>Outputs:</i>	<i>Timing:</i>
(i)	<i>Access to formal documents relating to ECT and PEEREA</i>	<i>Ongoing</i>

The Government of Portugal is the Depository of the Energy Charter Treaty and the PEEREA. In this capacity, the Secretariat will continue to have regular communications with the Depository regarding the documents in the custody of the latter. Moreover, the Secretariat regularly receives enquiries from member states, law firms and members of the public regarding documents normally in the custody of the Depository; from time to time the Depository receives similar enquiries regarding documents normally in the custody of

the Secretariat. The Secretariat will continue to co-ordinate and apply a joint policy with the Depository regarding access to such documents.

7.4	<i>Raising awareness about the Energy Charter</i>	9 staff-months
	<i>Outputs:</i>	<i>Timing:</i>
(i)	<i>Conference on Dispute Resolution and the Energy Charter Treaty</i>	May 2007
(ii)	<i>Responding to enquiries concerning the interpretation and application of the ECT</i>	as required
(iii)	<i>Custody and organisation of the ECT Travaux Préparatoires</i>	as required
(iv)	<i>Article-by-article overview of the Treaty negotiations</i>	Q2 2007

The 2004 Review Conclusions requested that the Secretariat “should raise awareness about the possibilities for dispute settlement applicable under the Treaty, and should facilitate the provision of information, where appropriate, on the use of these mechanisms.” The Secretariat’s approach on this issue has been to work in partnership with the arbitration fora mentioned in Article 26 of the Treaty.

The Secretariat therefore plans to organise, together with the International Centre for Settlement of Investment Disputes (ICSID) and the Arbitration Institute of the Stockholm Chamber of Commerce, a conference on Dispute Resolution and the Energy Charter Treaty. This is a follow-up to the successful event on investment arbitration that was organised with the Stockholm Chamber in June 2005. The 2007 conference will take place at ICSID’s conference facility in Washington on 18 May, and will cover developments in this area since the previous Conference in 2005, and focus on issues that were not included in the agenda of the Stockholm event.

As a consequence of the growing level of interest in the Energy Charter Treaty, the Secretariat receives an increasing number of enquiries concerning the application of the Treaty, mainly from external lawyers and other members of the public. Responding to requests for clarification can require significant input and preparatory work from Legal Affairs.

This work has been greatly facilitated by the organisation of the documents related to the negotiation of the Treaty (the *travaux préparatoires*) by a legal archivist in 2006. On this basis, Legal Affairs intends to prepare an article-by-article overview of the history of the negotiations leading to the signature of the Treaty. This overview is expected to be available online by the end of 2007.

This article-by-article overview will facilitate the work of parties interested in the application of the Treaty, without claiming in itself to offer any authoritative interpretation. The Secretariat will review in 2007 additional options that can assist with legal analysis and clarification of the Treaty. One option to be envisaged is to carry out this project with the assistance of a college of voluntary external legal experts, with specialist experience in Energy Charter Treaty matters, who would be selected from among members of reputable universities and law firms. Legal Affairs will use the time allocated to this task in 2007 to assess the feasibility of the project and, if possible, to set up the working procedure for the project (including the selection of experts).

7. 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, including external workshops and seminars.

ANNEX II – SUMMARY OF STAFF MONTH CALCULATIONS

	<i>Activity</i>	<i>Staff Months</i>
1	Private Office	84
2	Cross-cutting activities	20
	Conference on new policy risks for major energy investment projects	4
	Support to the Industry Advisory Panel	4
	Reducing barriers to trade and investment through regional cooperation	12
3	Ratification, Accession, Relations with Non-Signatories	24
	Ratification of the Treaty / Trade Amendment / PEEREA	4
	Accession to the Treaty / Trade Amendment / PEEREA by new members	12
	Relations with non-Signatories	8
4	Investment	42
	Country reports on investment climate and market structure	20
	Improving entry conditions for foreign investors	10
	Risk reduction dialogue	8
	Review of ECT implementation in selected areas	4
5	Trade & Transit	52
	Instruments to manage and secure cross border energy flows	8
	Activities related to the Transit Protocol	6
	Transparency on conditions for energy transit	12
	Operational issues to ensure reliable gas transit	8
	Transfer of technology in the energy sector	10
	International pricing mechanisms for oil and gas	8
6	Energy Efficiency and Related Environmental Aspects	36
	Review process, monitoring and Belgrade Ministerial Conference	22
	Energy efficiency in the public sector	7
	Energy efficiency in Small and Medium Enterprises	7
7	Legal Affairs	30
	Provision of legal advice	10
	Development and review of new legal instruments	9
	Relations with the Depository	2
	Raising awareness about the Energy Charter	9
8	Administration & Finance	66
	TOTAL	354

This calculation corresponds to the 2006 Establishment Table of 28 staff (28 x 12 = 336), plus 18 months of secondees' time