

**ENERGY CHARTER
SECRETARIAT**

CCDEC 2010

4 WPR

Brussels, 30 March 2010

Related documents: CC 381 Rev. 2

DECISION OF THE ENERGY CHARTER CONFERENCE

Subject: Secretariat's Work Programme for 2010

[The Conference *approved* the conclusion of the 2010 Work Programme early the following year *ad referendum* (CC 381).

Some delegations indicated a desire to see a more explicit focus in the Work Programme on the core business of the Energy Charter and further clarifications in the text on the proposed list of activities

A new consolidated draft incorporating additional comments was prepared by the Secretariat and circulated on 9 March 2010 as document CC 381 (REV.1) for the delegations' approval by written procedure. Delegations not in a position to approve this decision were requested to notify the Secretariat in writing by 6 pm (Brussels time) on Tuesday, 30 March 2010. No such notifications were received by the Secretariat.

Therefore, in accordance with Rule 20 of the Rules of Procedure (CC 53 corr. 2) concerning the adoption of decisions by correspondence, the Energy Charter Secretariat's Programme of Work for 2010 (*Annex*) is deemed adopted.]

Keywords: Secretariat's Work Programme

Energy Charter Secretariat's Work Programme for 2010

as adopted by the Energy Charter Conference by correspondence
in accordance with Rule 20 of the Rules of Procedure (CC 53 corr. 2)

In order to ensure that the Secretariat's activities accord with current and future requirements, the Secretariat draws upon the policy guidance of the Conference and its subsidiary bodies. In this context, the conclusions of the Review under Article 34(7) ECT are an important input for the Work Programme.

In June 2008, the Ad Hoc Energy Charter Strategy Group (AHSG) identified major challenges facing the Energy Charter constituency in view of climate change, changes in the global market balance, price developments, global energy security, the need for energy efficiency along the energy value chain as well as the need for huge investments to meet growing demand in energy in the context of climate change. The Nineteenth Meeting of the Energy Charter Conference welcomed the AHSG report *Response to New Developments in International Energy Markets* as a basis for the further work of the Conference and its subsidiary bodies and as a reference for the Energy Charter Review to be conducted in 2009 under ECT Article 34(7).

The Nineteenth Conference also approved the 2009 Energy Charter Review Terms of Reference under Article 34(7) of the Energy Charter Treaty. The Terms of Reference identify the aims of the Review as, *inter alia*, to consider in a comprehensive fashion the future direction of the Treaty process. The final report and conclusions of the 2009 Review under Article 34(7) of the Energy Charter Treaty was presented at the 20th Meeting of the Energy Charter Conference at the end of 2009.

Recognising the broad guidelines for the work of the Secretariat provided by the 2009 Review, the Secretariat provides here the Work Programme for 2010 based upon a base line of activities which are covered by existing mandates, capacity and budget. The main policy areas for work in 2010 comprise, in no particular order of importance:

- A. Promotion of the Energy Charter and the Energy Charter Treaty (including activities related to the Review under Article 34(7) ECT, ratification and expansion);
- B. Global energy security and changes in global market balance;
- C. Investment;
- D. Transit/cross border trade, including the finalisation of the Transit Protocol and possible other instruments to prevent and mitigate transit Crises;
- E. Energy efficiency and the environment;
- F. Legal Affairs;
- G. Coordination of the Secretariat's work, administration and finance.

It is understood that in a broad constituency and policy framework such as the Energy Charter, member states continue to have individual priorities with regard to the Charter's work. Therefore, the Programme of Work needs to find the right balance between these interests. It should also leave flexibility to allow for short-term adjustments in view of unexpected developments.

Main policy areas in 2010

A. Promotion of the Energy Charter and the Energy Charter Treaty

The Secretariat will assist the Conference and its subsidiary bodies in the follow-up to the Review conducted in accordance with Article 34(7) ECT in 2009.

The Secretariat will continue to foster the unique legal framework and policy forum the Energy Charter represents. In this respect, it supports the Charter Conference in carrying out the functions assigned in Article 34(3) ECT. A considerable part of the Secretariat's work in 2010 will be devoted to core activities such as the implementation, ratification and promotion of the Energy Charter Treaty, the Trade Amendment and the PEEREA. This work will be addressed to the working groups, governments of member states, observers and non-signatories as well as policymakers, industry and the public.

The *Secretary General*, supported by the *Private Office* and the substantive departments of the Secretariat, will continue to facilitate cooperation among the member states and implementation of the principles of the Charter, the Treaty and the PEEREA, by maintaining high level contacts, advising the Conference Chairman and supporting the meeting of the Charter Conference (*activity C1*). A special emphasis will be put on activities to facilitate outstanding ratification processes. *Legal Affairs* will continue to provide legal advice and facilitate access to relevant documents as appropriate, including, the *travaux préparatoires* (*activities C7.1 and C7.2*)

The Secretariat will continue to support the Strategy Group (*activity C2.1*). The Strategy Group in 2009 started to discuss a number of global initiatives related to multilateral governance of energy cooperation and their relationship with the Energy Charter Process. In 2010, one of its core tasks will be to deal with the follow-up to the Rome Statement of 9 December 2009. This statement is of a non-binding nature, but can nevertheless provide guidance for the strategic orientation of the Energy Charter process. The Secretariat will assist in this discussion by providing analysis and draft policy papers.

Beyond the current constituency, the *Secretary General*, supported by the *Private Office*, will further promote contacts with non-signatories in view of their possible accession to the Energy Charter Treaty, as well as cooperation with other relevant international organisations, regional groupings and agencies (*activity C2.4*).

Currently one staff member is dedicated to accession and to non-signatory countries. A more strategic, priority-driven approach to expansion – focusing on closer relations with major energy producing and consuming countries having a direct impact on the energy security of existing member states – will require the necessary resources.

With the aim of increasing the impact of the Charter's work, the Secretariat will also continue cross-cutting activities, drawing on its joint capacity and aiming at knowledge sharing and dissemination of information to the ECT constituency, and to a broader public and professionals in the energy sector. This could involve activities targeting young professionals by expanding and complementing the existing secondment programme. Furthermore, modules for knowledge sharing should continue to be designed to respond to concrete requests from the constituency, to present the Charter's work with regard to a number of topical issues, e.g., underground gas storage, international pricing mechanisms for energy, and practical steps for energy efficiency as well as model agreements for cross border pipeline and electricity projects.

B. Global energy security and changes in global market balance

The debate within the Ad Hoc Strategy Group in 2008 and 2009 on new challenges in the energy sector revealed concerns of member states with regard to issues such as global energy security, the balance of security of supply and security of demand, changes in the global market balance and price developments. In 2009, crisis situations involving energy transport facilities serving the areas of more than one contracting party were the focus of the discussion.

The Secretariat will continue to provide expert advice in support of relevant discussions in the Charter's subsidiary bodies, in particular the Ad Hoc Strategy Group, and with an emphasis on the elaboration of instruments for crisis mitigation to complement and strengthen existing ECT mechanisms such as dispute settlement and conciliation (*activity C2.1*).

The discussion on aspects of energy security takes up issues addressed in the Energy Charter of 1991 but not in the Energy Charter Treaty. Possibly, the discussion on energy security could be deepened by knowledge sharing among member states and entities on how security of interconnected energy infrastructure is organised in practice (*activity C5.2*).

The Secretariat will organise the Annual Policy Conference in 2010 (*activity C3.1*).

The Secretariat will continue to update its analytical work on international pricing mechanisms for energy. A new edition of the publication on international pricing mechanisms that will expand to all types of energy and include analysis of the impact of taxes is envisaged, together with follow-up activities on recent price developments (*activity C5.8*).

The Secretariat stands ready to follow up on other proposals relevant for energy security and the global market balance. For example, following an initial discussion in the Ad Hoc Strategy Group in June 2009, the Energy Charter could further promote long-term cooperation in the energy field by providing analysis of available projections on the development of energy markets and exchange of information on factors influencing security of supply and demand. Member states have confirmed their interest in an exchange of experience, a transparent policy dialogue on market designs and structures, and their impact on international cooperation in the energy sector. Reliable and affordable electricity supply remains a challenge across the Energy Charter constituency. The Secretariat will continue its analytical work on the relation between regional electricity cooperation, sector reform and investment climate as well as a compilation of different electricity market designs (*activities C4.1, C5.6, C5.7*).

C. Investment

The Investment Group will continue with its core activity concerning the production of in-depth analysis of the investment climate and market structure (ICMS) of ECT member countries and the follow up to previous reports. The reports have proved to be effective as a rigorous assessment of the member countries' policies and legislation in respect to Charter principles and relevant Treaty obligations. To complement the ICMS and follow-up reports, and to allow for further peer review within the Charter process, occasional papers will be prepared on recent energy sector relevant developments within the Charter constituency. Contributions from the interested members will be solicited for discussion in the investment group meetings (*activity C4.1*).

The Investment Group will continue cooperation with the Industry Advisory Panel, which provides a unique opportunity for member states to interact with the world of energy

business. This interaction has so far benefitted both sides and it is vital to continue this effective dialog between sector representatives and policy makers.

In view of the fast changing legal, economic and political environment, the Secretariat will continue to maintain the “Blue Book” as a means to enhance the transparency concerning existing country specific exceptions to the principle of non-discrimination with the aim of reducing the exceptions which in turn will improve entry conditions for foreign investors (*activity C4.2*).

The Secretariat will support work on improving energy sector transparency in the ECT constituency. In line with the general policy of the Energy Charter Process to establish cooperation and partnership with other international initiatives, the Secretariat will establish cooperation with the Extractive Industries Transparency Initiative – EITI, which is an international initiative aimed at ensuring transparency in the extractive industry business. The EITI consists of a coalition of governments, companies, civil society groups, investors and international organisations. The EITI Association is a non-profit association organised under Norwegian law. The EITI Board is composed of members from governments, companies and civil society, and is appointed at the bi-annual EITI Global Conference. The ECT principles of open, competitive markets and sustainable development share much in common with the EITI. There is thus a considerable potential for cooperation which would allow the ECT constituency to benefit from the in-depth experience of EITI in promoting transparency in the energy business and creating synergy through facilitating the implementation of EITI policies and Energy Charter principles (*activity C4.3*).

Discussion in the Investment Group meetings of 2009 confirmed the continued support for extending the Risk Reduction Dialog with a particular focus upon contract enforcement, dispute resolution, and a review of national expropriation laws in selected countries. The Secretariat will continue to support activities related to investment promotion and protection under the ECT (*activity C 4.4*).

Subject to voluntary contributions, the Secretariat proposes to launch a new activity for 2010 which is the development of a strategy for the delivery of electricity in sub-Saharan Africa as asked by the 2009 G8 Energy Ministers meeting in Rome in the Concluding Statement. The aim of this activity is to promote the principles of the Charter in Africa as the basis to build regional energy markets and as a means to facilitate investments in regional electricity networks. This work activity will be cross-dimensional with close links with the Trade and Transit Group. This initiative will also involve close cooperation with the African Development Bank (AfDB) and the European Investment Bank (EIB) (*activity V3.6*).

Through the support of voluntary contributions, the Secretariat proposes to examine important technological developments, notably investment in ‘smart grids’. A study will be undertaken on the market conditions that promote investment in such technology. The main focus will be upon the potential for different market structures to support Smart Grid development (*activity V3.7*).

D. Transit/cross border trade

Member states continue to consider the Treaty’s provisions on trade and transit a priority. In November 2008, the Conference reaffirmed its support for the finalisation of negotiations and the adoption of the Energy Charter Protocol on Transit to expand upon the existing provisions in the Treaty.

Following multilateral consultations in the Trade and Transit Group in 2009, the Secretariat stands ready to provide support to fix the areas of consensus reached, as mandated by the Conference, and to support multilateral negotiations on the draft Transit Protocol, once mandated by the Conference (*activity C5.1*). As a consequence of the crisis in January 2009 the Secretariat suggests to discuss what existing and new instruments based on the Energy Charter Treaty may be useful to prevent or mitigate similar crises.

The Secretariat proposes to continue other core activities linked to the trade- and transit related provisions of the Treaty. In view of the calls from member states for more transparency with regard to cross-border oil and gas pipeline projects, the Secretariat will encourage member states to continue to present, on a voluntary basis, the technical, legal, regulatory and operational frameworks of selected new projects and existing systems (*activity C5.2*).

A number of proposed activities have particular relevance to crisis prevention and mitigation, as discussed in the Ad Hoc Strategy Group and the Trade and Transit Group in 2009. The Secretariat proposes to identify core requirements to ensure operational reliability as provided by Article 7(2) ECT, including transparency standards. Knowledge sharing between member states on the operation of cross-border and interconnected pipelines as well as relevant guidelines and practices would be a substantial part of this discussion (*activity C5.2*).

Following the development of Electricity Model Agreements (EMAs) in cooperation with the work of the Task Force on Regional Electricity Cooperation in Central and Southern Asia and in view of the increased interest in regional electricity trade, the Secretariat proposes to continue the work of the task force (*activity C5.6*). It is also proposed that the Secretariat will develop further the Model Agreement relating to the inter-operability of electricity systems and markets (Market and System Inter-Operability Agreement or IMA). As a particularly relevant issue in the context of cross-border electricity and gas trade, the Secretariat proposes to conduct a review of current mechanisms to manage capacity congestion in energy infrastructures with a focus on electricity (*activity C5.7*).

The discussion on multilateral trade rules as applied to the energy trade under the WTO and ECT trade regime will be continued, also with a view to facilitate the remaining outstanding ratification processes, especially by non-WTO members (*activity C2.2*). Considering the forthcoming entry into force of the Trade Amendment, the Secretariat is preparing a review of resulting changes in the trade regime under the ECT. In addition, the discussion of moving to a regime of bound tariffs will be reopened with the Trade Amendment entering into force (*activity C5.3*).

In light of the interest of delegations expressed during the meetings in 2009, the implications of WTO rules for questions pertinent for energy trade will be further examined (e.g. issues of access to networks, behaviour of state-trading enterprises, etc.) (*activity C5.4*).

In the discussions on the role of the Energy Charter Treaty under changed conditions, member states have stressed the potential of its provisions on technology transfer (*activity C5.5*). In 2010, the Secretariat will continue to prepare case studies. Moreover, to complement the work done so far on the examination of trade conditions for clean/energy efficient technologies, the Secretariat, relying on the support from member countries, will examine particular trade conditions of such technologies in selected ECT member countries.

In the context of climate change negotiations, there will be increased competition for investments in climate-related energy projects among developing countries. The ECT can

be promoted to such countries as the only international legal instrument that contains provisions on trade, investment and technology transfer. Further case studies could be devised to look at pending projects of the ECT members' companies in such countries, with the focus on the technology transfer aspects.

E. Energy efficiency and the environment

Member states have indicated that energy efficiency is considered an effective way to improve competitiveness and enhance energy security. It is also receiving increasing attention as the most cost-effective approach to reducing greenhouse gas emissions. Member States have reaffirmed their support for the contribution of the Energy Charter process to improving energy efficiency within the Treaty constituency. The proposed work plan for 2010 responds directly to issues raised by delegations in responses to the Article 34 Review questionnaires and more focused work plan discussions within the PEEREA Working Group.

The Secretariat proposes to continue the review process of national energy efficiency policies and support for effective implementation of energy efficiency policies in member countries, ensuring a balance between OECD and non-OECD countries (*activity C 6.1*). This will be based on an indicative, non-binding schedule of reviews. The Secretariat will also continue to explore methods for more close cooperation with the IEA and other international organisations in completing national reviews. More broadly, the Secretariat will also continue to work with other international organisations including IEA, UNECE and a range of international financial institutions to improve the level of international cooperation, especially in the context of the new International Partnership for Energy Efficiency Cooperation (IPEEC) (*activity C 6.2*).

The Secretariat will also support the PEEREA Working Group in its ongoing work on developing a comprehensive analysis of effective institutions (strategies, laws, organizations and review mechanisms) for energy efficiency policy formulation and implementation (*activity C 6.3*). This work reflects the strong institutional focus of previous and current work, and the significant differences amongst market frameworks and resources in member countries.

In discussions on new challenges in the energy sector, member states have confirmed that the Energy Charter process and PEEREA have a role to play in view of the ongoing international discussions on longer-term solutions to climate change. In 2010, the Secretariat will prepare an analysis of the possible consequences of the outcome of the 2009 United Nations Climate Change Conference in Copenhagen for the Energy Charter Process (*activity C 6.4*).

Non-core activity projects

The PEEREA Working Group may request the Secretariat to proceed exceptionally with non-core activities, depending on their relevance to the Energy Charter Process and the availability of resources. Under these conditions, the Secretariat may develop more detailed proposals for the following subjects: possible studies in the areas of the links between renewable energy and energy efficiency (*activity C 6.5*), and the links between energy efficiency and energy security (*activity C 6.6*). The Secretariat may also complete reviews of existing activities in relation to the use of Energy Service Companies (ESCOs) in delivering finance and support for energy efficiency projects (*activity C 6.7*), and on policies to support the retrofitting of panel buildings (*activity C 6.8*).

F. Legal affairs

The increasing significance of the Energy Charter Treaty as an international legal instrument has been recognised by member states in the context of the 2009 Review and has been accentuated by recent developments.

The Secretariat's work in the field of legal affairs broadly falls into three areas. These are (1) research and dissemination of information in relation to key legal aspects of the Treaty, particularly investment arbitration; (2) development of legal instruments, as requested by the Conference, to assist in the achievement of the aims of the Energy Charter process, e.g. model agreements (*activity C7.3*) and possibilities to improve the capacity of the Energy Charter Treaty to deal with urgent energy disputes (*activity C7.4*); and (3) provision of advice to the Conference and within the Secretariat with respect to the interpretation and application of the Treaty and its related documents (*activity C7.1*).

In the area of research and information dissemination, the Secretariat will continue to pursue initiatives to increase the level of knowledge about the functioning of the Treaty as a legal instrument (*activity C7.2*). This includes continuing the promotion of the Treaty as a multilateral investment treaty which in 2009 took place within the Investment Group and at the Secretariat's Energy Dispute Resolution Conference in October in Brussels.

Member state delegations have supported the continuation of these discussions, whilst expressing concerns with respect to the suitability of existing *fora*. Specific topics which – subject to available resources – merit further research include consistency among international arbitral awards, expropriation and regulatory takings, the Most-Favoured Nation clause and its application, the fair and equitable treatment clause, denial of advantages under the ECT, investor definition and the issue of controlling relationships of third party investors, the applicability of investment related provisions to trade and transit issues, and the relationship between investment treaties and EU law.

The Secretariat will continue to develop legal instruments, as requested by the Conference, with a view to advancing the aims of the Treaty process, including model agreements in various areas (*activity C7.3*). Following the development in 2009 of the “Guidelines for the Development of the Market and System Inter-Operability Model Agreement (IMA)” as part of the Secretariat's Electricity Model Agreements (EMA) project, the Secretariat intends to continue to review the EMAs and the Pipeline Model Agreements (PMAs) with a view to developing them further as appropriate.

The Secretariat will also consider the opportunity of developing other model agreements, e.g. a Model Investment Agreement, as desired by member states. Given the importance of rapidly resolving urgent energy disputes, and in response to the interest expressed by a number of member state delegations and to a request by the Ad Hoc Strategy Group, the Secretariat will, in consultation with the Legal Advisory Task Force and Legal Advisory Committee, carry out further research on how the Energy Charter Treaty can contribute to resolving urgent energy disputes, including through fast-track arbitration (*activity C7.4*).

In view of the increasing significance of legal issues in relation to the Treaty, discussion of such issues may take place within the appropriate Conference Subsidiary Bodies and the existing Legal Advisory Committee (constituted by the Conference at its third meeting in October 1995), or at specialist conferences such as the conference organised by the Secretariat in Brussels in October 2009, or, in the specific case of model agreements, the existing Expert Group on Model Agreements.

G. Coordination of the Secretariat's work, administration and finance

The Secretariat will continue to need adequate resources for internal coordination, administration and finance. This includes the role of the *Private Office* in ensuring overall direction and operational coordination of the Secretariat's work guided by the conclusions of the 2009 Review as well as the responsibilities of *Administration and Finance* with regard to the budget, personnel, financial administration, information technology and administration and support services. *Legal Affairs* will continue to provide legal advice in this regard.

DETAILED ACTIVITY SCHEDULE

The detailed activity schedule of the 2010 Programme of Work consists of two parts. All activities to be funded from the core budget are presented in *Part C: Core Budget*. Possible additional activities that could be funded by voluntary contributions are listed in *Part V: Voluntary Contributions*.

Each activity foreseen under *Part C* of the Programme of Work is allocated a number of staff months, with the allocation of resources corresponding to the Establishment Table of the Secretariat. *Part V* provides indicative information on the minimum allocation of staff months necessary to launch the respective activity, while the actual allocation of resources would depend on an agreement between the country interested in supporting the respective activity and the Secretariat.

Contact persons for each activity are included, with the relevant Director / Head of Unit underlined in each case.

PART C: CORE BUDGET

1. PRIVATE OFFICE (80 staff months)

The Private Office, led by the Secretary General, will continue to take responsibility for the overall direction and operational coordination of the Secretariat's work, taking the lead in particular with regard to contacts with member and observer governments, for ratification and relations with non-signatories, and with activities aimed at raising public awareness about the Treaty. It is also responsible for the translation of Energy Charter documents from and into Russian.

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

- Assisting the Conference and its subsidiary bodies in following up the Review conducted in accordance with Article 34(7) ECT in 2009;
- Contacts with member and observer governments and with relevant international organisations and institutions in order to promote the implementation of the Energy Charter Treaty and its related instruments;
- Contacts with member countries that have yet to complete the ratification of the Charter's legal instruments with the aim of facilitating the ratification process, as well as consultations at the political level with non-member countries wishing to become more closely involved in the Energy Charter process (*see also activities 2.2, 2.3 and 2.4*);
- Raising public awareness about the Treaty through public relations activities and through an active external information policy, including the maintenance of the Energy Charter website, dissemination of the Energy Charter newsletter, and the dissemination of printed and electronic materials produced by the Secretariat;
- Preparation of the 21st Meeting of the Energy Charter Conference;
- Advice and organisational support for the Conference Chairman and Vice-Chairmen.

In addition to the above, the 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 and to releasing documents in the public domain.

2. STRATEGIC DEVELOPMENT
(31 staff months, 4 consultancy months)

C2.1 Support to the Energy Charter Strategy Group

(i)	<i>Outputs:</i> Support the work of the Strategy Group and its chairperson through analytical work, coordination activities and policy advice in line with the Group's mandate	<i>Timing:</i> During 2010 until the meeting of the Conference Ongoing
	<i>Contact person:</i> <u>Ralf Dickel</u>	<i>Estimated staff-months:</i> 12 months 4 months consultancy

As a result of the ECT Review in 2009, the Conference is expected to establish the Energy Charter Strategy Group as a Standing Group. This Group will play an important role between the meetings of the Conference as a high level body on strategic issues relevant in the context of the Charter and the Energy Charter Treaty. In particular, delegations will continue to use this forum to identify new challenges and priorities in the energy sector as well as possible responses of the Energy Charter process.

One of the core tasks of the Strategy Group in 2010 will be to deal with the follow-up to the Rome Statement of 9 December 2009 and the task contained therein to examine the possible options with regard to the modernisation of the Energy Charter Process with competence to participate in the process of consultations over possible enhanced legal frameworks for energy cooperation, taking also into account other proposals on future cooperation in the energy field. Furthermore, the Group will continue to discuss horizontal issues, accession activities, relations with other international organisations and non-signatories, and will advise on strategic policy direction for the Charter's Working Groups, the Secretariat's Programme of Work and the follow-up to the conclusions of the Review under Article 34(7) ECT. It will contribute to the preparation of the annual Energy Charter Conference as appropriate.

The Secretariat will provide organisational and substantive support to the work of the Group. This might include, for example, options papers with regard to the modernisation of the Energy Charter Process and the role of the latter in the context of possible enhanced legal frameworks for energy cooperation, analysis, draft policy and discussion papers on horizontal issues, new challenges in the energy sector and possible responses, on strengthening the effectiveness of the ECT, including provisions such as Article 7.

C2.2 Ratification of the Treaty / Trade Amendment / PEEREA

(i)	<i>Outputs:</i> Support to Signatory States in their ratification process of the Treaty and related documents	<i>Timing:</i> Ongoing
(ii)	More ratifications of the Trade Amendment	Ongoing
	<i>Contact persons:</i> <u>Ralf Dickel</u> , Graham Coop, Yulia Selivanova (TA)	<i>Estimated staff-months:</i> 4 months

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.

After the entry into force of the Trade Amendment, outstanding ratifications of the Trade Amendment by ECT members (including non-WTO Members) will be fostered in order to strengthen further the value added of the ECT trade regime.

C2.3 Accession to the Treaty / Trade Amendment / PEEREA by new members		
(i)	Outputs: Support to the preparatory stage for accession of new member countries to the Treaty and related documents	Timing: Ongoing
	Contact person: <u>Neil Melvin</u>	Estimated staff-months: 5 months

Signatories to the 1991 Energy Charter 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 support countries in this process.

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

C2.4 Response to Interest and Requests from Non-signatory Countries		
(i)	Outputs: Response to interest and request for information from non-signatory countries	Timing: Ongoing
	Contact persons: <u>Neil Melvin</u>	Estimated staff-months: 10 months

In 2010, the Secretariat will, in consultation with delegations, develop a strategic policy paper on the enlargement of the Energy Charter Process and relations with non-signatory countries which will be the basis for the Secretariat's work. This paper, to be approved by Member States, shall establish clear criteria for selecting priority outreach partners, notably their added value for the Energy Charter Process and their willingness to sign up to and ratify the Energy Charter Treaty.

The Energy Charter has a natural focus on the evolving Eurasian energy market, and also the Mediterranean, the Middle East and Asia, and should seek to build a broad constituency, encompassing the producer, consumer and transit states in key energy markets. This approach builds upon the expansion strategy discussed with member states in 2007, which concluded that priority should be given to those countries which have a direct impact upon the energy security of existing member countries. Wherever possible, the Secretariat should also be guided by the need to facilitate major new energy transportation routes to international markets.

In 2010, the Secretariat will continue to maintain contacts at the political level with China, India and the ASEAN countries. In the Mediterranean and the Middle East, the Secretariat intends to build upon already established ties, including those with the countries of North Africa.

3. CROSS-CUTTING ACTIVITIES
(8 staff months)

C3.1	Annual Policy Conference	
(i)	Output: High-level policy conference	Timing: Spring 2010
	Contact person: <u>Dario Chello</u>	Estimated staff-months: 4 months

In 2010 the Secretariat will organise the Annual Policy Conference focused on a key issue for the ECT constituency. As in 2008 and 2009, this conference will be held in late spring to ensure a better balance of activities across the year. The conference will include participation by other international organisations and the private sector, as well as member and key non-member countries.

C3.2	Support to the Industry Advisory Panel [ECT Articles 9(3), 6(2), PEEREA Article 3(6)]	
(i)	Outputs: Assistance to the meetings of the IAP	Timing: Two to three meetings in 2010
(ii)	Ensuring the interaction with the Conference and its subsidiary bodies	As needed
(iii)	Development of best practices	Ongoing
(iv)	IAP expansion	Ongoing
	Contact person: <u>Dario Chello</u>, Sedat Çal, Zafar Samadov	Estimated staff-months: 4 months

The Nineteenth Conference approved the extension of the Industry Advisory Panel (IAP) mandate for another four years as an effective instrument of the Charter Process that strengthens the relationship between the Energy Charter constituency and the energy industry. The Secretariat will continue providing support to the IAP through addressing energy-sector-specific challenges by holding two to three meetings in 2010. The content of the meetings and scope of areas to be discussed shall be decided by the IAP in cooperation with the Secretariat and taking into account requests by the Charter constituency.

The Industry Advisory Panel has held thirteen 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 effective and useful instrument to strengthen the communication between the Energy Charter constituency and the energy industry. The IAP has enabled an interactive relationship between developments, perspectives and realities of the energy sector with the regulatory framework and policy makers. This indeed ensures a smooth flow of perspectives and experiences between these two major energy sector stakeholders. Learning from the problems and obstacles faced by industry, policy makers become more acquainted with the real scope of issues and get the chance to tackle them more effectively.

To encourage greater coverage in IAP activities of all key areas of the ECT along the entire energy value chain, the Secretariat will assist the IAP with possible enlargement to include new members. The Secretariat will seek specialised consultations with IAP members on different energy sub-sector levels (oil and gas, electricity, energy sector transparency, energy efficiency,

investment barriers and disputes, etc.), with the results of any such consultations reported back to the Panel and the Energy Charter constituency.

The views and experiences of companies and enterprises on investment issues are central to the Charter process. Discussion of new barriers to cross-border investment flows in the energy sector will be discussed by the IAP, and the views of the industry along with recommendations will be brought to the attention of the Investment Group and the Party Conference. Furthermore, in line with the policy of increasing the diversity of members in the Panel emphasis will be placed upon conducting more activities on energy efficiency, with an increased number of meetings devoted to energy efficiency and by employing a more dynamic approach to this end.

4. INVESTMENT
(35 staff months)

C4.1	Reports on Investment Climate and Market Structure (ICMS) [ECT Article 10, Article 9]	
(i)	<i>Outputs:</i> Follow-up ICMS Reports	<i>Timing:</i> One to two in Spring and in Autumn 2010
(ii)	In-depth ICMS Report	Autumn 2010
	<i>Contact persons:</i> <u>Dario Chello</u> , Zafar Samadov, Sedat Çal	<i>Estimated staff-months:</i> 19 months

The in-depth and follow-up country reports on Investment Climate and Market Structure (ICMS) have proven to be a useful instrument for the assessment of the implementation of the Energy Charter Treaty. The reports deal with complex issues of the investment conditions in member countries, the assessment of legal frameworks, energy sector restructuring and development plans. The in-depth reports have been complemented by follow-up reports every three years involving the peer review process envisaged in the Energy Charter process.

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 experiences in implementing policy recommendations and to discuss recent developments.

C4.2	Improving Entry Conditions for Foreign Investors [ECT Articles 10(3), (5), (9)]	
	<i>Output:</i> Update and Reduction in the number of remaining exceptions to national treatment	<i>Timing:</i> Ongoing
	<i>Contact persons:</i> <u>Dario Chello</u> , Zafar Samadov, Sedat Çal	<i>Estimated staff-months:</i> 6 months

In the context of a fast changing legal, economic and political environment, the Secretariat will continue to maintain the “Blue Book” (i.e. non-conforming measures of Contracting Parties/Signatories in the pre-establishment phase of an investment) as a means to enhance transparency concerning existing country specific exceptions to the principle of non-discrimination with an overall aim of reducing the exceptions which in turn will improve entry conditions for foreign investors.

This activity also aims to give greater 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.

C4.3	Improving Energy Sector Transparency in the ECT Constituency – Conditions for Mutual Investment along the Energy Value Chain [ECT Article 10 and Article 20]	
(i) (ii)	<i>Outputs:</i> Presentations at meetings of the Investment Group and IAP Report on promotion of Extractive Industries Transparency Initiative across the Energy Charter constituency	<i>Timing:</i> Q1, Q4 2010 Q3, Q4 2010
	<i>Contact persons:</i> <u>Dario Chello</u> , Zafar Samadov, Sedat Çal	<i>Estimated staff-months:</i> 6 months

At the Pittsburgh G20 Summit, world leaders agreed to promote energy market transparency and market stability as part of the broader effort to avoid excessive volatility. The benefits of enhancing energy sector transparency include an improved investment climate as a result of providing a clear signal to investors and international financial institutions that the government is committed to greater transparency. This is also reflected in the ECT Article 10, which stipulates that each Contracting Party shall encourage and create stable, equitable, favourable and transparent conditions for investors.

This activity has received support from delegates to the Ad Hoc Strategy Group and involves cooperation with the Extractive Industries Transparency Initiative (EITI). The EITI aims to improve governance through the verification and publication of company payments and government revenues from oil, gas and mining. This increased transparency sends a clear signal that a government is committed to high standards. It also strengthens accountability and can promote greater economic and political stability. All of these factors can enhance the prospects for investment returns from companies operating in participating countries.

Out of the ECT constituency, Albania, Norway, Kazakhstan and Kyrgyzstan are already EITI candidate countries. In 2009, Azerbaijan became the first country to have completed an EITI validation procedure and to be designated as EITI Compliant. The ECT principles of open, competitive markets and sustainable development are in accord with the EITI, and thus have a potential for complementarities and creating synergy. The experience of countries already engaged in the EITI process could be presented and disseminated through the meetings of the Investment Group and Industry Advisory Panel.

C4.4	Review of ECT Implementation in Selected Areas and Risk Mitigation [ECT Article 2]	
(i)	<i>Output:</i> Occasional papers and presentations to the Investment Group	<i>Timing:</i> Spring / Autumn Meetings of the Investment Group
	<i>Contact persons:</i> <u>Dario Chello</u> , Sedat Çal, Zafar Samadov	<i>Estimated staff-months:</i> 4 months

The Investment Group will continue to function as a means to exchange information regarding and to assess measures affecting investment adopted by member countries. Other developments in the legal and financial environment that have an impact upon energy related foreign investment will be considered. This activity has been recognised by the Group as being an important element in monitoring implementation of the ECT's investment provisions. The activity supplements the country reports on investment climate and market structure. It also includes implementation and interpretation of the Charter provisions in judicial terms, both at the national and international levels, since this is vital to ensuring that barriers for investments

are removed and a level playing field is established. The unconventional implementation of the Charter provisions or inconsistencies in application may create obstacles for investments. These risks can be addressed and mitigated by further analysis and work in this area, and by raising awareness.

In this context, the Secretariat will prepare occasional papers on selected investment-related issues. As in the past, papers will also be produced on relevant topics that have been requested by member countries. The Secretariat will continue to invite representatives of relevant bodies (energy companies, financial and judicial institutions, academia and international organisations) to make presentations on their investment-related activities in member countries.

5. CROSS-BORDER ENERGY FLOWS; TRADE AND TRANSIT
(68 staff-months)

C5.1	Activities related to the Transit Protocol	
(i)	<i>Output:</i> Support to the finalisation of on the draft Transit Protocol	<i>Timing:</i> Ongoing
	<i>Contact persons:</i> <u>Ralf Dickel</u> , Gürbüz Gönül	<i>Estimated staff-months:</i> Provisional allocation – 14 months

The conclusion of the Energy Charter Protocol on Transit that expands upon the existing Treaty provisions remains of highest priority for member states. In this regard, the Secretariat will continue to attach great importance to supporting the parties in their efforts to achieving a final agreement.

The scope of this activity depends on the decision by the Energy Charter Conference, based on the progress achieved during the multilateral consultations held in the Trade and Transit Group in 2009, concerning the format and the substance of further deliberations on the draft Protocol in 2010 that would make its swift finalisation and adoption possible.

The Secretariat will provide support to fix the areas of consensus that are reached and to support multilateral negotiations on the draft Transit Protocol as mandated by the Conference, *inter alia* by preparing sessions, drafting of appropriate wording for proposals on open points, fostering the exchange of information as required by the parties.

C5.2	Transparency on Energy Transport Facilities [ECT Article 7(2)]	
(i)	<i>Outputs:</i> Voluntary presentations at meetings of the Trade and Transit Group (made available to public) - technical, legal and regulatory of new cross-border pipeline projects - operational features of existing transit and interconnected transportation systems - industry guidelines and practices on operation of interconnected gas transportation systems	<i>Timing:</i> Q1 / Q2 / Q3 2010
(ii)	Review of existing congestion management mechanisms (incl. auctions)	Q1 / Q2 2010
(iii)	Instruments based on the ECT for crisis prevention	Q3 2010
(iv)	Updating of the reports on transit tariffs	Q2 / Q3 2010
	<i>Contact persons:</i> <u>Ralf Dickel</u> , Gürbüz Gönül	<i>Estimated staff-months:</i> 8 months

The crisis in January 2009 demonstrated the need for improved transparency and operational reliability of cross-border oil and gas transportation systems. The Secretariat will further analyse the core issues pertinent to the transparent and reliable operation of interconnected fixed energy transportation systems, based on Article 7(2) of the ECT and related principles included in the draft Transit Protocol.

The existing Transparency Initiative focusing on technical, legal and regulatory aspects of new cross border energy infrastructure will be complemented by addressing the operational features of existing transit and interconnected transportation systems as well as best practice of operational industry guidelines and practices.

A review of existing congestion management mechanisms (including auctions) within the Energy Charter constituency will be addressed within this context.

The Secretariat will provide further analysis of existing and possible mechanisms of crisis prevention within the context of the ECT.

The Secretariat will complete the update of the report on transit tariffs.

C5.3	Changes in the ECT Trade Regime after the Trade Amendment <i>[ECT Article 29, Trade Amendment]</i>	
(i)	<i>Outputs:</i> Paper elaborating on the changes in the ECT trade regime	<i>Timing:</i> 3 rd quarter of 2010
	<i>Contact persons:</i> <u>Ralf Dickel</u> , Yulia Selivanova	<i>Estimated staff-months:</i> 6 months

Considering the forthcoming entrance into force of the Trade Amendment, the Secretariat will prepare the review of changes in the trade regime under the ECT, which include trade in energy equipment. Trade rules relevant to trade in energy equipment will be explained in the paper. Furthermore, the Trade Amendment introduces a special mechanism of moving to the bound tariff regime through a decision of the Energy Charter Conference. The discussion of moving to a regime of bound tariffs will be reopened with entrance into force of the Trade Amendment. The paper will elaborate on the implications and procedures of such a decision.

C 5.4	Report on Multilateral Trade Rules as Applied to Energy Trade under the WTO and ECT Trade Regime (cont.) <i>[ECT Article 29, Trade Amendment]</i>	
(i)	<i>Outputs:</i> Continuation of the study examining different aspects of the ECT trade regime and the application of the WTO rules as incorporated into the ECT for trade in energy	<i>Timing:</i> Q1/2 2010
	<i>Contact persons:</i> <u>Ralf Dickel</u> , Yulia Selivanova	<i>Estimated staff-months:</i> 6 months

In 2009, the Secretariat prepared two parts of the study elaborating on the application to the energy trade of the WTO rules incorporated in the ECT trade regime. Following the interest of delegations in the study, the discussion on multilateral trade rules as applied to the energy trade under the WTO and ECT trade regime will be continued. In particular, access to energy transportation networks, practices of energy companies in the context of disciplines on state trading, subsidies disciplines as they relate to practices in the energy field will be addressed. In analysing the application of multilateral rules to the energy sector reference will be made, where appropriate, to the WTO jurisprudence contained in the Panel and Appellate Body reports.

Reports will be accompanied by presentations by the WTO Secretariat of relevant initiatives in the WTO, like updates on the negotiations relevant to the energy sector.

C5.5	Transfer of Technologies and Trade in Clean/Environmentally Friendly Energy Technologies and Equipment <i>[ECT Articles 8, 19(1)(d), 19(1)(g), 29]</i>	
(i)	<i>Outputs:</i> Continuation of case studies on the transfer of technology in the energy sector	<i>Timing:</i> Q2/4 2010
(ii)	Follow-up to the report on trade conditions for the clean/ environmentally friendly energy technologies and equipment: specific assessment related to trade conditions in the ECT member countries	Q2 2010
(iii)	Workshop on technology transfer/cooperation	Q4 2010
	<i>Contact persons:</i> <u>Ralf Dickel</u> , Yulia Selivanova	<i>Estimated staff-months:</i> 8 months

In continuation of the work on technology transfer, in 2010 the Secretariat will prepare a case study that examines the particular example of the transfer of technology in the course of an oil/gas project. Moreover, to complement the work done in 2008 on the examination of trade conditions for clean/energy efficient technologies, the Secretariat will examine the particular trade conditions of such technologies in selected ECT member countries, relying on the support from member countries.

As a follow-up to technology transfer case studies and the report on trade in clean energy technologies/equipment, it is proposed to organise a seminar on technology transfer in order to test the potential of creating a respective framework for cooperation, within the Energy Charter constituency and with other international organisations.

C5.6	Regional Electricity Cooperation in Central and Southern Asia <i>[ECT Articles 3, 4, 7, 10]</i>	
(i)	<i>Outputs:</i> Task Force on Regional Electricity Cooperation between Central and selected South Asian countries for sharing knowledge on best practices, for coordinating electricity sectors and market reforms and for promotion of regional electricity trade	<i>Timing:</i> Ongoing
(ii)	The two meetings of the Task Force on Regional Cooperation in Central Asia and South Asia (one in Central Asia, one outside Central Asia, e.g. Mongolia or on the Balkans)	Q1/3 2010
(iii)	Report by the Secretariat on the regional electricity cooperation, sector reform and investment climate in Central Asian Republics	Q2 2010
(iv)	Review of existing congestion management mechanisms for cross border trade of electricity	Q4 2010
	<i>Contact persons:</i> <u>Ralf Dickel</u> , Thea Khitarishvili	<i>Estimated staff-months:</i> 10 months

The Secretariat will continue to support the task force on regional electricity cooperation within the Central Asian republics and with selected South Asian countries, which was established at a meeting in Bishkek in April 2007. The Secretariat will organise two meetings of the Task Force in 2010. It will consider having one in Central Asia and one in another region like the Balkans and Mongolia, the latter with a view to enhancing the prospects for the spread of the ECT to North East Asia.

Task Force meetings focus on sharing knowledge on best practices within the Energy Charter Constituency, updating member delegates on latest developments within the Central and South Asian countries. Meetings will continue discussions and practical activities on the further development in the Secretariat's Legal Affairs Unit of Electricity Model Agreements (EMAs) relating to the inter-operability of electricity systems and markets (Market and System Inter-Operability Agreement or IMA).

These activities will be open to participation from all member and observer states and will be conducted in close cooperation with the World Bank, the Asian Development Bank, CIS Electric Power Council and other stakeholders.

The Secretariat will finalise the paper on electricity sector reforms in Central Asian Republics, with an emphasis on necessary steps to achieve economically sustainable electricity sectors and regional coordination for enhanced regional trade. This work is carried out in close cooperation with experts from the countries concerned, and will be discussed further at the meetings of the Task Force and the Trade and Transit Group.

As an issue of particular relevance in the context of the cross-border electricity trade, the Secretariat will conduct a review of current mechanisms to manage capacity congestion in energy infrastructures with a focus on electricity.

C 5.7	Regional Electricity Markets in Countries in Transition	
(i)	<i>Outputs:</i> Paper and expert meeting	<i>Timing:</i> 2 Quarter 2010
	<i>Contact persons:</i> <u>Ralf Dickel</u> , Thea Khitarishvili	<i>Estimated staff-months:</i> 6 months

Several countries in transition are adapting their electricity markets to the design of countries / regions with open electricity markets, also with a view of a later regional integration.

The Secretariat will compile the experience of electricity market reform and market design in countries in transition in a paper, which will serve as a basis for an expert meeting to discuss the lessons to be learned from such experiences and to discuss the potential relevance and further variations of Model Market and System Inter-Operability Agreement (IMA).

C 5.8	Update on International Pricing Mechanisms [ECT Article 3, 19(1) (b), 21, PEEREA Article 3(2)(a)]	
(i)	<i>Outputs:</i> Update on recent developments of pricing of fossil fuels and of carbon emission trading rights	<i>Timing:</i> Ongoing
(ii)	Publication of a new edition of the study on international energy pricing mechanisms	End 2010
	<i>Contact persons:</i> <u>Ralf Dickel</u> , Miharu Kanai	<i>Estimated staff-months:</i> 10 months

In view of recent drastic developments in respect of prices for internationally traded energy materials and products and on carbon emission trading, the Secretariat will provide updates on recent developments. This will take into account developments that have taken place since the last reports by the Secretariat, including the steep increase and subsequent fall in energy prices, the changed supply and demand balance in the gas and LNG markets, the role of speculative inflow of money into energy markets, as well as new regulatory frameworks and transitions to market-based pricing in the eastern part of its constituency. The work will also address the latest developments in coal trade and pricing and the development of CO2 emission trading pricing and its influence on the pricing of fossil fuel energies. The Secretariat will seek to work with the member governments and industry through the IAP.

6. ENERGY EFFICIENCY AND RELATED ENVIRONMENTAL ASPECTS
(35 staff-months)

Note: The work on energy efficiency and related environmental aspects is divided into two parts. The first, comprised of projects 6.1, 6.2, 6.3 and 6.4 are the “core” elements of the work.

The second part involves non-core activity projects which may be further developed if they are agreed by the PEEREA Working Group and if resources are available. If agreed, in the first part of 2010, the Secretariat will further develop these proposals for possible work in a number of other areas, namely projects 6.5, 6.6, 6.7 and 6.8.

C 6.1	Review Process	
(i)	<i>Outputs:</i> Two to three In-depth Reviews of National Energy Efficiency Policies	<i>Timing:</i> Spring / Autumn
(ii)	Four Regular Energy Efficiency Reviews	2 Spring / 2 Autumn
(iii)	Two PEEREA WG meetings	Spring/Autumn
	<i>Contact person:</i> <u>Dario Chello</u>	<i>Estimated staff-months:</i> 18 months 2 consultancy-months

The country review process will continue to be a core activity in monitoring and facilitating the implementation of the PEEREA. The reviews as well as the Round Table presentations about latest national developments and events in the area of energy efficiency provide the basis for policy discussions and exchanges of experiences in policy formulation and implementation between the member countries.

The in-depth reviews are the main tool for offering peer guidance to governments in developing and implementing energy efficiency policies. Countries that have completed reviews have indicated that they have been central in the development of national policies. These reviews will continue to be conducted in partnership with selected countries.

The regular reviews, which monitor the progress made by participating countries in implementing the PEEREA obligations, should be updated at regular intervals. The Secretariat will assist countries in preparing and presenting their reports. The Secretariat will continue its efforts to ensure an overall balance in the review process between reviews of OECD and non-OECD countries.

In 2010, the Secretariat will strengthen its dialogue with the IEA and other relevant international organisations about possible closer cooperation on national reviews. This year will also see the introduction of an indicative, non-mandatory schedule of reviews to assist review planning.

This work item also includes the resources necessary for the technical support to the PEEREA WG and its members, as well as the further analysis required to develop proposals for possible further work (i.e. *activities 6.5, 6.6, 6.7, 6.8*).

C 6.2	International Cooperation for Energy Efficiency	
(i)	<i>Outputs:</i> Co-operation with IPEEC	<i>Timing:</i> Ongoing
(ii)	Co-operation with EU, UN ECE, IEA, APEC, EBRD, EIB, others	
	<i>Contact persons:</i> <u>Dario Chello</u>	<i>Estimated staff-months:</i> 2 months

The Energy Charter will continue to work with other international agencies working in Energy Efficiency to develop a clear plan of different responsibilities, expertise and experience to develop an integrated approach to energy efficiency. This will include ongoing discussions with the newly established International Partnership on Energy Efficiency Cooperation (IPEEC) on methods to enhance the international management of energy efficiency issues and analysis.

C 6.3 Institutional Capacity for Energy Efficiency Policy Formulation and Implementation		
	<i>Outputs:</i>	<i>Timing:</i>
(i)	Organisations Report published	March 2010
(ii)	Legal Frameworks Report published	March 2010
(iii)	Final Draft on Strategy and Policy Framework	July 2010
(iv)	A regional workshop on energy efficiency institutions	October 2010
(v)	Final Draft on Monitoring/Review	December 2010
	<i>Contact person:</i> <u>Dario Chello</u>	<i>Estimated staff-months in 2010:</i> 8 months 4 consultancy-months

Based on key elements of institutional approaches discussed in earlier PEEREA WG meetings, the Working Group will develop a comprehensive analysis of effective institutions with key lessons for countries to introduce and/or improve their institutional frameworks. Institutional analysis will include the overall strategic framework for policies, the organisations delivering policies (including how they interact with other agencies and the private sector), the legal framework for action, and methods to review and adjust strategies and policies.

It is expected that this work will continue through 2011. In 2010, reports on effective organisational structures and legal frameworks will be published and reports developed on strategies and monitoring and review. There will also be analysis and discussions of the issues of effective legal frameworks and monitoring/review of policies and strategies. An early draft of the synthesis document can then be prepared.

This work will be completed in close cooperation with the IEA's Energy Efficiency Governance project, with joint membership of steering committees and regular sharing of approaches and results. Workshops on intermediate stages may be held in interested countries/regions, including a focus on practical partnerships between developed and transition/developing countries in implementing institutional mechanisms.

C 6.4 Energy Charter Response to Copenhagen Decisions/Agreement		
	<i>Outputs:</i>	<i>Timing:</i>
(i)	Report	May 2010
	<i>Contact person:</i> <u>Dario Chello</u>	<i>Estimated staff-months:</i> 3 months 1 consultancy-month

The UNFCCC Conference of the Parties in Copenhagen in December 2009 has not produced a binding agreement or obligatory targets for the reduction of CO₂ emissions.

The Secretariat will review the Copenhagen outcomes and analyse their possible implications for the Energy Charter Treaty.

Non-core activities

The Secretariat will further assess the feasibility of the following non-core activity projects. This assessment will involve more detailed reviews of work by other international organisations and discussions with delegates on the value of specific items of work. On the basis of these discussions, and with a clear understanding of resource availability and requirements, the PEEREA Working Group may decide on which specific projects with the Secretariat may proceed.

Note: Activities 6.5, 6.6, 6.7, 6.8 are not yet fully agreed as part of the PEEREA Work Programme, although there is wide support for the concepts of at least two of the projects. Further examination of existing studies, work by other international organisations, and other inputs from delegates will be used to develop more detailed proposals for further work in 2010. These will be discussed in the first PEEREA meeting of 2010 for completion later in 2010 or possibly 2011, based on these more detailed proposals and a more clear understanding of available resources, which could include voluntary contributions. Together, these projects are likely to require at least 4 staff-months as well as some consultancy staff-months.

C 6.5 Integration of Energy Efficiency and Renewables		
(i)	<i>Outputs:</i> Report on EE/RE Integration	<i>Timing:</i> TBD
	<i>Contact persons:</i> <u>Dario Chello</u>	<i>Estimated staff-months:</i> TBD

While there is much work on developing good practice in energy efficiency and renewable energy policies and programs, relatively little has been done to demonstrate how these different approaches can be blended together, along with pricing mechanisms to make a sustainable business model for sustainable energy. In the long term, significant global progress will require this integration.

This study will examine examples where this integration has been specifically tried, including the Solar Cities Programme in Australia, Samsø Island in Denmark and the BedZed project in the UK. This will demonstrate a variety of approaches with differing levels and types of government and business involvement to identify promising paths toward profitable low emissions solutions. Special attention will be given to the success factors for these projects and how these might apply in transition economies.

As part of this study, the previous work on Renewables on the Demand Side will be updated and disseminated.

C 6.6 Energy Efficiency and Energy Security		
(i)	<i>Outputs:</i> Report on Designing Energy Efficiency Measures to Achieve Energy Security	<i>Timing:</i> TBD
	<i>Contact persons:</i> <u>Dario Chello</u>	<i>Estimated staff-months:</i> TBD

One of the many benefits of energy efficiency policies is that they can increase energy security by reducing energy demand. However, this relationship is not always a clear or direct one. In the

case of energy exporting countries, for example, domestic energy efficiency can allow greater energy exports but matching the incentives of exporters and domestic users is not straightforward. Similarly, if energy efficiency measures fail to reduce the gap between base-load and peak demand, countries remain exposed to short-term shortages.

This study will examine the links between energy efficiency and energy security more carefully based on actual experiences of member countries. This will assist policy makers in explaining these benefits to decision-makers. The study will also consider how efficiency policies can best be designed to deliver energy security.

C 6.7 | ESCOs: what is the real potential?

(i)	<i>Outputs:</i> Final report	<i>Timing:</i> TBD
	<i>Contact person:</i> <u>Dario Chello</u>	<i>Estimated staff-months:</i> TBD

Energy Service Companies (ESCOs) have long been regarded as a key solution to the problem of lack of finance for energy efficiency investments. While there is now a long history of experience with ESCOs, they continue to make only a limited contribution. Questions remain as to whether the “ESCO revolution” is still to arrive, or if the ESCO model is inherently limited in its application.

The Secretariat will develop a report on this topic, considering the experience with ESCOs in a variety of settings and the factors that support application. The report will also consider, based on this analysis, what the likely scope of ESCOs is in member countries, and the best ways to support their development.

C 6.8 | Policies for Energy Efficiency Retrofit of Panel Buildings

(i)	<i>Outputs:</i> Final report	<i>Timing:</i> TBD
	<i>Contact persons:</i> <u>Dario Chello</u>	<i>Estimated staff-months:</i> TBD

Panel buildings (of prefabricated concrete) are a large part of the building stock in many countries, especially in Eastern Europe and the CIS countries. These buildings are not energy efficient. While renovation is possible, this can be difficult both for technical and social/economic reasons, especially where individual apartments are separately owned.

This study will examine best practice approaches to panel buildings in member states to identify successful policies to address this large area of existing energy inefficiency.

7. LEGAL AFFAIRS
(25 staff months)

C7.1 Standing Responsibilities of Legal Affairs		
(i)	<i>Outputs:</i> Provision of legal advice to the Conference and the Secretariat: - on the interpretation and application of the Energy Charter Treaty - on internal and administrative matters	<i>Timing:</i> As required
(ii)	Relations with the Depository	As required
(iii)	Custody and organisation of the ECT <i>travaux préparatoires</i> , including archiving system	As required
<i>Contact person:</i> <u>Graham Coop</u>		<i>Estimated staff-months:</i> 11 months

Legal Affairs' essential responsibility is to provide legal advice as requested by 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). These include 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 2010.

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.

The Government of the Netherlands is the Depository of the 1991 European Energy Charter and the Government of Portugal is the Depository of the 1994 ECT and PEEREA. The Secretariat will continue to have regular communications with both Depositories regarding the documents in their custody. 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 of the ECT and PEEREA; from time to time the Depositories receive similar enquiries regarding documents normally in the custody of the Secretariat. The Secretariat will continue to coordinate and apply a joint policy with the Depositories regarding access to such documents.

As member states will recall, Legal Affairs keeps the archives of the Energy Charter process since its inception, and keeps original documents relating to meetings of the negotiating groups as well as internal working documents (documentary *travaux préparatoires*). Legal Affairs also keeps audio recordings of these meetings (audio *travaux préparatoires*) and copies of documents which are kept by the respective Depositories of the original legal instruments (the governments of The Netherlands for the Charter and of Portugal for the Treaty, PEEREA and the Trade Amendment).

In 2008, a budget was allocated to the digitisation of the audio *travaux préparatoires* and other records of the Charter, thus ensuring the conservation of and facilitating access to these important archives. Legal Affairs intends to maintain and improve the archiving system now in place for these *travaux* and other documents, including the development of a summary of the history of negotiation of the various provisions of the ECT.

C7.2	Raising Awareness in Relation to the ECT Dispute Settlement Mechanisms	
(i)	<i>Outputs:</i> Responding to enquiries concerning the application and implementation of the ECT	<i>Timing:</i> As required
(ii)	Updating table of disputes brought under Article 26 ECT	As required
	<i>Contact person:</i> <u>Graham Coop</u>	<i>Estimated staff-months:</i> 6 months

In line with the PoW of the previous years and the conclusions of the 2004 Review, Legal Affairs will continue to raise awareness in relation to ECT dispute settlement mechanisms and, more generally, in relation to the Energy Charter process and its legal instruments, the ECT and PEEREA.

Given the growing number of arbitrations brought under Article 26 ECT (the mechanism for settlement of disputes between an Investor and a member state) and the interest raised by such cases, Legal Affairs will continue to update the information available on the website and to inform member states of developments in these cases, as requested.

C7.3	Model Agreements	
(i)	<i>Outputs:</i> Review and update of Electricity Model Agreements (EMAs), including Market and System Inter-Operability Agreement (IMA), and Pipeline Model Agreements (PMAs)	<i>Timing:</i> Throughout 2010
(ii)	Continue to raise awareness of Model Agreements (MAs) with international law firms and energy industry	Throughout 2010
	<i>Contact person:</i> <u>Graham Coop</u>	<i>Estimated staff-months:</i> 4 months

During 2009, Legal Affairs has led the development of an additional MA relating to the inter-operability of electricity systems and markets (IMA). The importance of the further development of this instrument was recognised by the third and fourth meetings of the Task Force which took place in Almaty and Ashgabad in April and November 2009 respectively. This work was carried out with the assistance of an external consultant and of the pro bono Legal Advisory Task Force (LATF).

LA will continue to review and update the EMAs and the PMAs in light of market developments and, as in previous years, will continue to raise awareness of the MAs with relevant energy industry participants and international law firms.

C7.4	Explore Enhancement of Arbitration Procedures under Art. 27 ECT	
(i)	<i>Outputs:</i> Report on how the Energy Charter Treaty can contribute to resolving urgent energy disputes through possible streamlined arbitration procedures, with specific text proposals	<i>Timing:</i> End 2010
	<i>Contact person:</i> <u>Graham Coop</u>	<i>Estimated staff-months:</i> 4 months

In the course of various meetings during 2009, member state delegations have expressed support for the development, on the basis of Treaty provisions, of mechanisms to rapidly resolve urgent energy disputes. At its meeting in November 2009, the Ad Hoc Strategy Group requested that the Secretariat, in consultation with the Legal Advisory Task Force and Legal Advisory Committee, carry out further research on how the Energy Charter Treaty can contribute to resolving urgent energy disputes through fast-track arbitration or other means, with a view to presenting specific text proposals for discussion. Legal Affairs intends to pursue this project throughout 2010, with extensive recourse to the expertise of the pro bono Legal Advisory Task Force, and with the involvement of the Legal Advisory Committee and other Energy Charter subsidiary bodies, in accordance with the Ad Hoc Strategy Group's request.

8. 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 website;
- Administration and Support Services: various activities, notably office management, document dissemination procedures and support for all Energy Charter meetings.

PART V: VOLUNTARY CONTRIBUTIONS

3. CROSS-CUTTING ACTIVITIES

V3.4	Analysis of Available Projections on the Development of Energy Markets
	<i>Output:</i> Paper with a compilation and analysis of existing projections from governments and industry
	<i>Timing:</i> End 2010
	<i>Contact person:</i> <u>Ralf Dickel</u> , Miharu Kanai
	<i>Estimated staff-months:</i> 4 months

There are several comprehensive studies publicly available on the development of energy markets published on a regular basis by governments, organisations and industry for the overall energy sector and for specific fuels. While it would not be worthwhile for the Energy Charter Secretariat to add another projection to the already existing ones, it would be useful in view of the ECT's balanced constituency of producing, transit and consuming countries to produce a critical synopsis of the existing projections and their strengths and weaknesses.

Following the discussion in 2009 on comparison of long-term energy projections and scenarios, the Secretariat will follow up on energy security and the global market balance through the analysis of projections and exchanging information, aiming at prompting long-term cooperation in the energy sector.

V3.5	Analysis of Policies and Instruments to Address Security of Supply and Security of Demand
(i)	<i>Output:</i> Paper with description and analysis on major energy infrastructure and related measures and policies on security of supply and security of demand
	<i>Timing:</i> End 2010
	<i>Contact person:</i> <u>Ralf Dickel</u> , Miharu Kanai
	<i>Estimated staff-months:</i> 6 months

As has been pointed out, some concepts on energy security in the Energy Charter are not fully addressed in the Energy Charter Treaty. Security of energy supply, with a special focus on pipeline bound energies like gas, has been regularly addressed in the past and risks in the supply chain from the field to the market as well as the measures to mitigate them are reasonably understood. However, the concept of security of demand, brought forward by producing countries as a reciprocal request, has not been elaborated in detail beyond hints of the role of long-term contracts as a possible instrument to secure demand for gas via the minimum pay provisions.

The proposed activity will describe existing concepts and measures for security of supply and discuss security of demand by analysing cases of gas import relations in the ECT constituency and North America.

The Secretariat will seek to work with the member governments and industry through the IAP.

V3.6	Contribute to Preparation of a Strategy for the Development of Energy Networks and Corridors and Assuring Transit Towards the Integration of National Energy Markets in Africa in Partnership with International Financial Institutions and the OPEC Fund	
(i)	<i>Outputs:</i> Promoting the principles of the Energy Charter, contribute to a Strategy for development of energy networks and corridors and assuring transits towards the integration of national energy markets in Africa	<i>Timing:</i> 2010
	<i>Contact person:</i> <u>Dario Chello, Ralf Dickel</u>	<i>Estimated staff-months:</i> 6 months 3 consultancy-months

G8 Energy Ministers, The European Commissioner and Energy Ministers of Algeria, Australia, Brazil, China, Egypt, India, Indonesia, Korea, Libya, Mexico, Nigeria, Rwanda, Saudi Arabia, and Turkey in a joint statement at the conclusion of the Meeting of G8 Energy Ministers in Rome in April 2009 asked the Energy Charter Secretariat and International Financial Institutions to prepare a Strategy for the development of energy networks and corridors and assuring transits towards the integration of national electricity markets in Africa.

The aim of this activity is to promote the principles of the Charter as the basis for local energy markets and, thereby, facilitate investments in the development of a regional electricity network. Work on this issue will have close links with investment activities and also with trade and transit. This activity envisages having close cooperation with the African Development Bank and the European Investment Bank.

V3.7	Study on Market Conditions for Development of ‘Smart Grids’ <i>[ECT Article 8]</i>	
(i)	<i>Outputs:</i> Draft study report on market conditions for development of ‘smart grids’	<i>Timing:</i> Q2, Q3, 2010
	<i>Contact persons:</i> <u>Dario Chello</u>	<i>Estimated staff-months:</i> 2 months 3 consultancy-months

The energy sector is changing as businesses and homes begin generating more wind and solar electricity, enabling them to sell surplus energy back to their utilities. Modernisation is necessary for energy consumption efficiency, real time management of power flows and to provide the bi-directional metering needed to compensate local producers of power and better manage energy demand. All of these developments will require investments in Smart Grid technologies. The Secretariat proposes a study on Smart Grids as a cross-cutting activity to explore necessary market conditions for investment. As a follow-up, the Secretariat proposes a possible country/regional workshop to discuss the importance of Smart Grids and the results of the study.

The Secretariat proposes to conduct a study on Smart Grid technology. A key focus will be the potential for different market structures (e.g., competitive versus monopoly structures) to support Smart Grid development. Other issues that could be considered include the role of Smart Grids in promoting energy efficiency and renewable energy, the relevance of the ECT, the technological integration required and the need for supportive pricing and regulatory

systems. The report will provide background material to enable informative discussions at Investment Group, PEEREA and Industry Advisory Panel meetings aimed at developing industry-wide standards for smart grid technologies. In the long term the energy industry is expected to pledge to harmonise developing industry-wide standards for smart grid technologies.

The Secretariat will host a workshop in an interested country/region to explore the opportunities and challenges presented by Smart Grids, the applicability of the ECT to investments in Smart Grids, and options for Energy Charter countries to cooperate in supporting their development.

5. CROSS-BORDER ENERGY FLOWS; TRADE AND TRANSIT

V5.7	Report on Physical Security of Energy Infrastructure <i>[ECT Article 7, Energy Charter – Title I]</i>	
(i)	<i>Outputs:</i> Report on physical security of energy infrastructure	<i>Timing:</i> Q4 2010
	<i>Contact persons:</i> Ralf Dickel, Gürbüz Gönül	<i>Estimated staff-months:</i> 6 months

As an additional activity based on ECT Article 7.5 on “securing established flows” as well as the Energy Charter (Title I – chapeau: “enhance safety”) the Secretariat could support and organise expert advice on issues related to physical security of energy transport infrastructure, by drawing on member states’ knowledge and experience. This would include discussing existing practices within the context of the state’s responsibility to maintain public order and/or project-specific security measures.

ANNEX I – SUMMARY OF STAFF MONTH CALCULATIONS

PART C – Core activities¹

	<i>Activity</i>	<i>Staff months² (core activities)</i>
1.	Private Office	80
2.	Strategic development	31
	C2.1 Support to the (Ad Hoc) Energy Charter Strategy Group	12
	C2.2 Ratification of the Treaty / TA / PEEREA	4
	C2.3 Accession to the Treaty / TA / PEEREA by new members	5
	C2.4 Response to interest and request from non-signatory countries	10
3.	Cross-Cutting Activities	8
	C3.1 Annual Policy Conference	4
	C3.2 Support to the Industry Advisory Panel	4
4.	Investment	35
	C4.1 Reports on Investment and Market Structure	19
	C4.2 Improving Entry Conditions for Foreign Investors	6
	C4.3 Improving Energy Sector Transparency	6
	C4.4 Review of ECT Implementation in Selected Areas and Risk Mitigation	4
5.	Cross-border energy flows; Trade and Transit	68
	C5.1 Activities related to the Transit Protocol	14
	C5.2 Transparency on Energy Transport Facilities incl. Storage and Conditions for Reliable Transit	8
	C5.3 Changes in the ECT Trade Regime After Trade Amendment	6
	C5.4 Report on Multilateral Trade Rules as applied under the WTO and ECT Trade Regime	6
	C5.5 Transfer of Technologies and Trade in Clean/Environmentally Friendly Energy Technologies and Equipment	8
	C5.6 Regional Electricity Cooperation in Central and Southern Asia	10
	C5.7 Report on regional electricity markets in countries in transition	6
	C5.8 Update on International Pricing Mechanisms	10

¹ As a matter of principle, ECS staff working time should not be allocated to non-core activities at the expense of core activities.

² This calculation corresponds to the Establishment Table of 28 staff (28 x 12 = 336), plus 12 months of secondees' time.

	<i>Activity</i>	<i>Staff months² (core activities)</i>
6.	Energy Efficiency and Related Environmental Aspects	35
	C6.1 Review Process	18
	C6.2 International Cooperation for Energy Efficiency	2
	C6.3 Institutional Capacity for Energy Efficiency Policy and Implementation	8
	C6.4 Energy Charter Response to Copenhagen Decisions/Agreement	3
	C6.5 ³ Integration of Energy Efficiency and Renewables	TBD
	C6.6 ³ Energy Efficiency and Energy Security	TBD
	C6.7 ³ ESCOs: What is the Real Potential?	TBD
	C6.8 ³ Policies for Energy Efficiency Retrofit of Panel Buildings	TBD
7.	Legal Affairs	25
	C7.1 Standing responsibilities of Legal Affairs	11
	C7.2 Raising Awareness in relation to the ECT Dispute Settlement Mechanisms	6
	C7.3 Model Agreements	4
	C7.4 Fast-Track Arbitration	4
8.	Administration & Finance	66
	TOTAL	348

PART V – Voluntary financing

	<i>Activities proposed for voluntary financing</i>	<i>Minimal allocation of staff months</i>
3.	Cross-cutting activities	
	V3.4 Analysis of Available Projections on the Development of Energy Markets	4
	V3.5 Analysis of Policies and Instruments to Address Security of Supply and Security of Demand	6
	V3.6 Preparation of a Strategy for Energy Networks and Corridors in Africa	6
	V3.7 Study on Market Conditions for Development of ‘Smart Grids’	2
5.	Cross-border energy flows; Trade and Transit	
	V5.7 Report on physical security of energy infrastructure	6

³ Non-core activity, which may be developed pending agreement of the constituency and availability of resources.