

**CONFERENCE “ENERGY TRANSIT IN EURASIA:
CHALLENGES AND PERSPECTIVES”,
BRUSSELS, 19-20 OCTOBER 2004**



**INTRODUCTORY REMARKS BY DR RIA KEMPER,
SECRETARY GENERAL, ENERGY CHARTER SECRETARIAT**

Ladies and Gentlemen:

It is a great pleasure for me to welcome you all to this Conference on “Energy Transit in Eurasia: Challenges and Perspectives”. I would like to start by offering a particular word of appreciation and thanks to all the speakers and session chairs that have agreed to participate over the next day and a half. As you can see from the programme, these include an impressive range of high ranking representatives of governments and international organisations, as well as from academia and the energy industry.

This is the third Conference in what has become a regular autumn event organised by the Energy Charter Secretariat on Eurasian energy issues. We started in 2002 by examining the prospects for liberalising trade and investment in the electricity sector. Last year, together with Eurogas and with the International Association of Oil and Gas Producers, we looked at the opportunities and risks facing gas markets. The value of these events, in my view, has in each case been linked to the distinctive profile and role of the Energy Charter process. Our constituency of fifty-one member countries across the emerging Eurasian energy market allows us to bring together producer, transit and consumer interests to discuss issues of common concern. Our objective – both during these Conferences and throughout our work – is to identify and promote balanced solutions to our energy needs, based on a vision of transparent, open and competitive energy markets and conscious of the need for secure energy flows and the efficient use of resources.

Turning to the theme of today's Conference, I believe that the Energy Charter process is particularly well placed to tackle problems affecting energy flows in transit. Hydrocarbons – and to a lesser extent electricity – are increasingly being transported from their places of production to consumer markets over large distances and across national borders. This is a strategic challenge, and one that requires a multilateral response since energy transit necessarily involves a chain of countries, and the end result is no stronger than the weakest link in the chain. A reliable transit regime across Eurasia needs some common 'rules of the game' to which all countries subscribe.

As many of you will be aware, we are developing an operational legal instrument, the Energy Charter Transit Protocol, aimed at clarifying these 'rules of the game' in relation to energy transit, building on the existing provisions of the Energy Charter Treaty. A large degree of consensus both on the need for this instrument and also on the text itself has already been found between our member states. However three points await finalisation in bilateral negotiations between the EU and Russia.

I will not go into detail on this issue in these introductory remarks, since I am sure that questions related to the draft Protocol will be raised in our discussions. For those of you seeking additional background information, a selection of recent speeches and articles from the Secretariat is available to you as part of the Conference materials, as well as a disk with official texts including the latest draft of the Transit Protocol. I would, however, like to go back to the title of this Conference, and talk about some of the challenges that we face in relation to energy transit.

The first challenge is to define the respective roles of governments, international organisations, and other stakeholders, notably the energy industry, in tackling issues related to energy transit. A starting point is to acknowledge that the bulk of the investments necessary for the development of Eurasia's energy infrastructure will be made not by governments, but by private industry, based on a commercial assessment of the risks and opportunities involved and financed by competitive international markets. The task of governments, and also of inter-governmental organisations such as the Energy Charter, is to facilitate this process by creating a stable set of rules creating confidence for investors and financiers. This will allow investments to be directed towards those projects offering the most advantageous economic efficiency while minimising their environmental impact.

In saying this, I do not want to ignore the political and geo-strategic component to such choices; it would not be realistic to assume that decisions in the energy sector will ever be entirely disassociated from politics. But I would like to underline a key principle that underpins the Energy Charter process – the belief that long-term security of supply, and security of revenue for producing countries, can best be served by the existence of a foundation of common rules governing energy cooperation to secure investment and energy flows, and by the spread of more open and competitive markets.

A second challenge that we face is to encourage a consensus among governments as to the content of these common rules. As our experience with the discussions on a Transit Protocol makes clear, this is not an easy task, given the different structures of energy markets and approaches to energy policy that we see among our 51 member states. But this process of consensus-building is nonetheless essential if governments across Eurasia are to manage successfully their growing interdependence in matters of energy.

A third consideration is to ensure that we keep pace with changes in the energy industry. Events like today's Conference provide a good forum for this. I also strongly welcome the decision taken by the last meeting of the Charter Conference, our governing body, to establish an Industry Advisory Panel to the Energy Charter process. This Panel, which will start its work in early 2005, should provide a regular link between the Energy Charter process and the energy industry, and I am confident that this link will operate to our mutual benefit.

I hope that by the end of the Conference tomorrow we may be a little closer to a common understanding of the challenges and perspectives for energy transit across the Energy Charter constituency. In saying this, I know that some of the distinguished guests participating in our Conference from producer countries may hold different opinions on the way in which Eurasian energy cooperation should develop, as compared to those participants who represent consumer states. This is only natural, but I firmly believe that the very process of dialogue is in itself important to help us achieve a better understanding of each other's interests. And I would consider one of

the major aims of our Conference to be achieved if it could contribute to reducing the gap between these points of view.

Finally, I would like to make one clarification on the way that we have chosen to organise the Conference itself. You will notice that the programme has a strong focus on the challenges facing the gas industry. This was a deliberate choice, in that we felt that tackling the issues facing a single sector would give our discussions on transit greater depth. It was also a natural choice, in that demand for gas is increasing at a rapid rate, and two-thirds of the growth in consumption is expected to be covered by gas delivered through pipelines, where transit issues are likely to arise.

However, we are well aware that issues of transit apply to other sources of energy, notably of course oil and also electricity. In my conversations with government representatives from the Caucasus and Central Asia, the need for clarity in relation to transit of electricity is a regular theme, and a constant reminder of the potential benefits of a completed Transit Protocol. I would like to assure our participants that we do not overlook the important role that the Charter process can play with regard to promoting regional electricity cooperation.

Thank you for your attention, and I would now like to hand over to the Chairman of our first session, Mr Jean-Marie Devos, the Secretary General of Eurogas. I am sure that Mr Devos needs no introduction to many of you, but I would nonetheless like to point to his very distinguished background in European affairs. He came to Eurogas as Secretary General two years ago, having previously served as Executive Director and General Counsel of the European Chemical Industry Association.

So, Mr Chairman, the floor is yours, and it remains only for me to encourage all of you to participate actively in our discussions over the next day and a half, and to wish you a successful and enjoyable Conference.