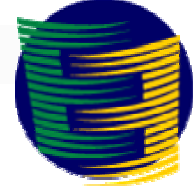


The Energy Charter Treaty: Transit and Model Agreements

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ECT Article 7: Transit

■ Freedom of Energy Transit

- no unreasonable delays, restrictions or charges

■ Non-Discrimination

- as to origin, destination or ownership
- as to pricing
- Non-interruption of flows
- No mandatory third party access



ECT Article 7: Transit

- Obligation not to obstruct the establishment of new capacity

In case of:

- ☐ Lacking infrastructure

- ☐ Insufficient available capacity

- National Treatment

- ☐ Transit treated no less favourably than energy originating in or destined for transit country itself



Draft Transit Protocol

Objectives:

- To be legally binding
- To clarify and strengthen the ECT Transit Provisions
- To make the ECT Transit Provisions more operational and measurable

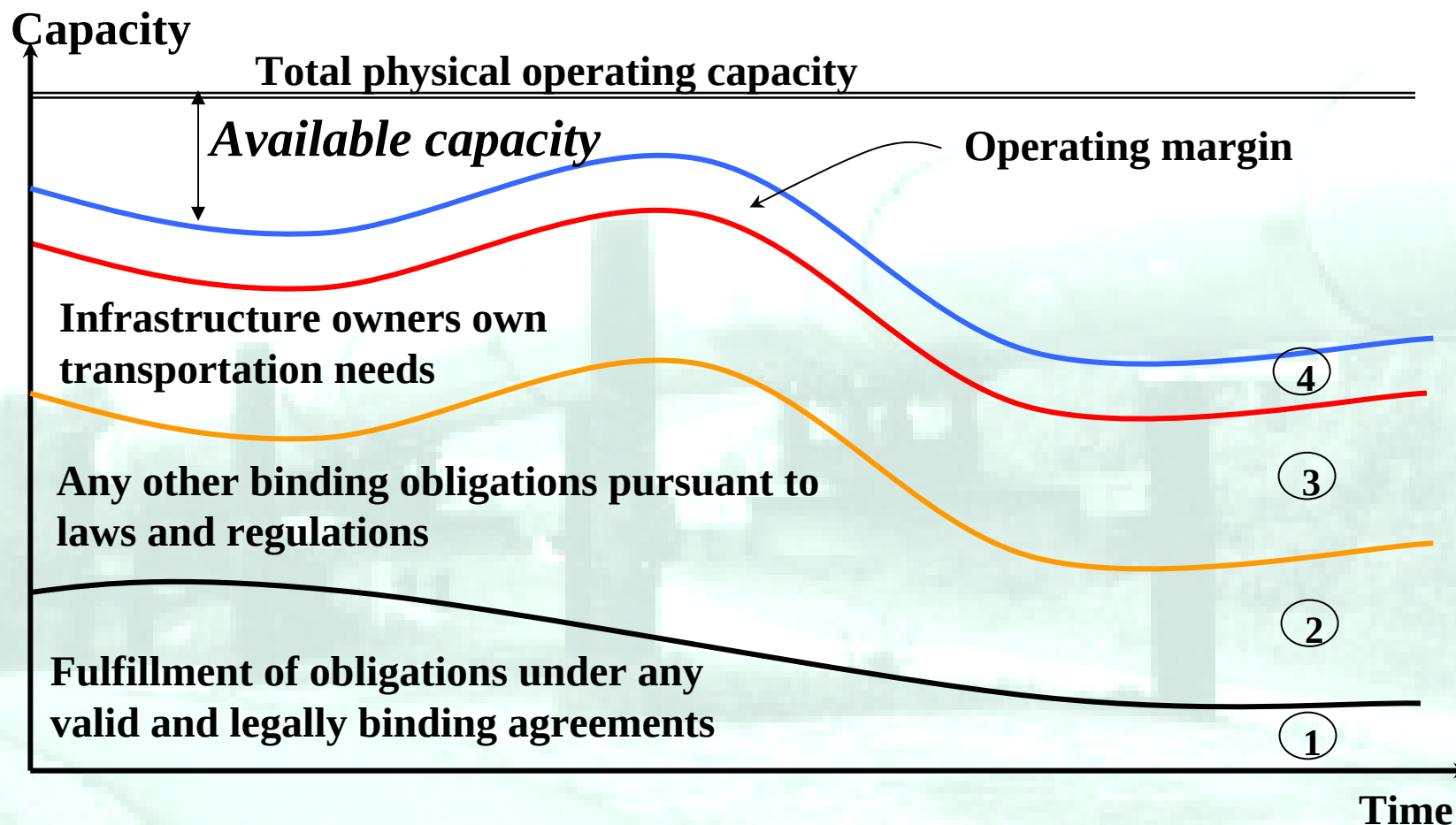


Draft Transit Protocol

Key provisions:

- Definition of 'Available Capacity for Transit'
- Conditions for access to available capacity
- Criteria for setting Transit Tariffs

Definition of 'Available Capacity'





Access to 'Available Capacity'

■ Negotiated Access

- ☐ On the basis of transparent procedures
- ☐ On commercial terms
- ☐ Non-discriminatory as to origin, destination or ownership

No Mandatory TPA



Transit Tariffs

- Cost-based
 - operational and investment costs, including a reasonable rate of return
- Transparent
- Non-discriminatory
- Objective
- Reasonable

Other Provisions



- Prohibition of unauthorized taking of energy
- Measures to prevent / mitigate accidental interruption, reduction or stoppage of transit
- Protection of environment
- Metering and measuring at borders
- Standards (technical, environmental, health, safety, social, accounting)



Outstanding Issues



- ‘Mismatch’ issue
 - Long-term supply contracts and shorter-term transit contracts
- Regional Economic Integration Organization (REIO) Clause
- Transit Tariffs

Other Transit-related Activities



■ Model Transit Agreements

- Model Intergovernmental Agreement
- Model Host Government Agreement

■ Policy debate on Transit

- Trade and Transit group



Conclusions

- Need for a **stable legal regime** for cross-border transport of energy
- ECT and Transit Protocol offer the **best multilateral framework of rules** on transit in Eurasia
- **Strategic objective** of governments: the Energy Charter's Transit Rules finalised, entered into force and observed in practice