10th Executive Training Programme for Young Energy Professionals

THE ROLE OF NATURAL GAS, OIL AND ELECTRICITY IN EURASIAN ENERGY SECURITY

31st May – 2nd June 2017

International Oil and Gas University
Ashgabat, Turkmenistan
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The venue:

International Oil and Gas University,
Ashgabat, Turkmenistan

Source of image: Renaissance Construction
The Energy Charter Secretariat will hold a highly specialised training programme which will take place over two busy days in Ashgabat, Turkmenistan, on June 1-2, 2017, under the auspices of the Turkmen Chairmanship of the Energy Charter Conference. Participants will benefit from highly interactive instruction sessions delivered by highly qualified international energy specialists. This will allow ‘future energy leaders’ to gain an in-depth appreciation of how to navigate prevailing energy security challenges, with particular attention to the role important energy forms such as natural gas, oil and electricity in Eurasian energy security.

The unique form of instruction delivered in the Energy Charter training programmes is highly relevant for the daily workplace functions of the hundreds of graduates that have already completed such programmes. These trainings are specifically designed for junior-to-mid level civil servants working in energy policy development and planning, as well as energy professionals from the private sector engaged in all spheres of energy investment and policy management.

During the Ashgabat training programme, international experts will share knowledge and provide leadership guidance on the following topics:

- Structural changes in the global energy markets: how gas fits in
- Conventional and unconventional oil supplies for global markets
- Key supply sources and possibilities for diversification
- The 20th Century as the century of oil, the 21st as the century of electricity
- Diversification of gas transportation routes as key elements of gas strategy
- Optimisation of distribution systems: pipeline gas, LNG, other
- The key role of gas transit in providing international energy security
- Where to go with fossil fuels amidst low oil prices and decarbonisation
- Producer country perspectives on security of supply and the Paris Agreements COP21
- Risk mitigation in the wake of investment requirements
- Making investments sustainable as well as commercially viable

Key deliverables of the Ashgabat Training Programme include:

- Two core “Knowledge Streams” (learning modules) offered over two days in a dynamic and interactive professional learning environment
- Two special lectures following the Knowledge Streams delivered by high class experts
- A unique and fully interactive learning tool: model negotiations simulating the development of an international gas pipeline agreement
- All course materials
- A special information seminar on the workings of the Energy Charter Treaty
- Instruction and expertise provided by international energy specialists
- Strong networking opportunities with specialists from international organisations, governments, industry, etc.
- A “Certificate of Excellence” upon completion of the programme
Agenda

WEDNESDAY, 31 MAY 2017

**Afternoon**: Short introductory session on the International Energy Charter led by Dr Marat Terterov, followed by a welcome cocktail.

THURSDAY, 1 JUNE 2017

<table>
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<th>Time</th>
<th>Activity</th>
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<tr>
<td>9h00 – 10h00</td>
<td>Arrival and registration</td>
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<tr>
<td>10h00 – 10h30</td>
<td>Programme opening and welcome remarks</td>
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<td>H.E Ambassador Juliusz Gojlo, Ambassador of Poland in the Islamic Republic of Iran (ECLE - Energy Charter Liaison Embassy in Iran)</td>
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<td>Dr Marat Terterov, Knowledge Centre Coordinator, Energy Charter Secretariat</td>
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<td>Senior Representative, International Oil and Gas University, Ashgabat, Turkmenistan</td>
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<tr>
<td>10h30 – 13h00</td>
<td>Knowledge Stream I (with short coffee break in between)</td>
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EURASIAN ENERGY SECURITY CHALLENGES AND THE ROLE OF GAS THROUGH TO 2030: HOW TO HANDLE, WHAT TO EXPECT?

*Chairled by:*
Dr Marat Terterov, Knowledge Centre Coordinator, Energy Charter Secretariat

*With contributions from:*
Dr Jack Sharples, Lecturer in Energy Politics and Energy Law, European University at St Petersburg
Dr Volkan Özdemir, Executive Director, EPPEN Institute for Energy Studies, Ankara
Dr Andrei Belyi, Associate Professor, University of Eastern Finland
Irina Mironova, Energy Analyst at the Energy Research Institute of the Russian Academy of Sciences, Moscow
Richard Wheeler, Managing Director of the Center for Energy Security Dialogue (California, USA) and former-Senior Energy Security Advisor at the Organization for Security and Cooperation in Europe (OSCE)

*Discussion points*
- Structural changes in the international energy markets since the end of the Cold War: from low to high to low oil prices again; the onset of US shale production and market oversupply, fluctuations in Asian demand
- The role of energy producing countries in Eurasian energy security
- The role of Central Asian gas in satisfying international demand
- Optimising investment strategy in upstream hydrocarbons in an era of wide-scale international endorsement of clean energy sources
- Oil price watch and forecasting barometers: an impact on investment
- How does gas fit in and can it contribute to decarbonisation objectives?
- How will fossil fuels coexist with alternative sources of energy in the global energy mix?
- The role of fossil fuels in a post-’shale revolution’ world
- How will the development of LNG supply chains impact on pipeline gas markets?
- Making investments into gas exploration and distribution commercially viable, sustainable and non-stranded
- Market factors, gas hubs and pricing as drivers for investment in the Eurasian gas landscape
- EU energy diplomacy in the Caspian and Central Asia: some reflections on the EU, China, Russia
- Producer country perspectives on security of supply and the Paris Agreements COP21

13h00 – 14h00  Lunch

14h00 – 15h30  Special Lecture

**THE ROLE OF CONVENTIONAL AND UNCONVENTIONAL OIL AND GAS SUPPLIES IN EURASIAN ENERGY SECURITY THROUGH 2030?**

Dr Jack Sharples, Lecturer in Energy Politics and Energy Law, European University of St Petersburg

Q/A

15h30 – 16h00  Coffee break

16h00 – 18h30:  Interactive group exercise and negotiation game: simulating the Salandia-Oronia Gas Pipeline Agreement

- Presentation of the negotiation scenario by the organisers
- Formation of negotiating teams under the supervision of the organisers
- Determining of the negotiation strategies of each country team
- Preparation of negotiations by each country team
- Possible initial negotiations between the parties
- Summary by the Chairman

18h30 – 18h45  Wrap up of Day One/Family Photo
FRIDAY, 2 JUNE 2017

9h30 – 10h00   Arrival of participants

10h00 – 13h00   Knowledge Stream II (with short coffee break in between)

MOBILISING INVESTMENTS AND DIVERSIFYING DELIVERY ROUTES IN ORDER TO STRENGTHEN THE SUSTAINABILITY OF THE GAS AND OIL SUPPLY

Chair by:
Dr Marat Terterov, Knowledge Centre Coordinator, Energy Charter Secretariat

With contributions from:
Dr Jack Sharples, Lecturer in Energy Politics and Energy Law, European University at St Petersburg
Dr Volkan Özdemir, Executive Director, EPPEN Institute for Energy Studies, Ankara
Dr Andrei Belyi, Associate Professor, University of Eastern Finland
Irina Mironova, Energy Analyst at the Energy Research Institute of the Russian Academy of Sciences, Moscow
Richard Wheeler, Managing Director of the Center for Energy Security Dialogue (California, USA) and former-Senior Energy Security Advisor at the Organization for Security and Co-operation in Europe (OSCE)

Discussion points
- Ensuring sufficient investment into gas delivery infrastructure as a pillar of energy security in Eurasia
- Key Eurasian gas supply sources and possibilities for diversification
- Reviewing key gas infrastructure projects in Central Eurasia (The Turkmenistan-China line, CAC, TAPI, others)
- Meeting gas supply requirements of the high demand Asian economies: the way ahead
- Diversification of gas transportation routes as key elements of gas strategy: is it a silver bullet and for whom?
- The key role of gas transit in accounting for international energy security
- Is a new multilateral agreement on gas transit possible? Can this be delivered on the basis of the Energy Charter Treaty? What are the intentions of key stakeholders?
- Key priorities of transit states – some case studies (Turkey, Georgia, Ukraine)
- Approaching the question of gas transit in the Eurasian Union context: should it work like it does in the EU under the Third Energy Package?
- Risk mitigation in the wake of investment requirements

13h00 – 14h00   Lunch
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<tr>
<td>14h00 – 15h30</td>
<td>Special Lecture</td>
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<td><strong>THE ARRIVAL OF THE AGE OF LNG: WHAT IMPACT FOR NATURAL GAS</strong></td>
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<td><strong>DISTRIBUTION SYSTEMS AND THE WIDER ENERGY MARKETS?</strong></td>
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<td><strong>Dr Andrei Belyi, Associate Professor, University of Eastern Finland</strong></td>
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<td><strong>Q/A</strong></td>
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<tr>
<td>15h30 – 18h00</td>
<td>Negotiation game – simulating the Salandia-Oronia Gas Pipeline</td>
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|              | • Continuation of model negotiations leading into final substantive negotiation session  
|              | • Concluding negotiations & negotiation feedback                     |
|              | • Presentations/'press releases’ of the outcomes                     |
| 18h00 – 19h00 | Award ceremony and farewell reception                                |
SPEAKERS PROFILES

Andrei V. Belyi (Andrey Belyy) is an Associate Professor at the University of Eastern Finland, a project researcher at the Centre for Climate Change, Energy and Environmental Law. Prior to 2015, he co-directed two Jean Monnet modules on energy and environment at the University of Tartu, Estonia. In the past, he also worked at the Higher School of Economics in Moscow (Russia), where he co-directed Energy Policy Master Programmes from 2007 to 2012. In addition, he has been a Honorary Lecturer at the Centre for Energy, Petroleum, Mineral Law and Policy (Dundee, UK), provided short term lectures and workshops at the Global Energy Programme of the Warwick Business School (UK), at the Centre for Energy and Resources at the University College London in Adelaide, Australia, as well as at the University of Aberdeen. In addition to that, Andrei V Belyi is a Global Energy Associate of the Brussels Energy Club and is part of the Editorial board of the Journal for World Energy Law and Business (Oxford University Press). With 16 years of consultancy services, he provides advice for the EU institutions, Russian governmental agencies, companies and private firms. Most recently, he has been involved in LNG bunkering business and in promotion of new technologies. For these purposes, he founded a consulting company in Tallinn, Estonia.

Irina Mironova is an analyst at the Energy Research Institute of the Russian Academy of Sciences (Moscow, Russia). She also works as a lecturer of the ENERPO program and editor-in-chief of the ENERPO Journal (European University at Saint Petersburg, Russia). Her research focuses on pricing mechanisms and contract structures in international gas markets. More broadly, fields of scientific interest include energy security and energy geopolitics; sustainable development and the role of energy; energy mix and energy transition; the role of gas in energy transition. Irina is a doctoral candidate in Economics at the Russian Academy of Science. She holds a MA degree in International Relations from the University of Groningen (Groningen, the Netherlands) and a BA degree in Oriental Studies from the Ural State University (Ekaterinburg, Russia). She has worked as the Deputy Editor-in Chief of ‘Security Index’, a peer-reviewed journal on international security published by the Russian Center for Policy Studies (Moscow, Russia; 2010-2012); completed a research fellowship at the Energy Charter Secretariat (Brussels, Belgium; 2013). Irina has delivered a course on ‘Economics and Regulation of Energy...
Dr Jack Sharples is a Specialised Lecturer in Energy Politics and Energy Law at the European University at St Petersburg, where he also teaches EU Politics in the Department of Political Science and Sociology. He has been the author of the EGF monthly Gazprom Monitor reports since May 2012. Dr Sharples received his PhD from the University of Glasgow, UK, having written his thesis on the political economy of state-business relations in the Russian gas sector. His doctoral thesis analysed the relationship between Gazprom and the Russian state on the domestic Russian gas market, in transit/supply relations with Ukraine and Belarus, and in the sphere of Russian gas exports to the EU market. He also holds the qualifications of MSc (2007) and MRes (2008) in Russian and East European Studies from the University of Glasgow, and BA in Politics from the University of York, UK (2005).


Before joining the European University at St Petersburg, Dr Sharples was previously a Visiting Researcher at the European University of St Petersburg (2009-10), the Brussels School of International Studies (2010), and the Institute of Europe (Russian Academy of Sciences), Moscow (2011). His current research interests include: EU-Russia energy relations; Russian foreign and domestic energy policy; energy security; the relationship between energy security and climate change; and EU politics.
Richard Wheeler is the Managing Director of the Center for Energy Security Dialogue, a 501(c)(3) non-profit organization headquartered in California, USA. Mr. Wheeler worked for nearly a decade in the upstream oil and gas industry in both external relations and project management roles on exploration and development projects on three continents. He also worked in Vienna, Austria as the senior energy security advisor for the Organization for Security and Co-operation in Europe (OSCE), the world’s largest regional intergovernmental security organization. He is a member of the Pacific Council on International Policy and the Association of Petroleum Negotiators (AIPN). His works include Energy Security and Intergovernmental Organizations (OGEL 2, 2014); he also co-authored Gas Exports to the Countries of the European Union and Asia Pacific Region (ICEED Journal of Energy and Development, 2015) with R. Subhankulova and K. Furmanov. He obtained his MA in Russian Studies at Georgetown University’s Center for Eurasian, Russian and East European Studies (CERES). He speaks fluent Russian and has lived and worked in the Central Asian region for over 9 years.

Dr Volkan Özdemir is the Director of the Institute of Energy Markets and Policies (EPPEN), an energy think tank based in Ankara, Republic of Turkey. He is an expert on Russian, Caspian, Turkish energy markets and gas trade, pricing and geopolitics. Dr. Özdemir has a PhD in economics obtained in 2013 from the Moscow State University of International Relations (better known by its Russian acronym of MGIMO). The award of his Doctorate followed in depth research on the interconnected topics of the international gas markets and the economic aspects of the Russian-Turkish gas trade.

Dr. Özdemir has also worked with the Turkish Prime Ministry Under-secretariat for Foreign Trade, Turkish Ministry of Energy and Natural Resources, as well as with BOTAŞ, the Turkish state pipeline corporation. Dr. Özdemir gives lectures on energy economics, security and diplomacy at different institutions, which are based on his regular publications on international energy matters. He makes frequent appearances at international public meetings on energy and speaks Turkish, Russian and English. Dr. Özdemir is a graduate of the department of International Relations at Middle East Technical University (METU) in Ankara, and further obtained an MA from Uppsala University, Sweden, focusing on energy cooperation and security in the Caspian region.
**Ambassador Juliusz Gojło** is a career diplomat serving the State of Poland who has since 2010 been Ambassador Extraordinary and Plenipotentiary of the Republic of Poland in Tehran. Prior to his present appointment in Iran, he was Deputy-Director of the African and Middle East Department at the Polish Ministry of Foreign Affairs. He also served as the Head of a Special Task Force on Iraq at the same department at the Ministry. Prior to that, during the latter 1990s, he spent three years with the Polish Embassy in Iraq as Deputy Head of Mission, also representing the US interest section. He was also Deputy Head of Mission at the Polish Embassy in Pretoria, South Africa from 2000-2006. Ambassador Gojło holds academic decrees in political science from the Moscow State Institute of International Relations (1992) and psychology from the University of South Africa (2006). He is a linguist, speaking the following languages on top of his native Polish: English, Russian, French, Arabic and Persian.

**Dr Marat Terterov** is the head of an internal unit at the Energy Charter Secretariat: the Knowledge Centre. The Energy Charter is an international energy security organisation created during the early 1990s for the purpose of promoting trade and investment in the energy sectors of some 50 countries in Eurasia. Based on the legally binding Energy Charter Treaty of 1994, today the Energy Charter strives to become an organisation with a more global reach, predominantly working to promote and protect energy investments in the territories of its member states and beyond. Dr Terterov’s work at the Secretariat is predominantly educational in nature, where he works steadfastly to inform and educate all relevant stakeholders about the core mission and principles of the Energy Charter and its role in global energy security. Dr Terterov received his education in Australia, the United States and the United Kingdom, and holds a D.Phil. (PhD) in Middle Eastern politics from St. Antony's College, Oxford University (obtained in 2002). He has well over 20 years professional experience working with Russia, the former-Soviet Union and the Middle East in the domains of energy, investment, business development, security, geopolitics and government relations. He has written widely on the target region and is a frequent contributor to international conferences, roundtables and other public meetings. He speaks English and Russian fluently, while also being conversational in Egyptian Arabic and having very basic knowledge of French.
INTERGOVERNMENTAL AGREEMENT

Between/Among

the Republic of Oronia
the Kingdom of Rudania
the Grand Duchy of Salandia
and the Pseudopian Federation

CONCERNING

THE ORONIA – PSEUDOPIA GAS PIPELINE PROJECT
PREAMBLE

The Republic of Oronia, the Kingdom of Rudania, the Grand Duchy of Salandia and the Pseudopian Federation, Contracting Parties to this Agreement,

WHEREAS, the Contracting Parties are Parties to the Energy Charter Treaty;

WHEREAS, the Contracting Parties wish to co-operate in facilitating the development, construction and operation of the Oronia – Pseudopia Gas Pipeline Project for the carriage of Natural Gas from, through and to their Territories;

WHEREAS, the Contracting Parties wish to enter into this Agreement in order to promote and protect investment in the Pipeline Project and safeguard the efficient and secure development, ownership and operation of such Pipeline Project within their Territories;

THE PARTIES HERETO HAVE AGREED AS FOLLOWS:
1. The Oronia-Pseudopia Gas Project will be constructed, owned and operated, in accordance with the Agreement, by the Oronia-Pseudopia Gas Pipeline Project Consortium (OPC).

2. The Contracting Parties shall have the following initial shares in the OPC. They are entitled to sell those shares or part of them to private entities:
   a. The Republic of Oronia: 35 %;
   b. The Kingdom of Rudania: 15 %;
   c. The Grand Duchy of Salandia 25 %;
   d. The Pseudopian Federation 25 %.

**Utilisation of Available Capacity**

1. Each Contracting Party shall take the necessary measures to facilitate the Transport of Natural Gas in connection with the Pipeline Project, consistent with the principle of freedom of transit, and without distinction as to the origin, destination or ownership of such Natural Gas or discrimination as to pricing on the basis of such distinctions, and without imposing any unreasonable delays, restrictions or charges.

2. Contracting Parties shall ensure exclusive access to each other or Entities of Contracting Parties requesting access to and use of Available Capacity for Transit on consensus basis.

3. Contracting Parties shall provide third party access for suppliers and other undertakings to the Natural Gas Transport Facilities on consensus basis and provided capacity is available and the quality of the gas corresponds to national standards and norms. Further details and conditions of such access shall be subject of a separate commercial agreement.

4. The allocation of Available Capacity for Transit shall be based on a transparent and non-discriminatory procedure and shall be as follows:
   a) Oronia: Supply: 45 bcm/year Transit: 0 bcm/year
   b) Rudania: Demand: 7 bcm/year Transit: 38 bcm/year
   c) Salandia: Demand: 19 bcm/year Transit: 19 bcm/year
   d) Pseudopia: Demand: 19 bcm/year Transit: 0 bcm/year

The Contracting Parties shall require users of the infrastructure to make unused capacity available on the secondary market.
5. Contracting parties shall ensure secure, efficient, uninterrupted and unimpeded Natural Gas Supply and Transit for the benefit of all Contracting Parties, while minimising harmful Environmental Impacts of Transit. Contracting Parties shall also ensure an efficient congestion management in the form of an auctioning system with simple majority.

6. No Party shall impose any requirement with respect to title to or ownership of Natural Gas in the Natural Gas Transport Facilities or any part thereof, other than through a commercial shipping or transportation agreement to which it is a party.

7. A Contracting Party, through whose territory Natural Gas Materials and Products transit shall not take from, or interfere with, the flow of Natural Gas Materials and Products in any manner inconsistent with the provisions of this Agreement.

8. A Contracting Party through whose territory Natural Gas Materials and Products transit shall take all necessary measures to prohibit and address the unauthorised taking of such Natural Gas Materials and Products in Transit by any Entity subject to that Contracting Party's control or jurisdiction.

Transit Tariffs and Charges

1. Each Contracting Party shall take all necessary measures to ensure that Transit Tariffs and other conditions are objective, reasonable, transparent and do not discriminate on the basis of origin, destination or ownership of Natural Gas Materials and Products in Transit.

2. Each Contracting Party shall ensure that Transit Tariffs and other conditions are not affected by market distortions, in particular those resulting from abuse of a dominant position by any owner or operator of Natural Gas Transport Facilities used for Transit.

3. Transit Tariffs, both negotiated and regulated, shall be based on the cost of service, (CAPEX and OPEX), including a reasonable rate of return calculated on the basis of the CAPM model. The cost for insurance will be covered within the OPEX.

4. Rudania will receive its share in the tariff in kind.

Insurance and Taxes

1. Contracting Parties shall undertake an insurance policy to cover risks stated in Art. 3 as well as any man-made, natural or other interruptions, reductions or stoppage of Transit. Such a policy shall cover Natural Gas Transport Facilities, and Natural Gas in Transit as a commodity.
2. Each Contracting Party shall ensure that the tax treatment of the respective resident Joint Consortium with respect to any part of the Project Activities will be no less favourable than that applicable to other residents, to other domestic entrepreneurs or comparable cross-border Natural Gas pipeline projects in the same circumstances under its generally applicable tax legislation.

3. The revenue of the respective national section shall be calculated as a share of the gross revenues of the Joint Consortium calculated on the basis of the proportional share of each Contracting Party in the total length of the Project Pipeline.

4. Each Contracting Party shall ensure that no owner of natural gas in transit under its control refuse to negotiate in good faith, on the basis of transparent and non-discriminatory procedures and on commercial terms, to supply natural gas to the Contracting Party through which territory such transit occurs.

Security

1. Commencing with the initial Pipeline Project Activities relating to route identification and evaluation and continuing throughout the life of the Pipeline Project, each Contracting Party shall use its best endeavours to ensure the security of the Land Rights, the Natural Gas in Transit, the Natural Gas Transport Facilities, and all Persons within the Territory of that Party involved in Project Activities.

2. Contracting Parties shall, should it be deemed indispensable for the vitality of the Pipeline Project, provide a physical security to the Natural Gas Transport Facilities on its Territory in order to attain Objectives of this Agreement as stated in Art. 1(5).

3. The outlet for providing such security is left to the discretion of each Contracting Party as long as the security of both, Natural Gas Transport Facilities as well as Natural Gas in Transit, is ensured.

4. In view of the security provided, Rudania shall receive a minimum payment from the pipeline consortium set at 5% of the Natural Gas Transported in kind, at the annual choice of Rudania as a minimum income from taxation which is fixed and as compensation for the obligation to secure the pipeline. This provision will have to be re-examined in case Rudania enters WTO.
The Consortium agrees to set up a Foundation for The Protection of the Unicorn after ratification by the National Parliaments to be funded in the amount of $30mn per annum from each consortium member.

**Accidental Interruption and Emergency Situations**

**Dispute Settlement**

1. Each Contracting Party shall ensure that owners and operators of Natural Gas Transport Facilities used for Transit take necessary measures:
   a) to minimise the risk of accidental interruption, reduction or stoppage of Transit;
   b) to expeditiously restore the normal operation of such Transit which has been accidentally interrupted, reduced or stopped.

2. Contracting Parties shall immediately notify any other Contracting Party concerned of accidental interruption, reduction or stoppage of Transit and the cause thereof; they shall also provide a realistic assessment as to when Transit can be resumed.

3. If a dispute concerning the application or interpretation of this Agreement, has not been settled through diplomatic channels within 90 days, either Contracting Party shall, upon written notice to the other party to the dispute, submit the matter to a Conciliator under the Energy Charter Treaty.

**Final Provisions**

1. Subject to the other provisions hereof, each Contracting Party undertakes to fulfil and perform each of its obligations under this Agreement.

2. Each Contracting Party shall fully support the implementation and execution of the Pipeline Project contemplated by this Agreement and shall ensure that its Entity takes all actions necessary for such implementation and execution.

3. This Agreement shall enter into force upon the exchange of instruments of ratification by all Contracting Parties.

4. Within 60 days each Contracting Party shall submit this Agreement for ratification by its relevant duly authorised organ of government.

5. This Agreement shall terminate upon the latter of the termination or expiration.
Done this day 2 of June 2017 at Brussels, Belgium, in four in the English language.

THE REPUBLIC OF ORONIA

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THE KINGDOM OF RUDANIA

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THE GRAND DUCHY OF SALANDIA

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THE PSEUDOPIAN FEDERATION

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Game scenario and general context

Disclaimer: The Natural Gas Pipeline Project outlined below details facts and events solely intended for the training exercise “Group seminar: Negotiation game” as part of the Executive Training Programme. All characters and events appearing in this work are fictitious. Any resemblance to real persons and events is purely coincidental. For the purposes of the negotiation game, all the information that the Pipeline Project contains should be treated as real and actual facts.

The Oronia-Pseudopia Natural Gas Project represents the long-term efforts of four neighbouring countries to manage their respective gas supply and demand. The region is served by an existing line, the ORSP Pipeline, that was finished 8 years ago in a rare example of successful multilateral negotiation in the region. Now, expanding economies and a boom in production have led to the economic conditions that would support an expansion of this line. Despite the probable mutual benefits, however, negotiations have been difficult because these four neighbours have historically had strained political and security relationships. As a result, even though the expansion project is of a crucial importance to all stakeholders, its actual take-off has been long contested, interrupted and largely postponed.

The original ORSP Pipeline was composed of three parallel lines of pipe (hereafter called ORSP 1-3, to differentiate between them and planned ORSP expansions) allowing for the total export of 45 billion cubic meters (bcm) of natural gas per year, along an approximately 2,800-kilometer long line from Oronia through Rudania, Salandia and terminating in Pseudopia. The Project has been operated by a special purpose consortium company (SPCC) called the Oronia-Pseudopia Gas Pipeline Project Consortium, or the OPC. A full breakdown of the OPC and other Articles defining ORSP 1-3 can be found in the original Intergovernmental Agreement that was signed in 2009.

Today, times are fairly good in both Oronia and Pseudopia, the two ‘ends’ of the line. Pseudopia has been on a 20+ year streak of mostly positive growth, boasting the best development and infrastructure in the region. It has high hopes for the future, but needs ever increasing amounts of resources to fuel this growth. Oronia, meanwhile, has an extensive resource base and has the spare production capacity to easily fulfil Pseudopia’s needs. Furthermore, it needs whatever additional revenues it can get to mitigate an aging, dwindling population and some stubbornly resistant institutionalised corruption problems.

Rudania and Salandia have unfortunately been left out of the bulk of economic development attained by their neighbours. Both are growing slowly, and need additional gas imports themselves, but not as urgently as Pseudopia. Furthermore, both have ongoing issues with stability, and Salandia in particular is facing a revolt in its eastern region, Baakor. Regional self-established ‘governments’ are demanding wide-ranging autonomy, and their militias have taken over police stations and government buildings. Commentators and Salandian leaks point at arms and people from Oronia spilling across the border to fuel this conflict, and the issue threatens the entire project and thus the economic potential of the whole region.
Proclaimed objectives of the project are:

- Security of additional natural gas for consumers, and demand for a supplier;
- Economic (major investment for the economies of the countries concerned and stronger integration of markets);
- Political (promotion of cohesion among the countries concerned);
- Ideological (promote and strengthen historical and ties in the region, overcome regional instability).

And potential and most salient threats to the project are:

- The current low-level conflict in eastern Salandia;
- Ongoing regional insecurity and low stability enforcement;
- High costs of the pipeline due to required security measures.

**Legal terms**

1. “Contracting Party” means a State which has consented to be bound by this Agreement and for which this Agreement is in force.
2. “Transit Tariffs” means the payments required by the owner or operator of the Natural Gas Transport Facilities for the Transit of Natural Gas Materials and Products.
3. “Total Capacity” means the total physical operating capacity of the Natural Gas Transport Facilities.
4. “Transit Agreement” means any agreement relating to Transit and which is entered into between:
   a) a Contracting Party and an Entity of another Contracting Party; or
   b) an Entity of a Contracting Party and an Entity of another Contracting Party.
5. The objective of this Agreement is to determine the general framework for expansion of the Oronia–Pseudopia Gas Pipeline Project for the carriage of Natural Gas in and across their Territories (hereinafter as “Pipeline Project”) in order to ensure secure, efficient, uninterrupted and unimpeded Transit for the benefit of all Contracting Parties, while minimising harmful Environmental Impacts of Transit.
6. Unless otherwise provided for in this Agreement, this Agreement governs Natural Gas and its Products in Transit through Natural Gas Transport Facilities in the Area of Contracting Parties, and Natural Gas Transport Facilities used for such Transit.

The provisions of this Agreement relating to access to Available Capacity shall apply for Transit purposes only.
**Issues**

Expansion of the Pipeline Project is a mutually beneficial long-term solution for the four countries. With the opening up of new markets, Oronia will be able to increase its gas exports to the north, where there is growing demand for energy. Rudania, Salandia and Pseudopia will gain an increased supply of affordable gas to power their growing economies. In addition, the construction of ORSP 1-3 offered jobs and benefits along its path 6 years ago, which the countries hope will be repeated.

In view of the project’s size and complexity, it will be essential to develop a framework and revise the Consortium in order to:

1. Attract financing;
2. Manage construction; and
3. Reliably operate the pipeline, including in view of security concerns.

With a view to the expansion of their mandate, the OPC expressed concerns such as:

1. Equity investment by representative firms of the government;
2. Gas participation rights in Oronia; and
## Glossary

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
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<tbody>
<tr>
<td>ART. V GATT</td>
<td>Transit article of the WTO that governs non-discrimination</td>
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<tr>
<td>BCM/year</td>
<td>Billion cubic meters per year</td>
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<tr>
<td>CAPEX and OPEX</td>
<td>Capital expenditures (up-front) and operational expenditures (ongoing)</td>
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<tr>
<td>Contracting Party</td>
<td>A State which has consented to be bound by this Agreement and for which this Agreement is in force</td>
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<tr>
<td>IGA</td>
<td>Intergovernmental Agreement (Binding)</td>
</tr>
<tr>
<td>LNG</td>
<td>Liquefied Natural Gas; gas transported as liquid by tanker ship and re-gasified for use</td>
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<td>OPC</td>
<td>Oronia-Pseudopia Gas Pipeline Project Consortium, which manages ORSP 1-3</td>
</tr>
<tr>
<td>Open Season (allocation)</td>
<td>An open process for determining how capacity is allocated in a pipeline in the medium term</td>
</tr>
<tr>
<td>ORSP</td>
<td>The Oronia-Rudania-Salandia-Pseudopia Gas Pipeline Project, containing pipelines I-III and perhaps IV or V (to be constructed).</td>
</tr>
<tr>
<td>Transit Tariffs</td>
<td>The payments required by the owner or operator of the Natural Gas Transport Facilities for the Transit of Natural Gas Materials and Products</td>
</tr>
<tr>
<td>Total Capacity</td>
<td>The total physical operating capacity of the Natural Gas Transport Facilities</td>
</tr>
<tr>
<td>Transit Agreement</td>
<td>Any agreement relating to Transit and which is entered into between: a) a Contracting Party and an Entity of another Contracting Party; or b) an Entity of a Contracting Party and an Entity of another Contracting Party</td>
</tr>
<tr>
<td>Pipeline Loop (looping)</td>
<td>When a second, or more, line(s) are built in parallel to an existing pipeline in the same corridor to expand capacity</td>
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</table>
The negotiation game within the overall executive training programme structure

The simulation of the negotiation process of an international gas pipeline project representing diverse energy supply chain positions based on different country perspectives is the core of this exercise. You receive these General Instructions (detailing the conduct of the game), along with the Game Scenario (providing context on the Pipeline Expansion Project which is at the core of this negotiation game including a Fantasy Map visualising the Project route), and the Intergovernmental Agreement (text you will be discussing and revising). Please read them carefully and familiarise yourself with the information before the negotiation game itself, as you will receive Role Allocations and more instructions on the day the negotiation game starts.

Formally, there is one introductory session, during which you will receive further documents necessary for the negotiations. At the end of the simulation there will be a feedback session that will allow for impression sharing among the participants.

The introductory session

The introductory session is supposed to familiarise you with the context and key facts relating to the natural gas pipeline project (including the key terms and definitions). The end-game is to agree on the outstanding open issues and to conclude an Annex to an Intergovernmental Agreement (IGA) that allows for expansion of the Project.

The feedback session

During the feedback session on Friday, the simulation is analysed and discussed. The aim is to reflect upon the negotiation process and to see how the negotiation results compare with the initial aims of the delegations. It is also the moment of assessing what the participants have learned about the actual process of concluding a natural gas IGA, taking into account all legal, technical, economic and political aspects and constraints. Some general recommendations and conclusions will be drawn for future reference. And finally, the participants will be asked to evaluate their experience with the negotiation game as part of broader training programme evaluation.

The simulation

The overall objective of the simulation is to conclude an IGA or Annex to an existing IGA on technical, economic, and political aspects of a gas pipeline project among four participating countries under the auspices of an international chair, in this case the Energy Charter Secretariat (ECS). This will involve a clear identification of options to come to a mutual agreement across the value chain.
Deliverables

As part of the simulation exercise you will be asked to produce certain documents – the deliverables – depending on the role you are assigned. One set of deliverables – official documents – is prepared by the Chairman and subsequently negotiated by national delegations. The second set of deliverables – national documents – is drafted by individual national delegations. The resulting documents are collective deliverables of the whole group, thus teamwork is essential. These documents should reflect papers produced in the real world, although slight adaptation to the simulation takes place. The deliverables will have a great effect on your position and the position of other delegations during negotiation.

Official documents

Legal Act: Intergovernmental Agreement

The Negotiation game simulates that you, as the Contracting Parties to a Natural Gas Pipeline Project, have been negotiating an update to an existing IGA text for some time now, with a view to expand the project to allow greater capacities. Therefore, the Chairman presents you with the latest update of the text with the remaining outstanding issues to be discussed.

An IGA represents a final binding agreement on the modalities for the implementation of the discussed Natural Gas Pipeline Project. A template for IGA is provided to you to work with.

National documents

National Press Releases

Even though the signing ceremony of the IGA on the Gas Project after the negotiations (on the second day 2 June 2017) serves as a forum for officially press-releasing the achieved common position of the participating Delegations, individual Heads of National Delegations usually present the results and decisions to the (mostly national) press from their perspective. As a final step of the simulation, national delegations may be asked to produce a National Press Release for domestic use in which the results of the Negotiations are justified in view of the positions held prior to negotiations. The press release should be a short document (5-10 sentences) focusing on political messages. The language should be simple and understandable to the general public. The challenge will be to find balance between the national positions held before the negotiations and the official outcome of the negotiations.
The decision making process

Even though the negotiation exercise has allocated formal negotiation time slots in the agenda of the whole Executive Training Programme, delegations are free to communicate informally in- and outside of formal sessions. However, decisions can be taken only during official formal sessions as indicated in the agenda.

Preparatory and first negotiating session
1 June 2017

You are divided into delegations and allocated your respective roles. You will receive general instructions, role allocation, scenario and country-specific instructions to simulate the negotiation. It is possible that you will start to negotiate on this day. All of this will be conducted under the supervision of the Energy Charter Secretariat experts.

Main negotiating session into concluding session
2 June 2017

You will continue negotiating, and depending on the state of negotiations, may also receive a new set of instructions from your governments in order to reach an agreement at the end of this session. You will then deliver your press release based on the achieved results. The negotiation exercise and your conduct will be analysed. Your comments and remarks are appreciated.

Final IGAs

This is the aimed for end product of your negotiating efforts on the proposed Oronia-Pseudopia Natural Gas Pipeline Project.

Press releases

Upon conclusion of the IGA and/or at the beginning of the concluding negotiating sessions, you may present your press release.

Rules of procedure for formal meetings

- Delegates are seated according to the seating plan;
- The Chair guides the session, proposes the agenda subject to delegations’ approval, determines the procedure to be used during the session and decides on negotiating objectives and timing;
The Chair opens proceedings by welcoming the delegates to the meeting, and can request members of his/her team to outline the situation and issues to be addressed;

The Chair indicates which particular point is to be discussed;

The Chair is responsible for keeping a list of speakers (following the order in which they have indicated their wish to speak);

In the open discussion, national delegations may express their positions on the issue discussed, put questions to the Chair and suggest amendments to the proposal on the table;

At appropriate points in the debate, the Chair sums up the discussion and identifies points of (dis)agreement;

Alternative wording or parts of the texts on which no agreement has been found can be marked in the document by putting the relevant text within square brackets [...];

There may be adjournments for informal discussion (including bilateral discussions). These should be timed and in no case longer than 10 minutes.

Roles

Chairman’s delegation

- 6.1.1 Chair
- 6.1.2 Deputy Chair
- 6.1.3 Legal Advisor
- 6.1.4 Senior Expert I
- 6.1.5 Senior Expert II

Country delegations

- Head of Delegation
- Members of the Delegation
## ANNEX I: MEETING TIMETABLE

<table>
<thead>
<tr>
<th>Thursday 1 June 2017</th>
<th>Friday 2 June 2017</th>
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</thead>
<tbody>
<tr>
<td><strong>16.00 – 17.30 Introduction to the negotiation game</strong>&lt;br&gt;Introduction, instructions and country briefings, deliberation of their positions (within delegations). Possible commencement of negotiations</td>
<td><strong>15.30 – 18.00 Formal negotiations</strong>&lt;br&gt;Main negotiation session. Possibility of receiving updated negotiation instructions based on development of negotiations. Conclusion of negotiations. Signing ceremony if result is achieved</td>
</tr>
<tr>
<td><strong>17.30 – 18.30 Formal negotiations</strong></td>
<td><strong>Deliverables:</strong>&lt;br&gt;At the end of the session we hope to have the negotiated and agreed IGA confirmed by the Chairman</td>
</tr>
<tr>
<td><strong>Deliverables:</strong>&lt;br&gt;Chairman delivers draft <strong>IGA</strong> and <strong>Amendment</strong> to be negotiated</td>
<td>National delegations may be asked to prepare <strong>national press releases</strong> for their public audiences</td>
</tr>
<tr>
<td></td>
<td>Optional press conference</td>
</tr>
<tr>
<td></td>
<td>Feedback from the participants and instructors</td>
</tr>
<tr>
<td></td>
<td>Lessons learned</td>
</tr>
<tr>
<td></td>
<td>Recommendations</td>
</tr>
<tr>
<td></td>
<td>Conclusions</td>
</tr>
</tbody>
</table>
ANNEX II: GUIDELINES FOR POSITION BUILDING

1. The scenario
   a) What are the main features of the scenario?
   b) What may lie behind it?
   c) Are any other issues involved?

2. Implications for your delegation
   a) What are the implications for your government?
   b) What are the implications for your foreign policy?

3. Negotiating objectives
   a) What is your preferred outcome?
   b) What must you achieve?
   c) What are your principle/secondary objectives?
   d) What may be negotiable?

4. Positions of other participants
   a) Which positions are already known?
   b) What information do you need to supplement what you already have?
   c) Which delegation(s) would you expect to be most influential?

5. Line to take at the meeting
   a) What is the basic position you want to explain?
   b) Tactically, how do you intend to achieve your objectives?
   c) Can you establish links with other delegations?
   d) If your position is unlikely to be central to the discussion, how could you help the process of negotiations?
   e) How much movement do you expect to take place at the forthcoming meeting?
   f) What plans do you have for subsequent meetings?

6. Other factors
   a) Is this dossier linked to any other current dossiers?
   b) Are there any legal implications?
   c) Are there any financial implications?
   d) What groups could you consult to gain more information?
Photos of the event

Knowledge Stream 1

Knowledge Stream 2
Award Ceremony

Speakers
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