

A decisive stage of Latin America: Energy as the engine for economic development

"This region will continue to struggle with energy supply problems unless concrete measures are made to integrate its energy markets. [...] Latin America and Caribbean region must optimize its energy supply options nationally and across the region in order to support the needs of its growing economies and increasing population."

World Energy Council

Since 2000, Latin America has been experiencing very favourable economic development. In 2005, it reported a growth rate of 5.9% and even during the economic crisis of 2008-2010, there was an average growth rate of 2.6%. At the same time, economic development in the region and its nations has resulted in social and financial progress for its people. According to the World Bank, "in the last decade, the middle class in Latin America grew by 50% and now represents 30% of the population." Access to jobs, education and health have all increased.

Natural resources and energy have been the cornerstones of economic success in several nations of the region in the last decade. The extractive industries are key in several countries, including Colombia, where this sector represents 55% of its FDI, Peru, where 64% of national exports are comprised of mineral production, and Chile, where 20% of the GDP comes from copper mining activities. However, under low commodity price scenarios, the impact on these economies is very strong and promotion of investment becomes necessary to ensure sources of funding for the social transformation that the region has experienced thus far, but still needs to develop in the near future.

In addition, recent economic performance in the region has unlocked enthusiasm for energy interconnections through regional and multilateral projects. Initiatives are abundant and include pipelines between Colombia and Venezuela, projects for electric interconnection between Panama and Chile, joint projects for hydroelectric plants that could be used by Bolivia and Brazil, or the optimisation of current infrastructure, such as transmission lines among Paraguay, Argentina and Chile. However, most of these projects are governed by contractual regulations and not by regional rules, which could be applied across the region.

Two questions come to mind: how can the region maintain and increase the level of foreign direct investment, which has provided the financial resources for social development? Could it be possible to have a level playing field that ensures foreign investment and provides a set of rules that could be applied to several countered in the region? There is one possible answer to both of these questions: the Energy Charter Treaty.

The strengthening of the rule of law in the energy sector, with transparent, non-discriminatory and consistent rules of investment promotion and protection, convey a clear message to any foreign investor interested in the region. In addition, the Energy Charter Treaty also provides a long-term, competitive, stable and reliable interface between investors and host countries.

The Treaty offers a common legal framework that guarantees the transit of energy on a non-discriminatory basis to ensure the uninterrupted flow of energy. It provides mechanisms for the solution of disputes. This is a key element in the achievement of trans-boundary integration of energy markets, which has been sought by the region.

Both elements (the rule of law and the common legal framework) are based on a non-discriminatory international instrument, founded on sovereignty over natural resources as a key element for the development of nations. The Energy Charter provides a unique opportunity, which would enable the region to unlock its boundless economic potential and to continue improving the social conditions of its population.

International Energy Charter 2015

A strong impetus for global energy governance

"Recognising the sovereignty of each State over its energy resources, and its rights to regulate energy transmission and transportation within its territory respecting all its relevant international obligations, and in a spirit of political and economic cooperation, they decide to promote the development of efficient, stable and transparent energy markets at regional and global levels based on the principle of non-discrimination and market-oriented price formation, taking into account environmental concerns and the role of energy in each country's national development."

Excerpt from the text of the International Energy Charter

On 20-21 May 2015, states representing up to one half of the UN membership will gather at a Ministerial Conference on the International Energy Charter (IEC) hosted by the government of The Netherlands in the Hague. The IEC is a political declaration that will be formally adopted and signed at the Ministerial Conference. The Conference has a world-wide focus, with attendees coming from every continent. It is aimed at promoting the modernisation of the Energy Charter Process and the expansion of the geographical scope of the Energy Charter Treaty.

Around 80 states took part in the negotiations on the IEC throughout 2014. The final text was agreed in the autumn of that year and is currently being prepared for adoption. The IEC reflects the established principles of the European Energy Charter of 1991, such as political and economic cooperation, sovereignty over energy resources, the development of efficient energy markets, non-discrimination, investment promotion and environmental issues. In addition, it reflects some of the most topical energy challenges of the 21st century, in particular the growing weight of developing countries for global energy security, the 'trilemma' between energy security, economic development and environmental protection, the role of enhanced energy trade for sustainable development, as well as the need for diversification of energy sources and routes. Furthermore, the IEC aims at developing regional and international cooperation in order to address the fundamental issues of access to modern energy services, energy poverty reduction, green economy and clean energy.

The IEC has been negotiated and will be signed by members of the Energy Charter together with non-members from the rest of the world. Modernisation of the Energy Charter and expansion of its geographical scope are currently the priority of the 54 members of the Energy Charter. The new Charter thus provides a powerful political vehicle to promote international cooperation and energy governance, in fields ranging from energy efficiency to investment protection and promotion, trade, transit and energy security. Greater regional energy cooperation and market integration are among the benefits offered by the Energy Charter in its work in Latin America. Non-members signing the IEC will be eligible for observer status under the Energy Charter, allowing them to work together with members on the implementation of the agreed principles.

The Ministerial Conference on the International Energy Charter represents a landmark with regard to the development of global energy governance architecture. Binding rules on investment promotion and protection, trade and transit, as enshrined in the Energy Charter Treaty, are essential for such architecture. Thus, the Conference will be an important step in developing relationships and cooperation on the South-North and South-South axes, while enhancing the role of the Energy Charter Treaty as an instrument for peaceful dispute settlement.

Companies in member states will benefit directly from new attractive investment opportunities, in particular in Latin America, while governments in these regions will enjoy enhanced global standing as eye-catching investment destinations to promote sustainable energy development and universal energy access.

More information can be found on the website of the Energy Charter Secretariat www.encharter.org

Latin America and the Energy Charter



Economic growth in the region and its nations has resulted in social and financial progress for its people



Natural resources & energy have been cornerstones of the economic success of several nations in the region



Promotion of investment necessary to finance social transformation in the region



Regional & multilateral projects are governed by contractual regulations rather than regional rules



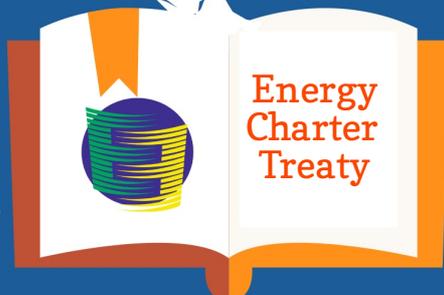
Need to strengthen the rule of law in the energy sector & create a multilateral legal platform to address regional & global energy issues



Transparent, non-discriminatory & consistent rules of investment promotion & protection



Long-term, competitive, stable & reliable investor-host country interface fostering investment attractiveness



Sovereignty over natural resources as a key element for the development of nation

