Mr Chairman, Distinguished Guests, Ladies and Gentlemen,

It is a great pleasure for me to be in Washington to address this Annual Meeting of the United States Energy Association, and to continue the Energy Charter’s strong relationship with the World Energy Council and its national members associations.

I would like to use this opportunity today to present a perspective from the Energy Charter on the main challenges facing Eurasia in relation to energy supply, and to highlight the role that the Energy Charter plays in meeting these challenges.

These questions are more relevant than ever to an American audience. The United States has a longstanding interest in Eurasian energy affairs, both for strategic reasons and because of the commercial opportunities. American companies are prominent participants in some world-class Eurasian energy projects, for example the development of the Tengiz oil field in Kazakhstan.

Oil from these new projects across the Caspian region has already for some time been making its way on to world markets, and exports from this region are set to increase. Later this year, oil from Azerbaijan will start being loaded onto tankers at the Turkish Mediterranean port of Ceyhan, marking the historic first shipments through the new Baku-Tbilisi-Ceyhan pipeline. In a tight global oil market, the emergence of a new export route is important to everyone, and its significance will only grow if - as seems likely - this pipeline will serve as an additional export option for Kazakh oil as well.

Most people are already used to the implications of global trade in oil. What is new is the extent to which Eurasian and North American gas markets are becoming linked by the growing trade in LNG. With LNG tankers in the Atlantic Basin having the choice between delivery to Europe or to America, any new source of gas supply in Eurasia - or any interruption to the existing gas supply - has an impact on the balance between markets. What is more, in the near future there is the prospect of direct export projects for Russian natural gas to the US market, whether from the Shtokman field in the Barents Sea or from Sakhalin in the Russian Far East.

So my starting point today - and the reason for my visit to Washington - is the observation that energy market developments across the Atlantic are increasingly important for the United States. And I will be emphasising in public and in private this week the pivotal role of the Energy Charter in supporting the evolution of Eurasian energy markets that are based on the principles of transparency, non-discrimination and reliability of supply.

The Energy Charter is not a financial institution, and though we are based in Brussels we are not a part of the European Union. Our work is based on a
multilateral Treaty from 1994, which provides a framework of binding and enforceable rules for energy investment, reliable cross-border flows, and improved energy efficiency.

This Treaty has been signed by fifty-one countries across Europe and Asia, including producers, consumers and transit countries. The United States participated in the negotiation of the Treaty, and signed the Energy Charter Declaration of 1991 that provides the political foundation for our work. However, the administration took the decision in 1994 that it would not sign the Treaty, and so this country retains the status of observer to the Charter process.

As it has been explained to me, the preference of the US administration at that time was to pursue and protect its energy interests on a purely bilateral basis. It is of course the prerogative of the United States to determine its position on these matters, and I have not come here with the expectation that the US will soon change its mind on accession to the Treaty - even if I think that there would be good reasons to move in this direction.

However, I will take this opportunity to highlight the relevance of the unique legal framework provided by the Energy Charter Treaty to the current debate over energy security, and to emphasise that the door is open for more active involvement by the United States in the Energy Charter process.

And so - to business: I have already mentioned that the Treaty addresses three main issues, investment protection, reliable cross-border flows, and energy efficiency. I would like to examine briefly our role in each of these areas.

A huge volume of investment is required, all along the supply chain, in order to meet growing demand for energy. A primary aim of the Energy Charter Treaty is to promote the necessary climate of predictability that can attract private sector investments into the energy sector.

The Treaty does not create investment opportunities for companies by forcing open access to resources or defining a certain market structure for our member countries. These are sovereign decisions for our member governments.

However, once an energy investment is made, the Treaty is designed to provide a stable interface between the investment and the host government. This stability is particularly important in the energy sector, where investments are highly strategic and capital-intensive, and where risks have to be assessed over the long-term.

It is a major task to reduce these risks, as far as possible, by creating a stable and transparent investment climate. The Energy Charter Treaty assists in this respect by offering binding protection for energy investors against key non-commercial risks, such as discriminatory treatment, direct or indirect expropriation, or breach of individual investment contracts.

This is the theory - but what about the practice? How is the Treaty enforced? I should say straight away that, as Secretary General, I am not a sheriff with powers to settle disputes arising under the Treaty. But mechanisms do exist to ensure
compliance with the Treaty's provisions, in particular the possibility for individual investors to protect their rights by taking cases to international arbitration.

Many of you will be familiar with this sort of procedure, since it is similar to that foreseen in the NAFTA - which incidentally, along with the Energy Charter Treaty, is the only other multilateral investment protection treaty. In our case, we are seeing a growing number of cases being brought to arbitration, and the first arbitral award was made in December 2003.

I do not necessarily see the Charter's record on investment arbitration as a measure of success. As the Energy Charter's Industry Advisory Panel has observed, taking an investment dispute to arbitration is very much a 'last resort'; this is not a way to resolve the day-to-day issues that arise between an investor and a host government. But the fact that cases do find their way to arbitration is nonetheless important: it demonstrates to our member countries that non-compliance with the Treaty can have severe financial and reputational costs. On this point, I would like to quote our Industry Advisory Panel again: in the view of prominent energy companies from across our constituency, the Treaty's dispute settlement provisions "make a significant contribution to investor confidence and a more reliable investment environment".

A second distinctive feature of the Treaty is its promotion of reliable cross-border flows. This is a critical issue especially for Eurasian energy security, since a very high proportion of our oil and gas is delivered through pipelines that cross multiple national borders and jurisdictions. Under these circumstances, questions of access to international markets and reliability of energy transit are of the highest strategic importance, in particular for landlocked producer countries in Central Asia and the Caspian region.

The Energy Charter is uniquely well placed to tackle these issues because of its broad geographical coverage, including producer, consumer and transit countries. A reliable regime for cross-border flows across a large area such as Eurasia has to be based on common minimum standards, to which all these countries subscribe as part of a multilateral process.

The Treaty provides a legal safety net for the development of new cross-border infrastructure. The three countries that are involved in the Baku-Tblii-Ceyhan pipeline - Azerbaijan, Georgia and Turkey - are all full Contracting Parties to the Treaty, and the inter-governmental agreements that have supported the development of this pipeline draw substantially upon the Treaty's provisions and principles, and refer directly to the Treaty's provisions for dispute resolution.

Future deliveries of Kazakh oil across the Caspian Sea into this new pipeline also depend on the conclusion of an inter-governmental agreement with Azerbaijan, and here a Model Agreement - developed by the Energy Charter - helped to provide a neutral template for the start of negotiations.

The Treaty also provides guarantees regarding energy transit flows. Member countries are under an obligation to facilitate energy transit; they are also under an obligation not to interrupt or reduce existing transit flows, even if they are in dispute
with another country concerning these flows. The relevance of these disciplines, and the need to ensure their implementation, was highlighted during the dispute in January between Russia and Ukraine. Both sides made prominent reference to the principles of the Energy Charter as a basis for finding a bilateral agreement, and I am certain that the Treaty offers the best multilateral mechanism to reduce the risk of future interruptions to supply.

A final priority for Energy Charter process is to work with our member countries on improving energy efficiency and mitigating the environmental impact of energy use. I will not go into detail on this aspect of our work, but - as you can well imagine - this is a major policy challenge for many of our member countries.

Mr Chairman, I hope that I have illustrated in this short overview the Charter’s distinctive contribution to international energy security. We do not have all the answers. But I do believe that the Treaty addresses the key questions, and I am encouraged in this belief by the prominence of the Energy Charter in the current discussions in the G8, and also by the interest that the Treaty continues to generate in new non-member countries. Across Southern and Eastern Asia, in particular, the need for new cross-border energy trade and new transportation infrastructure has brought many countries in the region to seek a closer association with the Energy Charter. In recent years, China, Korea, and the ASEAN group of countries have all taken on observer status, and last December Pakistan began the process of accession to the Treaty.

As Secretary General of the Energy Charter, I would welcome too the possibility to maintain and expand our trans-Atlantic links, and - on this positive note - I thank you all for your attention, and look forward to our strong cooperation in the future.