The speech of the Energy Charter Deputy Secretary General Amb. Vladimir Rakhmanin

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Complex challenges of the present time call for joint efforts on behalf of the international community, and the world's leading powers should grasp their collective responsibility for stabilising the global economy and politics. The Russia-EU Summit that is taking place in Nice today and the Washington G-20 Leaders Summit are important steps in multilateral cooperation aimed at overcoming current difficulties.

A secure and stable energy sector also requires multilateral consultations and efforts, mutually advantageous cooperation rather than egotistic separation, and a search for win-win solutions rather than a zero-sum game. In my view, these circumstances shine a new light on the 1994 Energy Charter Treaty.

The Treaty demonstrates that it is possible to bring a large, diverse group of countries together within a legally binding framework on the basis of common principles and mutual interest. The Treaty became possible due to the difficult compromises the drafting governments were nonetheless willing to make for the sake of reaching a mutually beneficial consensus.

The Energy Charter Treaty is a unique legally binding multilateral mechanism for cooperation in the energy sector, which brings together producer, transit and consumer countries. Its key strength is in protecting investment and encouraging flows of energy, investment capital and technology across member states to their mutual benefit.

Subject to its member states' political will, the Treaty is well-suited to serve as a universal institution governing global energy cooperation and security on an equal and mutually advantageous footing.

I would like to remind you that the Energy Charter has been signed by almost 60 states and the Treaty - by 51 countries and the European Communities.

All of them undertook to comply with the following fundamental principles:

- respect for national sovereignty over energy resources, respect for contract and property;
- stable and open frameworks for flows of energy, capital, technology and investment;
- focus on market-oriented solutions;
- non-discrimination;
- transparency; and
- energy efficiency and sustainable development.

The Energy Charter principles were reaffirmed by the 2006 G-8 Summit in St.-Petersburg chaired by Russia.

Let me talk about investment first. With the current global financial crisis and volatile energy prices, massive investment is becoming increasingly risky. However, before energy security can be achieved, it is vital that systematic and regular investments be made in energy projects. Therefore, reliable and clear assurances that contracts and property will be respected are assuming great importance. The Energy Charter Treaty's original binding mechanisms for investor protection, including the tested option of investor-state arbitration, are designed precisely to provide this legal security.

Security of transit is a key component of the Energy Charter's work. The Charter has evolved as a leading inter-governmental forum for exchanging information on topics such as access to transit pipelines, tariff-setting, congestion management and investment in new transit infrastructure. All this is complemented by the work on Model Cross-border Pipeline Agreements developed by the Charter Secretariat. We also expect that if successfully finalised, Transit Protocol negotiations will make the regulatory framework in this crucial area more specific.

The Charter's work on energy efficiency is based on a dedicated Energy Efficiency Protocol. The Protocol requires its signatories to formulate the aims of national strategies and policies in this field, establish appropriate legal frameworks, and develop specific programmes for the promotion of efficient energy use and the reduction of harmful environmental practices.

In addition, we believe that the Charter's activities bring an important element of transparency to Eurasian energy markets. The Charter provides an open multilateral policy forum helping to keep a regular dialogue on matters that affect energy flows across Eurasia.

The emergence of the Energy Charter reflected the desire of Europe and Russia to formalise a new dimension of European and global cooperation based on mutual respect and trust. The contracting parties reflected in the 1991 Charter their resolve to "promote a new model for energy cooperation in the long term in Europe and globally within the framework of a market economy and based on mutual assistance and the principle of non-discrimination" (quoted from the Charter).

The Charter and the Treaty have been very instrumental in narrowing the gap between Russian and European positions and developing equitable, non-discriminatory cooperation. Not all participants are 100% pleased with these documents' provisions. At the same time, it would be wrong to understate their importance for the development of Russia-EU relations up until now and in the future.

The signing and application of the Energy Charter Treaty on a provisional basis (unlike, for example, in the case of some other producing countries which have not ratified the Treaty either) makes Russia one of the key Charter players. The Russian delegation participates actively and with a keen interest in the meetings of the Energy Charter Conference and the Charter's Groups. In our view, this is extremely

important, as this enables a constructive, open dialogue and, consequently, enhances transparency within the Eurasian energy space.

Incidentally, with a view to foster such a dialogue, the Russian Gas Society recently suggested establishing a Eurasian Centre for Energy Planning and Projecting. It is assumed that the Centre will be tasked with long-term energy balance projections in the Russian-European region, rating of exporting, transit and consuming countries, etc. We believe that given the geographic scope of the organisation, the Energy Charter could serve as a basis for such a Centre.

No doubt, the EU-Russia energy dialogue and the forthcoming negotiations on a new Partnership and Cooperation Agreement have great political importance. At the same time, as we see it, the Energy Charter Treaty and numerous references to it provide both parties with a comprehensive legal and regulatory framework for energy cooperation, including crucial areas such as advance information on market and political changes, confidence-building dialogue, dispute resolution mechanisms, etc.

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It is encouraging to see a constructive atmosphere at the Ad Hoc Strategy Group meetings and the willingness of Russian and EU representatives to discuss and consider each other's concerns. Overall, in order to enhance European energy security, it is important to have a stable foundation for harmonising the interests of EU countries as energy consumers and those of Russia as energy producer and supplier. Security may be assured reliably through equal cooperation and sound regulation of Russian and European interdependence. The Energy Charter Treaty is a reliable instrument to secure a mutually beneficial tandem between Russia and Europe in the energy sector. We believe that the Treaty has the potential to be used more actively in the interest of integrated partnership-building throughout larger Europe.

In conclusion, I would like to say that I am optimistic about the potential of international energy cooperation in general and that of cooperation between Russia and the EU in particular. There are, nevertheless, significant challenges ahead. We need to bring new energy players into this cooperative dialogue. And we need to ensure that policies pursued by governments and international organisations provide the right bridge to a sustainable energy future, so that energy can continue to be synonymous with human development and opportunity.

Thank you for your attention.