

**Speech of Amb. Urban Rusnák,
Secretary General of the Energy Charter
at the
Turkmenistan Oil & Gas Road Show – Berlin 2012**

14 March 2012

Ministers, Excellencies, Ladies and Gentlemen,

It is my great pleasure to join you today for this significant event on the development of Turkmenistan's oil and gas industry, which is nowadays such a talking point. Thank you to the organisers, who have provided such an impressive venue and for offering me this opportunity to address you. Without doubt, Berlin is an appropriate city in which to discuss the great opportunities for cooperation between West and East which arise today in Turkmenistan.

It is apparent that Turkmenistan will play a major role for energy security in the decades to come. It is this expectation that has gathered us here today. Turkmenistan currently ranks in the top six countries in terms of natural gas reserves. The major discoveries at South Yolatan are expected to add considerably to these reserves. That was the basis on which you, Minister Nedirov, have presented an ambitious energy strategy in late 2010. The strategy envisages tripling natural gas production to over 200 bcm annually by 2030. I commend you on the ambition to play a major role on international energy markets and to contribute to overall energy security. Such a role will not only be a strong boost to the economic development of your country, it will also position Turkmenistan as an important player in international relations.

Speaking as the recently appointed Secretary General of the Energy Charter, I would like to share with you some thoughts on how our organisation and the international legal framework it offers might contribute to the development of Turkmenistan's oil and gas sector. I am pleased to be able to do so before representatives of major international oil and gas companies. The legal framework provided for by the Energy Charter Treaty is at your disposal, in Turkmenistan, in the Caspian region, and in Europe. This framework covers key issues concerning the role of governments in facilitating international cooperation in the energy field and in addressing non-commercial risks. Those issues include in particular common rules on trade, transit, investment promotion and protection.

Turkmenistan has been a member of the Energy Charter Treaty from the beginning. The Treaty entered into force back in 1998. It applies today in 46 countries of Eurasia, including the European Union and all its 27 member states, Japan, the four neighbours of Turkmenistan in Central Asia, Azerbaijan, Georgia, Turkey, Ukraine and others. The Russian Federation is an important participant in the Energy Charter Process, with whom we are keen to share and develop our common legal framework. There are many more countries in North Africa and in Asia who are interested in joining the Treaty or entering into closer cooperation. Among those, there are countries that are already actively engaged in Turkmenistan, like China, or those that are interested in energy cooperation with Ashgabat, like Afghanistan and Pakistan. There is growing interest in India as well. Let me also mention that among our 24 observers are the United Arab Emirates, a major investor in Turkmenistan as well.

What does the Energy Charter offer? Let me focus on two issues that are of particular importance for all of you – investment protection and energy transit.

It is obvious that in order to implement the ambitious goal to greatly increase current gas production, but also for the development of the oil sector, Turkmenistan needs to attract foreign investments. The President of Turkmenistan, His Excellency Gurbanguly Berdimukhamedov, took a wise decision to open up the country, to reach out to foreign partners and to reform the energy sector and regulation. With the continuation of this policy, Turkmenistan will increase its attractiveness for foreign investors, whose major concern is the protection of their investments. This is one of the key provisions of the Energy Charter Treaty.

Once a foreign investment is made in line with a country's national legislation, the Energy Charter Treaty is designed to provide a reliable and stable interface between this investment and the host government. The Treaty protects foreign investors against non-commercial risks such as discriminatory treatment, direct or indirect expropriation, or the breach of individual investment contracts. The need for stability in the relationship between investors and host governments is particularly acute in the energy sector, where projects tend to be long-term and highly capital-intensive. The Energy Charter Treaty provides investors with the possibility to protect their rights by taking the host government to international arbitration. This would be a last resort. What is important is that the existence of these provisions increases mutual confidence and thus contributes to the overall investment climate of the country. Investment protection is available to those companies that come from countries that are Contracting Parties of the Energy Charter Treaty.

The second set of Treaty provisions of particular relevance is on transit. Turkmenistan is a land-locked country and thus totally dependent on fixed natural gas transport infrastructure. It is currently constrained in terms of achieving diversification of export markets and routes. Historically it has relied on Russia as its primary export market and transit country. But this situation has changed. A pipeline to Iran was built in 1997, a second one is under development. With the engagement of China, Turkmenistan has further diversified its export options. The Central Asia-China Pipeline has been operational since late 2009. CNPC envisages further significant capacity increases on the pipeline in the next few years.

Uzbekistan and Kazakhstan, both being transit countries for this pipeline, are contracting parties to the Energy Charter Treaty. This means that energy materials and products in transit through these countries benefit from the Treaty's specific rules on transit. The same is true for all countries that might be involved in a new westward export route to Europe. I expect this to be on the minds of many of you. I am referring in particular to Azerbaijan, Georgia, Turkey, Albania and the EU countries, which all may participate in the development of the EU's Southern Energy Corridor. It is not by coincidence that the agreement signed in 2009 by Austria, Bulgaria, Hungary, Romania and Turkey regarding the Nabucco project explicitly refers to the Energy Charter Treaty.

The negotiations on the possible Trans-Caspian Pipeline currently do not involve the Treaty. But I would like to state that the neutral platform of the Energy Charter will always be available to its member states and for industry to contribute to solving the political problems faced. Finally, if the Energy Charter Treaty will expand towards Southeast Asia as planned, its transit provisions will be available to another export option, the Turkmenistan-Afghanistan-Pakistan-India Pipeline.

Having described the relevance of our legal framework for transit in the geographical sense, I will now briefly touch on the essence of the Energy Charter Treaty's transit provisions. Under those provisions, the Contracting Parties shall facilitate transit of energy consistent with the principle of freedom of transit. Contracting Parties' national provisions shall treat transit of

energy no less favourably than energy originating in or destined for their own markets. Obstacles shall not be placed to the creation of new capacity in energy transport facilities, and established cross-border flows shall be secured. In the event of disputes over any matter arising from transit, the Treaty provides for a designated conciliation procedure. Furthermore, and importantly in view of the further development of infrastructure, the Contracting Parties commit themselves to encourage cooperation to modernise, develop and operate Energy Transport Facilities and to facilitate their interconnection and to mitigate the effects of interruptions in the supply.

More detailed rules to enable energy transit have been the subject of negotiations on a separate draft Protocol on Transit. These negotiations have focused on particular issues such as utilisation of available capacity for transit, common principles for tariffs and non-discriminatory rules for expansion and creation of new capacity as well as technical standards. Regrettably, for political reasons, it has not been possible to conclude these negotiations on the current draft text. However, I would like to state that a reset of negotiations on a Protocol to cover transit and certain cross-border aspects is being considered. I encourage everyone present to contribute to this process. The Energy Charter Secretariat is particularly interested in new ideas from key energy players. We have followed with interest the initiative of Turkmenistan in terms of extensive international cooperation to ensure reliable transportation of energy to international markets through pipelines and other transportation systems. This initiative was endorsed in a resolution of the United Nations' General Assembly in December 2008. The Energy Charter is an appropriate place to further develop these ideas, together with initiatives from other major energy players concerning the common international legal framework for energy.

Ladies and Gentlemen,

I look forward to seeing Turkmenistan's ambitious energy policy materialise. I hope that the Energy Charter can make a contribution that will be of benefit to the development of Turkmenistan, to international energy trade, energy security and cooperation. I wish all of you fruitful discussions.