# Building the Energy Union:

## Can we do this without the Energy Charter?

***2 February 2015***

> **"The ground is being prepared for the Energy Charter to become a global framework for energy cooperation."**
>
> **Dr. Urban Rusnák, Secretary General of the Energy Charter at the European Parliaments' Committee on Industry, Research and Energy Meeting on 4 December 2014**

The European Union depends heavily on imported energy. The EU imports 53% of all the energy it consumes: 90% of its crude oil, 66% of its natural gas, 42% of its solid fuels and 40% of its nuclear fuel.

Against this background, the European Union is set to build an "Energy Union" as a firm foundation to secure energy supply, competitiveness and sustainability. The Energy Union will have an internal and an external dimension – with an effective internal energy market, indigenous energy sources and energy efficiency measures being core elements of the former, and diversified, reliable and affordable energy imports core elements of the latter.

The "Energy Union" may build on the experience of the "Lubbers Plan" developed by the former Dutch Prime Minister in 1990, which envisaged the creation of an "European Energy Community". The "Lubbers Plan" led to the adoption of the **Energy Charter Treaty** (ECT) in 1994 as a framework for mutually beneficial cooperation with energy suppliers and transit countries in the East.

Twenty years on, the EU needs to recognise that its dependence on imported energy will not go away. Energy policy must be built on shared rules with external trade partners. The ECT and the political process that comes with it provide an ideal basis for building the external dimension of the Energy Union.

1. The **ECT**'s legal framework and platform for cooperation provide strong support in view of the **diversification of sources and routes of supply**. While the countries of the Caspian region and Turkey are already fully covered by the Treaty's legal regime, there is now a window of opportunity to **expand this legal regime** to other regions like North and Sub-Saharan Africa or the Middle East where new producers may contribute to Europe's energy security.

2. Europe will not be successful in building the Energy Union without due consideration of global trends. Massive investments will be required world wide into energy exploration, generation and transportation to meet growing energy demand. The **ECT reflects such core values and principles** as non-discrimination, transparency open and integrated markets, and reliable regulatory frameworks. The ECT provides investors with the necessary comfort to carry out the long-term investments needed.

3. In the current geopolitical circumstances, it should not be assumed that international energy relations will evolve according to such principles. The EU needs to engage globally in order to build a level playing field on which it can compete. **Making the ECT part of Global Energy Governance** is in the EU's interest. The **International Energy Charter** (see verso) is the instrument to work together with external partners towards this objective.

# International Energy Charter 2015

## A strong impetus for global energy governance

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 EU and its Member States are among the main drivers behind this initiative. 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 negotiations on the *IEC* throughout 2014. The final text was agreed in 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.

The *IEC* has been negotiated and will be signed by members of the Energy Charter together with non-members from all continents. The new Charter thus provides a powerful political vehicle to **promote cooperation under a common legal framework**. Its purpose is to promote the benefit of joining the Energy Charter Treaty as a full member, an objective of the EU's external energy policy.[1] Modernisation of the Energy Charter and expansion of its geographical scope are currently the priority of the 54 members of the Energy Charter. Non-members signing the *IEC* will be eligible for observer status in the Energy Charter, allowing to work together with members on the implementation of the agreed principles.

The Ministerial Conference on the *International Energy Charter* will be 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. **Strong support from its long-standing members, in particular the EU and its Member States, will be necessary** to convince countries world wide to join the Energy Charter Process.

EU Member States and their companies will directly benefit from new attractive investment opportunities serving Europe's energy security, competitiveness and sustainability.

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

1 Council Conclusions on strengthening the external dimension of the EU energy policy of 24 November 2011.