Requirements for Reliable Gas Trade

The rapid growth of international trade in natural gas is highlighting the importance of mechanisms that can ensure the reliability of cross-border energy flows. Such mechanisms are particularly important for gas supply to Europe, where existing and planned pipeline routes often cross multiple national borders on their way from producer to consumer.

Following the dispute between Russia and Ukraine in January, which led to a brief reduction in gas supply to markets further downstream, the Energy Charter has been promoting a strengthened dialogue between partners along the entire energy value chain on the main risks that can affect energy transit flows.

In addition to the regular meetings of the Charter’s Trade & Transit Group, the Secretariat has organised two specialised expert workshops on the main technical, regulatory and operational requirements for ensuring reliable energy transit.

A primary objective of the first meeting, which took place in Brussels in May 2006, was to develop a clear overview of factors that have the potential to disrupt energy transit flows, including technical and regulatory issues, as well as a lack of clarity in contractual and commercial arrangements.

President Musharraf: ECT can help Pakistan become an “Energy Corridor”

Pakistan has the ambition to become a major country for regional energy trade, and accession to the Energy Charter Treaty “will facilitate this ambition”. This was the message from President Musharraf of Pakistan to Secretary General André Mernier during a meeting in Brussels on 12 September.

“...This energy corridor will further help Pakistan to become a bridge of economic progress between the wider East and West.”

President Musharraf

Pakistan became an observer to the Energy Charter in December 2005, with its signature of the 1991 Energy Charter Declaration (see page 6). A decision to invite Pakistan to become the 53rd member of the Energy Charter will be on the agenda of the Charter’s governing body - the Energy Charter Conference - at its next meeting in Brussels on 20 November.

Speaking at the meeting in Brussels, Mr Mernier said that Pakistan’s...
Kazakhstan-China Oil Pipeline Presentation

Representatives of the Kazakh oil and gas company KazMunaiGaz and China’s National Petroleum Corporation presented information on the new Kazakh-China oil pipeline project to the spring meeting of the Charter’s Trade & Transit Group.

Construction of stage one of this project, which is China’s first international pipeline project, was completed in 2005. A second stage, which would link the pipeline to Kazakhstan’s Caspian reserves, is scheduled for completion in 2008. The project allows Kazakhstan an alternative export route for its energy resources and improved access to the growing Chinese market; it also supports the Chinese priority to diversify sources of oil supply.

The presentation was part of an initiative from the Group to promote transparency on new infrastructure projects across the Charter constituency. Copies of pipeline presentations made to the Group are also made publicly available on the Energy Charter web site.

(www.encharter.org > Trade & Transit)

Requirements for Reliable Gas Trade

continued from p. 1

In addition, the Brussels meeting considered in detail how to facilitate investment in new transit capacity, given a projected increase in energy trade across the Energy Charter constituency in the coming years. The discussion was based on presentations of projects, each of which drew attention to a different set of issues in relation to the provision of new transportation capacity: amongst these were the Balgzand Bacton Line (BBL) between the Netherlands and the United Kingdom; and the capacity expansion of the Trans-Austria Gas pipeline (TAG) which is a major artery for gas supply to Italy.

A follow-up meeting was organised in Bratislava in cooperation with the Slovak Ministry of Economy in September 2006, on the eve of the Annual Conference of Gas Infrastructure Europe, the association representing gas transmission companies, storage system operators and LNG terminal operators in Europe. This workshop brought together government and industry experts from across the Energy Charter constituency and examined all major operational aspects of gas transit flows, especially interoperability, interconnection management, gas balancing and storage.

The discussion at these meetings provided useful guidance for the future work of the Energy Charter. Among the main conclusions was the need for greater transparency both on the rules applicable to energy transit and on the actual flows. As James Ball, President of Gas Strategies said during the first workshop, “transparency is more than an academic interest, it is a necessity in today’s energy world”, since it not only serves to increase confidence in the reliable operation of a transit system, but it can also serve as an early-warning system for potential problems.

There was an understanding of the need for an inclusive forum for cooperation on technical issues, which can foster a common understanding along the entire gas value chain of operational issues that can affect cross-border flows. Finally, the workshops underlined the value of agreed mechanisms for the resolution of disputes, such as the conciliation procedure foreseen in the Energy Charter Treaty, which allow for settlement of any differences without interruptions to transit flows.
Reaffirming the Role of the Energy Charter

The contribution of the Energy Charter in meeting current energy security challenges has to be a combination of shared principle and sound pragmatism. With regard to principle, it was gratifying that the G8 reaffirmed their support for the Energy Charter at the St Petersburg summit. Energy has always been an international business, and it is vital that cooperation be based on values shared along the entire energy value chain. President Putin was right to warn of the dangers of ‘energy egoism’ earlier this year; neither the preferences of producers nor those of consumers can unilaterally be presented as providing all the answers.

The pragmatic challenge is to put these principles to work, and this is a main priority as Secretary General. I am greatly helped in this task by the fact that the Energy Charter Treaty not only politically binding, it is also a functioning instrument of international law.

A primary goal of the Treaty is to promote and protect investments in the energy sector, and it is developing a sound track record of facilitating the resolution of disputes. The number of such disputes is on the rise. This is partly because the overall volume of foreign investments is increasing. But it can also be attributed to the strengthened position that some resource-owning countries feel during a time of high energy prices. In this environment, the Energy Charter’s protection of the sanctity of contract and promotion of consistency and transparency in the treatment of investors are particularly important to ensure the implementation of commercially and technologically risky projects.

The Energy Charter has to demonstrate its relevance to new challenges on energy markets, and that is why two new initiatives were launched this year; firstly, to promote an enhanced dialogue on the reliability of energy transit (see p.1) and, secondly, to raise awareness on international pricing mechanisms for oil and gas (see p. 4). I have been pleased by the response from member states to the Energy Charter’s work in these areas: through our joint efforts, we can ensure that the Charter makes a pragmatic contribution to international energy security.”

André Mernier

On the Energy Charter’s Agenda:

Turkey: In-depth Review of the Investment Climate and Market Structure
Ukraine: Follow-up Investment Review (following the original recommendations by the Charter Conference in June 2002)
Slovakia, Switzerland: Reviews of Energy Efficiency programmes and policies
Industry Advisory Panel: the Panel has focused in 2006 on questions of access to capital and access to infrastructure, and will be presenting a Communication to the Energy Charter Conference.

Selected Reports under Preparation:
- Pricing Mechanisms for Oil and Gas
- Non-Petroleum Transportation Liquid Fuels; an overview of technologies and their application
- Oil Transit Tariff Methodologies
- Instruments to Manage and Secure Cross-Border Energy Flows
- Technology Transfer

Selected Presentations and Debates:
- Investment needs in Central Asian Gas Transport
- Trends in Investor-State Disputes
- Cross-Border Pipeline Projects in Pakistan
- Oil Pipeline Projects bypassing the Turkish straits
- Renewable Energy Sources – the Demand Side Options
- Energy Efficiency in the Transport Sector
- Competition and Market Creation: examples from Japan and the UK
Secretary General in Kyiv

Ukraine faces formidable policy challenges in adapting to a higher price environment for energy, and these were the subject for discussion during the Secretary General’s visit to Kyiv in early October.

During the visit, André Mernier met with Minister of Fuel and Energy Yuriy Boyko and with the Head of Naftohaz Volodymyr Sheludchenko. Measures to increase the efficiency of Ukraine’s energy use are high on the policy agenda, and the Secretary General also discussed the current situation regarding Ukraine’s external supply and preparations for the coming winter.

While in Ukraine, the Secretary General also visited the Natural Gas Metrological Centre in Boyarka, which has been supported by the EU and which is part of a joint effort to increase the transparency of gas flows in the region.

Oil and Gas Pricing Mechanisms

International oil and gas markets have undergone significant changes in recent years. In the oil sector in the mid-80s spot and futures markets took over the OPEC system of posted prices as the predominant oil pricing mechanism. Spot and futures markets have evolved with support from economic policies in the industrialized countries and progress in finance theories and information technologies.

In the natural gas sector spot and futures trading are well developed in North America and the UK, while substantial parts of internationally traded gas continue to be traded under long-term contracts with price formulas with reference to the market prices of replacement fuels like crude oil and oil products. The question is: will gas follow oil on the way to a worldwide commodity pricing mechanism?

An understanding of pricing mechanisms is an important key to understanding many current developments in energy markets, and with this in mind the Secretariat conducted in 2006 two expert workshops for member states on the technical and economical aspects of oil and gas pricing. These two workshops took place in Brussels in June and in September, with presentations from the Secretariat and from invited external experts. At a time when contractual and pricing arrangements are a major issue for many Energy Charter member states, there has been strong demand for analysis and expertise on these topics.

The result of the Secretariat’s work on this topic will be a publication on ‘Oil and Gas Pricing Mechanisms’, which will be available in early 2007 both in electronic and in printed form.

Status of the Draft Transit Protocol

Experts from Russia and the European Union have held an intensive series of exploratory talks in the first half of 2006 on issues that remain open between them in the draft text for an Energy Charter Protocol on Transit. Clarifications and text proposals that have so far been developed during these discussions are now being considered by both sides. These cover transparent and non-discriminatory ways to manage congestion in networks and grids, and provisions on cost-reflective tariffs.

Among the issues requiring further consideration is how, and to what extent, the Protocol can include mechanisms to help establish long term transit arrangements where appropriate – in particular in connection with long-term supply contracts. This is an important issue for secure energy supply, and one that requires a satisfactory and balanced solution for the benefit of consumers, producers and transit countries.

Depending on the outcome of further bilateral consultations between the EU and Russia, the Charter Conference will consider the state of play of the draft Protocol at its meeting on 20 November and decide how best to proceed further on this issue.
Russian Perspective on the Charter

Russian Minister of Industry and Energy Victor Khristenko stated in an interview to foreign journalists that “Russia has a clear viewpoint regarding the Charter. We are ready to ratify it if the transit negotiations see a successful completion to the mutual satisfaction of the parties”. Dmitry Sukhoparov, one of the leading government experts from the Ministry, commented further on the Ministry’s position.

“In accordance with the Article 45 of the Treaty, the countries that signed the document will temporarily abide by its provisions before ratification, except for those Treaty articles that contradict with the legislation, adopted norms and regulations existing in the participating countries. The Russian side strictly adheres to this practice regarding most of the Treaty articles. But, as for now, some provisions of this document do not reflect the national interests of our country, and negotiations aimed at removing these contradictions are underway.

Most of the issues that require reconciliation are related to the Transit Protocol, which is at present the subject of negotiation between Russia and the EU. The Russian side believes that the Protocol provisions are to become an additional effective instrument for reconciling a multitude of issues touching upon the transit of hydrocarbons, and, in particular, of the Russian gas as the main product of export to the European Union, delivered via the gas-transport system of states that would apply the Protocol. It is an extremely important, multifaceted and sensitive issue for all the negotiating parties; finding an effective solution would allow to avoid the transit situations similar to the ones that occurred in the beginning of 2006.

Large-scale projects for the construction of pipelines, in particular of the Eastern Route, the NEGP (North European Gas Pipeline) and others, are designed to ensure the delivery of Russian hydrocarbons to consumers and to the development of new oil and gas fields in the East Siberia and the Far East regions. It is not hard to imagine how the provision to third countries of an unhindered access to transit networks, along with access to markets traditionally supplied with Russian energy, would influence the development of the Russian economy. It is evident that balanced, well-judged decisions are required here, ones that will be acceptable and profitable for all the participants.

The position of the Russian Federation regarding the ratification of the Energy Charter Treaty boils down to the conviction that certain stipulations of the Treaty are discriminatory toward Russia and are to be modified with the mutual interests, including the interests of the EU, taken into account.”

“This is an abridged version of an article available on the web site of the Ministry of Industry and Energy of the Russian Federation, published 17 August 2006. For the full text of this article, please consult http://www.minprom.gov.ru/eng/appearance/26 (in English)
The Islamic Republic of Afghanistan has signed the 1991 Energy Charter Declaration and become an observer to the Energy Charter process. The 1991 Declaration was signed at a ceremony in Kabul by the Deputy Minister of Foreign Affairs of Afghanistan, Ambassador Mahmoud Saikal, signalling a political commitment from Afghanistan to the principles of the Energy Charter.

The decision of the Government of Afghanistan to seek a closer association with the Energy Charter is part of a broader effort to promote greater regional economic cooperation in Central and South Asia. Afghanistan imports electricity from neighbouring countries, and is looking to expand this regional trade; it also has potential as a transit country for exports of natural gas from Central Asia to the growing markets of South Asia. A Conference on regional cooperation took place in Kabul on 4-5 December 2005, co-chaired by Afghanistan and the UK, and attended by representatives from neighbouring countries, the G8, the UN and international financial institutions. The ‘Kabul Declaration on Regional Economic Cooperation’, adopted at the conclusion of this Conference, encouraged Afghanistan to consider joining the Energy Charter.

Afghanistan's application to become an observer to the Energy Charter was approved by the Charter's governing body, the Energy Charter Conference, in July 2006. As an observer, Afghanistan will be entitled to attend all meetings of the Energy Charter Conference and its working groups, and to receive all related reports and analysis.

**What is the 1991 Energy Charter Declaration?**

The 1991 Energy Charter Declaration, also known as the European Energy Charter, provides the political foundation for the Charter process. The Declaration is a concise expression of the principles that should underpin international energy cooperation, based on a shared interest in secure energy supply and sustainable economic development.

Following signature by Afghanistan, this political Declaration has now been signed by fifty-six countries, including the United States and Canada. All signatories to the Declaration are observers to the Charter process, and signature is a first and necessary step towards accession to the 1994 Energy Charter Treaty.
Strengthening the Asian Dimension of the Energy Charter

Visit of the Secretary General to Japan

Contacts with Japanese industry were one of main priorities for the Secretary General during his visit to Tokyo in May 2006. While in Japan, Mr Mernier addressed a meeting of Nippon Keidanren, the Japanese Business Federation, and focused on the Charter’s role in promoting investment and energy cooperation across Northeast Asia.

Within the Government of Japan, the Secretary General met with Mr Kaoru Ishikawa, Director General of the Economic Affairs Bureau of the Ministry of Foreign Affairs, with Mr Manabu Miyagawa, Director of the Economic Security Division and Vice-Chairman of the Energy Charter Conference, and with senior officials from the Ministry of Economy, Trade and Industry in order to hear their views on regional energy issues and to discuss the Asian dimension of the Charter.

The Secretary General also took the opportunity to continue contacts with the leadership of the Japan Energy Law Institute, which has taken a strong interest in the application of the Charter Treaty in international law.

Alongside the closer association by Pakistan and Afghanistan with the Charter process, other countries across Asia have also demonstrated their interest in the Charter as a means of strengthening energy cooperation.

By way of contrast to the western part of Eurasia, there are relatively few cross-border pipeline links in East and Southern Asia, but regional trade is set to grow significantly with projects such as the Kazakhstan-China pipeline (see p. 2), the development of Russia’s far Eastern reserves, and the Trans-ASEAN Gas Pipeline.

A meeting in Vientiane in July of Energy Ministers from the ten countries of the Association of Southeast Asian Nations (ASEAN) together with China, Japan and Korea welcomed the interest shown by Asian countries in the Charter and encouraged them to deepen their understanding of the Charter process.

This call was reinforced at the meeting of Heads of State of the Europe-Asia Meeting in Helsinki in September (see relevant Chairman’s Statements below).

“We acknowledge the role of the Energy Charter Treaty in promoting energy security. We look positively at the increasing interest shown by some ASEAN + 3 countries to deepen the understanding of the Energy Charter process.”

From the Chairman’s Statement on the outcome of the meeting of Ministers of Energy from the countries of the Association of Southeast Asian Nations (ASEAN) plus China, Japan and Korea, 27 July 2006

“We leaders thoroughly discussed questions related to energy security, reiterating their earlier calls for multilateral measures to promote stable, effective, and transparent global energy markets, and agreed to cooperate in relevant international fora with a view to meeting these challenges. In this context, they noted the importance of the Energy Charter Treaty.”

From the Chairman’s Statement on the meeting of Heads of State of the Europe-Asia Meeting (ASEM), which brings together the ten members of ASEAN, China, Japan, Korea, the Member States of the European Union and the European Commission, Helsinki, 10-11 September 2006
Energy Efficiency in Romania

Although Romania has the largest oil and gas resources in Central Europe, it is nonetheless a net importer of hydrocarbons, and the efficient use of energy along the entire energy chain from production to consumption has been a consistent feature of Romanian policy in recent years.

Romania’s national energy strategy foresees an annual reduction of the energy intensity of the national economy of approximately 3% per year. Energy efficiency measures have concentrated on the industrial and residential sectors, where there is the clearest scope for improvements. Programmes for the services and transport sectors are now also being developed.

As Romania prepares for accession to the European Union, the PEEREA review of Romania’s energy efficiency policies and programmes provides a detailed overview of the transposition of the relevant parts of the EU acquis, as well as an insight into particular challenges for Romania – such as the modernization of the district heating network, which accounts for a third of the country’s heat and hot water demand.

Energy Efficiency in Sweden

One of the strengths of the Energy Charter’s work on energy efficiency is that it allows for an exchange of experience between countries facing a variety of policy challenges. Some Energy Charter member states are only starting to develop and implement a strategy in relation to energy efficiency, and it is very beneficial to have access to the experience of countries like Sweden that have long made it a national priority to promote sustainable development.

Sweden’s GDP has been growing strongly over the past decade, and while its energy intensity has been decreasing, overall it is still relatively high due to the country’s cold climate and the dominance of energy-intensive industries. The country invests heavily in research in order to support technology modernisation and innovation.

A quarter of the country’s energy mix is made up of renewables, the rest being mainly nuclear power and oil products. Due to its long coastline, Sweden has substantial hydro capacity and the share of wind power generation is also increasing. The number of CHP and thermal power plants operating on combustible renewables and waste is also growing.

In 2005 the Swedish Government initiated a national programme with the aim to break the country’s dependence on fossil fuels towards 2020 by gradually replacing oil with biofuels, lowering energy use and improving energy efficiency. In addition, Sweden is successfully using fiscal policy as a means to promote renewables and efficient energy use.

Nonetheless, while Sweden is taking substantial measures in this area, the Review also notes the potential for additional improvements, for example, in the analysis and assessment of the economic potential of energy efficiency and renewables, and the management of district heating and CHP.

The Review was carried out in 2006 by a team of national energy efficiency experts from Energy Charter member countries – Poland, Albania, Italy and the Netherlands – along with experts from the Energy Charter Secretariat, and in close cooperation with the Swedish Ministry of Sustainable Development and the Swedish Energy Agency. Conclusions and recommendations arising from the Review were endorsed by the Energy Charter Conference in September 2006.
Investment in the FYR Macedonia

The FYR Macedonia has made significant progress in establishing a competitive and investor-friendly environment for the operation of its energy sector, but these efforts need to be sustained in order to create an efficient and secure national energy market. This was one of the main conclusions of an in-depth review of the country’s investment climate and market structure, completed in 2006 by the Energy Charter.

As a signatory to the Energy Community Treaty and a country seeking membership in the European Union, a major priority for the Macedonian authorities has been to introduce legislation in line with requirements of the EU acquis. Many of the most important provisions are already in place, including the establishment of an independent regulator, to allow for integration into a regional market. However, further attention is needed to the implementation of this legislation, the quality of governance in the energy sector and corporate management.

Macedonia has opened its market to all forms of investment, including participation through the privatisation process, but the energy sector is one area where privatisation has proceeded with considerable difficulty. While the transformation of the electricity and oil sectors is gradually progressing, Macedonia’s gas market requires substantial investment in the transportation and distribution infrastructure.

The Review encourages further efforts to reduce economy-wide business constraints that undermine investor confidence, especially creditor, property and contractual standards.

The in-depth review of the FYR Macedonia was drafted by the Secretariat in close cooperation with the Macedonian authorities. It was discussed at the spring meeting of the Charter’s Investment Group, where representatives of Turkey and Bulgaria acted as examiners of the draft report. Conclusions and recommendations arising from the review will be considered by the Energy Charter Conference at its meeting in November.

Energy Efficiency Policies

Alongside the investment review, the authorities in FYR Macedonia also presented in 2006 their programmes and policies on energy efficiency. Since the country is highly dependent on imported fuels, the promotion of fuel diversification and energy savings are high on the national policy agenda.

With this in mind, the Government has been engaged in the establishment of an Energy Agency and Energy Efficiency Fund, which should allow for improved implementation of a national energy efficiency strategy. With regard to renewable energy resources, there are also clear possibilities to strengthen the role of hydropower in the national energy mix.

The Review describes measures taken by the Macedonian authorities to meet their commitments under the Charter’s Protocol on Energy Efficiency and Related Environmental Measures, for example through the certification of energy auditors, and the establishment of energy codes for facilities and equipment standards.

Energy Efficiency in Kazakhstan

Kazakhstan has significant energy efficiency and savings potential, and policy measures foreseen include the reconstruction and modernisation of existing power plant (with a particular emphasis on CHP), the development of power generation based on renewables, and investment in modern autonomous heating technologies where these are more efficient and economical than CHP.

Kazakhstan has a National Programme and a 1997 Law on Energy Saving, which focus on the economic and organisational requirements for efficient use of fuel and power generation and for environmental protection. The Review also describes Kazakhstan’s engagement with a number of international agencies that are assisting the Kazakh Government in designing its energy efficiency measures.
Workshop on Cooperation in the Electricity Sector

Removing barriers to trade in electricity has been a feature of the work of the Energy Charter, and the Secretariat organised in May a roundtable meeting on cooperation, which aimed to analyse the costs and benefits of greater interconnection and discussed the instruments that could be needed to foster increased cross-border trade.

The discussion was based on a series of regional examples from Southeast Europe, the Caucasus and from Central Asia, and served as guidance for the Energy Charter’s further work in this area. The draft Programme of Work for 2007 foresees a concentration for the future on encouraging regional trade in the Caspian region, based on approaches that have proved successful in other areas.

Presentations from this meeting are available on the Charter’s website, www.encharter.org > Events / Seminars.

Serbia Interested in Accession to ECT

Meeting with the Secretary General in Brussels in June, the Serbian Minister of Energy and Mining Radomir Naumov underlined that Serbia was interested in pursuing accession to the Charter Treaty. He added that the investment protection provided by the Treaty would complement the Serbian efforts in other areas to restructure and reform its energy sector, including through its membership in the Southeast European Energy Community. Accession by Serbia and in addition by Montenegro would mean that all the countries of Europe are signatories to the Energy Charter Treaty.

Energy Cooperation around the Black Sea

Ministers of Energy from the Black Sea Economic Cooperation Organisation (BSEC) met in Sochi in southern Russia in September under the chairmanship of Russian Minister of Industry and Energy Victor Khristenko to discuss regional energy issues. The Energy Charter has observer status with BSEC, and all the member states of BSEC with the exception of Serbia are signatories to the Energy Charter Treaty. Deputy Secretary General Andrei Konoplyanik participated in the meeting.

His intervention is also available at www.encharter.org > Secretariat > Deputy Secretary General).

Ratification of the Trade Amendment

Albania has become the 31st member country to ratify the Trade Amendment to the Energy Charter Treaty. 35 ratifications are required for the Amendment to enter into force. The Trade Amendment brings the Treaty into line with the current provisions of the World Trade Organisation, and also extends the Treaty’s coverage of energy-related equipment.

News from the Secretariat

The Secretariat said a grateful farewell in September to Erik Sørensen, who has served as Director of Investment and Energy Efficiency since 2002. At the same time, the Secretariat welcomed Olga Sorokina, who arrives from the IEA and will work on the Energy Charter’s public information policy. Nasir Andisha from the Ministry of Foreign Affairs in Afghanistan, and Tsvetelina Delcheva from Bulgaria, have also joined the Secretariat as a secondee and intern, respectively.
Meetings and Events

International Conference

Role of Governments and International Organisations in Promoting Energy Security

Brussels, 25 October 2006

Energy Security is at the top of the international agenda, and this international conference focuses on some key issues affecting cross-border flows of energy and investment capital throughout Eurasia.

There are elements of the debate on energy security on which a general consensus is emerging – for example on the need for measures to improve the efficiency of energy use and to minimise its environmental impact. There are also areas on which governments – and international organisations – can have different perspectives, and where the consumers’ desire for security of supply should be assessed alongside the producers’ need for reliable income.

In such areas there remains the challenge to find an appropriate balance of interest for different actors along the entire cross-border energy chain. The Conference will aim to support this process of consensus-building by examining three key issues: access to resources, access to transit infrastructure, and access to markets.

The Conference is organised jointly by the Energy Charter Secretariat, the International Energy Agency and the Organisation for Security and Cooperation in Europe, and is aimed at high-level representatives of the industry, governments, international institutions and academia, as well as other important stakeholders from Eurasia and across the Atlantic.

For more information on the Conference, please see the Energy Charter website.

Schedule of Regular Meetings:

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<td>Investment Group</td>
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<td>Working Group on Energy Efficiency and Related Environmental Aspects</td>
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<td>13 November</td>
<td>Budget Committee / Ad Hoc Preparatory Meeting at Expert Level for the Charter Conference</td>
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<td>20 November</td>
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Meetings of the Conference and the Charter’s Working Groups are open to representatives of member countries, and to states and international organisations that have observer status with the Charter process.
The Energy Charter Treaty is designed to promote energy security through the operation of more open and competitive energy markets, while respecting the principles of sustainable development and sovereignty over energy resources. It is a comprehensive multilateral agreement, which creates common rules to be observed by all participating governments.

The Treaty and the Energy Charter Protocol on Energy Efficiency and Related Environmental Aspects were signed in December 1994, and entered into force in April 1998. To date, the Treaty has been signed or acceded to by fifty-one European and Asian states as well as by the European Communities. Nineteen countries and ten international organisations have observer status.

The Treaty’s provisions focus on four broad areas:

- **the protection of foreign investments**, based on the extension of national treatment, or most-favoured nation treatment (whichever is more favourable) and protection against key non-commercial risks;

- **non-discriminatory conditions for trade** in energy materials, products and energy-related equipment based on WTO rules, and provisions to ensure **reliable cross-border energy transit flows** through pipelines, grids and other means of transportation;

- **the resolution of disputes between participating states**, and - in the case of investments - between investors and host states;

- **the promotion of energy efficiency**, and attempts to minimise the environmental impact of energy production and use.

The Treaty was developed on the basis of the Energy Charter Declaration of 1991, but while this Declaration signalled the political intent to strengthen international energy ties, the 1994 Treaty is a legally binding multilateral agreement. It is the only agreement of its kind dealing with inter-governmental cooperation in the energy sector, covering the whole energy value chain (from exploration to end-use) and all energy products and energy-related equipment.

For more information, or to receive this newsletter on a regular basis, please contact us at:

Energy Charter Secretariat
Boulevard de la Woluwe, 56
B - 1200 Brussels, Belgium
Tel: +32 2 775 9800
Fax: +32 2 775 9801
info@encharter.org
www.encharter.org