



**INTERNATIONAL ENERGY CHARTER
2016 ANNUAL REPORT**

*2016 – Year of Japan’s Chairmanship
of the Energy Charter Conference*





Secretary General's Foreword

This the 2016 Annual Report of the International Energy Charter is being issued as I just completed my first five-year mandate as Secretary General. Over each of those years, 2016 included, I have endeavoured to ensure sound management of the Energy Charter Secretariat based on the prevailing budget and human resource limitations. My ambition has been to maintain the effectiveness of the Secretariat in the core areas of the Energy Charter Treaty (ECT) with a special focus on investment, transit, trade, and dispute resolution.

I thank the Energy Charter Conference for the confidence it has shown in me by the renewal of my mandate for a further five years. In short I summarise matters by saying "a lot done, a lot more to do".

2016 has been the year of the Chairmanship of Japan. I thank Mr. Fumio Kishida, the Minister for Foreign Affairs, the individual who personified Japan's Chairmanship. I commend his staff in the Ministry, and in the Mission of Japan to the European Union for their great commitment and spirit of cooperation enjoyed throughout 2016.

In July, Mr. Selim Küneralp completed his term as Deputy Secretary General. Mr. Küneralp had also been Chair of the Conference from 2010 until the end of 2013, and so gave many years of service to the Energy Charter Conference and to the Secretariat. I am particularly grateful for his input on the CONEXO policy, aimed at geographical expansion.

The adoption of the International Energy Charter in 2015 was the first major political development since the Treaty itself was signed in 1994, and an indication of the maturity and self-confidence of the Energy Charter Process after 25 years of existence. The International Energy Charter serves as a basis for the expansion activities and efforts of the organisation. Since The Hague Conference in 2015 more and more countries and regional organisations have signed the International Energy Charter. With the appointment of an Assistant Secretary General, Ms. Masami Nakata, I personally expect to be more engaged in these CONEXO efforts in 2017.

Earlier in 2016 I set out the role the International Energy Charter might play in the fulfilment of the goals set by the Paris Agreement of 2015. After some discussion, delegations agreed that a declaration without implementation would not be of benefit. As a follow up, in June, the Japanese Chairmanship explained that the International Energy Charter could help in the implementation of G-7, G-20 and Paris Agreement goals and objectives in the energy sector. This has led to the Tokyo Declaration, which the Conference adopted at the Tokyo meeting in the presence of several observer countries and organisations.

Each of my five years has brought its own particular and special challenges. 2016 was no exception. The year was one of transition. A major focus of activities for the Secretariat was on internal and on administrative and human resource questions. These came about because of the constraints on the budget. Certain critical decisions, which were taken last year are being implemented to allow the Charter and the Secretariat to face the future better equipped to deal with new challenges.



Dr. Urban Rusnák
Secretary General

There are two important reforms, which are now in place and will better equip the Secretariat to operate in the future. The first is the two year planned Budget and Programme of Work. The effect of this has been immediate, in that it has simplified the budget procedures for the Conference and for the Secretariat. In addition, it has greatly improved the ability of the Conference to plan and to enter into arrangements in the longer term.

The second reform is the restructuring of the Subsidiary Groups of the Conference. In 2017, the new Implementation Group should bring about a more efficient, result oriented system of meetings, decreasing costs for the Secretariat and Member States. There will be a better focus of the Secretariat's expertise to agreed priorities.

Much is owed to all of those involved with the Subsidiary Groups, particularly those delegates who took part in the deliberations, those who gave their time and efforts to act as Chairs and Vice Chairs. Their input is very important to the work of the International Energy Charter.

In conclusion, I must again this year make reference to the immense professional commitment and work of each member of the Secretariat without whom none of the tasks of 2016 would have been completed. Despite the difficulties and challenges of this period of transition there has been unfailing dedication to the goals of the Charter. I thank each and everyone of those who has worked in the Secretariat during the course of 2016.

Urban Rusnák
Secretary General
December 2016

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International Energy Charter Constituency *as of 31 December 2016*

CONTRACTING PARTIES / SIGNATORIES

Afghanistan	Estonia	Latvia	Russian Federation
Albania	European Union and Euratom	Liechtenstein	Slovakia
Armenia	Finland	Lithuania	Slovenia
Australia	France	Luxembourg	Spain
Austria	Georgia	Malta	Sweden
Azerbaijan	Germany	Moldova	Switzerland
Belarus	Greece	Mongolia	Tajikistan
Belgium	Hungary	Montenegro	The former Yugoslav Republic of Macedonia
Bosnia and Herzegovina	Iceland	the Netherlands	Turkey
Bulgaria	Ireland	Norway	Turkmenistan
Croatia	Japan	Poland	Ukraine
Cyprus	Kazakhstan	Portugal	United Kingdom
Czech Republic	Kyrgyzstan	Romania	Uzbekistan
Denmark			

OBSERVERS TO THE ENERGY CHARTER CONFERENCE by virtue of signing the 1991 Energy Charter

Burundi	Italy	Niger	Syria
Canada	Jordan	Pakistan	United States
Chad	Mauritania	Palestine	Yemen
Indonesia	Morocco	Serbia	

OBSERVERS TO THE ENERGY CHARTER CONFERENCE by virtue of signing the 2015 International Energy Charter

Bangladesh	Colombia	Guatemala	Senegal
Benin	EAC	Iran	Swaziland
Cambodia	ECCAS	Iraq	Tanzania
Chile	ECOWAS	Korea	Uganda
China	G5 Sahel	Rwanda	

OBSERVERS TO THE ENERGY CHARTER CONFERENCE by invitation

Algeria	Kuwait	Qatar	United Arab Emirates
Bahrain	Nigeria	Saudi Arabia	Venezuela
Egypt	Oman	Tunisia	

INTERNATIONAL ORGANISATIONS WITH OBSERVER STATUS

ASEAN, BASREC, BSEC, CIS Electric Power Council, EBRD, IEA, IRENA, OECD, UN-ECE, World Bank, WTO



Structure of the Organisation

Energy Charter Conference

The Energy Charter Conference is the governing and decision-making body for the Energy Charter Process. All states who have signed or acceded to the Energy Charter Treaty are members of the Conference, which meets on a regular basis to discuss issues affecting energy cooperation among the Treaty's signatories, to review the implementation of the provisions of the Energy Charter Treaty and the Protocol on Energy Efficiency and Related Environmental Aspects, and to consider possible new instruments and joint activities within the Energy Charter framework.

Chairing State in 2016: Japan

Chair: Mr. Fumio Kishida

Conference Vice-Chairs:

The Vice-Chairs of the Energy Charter Conference in 2016 were Amb. Keiichi Katakami (Japan), Amb. Kazuo Kodama (Japan) as of 12 October 2016, Ms. Mariam Valishvili (Georgia), Mr. Myratgeldy Meredov (Turkmenistan), Mr. Dovranmammed Redjepov (Turkmenistan) as of 23 August 2016.

Strategy Group

Chair: Mr. Odd Sverre Haraldsen (Norway)
until February 2016

Ms. Elzbieta Piskorz (Poland)
as of November 2016

Vice-Chair: Ms. Carmen Sofía Sanz Estébanez (Spain)
and acting Chair

Trade and Transit Group (until November 2016)

Chair: Dr. Klara Rakhmetova (Kazakhstan)

Vice-Chair: Mr. Mykhailo Bno-Airiian (Ukraine)

Vice-Chair: Ms. Tamar Tsurtsumia (Georgia)

Implementation Group (as of November 2016)

Chair: Mr. Sergey Katyshev (Kazakhstan)

Vice-Chair: Dr. Klara Rakhmetova (Kazakhstan)

Vice-Chair: Mr. Parviz Garibzade (Azerbaijan)

Vice-Chair: Mr. Johan Vetlesen (Norway)

Energy Efficiency Group (until November 2016)

Chair: Mr. Sergey Katyshev (Kazakhstan)

Vice-Chair: Mr. Johan Vetlesen (Norway)

Budget Committee

Chair: Vacant position

Vice-Chair: Mr. Wataru Takahama (Japan)

Investment Group (until November 2016)

Chair: Mr. Parviz Garibzade (Azerbaijan)

Vice-Chair: Dr. Klara Rakhmetova (Kazakhstan)

Vice-Chair: Mr. Tomáš Pavlík (Czech Republic)

Legal Advisory Committee

Chair: Mr. Colin Brown (European Commission)

Chair: Dr. Alejandro Carballo Leyda (ECS)
as of 25 November 2016

Working Group on Procedural Issues (until November 2016)

Chair: Mr. Quentin Perret (France)

Vice-Chair: Mr. Dzimiry Nikolaenya (Belarus)

Industry Advisory Panel

Chair: Mr. Howard Chase (Dow Europe GmbH)



27th Meeting of the Energy Charter Conference



27th Annual meeting, statutory session

On 25 and 26 November, Japan hosted the 27th Meeting of the Energy Charter Conference in Tokyo as the chair, for the first time in East Asia. Representatives from 69 countries and regions, including a substantial number of Ministerial-level participants and 9 international institutions attended the meeting. In total, 400 people including government officials, international organisations, business circle, academia and diplomatic community in Tokyo attended the two-day event. Participants discussed how the Energy Charter Process can address the major global energy challenges, including responding to climate change and sustainable development. The “Tokyo Declaration on the Energy Charter” was issued as an outcome document. Furthermore, in a ceremony of under the patronage of Foreign Minister Kishida, six new parties, namely Iran, Guatemala, Iraq, the Economic Community of Central African States (ECCAS), the Permanent Secretariat of the Group of Five for the Sahel (G5 Sahel) and the East African Community (EAC), signed the International Energy Charter and became observers to the Energy Charter Conference.

Mr. Fumio Kishida, the Minister for Foreign Affairs of Japan, presided over the Conference as the 2016 Conference Chairman. The Meeting was organised in three Sessions

over one and half days. On the morning of 25 November, the Statutory Session opened only to members and observers of the Energy Charter Conference and was chaired by the *Vice-Chair of the Energy Charter Conference* Mr. Kazuo Kodama, Ambassador of Japan to the European Union. There, the internal work of the Energy Charter was discussed and the results of the year were assessed. There was an outline of the activities and challenges for the coming years.

That same afternoon, an Outreach Event titled “*Global Energy Architecture and its Implications in Asia*” followed. This event brought together non-observer countries and other international organisations and discussed the issues of strengthening energy security by better mobilisation of global energy architecture, addressing climate

“This year marks the 25th anniversary of the Energy Charter Process’s beginning in 1991. We are honored to be the Chair of today’s Conference here in Tokyo in such a remarkable year, with attendance of numerous ministers including last year’s Chair, Georgia, and next year’s Chair, Turkmenistan.”

Mr. Kentaro Sonoura, State Minister for Foreign Affairs, Japan



Secretary General Urban Rusnák, Iranian Minister of Energy Hamid Chitchian and Japanese Minister for Foreign Affairs Fumio Kishida, Chair of the Conference

Charter was held. With the signatures of HE Mr. Hamid Chitchian, Minister of Energy of the Islamic Republic of Iran, Mr. Rodrigo Estuardo Fernández Ordóñez, Vice Minister of Energy and Mines of the Republic of Guatemala, Mr. Ihsan Al-Saade, President of South Gas Company of the Republic of Iraq, Amb. Ahmad Allam-Mi, Secretary General of the ECCAS, Mr. Najim

El Hadj Mohamed, Permanent Secretary of the Permanent Secretariat of the G5 Sahel and The Honourable Christophe Bazivamo, Deputy Secretary General of the EAC six new Observers joined the growing family of the International Energy Charter.

The Foreign Minister of Japan Mr. Kishida made a welcome speech and toast, in which he expressed appreciation that Japan had become the first country in East Asia to take the Presidency of the Energy Charter Conference, while the ECT was gaining importance as mechanism for strengthening international cooperation and the rule of law in the energy sector. Foreign Minister Kishida also reaffirmed Japan's continued contribution

change and its implications in Asia, as well as challenges and opportunities for a better global energy future. The main objective of this event was to create a forum for interested countries to discuss the potential benefits of a multilateral global energy architecture.

In the evening, Mr. Fumio Kishida, hosted a welcome reception. The reception was attended by about two hundred people, including twenty-two Ministerial-level participants of the Meeting and fifty Ambassadors to Japan, as well as from governments, international organisations and the private sector.

At the beginning of the reception, a signing ceremony of the International Energy



27th Annual meeting, ministerial session



Tokyo Declaration on the Energy Charter

At its 27th Meeting held on 25 November 2016 in Tokyo, the Energy Charter Conference adopted the Tokyo Declaration (CCDEC2016 31) on the Energy Charter with attendance of sixty-eight countries and nine international organisations, including thirty-three ministerial-level participants.

The Tokyo declaration marked the 25th anniversary of the beginning of the Energy Charter Process and acknowledged that:

- the ECT has become increasingly important as an instrument to provide a sound legal basis for ensuring and promoting stable and sustained investment in the energy sector. Investments in the energy sector should be promoted in line with the commitment to a low-GHG emission economy agreed in the Paris Agreement.
- creating a favourable investment climate in the energy sector under the framework of the ECT and the International Energy Charter contributes to stable energy supply, energy access, increased use of clean energy and the promotion of energy efficiency.
- the ECT has the potential to encourage sustainable energy development at a global level and to strengthen global energy security by extending the application of its legal framework to a growing list of countries.

It was decided to enhance and support energy resource development and to enhance the modernisation of the Energy Charter Process, providing new impetus especially in terms of energy security and crises prevention.

to the modernisation and internationalisation of the Energy Charter Process.

The second day was dedicated to the Ministerial Session, open to international organisations and the business sector. Representatives from sixty-nine countries and regions, including 32 Ministerial-level participants discussed the topics relevant to the Energy Charter Process such as sustainable development and global efforts on climate change specifically for Asia and Africa. It was acknowledged that promoting the development and improvement of a favourable investment climate in the energy sector under the framework of the ECT and the International Energy Charter contributes

to stable energy supply, energy access, increased use of clean energy and the further promotion of energy efficiency.

“We welcome the Energy Charter to participate in the process of construction of the One Belt, One Road strategy, together with China, as well as countries along the Belt and Road. We hope the Energy Charter make use of its advantages to deepen energy cooperation in the Belt and Road, to make positive contribution to promote bilateral and multilateral energy cooperation.”

Mr. Fanrong Li,
Deputy Administrator of NEA, China



Ministerial level family photo

In the first part of the Ministerial Conference, ministers and heads of delegations of Members and Observers of the Energy Charter Conference addressed this theme. The second part of the Ministerial Session allowed for CEOs of energy industry enterprises to present their views. Indeed, the ECT



Energy Charter Award



4th Energy Charter Award received by Dr. Klara Rakhmetova

At the 27th Meeting of the Conference in Tokyo, the fourth Energy Charter Award was bestowed upon Dr. Klara Rakhmetova, the Energy Charter Project Manager at KAZENERGY Association. The Award was presented by HE Mr. Kazuo Kodama, the Ambassador of Japan to the European Union and the Vice-Chairman of the Energy Charter Conference, together with the Energy Charter Secretary General Dr. Urban Rusnák during the Statutory Session.

Dr. Klara Rakhmetova accepted the Award in person and thanked the delegates for their recognition of her long-standing support of the Energy Charter Process and the honour the Award represents.

Dr. Rakhmetova was nominated for her long-term representation of the Republic of Kazakhstan in the Energy Charter Process, and as the most experienced delegate from the Energy Charter constituency. Dr. Rakhmetova has been a stable and reliable counterpart between Kazakhstan and the Energy Charter Secretariat. She had welcomed and contributed to the transition of the Energy Charter from a regional organisation to an organisation of potential global energy governance. In 2014, during the Chairmanship of Kazakhstan, Dr. Rakhmetova provided vital support for the Energy Charter Conference, promoting the country's initiatives, inter alia, on exploring voluntary mechanisms for early amicable settlement of investment disputes and the possibility to resume negotiations of a Multilateral framework Agreement on Transit of energy resources, as set out in the Astana Declaration. Dr. Rakhmetova is currently promoting the International Energy Charter within the Eurasian Economic Union. Due to the exceptional efforts of Dr. Rakhmetova, the work of the Energy Charter has become well known in Kazakhstan and in the whole region.

The Energy Charter Award was introduced in 2013 in order to recognise the outstanding role of individuals and entities in the development of the Energy Charter Process. The first recipient was the former Prime Minister of The Netherlands, Mr. Ruud Lubbers, whom many consider as one of the founding fathers of the Energy Charter Process. That award was made at the Conference in Nicosia, Cyprus in 2013. In 2014, at the Conference in Astana, Kazakhstan, the Award was issued to Mr. Gunther Oettinger – the European Commissioner for Energy since 2010 and formal head of the European Union delegation to the Energy Charter. Last year, the recipient of the Award was Mr. Henk Kamp, the Minister of Economic Affairs of the Kingdom of the Netherlands for taking political ownership and putting together an ad-hoc Conference of the Energy Charter in The Hague in May 2015 to adopt and sign an updated political declaration – the International Energy Charter.

and the International Energy Charter offer legal and policy frameworks for investment promotion and protection and, as a result, improves the business environment for energy sector investment.

The Conference concluded with a presentation of the “Tokyo Declaration on the Energy Charter” and closing remarks of the Japanese hosts.

“The International Energy Charter encourages cooperation among the governments and the other stakeholders and thus could be a basis for our joint efforts to provide diversified sources of energy which are economically-reliable, socially-acceptable and environmentally-sound.”

Mr. Hamid Chitchian,
Minister of Energy, Iran

Strategy

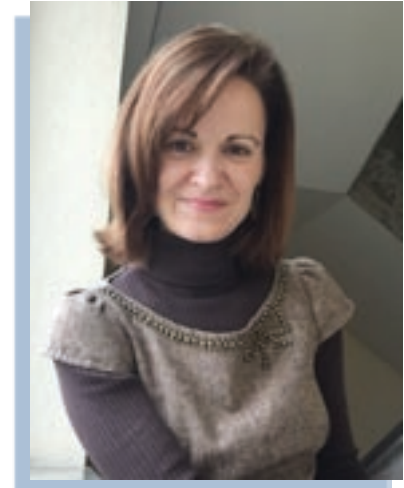
The Strategy Group serves as a forum for discussion on such issues as fostering the acceptance and implementation of the Energy Charter Treaty and the development of the entire Energy Charter Process, identifying ways to improve their effectiveness and examining possible options as to how the Energy Charter Process could be modernised.

The Strategy Group of the Energy Charter (StG) convened three times in 2016: 8 March, 15 June, and 11 October. When Mr. Odd Sverre Haraldsen announced his retirement in March 2016, Ms. Carmen Sofía Sanz Estébanez, Vice-Chair of the Strategy Group, took over to chair the meetings. The Secretary General Dr. Rusnák and delegates thanked Mr. Haraldsen (who had been involved since the European Energy Charter was negotiated and signed in The Hague in 1991) for his many years of commitment to the Energy Charter.

In 2016 the main activities of the Strategy Group included discussions on (i) the progress of the CONEXO policy; (ii) the international personality, including the use of an informal working name; (iii) the International Energy Charter Vision plan for 2017-2021 and new working practice of the Conference and its Subsidiary Bodies; (iv) the role of the International Energy Charter with respect to the implementation of the Global Agreement on Climate Change; (v) draft Tokyo declaration; (vi) the forum for energy dialogue; and (vii) access to information and transparency.

Energy Charter and the Global Agreement on Climate Change

At the March meeting of the Strategy Group, the Secretary General explained the important role the International Energy Charter could play in the fulfilment of the goals set by the Paris Agreement of 2015. After some discussion, delegations agreed that a declaration without implementation would not be of benefit. As a follow up in June, the Japanese Chairmanship explained



*Ms. Carmen Sofía Sanz Estébanez
Acting Chair, Strategy Group*

that the International Energy Charter could help in the implementation of G-7, G-20, and Paris Agreement goals and objectives in the energy sector.

Forum for Energy Dialogue

During the year, delegations continued to make use of the Forum for Energy Dialogue, a policy forum within the Strategy Group to exchange information on important recent developments, e.g., national or multilateral energy strategies, developments with regard to the structure of domestic markets, and the creation of new institutions dealing with energy issues. Delegations also welcomed many new observers who had signed the 2015 International Energy Charter.

There were also a number of presentations: the Chilean Ambassador to the EU, Mr. Carlos Appelgren Balbontin, talked about Chile Energy 2050 and the Energy Charter; Energy Charter Seconded expert, Ms. Margarita Nieves (Lawyer at the Hydrocarbons Energy Agency of Colombia), explained Colombia's Investment Climate and the Energy Charter; the First Secretary of the Mission of Mexico to the EU, Mr. Manuel Herrera, described the Implementation Process of Energy Reform in Mexico; Ms. Merei Wagenaar, Deputy Director, International Energy Affairs, Dutch Ministry of Economic Affairs, presented the Dutch Energy Report (published 18 January 2016). Finally, the Japanese Chairmanship did

New Informal Working Name

In July 2016, the Conference approved the use of an informal working name, 'International Energy Charter', to better reflect the global nature of the organisation and for clarity in presentation to third parties. The name refers to the Energy Charter Conference and its subsidiary bodies, as well as the Energy Charter Secretariat.

a presentation on the G-7 Joint Statement of the Energy Ministerial Meeting.

Access to Information and Transparency

The final, but not least important topic discussed by the Group in 2016, was the access to the *travaux préparatoires*. The Energy Charter Secretariat has maintained the archives of the Energy Charter process since its inception. After some discussion in the Strategy Group, on 1 November 2016 the Energy Charter Conference;

- Confirmed the new policy on access to the *travaux préparatoires* of the European Energy Charter, the ECT, its related Protocols (1991-1994), and the Trade Amendment (1994-1998) as set out in Annex I;
- De-restricted and allowed the publication online of the different drafts of the ECT;
- De-restricted the official documents issued by the (Provisional) Conference and the (Provisional) Secretariat in relation to the negotiations of the Energy Charter, the ECT, its related protocols (1991-1994) and the Trade Amendment (1994-1998).



Consolidation, Expansion and Outreach

In his Vision Plan for 2017-2021, the Secretary General outlined his view of the present situation with respect to CONEXO, and in particular stated his intention to maintain good working relations with the four signatories that have not yet ratified the Treaty (Australia, Belarus, Norway and Russia), continue expansion efforts with a focus on countries where internal ratification is pending (Burundi, Jordan, Mauritania, Pakistan and Yemen), on countries working on the internal approval of accession reports (Swaziland, Morocco, Niger) and countries that have expressly mentioned their interest to accede to the ECT such as Bangladesh, Cambodia, Chad and Serbia.

CONEXO Policy under the Japanese Chairmanship

The Secretariat has maintained regular contacts throughout 2016 with the remaining four countries, which have not yet ratified the ECT. Though there was no particular progress, they are still committed to the Energy Charter Process.

The Energy Charter Conference decided in 2015 to phase out the status of country "observer by invitation". In early 2016, the Japanese Chairmanship officially informed all "observer by invitation" countries of this decision of the Conference and invited them to remain an observer to the Energy Charter Conference by signing the International Energy Charter.

The CONEXO policy has also been supported by the Japanese Chairmanship in Africa through the Tokyo International Conference on African Development (TICAD) held in Kenya in August 2016. These efforts have enabled some African countries to take a further step in the Energy Charter Process.

New Signatories to the International Energy Charter in 2016

Bosnia and Herzegovina signed the International Energy Charter in Brussels on 1.03.2016.

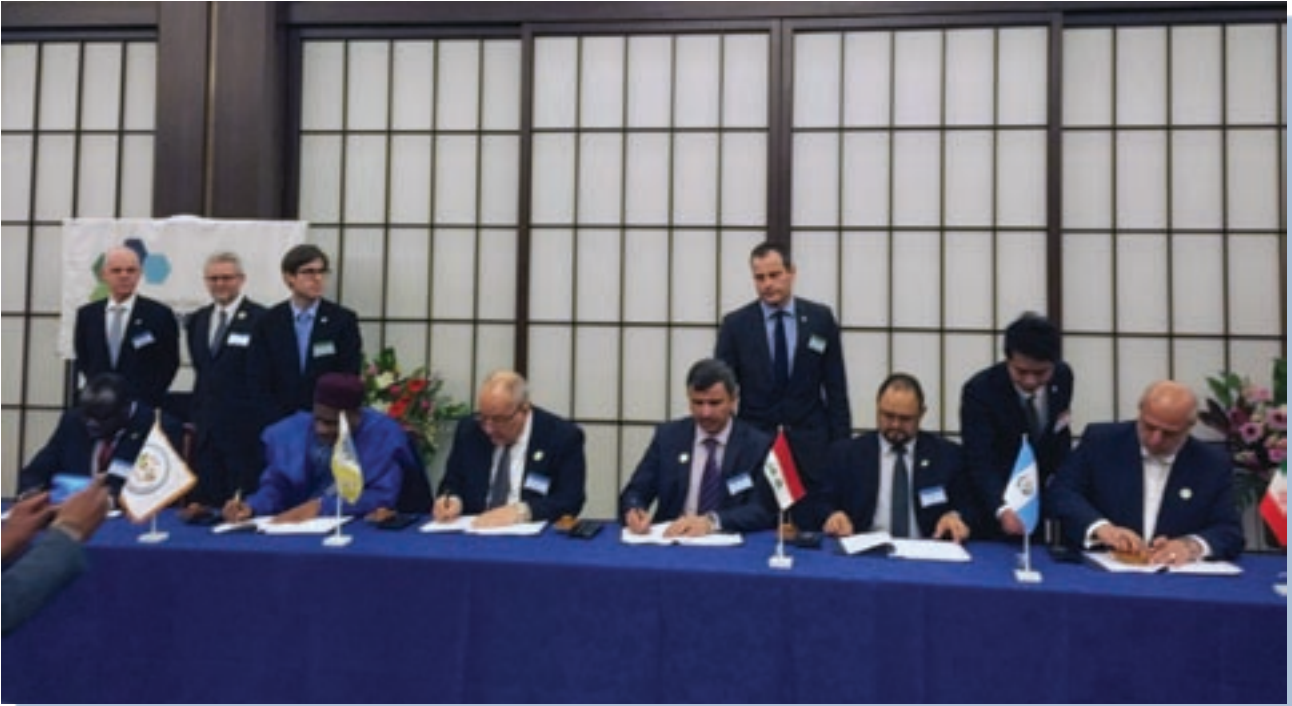
The Republic of Senegal signed on 20.09.2016 during the Investment Group meeting

The Republic of Rwanda signed on 21.09.2016 during the Trade and Transit Group meeting.

By the end of 2016, the overall number of countries and organisations that signed the International Energy Charter was extended to 80. Three countries – the Islamic Republic of Iran, the Republic of Iraq and the Republic of Guatemala, and three international organisations – the East African Community, G5 Sahel and the Economic Community of Central African States, became observers of the International Energy Charter during the 27th Meeting of the International Energy Charter Conference in Tokyo.

More countries are examining the benefits of signing the International Energy Charter. Within the existing constituency of the Energy Charter there is a continuation of the openness and willingness to reach out to new partners on all continents, and to promote the existing principles of the Charter.

The Memorandum of Understanding with the IberoAmerican Association of Energy Regulators (ARIAE) provides a space to promote the Energy Charter Process among energy regulators from 18 countries in Latin America, Portugal and Spain. The presentation of the Colombian Energy Investment Report in the Congress of Colombia in August 2016 was an opportunity to encourage other Latin American countries to sign the International Energy Charter.



Signing Ceremony, 25 November 2016, Tokyo, Japan

2016 G20 Chairmanship of China

The synergy between support from Contracting Parties, the activities and efforts undertaken by the Secretariat and the internal political environment in targeted countries have produced tangible results. The Secretariat has continued to attend the G20 Energy Sustainability Group Meetings in China during 2016 and to contribute to the efforts on "Access to Energy Investments in South East Asia". The Secretary General also attended the G20 Energy Ministerial Conference in Beijing in June 2016. China

signed the International Energy Charter in The Hague in 2015 and is an active observer and contributor to the Energy Charter Conference. This has allowed the ECS to deepen its relations with G20 countries in the framework of the CONEXO policy.

In 2016 the Secretariat received a voluntary contribution from Poland in the amount of thirty thousand Euros for its CONEXO activities and to support its efforts with China which has signed the International Energy Charter and became an observer to the Energy Charter Conference in 2015.



Implementation Group

In 2016, the Secretariat proposed to review the practice surrounding the subsidiary bodies in order to introduce more effective and efficient method of conducting the work of the Conference, which would allow for a more efficient, result-oriented system of meetings. This proposal was discussed and supported by the Strategy Group to merge the Investment Group, the Trade and Transit Group and the Energy Efficiency Group into a single Implementation Group. In November 2016, the Energy Charter Conference made a decision on the establishment of the Implementation Group, which would address all of technical issues in one forum.

Under the supervision of the Energy Charter Conference, the Implementation Group will serve as a forum for the discussion of the implementation of the www.energycharter.org/process/energy-charter-treaty-1994/energy-charter-treaty/ECT. According to the Conference decision, the main tasks of the Implementation Group are:

- Monitor and assist in the implementation of the ECT and its related instruments and suggest recommendations on further steps to improve compliance.

- Facilitate the discussion on promoting and securing cross-border energy flows based on the principles and provisions of the ECT and related instruments, including the elaboration of pertinent agreements.
- Promote and facilitate the development of open, competitive and efficient markets and well-designed complementary policies and measures in order to remove potential obstacles to energy transit, sustainable energy investment, including energy efficiency, and access to energy.
- Facilitate the implementation and improvement of the investment protection under the ECT and related instruments.
- Report to the Charter Conference on progress of implementation of the ECT and the Protocol on Energy Efficiency and Related Environmental Aspects (PEEREA) every year.
- Review and discuss accession reports to the ECT.

Programme of Work and Budget

The Budget Committee met three times in 2016 (in June, September and October) under the guidance of Mr. Wataru Takahama (the Vice-Chair). The main issues discussed involved the review of the Staff Regulations and Rules (approved by the Conference at the end of the year), the work priorities for 2017, and the financial issues linked to the relocation of the offices of the Secretariat (which will take place in spring 2017). In 2017, the Budget Committee will discuss the two-year planned Budget and Programme of Work (2018-2019).



*Mr. Wataru Takahama
Vice-Chair, Budget Committee*

Trade and Transit

The Trade and Transit Group is responsible for discussion of all issues related to cross-border energy flows that are covered by the Treaty. Its main tasks are:

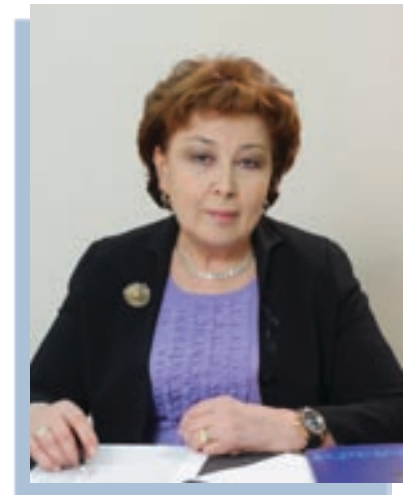
- **Monitoring and assistance in the implementation of the ECT and related instruments on trade and transit;**
- **Promoting and securing cross-border energy flows based on the Energy Charter Treaty;**
- **Facilitating the development of open, competitive and sustainable energy markets, and energy flows across the Charter constituency.**

There were two meetings of the Trade and Transit Group in 2016. As of November 2016, it was merged into the new Implementation Group.

Commentary to the Rules Concerning the Conduct of Conciliation of Transit Disputes

Following the adoption of the Rules Concerning the Conduct of Conciliation of Transit Disputes in 2015, the Energy Charter Conference tasked the Trade and Transit Group to work on the commentary to the Conciliation Rules to address some of the concerns of the delegations. According to Activity 7 of the Programme of Work of the Secretariat for 2016-2017, the Secretariat prepared a brief commentary to serve as an interpretative (non-binding) tool to explain and clarify some of the Rules in order to facilitate common understanding and uniform application.

The draft commentary prepared by the Secretariat was discussed at the Trade and Transit Group meeting on 13 May 2016. After substantial discussions, comments, suggestions and bilateral consultations, the Trade and Transit Group reached an agreement on the revised version of the commentary to be submitted for endorsement by the Energy Charter Conference.



*Dr. Klara Rakhmetova
Chair, Trade and Transit Group*

In June 2016, the Energy Charter Conference adopted by correspondence the Commentary to the Rules Concerning the Conduct of Conciliation of Transit Disputes and encouraged Contracting Parties to consider to use, on voluntary basis, the Conciliation mechanism to facilitate a fast and amicable solution of inter-state transit disputes.

Multilateral Framework Agreement on Energy Transit

The conclusions of the review of implementation of the ECT transit provisions approved by the Conference in 2015, tasked the Secretariat to prepare the ground work for negotiation of a Multilateral Framework Agreement on Transit of Energy Resources, covering policy objectives, country positions and substantial issues to be addressed.

A draft Concept paper for a Multilateral Framework Agreement on Energy Transit was presented at the Trade and Transit Group on 13 May. The paper proposed to address each energy commodity such as oil, gas and electricity separately due to their different characteristics and enlarge the scope to trans-border transport and swap operations. It provided an outline of the main elements of the proposed agreement, including access to Energy Transport Facilities, capacity allocation and dispute settlement procedures. The Secretariat also circulated draft text of the agreement to facilitate the discussion.



The Group invited delegations to express their country positions on this issue and provide general comments on the scope and main elements. Substantial discussions were held in the Trade and Transit Group meeting on 21 September. The Group expressed its appreciation of the work of the Secretariat and agreed on the necessity to continue consultation process by identifying specific needs and problems that exist within the constituency and elaborating alternative solutions. As an outcome, the Group agreed to continue further consultations on the scope of the proposed agreement and invite all interested delegations to contribute to this process. This was put forward for approval by the Conference.

As part of the consultation process on transit, the Trade and Transit Group continued to be involved in the work related to the International Meetings of Experts on Reliable and Stable Transit of Energy organised jointly by the Government of Turkmenistan and the Energy Charter Secretariat under the United Nations General Assembly (UNGA) Resolution 67/263 on “Reliable and stable transit of energy and its role in ensuring sustainable development and international cooperation”.

The fourth meeting of experts on reliable and stable transit of energy was organised in cooperation with the Ministry of Energy and Industry of Albania and the Secretariat of the Union for the Mediterranean in Tirana on 13 July. The meeting served as a platform for policy dialogue on energy transit to promote open energy markets, diversification of supply and sustainable development in the Euro-Mediterranean.

Knowledge Exchange on Development of Energy Infrastructure

The transparency initiative on cross-border infrastructure projects and strategies allowed delegations to exchange information on practical issues related to the development of energy infrastructure.

Mr. Ichinkhorloo Luvsantseren, Officer of the Strategic Policy and Planning Department of the Ministry of Energy of Mongolia, presented a study on Asian Super Grid Initiative for Northeast Asian energy security and regional cooperation. In his presentation, he updated the delegates on the status of Asian Development Bank’s technical assistance project for Mongolia to prepare a study, which would address Gobi Tech and Asian Super Grid projects.

Mr. Begench Rejepov, Chief specialist of the Ministry of Oil and Gas of Turkmenistan, provided an update on Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline, following official ceremony to mark the start of construction on 13 December 2015. He presented the infrastructure projects of TAPI and East-West gas pipelines, indicated the main objectives and technical capacities and commented on the timeframe of the construction process.

Mr. Jonas Kimontas, Project Manager at Klaipėdos Nafta, illustrated the activities and game-changing role of the Lithuanian Klaipėda LNG Terminal in the Baltic Sea Region. He made a particular emphasis on the role of Klaipėda LNG in terms of ensuring security of supply of natural gas in case of possible disruptions, promotion of diversification of supplies and possibilities for small-scale LNG markets.

Mr. Wataru Takahama, First Secretary of the Mission of Japan to the European Union, presented the Strategy for LNG Market Development. He briefed the delegates on the challenges and countermeasures towards the creation of flexible LNG market and LNG trading hub in Japan.

Mr. Milan Sedláček, Commercial Director of EUSTREAM, made a presentation on the natural gas developments in Central and Eastern Europe. He focused on the transit routes of the natural gas supplies from the Russian Federation to Europe and also addressed the issue of reverse flow of gas to Ukraine from the EU.

Mr. Andrey Ivanov, Head of department at Naftogas Ukraine, made a presentation on the role of the Ukrainian gas transportation system for the EU market. He briefed the delegates on recent developments in the Ukrainian gas system and updated on the status of transit flows from Russia to Europe.

Mr. James Nyamongo, secondee from Kenya, made a presentation on energy infrastructure development in East Africa, focusing on the challenges related to the implementation of Kenia oil pipeline.

Regional Energy Cooperation

Regional cooperation continued to support the work of the Task Force on Regional Energy Cooperation in South and Central Asia (RECA). The Secretariat signed a Memorandum of Understanding with the USAID Energy Links project in order to promote energy cooperation in the region through knowledge sharing and capacity building.

Regional energy cooperation in Central and South Asia was discussed at the 12th RECA meeting in Almaty, Kazakhstan on 10-11 November 2016. The event was jointly organised by the Energy Charter Secretariat and Energy Links project. It addressed the issue of regional cross-border energy trade and served as a platform for political dialogue and exchange of experiences.

As noted above, three African regional economic organisations (EAC, ECCAS and G5 Sahel) signed the International Energy Charter, which was previously signed by the Economic Community Organisation of West African States (ECOWAS). Therefore, this is an increasing interest of regional economic organisations to enhance their framework for cross-border energy trade and investment according to international standards. The Secretariat will engage with those organisations to facilitate an exchange of experiences and lessons learned in the integration of regional energy markets.

EU4Energy

The EU4Energy programme is a new EU-funded energy programme in the countries of the Eastern Partnership (EaP) and Central Asia (Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan, Ukraine and Uzbekistan). The programme's aim is to work with the eleven beneficiary countries on improving energy data capabilities and enhancing data collection and monitoring, as well as assisting them in evidence-based energy policy design pertinent to the country's needs.

The Energy Charter Secretariat became one of the three implementing partners of EU4Energy, together with the Energy Community Secretariat and International Energy Agency. In particular, the Energy Charter Secretariat will provide technical assistance activities to Armenia, Azerbaijan and Belarus by supporting the three countries to strengthen the legislative, regulatory and institutional environment in the areas of electricity and gas markets, energy efficiency and renewable energy as well as in the process of identification of key energy infrastructure.

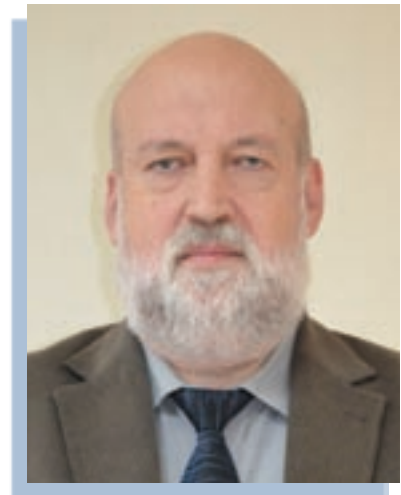
The programme commenced in July 2016 and during the inception phase, the ECS performed detailed analysis and assessment of the status of legislative and institutional environment for all three countries and identified together with the authorities of partner countries, the priority areas for assistance. Multi-annual and first year work programmes were also developed and concrete technical assistance activities will be delivered in the course of 2017.



Energy Efficiency

The Energy Efficiency Group is the institutional body in the Charter Process for the discussion of all matters related to energy efficiency. The Group has developed into a valuable forum for policy debate and exchange of experience, and many of the transition economies have used this cooperative process to develop policies, legislation and other measures supporting improvements in energy efficiency.

The Energy Efficiency Group met in September, Chaired by Mr. Sergey Katyshev of Kazakhstan. As of November 2016, it was merged into the new Implementation Group. Below is a summary of the key activities of the Energy Efficiency Group in 2016.



*Mr. Sergey Katyshev
Chair, Energy Efficiency Group*

Energy Efficiency Review Process

In-depth Energy Efficiency Review of Armenia

An in-depth energy efficiency review of Armenia was completed in 2016, by a team of experts from Norway (review team lead), Latvia and Romania, supported by the Energy Charter Secretariat.

The recommendations of the Energy Charter's in-depth energy efficiency review of Armenia put at the top of the list the need to prioritise effective implementation of the country's second National Energy Efficiency Action Plan, which requires strengthening the institutional capacity and capability within the Ministry and municipalities. This must also be supported by an effective evaluation, monitoring and verification system. The Government is strongly encouraged to ensure its long-term energy strategies properly reflect cost-effective development of renewable energy generation and energy efficiency and that they align well with international donors' initiatives.

On the supply side, least cost planning is encouraged with inclusion of cost effective energy efficiency. Continued liberalisation of the energy sector, a review of power market design and continued promotion of trade and interconnection investment are encouraged. Feasibility studies, including assessments focussed on efficient use of heat, should be conducted to aid decision-making on development of efficient co-generation.

For the buildings sector, the review team urges the accelerated implementation and enforcement of recent building legislation, with fast-track adoption of technical regulations and standards. This will improve effectiveness of the whole regulatory system in the building sector. To reduce energy consumption from lights and other energy-using products, minimum energy performance standards aligned with EU and Eurasian Economic Union rules are essential and should be supported with ambitious deployment and effective product quality assurance strategies.

Greater ambition and more proactive energy efficiency policy for industry is required. Mandatory energy auditing, energy management (ISO 5001), incentive schemes and international equipment standards should play a key role.

For the transport sector, where a considerable share of private vehicles are fuelled by compressed natural gas, policy packages should focus on accelerating the turnover of the vehicle fleet. Improved quality of urban planning and public transport must also be priority actions.

Energy Efficiency Reviews of Accession Countries

The energy efficiency review for Swaziland was conducted by a public official from Swaziland seconded to the Energy Charter Secretariat. Swaziland is a lower-middle-income country where

63% of the 1.1m population live below the poverty line and 77% of the population live in rural areas. Providing access to clean, affordable energy is a priority for the country and energy efficiency can play a key role in accelerating achievement of this outcome. The country has made good progress on enabling access to energy and there exists some effective regional cooperation. There is potential to considerably strengthen the legislative and institutional framework for energy efficiency. The country has received substantial support from the UN's SE4ALL initiative in relation to analysing and identifying opportunities and priorities for action to improve energy efficiency and promote renewable generation.

A secondee from Bangladesh, authored the energy efficiency review for Bangladesh. With a population of 160 million, Bangladesh has adopted a long-term strategy "Vision 2021", which is focused on boosting GDP growth to 10% per year by 2021, raising the economy to middle-income status, reducing the poverty rate to 15%, expanding electricity generation capacity to 24,000 MW and providing affordable and reliable energy for all by 2021. Energy efficiency and exploitation of the country's own natural resources are high priorities for the country. An Energy Efficiency Master Plan has been put in place, requiring a 15% improvement of primary energy consumption per GDP by 2021 (relative to 2014), and 20% by 2030. The plan involves some 40 interventions.

Energy Efficiency Reviews of Outreach Countries

A seconded official from the Ministry of Mines and Energy Development Department for Cambodia authored the energy efficiency review for Cambodia. The country's energy policy focuses on ensuring affordable energy supply in support of social development, which involves encouragement of exploration of indigenous energy resources. The country has put in place strategies for energy efficiency, reducing GHG emissions and expanding access to electricity. Cambodia intends for all villages in the country will have access to electricity by 2020 and for 70% of total households to have access to quality grid electricity by 2030. To address GHG emissions, the country has adopted a target to reduce national CO₂ emissions by 3 mln tons by 2035. The country's recently launched National Energy Efficiency Policy, Strategy and Action Plan aims to realise energy savings of 20% by 2035 compared to BAU projections allocated across the sectors (approximations): industry 2%; buildings 1.5%; end user products 3.5%; biomass 12%; rural electrification 1%.

International Cooperation Activities

In the course of 2016 the Group and the Secretariat continued to cooperate with other international organisations, namely the International Energy Agency (IEA), International Partnership for Energy Efficiency Cooperation (IPEEC), United Nations Economic Commission for Europe (UNECE), the Energy Community, the Copenhagen Centre for Energy Efficiency (C2E2) and SE4ALL.

EU Sustainable Energy Week – Energy Charter cooperation with Association Technique Energie Environment (ATEE)

On 16 June 2016, the Energy Charter Secretariat jointly organised a panel session, 'Energy Efficiency Policies: Challenges, Data, Results, and Lessons Learnt', with the Association Technique Energie Environment (ATEE) during the EU Sustainable Energy Week in Brussels. During the session the panellists gave an overview of the conclusions from key European initiatives in the field of evaluation of energy efficiency policies, and from the In-Depth Energy Efficiency Reviews conducted by the Energy Charter. They also discussed what has been achieved in terms of monitoring and evaluation practices in European and Central Asian countries, and what could be further improved in order to support stronger development of energy efficiency policies and markets. Presenters also highlighted the important role that the ECT and the Protocol on Energy Efficiency and Related Environmental Aspects (PEEREA) play in promoting foreign investments and inter-governmental expert sharing in energy efficiency.

Investment

The Investment Group is the institutional body for the discussion of all investment-related issues covered by the Treaty. Its main tasks are:

- **Providing a policy forum for all investment-related matters under the Treaty;**
- **Preparing reports concerning the investment climate and the issue of market restructuring/privatisation;**
- **Exercising peer pressure with regard to the reduction of remaining energy investment restrictions;**
- **Giving recommendations to specific member states concerning their investment-related energy policies;**
- **Informing of recent developments in the investment-related energy policies of member countries.**

The Investment Group met twice in 2016 on both occasions in Brussels. As of November 2016, it was merged into the new Implementation Group.

In line with the considerations concluded from the Energy Charter Conference in 2015 and in accordance with the Astana Declaration, the Investment Group meetings in 2016 related to the implementation of the ECT provisions on investment promotion and protection.

The Investment Group, being the institutional body assisting the Conference, provided a policy forum for all investment-related matters including revision of the ICMS (Investment Climate and Market Structure) report guidelines, potential modernisation of the investment dispute settlement mechanisms under the ECT, the investment country reports, the development of a new flagship Energy Charter publication on energy investment risk assessment, and the removal of discriminatory barriers to energy investments.



*Mr. Parviz Garibzade
Chair, Investment Group*

Revision of ICMS Guidelines

After the comprehensive assessment of the ICMS, carried out in 2015, it was agreed that the Secretariat should continue preparing ICMS country reviews and that the Investment Group should prepare revised guidelines for the preparation of the ICMS country reviews taking into account the main findings of the comprehensive assessment, especially the need to enlarge the objectives, the scope and the geographical coverage of ICMS reports.

As requested by Investment Group, the Secretariat prepared revised ICMS guidelines which provide detailed directions for the preparations and for the follow up stage of future ICMS country reviews. The new guidelines also identify target countries and describe the process of the preparations of the country reviews and define shared responsibilities between target countries, the Secretariat, and other partners.

The Investment Group endorsed new ICMS guidelines, which replaced the previous guidelines set in 2001. The future ICMS reports will be drafted on the basis of the revised guidelines.

Guide on Investment Mediation

Following the discussions held in 2015 and after final consultation with the external group of experts, the Investment Group discussed a revised version of the Draft

Guide on Investment Mediation and draft Conference decision endorsing the document.

The Guide on Investment Mediation was designed to (i) explain the mediation process in general, (ii) facilitate tips and (iii) explain the role of the Energy Charter Secretariat and other institutions. The aim was to have an explanatory document that could be voluntarily used by governments and companies to take the decision on whether to go for mediation and how to prepare for it.

The Investment Group welcomed and restated the usefulness of the revised version of the Guide on Investment Mediation and decided to submit the draft to the Conference for decision by written procedure. This was adopted by the Conference on 19 July 2016.

By endorsing the Guide on Investment Mediation, the Energy Charter Conference encourages Contracting Parties to consider to use mediation on a voluntary basis as one of the options at any stage of the dispute, and as a means of using the good offices of the Energy Charter Secretariat for amicable dispute resolution.

Flagship Publication on Energy Investment Risk Assessment

In 2016, the Investment Group thoroughly discussed the concept of an Energy Charter flagship publication for Energy Investment Risk Assessment (EIRA) and the related pilot project on Colombia, Mauritania and Belarus.

The purpose of the flagship publication is to strengthen the objective of the International Energy Charter to create a climate favourable to the operation of enterprises and to the flow of investments and technologies. The ultimate goal would be to (i) contribute to sustainable energy development, (ii) improve energy security and (iii) maximise the efficiency of production, conversion, transport distribution and use of energy, (iv) enhance safety in a manner, which would be

socially acceptable, economically viable, and environmentally sound.

The Investment Group agreed that the proposed flagship publication is an unexploited niche for publication, which should provide target countries with an assessment of key areas of their energy investment climate, which show to be good or can be improved. The 2016 pilot project was intended to test the concept and methodology of the flagship publication with an assessment of the legal and regulatory investment risks in the energy sectors of Belarus, Colombia and Mauritania. The pilot was also supposed to make an initial assessment of the concept, scope and methodology of the comprehensive horizontal flagship publication on energy investment risk assessment, to be carried out in the future. The first preliminary edition of EIRA, expected in 2017, will help to further improve the general set of indicators.

The Energy Charter Conference welcomed the completion of the initial stage of conceptual work on Energy Investment Risk Assessment and invited the Secretariat to continue the pilot phase of the work and its efforts on identifying legal and regulatory risk indicators and ways of measuring them.

Removing Barriers to the Establishment of Energy Investments

As requested by the Energy Charter Conference in 2015 and pursuant to the programme of Work for 2016-2017, the Secretariat started conducting groundwork activities on the conditions to negotiate a new legal instrument providing non-discriminatory treatment in the establishment of investments as well as to identify non-discriminatory barriers to the establishment of energy investments.

In this context, the Secretariat prepared a discussion paper to illustrate the benefits of predictable, transparent, and stable rules for the establishment of energy

investments required to achieve universal energy access (UN SDG7) and clean energy transition. The main elements of the paper were discussed at the Investment Group and at an expert meeting, which was held in June 2016 in Brussels.

In 2016 the Secretariat also carried out a research project titled: *“Eliminating barriers to the entry and the establishment of energy investments: negotiating non-discriminatory pre-investment obligations, market access and facilitating investment in the energy sector”*. The report identifies discriminatory and non-discriminatory barriers and suggests instruments to remove them.

Furthermore, the Investment Group submitted a Conference decision on further activities with regard to removing barriers to the establishment of energy investments. This was adopted by the Energy Charter Conference on 18 October. In particular, the Conference mandated the Secretariat to formulate, in 2017, specific non-binding instruments, which could remove non-discriminatory and de facto barriers to the establishment of energy investments, in close cooperation with other international organisations.

Modernisation of the Investment Dispute Settlement Mechanisms under Article 26 of the ECT

The Investment Group returned to the discussion held in 2014 on the Scoping Paper on Measures for Improving Investment Dispute Settlement under Art. 26 of the ECT. The Secretariat issued a note that summarised the discussions that took place at the Investment Group between 2014 and 2016 on improving investment dispute resolution under the ECT.

The Investment Group welcomed the work of the Secretariat on these relevant activities and mandated the Secretariat to continue its work mainly on preparation of a discussion paper on the scope of substantive investment protection standards under the ECT and on the tools, which could clarify them. In addition, the Investment Group expressed its readiness to continue discussion and exchange of experiences on (i) transparency, (ii) dispute settlement, (iii) best practices in conflict prevention and management; and (iv) denial of benefits.



Industry Advisory Panel

The Industry Advisory Panel was set up by the Energy Charter Conference in 2004 as a means to build on existing contacts with industry, and to strengthen the dialogue with the private sector on the main directions of the Charter Process, with a particular focus on risk mitigation and improvement of the business climate. The Panel is intended as a consultative board to the Energy Charter Conference and to its various Groups, to provide advice on relevant issues related to energy investments, cross-border flows and energy efficiency.

2016 was the first year that the Industry Advisory Panel (IAP) operated under the renewed Terms of Reference, which were adopted by the Energy Charter Conference at its 26th Meeting in November 2015 (CCDEC2015 33) for the period of 2015-2019.

Membership Structure and New Members

Currently the IAP has members from 57 energy companies, international associations and intergovernmental institutions from 24 countries, which operate in exploration, production, generation, transmission, distribution, finance, equipment, services, technology and consultancy.

This year was record-breaking in terms of enlarging the membership and broadening the geographical scope of the IAP. The Panel validated the membership of 10 new members: the Spanish Photovoltaic Association UNEF, the Spanish Association of Photovoltaic Energy Producers ANPIER, Energoatom (Ukraine), John Crane (UK), China's Electric Power Planning and Engineering Institute, the Prince of Wales' Corporate Leaders Group (UK), R-Square RiskLab (Luxembourg), the MOL Group (Hungary), Central Europe Energy Partners (CEEP) and Mitsui Benelux (Japan).



*Mr. Howard Chase
Chair, Industry Advisory Panel*

Meetings

The IAP held three meetings in 2016: in March in Brussels, in June in Baden (Switzerland) and in September in Prague (Czech Republic). In general, meetings were composed of case studies provided by IAP members; review of expert work presented by the Secretariat or other invited authorities; and invited guest speakers addressing a specific topic of interest for the IAP and the Energy Charter. In 2016, as an additional activity, IAP members contributed to the 8th Executive Training Programme of the Energy Charter Knowledge Centre in Krakow Poland on 17-20 May on energy security and governance challenges in light of COP 21.

Main Issues Considered

IAP Globalisation

The IAP believes that the ECT continues to provide an important reference point for the energy industry, through its provisions for the promotion and protection of energy trade and investment and for dispute resolution.

The IAP recognises that there is a need to take further steps in the geographic reach and influence of the ECT process. Establishing a global presence can be achieved through setting up initiatives in new regions. The International Energy Charter, the adoption of

which was welcomed by the IAP, allows for the geographical expansion of the Industry Advisory Panel to the new regions.

Given the increasing significance of the Asian continent for the global energy industry, the IAP decided to strengthen ties with Asian enterprises and to share its know-how in energy matters with all interested Asian partners.

Therefore, the IAP welcomes the recent initiative of the Electric Power Planning and Engineering Institute (EPPEI), based in Beijing, China to become an IAP member and the second Chinese entity on the Panel. In addition to that, the President of EPPEI, Mr. Xie Qiuye, has been proposed as the regional Chair of the IAP for Asia. His primary mission will be to coordinate the work on IAP events in Asia and to raise the visibility of the IAP in Asia. The ultimate role of the newly appointed regional Chair will be to engage more energy entities in the activities of the IAP and to support the IAP in strengthening the narrative on the relevance of the Energy Charter in Asia.

New Energy Charter Flagship Publication

The IAP discussed the concept of the Energy Charter flagship publication on Energy Risk Assessment. The Panel acknowledges that it is intended to be an instrument that identifies the specifics of the work of the Energy Charter Secretariat and one, which is recognisable by a wide business audience.

The IAP supports the further activities of the Energy Charter Secretariat with respect to this flagship publication, which will, in the view of the IAP, touch upon the essential character of the ECT as an instrument that can assist in reducing investment risks.

The IAP believes that the publication will be useful for industry in terms of providing a horizontal analysis of the energy investment flows and of legal and regulatory risks related to investment across the energy sectors. The new investment risk review could be beneficial to the energy companies in

gaining more information before establishing investment in different parts of the world.

The IAP members have already provided support for the pilot project and are ready to support the Secretariat in the further work on this important initiative.

Guidelines on Investment Mediation

The IAP welcomes the endorsement of the Energy Charter Conference of the Guide on Investment Mediation as a helpful instrument to facilitate the amicable resolution of investment disputes.

The IAP believes that these guidelines are complementary to the provisions in the ECT for binding arbitration.

In the opinion of the IAP, the Guide provides a useful procedural framework under which the process of mediation is well explained, and clearly sets out the steps by which mediation can be utilised in practical terms in the context of investment disputes, should an investor opt for conciliation under the Treaty.

The IAP believes that the governments play a key role in encouraging the use of mediation. Therefore, the Panel encourages the states to use this Guide as a valuable tool that can support amicable settlement of disputes between Contracting Parties and investors under the ECT.

Perspectives on a New Multilateral Transit Agreement

The IAP discussed the preliminary concept of the Multilateral Transit Agreement under consideration between the Contracting Parties. The IAP is ready to give its input and contribute to the discussion between the Governments when necessary.

Southern Gas Corridor

The case of the Southern Gas Corridor ("SGC") was discussed from the perspective of private sector engagement in gas infrastructure in the context of the diversification of routes and sources in Europe. Recent developments



Industry Advisory Panel discusses Southern Gas Corridor in Baden, Switzerland, 28 June 2016

The IAP discussed the activities being carried out by BP. The IAP welcomes the information that Shah Deniz 2 and SCPX are on schedule with an expectation of 80% progress by the end of 2016. The IAP took note of expectations that the first gas deliveries to Turkey are expected to take place in the second half of 2018 and the first deliveries to Europe in January 2020. The IAP took note of the recent information that twenty five thousand

people are working on these two projects in Azerbaijan and Georgia.

The TANAP pipeline is under construction, with no connection to storage facilities in the first phase. The expansion of TANAP will depend on gas prices and potential developments in upstream projects in the neighbourhood of the route (e.g. Eastern Mediterranean, Iraq, Azerbaijan, Turkmenistan). The IAP noted that TANAP is scalable from 16 bcm planned for 2020, to 23 bcm planned for 2023 and 31 bcm planned for 2026.

The Trans-Adriatic Pipeline (TAP) is scalable from 10 bcm to 20 bcm a year, with full possibility to use physical reverse flows through TAP. This will also enable the building of new interconnections with several markets. Good progress has been recorded in procurement activities and land acquisition. Onshore construction started in May 2016 and offshore construction is planned for 2017-2018.

The IAP took note that according to the project promoters of the Ionian Adriatic Pipeline, the project is not viable under current market conditions. Additional financial and regulatory support from the European Union may be needed.

on the implementation of SGC were highlighted, including such investment projects as Shah Deniz Stage 2, TANAP, TAP, the South Caucasus Pipeline Extension (SCPX), Interconnector Greece – Bulgaria, Ionian Adriatic Pipeline, Western Balkans Gas Ring, and the extension of the Transitgas system.

The SGC provides substantial investment opportunities with a length of 3500 kilometres running from Azerbaijan through Georgia, Turkey, Greece, Albania, and ending in Italy. Italy has a competitive commercial market and is well connected with the Northern European markets and other markets (Switzerland through Transitgas system; Germany through Tauern pipeline; Austria through TAG pipeline).

The IAP took note of the excellent progress being made by SGC towards delivery of Azerbaijani gas to Europe. In the view of the IAP, the SGC will provide a further source of gas for decades to come, and will add competitive supply diversity in energy markets throughout the region.

The IAP believes that SGC will not only diversify energy supplies, but will also make an important and sustained contribution to the economies of the countries involved in the project.

An important project for future transit operations across Europe is the reverse flow capability of Transgas through Switzerland. Long-term contracts are critical to invest in this energy infrastructure.

The IAP discussed the plans of Albpetrol (Albania) to become a full TSO once gas transmission infrastructure (TAP) is built and put in operation. The IAP took note of the expectations that ownership unbundling of Albpetrol will materialise soon. IAP notes the relevance of current investment projects in Albania for the success of the Southern Gas Corridor. The Trans Adriatic Pipeline and Ionian Adriatic Pipeline will make Albania a major transiting country in the Western Balkans.

The IAP also discussed the prospects for the IGB project, which could enable SGC supply to the SEE markets and increase Bulgaria's transit capacity and function as a gas hub. IGB can be seen as a triggering element for a system of connectivity of transmission capacity from Greece to South-Eastern and Eastern Europe (mainly to Bulgaria, Romania, Moldova and Ukraine).

Removing Barriers and Attracting Investment in the Electricity Sector

The electricity market is constantly changing. Smart grids, smart metering, smart homes, self-generation and storage equipment will offer new ways of engagement and new deals for consumers. Investment should be driven by markets.

Markets must provide the right signals for investments in generation and the efficient use of available resources. This requires elimination of regulated prices and inefficient support schemes. If electricity prices do not reflect the actual costs, this will give false signals to investors and consumers of electricity. With more variability and less flexibility in generation, demand response and storage will increasingly set the future market prices. Using flexible solutions, the power industry can move towards

decarbonisation of energy supply and use through an efficient energy-only market.

Regional cooperation is seen as a vital part of European electricity market integration, with a clear focus on: 1) regional market development along with national markets; 2) better regional coordination of national policies (especially RES policies/subsidies); 3) moving from operational to strategic TSO cooperation, 4) regional capacity adequacy assessments and security of supply standards, 5) regional transmission infrastructure planning (a more top-down approach).

To achieve more competitiveness, the removal of market distortions is regarded as a priority that can be achieved through: 1) priority dispatch, 2) support of mature technologies, 3) deregulated market price, 4) removal of cross-subsidies, 5) scarcity pricing, 6) removal of price caps, 7) equal level playing field for all resources on the market, 8) balancing responsibility for all market participants.

Infrastructure vulnerability to natural hazards such as floods, earthquakes, volcanoes, terrorism, landslides, climate-related extreme events, cyber, etc. was highlighted. There are also trans-boundary risks and new demands on the grid architecture may also increase vulnerability to multiple risks. The cyber threat is becoming more and more serious.

The IAP recognises that key actions are required to enable markets to provide price signals for commercial investments such as: 1) remove subsidies that drive oversupply, 2) full market integration of RES electricity, 3) adequate investments in transmission infrastructure, 4) open market ETS and CO₂ prices, 5) reduce the gap between the retail and wholesale markets, 6) make dynamic pricing available for end-consumers, 7) remove barriers to the correct reflection of scarcity costs in electricity prices across all timeframes, 8) focus on regional market development including strategic infrastructure planning.

Dispute Settlement

The ECT contains a comprehensive and tailor-made system for settling disputes on matters covered by the Treaty. The starting point for all these mechanisms is the desirability of an amicable agreement between the parties to any dispute. In November 2016, the Secretariat published 'Conflict Prevention and Dispute Resolution: Main Provisions and Instruments', a compilation of the relevant documents related to the dispute resolution mechanisms under the ECT and some useful flowcharts to facilitate their understanding.

Good Offices of the Energy Charter Secretariat

The Secretariat, as a trusted third party, can facilitate parties in a conflict to establish contact and to begin to explore ways to reach an amicable settlement. The Secretariat can also offer negotiation support. The good offices can be provided at any point in time and in relation to disputes between Contracting Parties, as well as between investors and Contracting Parties.

Disputes between Investors and Contracting Parties:

In the event of an alleged breach of the Treaty's investment provisions and if the dispute cannot be settled amicably within a period of three months, Article 26 allows investors to submit the dispute for its resolution to the courts or administrative tribunals of the Contracting Party to the dispute; in accordance with any applicable, previously agreed dispute settlement procedure; or to international arbitration or conciliation.

As of end 2016, there are 101 known cases, out of which:

- 60 pending
- 35 final awards (including 4 settlement agreements embodied in a final award)
 - 8 cases: no jurisdiction
 - 9 cases: the investor lost the case (mainly due to lack of evidence)
 - 2 cases: the state is liable but the investor either failed to prove the damages or its claim for damages was considered premature and unfounded
 - 11 cases: some indemnity (3 awards are challenged before Dutch courts)
 - 1 no information
- 1 discontinued
- 1 withdrawn by the investor
- 4 additional settlement agreements not embodied in a final award.

Disputes between Parties to the Treaty

- **General:** Article 27 provides for an arbitration procedure for disputes regarding the interpretation or application of the Treaty (except for competition and environmental issues)
- **Transit disputes:** Article 7.7 provides a specialised conciliation mechanism for transit disputes, allowing for a faster and less formal procedure. The conciliation rules were last amended in

2015 and a commentary was endorsed by the Conference in 2016. In 2014 the Conference welcomed a Model Energy Charter Early Warning Mechanism that parties can refer to, voluntarily, on a case by case basis, in order to prevent and overcome emergency situations in the energy sector related to the Transit and supply of electricity, natural gas, oil and oil products through cross-border grids and pipelines

- **Trade disputes:** Article 29 and Annex D include a mechanism (following closely the WTO model) for settling trade disputes between Energy Charter member countries, provided that at least one of them is not a WTO member. In 1999, the Conference adopted the Rules of Procedure for Panel Proceedings
- **Competition disputes:** Article 6 provides for bilateral non-binding consultation mechanism
- **Environmental disputes:** Article 19 provides for disputes to be reviewed by the Charter Conference if no other appropriate international for exists for the consideration of such disputes

Conflict Resolution Centre

In 2014 the Energy Charter Conference mandated the Secretariat to assist with good offices, mediation and conciliation, as well as to provide neutral, independent legal advice and assistance in dispute resolution and participate in pre-trial proceedings between Contracting Parties (before they revert to the mechanisms contained in Art. 27 ECT or Annex D).

As a result, the Secretariat established a Conflict Resolution Centre chaired by the General Counsel, Dr. Alejandro Carballo. The Centre provides assistance and support in connection with:

- environmental disputes between Contracting Parties
- trade disputes between Contracting Parties at least one of which is not a party to the GATT / WTO. In particular, assisting panels and providing secretarial and technical support
- application of the Early Warning Mechanism or the Transit Conciliation mechanism
- good offices and mediation in relation to investment disputes or to disputes between Contracting Parties regarding the interpretation or application of the Treaty

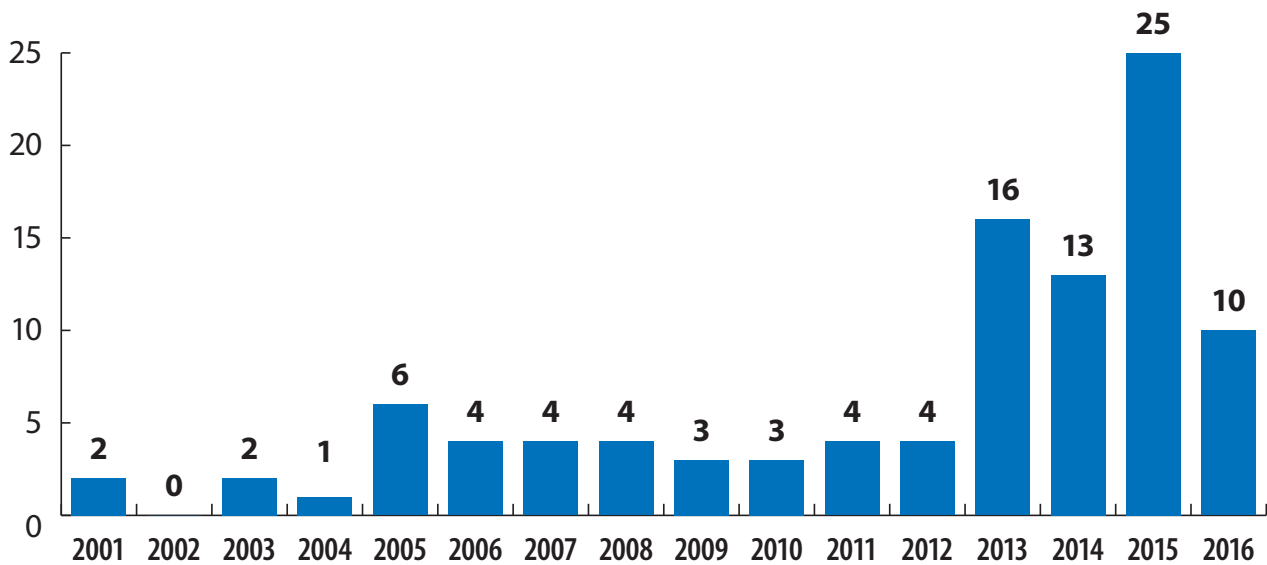
A hearing facility, comprised of a hearing room and two breakout rooms, is available at the International Energy Charter headquarters in Brussels. Any interested party is invited to send a request to legalaaffairs@encharter.org.

Access to the *Travaux Préparatoires*

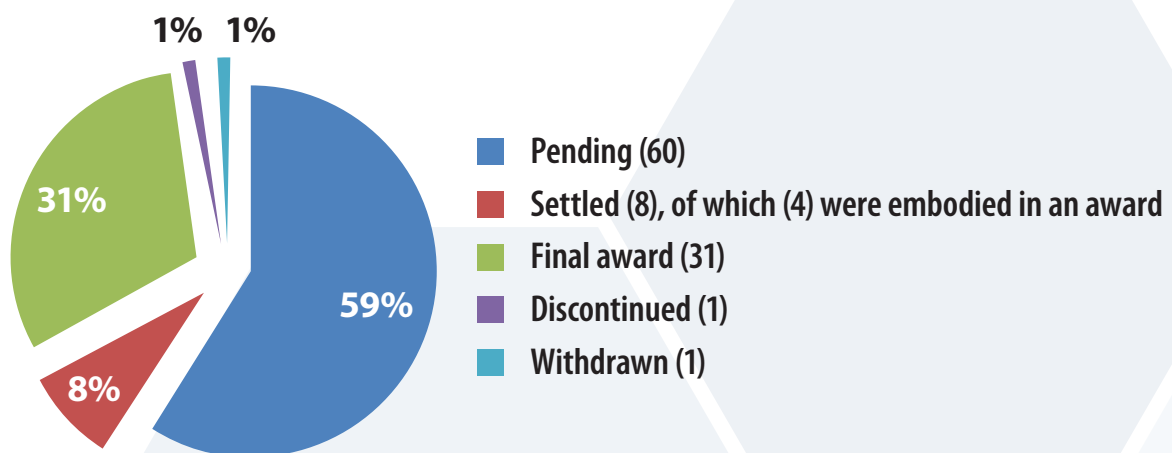
The Energy Charter Secretariat has maintained the archives of the Energy Charter Process since its inception. In particular, the Secretariat keeps the documentary *travaux préparatoires* relating to the negotiation of the European Energy Charter, the ECT, its related Protocols (1991-1994) and the Trade Amendment (1994-1998). In addition, the Secretariat has recordings of some of the meetings (1991-1994) of the negotiating groups (the audio *travaux préparatoires*).

The *travaux préparatoires* (both audio and documentary) are accessible to the public under the policy approved by the Energy Charter Conference on 1 November 2016 (CCDEC2016 24). While they can be consulted in digital format at the Energy Charter Secretariat, a copy of the different draft versions of the ECT are available at the public website.

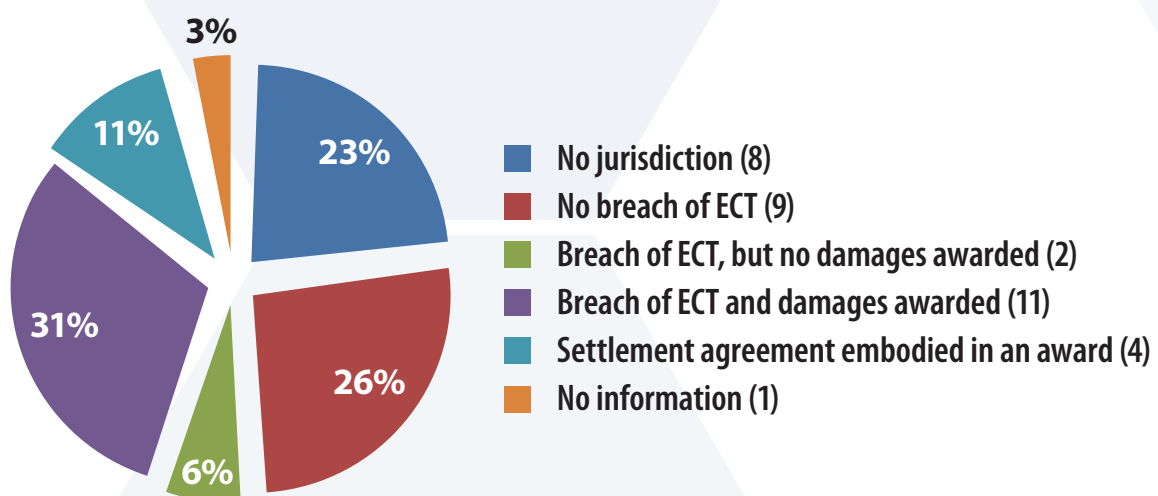
Number of Investment Disputes under the ECT (2001-2016): 101



Status of Investment Disputes under the ECT (101 cases)



Outcome of Final Awards (35), Including 4 Settlement Agreements Embodied in an Award



NB: There is no requirement that investor-state disputes be notified to the Secretariat, nor is the Secretariat involved in the administration of the investor-state dispute settlement procedure. This information was compiled by the Secretariat from various public sources.

Energy Charter Secretariat Knowledge Centre



8th executive training, May 2016, Krakow

The year 2016 was another highly active period in terms of the activity of the Energy Charter Knowledge Centre. As was the case in the previous year, the Knowledge Centre delivered two executive training programmes. The first of these was held in Krakow, Poland, on 17-20 May and was conducted under the auspices of a grant from the Visegrad Fund. The programme focused on the topic of 'Eurasian energy security and governance challenges in light of COP 21: comparative international experience in an era of energy transition'. The programme featured instructions from leading international energy experts, including former energy ministers and long-serving executives from major energy companies. It included a dynamic simulation, where participants thrashed out model negotiations on a complex investment project in the renewable energy sector. The November session of the training returned to the offices of the Energy Charter Secretariat in Brussels and focused on investment dispute resolution. Participants were addressed by legal specialists from the Permanent Court of Arbitration, the Stockholm Chamber of Commerce as well as leading private law firms. Mock exercises complemented the training. Fuller details of the training programme are available on the Energy Charter website.

Demand for places in the trainings remained high during 2016 and all sessions benefited from high subscription rates from member states, outreach and observer countries, as well as the wider energy industry. The

training programmes continue to be a useful instrument for the advancement of some of the Energy Charter's policy objectives, particularly in relation to expansion and outreach. Participants in the training sessions mostly came from countries interested in deeper engagement with the International Energy Charter, including those from Asia, Latin America and Africa. The list of countries sending participants to the trainings continues to grow. This year we had first time participants joining us for the training programmes in Krakow and/or Brussels from Albania, Cambodia and Zambia. The total number of young professionals who have now graduated from the training programmes since their inception in May 2013 is more than 250.

Furthermore, the Knowledge Centre continued to host a range of highly qualified Research Fellows whose efforts and expertise strengthened the Secretariat's implementation of the Programme of Work. Fellows continued to provide additional research capacity at the academic and practical levels and support the Secretariat's policy work in different areas, including transit, legal affairs, electricity, regional cooperation and many more.

Publications Produced by Energy Charter Fellows and Secondees

The Energy Charter Treaty and ADR in the Context of Investor-State and Other Disputes

The furore over the use of ISDS (Investor/State Dispute Settlement) in the United States/European Union Transatlantic Trade and Investment Partnership (TTIP) negotiations has illustrated the increasing distrust by some Governments and Non-governmental organisations (NGOs) of the use of arbitration in resolving Investor/State disputes. Jean-Claude Juncker, the President of the European Commission, has likened arbitral tribunals to

“secret courts”. This criticism has also spilled over into domestic arbitration. The New York Times published two critical articles this year accusing arbitration of “stacking the deck of justice” and calling it a “privatisation of the justice system”. The articles went on to level the following complaints against the arbitral process: lack of transparency; private judges; no appeal, no accountability; and opting out of the legal system. This unprecedented attack, whether founded in fact or not, has damaged the public perception of arbitration, not helped by recent high profile corruption allegations involving arbitral tribunals notably in France and Bulgaria.

This uncertain situation has increasingly left the door open to mediation, not necessarily as an alternative, but as an adjunct to arbitration or the Courts. There is a newfound interest shown by governments, corporations and institutions in using mediation to resolve disputes earlier in the cycle. Clearly, this has been a growing trend in civil disputes for some time, but is now finding its way into the arena of bilateral investment treaties (BITS) and Investor/State disputes themselves.

A good example of how the use of mediation in Investor/State disputes is being employed and challenges overcome is the work being carried out by the Energy Charter Secretariat under the ECT.

Mexico’s Energy Sector under the Universal Principles of the 2015 International Energy Charter

Mexico is a leader for Latin America, and is the gate of North America for the rest of the continent. It has recently embarked on a thorough overhaul of its energy sector, with new constitutional foundations and the extensive development of secondary legislation and regulations.

It is an unprecedented and paradigmatic national reform meant to achieve the objectives of secure, sustainable and affordable energy. The Mexican experience is interesting and relevant for all countries across the world. Moreover, the main concepts that

inspire and guide these reforms are valuable interpretations and developments of the universal principles embodied in the 2015 International Energy Charter.

This is precisely the objective of this report: to present the Mexican energy reform under universal principles, for the benefit of the Mexican energy sector as beacon of outstanding economic opportunity and social development, and also as an illustration on how the Energy Charter may act as a bridge between countries and regions to build a global energy system based on a friendly investment climate.

Regional Electricity Cooperation in the South Caucasus: Cross-border Trade Opportunities and Regional Regulatory Uncertainties

This occasional paper addresses major developments in cross-border electricity cooperation in the South Caucasus. The position of the South Caucasus, at a crossroads between the emerging Eurasian and European electricity markets, offers lucrative opportunities for cross-border trade and provides incentives for restoring the single transmission network that used to serve the countries of the region before the collapse of the Soviet Union. This study examines regulatory, economic, and political factors that affect the prospects of a regional electricity market. Accordingly, the paper is organised into three parts, addressing institutional, economic and political developments in the region, and relevant barriers to more in-depth regional cooperation.

Towards a Cooperative Framework for a China-Central Asia Energy Transit Community

Energy Cooperation between China and Central Asian countries is underpinned by strong economic rationale and institutional foundations. China should promote the establishment of a China-Central Asia energy community, particularly an energy transit community, in light of China’s recent

advocacy of the “One Belt One Road” scheme. Due to the complexity of energy transit cooperation in the multi-stakeholder, multi-level and multi-policy dimensions, legal issues in energy transit regulation are intertwined with political, economic and social issues at both the inter- and intra-national level.

The proposed China-Central Asia Energy Transit Community (CCAETC) should be oriented by energy security policy, combining both legal and political principles and supporting open and inclusive regionalism. This paper proposes several approaches to achieve this: the CCAETC could be promoted by using an existing framework, such as the multilateral transit framework established under the ECT; or, with the establishment of a new framework, a Silk Road Energy Belt covering the whole of Eurasia could be incrementally constructed based on Energy Charter principles.

Pre-assessment Report of the Mozambican Energy Sector under the Principles of the International Energy Charter and the Energy Charter Treaty

This report provides an overview of the Mozambican energy sector. The report presents national reforms against the core principles embodied in the International Energy Charter and the ECT: security of supply and universal energy access, open and sustainable markets, national sovereignty, regional market integration, regulatory stability and predictability, research and technology transfer, and international cooperation.

Accession to the International Energy Charter and the ECT contribute to upgrade national energy policy and legal framework according to international standards, which improves trust and reliability in an increasingly global and interdependent energy sector. The more countries subscribe to those principles, the more they will effectively set the standard for international energy relations.

The Role of the Energy Charter in Promoting Electricity Cooperation in the South Caucasus

The aim of this paper is to analyse the existing potential conditions and economic opportunities for regional electricity cooperation in the South Caucasus, and to work out policy recommendations on a potential technical Task Force to help achieve such cooperation. The paper is structured in three main chapters. The first will help us understand the role of the Energy Charter, the ECT and the model agreements developed by the Energy Charter Secretariat, and how this organisation can promote energy cooperation in the region. The second chapter will try to explain the key trends in energy markets with reference to electricity production, export and the existing/ongoing interconnection between all countries in question (information is provided country by country). The final chapter will assess the importance of cooperation for the region and will present the instruments and recommendations on a technical Task Force, which could foster this regional cooperation on electricity.

Energy in the East African Community: the Role of the Energy Charter Treaty

Modern energy is essential for socio-economic development, and such investments in the energy sector are crucial in realizing universal energy access in Africa. In this regard, the East African Community (EAC) has embraced regional cooperation as a means of developing regional markets and also as a means of attracting more energy investments in East Africa.

Market reforms have also been experienced at both the national and regional levels, and liberalisation has been embraced as a means of attracting energy investments in East Africa. In moving towards the international energy market, some of the EAC Partner States, namely Burundi, Tanzania and Uganda, adopted and signed the International Energy Charter. This paper is therefore an endeavour

to analyse how the International Energy Charter, together with the ECT, can positively impact the EAC energy sector, especially with regard to attracting the needed energy investments in the region.

Rule-Based Architecture for the Energy Sector: the WTO and the ECT

The World Trade Organisation (WTO) framework is applicable to all trade with non-discrimination, transparency, legal certainty and a dispute settlement mechanism constituting the underlying pillars of the multilateral trading system. The WTO regulates trade relations between its members, which one would assume included energy as the largest and most significant

primary commodity of global trade. However, unique features to energy have set this sector apart with the ongoing debate over the applicability of WTO disciplines to energy trade. Therefore, for many years trade in energy has been excluded from the WTO scope although this is not established by law. The role of the ECT in the international legal architecture should therefore not be underestimated in that it is the only energy specific multilateral agreement that covers all facets of energy within this strategic sector, including trade, transit, investment and energy efficiency. Furthermore, the ECT, which advocates non-derogation from the WTO, facilitates the general WTO legal framework with its investment and transit rules, which are more elaborate than that of the WTO.

ECS Knowledge Centre Occasional Papers published in 2016



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February 2016
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April 2016
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June 2016
ISSN: 2506-7958



July 2016
ISSN: 2506-7966



July 2016
ISSN: 2506-8970



August 2016
ISSN: 2506-8997



December 2016
ISSN: 2507-1114

Publications Released in 2016

In chronological order



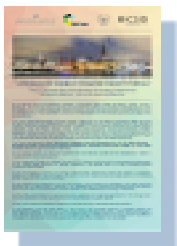
Benefits of Ukraine's Participation in the Energy Charter Process

The ECT establishes a legal framework to promote long-term cooperation in the energy sector. It covers the protection of investment, trade in energy materials and products, transit, energy efficiency and dispute settlement. Ukraine is one of the founders of the Energy Charter Process. Having signed the International Energy Charter in May 2015, the country reconfirmed its commitment to the Energy Charter and its continuing interest in its further development.

For Ukraine, as for the main energy transit countries in Europe, the provisions on transit are of particular importance. The ECT transit provisions include a conciliation procedure for the settlement of transit disputes. The procedure aims to ensure the continuity and stability of supply of energy materials and products.

The Model Energy Charter Early Warning Mechanism (EWM), adopted by the Energy Charter Conference in Astana in 2014, is of particular interest for Ukraine in the context of the Russia-Ukraine-EU transit issues. The objective of the EWM "is to provide for a non-binding framework aimed at preventing and overcoming emergency situations in the energy sector related to the transit and supply of electricity, natural gas, oil and oil products through cross-border grids and pipelines."

ISSN: 2466-8095 (English, pdf)



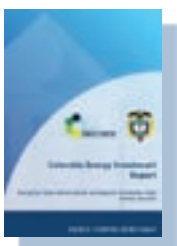
Stockholm Energy Charter Forum Report

On 8 February 2016, the Stockholm Chamber of Commerce hosted the Energy Charter Forum in Stockholm. The event was jointly organised by the Stockholm Chamber of Commerce, the International Center for Settlement of Investment Disputes, the Energy Charter Secretariat and the Permanent Court of Arbitration.



Annual Report 2015

The Annual Report provides a comprehensive overview of all activities of the Secretariat and the organisation for 2015.



Colombia Energy Investment Report

As global energy markets evolve, the Energy Charter Process seeks to expand to new regions such as Latin America, the Middle East and Africa. This expansion project is part of the mandate of modernisation of the Energy Charter. Colombia and Chile were the first Latin American countries to sign the International Energy Charter, a declaration of political intention towards a new age of global energy cooperation. Since then, the Energy Charter Secretariat has been in close contact with the Colombian authorities, particularly with the Colombian Embassy in Brussels, the National Hydrocarbons Agency and the Congress of Colombia. This report, prepared by a Colombian civil servant appointed by the Colombian energy authorities with the technical assistance of the Energy Charter Secretariat, is one of the outcomes of this cooperation.

ISSN: 978-905948-183-1

These publications as well as various other Energy Charter Secretariat materials are freely accessible on the Energy Charter website www.energycharter.org



Mobilising Sustainable Energy Investments in Africa

Energy is critical to lasting economic growth, employment and environmental sustainability. The energy mix is changing on a global scale: the share of renewable energy has been rising in recent years, and this trend is expected to continue, despite the recent fall in fossil fuel prices. This change is driven by a range of market, technology and policy factors that vary from country to country. Creating favourable conditions for sustainable energy investments will be one of the greatest challenges in the years to come in Africa. In particular, African countries need to signal to investors that they are ready for capital inflows in affordable, reliable and sustainable energy.

ISSN: 2506-9624



Best Practices in Investment Conflict Prevention and Management

Investment conflict prevention tools are designed to facilitate the resolution of investors' grievances at a very early stage. Should the issue invoked by the investor still persist and escalate into a full dispute, conflict management tools allow for an effective and coordinated response from the host state.

Conflict prevention and management mechanisms are fundamental to the maintenance of a long-term relationship between the investor and the host state. The ability of states to respond to investment-related issues strengthens existing investment relationships and contributes to the maintenance of those relationships in the host state's economy. Moreover, they increase investment confidence of new investors to start their operations in the host economy.

ISSN: 2506-9799



Conflict Prevention and Dispute Resolution: Main Provisions and Instruments

This publication compiles the relevant documents related to the dispute resolution mechanisms under the ECT and provides some useful flowcharts to facilitate their understanding. We expect it to be a useful tool for both governments and companies.

ISBN: 978-905948-189-3



Main Internal Provisions, Rules and Decisions of the Organisation

This publication by the Energy Charter Secretariat sets out in one complete document how the Energy Charter Conference and its Secretariat function. It was compiled for the use and benefit of the member countries, their delegates, and all who engage with the Energy Charter Process.

The most significant initiative has been the publication of the Decisions of the Conference. This has been beneficial for all and in particular for the better operation of the Energy Charter. It is important that there is a thorough understanding of the principles of the Energy Charter and how the decision-making process operates.

Furthermore, as part of the modernisation of the International Energy Charter (using the informal working name of the organisation as approved by the Conference in 2016), much work has been done in 2014-2016 to update the Rules of Procedure and the Financial Rules to bring them into line with modern practice. As the Energy Charter Process completes the first twenty-five years of its existence this is a necessary and timely step. These changes and the publication of this document aim to ensure that the International Energy Charter is well positioned to meet the challenges of the next twenty-five years and beyond.

ISBN: 978-905948-187-9



International Energy Charter Forums

The ECT to Meet the Rising Demand for Energy Investments: Removing Barriers, Risks and Resolving Disputes

Stockholm, 8 February 2016



Stockholm Energy Charter Forum, 8 February 2016, Stockholm, Sweden

On 8 February 2016, the Stockholm Chamber of Commerce hosted the Energy Charter Forum in Stockholm. The event was jointly organised by the Stockholm Chamber of Commerce, the International Center for Settlement of Investment Disputes, the Energy Charter Secretariat and the Permanent Court of Arbitration.

The Forum aimed at illustrating the ECT as an effective international legal instrument to reduce barriers in the establishment of energy investments and as a risk reduction tool for the benefit of investors, financial institutions and host states. In addition, the objective was to raise awareness on amicable dispute settlement under the ECT, with an initial discussion on the draft investment mediation guidelines.



Some 20 speakers from governments, institutions, leading energy companies and associations from all over the world, including the United Nations Conference on Trade and Development (UNCTAD) Deputy Secretary General, Joakim Reiter, discussed the need for ways to promote and finance energy investments, as well as the relevant role of the ECT in doing so.

Session 1, Stockholm Energy Charter Forum, 8 February 2016, Stockholm, Sweden



The EU and Investment Arbitration under the ECT

London, 11-12 February 2016

This event brought together legal experts, practitioners and policy-makers to discuss the legal and practical arrangements, which govern the involvement of the European Union (EU) and its Member States in investment arbitration under the ECT (ECT).

The objective was to provide a comprehensive and up-to-date coverage of the topic and explore the broader implications of the application of the investment provisions of the ECT on:

1. the integrity of EU law
2. international investment law and in light of the above
3. assess the added value of the ECT for energy investments

Addressing these questions, the conference was divided into three parts:

- Part I focused on the “intra-EU” aspects of investment arbitration under the ECT examining how investment tribunals deal with EU law and also looked into the compatibility of the intra-EU application of the ECT with EU law
- Part II focused on the “extra-EU” aspects of the ECT. It focused on recent developments in EU external investment policy, such as when and how the EU and its Member States bear international responsibility and can be respondents to “extra-EU” investment arbitration
- Part III examined the added value of investment protection under the ECT. Contributions in this part explored the protection of energy investments under EU law and the ECT, highlighting the importance of the ECT for the protection of energy investments in Europe

Roundtable on Transparent Markets for Sustainable Energy Investments, as a Side Event to the UNCTAD World Investment Forum in Nairobi

Nairobi, 20 July 2016

On 20 July 2016, the Energy Charter Secretariat held a roundtable on transparent energy markets, as a side event to the UNCTAD World Investment Forum in Nairobi, Kenya.



The event focused on ‘Transparent Markets for Sustainable Energy Investments: Policy Options for Sustainable Development Investment Strategies.’ Discussions centred on the available policy options within an integrated investment and sustainable development strategy, which preserve and promote the factors enabling sustainable energy investments.

The roundtable was well attended by representatives from governments, investment promotion agencies, academia, industry and financial institutions. Speakers and participants were encouraged to comment on available policy options to mobilise the energy investments required to achieve the United Nations Sustainable Development Goal of universal access to energy.



Bogota International Energy Charter Forum

Bogota, 3 August 2016



Bogota International Energy Charter Forum, 3 August 2016, Bogota, Colombia

On 3 August 2016, the Senate of the Republic of Colombia held the Forum “International Energy Charter: From Bogota to Tokyo”. The event was co-organised by the Senate, the National Department Federation, the Externado University and the Energy Charter Secretariat. The Forum’s title encapsulated three messages: it made reference to Japan’s Chairmanship of the Energy Charter Conference and to the fact that the next Conference Meeting would be held in Tokyo on 25-26 November 2016; it highlighted the universal market-based principles of the International Energy

Charter; and it emphasised that Colombia was fully committed to its objectives.

The Forum focused on the regional and Colombian energy sectors and the available investment frameworks. It highlighted the uniqueness of the International Energy Charter and the Energy Charter Treaty in that they provide a valuable foundation for promoting the rule of law and leading towards sustainable energy models.

Speakers included senators, former ministers, representatives of energy regulatory authorities, industry representatives from the oil, gas and electricity sectors, lawyers, delegates from the World Energy Council and the Inter-American Development Bank.

The Ambassador of Chile to Colombia also addressed the audience. So far, Colombia and Chile are the only countries in Latin America that have signed the International Energy Charter and became Observers to the Energy Charter Conference. The speaker from the EU Delegation encouraged both countries to take a further step and join the Energy Charter Treaty.

Tokyo International Energy Charter Workshop: Investment Arbitration in Practice

Tokyo, 22 August 2016



Tokyo International Energy Charter Workshop: Investment Arbitration in Practice

The International Energy Charter, the Arbitration Institute of the Stockholm Chamber of Commerce (SCC), the Permanent Court of Arbitration (PCA) and Waseda University organised a joint workshop on 22 August 2016 at Waseda Nihonbashi Campus (Tokyo).

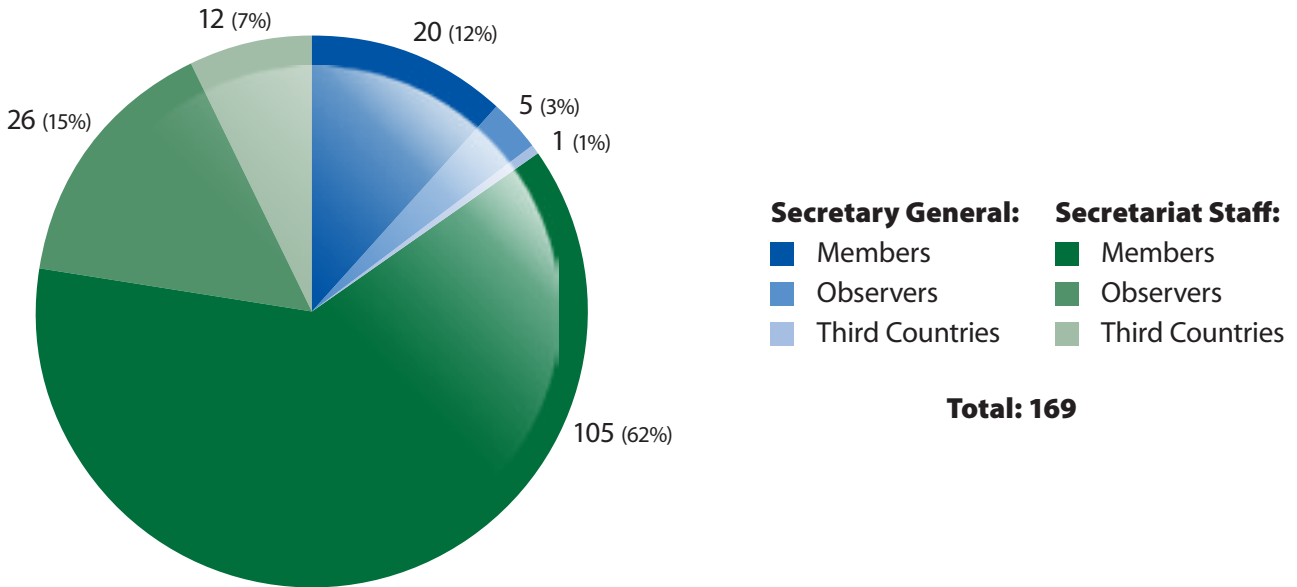
The Workshop guided over 70 participants (from the industry, the academic world, governments and law firms) through the main stages of an SCC and PCA arbitration from a very practical perspective and in direct discussion with participants. It also explained and discussed the issue of determination of damages (when to involve experts, which methods to use).

Timeline of Activities in 2016

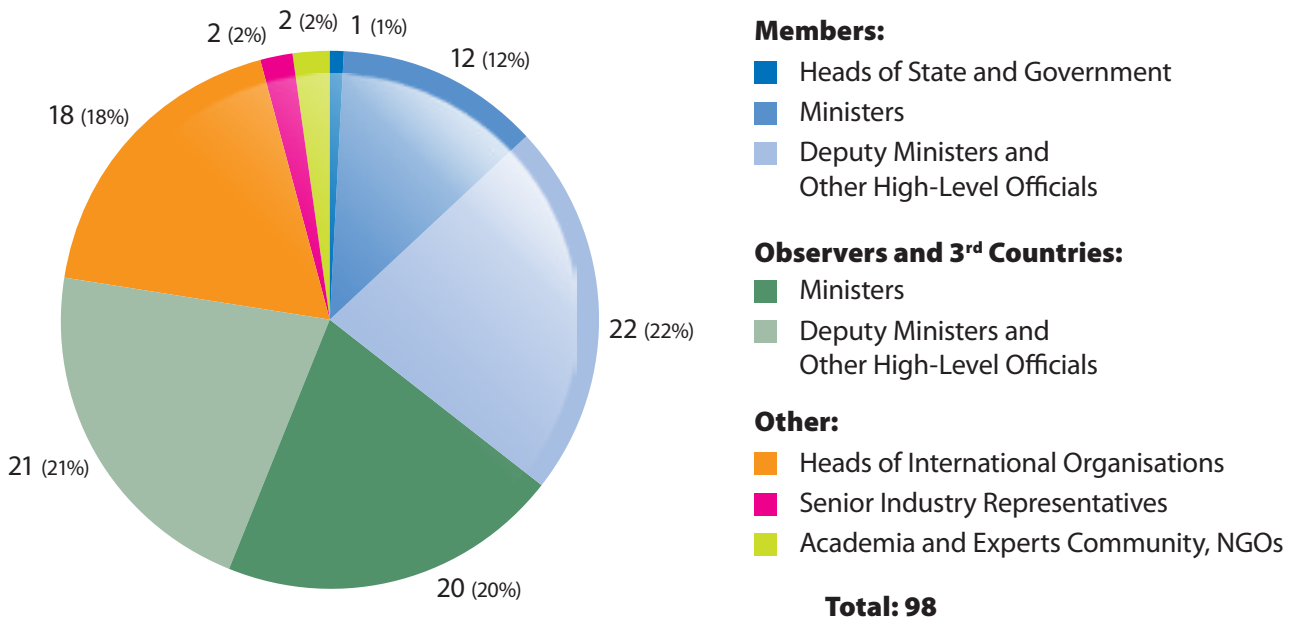
JANUARY		FEBRUARY		MARCH	
19	Energy Charter-IRENA Joint High-level Roundtable	8	Stockholm Energy Charter Forum	2	The Potential of the Energy Charter in the Context of Energy Diplomacy
		11	The EU and Investment Arbitration under the Energy Charter Treaty	8	Strategy Group
				9	Procedural Issues Working Group
APRIL		MAY		JUNE	
		12	Investment Group	14	Expert Meeting on Removing Pre-investment Barriers in Energy
		13	Trade and Transit Group	15	Strategy Group
		17	Training Programme	16	Budget Committee
		26	Roundtable Briefing: Role of Southeast Europe in EU Energy Security	16	Panel Discussion on Energy Efficiency Policies
				16	Procedural Issues Working Group
				28	Industry Advisory Panel Meeting on the Southern Gas Corridor
JULY		AUGUST		SEPTEMBER	
13	4 th International Meeting of Experts on Reliable and Stable Transit of Energy	03	International Energy Charter Forum: from Bogota to Tokyo	06	Industry Advisory Panel Meeting on the Future of Electricity Sector
20	Roundtable on Transparent Markets for Sustainable Energy Investments, as a side event to the UNCTAD World Investment Forum in Nairobi	22	Tokyo International Energy Charter Workshop: Investment Arbitration in Practice	20	Investment Group
				20	Budget Committee
				21	Trade and Transit Group
				21	Energy Efficiency Group
OCTOBER		NOVEMBER		DECEMBER	
10	Budget Committee	10	12 th Meeting on Regional Energy Cooperation in Central and South Asia		
11	Strategy Group	25	27 th Meeting of the Energy Charter Conference		
12	Special Workshop on Energy Investment				
19	Training Programme - Investment Dispute Resolution				

Missions and High-Level Bilateral Meetings

Energy Charter Secretariat Missions in 2016



Bilateral Meetings of the Secretary General in 2016





International Energy Charter Website Statistics

Most visited pages

1. Home
2. 1994 Energy Charter Treaty
3. Investor-State Disputes
4. Members and Observers
5. Delegates' Page
6. 2015 International Energy Charter
7. Staff
8. Vacancies
9. 1991 European Energy Charter
10. Directions / Location
11. Fellowships
12. Secretariat
13. Energy Charter Conference
14. Energy Charter Process
15. Energy Charter Conference Tokyo Meeting
16. Who We Are – Institutions
17. Internships
18. Secretary General
19. Investment Dispute Settlement Cases
20. Publications
21. Frequently Asked Questions
22. Assistant Secretary General
23. Dispute Settlement Overview
24. Event – Stockholm Chamber of Commerce
25. Office of the Secretary General

Most visits from

1. Belgium and EU institutions
2. Russia
3. United Kingdom
4. United States
5. Germany
6. France
7. The Netherlands
8. China
9. Japan
10. Spain
11. Turkey
12. Ukraine
13. Switzerland
14. Italy
15. India
16. Czech Republic
17. Poland
18. Colombia
19. Greece
20. Austria
21. Canada
22. Georgia
23. Azerbaijan
24. Kazakhstan
25. Iran

Worked at the Secretariat in 2016

Officials

Secretary General	Urban Rusnák
Deputy Secretary General	Selim Küneralp
Director for Implementation	Steivan Defilla
Head of Administration and Finance	Denis Westerhof
General Counsel	Alejandro Carballo Leyda

Mara Novello

Vlatka Anić

Margaret Bolan

Lesley Johnstone

Yves Rayeur

Bilyana Chobanova

Patrice Dreiski

Kingsley Leung

Can Öğütçü

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Martin Minárik

Claudia Nocente

Marat Terterov

Sarah Key-Bright

Iryna De Meyer

Julia Boegaeva

Anna Nosichenko

Patrick Larkin

Ernesto Bonafé

Kanat Botbaev

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Bangladesh	Rafiqul Islam
Burundi	Aloys Ndugaritse
Cambodia	Vitou Sean
Chad	Orze Adoum
China	Han Wang
	Li Xiang
Colombia	Margarita Nieves
Swaziland	Candy Stromvig
Ukraine	Viktorija Ruzhenkova

Trainees

Argentina	Agostina Martinez
Azerbaijan	Nijat Ahmadli
Canada	Scott Sutherland
China	Runjia Wang
	Yang Zheng
Colombia	Augusto Hernandez Vidal
	Daniela Aguilar
	Tomas Restrepo
Cyprus	Andreas Ioannides
Czech Republic	Dominik Moskvan
	Martin Svec
France	Isabella Conoscente
	Mylene Larosiere
	Vitali Hiarlouski
	Yao Qi Zhang
Ghana	Angela Nyakotey
Greece	Natasha Georgiou
India	Apurva Mudliar
	Ishita Pant
Japan	Toshiki Mori

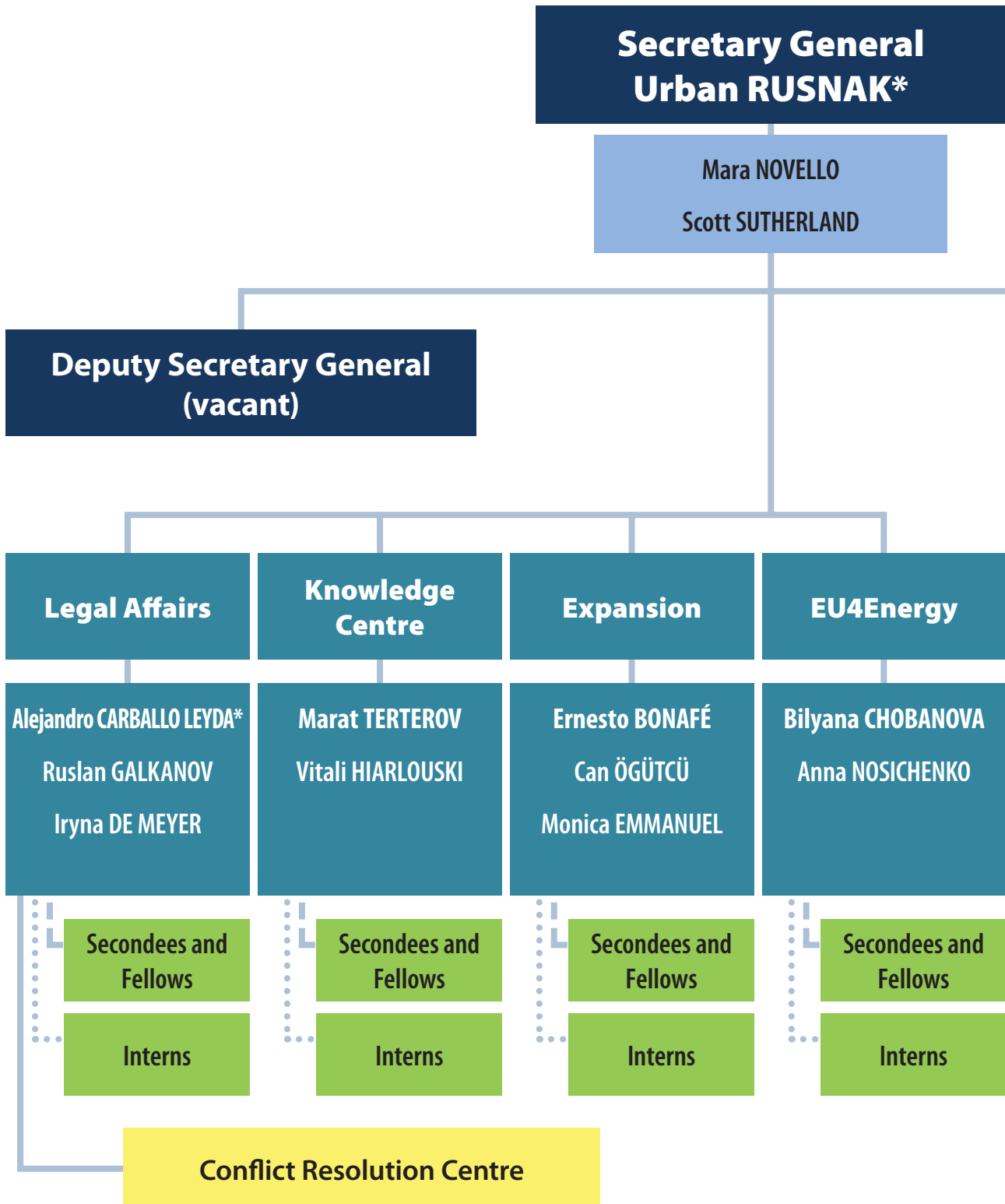
Kenya	Francis Osiemo
	James Nyamongo
Korea	Laurelle Ahn
Lebanon	Hassan Khalife
	Rana Kassas
Nigeria	Melvin Ohaeri
Peru	Eduardo Arias Manrique
	Mayra Aguirre Ramirez
Philippines	Clariesse Chan
Spain	Sara Albaladejo
Ukraine	Olga Yeliseieva
	Zoia Pavlenko
Uzbekistan	Jahongir Ubaydullaev
	Shakhzodakhon
Ziyarkhujaeva	
Vietnam	Anh Le Thuy
	Khuong Le

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Colombia	Juan Felipe Neira Castro
Italy	Irina Kustova
Japan	Maiko Meguro
Nigeria	Monica Emmanuel
Turkey	Volkan Özdemir
Uganda	Victoria Nalule

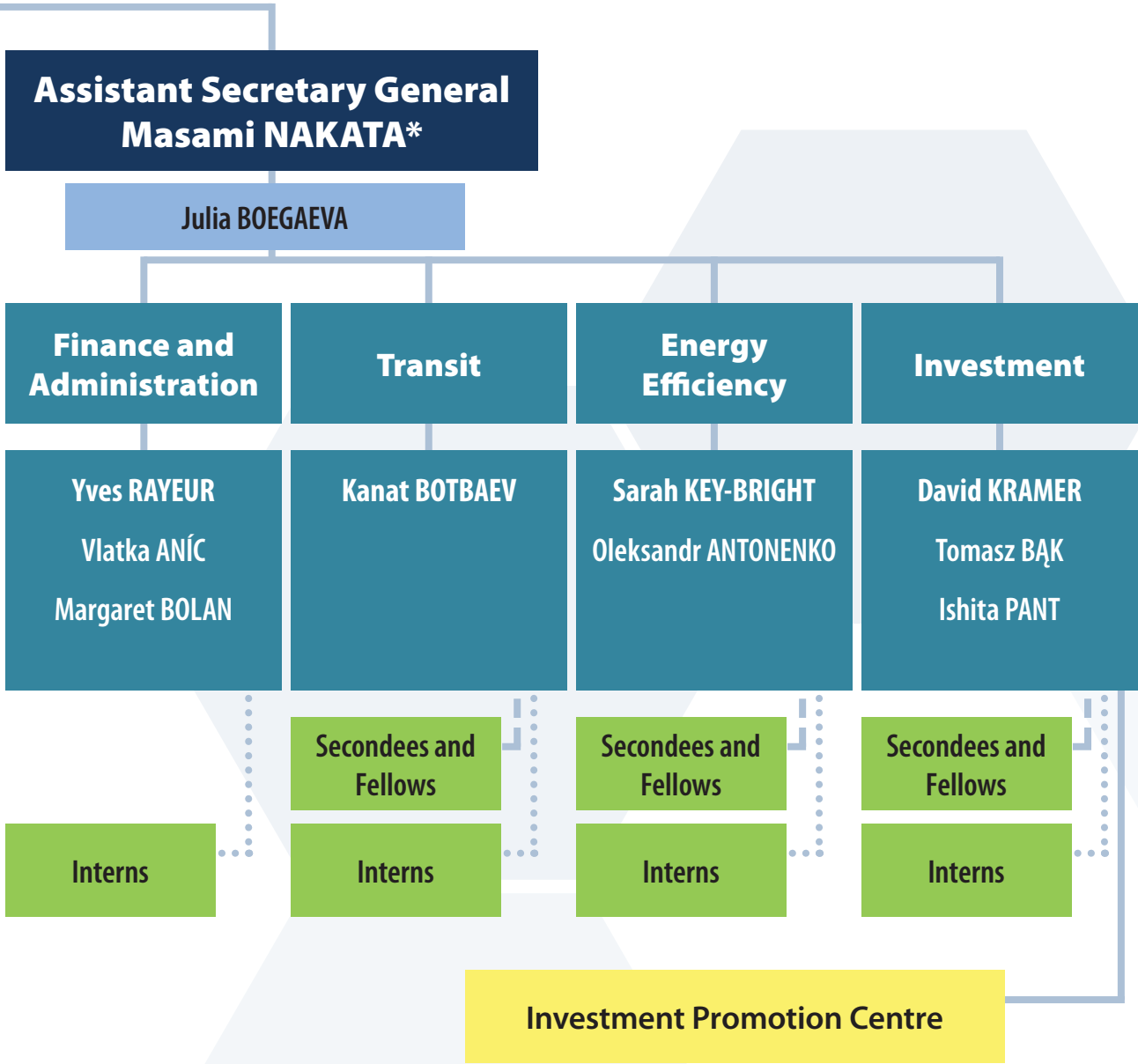
Energy Charter Secretariat

Organigramme as of 1 May 2017



* Senior Management members

The Energy Charter Conference and its subsidiary groups are supported by a multinational Secretariat led by the Secretary General, who is appointed by the Conference. As of May 2017, the Secretariat will complete its restructuring when it relocates to new premises and reorganises its staff and functions to ensure a focus on the core areas of interest for the Conference.





Further Information

The International Energy Charter website – www.energycharter.org – gives access to public information about the Charter Process, including all publications, and details of past and forthcoming events organised by the Energy Charter Secretariat.

The Secretariat also publishes an electronic newsletter with details of Energy Charter meetings, activities and developments. If you are interested in receiving this newsletter, please subscribe by visiting the Charter's website.

You may also follow Energy Charter activities on Facebook, Twitter and LinkedIn.

In April 2017, the Energy Charter Secretariat will move to new premises, the new address is provided below. All phone numbers and email addresses remain the same.

For any other queries, please contact the Secretariat at the address below, or send an email to info@encharter.org.



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Energy Charter Secretariat 2017



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