



Energy Transit and Updated Energy Charter

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Energy trade and fixed infrastructure



What is special about energy transit?

- Reliance of energy trade on fixed infrastructure – built specifically for transporting energy
- High up-front investments; large economies of scale, natural monopolies
- Capacity constraints
- Pipelines often controlled by incumbent companies, natural monopoly
- Sensitive for energy security



Cross-border and transit pipelines

Conditions to make an international pipeline project viable (financeable):

■ Economic viability:

- Supply/ demand commitments/ depth of the market
- Pricing

} Market,
Contracts,
policy
coordination

■ Reliable framework conditions

- Investment protection
- Freedom, non-discrimination of energy in transit
- Facilitation of transit, favourable treatment
- Non-interruption in case of disputes, dispute settlement
- Conditions of access, tariffs, taxes
- Right of way, approval procedures, licensing, standards

} GATT,
ECT,
dTP
IGAs
HGAs

■ Political support

- Build confidence, trust, political support for projects
- Political, regulatory framework
- Credit guarantees, public loans, projects of public interest

} Energy
Charter

Policy
forum

Experience from Transit Protocol negotiations



- Negotiations on Transit Protocol were suspended in 2011, reset possible if there is genuine interest from important number of stakeholders
- Basic principles reflected industry standard
- Challenge to reconcile interests of energy producing, consuming and transit countries
- Challenge of different regulatory environments
- Parallel regional integration processes



Relevance

- Cross-border and transit energy infrastructure crucial in view of the main energy policy goals
 - Growing dependence of consuming countries on imported energy
 - Emergence of new energy producers, often in land-locked countries
 - Increasing volumes of energy traded across borders, often involving transit
- Transit remains special case due to the different interests of producers, consumers and transit countries.
- But also construction of new bypass pipelines
- Need for better emergency response mechanisms



Early warning and emergency response

- Conciliator for Transit Disputes in Energy Charter Treaty was not used in 2009
- Work ongoing to enhance Conciliation mechanism
- Possible role of the Charter in confidence building, early warning and crisis response
- Early Warning Mechanism proposed by Energy Charter Secretariat in April 2014
 - Permanent neutral platform for any future emergencies, verification through Monitoring Groups
 - Complementary to EU-Russia EWM



Modernisation of the Energy Charter Process

- **Road Map for the Modernisation of the Energy Charter Process (November 2010)**
 - Expansion of the geographical scope of the Energy Charter Treaty and Process identified as strategic task
- **Policy on Consolidation, Expansion and Outreach (CONEXO, August 2012)**
- **Mandate to update the European Energy Charter (November 2012, “Warsaw mandate”)**



International/ World Energy Charter

- What is to be negotiated?
 - Multilateral political declaration on common principles and areas for joint work in the energy field
- Who is participating in the negotiations?
 - Signatories of the *European Energy Charter* invited states
- What is the basis of negotiations?
 - Updated version of the *European Energy Charter* of 1991



European Energy Charter principles

- State sovereignty over energy resources
- Political and economic co-operation
- Development of efficient energy markets
- Non-discrimination
- Promotion of a climate favourable to the operation of enterprises and the flow of investments and technologies
- Taking due account of environmental concerns



Thank you for your attention!
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