

**ENERGY CHARTER
SECRETARIAT**

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Related documents: CC 410, CC 432 Rev.

DECISION OF THE ENERGY CHARTER CONFERENCE

Subject: Policy on Outreach, Expansion and Consolidation – Report by the Secretary General

[The Energy Charter Conference at its 22nd Meeting held on 29th November 2011] ***took note*** of the Secretary General's Report on outreach, expansion and consolidation, as contained in document CC 410 (Annex).

Report by the Secretary General – Policy on Outreach, Expansion and Consolidation

Since the last Energy Charter Conference the Secretariat has pursued and strengthened the strategy previously developed on the relations with non-signatories countries. The Strategy Group has been instrumental in providing the relevant forum for the Delegates to contribute to the basis for a comprehensive policy. The preparation of such a comprehensive policy paper on Outreach, Expansion and Consolidation was provided for under Area A of the Road Map for Modernisation (CC 402). The Documents StG 13, StG 18 and StG 19 were presented and discussed during the meetings of the Strategy Group on March 1, June 7 and October 2011, setting out the main objectives of such a policy:

- promotion of the Energy Charter Treaty and Process on a global level (Outreach)
- attraction of key energy players, whose involvement would be beneficial for the existing constituency, to accede to the Treaty (Expansion)
- consolidation of the ECT among its original Signatories (Consolidation)

On the basis of the proposals and comments from Delegates, the present document aims to set out a comprehensive set of components for information and consideration by the Energy Charter Conference.

In order to provide a comprehensive view of the present implementation of this policy, Annexes I and II are attached.

1. The necessity for a Consolidation and Expansion Policy

Relations with non-signatory countries focus on those countries which have a direct impact on the energy security of existing member states, i.e. main energy exporters and importers, key energy transit countries and countries adjacent to the existing constituency. The necessity to facilitate major new energy transportation routes to international markets is also taken into account.

Most of the Signatories of the European Energy Charter signed it more than 20 years ago. The ensuing period has witnessed important economic and political developments in numerous countries. The countries of the former Soviet Union have developed specific economic and domestic energy policies. During the same period, energy markets have evolved; the gas market has become more global. In recent years major new energy consumers such as China, India and others have emerged.

The significance of climate change and environmental issues has grown dramatically. These new developments not only dictate the Energy Charter's outreach policy towards new countries, but also the necessity to consolidate the positions of those countries whose ratification of the Energy Charter Treaty is still pending (Australia, Belarus, Iceland, Norway and Russian Federation). In this regard, efforts undertaken within the context of the Modernisation of the Energy Charter Process will continue.

As a unique international legal instrument in the energy field, the Energy Charter Treaty and its related instruments have a strong potential to gather new Contracting Parties. As of today, the Treaty brings together 53 countries/Regional Economic Integrated Organizations, 48 of which have fully achieved the domestic process of ratification.

Twenty four countries have the status of Observer to the Energy Charter Conference. Many of the Observer countries have an important role as energy producers (i.e. in the Middle-East and Southeast Asia). Observer status should be seen as a temporary status, in the lead-up to the status of a Contracting Party to the Treaty. Unfortunately, in practice, remaining an Observer for too long is not helpful to the upgrading of a country's position within the Energy Charter Treaty. The proposed policy will consider ways and means to overcome this situation.

In doing so, the Energy Charter Treaty, and its related instruments, will continue to offer its comparative advantage, as a unique, legally-binding instrument in the energy field.

The Secretariat will encourage ECT Contracting Parties to ratify the Trade Amendment as soon as possible. The Secretariat will continue to propose to the Conference that newly acceding countries are required to ratify the Trade Amendment along with the ECT and PEEREA upon accession to the Treaty.

2. Priorities in expansion policy

For prioritisation purposes, countries are divided into four groups. The groups have been based upon each country's current status within the Energy Charter and their level of progress towards acceding to the ECT, beginning with those countries which are closest to completion. The Expansion Policy developments will be reviewed on an annual basis for the purpose of planning the Secretariat's activities.

GR.1: Observer countries which have signed the Energy Charter and whose accession reports have been approved by the Charter Conference, but for which accession is still pending:

Jordan: signed the Energy Charter on 7 December 2007.

Accession reports were approved by the Conference at its 20th Meeting in Rome 2009 (CC 370). The conference invited Jordan to accede to the Energy Charter Treaty and to PEEREA. Parliamentary elections on 9 November 2010 have interrupted the accession process. The Jordanian Government, through contacts between the Secretariat and related authorities in Amman, has expressed its intention to pursue the accession process and to put this on the agenda for parliament as soon as circumstances permit.

Jordan is a country with limited natural resources. The country depends on external sources for the majority of its energy requirements. Since 2003, oil has been provided by some Gulf Cooperation Council member countries. In addition, the Arab Gas Pipeline between Egypt and the southern port city of Aqaba was completed.

Pakistan: signed the Energy Charter on 9 December 2005.

Accession reports were approved by the Conference at its 17th meeting in Brussels in 2006 (CC 312). The Conference invited Pakistan to accede to the Energy Charter Treaty and to PEEREA.

As a result of domestic political developments, progress has been slow, but the Secretariat will continue its contacts with the Embassy of Pakistan in Brussels and will establish new contacts in Islamabad, as well as arranging any necessary bilateral meetings/visits, in order to push the process forward.

Afghanistan: signed the Energy Charter on 4 August 2006.

Accession reports were approved by the Conference at its 18th meeting in Istanbul 2007 (CC 331). The Conference invited Afghanistan to accede to the Energy Charter Treaty. The accession process has been slow as a result of domestic political developments. Following elections there, the Secretariat is establishing new contacts with the Embassy in Brussels and with the relevant Committees in Kabul now responsible for this issue, in order to agree on a plan of action to move the procedure forward. Further visits to Kabul may be necessary for additional negotiations.

Several energy producers in Central and South Asia are expected to be key energy players in evolution in the energy field: organisation of new alternative routes; development of new electricity grids within Central Asia and towards Afghanistan and Pakistan, and further, towards India; potential development of additional hydro-power plants subject to highly sensitive political choice.

South Asia is a region where the ECT has reached beyond its historical borders. The ECT has developed a successful regional cooperation (i.e. Regional Electricity Task Force) gathering Contracting Parties and Observers.

Gr.2: Observer countries which have signed the Energy Charter and whose accession reports are still under preparation:

Indonesia: signed the Energy Charter on 18 June 2009. Indonesia is an influential hydrocarbons producer. In 2010, Indonesia seconded an expert to the Secretariat to prepare accession reports, which have not yet been finalised by agreement with the Indonesian government. The Secretariat has visited Indonesia and met with the relevant authorities where they agreed on further developments.

Serbia: signed the Energy Charter on 4 July 2001. Accession reports were prepared in 2010 with the assistance of an expert seconded from Serbia to the Secretariat. These have been sent to the authorities in Serbia for approval before submission to the Conference.

Gr.3: Observer countries which have not yet signed the Charter but continue to be involved in the Energy Charter Process and which are important to the ECT constituency:

Many countries of North Africa and the Middle East are important energy producers. The relevance of these countries to the Energy Charter Process, promoting rule of law, transparency and governance, may be increased through the ongoing political changes in the region.

Algeria: was granted Observer status on 4 October 1995.

The country is a producer and exporter of oil and natural gas and is a member of the Organisation of the Petroleum Exporting Countries (OPEC). Almost two-thirds of Algeria's total natural gas exports currently move through two natural gas pipeline connections operating between Algeria and Europe. The remaining one-third of total natural gas exports is exported in the form of LNG. Algeria is one of the Maghreb Electricity interconnection countries, also the Mediterranean Solar plan (MSP). A visit of the Secretariat to Algiers is being arranged.

Morocco: was granted Observer status on 4 October 1995.

Morocco is the largest energy importer in northern Africa. Morocco is also a transit country for Algerian gas exports to Spain and Portugal. In November 2009, Morocco announced a solar energy project worth \$9 billion. Morocco is one of the Maghreb Electricity interconnection countries, also the Mediterranean Solar plan (MSP). The Secretariat attended two conferences in Morocco and met with the Moroccan Minister for Energy and Mines. A senior official from Morocco attended the last Strategy Group meeting.

Tunisia: was granted observer status on 4 October 1995.

Tunisia is an oil and gas producing country and has important transit capacities and potential. The 20-year-old Trans-Mediterranean (TransMed) pipeline, with 1,300-billion cubic feet (bcf) -per-year-capacity, transports Algerian natural gas to Sicily, crossing the Mediterranean from Cap Bon. In 2008, Agip, which operates the TransMed pipeline along with Algeria's Sonatrach, expanded the capacity of the Tunisian section of the pipeline by 113 Bcf/year. In

a second expansion phase to be completed by 2012, the capacity of the Tunisian section will be increased by an additional 117 Bcf/year, bringing total capacity to a maximum of 1,183 bcf/year.

The Secretariat will visit the Tunisian authorities in December 2011.

Egypt: was granted Observer status on 28 November 2008.

Egypt's mineral and energy resources include oil and gas. In the coming years Egypt may become a net importer of oil.

Over the past decade, Egypt has become a significant natural gas producer and an additional source for European natural gas imports. Egypt currently has a pipeline network for exports to Eastern Mediterranean countries in addition to liquefied natural gas (LNG) exports to Europe, Asia, and the Americas. The government has been actively working to attract foreign investment.

The Suez Canal and Sumed Pipeline are strategic routes for Persian Gulf oil shipments, making Egypt an important transit corridor for world energy markets.

The Secretariat has maintained excellent contacts with the relevant authorities in Cairo, despite the political situation in Egypt which has somewhat delayed the process. Most recent contacts with the Ministries in Egypt have brought to light their intention to become more closely involved with the Energy Charter Process. They particularly welcomed the Secretariat's proposal to organise a Policy Conference in Egypt.

Syria: signed the Energy Charter on 28 May 2010.

Syria has produced oil from fields located in the northeast of the country. In the coming years Syria may become a net importer of oil from 2012. Syria also produces 22 million cubic meters of gas per day, with estimated reserves around 8.5 trillion cubic feet. Syria is key to energy transit in the region.

Prior to the very recent political crisis, the Secretariat had agreed with the Syrian authorities to begin the accession process by preparing accession reports. It is hoped to resume relations with Syria as soon as the political situation there has stabilised.

Qatar: was granted observer status on the 4 October 1995.

With the exception of Yemen, all of the Gulf countries are Observers to the Energy Charter Treaty, but do not participate regularly in its activities. The Energy Charter Process and its constituents would benefit from attracting one of these major energy producers to accede to the Energy Charter Treaty. Qatar might be an important candidate in this respect.

Qatar has the world's third largest natural gas reserves and is the single largest supplier of liquefied natural gas. As a significant oil producer, Qatar is a member of the Organisation of the Oil Exporting Countries (OPEC). Qatar is also a member of, and host country, to the Gas Exporting Countries Forum (GECF).

The Secretariat has been in contact with the Ministry of Energy in Qatar. Following an exchange of letters and documents, there is an indication from Qatar of their intention to increase their involvement in the Energy Charter Process.

China: was granted Observer status on 17 December 2001.

China is an active Observer to the ECT through effective participation in the ECT activities, as well as the secondment of energy experts to the Secretariat. The presence of China in the Treaty would increase significantly its global dimension. In order to deepen relations with the People's Republic of China, the Secretariat is improving and strengthening its cooperation with Chinese official representatives. The Secretariat will continue to encourage Chinese officials to participate in ECT activities and is planning to attend and organise energy events scheduled in, and for, China.

Republic of Korea: was granted Observer status on 17 December 2002.

The Republic of Korea is one of the top energy importers in the world. The country has no access to international oil or natural gas pipelines, and relies exclusively on tanker shipments of LNG and crude oil.

The Secretariat has been in contact with South Korea and has agreed to improve interest and participation of this country in the Energy charter Process.

Gr.4 : Non-observer countries which are important for the ECT constituency as a result of their geographical location, or their potential as energy consumers, producers or transit countries:

Iraq: has enormous oil and gas producing capacity. Introducing the ECT to Iraq may increase its attractiveness to foreign investors.

The Secretariat met with the Iraqi Deputy Prime Minister and the Mission in Brussels and discussed the Energy Charter Process. Letters and documents are currently being exchanged with a view to setting up further meetings in Baghdad.

Libya: has very significant potential as an energy producer. A scheduled visit to Tripoli in March 2011 by Secretariat officials was postponed as a result of political unrest. As soon as the political situation stabilises, the Secretariat will resume contacts with the country in order to promote the Energy Charter Process.

India: is increasingly a significant consumer of energy resources and is an important country with which the Energy Charter should be strongly engaged. The Secretariat has developed contacts with New-Delhi with a view to arranging meetings/visits.

3. Ways and means for an expansion policy

The implementation of the expansion policy will require specific tools, some of which are summarised below:

- Regular coordination of the Secretariat's expansion policies as implemented by the Secretariat with the Member States in order to complement efforts in the political arena.
- Annual organisation of round tables for Observer Countries, inviting experts from capitals and embassies in Brussels to participate and address issues important to their countries and to discuss their expectations with regard to the Energy Charter;
- Selection of seconded experts from observer countries to prepare accession reports or, when accession is premature, information reports of mutual interest;
- Meetings with Embassies in Brussels, bilateral visits to countries, maintenance of contacts with relevant authorities in capitals, such as ministries, parliament, committees and commissions, etc.
- Promotion of regional cooperation (based on the model for the Task Force for Regional Energy Cooperation) around important regional energy projects, in order to demonstrate the potential of the Energy Charter in such projects;
- Reporting in the Strategy Group; regular review of the country list by the Strategy Group.
- Public relations activities, booklets, publications, FAQ, computerised data collection, selected information on ECS to be provided in other languages.

The Secretariat's expansion policy is an important part of the Modernisation Process launched at the Rome Conference in 2009 and supported by the Strategy Group. This policy will be consistent with the Modernisation Process and will be implemented in a cost-efficient manner. Expansion policy will be coordinated through the Private Office of the Secretary General with the assistance of other relevant Secretariat officials.

4. Synergy with Regional Organisations

Together with its bilateral activities, the Secretariat will continue to develop its relations with other multilateral organisations dealing with energy matters.

Union for the Mediterranean:

In 2011, the Energy Charter Secretariat planned to organise its annual Policy Conference, in cooperation with Secretariat of the Union for the Mediterranean, to focus on the implementation of the Mediterranean Solar Plan. Due to political circumstances the Conference was postponed and may take place in 2012.

ASEAN (Association of Southeast Asian Nations):

ASEAN is planning to set up a regional energy market for 2015. The ECT can be usefully put forward as a model and it is proposed to pursue cooperation with ASEAN through the multilateral activities of the ASEAN Energy Ministers.

The Secretariat will continue its mutually enriching cooperation with the International Energy Agency, the International Energy Forum, OPEC, the United Nations Economic Commission for Europe, the Organisation for Security and Cooperation in Europe, Asia-Pacific Economic Cooperation and also plans to establish contacts with Gas Exporting Countries Forum.

5. A proposed way forward:

The globalisation of the economy has impacted on the energy issues and the cross-border investments, the development of the interregional energy trade and the need for transfer of technology, in particular for the development of more efficient and environmentally sustainable energy uses have increased the need and the relevance of international instruments such as the Energy Charter Treaty.

More than ever, the Energy Charter Treaty continues to be a valuable multilateral instrument to govern international energy relations. Its unique features, setting legally binding rules on trade, transit and investment protection and provisions on dispute resolution, core principles of the Treaty, must be preserved.

As the unique international legal instrument in the energy field, the Energy Charter Treaty and its related instruments have a permanent vocation to gather new Signatories, subject to the fulfilment of the conditions of the initial mandate of this instrument. In doing so, the expansion for the ECT is not only an option, but part of *la raison d'être* of an international organisation serving a Treaty whose vocation is not geographically limited.

The ECT has already expanded its constituency beyond its historical borders. By doing so, the ECT is becoming a global organization and is confirming the fully relevance of the ECT and its related instruments.

During the last decade, the accession of non-member countries to the Energy Charter process has increased the focus of the Energy Charter's Process shifting away from purely European issues towards the promotion of energy cooperation throughout Eurasia, for example, on such matters as gas exports from Russia and the CIS to the Asia-Pacific region.

It is suggested that the ECT Expansion policy relies on several principles:

- to **consolidate**, as a priority, the situation of **non-Signatories and Observers countries** in order to increase – *in fine* - the number of Signatories of the Treaty,
- to **identify incoming countries** in the Energy charter process , at present outside of the scope of the process, whose participation would **add value** for the sake of the entire constituency,
- to **extend the span, geographically and in substance, of the ECT** constituency in order to develop into a global organization , consistently with the globalization of the energy market (development of the interregional trade, world wide gas market, regional diversification of energy investments) and the development of alternatives and environmentally friendly sources of energy (renewable, decarbonisation)

In doing so, the Energy Charter Treaty, and its related instruments, will continue to offer its comparative advantage, as the unique legally binding instrument in the energy field.

The strategy suggested is ambitious and challenging and will be implemented under the existing budget constraints of the Secretariat. For this reason, a coordination of initiatives is essential in order to maximize the efficiency and to avoid duplication of effort.

Such a suggested expansion policy is designed to take into account the lessons learned over more than twenty years, the Energy Charter Declaration, and the new world of energy realities.

The Secretariat has already developed the above mentioned relations in the suggested directions. It understands that this process will take time, but is essential for establishing a level playing field for mutually beneficial international energy cooperation and for strengthening the rule of law, transparency and predictability in this important area.

ANNEX I

MEMBERSHIP DEVELOPMENT

Update on accession

	1991 Energy Charter Declaration			1994 Energy Charter Treaty		
	<i>Request to Sign</i>	<i>Approved by the ECC</i>	<i>Signing</i>	<i>Accession Reports</i>		<i>Accession</i>
				<i>Completed</i>	<i>Approved by the ECC</i>	
Pakistan	19 Sept. 2005	9 Dec. 2005	9 Dec. 2005	15 Sept. 2006	20 Nov. 2006	Pending
Afghanistan	5 July 2006	31 July 2006	4 Aug. 2006	20 Oct. 2007	7 Dec. 2007	Pending
Jordan	27 Sept. 2007	26 Oct. 2007	7 Dec. 2007	9 Oct. 2009	9 Dec. 2009	Pending
Indonesia	23 Apr. 2009	20 May 2009	18 June 2009	Pending		
Serbia	23 Dec 2008	13 March 2009	4 July 2001	Pending		
Syria	20 Jan 2010	20 March 2010	28 June 2010	Pending		
Philippines	17 Apr. 2007	31 May 2007	Pending			
Egypt	7 Nov. 2008	28 Nov. 2008	Pending			

ANNEX II

MEMBERSHIP DEVELOPMENT: MAIN ACTIVITIES UNDERTAKEN IN 2011

OBSERVERS	
Indonesia	<ul style="list-style-type: none"> • EEC Signature and start of the accession process (18 June 2009) • Preparation of the accession reports ; bilateral meetings
Jordan	<ul style="list-style-type: none"> • Completion of the accession reports • Regional seminar in Amman (Nov 2009) and high-level accession talks with the administration • Decision on accession at ECC 20th (9 Dec 2009) • High-level meetings in Amman (December 2010 and July 2011) • The accession reports on the parliament agenda for ratification
Rep of Serbia	<ul style="list-style-type: none"> • High-level accession talks and letter of understanding (Apr 2009 - Belgrade) • Accession reports to be completed by the end of 2011
Afghanistan	<ul style="list-style-type: none"> • Monitoring and assisting in internal accession/ratification process • Letter from the Afghanis government presenting their commitment to ratify in the parliament as soon as possible 2011
Pakistan	<ul style="list-style-type: none"> • Monitoring and assisting in internal accession/ratification process • Several meetings with the embassy in Brussels in 2011 • Plans to visit Islamabad in the first quarter of 2012
PNA	<ul style="list-style-type: none"> • High level talks (Ramallah – 5 Nov 2009)
China	<ul style="list-style-type: none"> • Meetings with the administration (Beijing – Sep 2009) & (Beijing 2011) as part of the ongoing observer dialogue • Meeting with Chinese delegations in the Secretariat
ASEAN	<ul style="list-style-type: none"> • Bilateral contacts with ASEAN ACE • Several meetings in sep 2011 in Brunei
IAEA	<ul style="list-style-type: none"> • Bilateral contacts (Vienna – Sep)
South Korea (R.O.K)	<ul style="list-style-type: none"> • Bilateral meetings with the embassy in Brussels 2011
Syria	<ul style="list-style-type: none"> • Bilateral meetings with the Government (Nov 2009); • Agreement with the Syrian government to start the preparation of accession reports on December 2010; monitoring progress
Morocco	<ul style="list-style-type: none"> • Bilateral meetings with the embassy in Brussels march 2011 • High – Level meeting with the minister of Energy
Tunisia	<ul style="list-style-type: none"> • Bilateral meetings with the embassy in Brussels march and July 2011 • Bilateral contacts with the ministry , plans to visit in November 2011; postponed to December 2011
Algeria	<ul style="list-style-type: none"> • Bilateral meetings with the embassy in Brussels Aug and sep 2011 • Bilateral contacts with the ministry , plans to visit in December 2011
NON-MEMBERS	
Lebanon	<ul style="list-style-type: none"> • Exploratory talks 2010 • Bilateral Contacts (embassy in Brussels and the ministry of Energy in Beirut) 2011
Iraq	<ul style="list-style-type: none"> • Bilateral meetings (deputy prime minister) June 2011 • Meeting with the deputy head of mission in Brussels July 2011

India	<ul style="list-style-type: none"> • Exploratory talks with the embassy in Brussels July and Sep 2011 • High- Level meeting with the minister of Energy – Brunei sep 2011 • Bilateral Contacts
Libya	<ul style="list-style-type: none"> • Exploratory talks with the embassy in Brussels march 2011 • Bilateral contacts
Arab League	<ul style="list-style-type: none"> • Bilateral SGs (14 Nov 2009 - Cairo) • Technical meetings (march & June 2011) • Memorandum of Understanding signing pending