

Energy Charter Conference The Practice of Promoting Energy Investments

6th December 2013

Introduction

Chairman, Your Excellencies, Distinguished Guests and Colleagues,

It's a great pleasure to be invited to address this Ministerial Session this morning.

In part I am speaking as Chairman and on behalf of the member of the Industry Advisory Panel of the Energy Charter Treaty. The panel was initiated by the Greek Presidency of the European Union in 2003 and I am very grateful to all those who gave their support at and since that time. The Panel currently has around 40 voluntary members from over 20 countries and from every part of the energy industry.

Our role is to advise and support the Charter process from a practical industrial point of view.

Our interest is to see safe, secure, productive and efficient investment in all parts of the energy chain from upstream producer to end user. It is, I believe, the same interest as everybody in this room. I'm pleased to say that the Industry Advisory Panel is now in its tenth year of operation and as well supported as ever. I think that speaks to the genuine engagement of industry in the Energy Charter process.

I am also speaking today from the perspective of my company, The Dow Chemical Company. Dow is one of the world's largest chemical companies. Our business is to turn energy and hydrocarbons into an extraordinary range of products and chemistry solutions for our customers worldwide.

To do this we buy and use the equivalent every day of over 1% of global oil production.

So we and our customers also have a huge stake in the success of the global energy industry and that leads me to my first key point.

Energy and Competitiveness

Energy is about competitiveness.

Secure, reliable and competitively priced energy will drive industrial investment and a long value chain of high added value downstream activities.

For example, the hi-tech plastics and adhesives used to construct a modern aircraft are all derived from the basic building block chemicals produced from energy and hydrocarbons by the global petrochemicals industry.

So a good energy policy can do much to promote added value and hi-tech, innovative growth and employment throughout the economy.

Securing Competitive Energy

But what is a good energy policy?

In my view a good energy policy is one that is focused on achieving competitiveness and reliability in the most sustainable manner possible.

A good energy policy is one that will attract investment both into the energy sector and downstream industries to add real value to the economy.

According to the IEA, around \$35 trillion is required to meet the global demand for energy infrastructure investment through to 2035.

This is equivalent to around \$1.6 trillion of investment every year.

It's a huge challenge for all the actors involved – governments, private investors and multilateral organizations and ultimately for the end consumers.

Unfortunately a good energy policy is not necessarily easy to achieve.

But we do know that a muddled, uncertain, unrealistic and high cost energy policy will send investors elsewhere and lead - as surely as night follows day - to disinvestment down the industrial value chain.

So the stakes are high and the search for good energy policy must concern us all.

In reality, of course, there is no single recommended energy policy to take off the shelf.

Energy policy is a dynamic business and new and sometimes unexpected developments can have huge implications. The extraordinary development of shale gas and oil in the United States clearly falls in this category.

However, in the experience of Industry Advisory Panel members, a number of critical success criteria can be identified:

- markets should be allowed to do their work of allocating resources in the most effective way within a clear and consistent policy framework
- a successful energy mix is likely to be diversified and avoid undue reliance on any one energy type or source
- energy efficiency and technological development can have a huge positive impact on the economy
- investment will be attracted and supported by a stable and reliable legal framework covering the entire energy value chain

Role of the Energy Charter

It is this last point that brings us back to the Energy Charter Treaty.

The Treaty provides a reliable framework for the rule of law and strong undertakings regarding the promotion and protection of energy investment and the resolution of investor disputes.

It remains the only binding international framework designed for this purpose.

Such a framework does not resolve all problems. However, it does promote collaboration between governments, private investors and multilateral organisations and it sets a clear and consistent standard for the treatment of energy investment by its signatories.

For this reason the provisions of the Treaty have helped to support such major international energy projects as Caspian Sea oil and gas development and the Baku-Tbilisi-Ceyhan oil pipeline.

A successful economy needs competitive energy and the Energy Charter Treaty enhances the security, competitiveness and attractiveness of energy investment and the high added value downstream activities that depend on competitive and reliable energy supply.

This is why all sections of industry continue to support both the principles and implementation of the Energy Charter Treaty.

I hope this morning that I've given you a balanced and practical view of the value of the Energy Charter Treaty in supporting energy investment.

Thank you for listening.

Howard Chase

**The Dow Chemical Company
Chairman Industry Advisory Panel, Energy Charter Treaty**

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