

Keynote Address

Ladies and gentlemen,

(Introduction)

It gives me great pleasure to be here with you today, albeit at great distance, and to address the 1st Ashgabat Energy Charter Forum. I would have liked to be with you in Ashgabat, but as you meet, we are having the formal Council session of EU Energy Ministers in Brussels, where I have to be present. The Energy Charter is close to my heart. Only two weeks ago I attended the Charter's Conference in Astana. It gave me the opportunity to witness the important role of the Energy Charter Treaty for the world's energy business community: the Treaty provides indispensable rules related to energy transit, trade and the protection of investment. These are much needed in today's world of cross-border commerce.

(On energy security as a key pillar to the Energy Union)

The subject of this Forum is "Reliable and stable transit of energy". It could not be more topical. The events in Ukraine show the world that peace, stability and security cannot be taken for granted. In addition, we all know very well the complex environment and the new realities in global energy markets. Several of them represent serious challenges to all of us. Let me point them out to you:

- Europe's dependence on fossil fuel imports is increasing. Certain European regions hardly have a choice when it comes to the supply of natural gas.
- Within the EU, energy bills for consumers are rising. This is in part due to the pressure of rising global demand on resources, but also to the costs linked to ageing infrastructure and national decisions on tariffs, levies and taxes.
- Climate change is another problem that will not go away - as highlighted once again in the recent report of the Intergovernmental Panel on Climate Change. As you meet, the ministerial sessions of the climate conference in Lima have started.

Given all the challenges ahead of us, the new European Commission intends to give priority in the coming years to the construction of a resilient Energy Union, with a forward-looking climate change policy. The choice of energy as a priority for the next five years was also agreed by the EU leaders last June. In the new Commission, I have the honour and the responsibility to bring forward this important priority for the European Union.

My aim is to build an Energy Union which should secure, affordable and sustainable energy. Energy security will be a prime objective and a key pillar of this Union. It helps that the EU already has a European Energy Security Strategy. It was welcomed by the European Council last October.

It is my firm intention to build on this Strategy, as Europe needs to join efforts to push for fairer prices and more balanced market conditions. Europe is the biggest customer for energy in the world and for that we pay more than €400 billion a year to 3rd country suppliers.

How can energy security be constructed as a key pillar?

As regards the external dimension of energy security, I believe that the EU has to speak with one voice if it is to develop a more assertive European energy diplomacy.

- Europe should increase cooperation with its neighbours with a view to better integrating their respective markets. This would apply to our "Eastern Partnership" countries and to South and Eastern Mediterranean countries.
- Moreover, Europe should explore the possibility of common purchasing of gas, on a voluntary basis, while respecting the relevant competition rules and the rules of the World Trade Organisation.
- And, to increase competition and obtain better conditions, Europe should continue the diversification of supply both as regards routes and sources. The development of LNG terminals opens new import possibilities. And, of course, we are working intensively on making the Southern Corridor a reality so as to get Caspian gas to Europe.

(On the South-Caucasian pipeline project)

Let me elaborate on this Southern Gas Corridor. Turkmenistan is fortunate to be the largest gas resource holder in the Caspian region, with more than 17 trillion cubic metres of proven reserves. According to the IEA's World Energy Outlook, gas production by Turkmenistan could reach 95 billion cubic metres per annum in 2020 and 190 bcma by 2040. These are impressive numbers.

To produce gas is one thing, to transport and sell gas, quite another.

Here the Trans-Caspian Pipeline comes into the picture. It is part of the Southern Gas Corridor and will allow significant additional gas from Turkmenistan to flow to Europe along that Corridor. The realisation of the Southern Gas Corridor represents a landmark project, as it will link the EU market to the vast gas resources around the Caspian basin for the first time. As of 2019/2020, the Corridor will start supplying the European market with 10 billion cubic meters of Azeri gas each year.

The Southern Corridor will also serve the Turkish market, with 6 billion cubic meters per year as of 2019. We expect the corridor to grow swiftly, bringing more gas from more countries in the Caspian region - including Turkmenistan - to Europe. In the medium term we want to see at least 10% of EU gas demand served through this corridor.

Recently, the Environmental Scoping Study for the Trans-Caspian Pipeline was finalised, applying the highest environmental standards. I do hope that the trilateral negotiations that we have already held on the project with our Turkmen and Azeri partners, will soon continue. Overall, I am very pleased with the process and I am convinced that our seamless preparations will pave the way for a pipeline that will contribute to the EU's energy security and provide important revenues for Turkmenistan. The Corridor will allow Turkmenistan to sell its gas on the large and liquid EU market, diversify its export markets, and in the end it will help sustain Turkmenistan's impressive economic growth of the past decade. Definitely a win-win!

(Possible future EU-Turkmenistan co-operation in the field of energy.)

The EU-Turkmenistan energy relations have steadily grown in the past few years. As a result, Turkmenistan is today an important energy partner for Europe. The EU is grateful for the progress made with the government of Turkmenistan on the negotiations of the Trans-Caspian Pipeline. The

EU remains fully committed to finalising these negotiations quickly and we count on the government of Turkmenistan being equally committed to concluding the agreement on the Pipeline as soon as possible.

A first pipeline could be constructed even before the completion of the Southern Gas Corridor. This will allow for a gradual increase in volumes from Turkmenistan along the Southern Gas Corridor. The further development of the volumes can then be done within the proposed Caspian Development Corporation. This Corporation project has been developed over the past few months and the EU expects the project to be launched together with Turkmenistan in the near future.

Finally, let me note that the gas infrastructure linking the Turkmen shore to the EU has been identified as a Project of Common Interest (PCI) by the European Commission. These PCIs benefit from the full political support of the European Union, and potentially also from EU financial assistance.

(Conclusions)

Ladies and gentlemen,

The first phases of the Southern Gas Corridor have provided a number of clear lessons. Let me recall them here:

- First, demand in Europe for Caspian gas is ample and strong, and it justifies significant investment. This, because the EU strategic interest in diversifying sources of gas supply will remain high. Furthermore, the European gas market is increasingly integrated and therefore demand for Caspian gas is not restricted to Greece or Italy. It exists throughout Europe.
- Second, with the commercial decision on the Trans-Adriatic Pipeline (TAP), Europe will need to continue developing the interconnections between the Southern Gas Corridor and the countries of South Eastern Europe. The Commission has already made proposals to the countries concerned on how to accelerate the diversification of their energy supplies.
- Third, a favourable and stable investment climate is essential to allow companies to make the required investments to build the necessary infrastructure along the route. The costs for building 2000 km of pipelines are huge. The economic benefits must cover both the costs and the related potential risks.

Europe wants the Southern Gas Corridor to be expanded swiftly. The Trans-Caspian Pipeline is key to this endeavour. The EU believes the conditions are favourable now to conclude our negotiations on this pipeline and start with its construction.

With these words, I thank you for your attention and wish you a successful Energy Charter Forum.