

**ENERGY CHARTER
SECRETARIAT**

CCDEC 2016

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Brussels, 25 November 2016

Related documents: CC 585

DECISION OF THE ENERGY CHARTER CONFERENCE

Subject: Report by the Chairman of the Industry Advisory Panel

The Energy Charter Conference at its 27th Meeting held on 25 November 2016:

- **took note** of the report by the Chairman of the Industry Advisory Panel as contained in document CC 585 (attached hereto)
- **requested** the Secretariat to follow up the findings and recommendations of the Communication and assist the IAP with its further work;
- **approved** the new IAP members in accordance with the attached membership list.

Keywords: Communication, Chairman, Industry Advisory Panel, IAP, Membership List

**COMMUNICATION FROM THE INDUSTRY ADVISORY PANEL
TO THE ENERGY CHARTER CONFERENCE**

25 November 2016

Introduction

Membership structure and new members

1. Currently the IAP has members from 57 energy companies, international associations and intergovernmental institutions from 24 countries, which all operate in fields such as exploration, production, generation, transmission, distribution, finance, equipment, services, technology and consultancy.
2. In 2016, the IAP received and accepted membership applications from several different companies further expanding its membership. This underlines that the IAP represents a comprehensive source of knowledge and expertise on energy matters that continues to serve the entire Energy Charter constituency.
3. This year was record-breaking in terms of enlarging the membership and broadening the geographical scope of the IAP.
4. 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 & Engineering Institute, the Prince of Wales' Corporate Leaders Group (UK), R-Square RiskLab (Luxemburg), the MOL Group (Hungary), Central Europe Energy Partners (CEEP) and Mitsui Benelux (Japan).
5. The frequency of the working contacts between the Energy Charter Secretariat and industry was significantly increased in 2016 and this gives high expectations of further enlargement of the IAP membership in 2017.

Meetings

6. The IAP held three meetings in 2016. 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.
7. The first meeting was held on 1 March in Brussels where the future prospects of the IAP globalisation in Asia were discussed, and also the Secretariat's proposal to establish a new flagship publication on Investment Risk Assessment, as well as the scope and objectives of the new Multilateral Transit Agreement. The meeting also addressed the latest developments on the preparation of guidelines for amicable dispute settlement, particularly for mediation/conciliation of investment disputes.
8. The second meeting was held on 28 June 2016 in Baden, Switzerland where the main theme focused on the private sector engagement in gas infrastructure in the context of diversification of corridors and sources in Europe, specifically the Southern Gas

Corridor. The meeting addressed the latest developments on several separate investment projects which are an integral element of the Southern Gas Corridor.

9. The third meeting was held on 6 September 2016 in Prague, Czech Republic, where discussion focused on the future of the electricity sector with respect to removing barriers to, and attracting, investments. The meeting addressed the policy issues and consequent investment challenges facing the industry, how to secure the competitiveness of the European industry, what should the energy mix for the future be, and how to provide the appropriate signals and incentives for the market actors.
10. In 2016, as an additional activity, IAP members contributed to 8th Executive Training Programme of the Energy Charter Knowledge Centre in Brussels on 17-20 May on energy security & governance challenges in light of COP21.

Main Issues Considered and Observations for 2016

IAP Globalisation

11. 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.
12. 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.
13. 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.
14. Therefore, the IAP welcomes the recent initiative of the Electric Power Planning & Engineering Institute (EPPEI), based in Beijing, China to become an IAP member and the second Chinese entity on the Panel.
15. 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

16. 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.

17. 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 Energy Charter Treaty as an instrument that can assist in reducing investment risks.
18. The IAP believes that the publication will be useful for industry in terms of providing an 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.
19. 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

20. 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.
21. The IAP believes that these guidelines are complementary to the provisions in the Energy Charter Treaty for binding arbitration.
22. In the opinion of the IAP, the Guide provides an useful procedural framework under which the process of mediation is well explained, and clearly sets out the steps by which mediation can be utilized in practical terms in the context of investment disputes, should an investor opt for conciliation under the Treaty.
23. 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 Energy Charter Treaty.

Perspectives for New Multilateral Transit Agreement

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

Southern Gas Corridor

26. 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 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.

27. 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).
28. 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.
29. 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.
30. 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 first gas deliveries to Turkey are expected to take place in the second half of 2018 and 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.
31. 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.
32. 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.
33. 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.
34. An important project for future transit operations across Europe is the reverse flow capability of Transitgas through Switzerland. Long-term contracts are critical to invest in this energy infrastructure.
35. 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 materialize 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.

36. 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

37. 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.
38. 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.
39. 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).
40. 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.
41. Infrastructure vulnerability to natural hazards such as floods, earthquakes, volcanos, terrorism, landslides, climate-related extreme events, cyber, etc. was highlighted. There are also transboundary risks and new demands on the grid architecture may also increase vulnerability to multiple risks. The cyber threat is becoming more and more serious.
42. 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.

Work Programme for 2017

1. The IAP proposes to meet on three occasions in 2017.
2. IAP members are invited to liaise with the Secretariat in order to identify ad hoc activities (events and/or publications) to be sponsored in 2017.
3. IAP members and the Secretariat will circulate a list of relevant external events in 2017 to which IAP members are invited to participate.

COMPOSITION OF THE ENERGY CHARTER INDUSTRY ADVISORY PANEL (IAP)

MEMBERS AS OF 25 NOVEMBER 2016:

COMPANIES

Azerbaijan

State Oil Company of Azerbaijan Republic (SOCAR)	VELIYEV Nazim	Head of Science and Technical Department
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Bulgaria

Bulgarian Energy Holding EAD

People's Republic Of China

China National Petroleum Corporation (CNPC)	WANG Haiyan	Deputy Director International Department
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Electric Power Planning & Engineering Institute (EPPEI)	XIE Qiuye	President
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Czech Republic

ČEZ a.s.	JEDLICKA Michal	Lawyer – European Affairs
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Georgia

Georgian Oil and Gas Corporation	TSITSISHVILI David	Head of Commercial Department
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Germany

E.ON SE	BRENZEL Vera	Head Brussels Office
	DONATH Heyko	Political Affairs Brussels Office
EWE AG	MELLER Eberhard	Senior Counsellor Brussels Office

Greece

Hellenic Petroleum SA	GOUTA Liana	Director for International Government Affair Division
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Hungary

MOL Group	VARI Ilona	Head of EU Regulatory Affairs
	PÁLMAI Márton	Brussels Representation

Italy

Edison S.p.A.	MARGHERI Marco	Head of EU Liaison Office
	BARASSI SABELLI Mariacristina	EU Liaison Office
Enel S.p.A.	ZANGRANDI Roberto	Head of Institutional European Affairs
	D'AUSILIO Michel	International and European Regulation
Eni S.p.A.	MARCHETTI Fabio	Head of European Government Affairs
	MANNO Giorgia	European Government Affairs
ERG S.p.A.		

Japan

Japan Oil, Gas and Metals National Corporation (JOGMEC)	MATSUMOTO Shiro	General Manager London Office
Mitsubishi Corporation International (Europe) Plc.	KAWAMATA Michio	Senior Vice-President Energy Business
Mitsui & Co. Benelux	SUGIMOTO Shigeo	European Affairs Manager

Jordan

Jordan Petroleum Refinery Company LTD	AL-REFAI Ahmed	CEO
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Kazakhstan

Kazakhstan Electricity Grid Operating Company (KEGOC)	KATYSHEV Sergei	Managing Director
KAZENERGY Association	RAKHMETOVA Klara	Energy Charter Project Manager

Luxembourg

R-square RiskLab	MAJUMDAR Chitro	Managing Partner
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Moldova

Moldovagaz	Aculov Andrei	Special Advisor
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Norway

Statoil	KIENEL Laila	European Policy and Regulation Advisor
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Poland

Gas Transmission Operator GAZ-SYSTEM S.A.	KUŚ Piotr	Director Brussels Office
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Portugal

EDP Energias de Portugal SA	PITA DE ABREU Antonio	Executive Member of the Board
	VITORIO Pedro	Director Institutional Relations, Representative Brussels Office

Russian Federation

Gazprom	POTAPOV Maxim	Head of Division International Business Department
Lukoil	BUNIN Maxim	Director Corporate Affairs

The Netherlands

Gasunie	GROENENDIJK Wim	Head of International Business
Shell International B.V.	VAN DOESBURG Ruben	Senior Legal Counsel

Serbia

NIS a.d. Novi Sad	KOKOTOVIC Nadezda	Chief of Staff to CEO
	RADOVANOVIC Nikola	Chief Legal Officer for EU Legislation

Spain

ACS Servicios, Comunicaciones y Energía, S.L.	NEBRERA Jose A.	General Manager Grupo Cobra
	ASENSIO Emilio	Director
Abengoa S.A.	BEJARANO GARCIA Germán	Advisor to the Chairman, Director for Institutional Affairs
	ZICKFELD Florian	Manager International Business Development

Gas Natural Fenosa

La Unión Española Fotovoltaica (UNEF)

DONOSO Jose

Director General

GONZALEZ Aida

Chief Policy & Regulatory Officer

Asociación Nacional de Productores de Energía Fotovoltaica (ANPIER)

GUERRA SERRA Pere

Board Member & International Relations Representative

Switzerland

Axpo Group

HESSELBARTH Thomas

Axpo Power AG Gas Asset/Infrastructure Management

ROEHM-MALCOTTI Eberhard

Axpo Services AG Head of EU Energy Policy

The Dow Chemical Company

CHASE Howard

Director of Government Affairs Europe

IAP Chair

Turkey

BOTAŞ Petroleum Pipeline Corporation

AKTAN Hülya

Foreign Relations and EU Coordination Manager International Projects Department

Ukraine

Naftogaz of Ukraine

KRUPKO Vladimir Petrovich

Director Department International Cooperation and External Projects

NEC "Ukrenergo"

KORNIUSH Sergii

Head of Department for External Relations and Investment

BONDARIEVA Mariia

Chief Specialist

NNEGC "Energoatom"

KUKHARCHUK Mykola
TIURIN Andriy

Director for International Cooperation
Director of Brussels Office

United Kingdom

BHP Billiton

KILKENNY Carmel

Commercial Manager

BP

HATON Emmanuel

Director European Government Affairs

EFREMOVA Ira

Advisor European Government Affairs

John Crane

MORTON John

Product Line Director

	LAIMINA Liene	Senior Manager Government Relations
The Prince of Wales's Corporate Leaders Group	WHITTINGTON Eliot	Deputy Director
	KOEGLER Peter	Programme Manager

INTERGOVERNMENTAL ORGANISATIONS

CIS Electric Power Council	MISHUK Evgeny	Chair Executive Committee
European Bank for Reconstruction and Development (EBRD)	RASMUSSEN Eric	Director Natural Resources

INTERNATIONAL BUSINESS ASSOCIATIONS

European Committee of Domestic Equipment Manufacturers (CECED)	FALCIONI Paolo	Director General
Eurelectric	TEN BERGE Hans	Secretary General
	NOYENS Koen	
Eurogas	RAABE Beate	Secretary General
	GIALOGLOU Kyriakos	EU Affairs Director
EU Turbines	BARON Sonia	Manager European Affairs
Central Europe Energy Partners	PRZYBOROWICZ Jakub	Co-ordinator of European Institutions' Affairs
Gas Infrastructure Europe (GIE)	DESCHUYTENEER Thierry	Executive Secretary
GO15. Reliable and Sustainable Power Grids	DOBBENI Daniel	President
	STEVEN Alain	Secretary General
International Association of Oil & Gas Producers (IOGP)	FESTOR Roland	Director EU Affairs
	SCHWARCK Christian	Deputy Director, EU Affairs

INDEPENDENT EXPERTS

KALKAVOURA Anastasia
Deputy IAP Chair