

2018 Global Energy Interconnection Conference

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Energy in transition: Towards Global Energy Cooperation

Hosted by: Global Energy Interconnection Development and Cooperation Organization (GEIDCO)

Keynote speech by Secretary General Urban Rusnák, *International Energy Charter*

Dear Administrator Baikeli, Chairman Liu, Chairman Shu, Distinguished Guests, it is a pleasure to be here to present the International Energy Charter at the 2018 Global Energy Interconnection Conference.

The Energy Charter Process dates back to the early 1990s, following the fall of the former Soviet Union. At that time, European energy companies were eyeing new business opportunities among Eurasian countries, while capital-deprived post-Soviet markets needed investment and technology. Thus a win-win oriented energy cooperation was envisaged.

The first important step towards energy cooperation was the **European Energy Charter**, a political declaration that was signed in 1991. This document emphasized the need for the establishment of an international legal framework for energy cooperation.

Thus, after three-years of negotiation, the **Energy Charter Treaty (ECT)** was signed in 1994 and a new international energy organization has been created. At that time, none of the emerging economies participated in the negotiations.

Overall conditions have changed significantly in the new century. The global energy environment of today faces new challenges that were hardly known in the early 1990s. In order to engage more countries in a dialogue and to address new challenges in the global energy sphere, in 2015, a new political declaration, the **International Energy Charter (IEC)**, has been formally adopted and signed. Most significantly, China, by signing the IEC in 2015, has become an observer to our organization. The declaration has been signed by 88 countries and international organisations which has proven that the IEC takes the Energy Charter from its original European background and brings it to a global level.

Since the early 90-ies, the Treaty is the only legally binding energy framework providing protection in energy investment, dispute resolution mechanisms, trade and transit rules, recommendations for energy

efficiency, but also other guidance on policy, environment protection, and transfer of technology.

In practical terms, this means that we are dedicated to providing protection to investments in our Contracting Parties, to promoting the trade of energy goods and services, to facilitating unhindered flow of energy transit, to advocating strategies of energy efficiency and environmental protection and assisting states and investors to address their contradictions and disputes.

With the rise of new market economies, it becomes urgent for those countries to participate more in international energy issues, in particular regarding China. China is now standing in the same shoes where the Western European countries were in the early 1990s – exporting investments, building pipelines and ultra-high voltage grids, not only on its own territory but also across borders.

Globally, the energy sector is at the beginning of a fundamental transformation. This is primarily driven by the need to reduce greenhouse gas emissions according to the Paris Agreement and the UN Sustainable Development Goals. At the same time, the digital

revolution brings new technologies such as ultra-high voltage and smart grids that can be harnessed to help achieve these goals.

The Treaty provides a highly valuable contribution to the global energy interconnection and to the ultimate goals of GEIDCO and China in the following perspectives:

- Firstly, investment protection. Immense outward investment will flow to the energy sector under the “One Belt One Road Initiative” and the “Global Energy Interconnection Initiative”.

Industry must have reassurance that the promises of today, will result in the honored commitments of tomorrow. The Energy Charter Treaty is here to provide solution.

The Treaty provides concrete legal provisions that protect investment and reduce the commercial and political risks associated with energy transition investment. Contracting Parties must promote and create stable, favorable and transparent conditions for foreign investors. The Treaty provides for compensation in case of expropriation and other losses and it also enables the free transfer of capital. The Treaty also provides a dispute settlement mechanism, including investor-state arbitration and

inter-state arbitration, while amicable settlement is strongly promoted and supported.

Geographically, the Treaty covers a wide range of countries, including Central Asian Countries and neighboring countries like Mongolia, Afghanistan, and Japan. By acceding to the Treaty, Contracting Parties make a commitment of mutual trust, legal stability, and policy predictability that goes beyond election cycles which is essential for energy investment made by member companies of GEIDCO.

Furthermore, accession to the Treaty would benefit China by encouraging more foreign direct investments in China, especially in the clean energy sector. When a country has acceded to the Treaty, it gives investors the confidence and reassurance needed for expanding their investment or helps attract new investors.

It is also worth mentioning that under the One Belt One Road initiative, all the countries along the Belt route are member states of the ECT, except China.

- Secondly, energy efficiency. Energy **Efficiency** has been an integral part of the Energy

Charter Process from the very beginning. Even during the conception of the Treaty in the early 1990s, Contracting Parties recognized the benefits of implementing cost-effective energy efficiency measures from an economic, environmental and security perspective.

The Energy Charter Protocol for Energy Efficiency and Related Environmental Aspects was the first set of international policy principles designed to foster cooperation among Member States in promoting energy efficiency. Over the years, energy efficiency has slowly found its way into the larger debate on energy, focusing mainly on policies that work well in specific country situations, how to better enforce these policies, and how to create market conditions to scale up investments in energy efficiency.

- Thirdly, energy transit. The Treaty is the only multilateral agreement that seeks to directly address the complex political, economic and legal problems associated with energy transit. The Treaty promotes the principles of freedom of transit and of non-discrimination, includes an obligation to provide national treatment for energy in transit, and prohibits interruption of flows and the placing of

obstacles to construction of new energy transport facilities. It also contains a specific conciliation procedure for disputes over transit.

- Fourth, energy transition, technology transfer and innovations: the Treaty promotes and supports energy transition towards cleaner and low-carbon energy systems, especially in relation to enhancing system integration. This would involve technological solutions and improving access to clean and affordable energy, promoting regional market integration to secure energy transition, and promoting clean and smart energy technologies.
- Overall, the Treaty is broad in scope covering the whole energy sector. The scope of the Treaty includes all economic activities in the energy sector: exploration, extraction, refining, production, storage, land transport, transmission, distribution, trade, marketing, or sale of energy materials and products including electricity. This large scope covers the evolving nature of the energy sector. To emphasize our commitment towards energy transition, this year, following Japan and Turkmenistan, Romania assumed the chairmanship of the Energy Charter Conference. The 2018

Conference at Ministerial level will take place in November and will focus on “Energy innovation and associated technologies”.

Ladies and Gentlemen, China has embraced the common principles of the International Energy Charter, along with almost 90 countries from all continents. This is an excellent opportunity to build together the pillars of a global architecture to secure energy in a changing world.