

Session 2: Regional co-operation on ensuring energy security

ENGLISH only

BSEC

Talking Points
Regional Co-operation on Ensuring Energy Security
Vilnius, 13 September 2010

BSEC

Our Organization aims at strengthening the economic cooperation in a region – the wider Black Sea area – which is at cross-roads of energy transportation routes and has a major role to play in ensuring the energy security not only of its Member States but of many other States in Europe and other neighbouring areas. The Black Sea region has got increasing importance and significance in global, European and regional energy security in terms of providing access to new alternative sources of energy supplies, as well as diversification of routes of energy supplies and energy transportation.

Need for synergies

The OSCE and several other international organisations – and I would mention in particular the UN Economic Commission for Europe, the International Energy Agency and the Energy Charter – and also the European Union are working towards enhancing energy cooperation in this area and between it and other areas. This makes it important to create synergies and thus maximise benefits for the participating States.

In this context, the current Special Expert Meeting, with the participation of representatives of these organisations is most welcome. I hope very much that this meeting will examine and identify what OSCE and also each of our organisations can do, individually and together, for contributing to the energy security of their Member States. There is a lot to be learned and achieved by working together for the benefit of our Member States.

In this regard, I would mention the Joint BSEC-Energy Charter Conference on “Promoting Energy Security and Investment in the Black Sea Area: The Role of Multilateral Cooperation”, in cooperation with the Konrad Adenauer Stiftung/Ukraine, organised in Odessa on 27 July 2010. The exchanges that took place during the Conference were highly successful, having brought together over 120 participants from various countries and international organisations that presented their assessments on the key issues that lie before the Black Sea states and the international community in the promotion of energy security and investment in the energy sector.

BSEC Activities

Energy security is one of the important objectives of cooperation within our organisation in the field of energy. Having met in Sofia on 28 January 2010, the Ministers of Energy of the BSEC Member States expressed, in the Declaration they had adopted, their agreement to “support all activities aimed at improving energy security in the Black Sea region, including energy efficiency and renewables”. The Outline of the BSEC Strategy on Energy till 2020, finalised in April this year, defines among the objectives of cooperation of the BSEC Member States “ensuring energy security and the reliable energy supplies in the BSEC region, *inter alia* by:

- ◆ undertaking collective efforts towards elaboration of a common approach to energy security in the wider Black Sea area;
- ◆ diversification of supply routes and sources, by enabling a free flow of energy to and between other Member States and by liberalizing energy trading with the EU.”

We have to admit, however, that in translating in practical terms these declared joint objectives the contribution of our organisation, as such, is quite modest. We have some concrete contributions in working on various elements that could strengthen the energy security of our Member States.

One such element is to improve the possibilities of transfer of the surpluses of the electricity, whenever they occur in one country to another country of the region, and in general to for developing the intra-regional trade of electricity. In fact, the interconnection of electric power grids in the Black Sea region was among the first projects considered and launched by BSEC, as far back as 1995. A special Ad Hoc Working Group of experts was established to this effect, which continues to work. Successive discussions in the Working Group and a feasibility study revealed a number of technical difficulties in achieving the interconnection of electrical power systems of the BSEC Member States, due to different operational system they use. Subsequent activities were devoted to exploring and utilising all existing opportunities for the promotion of regional cooperation in the field of electrical networks interconnection, improving the capacity of the electric power networks to support increased trade of electricity within the region and with neighbouring regions.

Developing infrastructure is also an element of the energy security. Among the ideas we are exploring within the BSEC framework, I would highlight the proposal to study the possibility of establishing a Regional Energy Infrastructure Fund. The idea is being examined by the BSEC related bodies –

the Parliamentary Assembly, the Black Sea Trade and Development Bank, the Business Council, the International Centre for Black Sea Studies and the Business Council – before being further considered in the Working Group on Energy.

Another element of the energy security is improving the energy efficiency in each country, so that the demand of energy could decrease accordingly. Energy efficiency is a priority area for projects according to a decision of the BSEC Working Group on Energy. The BSEC Hellenic Development Fund, which became operational this year as a financial instrument aiming to support the efforts of BSEC to strengthen regional cooperation and economic development among the twelve Member States, issued in February 2010 its first Call for Proposals with a budget of 400,000 Euros for eligible applications in Renewable Energy Sources and Energy Efficiency.

As of 1 June 2010, the Hellenic Republic has taken over the Chairmanship-in-Office of the BSEC and set green development as a main priority of the Chairmanship. “Black Sea turns green” is its motto. In accordance with this central theme, a Meeting of Ministers of Energy of the BSEC Member States, focused on green development and renewable energy sources under the heading of “Green Energy and Security of Energy Supply” is envisaged to take place on 12 October 2010 in Nafplion (Greece).

Thus, a new practical and most promising dimension is being added to the BSEC activities in order to advance regional cooperation in green energy between its twelve Member States. However, the contribution of green energy in energy security is not always fully apprehended and possibly not analyzed sufficiently. A very useful study was done for this purpose by the International Energy Agency and OECD in 2007. This study, I believe, can greatly contribute to our policy discussions on green energy including its role in energy security (http://www.iea.org/papers/2007/so_contribution.pdf). Energy produced from renewable sources contributes to savings in conventional energy which also means maintaining greater energy and financial reserves and, consequently, to energy security.

Role for the OSCE

Other regional organisations – like the Regional Cooperation Council, the Central European Initiative, the South-East Europe Cooperation Process, the Adriatic-Ionian Initiative, to mention only some of them – have undertaken action in the same areas. A coordination of their action would be most welcome

in order to maximise benefits of available resources for the respective Member States. An effort to this effect has already begun, upon the initiative of BSEC, through periodic meetings between these organisations, and here perhaps the Economic Dimension of the OSCE could help and play a catalytic role.

Using the cooperation potential of the OSCE, of BSEC and other international and regional organisations is most appropriate if we think of the problems and serious deficiencies in the existing international system of cooperation in energy. Energy supplies have become excessively sensitive and vulnerable to a variety of natural and technical factors, and also to political considerations. Countries of the BSEC region were at the epicentre of crises and dysfunctions around the security and stability of energy supplies to major international markets, in particular to Europe.

Not denying their technical, commercial or financial aspects, these crises and dysfunctions had also a significant political dimension and revealed some serious system vulnerabilities. At the same time they highlighted the strategic nature of the pursuit of energy security in Europe today.

We continue to witness more or less open or covert controversies over creating energy transportation corridors, involving billions of Euro. Here too, the core of these controversies is political.

Overcoming these problems needs dialogue and communication, in which all those involved – governments, non-governmental institutions and business in producer countries, transit countries and consumer countries – should participate, with a view to establishing a clear and fair framework for the business to act, according to the economic competition rules. Energy relations are not purely commercial and financial. They are, and have to be, partnership relations, in which all interests should be balanced, resources optimally used and the interests of individual countries should have a decent chance to fulfil, based on mutual understanding and trust.

Given its comprehensive membership and the decision-making process based on consensus, perhaps the OSCE is best placed to work out the elements of such a political approach, which should include:

- 1 - A political understanding as far as the energy security of every country is concerned. Energy security should be regarded as a right of each and every State and of its citizen. It is not, and should not, be achieved by harming the

interests of other States. The way States need food security for their people, they need energy security for their economy and citizen. In this context, diversification of sources and of transportation routes is absolutely natural. This natural concern of States which depend on energy imports is not to be regarded as being in favour of some States or against some other States.

2 – An effort of all promoters of the various existing projects on energy transportation routes and corridors, particularly those envisaging to a great extent the same transit area and the same resources, to try to make them complementary, at least, and thus to make the best use of the huge financial resources required to implement those projects.

3 – A mechanism of dispute settlement to which all the OSCE Member States should participate. Whatever agreements and understanding States may reach, differences, disputes, and perhaps even crises, will continue to arise naturally in the process of their implementation. That is why, the idea launched by the Sofia Energy Summit in April 2009, of an efficient international dispute settlement mechanism to deal with developments that are likely to significantly disrupt or reduce energy flows, is worth exploring and implementing. There is already a valuable *acquis*, namely the Transit Protocol of the Energy Charter Treaty, which contains rules for settling international disputes between transit, producer or consumer countries or respective companies. However, not all OSCE Participating States, among them Russia, had ratified it.

Potential of the International Organisations

What I would like to emphasise, in conclusion, is the great potential that BSEC and other regional and international organisations have in order to meet the energy cooperation needs of their Member States, both individually and jointly. This potential has only to be used, with the political will of the states concerned and based on an effort to identify their real needs and interests. To this effect, three basic principles need to be observed:

- coordinating activities;
- avoiding duplications;
- looking constantly to the general picture of the requirements of the sustainable economic growth.