



## United States Mission to the OSCE

# **Response to Ambassador Arne Walther, Secretary General of the International Energy Forum**

As delivered by Ambassador Julie Finley  
to the Special Permanent Council, Vienna  
September 12, 2006

Thank you, Mr. Chairman.

The United States welcomes the Secretary General of the International Energy Forum, Ambassador Walther to the OSCE Permanent Council. We appreciate the improvement in transparency and information sharing in the global oil market brought by the IEF and its commitment to international cooperation.

As demonstrated dramatically in recent years, energy security is pivotal to global economic stability. It would be safe to say we can all agree that it is important to ensure that all economies have access to sufficient, affordable, and reliable energy supplies on terms and conditions that support economic growth and prosperity. Due to the global nature of the oil market and the increasingly integrated natural gas market, events in one region of the world can produce a significant impact on the energy security of another.

For such reasons, we believe it is essential to work together in promoting greater energy security. Specifically, we believe such a concept should have four key elements:

-- Element 1: Promote the diversification of energy sources, distribution routes, and supplies worldwide. A number of steps can be taken to promote the diversification of energy supplies and transit routes. Although producers in the Middle East dominate -- and will continue to dominate -- world oil markets, the development of new supplies in a number of other regions in the world is an important objective. This was a main theme at the U.S.-EU Summit earlier this year. The EU and the United States will continue to engage with key energy producers and consumers to provide technical assistance to improve legal and regulatory frameworks for energy in third countries. They will continue to support maintenance and improvement of pipeline infrastructure to ensure delivery capability. They will continue to analyze geopolitical developments in key energy producing and consuming countries. One tangible success has been the development of multiple pipelines from the Caspian region through Turkey to the Mediterranean. The Caspian region is one of the most significant new sources of non-OPEC oil in recent years, and production should continue to grow in the future.

Diversity of energy supplies is especially important in the OSCE region. The United States, as the largest producer of energy in the world but also the largest consumer, receives its energy resources from many countries. In Western Europe, however, much of the natural gas consumed comes from a single country. In Central and Eastern Europe, the dependence on

one supplier rises to nearly 100 percent. As we all witnessed earlier this year, disruption of supplies under these circumstances can have a significant impact on economic security in OSCE participating States. The OSCE can play a role in supporting cooperation and regional arrangements that enhance diversity of routes, and expand the options for OSCE participating States, whether producers or consumers.

-- Element 2: Work with other oil consuming countries to respond to supply disruptions, particularly through the use of strategic petroleum stocks. An example of the effectiveness of this strategy is the International Energy Agency (IEA). Formed in the wake of the 1973 Arab League oil embargo, the IEA coordinates releases from emergency stockpiles for those events that shake global energy markets. Collectively, IEA members hold 1.4 billion barrels of strategic stocks, equal to some 115 days of imports. In 2005, the IEA's rapid release of stockpiles worldwide from its 26 members in the wake of the devastation of Hurricanes Katrina and Rita helped to stabilize markets and prevented those events from causing even greater disruption. Collectively, IEA members made 60 million barrels of oil available to the market. This was only the second time in the IEA's history that stocks were released, but the action had an immediate calming effect on world markets.

-- Element 3: Pursue dialogue with major oil-producing countries to maintain responsible production policies in support of a growing world economy and in reduction of oil market price volatility. The International Energy Forum is an excellent example of producer-consumer energy dialogue, which will improve ultimately transparency and information-sharing in the global oil market.

-- Finally, Element 4: Work with other countries to reduce global dependence on oil, by promoting greater energy efficiency and development of alternative sources of supply, such as nuclear, solar, wind and hydroelectric power.

Mr. Chairman, these are clearly serious issues that will only grow in importance in the years to come. We believe that the OSCE community, which encompasses some of the richest oil and gas fields in the world, as well as some of the largest economies, can and should have a role to play in this issue. We would propose that the OSCE examines ways to support energy security throughout Europe. This could be done through workshops, training, and conferences, with the goal being to ensure reliable, affordable, and environmentally sound energy is available throughout the OSCE region.

Thank you, Mr. Chairman.