

Session 1: Reliable energy as an integral part of 21st century energy security

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***Energy Security and Conceptual Approach
to a New Legal Framework for Energy
Cooperation***

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Dimensions of Energy Security (ES)

ES is a keystone of any modern efficient energy supply system capable to serve as a reliable base for overcoming current economic and financial crisis.

Ensuring of ES includes a series of interrelated aspects of political, technical, technological, environmental, market-based, financial, investment and legal nature.

Russian measures to enhance ES

- **Diversification of export routes** (“Nord Stream”, “South Stream”, Caspian Sea onshore pipeline)
- **Development of new gas provinces and fields** (Yamal peninsula, “Shtokman”)
- **Development of LNG capacities**
- **Optimization of transport infrastructure**
- **Exchange of energy business assets**
(Russian gas fields – market access and downstream infrastructure)

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Legal problems in energy sector

It appeared that existing international legally binding agreements cannot neither prevent nor mitigate conflicts in the global energy sector, especially in transit.

That is why the legal framework of the world energy sector should be improved.

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New legal base is needed

ES cannot be reached without reliable worldwide recognized international legal base adequate to current requirements of the global energy sector.

Such base should cover all the aspects of energy supply, first of all – ES's issues.

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New Russian initiative

Due to the mentioned reasons the Conceptual Approach (CA) to the New Legal Framework for Energy Cooperation was proposed by the President of the Russian Federation Mr. Dmitry Medvedev

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Main features of the CA

It is assumed that new legal system should be:

- *Universal* (applicable to the relations between all countries)
- *Open* (for accession by third countries),
- *Comprehensive* (to cover all legal aspects in energy sector),
- *Equal and nondiscriminatory* (without prejudice to certain participants),
- *Consistent* with relevant obligations under other international instruments,
- *Efficient* (should include an efficient common implementation mechanism).

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Basic principles of the CA (I)

- Mutual responsibility of energy consuming, supplying and transit states for global energy security (*GES*);
- Recognition of security of supply and demand as key aspects of *GES*;
- Unconditional state sovereignty over national energy resources;
- Nondiscriminatory access to international energy markets, which should be open and competitive;
- Transparency of all international energy market segments (production/export, transit, consumption/import);

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Basic principles of the CA (II)

- Nondiscriminatory investment promotion and protection, including new investments into all energy chain links;
- Promotion of mutual exchange of energy business assets within investment activities;
- Nondiscriminatory access to energy technologies;
- Smooth energy supply to international markets, by transit inclusive; it implies technological reliability of energy infrastructure and physical security of its vital elements;
- Promotion of infrastructure projects of great importance for global and regional ES;

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Basic principles of the CA (III)

- Mandatory consultations on and coordination of energy policies and related measures, as to energy balances, supply diversification, regulations in energy sector, planning and implementation of infrastructure projects which may influence global and regional energy security;
- Creation and improvement of early warning mechanisms;
- Increasing energy efficiency in production, processing and transportation;
- Promotion of sci-tech cooperation in energy sector;
- Common efforts towards environmental protection, prevention of negative climate change.

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ES and Transit

Transit is one of the most important and at the same time vulnerable link in energy value added chain.

That is why in the CA a new agreement on the guarantees of transit is envisaged. The last should contain a treaty on how to overcome emergency situations in transit of energy materials and products.

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New transit agreement (I)

The goal of new agreement is to ensure reliable and uninterrupted transit.

Essential elements of new agreement will include, *inter alia*:

- a principle that transit tariffs should be objective, reasonable, transparent, nondiscriminatory, cost based;
- unacceptability of unauthorized interruption or reduction of transit, or intervention in transit flows;

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New transit agreement (II)

- mechanisms for coordination of actions of the Parties to optimize transit routs;
- responsibility of Parties for losses due to avoidance of obligations under the agreement or transit treaties;
- provisions on system of bodies authorized to mitigate emergency situations;
- dispute settlement mechanisms, diplomatic channels and international arbitration court inclusive.

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In conclusion

- It is absolutely clear that the new legal base may be efficient only provided that it will be supported by main world energy sector players
- Hence we reckon on open discussions of the Russian initiative. All constructive proposals and ideas which could contribute to approaching fair balance of interests of all parties and as a result promote global energy security - will be taken into account
- We are convinced that successful elaboration on the new legal base can be done by common efforts and we are inviting you all for such an activity.

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**THANK YOU
FOR YOUR ATTENTION!**