



CIEP

Clingendael International Energy Programme

Energy Security Conference

**Strengthening regional co-operation in Central Asia for
promoting stable and reliable energy within Eurasia**

**Plenary Session II: The Importance of Eurasia in the Global
Energy Security Agenda**

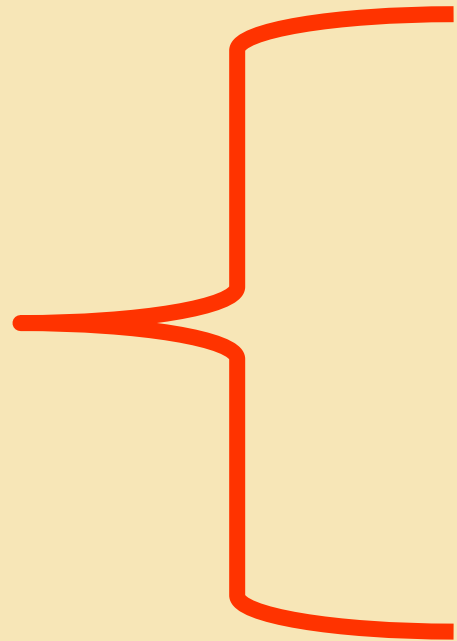
Christof van Agt

**Co-organized by the Government of Turkmenistan and the OSCE Centre in Ashgabat with
support of the Office of the Co-ordinator of OSCE Economic and Environmental Activities**

President Hotel Ashgabat, 3-4 May 2010

Sign of our times: beyond multilateral policy

“I hope to win over the governments on this.”



“Over the next five years I want to contribute, with you, towards a Europeanization of our energy policy...

Our goal must be to bring the raw material, under fair conditions and with planning security into the European market and then make it available to every purchaser but on the same terms”



Change *of* or *in* the system: Who is in who outside the system?



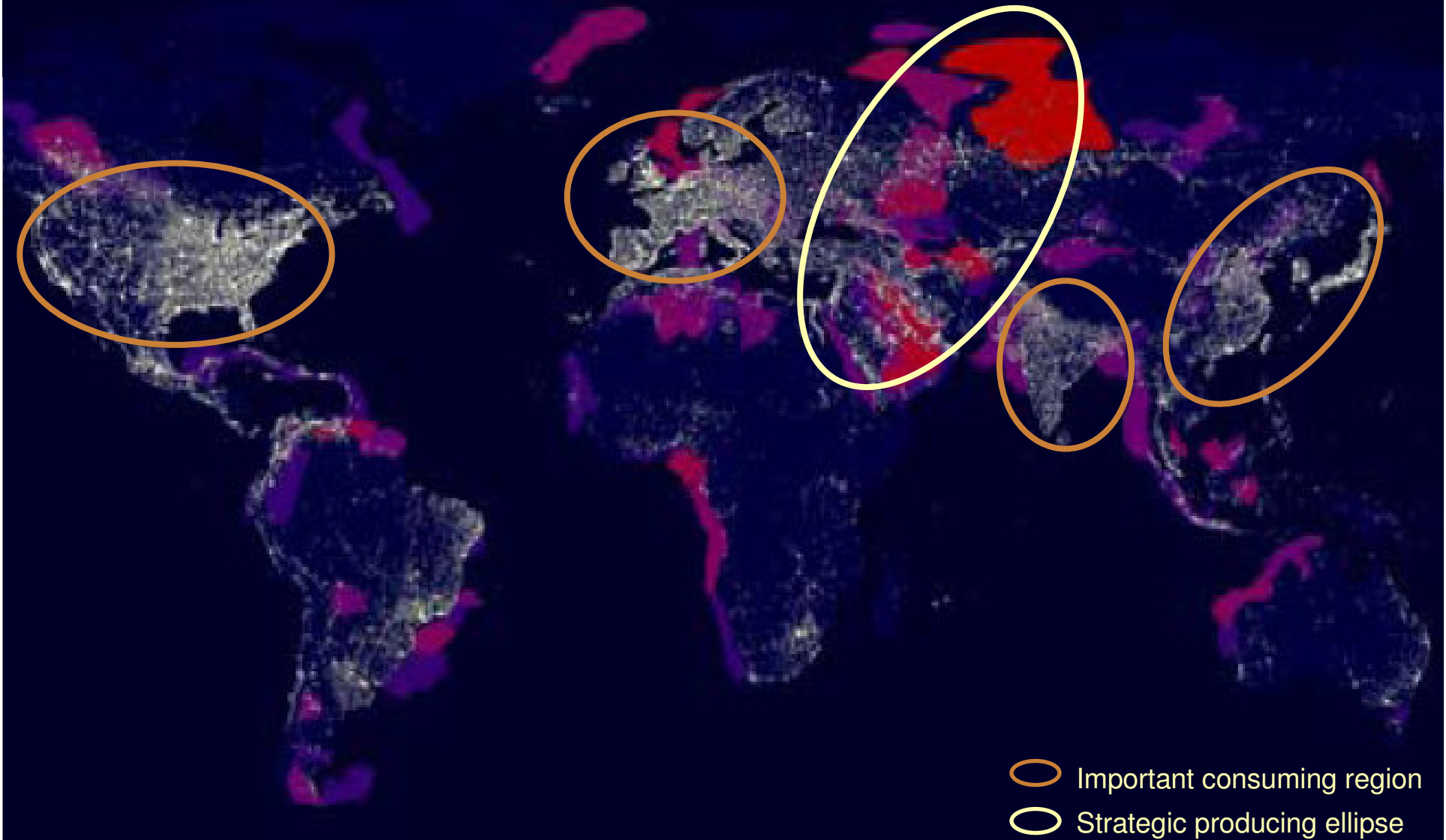
Limits to Multilateral Policy WTO, Energy Charter, Copenhagen...

**Regional approaches to transition
Mature vs. developing economies**

Oil markets dynamics

**Shortage of underground resources or
above ground policies?**

Distance between centres of energy supply and demand is growing



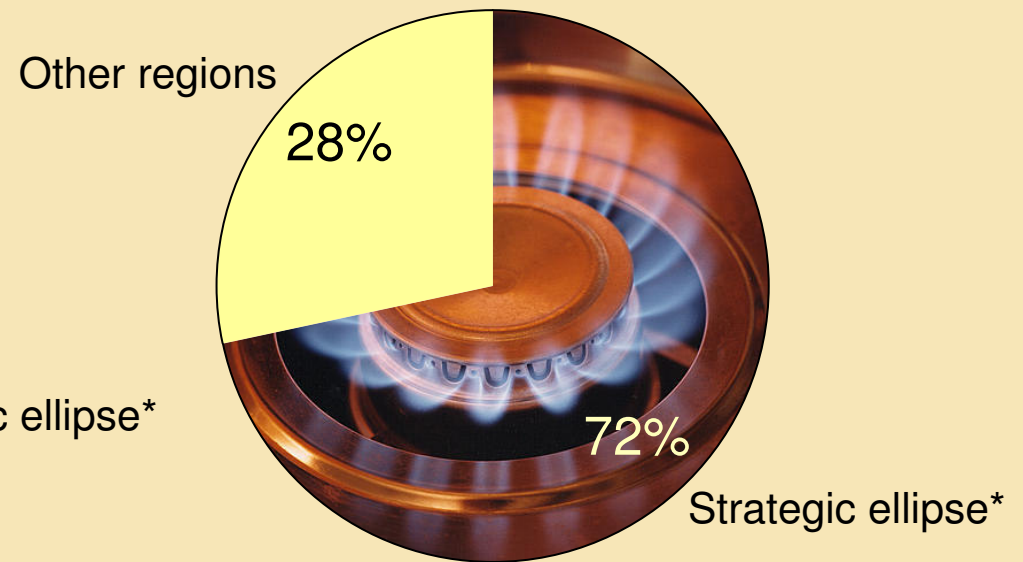
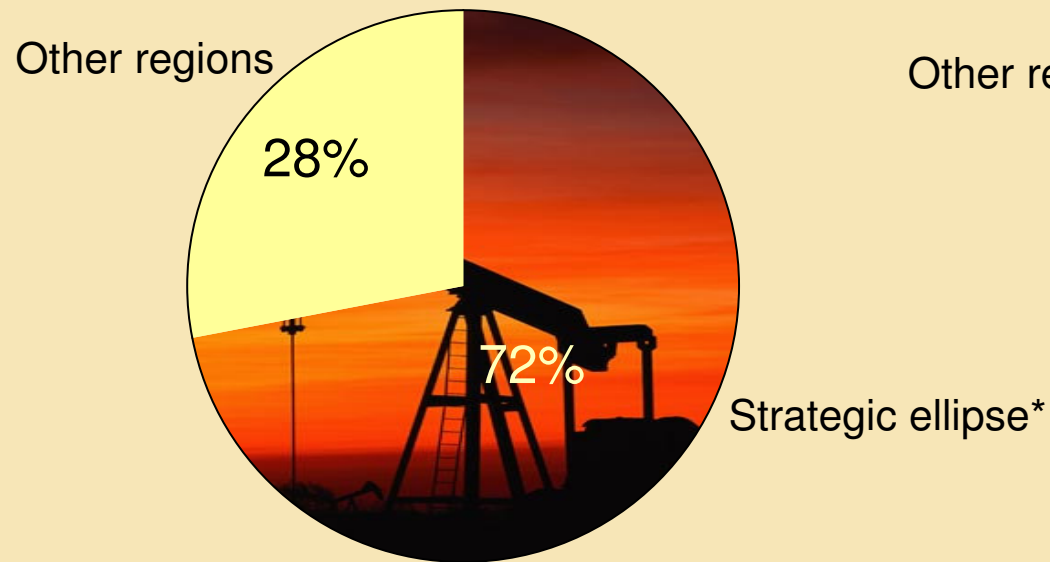
Source: Baker Institute; BGR; CIEP adaptations

Clingendael International Energy Programme www.clingendael.nl/ciep

More than 70 percent of the proven reserves is situated in the strategic energy ellipse

Proven world oil reserves at end 2006
100% = 1208.2 thousand million barrels

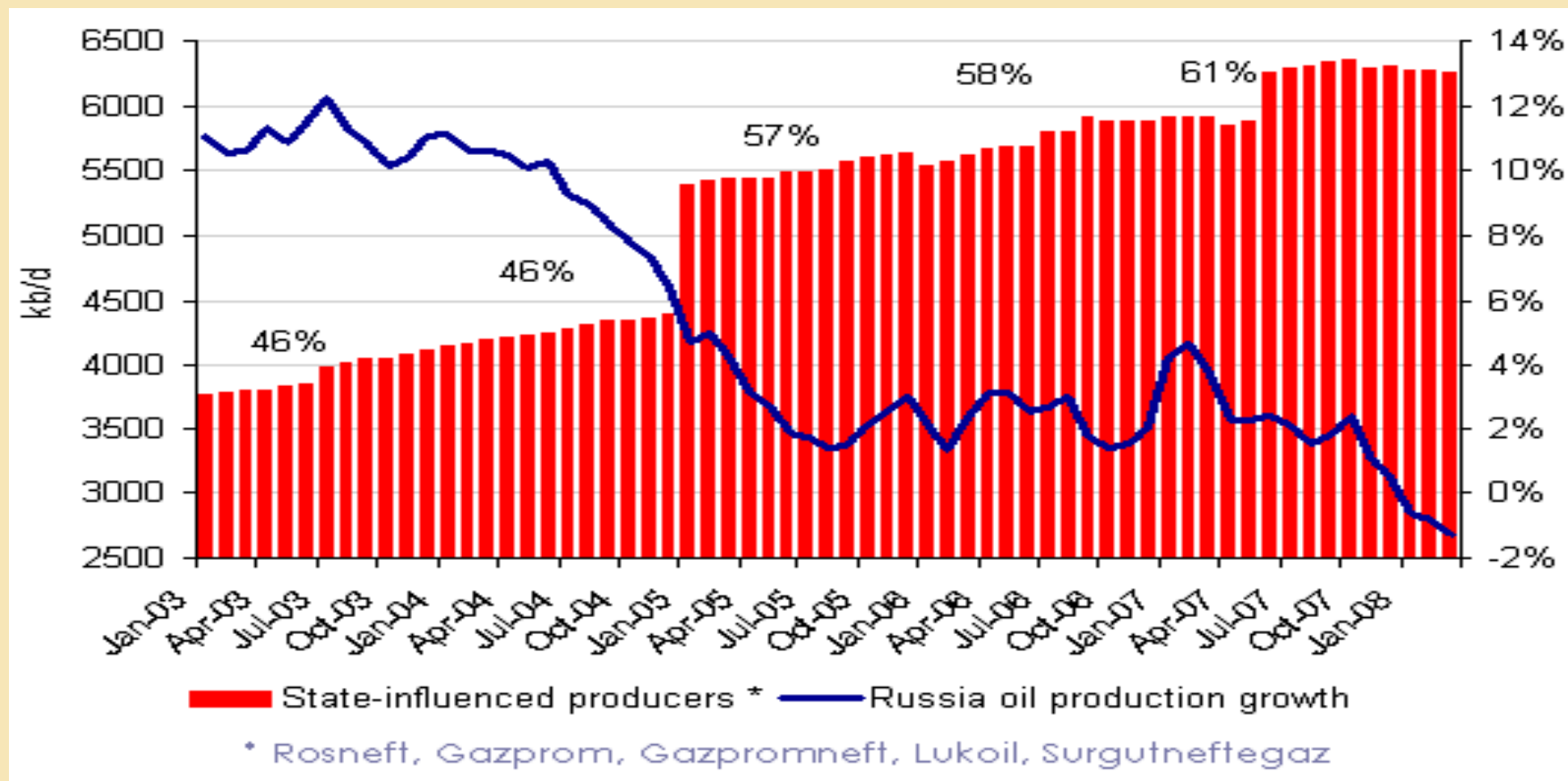
Proven world gas reserves at end 2006
100% = 181.46 trillion cubic metres



* Middle East, Russia, Central Asia, Caucasus.

Source: BP 2007

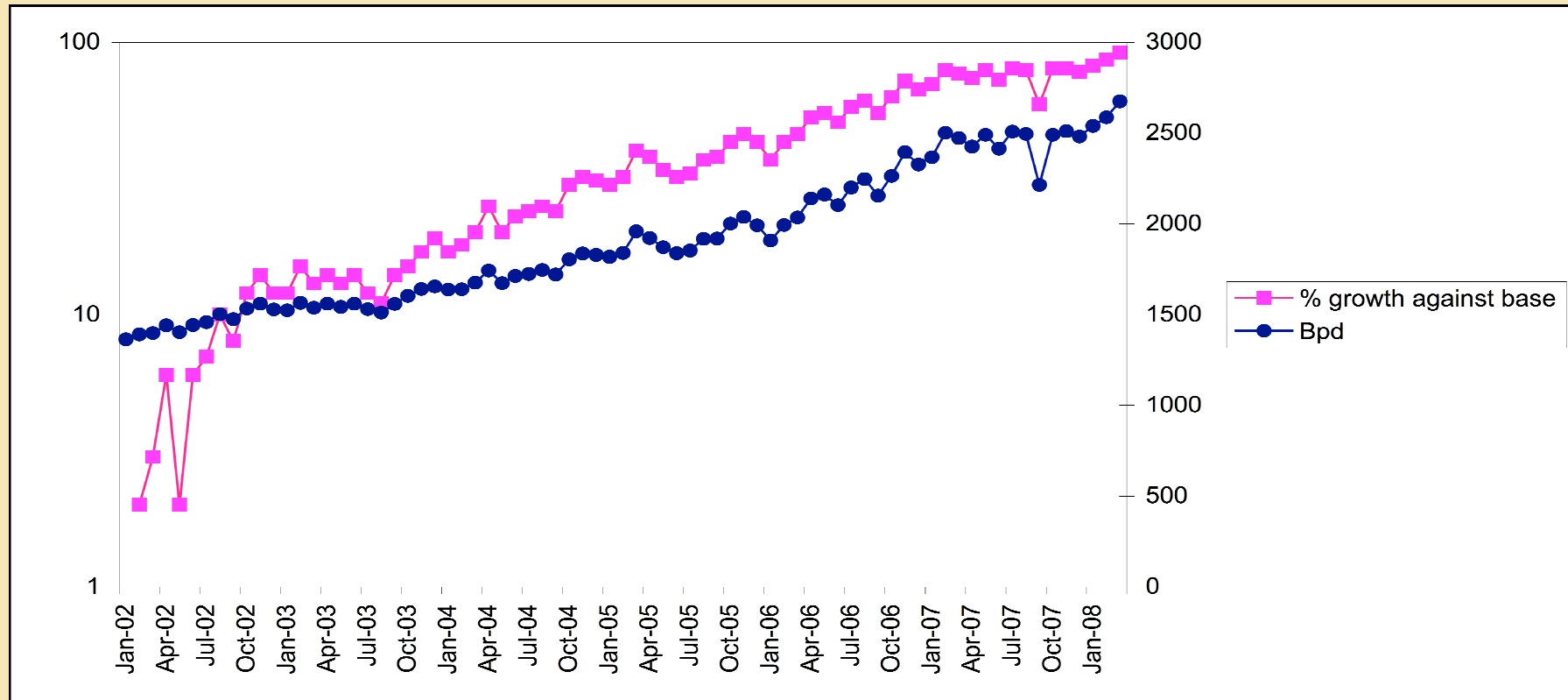
Russian oil output growth



* Dominant Russian supplies to level of at around 10 mbd

© OECD/IEA (2008) OMR DATA

Caspian oil output growth



* High growth rates and doubling of output; Diversity and incremental supply nexus for Eurasian and Asia Pacific demand

Gas market dynamics

**From a tight- to oversupplied market;
Scarcity or stranded resources?**

From a tight- to oversupplied gas market?

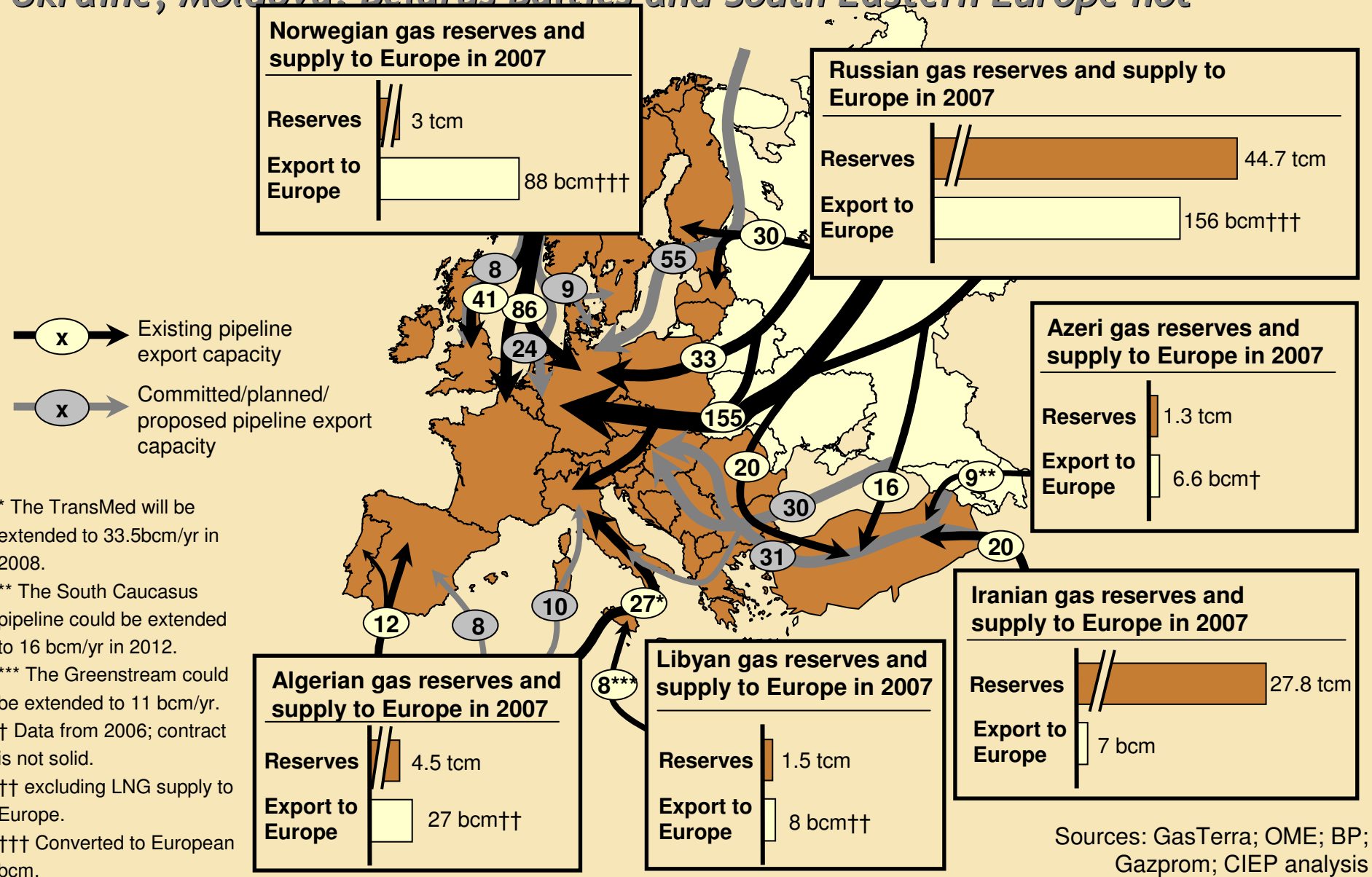
- Economic crisis continues to depress demand
- Pre-crisis investment projects yet to come on stream
- Storage capacity relatively full due to risk perceptions
- Long term demand destruction due to geopolitics (GECF)



Yet clean, abundant and secure gas is the transition fuel to a sustainable future

Though EU is encircled by diverse supplies

Ukraine, Moldova, Belarus, Baltics and South Eastern Europe not

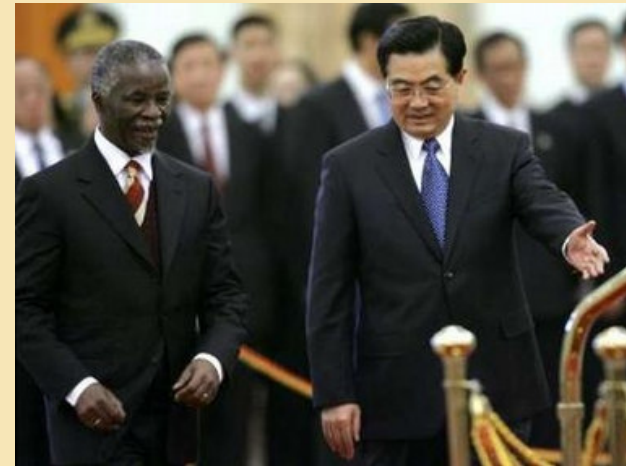






Changing Business models.....

Chinese and Indian companies are competing for reserves with majors but they do not (always) have a *profit motive* (in the short term) but a (government) *assignment to secure flows* to China/India



...and the importance of being constant

China & Turkmenistan

Opened at Samandepa on 14 December 2009 (agreed August 2007)

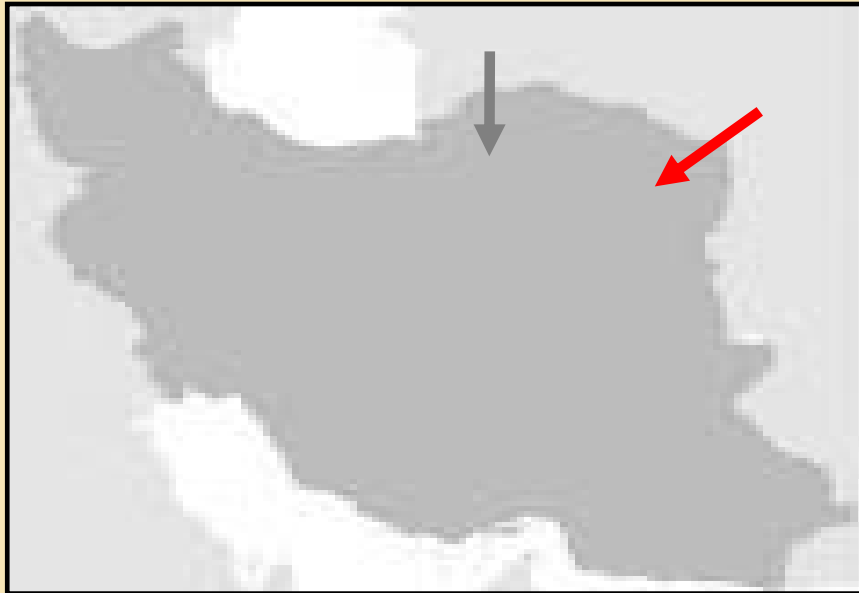


1833 km length gas pipeline to China
30 bcm/y Turkmen capacity
10 bcm /y Uzbek capacity
Oil indexed pricing

\$100-130 tcm in start-up phase
30 year lifespan
Bagtyyarlyk contract territory
Right bank Amurdarya river

Turkmenistan & Iran

Openend at Dovletabad on 5 januari 2010 (agreed on July 2009)



31 km length gas pipeline to Iran
12.5 bcm/y capacity from Dauletabad
8 bcm /y capacity from Korpeje
Delivery to Sarakhs
region/MashadKhangiran refinery

34 km length in Iran
Up to \$300-tcm paid in past
Turkmen cut gas export to Iran 2008
Dauletabad idled since April 2009
Remains supply base to Russia

'Innovative thinking' CDC

Fortress or Light-House Europe?

- The 'missing link' in EU energy security to be overcome by a mechanism for co-ordinated gas purchasing
- Catalyse gas production and infrastructure development (not involved in production)
- Focus beyond Azerbaijan on Central Asia and Middle East (plus independent Russian gas producers)
- Present EU gas consumption as a 'single buyer' in long-term credit worthy take or pay contract (50 years plus possible phase out)
- To overcome negotiation burden with several, and underpin massive upstream investment needs
- Optionality, non-discrimination, transparency , accountability etc
- To be explored and defined

From market failure to market intervention?



A closer look at the Lisbon Treaty

and the role of the 'voice of voices'....

The High Representative's view on a 'common foreign energy security & climate change policy'

Box 1. To do:

Safeguard energy security

Alleviate energy poverty

Pursue global energy market integration through rule of law and open energy trade

Advance environmentally sound and sustainable management of global natural resources

Assist in energy crisis occurring as a consequence of natural or man-made disasters

Strengthen the multilateral system and good governance of energy

See: Treaty on European Union Title V Chapter 1 General Provisions on the Union's External Action Art. 21(2) paragraphs (a),(d),(e),(f),(g),(h). *Official Journal of the European Union* C115 (Brussels 9th of May 2008)

Source: CIEP, forthcoming 2010



Europe's humanist inheritance; advancing universal values and norms

Existing External Energy EU Policy Instruments

Light House Europe Rules

Eastern Neighbourhood Policy

Deep and Comprehensive Free Trade Agreements also in energy...

Energy Community Treaty

Implementing the 'Acquis Communautaire' in energy...

Energy Charter Treaty

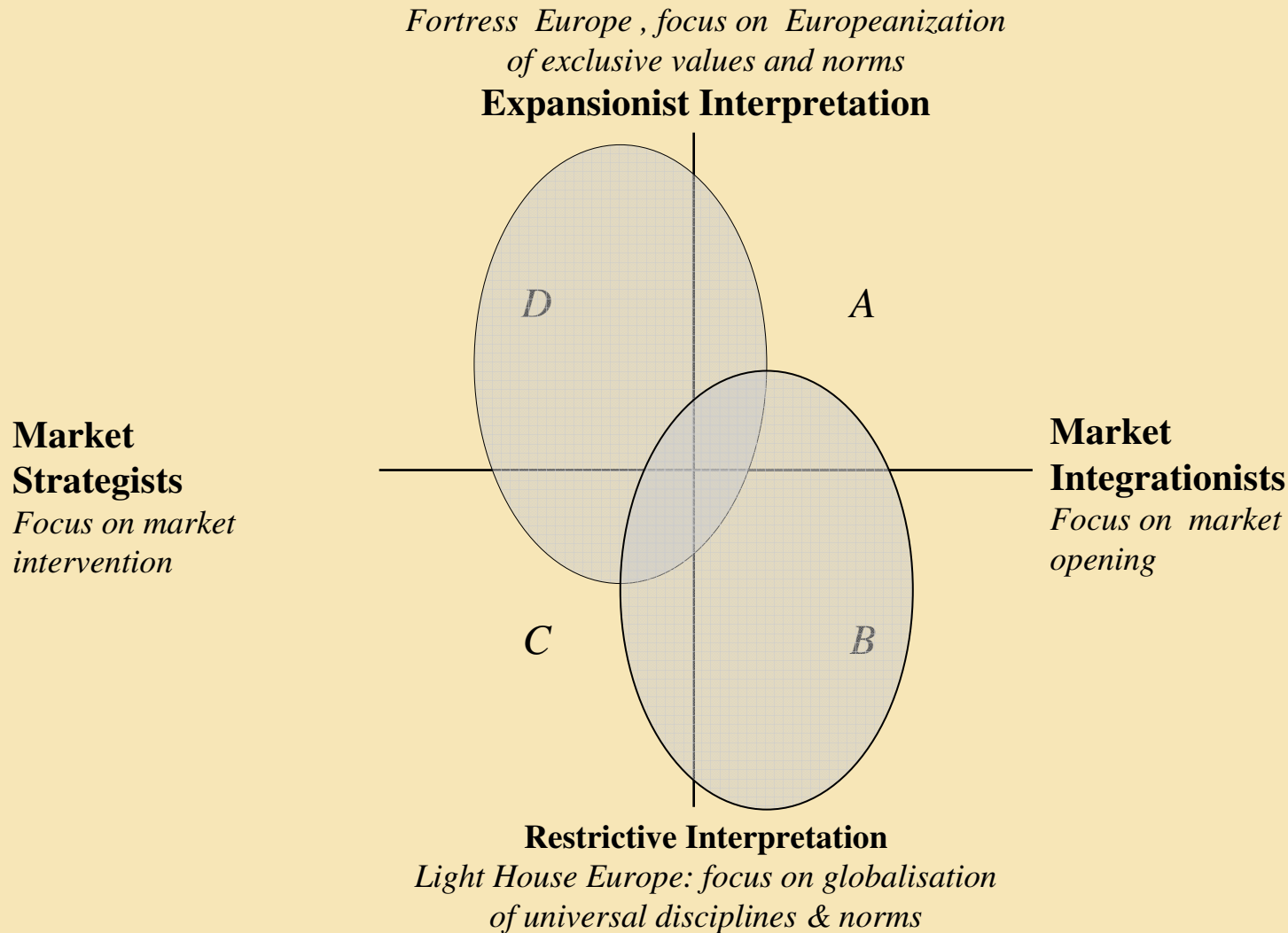
Trade amendment, Transit Protocol, Modernization



Russia's ECT withdrawal, Market rules v.s. Market demarcation

EU Lisbon Treaty

Fields of interpretation for a 'foreign energy policy'



Source: CIEP, forthcoming 2010