

SPEECH FOR OSCE EUROPEAN ENERGY SECURITY CONFERENCE

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Excellencies, ladies and gentlemen,

Like those before me today I would like to extend my sincere congratulations to the Government and people of Turkmenistan as they embark on their 21st year as an independent sovereign state. May I also thank the Ministry of Oil and Gas for providing such a magnificent and appropriate venue for today's discussions.

My thanks also to the OSCE and its officers who have brought about this important forum to discuss an issue that affects us all, whether we come from a producer, consumer or transit state, whatever our political conviction and whatever our economic circumstance. That issue, of course, being energy security. An issue that is now inexorably connected to climate change, its mitigation, and the impact that this is having on the way the world develops, from population shift to resource competition.

So, before I go on, I would like to make clear the UK's position on energy security and the work of the OSCE. We, of course, welcome the efforts of Lithuania in its Chairing role to facilitate this important debate, especially so as the organization brings together three groups that I have just mentioned – producers, transit and consumer states. And it is here where we see the real value being created, in the area of dialogue, especially through its high level promotion of both good governance and the parallel need for commercial and fiscal transparency, along the value chain.

That this meeting is taking place now and here in Ashgabat is very fortuitous, for not only are we at the cross-roads of the world, we are also at the crossroads in

terms of the future of our energy needs and how to address them. Possibly like no other time in our collective past, what is decided over the coming days and months will have impacts on our future in ways that would have seemed unimaginable a few decades ago. The traditional use of hydrocarbons is under review, and yet, paradoxically, we need them more than ever before. We need, therefore, not only to address energy demand and its security, but ensure that producers are also rewarded, while at the same time, all of us change our energy demand and supply mix. Not easy to explain, and certainly not easy to do!

And in this debate, Turkmenistan has a leading role to play, with its huge resources, open attitude and encouragement to foreign investors. But not only that, as I have already said, it too sits at the crossroads, able to supply China as readily and Europe, and Russia as readily as Iran. The critical factor here being timing, an issue that will affect the country as a producer, and especially the consumers in the market based economies of Europe. Why do I say this? Well, just as it is being established how vast the natural gas reserves of Turkmenistan are, so we are seeing the rise of unconventional gas across the world, a lot in what have been considered as prime natural gas markets, such as China and the US. We are also seeing an LNG expansion that will soon see carriers crossing via the Panama canal from the Atlantic to the Pacific and even floating LNG vessels that can move around the world's oceans accessing previously isolated and uneconomic reserves.

At the same time, we are also seeing an unexpected shift in domestic energy supply amongst some major consumers such as Japan and Germany, away from nuclear power following Fukushima. And if that were not enough, we are also seeing many advanced economies shifting the focus of their energy demand, away from traditional hydrocarbons, towards renewable and sustainable sources.

This, of course, is leading to the debate over whether gas becomes, as contend a 'transitional fuel' as countries move from high to low carbon dependence, or is it, as others say, a 'destination' fuel, . In either case, gas is at the centre of a move away from coal, or nuclear, in a switch that will enhance national energy security and which will provide the kind of reduction in carbon emissions that many states

are striving to reach, indeed to achieve the carbon emission reductions which are now mandatory in law in many countries.

What does this mean for us in this room? Well, I would contend it points to the necessity for even closer co-operation, the development of mutual understandings along the whole energy value chain, and the building of mechanisms to achieve equitable compensation and guaranteed energy supplies. This means continuing to develop and support a process that recognizes shifting demand patterns, accommodates new energy sources, and satisfies the needs of all participating nations. Above all that this economic well being and interdependence is recognized and delivered within the context of our collective need to address climate change issues.

So, not only does this mean closer co-operation, but greater trust based on transparency and good governance amongst all participants – from the producer companies, the resource owning nations and the countries that host the transit routes – all should benefit from the process, but not one at the expense of another. This is an approach that many countries, including the UK, and organizations such as the OSCE can support.

Indeed, here I should add another congratulation, that is to Turkmenistan where, on the 28th October, with full Governmental support, the first nation's first EITI meeting was held.

Excellencies, ladies and gentlemen, thank you for your attention. I am delighted to have been asked to share with you a few thoughts and I am also delighted to be in Ashgabat doing it on the 20th anniversary of Turkmen independence.