



Organization for Security and Co-operation in Europe

Strengthening Energy Security in the OSCE Area

Opening Session

Bratislava, 6-7 July 2009

OSCE Secretary General

Mr. Minister, Dear Miroslav,

Excellencies,

Ladies and Gentlemen,

I wish to thank the Slovak Ministry of Foreign Affairs for its hospitality and its support to this meeting. I would also like to congratulate the Greek Chairmanship of the OSCE and the Slovak Government for their initiative in organising this Conference. I express gratitude also to the Delegation of the United States for its financial contribution to the event.

I am particularly pleased to be here, because I believe the time has come to start defining what role the OSCE can have in strengthening energy security among its 56 participating states.

The OSCE has solid reasons to pay attention to the issue of energy security. Its basic concept is that of common and cross-dimensional approach to security. For the OSCE, real security requires politico-military co-operation, healthy economic and environmental governance, and the rule of law, democratic government and the protection of fundamental freedoms.

Crafted first in the 1975 Helsinki Final Act, this approach remains sharply relevant to the security challenges of the 21st century. This point was highlighted by many Foreign Ministers at last weekend's Informal OSCE Ministerial meeting at Corfu. Many underlined explicitly the importance of addressing more systematically the questions raised by energy security.

The OSCE brings together participating States that are key energy consumers, vital producers and important transit countries. There is growing interdependence among OSCE participating States in the energy sphere. On this basis, the participating States share a common interest in the reliability and stability of the energy supply chain.

The OSCE *Strategy Document for the Economic and Environmental Dimension*, adopted in Maastricht in 2003, provides a key reference point for our dialogue. As Minister Bakoyannis reminded us in her inaugural speech before the Permanent Council last January, the participating States committed themselves at Maastricht to ensuring a predictable, reliable, economically acceptable, commercially sound and environmentally friendly energy supply, achieved by means of long-term contracts where appropriate.

OSCE Foreign Ministers had taken another important step in 2006, with a decision to strengthen the role of the OSCE in promoting dialogue on energy security, including at the expert level. This dialogue was to involve producing, transit and consuming countries.

The need for enhanced political dialogue has been recognised, the moves towards the implementation of this objective have remained modest. We should thank Slovakia for this opportunity to address the issue by bringing together a very distinguished set of panellists.

We are well aware of the basic questions at stake. Over the longer term, the demand for energy will increase with the rising needs of the global economy. At

the same time, some of the energy resources that are most in demand will remain situated in regions remote from those of high energy use. Reference projections point to the doubling of net energy inter-regional trade by 2030, and, overall, the growth of energy consumption will continue to rely mainly on fossil fuels.

The security implications of this scenario are also clear. Rising demand and deepening trade will be accompanied by increased risks and the heightened consequences of possible disturbances -- such as disruptions of supply networks caused by natural disasters, technical problems, political instability or terrorist attacks.

Excellencies,

Ladies and Gentlemen,

The good news is that the dialogue on energy security has started in a number of other fora and that some international co-operation in this area is taking place.

In many ways, the G8 has set the pace. In 2007, the Saint Petersburg G8 Summit stressed the need for international co-operation in this field. A few weeks ago in Rome, G8 Energy Ministers recalled the necessity of stronger co-operation on energy policies and the need to build co-operative relationships beyond the G8 countries themselves.

The importance of energy security was underlined also during the High-level Conference held in Ashgabat on 23-24 April 2009. The Conference, which I had the honour of attending, was organised under the auspices of the United Nations General Assembly, at the initiative of the government of Turkmenistan. Discussions focused on such issues as the development of pipeline networks and the further promotion of international legal principles and instruments to ensure a reliable and stable transit of energy.

This was an important event, which the participating States may wish to take further for the Central Asian and Caspian Sea region. The event underlined once again that the importance of key energy suppliers in Central Asia – a region that will receive particular attention from the OSCE community in the context of the OSCE Chairmanship of Kazakhstan in 2010.

In this respect, one issue to be considered is the need to pay attention to the water/energy nexus, particularly for the Central Asia countries. The potential development of hydro-power capacities could be strongly enhanced through the development of the relevant legal framework.

I should add that in the context of the annual OSCE conference with Asian Partners for Co-operation, these partners underlined the importance of new, reliable and diverse sources of energy and transport routes, including through the construction of import terminals for liquefied natural gas. Clearly, energy is an important link between North America, Europe and Asia.

Excellencies,

Ladies and Gentlemen,

International society has been seeking to strengthen its governance by elaborating common rules, principles and institutions. As political commitments or as legally binding treaties, conventions and legal instruments, these rules and principles act as the cement for more stable and predictable international interaction and set the basis for more efficient co-operation.

The energy sphere is no exception. This is why the presence of key international organizations at this conference is so important. I am grateful for the active participation of Ambassador Mernier from the Energy Charter Secretariat who is in the forefront of creating a common legal framework for the energy industry. I believe, the Energy Charter Treaty has helped to build a solid basis for co-operation in the energy field, whose lessons and practices are worth careful

consideration. We are pleased to welcome also representatives from the United Nations Economic Commission for Europe, a long established partner with OSCE, as well as the International Energy Agency. I am also grateful for the presence of Ambassador Eriksson, representing the incoming EU Presidency, and of a representative of the new American administration.

One of the great strengths of the OSCE lies in the role that it can play in facilitating the creation of innovative networks for multi-faceted international co-operation on complex challenges. The OSCE can be useful in helping to raise the awareness of problems, and to explore new approaches for cooperation among its participating states, taking into account the possible contribution of all the actors in civil society. In this sense, this conference, initiated by Slovakia and Greece and organized with the assistance of the Secretariat, is a classic initiative for the OSCE.

The relevance of reviewing and further refining the existing legal tools in the energy sector to promote more security is one of the avenues that could be explored during our meeting.

If the OSCE were to play a role in this process, a consensus would have to be found among the participating states. Different perspectives are worth considering: over the medium term. Clarifying appropriate legal norms and principles can help to reconcile the interests of energy consumers and suppliers, transit countries and transnational companies. Such a process is vitally important for building solid relationships over time. The public and private sectors have complementary roles to play in defining legal instruments and making them work. Russian President Dmitry Medvedev has made important proposals in this area – we should see these ideas as an invitation to the opening of a genuine dialogue.

Allow me to mention a few other areas which deserve our careful attention in order to determine whether the OSCE could do some follow-up work.

First, strategic choices are continuously being made by governments and by the private sector on issues that affect the future and determine the predictability of the investment climate. For investors, who must commit significant resources over the long term – whatever the current state of markets - this requires solid commitments and stable, trust-based relationship between all concerned actors at all stages of the exploration, production, and transportation and distribution cycle.

This question is particularly relevant in the context of the current economic crisis. We could ask ourselves whether there is a need for regular reviews and stocktaking on these issues. Would it be useful to consider where the trends are leading us, whether bottlenecks or new vulnerabilities may be shaping up? Meetings at regular intervals could be helpful in this regard in an early warning mode and to help address emerging difficulties.

The OSCE does not have on its own the expertise to contribute to these areas, but it can act as a clearinghouse for analysis and perspectives prepared by other organisations and relevant actors. The OSCE can provide a platform for bringing together expert advice and for facilitating political debate. This would fall within the scope of the enhanced dialogue on pan-European security that Ministers called for in Corfu.

A session of this conference is devoted to my next point. This is that the improvement of energy efficiency is the first tool to reduce the dependence on fossil fuels and to tackle the consequences of climate change. I remind you in this respect that environmental good governance is an important part of the OSCE's comprehensive approach to security. How can the OSCE complement other initiatives in this field? Could it focus on the specific needs of some emerging economies? Is there room for the exchange of best practices on questions of energy efficiency?

For the OSCE, considered and practical dialogue is the most important way to improve the quality and the reliability of energy security, which remains, in essence,

a win-win equation. The economy broadly dislikes both instability and unpredictability; producers require long-term guarantees in order to plan income and investments, while consumers need strategic reliability in order to guarantee growth and development.

At its heart, energy security is a classic cross-dimensional challenge, and as such, it should remain a core issue for the OSCE. As this Conference shows, the Organization can provide a unique platform for dialogue among the participating States, with other organisations and bodies, and including the private sector, and experts – indeed, all actors engaged in the energy security equation.

I look forward our discussions.

Thank you.