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ECONOMIC COMMISSION FOR EUROPE

COMMITTEE ON SUSTAINABLE ENERGY

Seventeenth session
Geneva, 19–21 November 2008
Item 3 of the provisional agenda

**ENERGY SECURITY DIALOGUE:
STRATEGIC ALLIANCES FOR ENERGY SECURITY**

Note by the secretariat

I. MANDATE

1. At its sixty-second session held in April 2007, the Economic Commission for Europe recommended that an enhanced technical dialogue on energy security be conducted during the annual sessions of the Committee on Sustainable Energy with the participation of representatives of governments, energy industries, the financial community and relevant international organizations. During its sixteenth session in November 2007, the Committee held the first one-day dialogue on “Investing in and Financing the Hydrocarbon Sector to Enhance Global Energy Security”.

2. At the conclusion of that session, the Chairman issued a Summary of the deliberations on “Investing in Energy Security Risks Mitigation” (ECE/ENERGY/76, Annex I) in which participants noted that the following initiatives be undertaken:

(a) The objectives, activities and results of intergovernmental programmes on energy security conducted by international and supranational organizations and associations be presented to the next session of the UNECE expert dialogue on energy security to take place during the seventeenth session of the Committee on Sustainable Energy.

(b) The secretariat, together with interested national and international experts, should undertake the following:

(i) A study of how energy security risks are perceived by decision-makers in governments, energy industries, the international financial sector and international and supranational organizations and associations;

(ii) An analysis of how policy measures to promote sustainable energy development can enhance energy security;

(iii) An appraisal of the use of statistical indicators to measure the energy vulnerability of UNECE member States;

(vi) An assessment of the complementarities between the energy security strategies of different UNECE subregions.

3. The Committee requested the secretariat to issue a publication on “Investing in Energy Security Risk Mitigation” in English, French and Russian based on the reports, presentations and deliberations of the special session on energy security. It also requested the secretariat to report on progress achieved and the initial results of these studies to the seventeenth session of the Committee on Sustainable Energy (ECE/ENERGY/76, para. 18).

II. RECENT DEVELOPMENTS

4. In response to these requests and in accordance with relevant mandates, the following initiatives have been undertaken by the selected intergovernmental bodies and the secretariat together with interested national and international experts. The intention is to examine perceptions of energy security risk, analyse the impact of sustainable energy policies on energy security risk mitigation and determine the potential contribution of international cooperation.

A. International Organizations

5. The international and supranational organizations and associations dealing with energy security in the UNECE region have been invited to present their objectives, activities and results of intergovernmental programmes to the seventeenth session of the Committee.

B. Assessing the Perceptions of Energy Security Risk

6. The assessment of how energy security risks are perceived by governments, energy industries, the international financial sector and relevant international organizations will be undertaken by a Delphi Study of experts. The design and iterative information solicitation process will be coordinated by the UNECE secretariat with the assistance of the National Opinion Research Centre, University of Chicago (United States), which has extensive experience in this research technique. The study will compare and contrast the perception of energy security risk from the point of view of governments in energy exporting countries and importing

countries, energy industries, banks, the financial community and specialized international organizations working in this field. This activity is being carried out with the extrabudgetary financial support of the European Business Congress B.V. (EBC) and with the assistance of the EBC Energy Committee.

C. Sustainable Energy Policies to Enhance Energy Security

7. The analysis of the impact of sustainable energy policies, technologies and management practices on diminishing energy security risk will examine the medium to long-term consequences of policies to promote energy efficiency, renewable energy technologies, clean electricity production, inter-fuel substitution and methods of assessing global energy reserves and resources. Each of these issues is covered by the subsidiary bodies of the UNECE Committee on Sustainable Energy that work on natural gas; cleaner electricity production for coal and other fossil fuels; coal mine methane; fossil energy reserves and mineral resources; and energy efficiency.

8. Under the supervision of the UNECE secretariat a contractor, Taylor DeJongh, Washington DC, will undertake the study, soliciting the views, guidance and information of experts participating in the subsidiary expert groups of the Committee on Sustainable Energy. Interested representatives of governments, energy industries, financial institutions and international organizations will equally be solicited for their contribution to the analysis. This activity is being carried out with the extrabudgetary financial support of the European Business Congress B.V. and with the assistance of the EBC Energy Committee.

D. Indicators of Energy Vulnerability

9. During the sixteenth session, the World Energy Council (WEC) gave a presentation on a WEC study, "Europe's Vulnerability to Energy Crises". The presentation focused on multi-dimensional indicators of energy vulnerability comprising, inter alia, the following factors: energy dependency, costs of energy imports, price volatility, exchange rates, technology, international relations, political and regulatory influence, energy storage and energy transport infrastructure. Worked examples were given for West European, East European and North American countries.

10. Following consultations with the secretariat, the WEC secretariat has confirmed that indicators of energy vulnerability could be generated for UNECE member States by selected WEC Member Committees for presentation at the Committee on Sustainable Energy's annual energy security dialogue. The indicators would provide a statistical basis for the dialogue to enhance the level of policy cooperation among member States based on international and time-series comparisons.

E. Complementary Energy Security Strategies

11. Delegations at the sixteenth session in 2007 expressed an interest in the exploring the complementary nature of government energy security strategies of different subregions within the UNECE region. The current session provides for an exchange of views among government

energy security advisers on this topic. This initiative, in particular the mutuality of interest in gas savings and energy efficiency policies of energy exporting countries and importing countries, has also been considered by the Working Party on Gas and the Steering Committee of the Energy Efficiency 21 Project.

12. At its eighteenth session in January 2008, the Working Party on Gas decided to extend the Study on Gas Saving to Reduce Natural Gas Demand and Enhance Energy Security with an assessment of the liberalization of the natural gas markets on gas demand and prices, requesting the assistance of EUROGAS to work in cooperation with PROMGAZ (Russian Federation).

13. At its nineteenth session in May 2008, the Steering Committee of the Energy Efficiency 21 Project held a conference on “International Cooperation on Energy Efficiency: Working Together for a Low-Carbon Economy” organized in close cooperation with the Energy Charter and the International Energy Agency. The Steering Committee welcomed the proposal from that conference to launch a new producer consumer dialogue on energy efficiency and energy security which could help address global climate change (ECE/ENERGY/WP.4/2008/2, para. 24).

14. The strategic interest of energy importing countries is for exporting countries to produce and use hydrocarbons as efficiently as possible. There is a vast potential for energy efficiency improvements which can be implemented very quickly, cheaply and reliably. The East European market for energy efficiency projects with a payback period of less than five years is estimated to be between US\$ 5 and 10 billion. Western importing countries have the technology, management practices and experience in financing efficiency improvements. Revenues from increased oil and gas availabilities and exports could be used to repay investments.

15. By improving their energy efficiency, the Russian Federation and Central Asian energy exporting countries could reduce domestic energy consumption, thereby generating greater energy availabilities for increased exports which could enhance security of supply in importing countries. At the same time, efficiency improvements could help raise industrial productivity and reduce environment air pollution including greenhouse gas emissions.

16. “Increasing Energy Efficiency for Secure Energy Supplies” is a new Energy Efficiency 21 project activity to promote the development of energy efficiency investments projects designed to reduce the domestic consumption of hydrocarbons in the Russian Federation, Kazakhstan and other Central Asia energy exporters, in order to produce greater natural gas and petroleum exports. This activity is being carried out with the extrabudgetary financial support of the Ministry of Foreign Affairs of the Russian Federation.

F. Investing in Energy Security Risk Mitigation

17. The publication on “Investing in Energy Security Risk Mitigation” based on the reports, presentations and deliberations of the 2007 special session on energy security will be presented in English to the 2008 session. The English, French and Russian language versions of this publication will be issued in 2009.

III. FUTURE ACTIVITIES

18. The Committee may wish to take the following initiatives to develop the energy security dialogue within its programme of work.

A. International Organizations

19. The international organizations dealing with energy security could be invited to organize a joint working session on international cooperation for mitigating energy security risks during the Committee's eighteenth session.

B. Assessing the Perceptions of Energy Security Risk

20. The Committee on Sustainable Energy government delegations, energy industry, financial sector and international organisation participants may wish to appoint experts to participate in the Delphi Study on the assessment of perceptions of energy security risks.

C. Sustainable Energy Policies to Enhance Energy Security

21. The Committee on Sustainable Energy government delegations, energy industry, financial sector and international organisation participants may wish to participate directly in the analysis of how sustainable energy policies can enhance energy security.

D. Indicators of Energy Vulnerability

22. The Committee may wish to request the secretariat to conclude an agreement with the World Energy Council to generate indicators of energy vulnerability for UNECE member States by the WEC for presentation each year at the Committee's annual energy security dialogue.

E. Complementary Energy Security Strategies

23. Interested governments, energy industries, financial institutions and international organizations may wish to participate in the Study on Gas Saving to Reduce Natural Gas Demand and Enhance Energy Security and the project on Investing in Energy Efficiency for Secure Energy Supplies, and provide financial or in kind support for implementing these projects.
