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Committee on Sustainable Energy

Nineteenth session

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Item 5 (a) of the provisional agenda

Review of activities of the subsidiary bodies of the committee

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Energy security dialogue

Note by the secretariat

I. Mandate

1. During its eighteenth session in November 2009, the Committee held the third one-day dialogue on “Energy Security and the Financial Crisis” to examine the impact of the financial crisis on energy infrastructure investment and how energy companies and Governments were reacting to energy security risks. The session brought together key experts from Governments, energy industries, the financial community and relevant international organizations. Executives from major energy companies, such as Gazprom, E.ON Ruhrgas AG, ENI S.p.A., Statoil ASA and PG&E, actively participated in the dialogue.

2. Participants stressed the relevance of the role of Governments, in particular their economic stimulus plans and their measures in support of energy industries to prevent underinvestment in energy infrastructure. Based on the discussion, the Committee *recommended* that:

(a) For the Committee’s nineteenth session, international organizations dealing with energy security jointly organize the Energy Security Dialogue and a publication issued in three languages (English, French and Russian) on Energy Security Cooperation on the basis of the paper presented during the eighteenth session of the Committee (ECE/ENERGY/2009/2);

(b) Government delegations, energy industry, financial sector and international organisation participants appoint experts to participate in the Delphi Study on the assessment of perceptions of energy security risks;

(c) Government delegations, energy industry, financial sector and international organisation participants engage directly in the analysis of how sustainable energy policies can enhance energy security;

(d) The secretariat and the World Energy Council assess the indicators being developed under the terms of the ECE – WEC Memorandum of Understanding to:

- (i) measure the vulnerability of ECE member States to energy crises;
- (ii) compare the energy vulnerability of member States with one another;
- (iii) assess the energy vulnerability of member States over time;
- (iv) appraise how energy vulnerability indicators can enhance the Energy Security Dialogue;
- (v) analyse the resource requirements for applying energy vulnerability indicators for all ECE member states;
- (vi) report the outcome of this assessment to the nineteenth session of the Committee on Sustainable Energy.

(e) The Energy Security Dialogue focus on the energy security implications of gas infrastructure in the ECE region with the participation of interested governments, energy industries, financial institutions and international organizations.

II. Recent developments

3. 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.

A. International organizations

4. During the 2009 Energy Security Dialogue, participants noted that with the growing complexity of the hydrocarbons market, some companies had adopted corporate strategies that include greater dialogue and cooperation with governments, intergovernmental processes and international organisations. At the same time, governments and energy industries alike were seeking new or modified legally binding agreements and institutional arrangements for international energy cooperation.

5. Participants in the 2009 Energy Security Dialogue, considered a note by the secretariat on the objectives and work programmes of international organisations dealing with energy security (ECE/ENERGY/2009/2). During that session, senior representatives of the following organisations presented relevant activities: International Energy Forum, World Energy Council, International Energy Agency, Energy Charter, Organisation for Security and Cooperation in Europe, Central European Initiative, International Atomic Energy Agency, Energy Community, G8 Energy Ministers 2009 Meeting and UN Economic Commission for Europe.

6. In order to better understand how international cooperation on energy security is pursued by different international organisations and what gaps, if any, could be identified in these activities, the Committee requested an expanded review to provide more information and cover additional organisations. The review of international organizations dealing with energy security has been issued as ECE Energy Series No. [38] entitled 'Energy Security Cooperation' (ECE/ENERGY/ [82]) covering the Energy Charter, Energy Community, Gas Exporting Countries Forum, International Atomic Energy Agency, International

Energy Agency, International Energy Forum, Organisations for Petroleum Exporting Countries, Organisation for Security and Cooperation in Europe, European Union, UN Economic Commission for Europe, European Business Congress, European Union of the Natural Gas Industry, International Gas Union, Union of Electricity Industry, World Coal Institute and World Energy Council.

7. Since the 2010 Energy Security Dialogue focuses on Energy Security and Gas Infrastructure, key national delegations and international organisations dealing with the relations between gas producers, consumers and transit countries have been invited to participate in the nineteenth session of the Committee on Sustainable Energy under provisional agenda item 4 'Cooperation and coordination with other intergovernmental and non-governmental organisations'. They will have the opportunity to consider the conclusions contained in the review of 'Energy Security Cooperation' and make recommendations for future activities.

B. Assessing the perceptions of energy security risk

8. The assessment of how energy security risks are perceived by governments, energy industries, the international financial sector and relevant international organizations is being undertaken by a Delphi Study of experts. The design and iterative information solicitation process is being coordinated by the ECE secretariat with the assistance of the National Opinion Research Centre, University of Chicago (United States of America), which has extensive experience in this research technique. The study has been designed to 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.

9. It is based on questionnaires and scenarios of energy security risks prepared with the assistance of experts from the Russian Federation, United Kingdom and the United States of America. Initial questionnaires for net energy importing countries and energy exporting countries have been designed and tested in cognitive telephone interviews. The web-based Delphi Study survey questionnaire has been completed based on the responses during the expert interviews. The Delphi Study survey poses questions to respondent arrayed five scenarios: (1) Revised Reserve Estimates, (2) Legislative and National Protectionism, (3) Economic Growth, (4) Geopolitical Conflict and (5) a Combination of factors in the preceding scenarios. An initial round of web-based responses has been assimilated by the Delphi Study facilitator and circulated to respondents for their reappraisal. Once this pilot round of questions, responses, reappraisals and evaluation has been completed, the Delphi Study web-based survey will be ready for full scale deployment to experts from governments, energy industries, financial institutions and relevant international organisations. This activity is being carried out with the extra-budgetary financial support of the European Business Congress e.V. (EBC) and with the assistance of the EBC Energy Committee.

C. Sustainable energy policies to enhance energy security

10. The analysis of the impact of sustainable energy policies, technologies and management practices on diminishing energy security risk examines 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 ECE Committee on Sustainable Energy that work on natural gas; cleaner

electricity production for coal and other fossil fuels; coal mine methane; fossil energy and mineral reserves and resources; and energy efficiency.

11. Under the supervision of the ECE secretariat a contractor, Taylor DeJongh, Washington DC, has begun the analysis with a quantitative analysis of energy security risks. This reviews the energy demand forecasts and risks for the ECE region for North America, Europe and the Russian Federation. It examines the type of risks involved, duration of the risk, impact on the ECE region and what the public sector and private sector can do to mitigate these risks. The analysis will develop further the potential impact of sustainable energy policies to mitigate energy security risks. Interested representatives of governments, energy industries, financial institutions and international organizations will be solicited for their contribution to the analysis. This activity is being carried out with the extra-budgetary financial support of the European Business Congress B.V. and with the assistance of the EBC Energy Committee.

D. Indicators of energy vulnerability

12. While activities described under Section B above are designed to analyses decision-makers perceptions of energy security risk, these perceptions need to be compared and contrasted with an objective empirical evaluation of the energy vulnerability of economies of ECE member States. In order to do this, the Committee requested that a Memorandum of Understanding be established with the World Energy Council (WEC) to cooperate on measuring energy security risks. The WEC has developed indicators of energy vulnerability¹ are multi-dimensional indicators that comprise, inter alia, factors such as energy dependency and diversity of supplies, costs of energy imports, price volatility, energy storage and energy transport infrastructure. Ultimately, the indicators are to provide a statistical basis for the dialogue to enhance the level of policy cooperation among member States based on international and time-series comparisons. The methodology and application to a selection of countries has been summarised in a document on Indicators of Energy Vulnerability (ECE/ENERGY/2009/3) During the nineteenth session of the Committee, the secretariat and WEC experts will present an evaluation of the work methods and costs of using the WEC indicators for the Energy Security Dialogue on a continuous basis.

E. Complementary energy security strategies

13. Delegations at the sixteenth session of the Committee in 2007 expressed an interest in the exploring the complementary nature of government energy security strategies of different sub-regions within the ECE 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 natural gas market regulation, 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.

¹ See 'Europe's Vulnerability to Energy Crises', World Energy Council, London, United Kingdom, 2008 and the ongoing WEC Global Assessment Study on Energy Policy & Practices (www.worldenergy.org/studies).

14. At its twentieth session in January 2010, the Working Party on Gas reviewed progress on the study on the liberalization of the natural gas markets on gas demand and prices in the ECE region with the assistance of EUROGAS to work in cooperation with PROMGAZ from the Russian Federation (ECE/ENERGY/WP.3/2010/2). A first version of the study was to be completed during 2010. In addition, the Working Party on Gas launched a new study on the Development of Efficient Mechanisms for the Natural Gas Market Regulation in the UNECE Region. A provisional study structure has been established at expert meetings held in Moscow and Geneva. The current status of the study will be presented to the nineteenth session of the Committee.

15. At its twenty-first session in June 2010, the Steering Committee of the Energy Efficiency 21 Project reviewed progress on “Increasing Energy Efficiency for Secure Energy Supplies”, a project activity to promote the development of energy efficiency investment projects designed to reduce the domestic consumption of hydrocarbons in the Russian Federation, Kazakhstan and other Central Asian energy exporters, in order to produce greater natural gas and petroleum exports. In implementing this project, two reports are under preparation entitled: ‘Cooperation of the CIS Countries in Enhancing Energy Savings and Improving Energy Efficiency for Secure Energy Supplies’ and ‘Prospects for Energy Efficiency Improvements in the Production and Transportation of Natural Gas and Petroleum in the CIS Energy Exporting and Importing Countries’. This activity is being carried out with the extra-budgetary financial support of the Russian Federation (ECE/ENERGY/WP.4/2010/2).

III. Future activities

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

A. International organizations

17. The review of international organisations entitled ‘Energy Security Cooperation’ contains conclusions on the objectives and activities of International Governmental Organisations, International Non-governmental Organisations and more broadly on International Cooperation on energy security itself. During the nineteenth session, delegations will have the opportunity to consider, in particular, international cooperation on gas and gas infrastructure. The Committee may wish to address its recommendations for follow-up activities to be pursued under its 2011 Energy Security Dialogue, the Working Party on Gas and the Gas Centre.

B. Assessing the perceptions of energy security risk

18. 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

19. 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

20. The Committee may wish to request the secretariat and the World Energy Council to develop and implement an annual Energy Vulnerability Survey based on the WEC indicators of energy vulnerability under a new ECE – WEC Memorandum of Understanding. The results of an initial survey would be presented to the twentieth session of the Committee.

E. Complementary energy security strategies

21. Interested governments, energy industries, financial institutions and international organizations may wish to participate in the Study on the Development of Efficient Mechanisms for the Natural Gas Market Regulation in the UNECE Region and the project on Increasing in Energy Efficiency for Secure Energy Supplies, and provide financial or in kind support for implementing these projects.
