



Economic and Social Council

Distr.: General
7 September 2011

Original: English

Economic Commission for Europe

Committee on Sustainable Energy

Twentieth session

Geneva, 16-18 November 2011

Item 6 of the provisional agenda

Review of the work of the Committee and its subsidiary bodies after the 2005 ECE Reform

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Energy security dialogue

Note by the secretariat

I. Mandate

1. During its nineteenth session in November 2010, the Committee held the fourth one-day dialogue on “Energy security and gas infrastructures”. The committee focussed on gas resources and international energy cooperation with presentations from government officials, executives and strategic planners from major energy companies involved in gas resources and infrastructure, including unconventional gas resources. The discussion also explored possible development of new or modified agreements and institutional arrangements for international energy cooperation, and the role of the Committee in the United Nations Economic Commission for Europe (UNECE) and the UN system in contributing to a more stable international cooperation to secure affordable and sustainable energy.

2. Participants recognized that the financial and economic crisis introduces uncertainty for demand recovery and infrastructure investments that affects energy security in the region. Energy sector investments are closely related to the gas infrastructure development and to the role of gas in the energy mix.

Based on the discussion, the Committee recommended that:

(a) Government delegations and international organizations continue jointly to organize the Energy Security Dialogue. Specific topics and modalities of organisation of the Energy Security Dialogue shall be determined by the Bureau of the Committee with the support of the Secretariat;

(b) the secretariat strengthen cooperation with the other UN Regional Commissions and the UN system. In particular this should be done with UNDESA and through the UN-Energy process. Experience and best practice from the UNECE region should be conveyed to other regions of the world. This cooperation is instrumental to the commitments to reduce energy intensity and improve energy security through global processes;

(c) government delegations, energy industry, financial sector and international organizations that have participated in the Delphi study on the assessment of perceptions of energy security risks and in the analysis of how sustainable energy policies can enhance security continue with a comprehensive Energy Security Risks Perception Survey;

(d) the secretariat and the World Energy Council apply the developed energy vulnerability indicators to measure the vulnerability of UNECE member States to energy crises and identify trends. The Energy Security Dialogue will be informed regularly;

(e) The secretariat, after having carried out a consultation of Member States, and in concertation with the Bureau, shall consider convening an informal intergovernmental group of experts, open to participation of UNECE and non-UNECE Member States and relevant international organizations, to study recent initiatives regarding the need for elaboration of new international legal mechanisms aimed at ensuring energy security, including through stable and reliable transit of energy materials and services, which would regulate in a mutually-beneficial way, rights and obligations of, and cooperation among the producer, consumer and transit countries. The group, if convened, in its deliberations may wish to take into account existing legal instruments such as the Energy Charter Treaty and relevant work carried out by other international organizations. Should a group be convened, its findings, including proposals on possible further steps could be presented to the Committee at its 20th Session.

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 2010 Energy Security Dialogue, participants reiterated that, in light of the growing complexity of hydrocarbon markets, some companies had adopted corporate strategies that include greater dialogue and cooperation with governments, intergovernmental processes and international organisations.

5. Participants in the 2010 Energy Security Dialogue, considered possible ways and means to strengthen the cooperation of the Committee. During the 19th Committee session in 2010, senior representatives of the following organisations actively participated in the discussion: the United Nations Conference on Trade and Development (UNCTAD), United Nations Department of Economic and Social Affairs (UNDESA), International Atomic Energy Agency (IAEA), International Labour Office (ILO), European Commission, Energy Charter Secretariat, International Energy Agency (IEA), and the Organization for Security and Cooperation in Europe (OSCE).

6. Within the context of the Memorandum of Understanding (MoU) between the secretariat of the OSCE and the secretariat of the UNECE signed in 2004, the UNECE supported the review of implementation of OSCE commitments in the economic and

environmental dimension, including in the field of energy, with a background paper focussed on energy efficiency for the OSCE Prague Forum on 14–16 September 2011.

7. Since the 2011 Energy Security Dialogue focuses on Securing Affordable and Sustainable Energy, key national delegations and international organisations dealing with the relations between gas producers, consumers and transit countries have been invited to participate in the twentieth 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.

8. Regarding the proposals to convene an informal intergovernmental group of experts, to study initiatives regarding the need for elaboration of new international legal mechanisms, the Committee's recommendations have been fully superseded by the discussions at the Executive Committee of the UNECE, and the topic is in the hands of that body. The proposal as it stands is that, if member states so wish, UNECE would gather an informal intergovernmental group of experts to conduct a series of working meetings focused on upstream, midstream, and downstream issues and to assess both how the issues are covered in existing structures and whether they are covered adequately. The process would not involve negotiations, which is the proper domain of the Energy Charter platform, and in any case would be closely coordinated with the Energy Charter Secretariat.

B. Assessing the perceptions of energy security risk

9. 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 study has not yet been launched, but will be coordinated by the UNECE secretariat with the assistance of the National Opinion Research Centre, University of Chicago (United States of America) 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.

10. The study, when launched, will be 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 were designed and tested in cognitive telephone interviews. The web-based Delphi Study survey questionnaire was completed based on the responses during expert interviews. The Delphi Study survey poses questions to participants on five topics: (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 was integrated by the Delphi Study facilitator and circulated to respondents for their reappraisal. The Delphi Study web-based survey is 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. Indicators of energy vulnerability

11. 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 UNECE 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)

D. Complementary energy security strategies

12. The current session of the Committee provides for an opportunity to exchange views among government and companies on energy security topics with a view of working together on securing affordable and sustainable energy. This enhanced perspective has also been considered by the Working Party on Gas and the Steering Committee of the Energy Efficiency 21 Project.

13. At its twenty-first session in January 2011, 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 GazProm PROMGAZ from the Russian Federation (ECE/ENERGY/WP.3/2010/2). A first draft of the study was completed in early 2011 and is being edited.

14. At its twenty-second session in April 2011, 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’.

III. Future activities

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

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).

A. International organizations

16. 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 twentieth session, delegations will have the opportunity to consider, in particular, international cooperation for securing affordable and sustainable energy. The Committee may wish to address its recommendations for follow-up activities to be pursued under its 2012 Energy Security Dialogue, the Working Party on Gas and the Gas Centre.

B. Assessing the perceptions of energy security risk

17. The Committee on Sustainable Energy government delegations, energy industry, financial sector and international organisation participants may wish to recommend formal launch of the Delphi Study on the assessment of perceptions of energy security risks.

C. Sustainable energy policies to enhance energy security

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

D. Indicators of energy vulnerability

19. 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 UNECE – WEC Memorandum of Understanding. The results of the survey would be posted to the UNECE website and presented to the twenty-first session of the Committee.

E. Complementary energy security strategies

20. 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.
