



Economic Commission for Europe

**EMERGING GLOBAL ENERGY
SECURITY RISKS**

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ENERGY SECURITY FORUM

- **Launched in November 2003**
 - 3-year mandate, extended for 1 year
- **Outputs & products**
 - 2 High Level meetings, CD-ROMs & DVD
 - Experts' working meetings
 - Global study
 - Report on Caspian Sea region
 - Findings transmitted by private sector members to host of 2006 G8
- **Publication**



PUBLICATION

- **Conclusions and Recommendations**
 - ESF Members
- **Introduction/ global overview**
 - Secretariat
- **European Union perspective**
 - Chris Lambert
- **Eastern perspective**
 - Yury Ushanov/ Andrei Kokoshin
- **North American perspective**
 - Terry Newendorp
- **Caspian Sea Region**
 - Secretariat with Member States

Secretariat takes full responsibility



KEY CONCERNS

- **Growing import dependency/high prices**
- **Concentration of hydrocarbon production/ reserves**
- **Restricted access to reserves for private firms**
- **Over reliance for supplies on some countries**
- **Future contribution of Caspian Sea region**
- **Diversification of transport routes and other transit issues**
- **Demand-oriented oil market disturbance**
 - **Competition from Asian countries**



REASONS FOR ENERGY TENSIONS

- Changing Eurasian political landscape
- Unease about 2 short supply disruptions -2006 & 2007- of Russian deliveries in Europe
- Fundamental differences in views re: energy security, role of the market & governments
- Major transformation of electricity and gas industry
- Reciprocity; Access to upstream & downstream
- Competition for geo-political influence
 - Perceived shift in bargaining power to producers
 - Strategic and foreign policy issue



SITUATION IN EUROPEAN UNION

- **Significant market & industry restructuring**
 - Uncertainties regarding unbundling, regulatory regimes, etc.
- **Difficulties to forge common energy policy**
 - Divergent energy mix, access to resources, asymmetric interests
- **Multiplicity of objectives/goals (liberalization, energy security, climate change)**
- **Export of acquis communautaire**
- **Energy becoming part of foreign policy**



SITUATION IN RUSSIAN FEDERATION

- **Some roll-back of post-1990 measures**
 - Partially to correct excesses (privatization)
 - Partially to maximize benefits to country
- **Strong state ownership and influence**
 - Particularly regarding export markets
- **Constraints on foreign ownership/investment**
- **Market principles on exports to CIS countries**
- **Looking for external market opportunities, including downstream**
- **Trend opposite to EU on market opening**
 - More centralized government approach

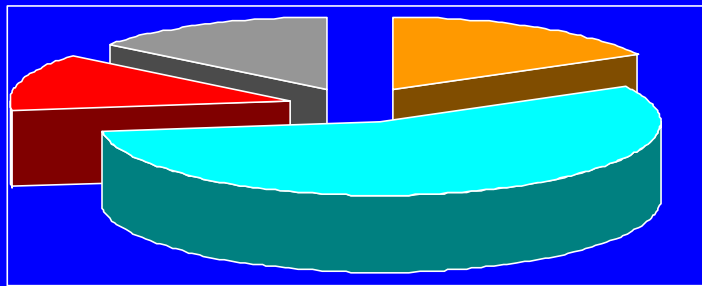


INTERDEPENDENCE

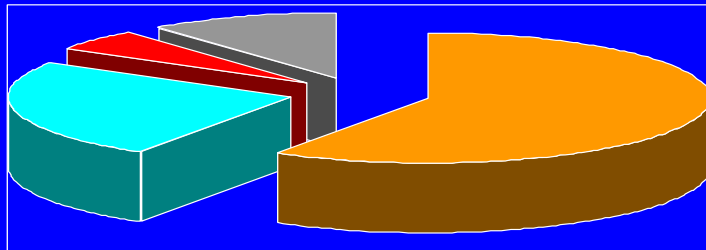
EU & Russia

Hydrocarbons

% Production*



% Consumption



■ EU ■ Russia ■ Caspian ■ Other

* % of total Europe + Eurasia

- **EU import dependency**
 - Total energy: 50%
 - Oil: 80%
 - Natural gas: 55%
- **Russian deliveries as % of total EU imports**
 - Oil: 30%
 - Natural gas: 40%
- **80% of Russian gas exports to EU (outside CIS)**

Source: BP, Eurostat



IMPORTANCE OF ENERGY **TO RUSSIAN FEDERATION**

- **Percentage of production exported:**
 - 50% of crude oil
 - 40% of petroleum products
 - 30% of natural gas
 - 25% of coal
- **Energy accounts for about 55% of total export revenues**
- **Oil and gas activities provide about 50% of federal budget revenues**



SITUATION IN NORTH AMERICA

- **Greater reliance on market solutions**
- **Complemented by regulatory structures**
 - Multiplicity of regulations/standards
 - Fragmentation, lengthy procedures
- **Growing oil import dependency**
 - Mitigated only partially by Canadian tar sands
- **Growing import demand for LNG**
 - Regasification terminals an issue
- **Abundant coal reserves / 50% of electricity**
 - Environmental concerns



CASPIAN SEA COUNTRIES*

- Potential for increased hydrocarbon prod. & exports (world share from 2 to 3%)
- Region subject to geo-political competition
- Competition for transport capacity/routes
 - Bosphorus straits congested
 - Pipelines
 - through Russia
 - through Caucasus via Turkey to southeast Europe
 - east to China, India
- Legal territorial framework lacking
- Political differences hamper cooperation

* Azerbaijan, Kazakhstan, Turkmenistan, Uzbekistan



CONCLUSIONS

- **Heightened concern over energy security**
 - Ascertain appetite for energy security risk
- **Swing in pendulum towards statism**
- **EU – Russian tensions over energy**
 - EU trying to forge common energy policy, liberalize markets & enhance bargaining power
 - Russia trying to increase its influence
 - Difference in views
- **Increasing element of foreign policy**
 - Or, distorting foreign policy



RECOMMENDATIONS

- **Better mutual understanding/reinforcing interdependence (producer-consumer dialogue)**
- **Range of policy measures**
 - Promoting diversification
 - Remove of barriers to trade & investment
 - Conducive investment & regulatory environment
 - Fair and stable fiscal regimes
 - Development of new technologies
- **Multilateral expert dialogues**
 - Information sharing & transparency
 - Infrastructure investment & financing
 - Legal, regulatory and policy issues
 - Norms, standards & practices
 - Burden sharing

