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“The Role and Significance of the Energy Policies of the Russian Federation within the overall context of Energy Security for the UNECE Region”

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Energy cooperation has taken one of the central places during sixty years of UNECE's existence. Therefore it is no chance that energy issues as one of the key directions of the Commission's sectoral activities are reflected in today's anniversary session agenda. Activities of the Commission and of its Sustainable Energy Committee has always been geared towards joining the efforts of all the member-states for the sake of sustainable and reliable energy supplies of its countries. Russia has taken and shall continue to take most active part in these activities.

In course of these years the Sustainable Energy Committee and its structures have become a platform for exchange of opinions on various energy problems, such as energy efficiency, gas supplies, fossil fuels, coal bed methane, electric power. One of the areas is energy security which, in our opinion, is the key issue of the modern energy. This is why Russia raised this problem last year under our G8 presidency.

In 2003 Russia had supported establishment of a global security forum within UNECE system. The study made in this forum concerning new energy security risks was then used when putting together the global energy security Action Plan, to be approved at the St.Petersburg G8 Summit.

The Plan was a result of work done at the initiative of Russia, as a rule, in multilateral format. The year 2006 proved the efficiency of a multilateral dialogue in the energy field.

Although the growth in numbers of communicative platforms where energy problems – by geographic or industry principle – are discussed, is not always valued positively, we do believe that emergence of new discussion platforms is a positive phenomenon. This situation allows us to structure the issues contained in the G8 Declaration and in the Action Plan, and to reach concrete solutions considering specifics of each segment of the global energy.

In this sense, the recent Gas Exporting countries Ministerial Meeting in Qatar serves as one of the examples how to structure the issues in a specific gas industry. At this forum Russia came forward with an initiative to establish a High-level committee to prepare the next such

meeting. One of the key tasks faced by the Committee is to start the work to study gas markets in terms of pricing, infrastructure, technologies etc.

We need to understand that a start of such multilateral dialogue puts certain requirements to its parties. A dialogue means not only speaking (leave alone dictating), but also listening, and even more importantly, hearing. The last is the most important. Labelling someone is an attempt to take away sovereign rights of the states, to compromise initiatives, to mislead the public. In particular, to take away the right for dialogue and joint solutions to industry or regional problems.

Hence, one is bewildered to learn about a US Senate legal committee initiative to “vote unanimously for the bill to prevent foreign governments from establishing oil and gas OPEC-style “cartel” organizations”.

In the modern democratic society everyone has the right for an opinion or suggestion. The task of a modern democratic government system is to keep away ideas that are a) inefficient, b) contrary to international law and the country’s legislation, and c) unrealistic. It seems to me that the abovementioned idea would be “filtered out” at the points b) and c) above.

In course of its G8 presidency last year Russia presented its stand as to the global energy development and its place in this process. Basic principles of global energy security were developed such as energy policies coordination, supplies and markets, as well as energy sources diversification, greater market transparency, energy efficiency and access to energy.

In order to give a follow-up to the principles stated in the G8 Summit documents we started discussion and coordination of our Energy Strategy with long-term policy documents of other key players of the world energy market. We actively cooperate with the EU in course of our energy dialogue. Last October we organized a conference to compare Russia's energy strategy and EU Green Paper on Energy. This year we will hold similar conferences with the U.S. and with BSEC countries.

Major countries, first of all consumers, have publicized their revised energy strategies (USA, EU, Japan, China, Italy and others).

Is this process an empty declaration, due to a kind of political fashion? I am sure it is not. Leading world energy consumers now are making serious adjustments to their respective energy policies, with financial and legal backing.

At present Russia works to further specify our energy strategy. Without changing basic propositions, we are structuring our strategy for the period till 2030, considering also those new circumstances and new challenges that exist in today’s world. This process is absolutely transparent, and we plan to include into our work results of consultations with our partners, also with UNECE.

Basic principles of the Russian energy development are as follows:

- Providing energy for the domestic market and fulfilment of our international obligations;

- Liberalization of the internal electric power market;
- Increasing investment potential and transparency of the Russian energy;
- Transport infrastructure development with view to develop new oil and gas provinces and to diversify supply routes;
- Establishment of transparent long-term rules of interaction with customers and transit actors for the Russian energy resources;
- Higher energy efficiency of the economy and development of alternative energy sources.

A few words as to how these principles are implemented.

Last November the Russian Government agreed on the need to focus on achieving equal profitability of domestic sales and exports of natural gas, which means that domestic prices should get closer to the prices paid by European consumers less transportation costs and customs duties. In the industrial consumers sector equal profitability is expected to be achieved by 2011. We are successfully experimenting with a gas exchange board.

Along with the gas market reform we continue the electricity sector reform. In this sector we intend to fully liberalize the electricity market also by 2011.

These decisions allowed us to start the program of the electricity sector development. We change priorities of the country's energy balance and we pay more attention to building new coal and nuclear power generation capacities, and also to alternative energy uses, in particular to hydro generation. This will mean attracting the investment in the range of USD 450 billion until 2020. And investors come bidding already. Major European energy companies also take part in this process. By the way, total investment growth in the first quarter of the year in Russia amounted to 21%.

Russia gets to use the same rules of the game both on domestic and external markets.

Russia proposed to its neighbours to start using rules of gas supply and transit commonly accepted in Europe.

At a meeting with representatives of the Ministry of Industry and Energy of Russia Mr. Belka noted that taking into account that the Economic Commission for Europe also includes the United States and Canada it is rather a commission for the Northern Hemisphere than for Europe. On my part I would like to remind that the UNECE in addition includes the Central Asian and South Caucasus countries which means that the UNECE is a Eurasian organization.

The ECE is a kind of "greater" Europe, where the borderlines depend on trade and economic ties and infrastructural systems. This enhanced integration is clearly observed in the energy sector. That is why development of the Russian transport infrastructure de facto means development of the infrastructure connecting the ECE member-states.

In this regard we can take stock of a considerable progress in promotion by Russia of a number of infrastructure projects aimed at diversification of hydrocarbon export flows that affect one way or another all the ECE member-states. I will mention but the principal ones.

Last year we have completed a major project to increase deliveries of oil to Western Europe: the capacity of the Baltic pipeline system (BPS) was increased up to 74 million tons a year, which made it possible to. Now we are considering a BPS-2 project with a capacity of 75 Mt.

Burgas-Alexandropoulos pipeline project was launched in the south. It will help to solve the traffic problem of the Black Sea Straits.

Since I quoted Mr. Belka who said that the ECE is a "Northern Hemisphere" organization I can not help mentioning construction of the 4500 km long Eastern Siberia - Pacific Ocean main pipeline. 700 km of the pipe has been laid in less than a year's time. In a way, this project rounds up the west-to-east Eurasian energy infrastructure.

We are actively developing the infrastructure to increase gas supplies to Turkey and to Southern Europe. The Blue Stream Gas Pipeline has reached its full capacity (16 bcm per year).

The Yamal-Europe and the North Stream Gas Pipeline projects will allow for increased export supplies and diversification of the export routes. These projects will cover additional gas demand at traditional for Russia markets of the Central Europe and forward Russian gas to new Nordic and UK markets.

The potential of new energy efficient technologies is comparable to the potential of new fields, new power units etc. So, it is no surprise that the energy efficiency is for the ECE one of the key issues of the sustainable energy development.

For Russia the energy efficiency and consequently access to new energy saving technologies, materials, and equipment is an issue of paramount importance as it is for European countries. It is determined by the fact that Russia being a major energy producing and transiting country is at the same time a major and unfortunately not the most efficient energy consumer.

The Russian economy has considerable growth potential through energy efficiency. Russia's unique energy saving potential of 360-400 t.o.e. is equal to 30 to 40 per cent of actual annual energy consumption. We are now working on decisions which will help us to save annually up to 100 M t.o.e by 2015.

Enhancing energy efficiency of our economies we increase the "safety margin" of the global energy system and impart a greater stability to it.

This is how the basic principles of our Energy strategy are implemented. Regretfully, we encounter at times a situation when our actions are either misunderstood or remain unknown to the global community. Therefore we welcome any initiative aimed at greater informational transparency of the global energy market. Just two weeks ago a presentation of the Centre for

Sustainable Energy Development (CSED) created under the UNESCO auspices took place in Paris.

Cooperation of the new Center with UNESCO as one of the UN organizations is a matter of principle. Russia considers the UN to be the main instrument of global stability. In the energy sector the role of this Organisation, its commissions including the ECE and other related institutions should be even greater. In a situation where the global energy market depends to a great extent on political and psychological factors the role of credible and reliable information can not be overestimated. But the picture can only look credible if the information comes from different sources. That's why the CSED is created in cooperation with the UN and under UNESCO auspices thus giving an opportunity to have a source of information on global energy, which would not represent solely energy consumers or solely energy producers. In this regard I believe that the main condition of the UNECE efficiency is an enhanced cooperation with other UN agencies including UNESCO.

I have submitted to your attention the key elements of the Russian energy policy in the ECE region in the context of global energy security.

The UNECE can serve as a good platform for dialogue between energy producers and consumers in the context of energy security in order to find the most effective solutions for the stockpile of energy problems. We believe that the Commission is a universal instrument of multilateral cooperation oriented at integration processes in Europe and has the necessary expert potential.

Such cooperation could encompass exchange of information and data related to national energy policies, identification of areas for joint investments into energy infrastructure, analysis of national energy-related legal and regulatory frameworks, harmonization of standards, measures regarding investments in the energy sector and energy transit.

I'd like to note that all our actions prove that Russia cannot imagine a solution of the energy security problem beyond global and regional context. For this reason our involvement in the UNECE and its sector committees' activities is so important to us. And here we plan not just to be present but to work.