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SUSTAINABLE ENERGY POLICIES – A KEY TO ENERGY SECURITY

**The Role of Governments and International Organisations
in Promoting Energy Security**

Ministers, Ambassadors, Distinguished Guests, I would like to offer my congratulations to the UN-ECE on this occasion of its 60th anniversary, and it is a pleasure to offer a perspective from the Energy Charter on the vital issue of sustainable energy policies.

The starting point for our discussion has been well described [by Claude Mandil]: we cannot continue on our current path. Our current policy course is simply not sustainable.

The problem is not that sources of energy are unavailable. But there is a real risk that our use of these resources, which has been the motor for so many dramatic improvements in human welfare and wellbeing, could ultimately propel us towards environmental degradation and conflict.

It does not have to be this way. But putting the global energy economy on a secure path of development will require renewed efforts from governments and international organisations

What should this role be? I would like to offer some pointers for this debate.

Firstly, I would like to underline the importance of an inclusive debate involving all participants in the energy value chain, and therefore commend in particular the constituency gathered here today [which coincides to a large degree with the constituency of the Energy Charter]. It is also my personal conviction that current tensions in international energy markets can be attributed, at least in part, to poor communication and information, and a lack of transparency over policy intentions and actions. Channels for dialogue such as today's meeting are therefore very important.

Secondly, there is the question of the right balance between state and market; what should be left to private actors, what to regulatory decisions? The perspective from the Energy Charter is clear, that a market mechanism is the best way to allocate resources efficiently. This orientation towards market solutions is the reason why I have welcomed the movement over the last years towards market-oriented pricing for all Russian exports.

But at the same time, more could be done to remove obstacles to international flows of energy, investment and technology, and it is also clear that – with climate change in particular – we have the clearest possible indications of a market failure in the energy sector.

So an active role is required from governments in order to ensure a secure and sustainable energy sector, and this role needs to be carefully defined.

In my view, it would be a mistake if current challenges led to the emergence of new barriers to international trade and cooperation, under the banner of energy independence. It is also not the role of a government to pick a specific portfolio of technologies that will lead us forward.

In relation to fossil fuels, what needs to be emphasised instead is an environment that facilitates decisions by resource-owning countries to develop their resources, and that provides a reliable framework for bringing these resources to market. In relation to gas supply across Eurasia, long-term contracts will continue to be an indispensable part of the solution in this regard.

But more broadly, governments along the energy value chain have to create an environment that will allow the right mix of new energy technologies to emerge for use of fossil fuels and alternative energy sources. On this issue, the most important contribution that governments can make, in my view, is to get the pricing right. This means ensuring not only allowing markets to work, but also ensuring that environmental costs and emissions risk are reflected in our energy choices.

This needs to be coupled with an active engagement by governments in research and development, and a predictable and open framework for trade and investment. Mr Chairman, I think that this is the best way to promote the emergence of a range of low or zero carbon emissions technologies on both the supply and the demand side.

Finally, I would emphasise that where there is consensus among governments, there is also clear benefit in fixing this consensus in the form of binding disciplines for the international community.

Having participated in a number of international negotiations over my career, I would not underestimate the difficulty of this task. But it remains a necessary part of the solution, and the Energy Charter Treaty demonstrates

that it is possible to bring a large, diverse group of countries together within a legally binding framework on the basis of common principles and mutual interest.

The focus of the Charter's work is on the evolving Eurasian energy market, and I would like to take a moment to present the Charter's distinctive contribution to international energy security.

Firstly, on investment protection: the need for massive investment to meet future energy demand is well documented, and long-term decisions in the energy sector need assurances that contracts and property will be respected. The Treaty's binding mechanisms for investor protection are designed to provide this legal security; they are working and working well.

Secondly, on the reliability of cross-border flows: the geography and geology of Eurasia means a high degree of reliance upon pipelines and networks crossing many national borders. Issues of reliability of transit can only be tackled efficiently on a multilateral basis, and the Charter process has the expertise and the legal basis to make a tangible contribution in this area.

Thirdly, the Charter brings a wide constituency and a unique legal framework to the policy debate on energy efficiency; I am pleased that we enjoy close cooperation with the work of the UNECE on this issue, and we look forward to presenting our findings on energy efficiency to the 'Environment for Europe' Ministerial Meeting in Belgrade later this year.

Fourthly, the Charter's work brings an important element of transparency to the operation of Eurasian energy markets, and I would highlight in this

respect the work that we have recently completed on transportation / transit tariffs for oil and gas.

Lastly, Mr Chairman, I would underline that the Charter provides an accessible multilateral forum for a diverse group of countries, including producers and consumers of energy. It is the right place for a regulatory dialogue on issues affecting the movement of energy across Eurasia. It is also proving its worth as a policy forum, and I take as a good recent example the intensive and detailed technical discussions on international pricing mechanisms for oil and gas, which brought together representatives from Russia, Ukraine, Belarus, Moldova and other interested countries.

My experience with international energy cooperation leaves me optimistic about its potential, but there are significant challenges ahead. As the G8 Gleneagles summit demonstrated, we need to bring new energy players, – in particular China and India – into the cooperative dialogue on energy. And we need to ensure that policies pursued by governments and international organisations provide the right bridge to a sustainable energy future, so that energy can continue to be synonymous with human development and opportunity.

Thank you for your attention.