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## **Welcome Statement**

**Mr. George Kowalski, Director, IREED,  
Sixteenth session of the Working Party on Gas  
Geneva, 24 - 25 January 2006**

Mr. Chairman, distinguished delegates.

It is a pleasure for me to welcome you on behalf of the Economic Commission for Europe to the sixteenth annual session of the Working Party on Gas.

Much has changed since you last met in 2005. I will start first with developments at the ECE. Then, I will say a few words about UN wide reforms, on energy and natural gas markets and lastly on your programme of work.

### **UNECE Executive Secretary**

As many of you may already know, ECE's Executive Secretary, Ms. Brigita Schmögnerová, left the ECE at the beginning of September 2005 to take up a post at the EBRD as the Vice-President for Human Resources and Administration. Mr. Paolo Garonna has been the acting Executive Secretary since Ms. Schmögnerová's departure.

After a thorough search, the UN Secretary General at the end of December announced the appointment of Mr. Marek Belka from Poland as the new Executive Secretary of the UNECE. Mr. Belka is very experienced having served twice as Finance Minister of Poland, as Vice-Prime Minister and over the last two years, 2004 and 2005, as Prime Minister of Poland. We are very fortunate of having such a high level and high caliber person taking over as head of the UNECE. He will officially join the organization in mid-February.

### **ECE Reforms**

On the subject of UN Reforms, these are being carried out at two levels, at the level of the ECE and at the level of the whole UN. These two reform processes are taking place in parallel.

Let me first turn to ECE Reforms.

The last major reform of the Economic Commission for Europe was in 1997 (Decision A/52).

In 2004, ECE Member States decided to initiate a new review of the mandate, role and programme of work of the ECE. First, they commissioned an outside evaluation by 4 consultants. This report was prepared and transmitted to Member countries at the end of June 2005.

In September 2005, our Member countries commenced consideration of the Outside Evaluators' Report. Negotiations on the reform package were completed in late November and on 2 December the Commission officially adopted the Reforms.

These will be implemented during the first quarter of this year. The change over to the new organizational structure and programme of work is to officially take place on 1 April.

Under the reforms, two programmes will be significantly affected. The Economic Analysis Programme, for all intents and purposes, will be discontinued. The Industrial Restructuring and Enterprise Development Programme, for which I was responsible, will be folded into a new Programme on Economic Cooperation and Integration aimed at the most disadvantaged countries of the region. A new division will be created to serve this programme.

As far as the Sustainable Energy Programme is concerned, it will remain largely as is.

There are, however, a number of recommendations that were made with respect to the energy programme. One of these is that "The Committee on Sustainable Energy shall strengthen activities in the fields of energy efficiency, cleaner energy production, energy security and diversification of energy sources, taking into account environmental concerns". To give effect to this strengthening, the energy programme will get one additional professional post and one additional general services post.

The Reform package also calls on the Committee on Sustainable Energy to streamline its activities and improve cooperation with other relevant institutions, in particular the IEA and the Energy Charter. We will therefore have to take this on board as we implement our programme of work over the coming months and years.

I should also note that the governance structure of the ECE will be significantly altered and streamlined. A new Executive Committee, consisting of officials from Missions, will be created to provide overall direction and guidance to the ECE on a regular basis. Some decisions of the Committee on Sustainable Energy as well as other Committees, such as the establishment of intergovernmental bodies and extra budgetary activities, will henceforth have to be reviewed and agreed to by this Executive Committee.

## **UN Wide Reforms**

At the level of the UN, Member countries are discussing the establishment of a UN Council on Human Rights to replace the existing Commission on Human Rights. They are also discussing the creation of a UN Commission for Peace Building aimed at countries coming out of a situation of war or conflict.

In addition, Member States have asked the Secretary General to review and make proposals regarding the mandates of the various institutions comprising the UN as well as on management issues, such as oversight, monitoring, auditing, delegation of responsibility and accountability.

Discussions on some of these matters have been difficult and intertwined with the debate on the 2006-2007 UN Budget. But despite these difficulties, the budget for the biennium 2006 and 2007 has been approved. It is a zero real growth budget but on the other hand there are no reductions in posts or cuts in the programme of work. There is a small cut in administrative expenditures of 1.75%. This will go to partially fund the envisaged new activities (Peace Building Commission and Human Rights Council whose staff will be increased in the coming years).

## **Energy Markets**

Let me now move on to energy and natural gas markets.

As a result of the tightening of world energy markets, concern over energy availability and security of energy supplies has re-emerged as a pressing issue. It is once again upper most in the minds of policy makers and the general public.

The heightened sense of concern over energy security is due to many factors: the continuing high crude oil prices and their volatility; the instability and continuing conflict in Iraq; the tensions in the Middle East; sabotage and terrorist attacks in some oil and gas producing countries; the growing energy import dependence of major consuming countries; the recent short disruption of natural gas supplies in Europe; infrastructure constraints, particularly in power generation, transmission and distribution as well as in oil refinery capacity; the corporate and policy failures, such as the Enron bankruptcy; and the 2003 electric power blackouts in North America and Europe. All of these factors are contributing to anxieties regarding energy availability and over the security of energy supplies.

Indeed, it could be argued that the underlying long-run fundamentals of energy markets, which prevailed in the 1970s and early 1980s when energy supply and demand were tightly balanced and energy markets rocked by two sharp oil price rises, have reappeared. Needless to say, energy markets today are different from those that prevailed in the 1970s but recent energy market developments have revived the same issues and concerns that prevailed in the 1970s and early 1980s though in a somewhat different environment.

As a result, ECE countries will have to further strengthen their energy security by enhancing energy conservation and efficiency, expanding the type and variety of energy sources available to consumers, diversifying sources of supply, developing indigenous supplies, building-up and maintaining strategic stocks in some cases, encouraging the private sector to carry commercial stocks, and promoting research and development in new and alternate sources of energy.

The renewed preoccupation with energy security will invariably affect the debate regarding coal and nuclear power and its future role in meeting the energy needs of countries. Likewise, decisions will soon have to be taken regarding the expansion as well as the replacement of existing nuclear and coal-fired electric power capacity that will be decommissioned in the foreseeable future.

### **Programme of work**

Over the next two days, you will have the opportunity to discuss many of these issues, including the future role of natural gas in power generation in the light of the evolving environment. You will also have the opportunity to review the ECE programme of work in gas and how it relates to other ECE activities in the field of energy.

During the course of the next two days, each delegation will be asked to comment and give preliminary results of developments of the gas industries and gas markets for 2005 in your countries. It would be interesting to hear from you about new policies, including environmental policies, conservation programmes and new international projects pertaining to your gas industries.

As always, it will be a pleasure and privilege to have presentations from other international governmental and non-governmental organizations, associations and companies on their programmes of work in the field of natural gas.

### **Conclusions**

Let me conclude by stating that these are interesting times. It would not be an exaggeration to say that the “good times are here again” at least for some energy supplying industries, energy professionals and energy policy makers even if not necessarily for energy consumers. There is much food for thought regarding the

challenges that will need to be addressed in the months and years to come in the field of natural gas and energy.

I am looking forward to your deliberations, conclusions and recommendations.

Thank you for your kind attention.