

**The Energy Charter process:
its objective character, history and development**

**Dr.A.Konopljanik
Deputy Secretary General
The Energy Charter Secretariat**

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DEVELOPMENT OF ENERGY MARKETS AND MECHANISMS FOR INVESTORS PROTECTION / STIMULATION

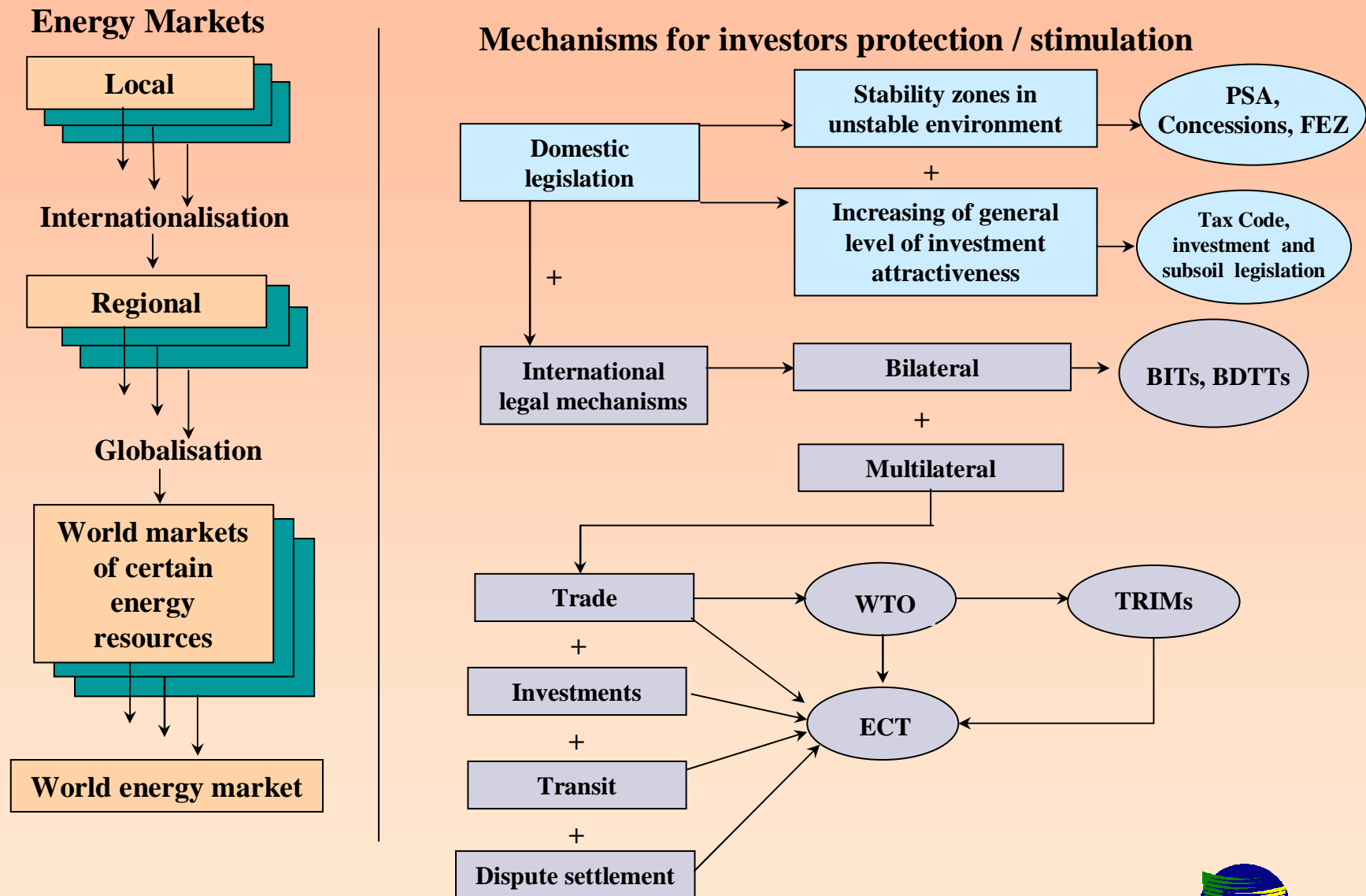
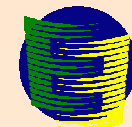


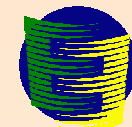
Figure 1



CORRELATION BETWEEN GEOGRAPHICAL SCOPE AND ACTIVITY TARGET OF ECT AND WTO

	<p><u>E C T :</u> 51 countries (+EC) signed the ECT, including 46 countries (+EC) which ratified the ECT (as for 1.09.2002)</p>	
<p><u>W T O :</u> 144 member-countries plus 32 observer-states</p>	<p><u>«Trade» chapter of ECT:</u> WTO rules for WTO members, WTO rules by reference for non-WTO countries</p>	<p><u>Trade</u> in goods and services – “most favourable nation” treatment (MFN)</p>
	<p><u>Energy:</u> goods & services (Energy Materials and Products), investments, trade, transit – “national” treatment (NT) or “most favourable nation” treatment (MFN), whichever is the most favourable</p>	

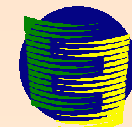
Figure 2



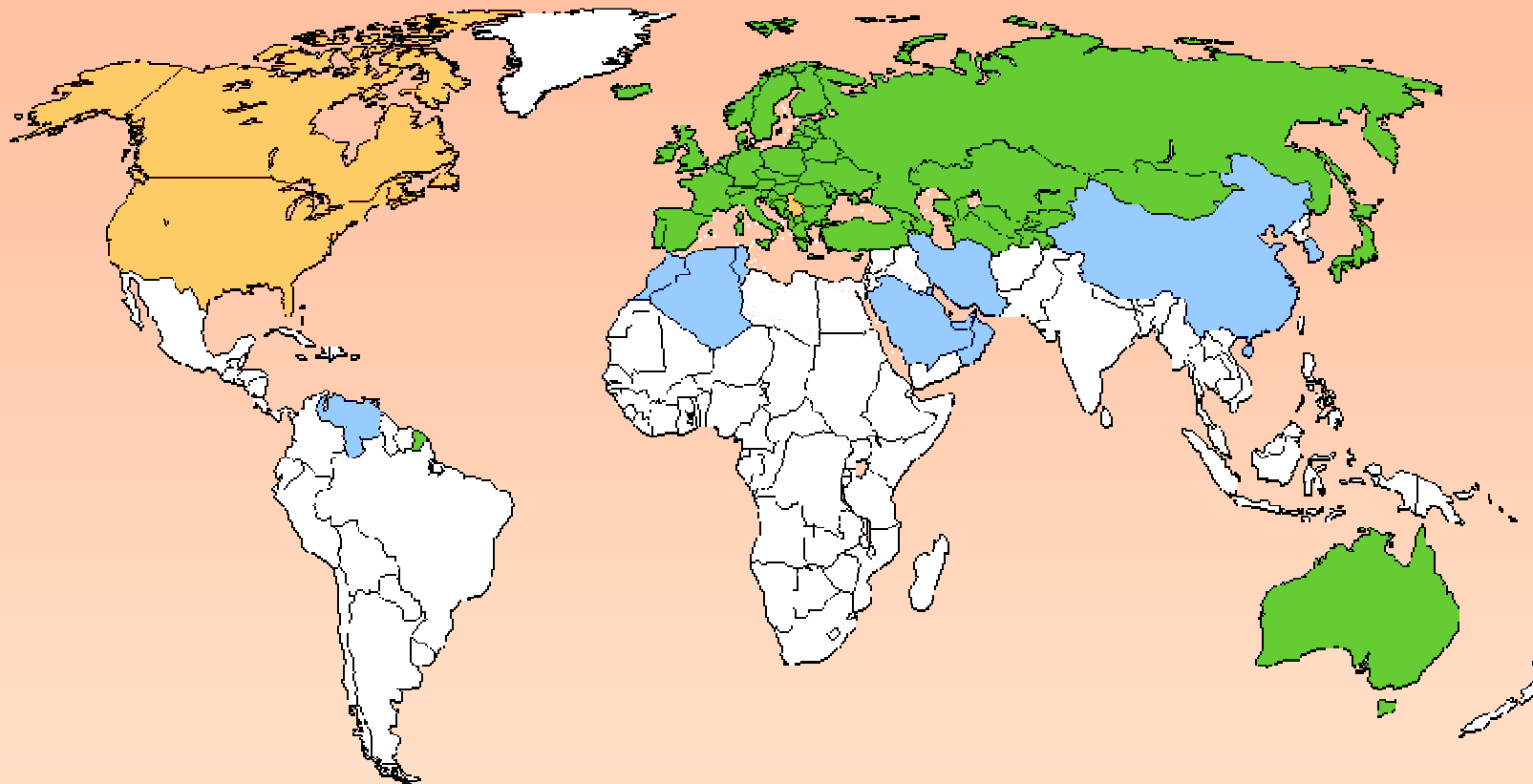
ENERGY CHARTER HISTORY

June 25, 1990	Lubbers' initiative presented in Dublin
December 17, 1991	European Energy Charter signed
December 17, 1994	Energy Charter Treaty (ECT) and Protocol on Energy Efficiency and Related Environmental Aspects (PEEREA) signed
June, 1996	Russia started ECT ratification process
April, 1998	ECT came into full legal power
January, 2001	RF State Duma: Russia will ratify ECT, but not yet (depending on Transit Protocol)
As of November 1, 2002	<ul style="list-style-type: none"> ■ ECT signed by 51 states + European Communities = 52 ECT Contracting Parties ■ ECT ratified by 46 states (excl. 5 countries: Russia, Belarus, Iceland, Australia, Norway) + EC ■ Russia: provisional application, together with Belarus

Figure 3

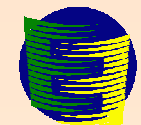


ENERGY CHARTER TREATY: GEOGRAPHY



- Energy Charter Treaty Signatory States (1994)
- Observer States that have signed the European Energy Charter (1991)
- Other Observer States

Figure 4



ENERGY CHARTER AND RELATED DOCUMENTS

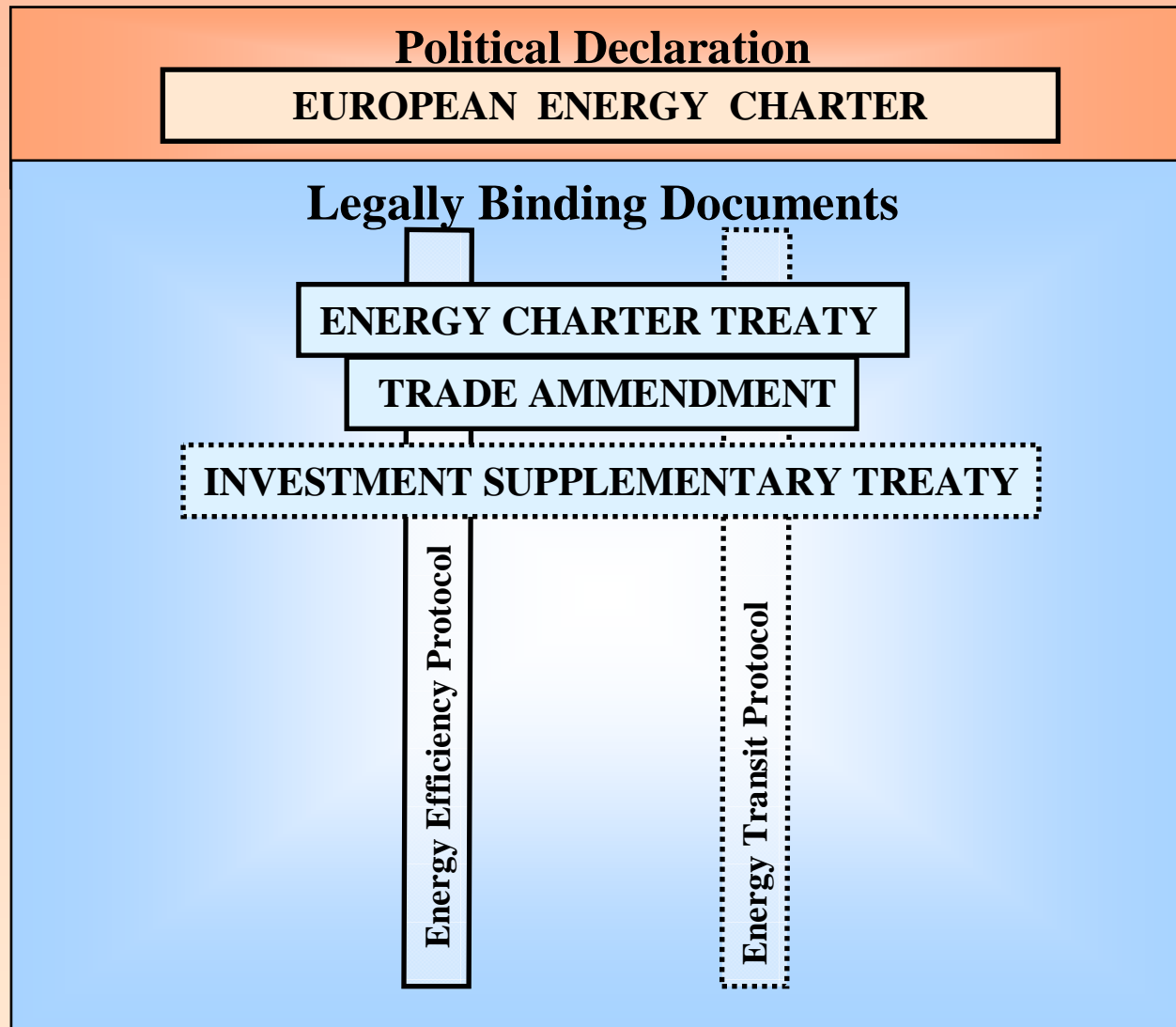
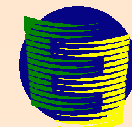


Figure 5



ECT MAJOR OPPONENTS IN RUSSIA AND THEIR ARGUMENTS

Arguments against ECT ratification	Comments
<p><u>Gazprom:</u></p> <ol style="list-style-type: none"> 1) ECT demands obligatory TPA to Gazprom's pipelines for cheap gas from Central Asia 2) Obligation to transit Central Asian gas at low (subsidised) domestic transportation tariffs 3) ECT will "kill" LTCs 	<p>No such obligation. ECT excludes obligatory TPA (ECT Understanding IV.1(b)(i)).</p> <p>No such obligations (ECT Article 7(3)). Transit and transportation are different in non-EU.</p> <p>Not true. Economic niche for LTCs will become more narrow due to objective reasons, but they will continue to exist as a major instrument of financing greenfield gas projects.</p>
<p><u>Ministry of Nuclear:</u></p> <ol style="list-style-type: none"> 1) Bilateral RF-EU trade in nuclear materials is not regulated by ECT 	<p>Prior to ECT signing in 1994, RF and EU has agreed to regulate nuclear trade bilaterally (P&CA).</p>

Figure 6

