

ENERGY CHARTER GAS-RELATED ACTIVITIES

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ENERGY CHARTER: GAS-RELATED ACTIVITIES

Investment Group:

- ICMS Reports (country reviews),
- “Blue Book” (exceptions from NT at pre-investment phase)

Energy Efficiency (PEEREA) Group:

- Country Reviews (Regular and In-depths)

Trade & Transit Group:

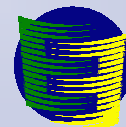
- Implementation of ECT transit provisions
- Draft Transit Protocol (status: RF & EU reporting)

Legal Advisory Task Force (LATF):

- Model Agreements on Cross-border Pipelines

Industry Advisory Panel (IAP):

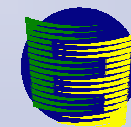
- IAP POW: Access to resources, infrastructure, capital => Reports to ECC



IMPLEMENTATION OF THE ECT TRANSIT PROVISIONS

		Crude Oil	Natural Gas	
Legal/Regulatory	Non-discrimination / Transparency	Report on Crude Oil Transit (It, Aus, Ch, Cz, Slo, Pol, Lat, Lit, Hun, Tur, Cro, Bul, Rom, Bel, Ukr, RuF, Geo)	Domestic Gas Transport Legislation Reports (Cz, Slo, Pol, Bel, Ukr, RuF, Kaz)	Report on Gas Transit (Aus, Bul, Rom, Ch, Tur, Geo, Uzb, Mol)
	Access to networks & tariffs			
	Legal and regulatory framework for transit facilities			
Existing Pipelines	Legal/contractual arrangements	All reports available on www.encharter.org		
	Access to network	Oil Transit Tariff Report (published - Jan 2007)	Gas Transit Tariffs Report (published - Jan 2006)	
	Transit tariffication			
New Pipelines	Legal/contractual arrangements incl. relevance to the Energy Charter principles	Voluntary Presentations on New Cross-Border Pipeline Projects (e.g. oil and gas pipelines from Caspian and Central Asia to East and West, Pakistani pipeline projects, Turkish Straits oil pipeline by-pass options)		

It:Italy Aus:Austria Ch:Switzerland Cz:Czech Rep Slo:Slovakia Pol:Poland Lat:Latvia Lit:Lithuania Hun:Hungary Tur:Turkey
 Cro:Croatia Bul:Bulgaria Rom:Romania Bel:Belarus Ukr:Ukraine RuF:Russia Geo:Georgia Uzb:Uzbekistan Mol:Moldova



REPORTS ON NATURAL GAS AND CRUDE OIL TRANSIT

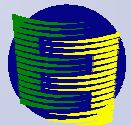
Objective

To increase transparency on compliance with the ECT transit principles :

- **Non-discrimination and Transparency**
- **Access to pipelines and transit tariffs**
- **Establishment of new transit capacity**

Recommendations:

- **Create more transparency for transit (access and tariffs, in particular)**
- **Consider all factors influencing transit**
- **Establish rules for new capacity development**
- **Cooperate for clear operational arrangements**
- **Separate transit from gas supply**



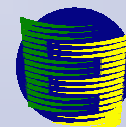
REPORT ON GAS TRANSIT TARIFFS

Main Findings:

- **Large variations in Transit Tariff levels**
- **Transit Tariffs in non-EU countries substantially lower than most tariffs in the EU (the gap narrowed recently)**
- **Transit Tariffs higher than Domestic Tariffs**
- **Lack of transparency; many countries do not publish transit tariffs or underlying methodologies**

Recommendations:

- **“One size fits all” approach *not* possible**
- **The methodology chosen must ensure financial sustainability of the system and avoid excessive rate of return**
- **Most immediate challenge is to improve transparency of transit tariffs:**
 - **Clearer institutional set-up for transit**
 - **A one-stop-shop for all administrative issues**
 - **More transparent intergovernmental negotiations (at least advanced information/ early warnings)**



INTERNATIONAL PRICING MECHANISMS FOR OIL AND GAS

Objective:

To provide an analytical framework of pricing mechanisms of cross-border trade of oil and gas

To be released in
March 2007

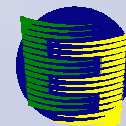
Scope:

Facts and analysis of present pricing mechanisms and their historic development under different:

- Contractual structures: Supply and demand-based pricing (cost-plus vs. replacement value/net-back and respective escalation formulas, commodities pricing)
- Energy commodities market structures (real time, forward, futures and options markets)
- Regional markets: gas - USA/Canada, UK, Continental Europe (based on Dutch exports), Russia/CIS/EU
- Pricing patterns (oil vs. gas, pipeline gas vs. LNG)

Recent developments in:

- International energy resource pricing mechanisms
- Contractual pricing arrangements (long-term and short-term contracts)



SECURING CROSS BORDER ENERGY FLOWS

Objective:

To analyze legal instruments securing cross border grid bound flows and their interfaces

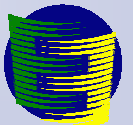
Scope:

Legal Instruments needed for Security of Supply:

- Access to resources (within state sovereignty on energy resources)
- Development of resources (investment)
- Transportation to export points and Transit
- Access to markets

Available Instruments:

- ECT instruments
- Instruments based on or referring to ECT:
 - model agreements
 - BTC, BTE project agreements, ...
- Other instruments outside ECT sphere, e.g. LTC, open markets



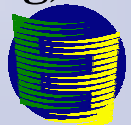
DRAFT TRANSIT PROTOCOL

Background and Current Status:

- **Objective:** To specify the existing ECT Article 7 on Transit to mitigate some specific operational risks
- **Consensus** on the bulk of the text in end-2002, with three open issues to be resolved between EU and Russia
- **Draft text publicized** at the end of 2003 (CC251 on the Energy Charter website)
- **Various rounds of bilateral consultations** until end-2006
- **All transit-specific issues preliminary solved** at expert RF-EU level
- **Remaining political issues still up for settlement** by EU and Russia

Main Principles:

- **Criteria for access to capacity**, including a definition for available capacity
- **Criteria for setting transit tariffs** (transparent, non-discriminatory, cost-based)
- **No unauthorized taking of energy**
- **Standards** (technical, environmental, health, safety, social, accounting) ...



MODEL AGREEMENTS FOR CROSS-BORDER PIPELINES (IGA + HGA)

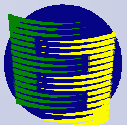
Background and Current Status:

- **ECC took positive note of First Edition of MAs at its 13th meeting in December 2003, and authorised updating**
- **LATF reconvened in November 2005 to start developing a Second Edition**
- **Work achieved in 2006 was presented to member state delegates during a Workshop on 17 and 18 October 2006**

Main Principles:

- **MAs package is a guide to best practice and neutral basis for negotiations**
- **IGA and HGAs are interdependent and linked**
- **All agreements refer to one identified project with identified investors**

Legal basis for : BTC, BTE pipelines, ...



Thank you for your attention!

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