Energy Charter process on “a long and winding road” - from “Trans-Atlantic Europe” to “Broader Energy Europe” towards Eurasia and beyond it, though now without some key historical ECT actors

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Member of the Scientific Council on System Research in Energy,
Russian Academy of Sciences

Presentation at the seminar in the Higher School of Economics, Moscow, 21.02.2024 (online)

Disclaimer: Views expressed in this presentation are within full personal responsibility of the author of this presentation.
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5) Energy Charter and the EU conflicting evolving correlation

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A. Конопляник, НИУ ВШЭ, 21.02.2024
The beginning: USSR/COMECON (1967) – USSR/EU (1968) = transportation pipeline corridors (linear structure of supplies), on-border sales COMECON-EU; EU – center of export attraction & key export market for USSR

No foreign trade & FDI within USSR until Jan’1987 (first USSR Gov’r Decrees on foreign JV)

EU-9/12/15

COMECON

USSR

West Siberia

Ural-Volga

Central Asia

Ukraine

Delivery points

Pipeline gas

Economic problems of late USSR increased supply risks for the EU

- N.K.Baibakov (USSR): «Oil always flows from East to West»
- USSR: economic development logic in energy – from East (Ural-Volga, West Siberia – more & more to the East) to West (European part USSR, then COMECON, then West Europe – more & more to the West)
- In XXth century the time for Asia has not come yet (no adequate demand in Asia to support “economy of scale”) => development of new resource bases in the East of USSR/Russia was aimed at demand increase (in Europe and USSR/Russia) & on compensation of production decline at existing fields in USSR/Russia

А.Конопляник, НИУ ВШЭ, 21.02.2024
Common rules of the game in Eurasian energy & export of EU’s acquis (*)

(*) illustrative example as of 2009
<table>
<thead>
<tr>
<th>Zone</th>
<th>States within the zone</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EU Members:</strong> 27 EU countries</td>
<td>EU legislation, including the energy legislation, is fully applicable</td>
<td></td>
</tr>
<tr>
<td><strong>Energy Community EU-SEE Countries:</strong> Croatia, Serbia, Montenegro, Croatia, Bosnia, FYROM (Macedonia), Albania, UNMIK (Kosova); other Energy Community members are already EU members</td>
<td>Only EU legislation on internal electricity and gas markets is applicable</td>
<td></td>
</tr>
<tr>
<td><strong>EU Candidate Countries:</strong> Turkey (Croatia is already an Energy Community member so applying the EU energy market acquis)</td>
<td>Still in the process of alignment to the EU legislation but full compliance not likely before membership</td>
<td></td>
</tr>
<tr>
<td><strong>EU Neighbourhood Policy Countries:</strong> CIS (Armenia, Azerbaijan, Belarus, Georgia, Moldova, Ukraine = EU Eastern Partnership) and Northern Africa (Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, the Palestinian Authority, Syria, Tunisia)</td>
<td>Enhanced energy cooperation based on National Action Plans with Ukraine and Moldova (as well as with Israel, Jordan, Morocco, the Palestinian Authority and Tunisia); partial application of EU energy policies and legislation may be possible in the future</td>
<td></td>
</tr>
<tr>
<td><strong>EU-Russia Strategic Partnership:</strong> EU &amp; Russia</td>
<td>Based on shared principles and objectives; applicability of the EU legislation in Russia is out of question</td>
<td></td>
</tr>
<tr>
<td><strong>ECT member-states:</strong> 51 states of Europe &amp; Asia</td>
<td>ECT is fully applicable within the EU as minimum standard; EU went further in liberalizing its internal energy market, BUT whether EU can demand that other ECT member-states follow same model and speed of developing their domestic markets?</td>
<td></td>
</tr>
<tr>
<td><strong>ECT observers:</strong> 23 states of Europe, Asia (e.g. Middle East, South-, SE- &amp; NE-Asia), Africa, North &amp; Latin America + 10 international organisations</td>
<td>Shared ECT aims &amp; principles; did not take ECT legally binding rules; not ready to take more liberal rules of EU Acquis</td>
<td></td>
</tr>
</tbody>
</table>
Common rules of the game in Eurasian energy & expansion of ECT (*)

(*) illustrative example as of 2009
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“NATURAL” VS. “FINAL” COMPETITIVE ADVANTAGES OF ENERGY PROJECTS

"Natural advantage" of project A over project B (A < B)

Final competitive disadvantage of project A over project B (A > B)
Energy/hydrocarbon projects (compared to other industries):

- Highest capital intensity (absolute & unit CAPEX per project),
- Longest project life-cycles & pay-back periods (for most effective & full reserves extraction),
- Geology risks + immobile infrastructure,
- Cross-border flows + immobile infrastructure,
- Worsening natural conditions of resources to be developed + imputed costs of initial macroeconomic infrastructure in new areas,
- Highest demand for stability & predictability of legal & tax environment,
- Role of risk management,
- State sovereignty on energy resources => Maximum extraction of resource rent (Ricardian + Hotelling rent) by state-resource owner => need for balance of interests state vs. investor
- Economics & politics in energy come together: long-term investment upstream projects life-cycle (40-50+ years) vs. short-term political/electoral cycle (4-8 years)

=> Higher/highest demand for “quality” of legal and regulatory framework compared to other industries => to diminish energy projects risks & to maximize their macroeconomic effects for the host state
Evolution of energy markets and their institutional and contractual structure


With increasing market short-termism investment risks are growing
ROLE OF LEGAL PROTECTION INSTRUMENTS FOR PROJECT FINANCING

Legislation $\rightarrow$ $\downarrow$ risks $\rightarrow$ $\downarrow$ financial costs (cost of capital) $\Rightarrow$ \\
$\uparrow$ inflow of investments (i.e. $\uparrow$ FDI, $\downarrow$ capital flight) $\rightarrow$ $\uparrow$ CAPEX $\rightarrow$ $\downarrow$ technical costs $\Rightarrow$

$1 + 2 = 3 \rightarrow$ $\uparrow$ pre-tax profit $\rightarrow$ $\uparrow$ IRR (if adequate tax system) $\rightarrow$ $\uparrow$ competitiveness $\rightarrow$

$\uparrow$ market share $\rightarrow$ $\uparrow$ sales volumes $\rightarrow$ $\uparrow$ revenue volumes

Legal instruments provides multiplier legal effect in diminishing risks with consequential economic results in cost reduction and increase of revenues and profits

$\$/boe $\rightarrow$

Total costs $\rightarrow$

Financial costs $\rightarrow$

Technical costs $\rightarrow$

Before legal protection $\rightarrow$

$\Delta t$ $\rightarrow$

After legal protection $\rightarrow$

$\Delta$ Financial costs $\rightarrow$

$\Delta$ Technical costs $\rightarrow$

Cumulative $\Delta$ costs $\rightarrow$

А.Конопляник, НИУ ВШЭ, 21.02.2024
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Development of international energy markets and of mechanisms of investment and trade protection and stimulation

**Energy markets**

- Local
- Regional
- Global

**Internationalisation**

- Internalisation
- Globalisation

**Globalisation**

- World markets of individual energy resources

**Global common energy market**

**Mechanisms of investment protection/stimulation, incl. enforcement mechanisms**

- **Colonies**
  - Enclaves of stability & investment stimuli in unstable / non-stimulating legal-economic environment
  - Increase of general level of investment attractiveness of domestic legislation

- **International law instruments**

- **Bilateral**

- **Multilateral**

**ECT (54) = 1431 BITs**

**ECT**

**EU Acquis**

**WTO**

**Dispute settlement**

**Trade**

**Investments**

**Transit**

**Energy efficiency**

**Oil**

**Gas**

**Enforcement mechanisms**

- e.g. RF: Concessions, Free Economic Zones, PSA

- e.g. EU: derogation from mandatory TPA (2nd Gas Directive: Art.21-22; 3rd Gas Directive: Art. 35,36)

**01.06.2010:**

- 2756 BITs
- 2927 DTTs

**ECT (54) = 1431 BITs**

[partly]
### Comparative Data on Implementation of Different Types of Petroleum Arrangements Worldwide, 2003 & 2009, According to G. Barrows

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of states in analysis, incl.:</td>
<td>180</td>
<td>177</td>
</tr>
<tr>
<td>Oil producing states, using:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Tax + Royalty (T+R)(*)</td>
<td>113</td>
<td>111</td>
</tr>
<tr>
<td>- PSA</td>
<td>54</td>
<td>55</td>
</tr>
<tr>
<td>- Both T+R &amp; PSA</td>
<td>13</td>
<td>11</td>
</tr>
</tbody>
</table>

(*) concessions and/or licensing regime

Source: А. Конопляник. Средство от «правового вакуума». Уровень экономического и правового развития государства определяет выбор инвестиционных режимов в недропользовании. – «Нефть России», 2012, № 8, с. 20-24; № 9, с. 26-29; № 10, с. 16-23. Based on data, kindly provided to the author personally by Gordon Barrows (Barrows Company / AIPN)
Growth of number of BITs, 1959-1999

Source: UNCTAD database on BITs.

Number of BITs & DTTs concluded, annual & cumulative, 1999-2008

Source: UNCTAD (www.unctad.org/lia).
Trends in IIAs: 1983 – 2012, according to UNCTAD WIR 2013

<table>
<thead>
<tr>
<th>Organisation (member-states/CPs)</th>
<th>Legal Status</th>
<th>Scope</th>
<th>Investment</th>
<th>Trade</th>
<th>Transit</th>
<th>Energy Efficiency</th>
<th>Dispute Settlement</th>
</tr>
</thead>
<tbody>
<tr>
<td>ECT (51/52)</td>
<td>LB</td>
<td>Energy</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>WTO (149)</td>
<td>LB</td>
<td>General</td>
<td>(Yes?) (Services)</td>
<td>Yes</td>
<td>Yes/No (***</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>NAFTA (3)</td>
<td>LB</td>
<td>General</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>MERCOSUR (4)</td>
<td>LB</td>
<td>General</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>OECD (30)</td>
<td>LB</td>
<td>General</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>APEC (21)</td>
<td>Non-LB</td>
<td>General</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

(*) Other multilateral energy-specific (OPEC, IEA, IEF, IAEA, ...) and/or energy-inclusive (UN ECE, ...) and/or “sub-regional” (BSEC, BASREC, ...) organisations can be mentioned; though most of them are non-LB and/or do not address investment-protection issue;

(**) LB = legally-binding;

(***) application of GATT Art.V to grid-bound transportation systems is under debate

Compiled by Dr. Joachim Karl, former Senior Expert of the Energy Charter Secretariat, Brussels, and currently Legal Affairs Officer, UNCTAD, Geneva, and has been presented with his kind permission since then by the author

А.Конопляник, НИУ ВШЭ, 21.02.2024
Energy investment protection: complementarity of energy-related international organizations (this author’s vision)

- **IEF**
- **IEA**
- **UNECE, OSCE**
- **Soft Law (general, incl. energy)**
- **Soft & Hard Law (energy specific)**
- **IFIs**
- **Regional, bilateral**
- **Investment protection**

- **BSEC, BASREC, EU-SEE Energy Community Treaty, EU ENP, …**
- **Bilateral (energy) dialogues:**
  - Russia => EU, USA, individ. CIS states, …
  - EU => Russia, Norway, Algeria, Turkey, …

- **World Bank (IBRD+MIGA+ICSID)**
- **Regional Development Banks:** EBRD, ADB, EIB, …

- **Laws & policies**
- **Long-term vision - individual states**
- **Summarized quantitative assessments (volumes & CAPEX)**
- **Investment drivers**

- **A. Конопляник, НИУ ВШЭ, 21.02.2024**
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ENERGY CHARTER AND RELATED DOCUMENTS

Political declarations

EUROPEAN ENERGY CHARTER (1991)

INTERNATIONAL ENERGY CHARTER (2015)

Legally binding instruments

ENERGY CHARTER TREATY (1994)

TRADE AMMENDMENT (1998)

INVESTMENT SUPPLEMENTARY TREATY

MODERNISED ENERGY CHARTER TREATY (???)

Energy Protocol

(draft) Transit Protocol

(draft) Preventive & Emergency Measures Protocol

Energy Charter political principles incorporated into legally binding provisions of the Treaty(ies) & Protocols
ENERGY CHARTER PROCESS: GEOGRAPHICAL DEVELOPMENT (*)

1. From trans-Atlantic political declaration to broader Eurasian single energy market
2. ECT expansion - objective and logical process based on clear economic and financial reasoning

(*) as of 2009

А.Конопляник, НИУ ВШЭ, 21.02.2024
ENERGY CHARTER SPECIFIC ROLE

• **Energy Charter Treaty:**
  - Unique coverage of different areas for energy cooperation:
    • investment, trade, transit, energy efficiency, dispute settlement,
    • energy materials & products + energy-related equipment,
    • 51 member-states (52 CPs) + 20 observer-states + 10 observer international organisations
  - First and only one multilateral investment agreement with high standard of investment protection, incl. dispute settlement

• **Energy Charter process:**
  - *Implementation* of ECT,
  - Specialized forum for “advanced” discussion of the issues of energy markets evolution that *might create new risks* for development of energy projects in ECT member-states,
  - Platform for *preparation of new legally binding instruments* to diminish such risks within ECT member-states (e.g. broadening & deepening of ECT & upgrading its “minimum standard” of protection)
ECT = THE FIRST MULTILATERAL INVESTMENT AGREEMENT (1)

• Based on:
  o well-established practice of BITs (about 400 BITs at the beginning of the 1990’s - around 2600 BITs as of today)
  o investment chapter XI of NAFTA (US, Canada, Mexico)
  o some interaction with then OECD proposed “Multilateral Agreement for Investment” (MAI – aborted in 1998)

• Within 51 member-states ECT is equal to 1275 BITs (within 52 = 1431)

• MFN and National Treatment for investors:
  o hard-law obligations (binding guarantee) of non-discriminatory treatment for *post-establishment* phase,
  o soft-law obligations for *pre-establishment* phase (stage of making investment)
• Protection against key political/regulatory risk:
  o expropriation and nationalisation,
  o breach of individual investment contracts,
  o unjustified restrictions on transfer of funds

• Reinforced by access to binding international arbitration in case of dispute:
  o State-to-state, and (NOVELTY!) investor-to-state => direct dispute settlement at investor’s choice at ICSID, UNCITRAL or ICC Stockholm (competence: appr.50% of new ICSID submissions & appr.20% of ICC cases relates to energy),
  o Awards:
    ✓ final and enforceable under New York convention,
    ✓ usually as entitlement to payment (no risk of vicious circle for retaliating measures),
    ✓ retroactive to start of dispute, may include interest (no incentive to delay process)
ECT INVESTMENT REGIME: STANDSTILL & ROLLBACK PROVISIONS (ARTICLE 10(5))

STANDSTILL (Art.10(5)(a))

ROLLBACK (Art.10(5)(b))

Non-legally binding commitments

Past

Future

Monopoly

Competition

Discriminations for Investments/Investors

t

A. Конопляник, НИУ ВШЭ, 21.02.2024
List of topics for modernization of the Energy Charter Treaty approved by the Energy Charter Conference

<table>
<thead>
<tr>
<th>N</th>
<th>Item</th>
<th>N</th>
<th>Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Pre-investment</td>
<td>14</td>
<td>Transfers related to investments</td>
</tr>
<tr>
<td>2</td>
<td>Definition of ‘charter’</td>
<td>15</td>
<td>Frivolous claims</td>
</tr>
<tr>
<td>3</td>
<td>Definition of ‘economic activity in the energy sector’</td>
<td>16</td>
<td>Transparency</td>
</tr>
<tr>
<td>4</td>
<td>Definition of investment</td>
<td>17</td>
<td>Security for costs</td>
</tr>
<tr>
<td>5</td>
<td>Definition of investor</td>
<td>18</td>
<td>Valuation of damages</td>
</tr>
<tr>
<td>6</td>
<td>Right to regulate</td>
<td>19</td>
<td>Third party funding</td>
</tr>
<tr>
<td>7</td>
<td>Definition of Fair and Equitable Treatment (FET)</td>
<td>20</td>
<td>Sustainable development and corporate social responsibility</td>
</tr>
<tr>
<td>8</td>
<td>MFN Clause</td>
<td>21</td>
<td>Definition of ‘transit’</td>
</tr>
<tr>
<td>9</td>
<td>Clarification of ‘most constant protection and security’</td>
<td>22</td>
<td>Access to infrastructure (including denial of access and available capacities)</td>
</tr>
<tr>
<td>10</td>
<td>Definition of indirect expropriation</td>
<td>23</td>
<td>Definition and principles of tariff setting</td>
</tr>
<tr>
<td>11</td>
<td>Compensation for losses</td>
<td>24</td>
<td>REIO</td>
</tr>
<tr>
<td>12</td>
<td>Umbrella clause</td>
<td>25</td>
<td>Obsolete provisions</td>
</tr>
<tr>
<td>13</td>
<td>Denial of benefits</td>
<td></td>
<td></td>
</tr>
</tbody>
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### Legal norms (key examples)

<table>
<thead>
<tr>
<th></th>
<th>ECT</th>
<th>EU Acquis (1-st Gas Directives)</th>
<th>EU Acquis (2-nd &amp; 3-rd Gas Directives)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mandatory TPA</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Unbundling</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>

(*) ECT = integral part of EU acquis communautaire (ECT = minimum standard through stand-still & roll-back mechanisms)

Level of “liberalization”

3. 3-rd EU Gas Directive (2009)

Increasing level of “liberalization” - general tendency

**ECT & EU acquis: “minimum standard” within evolving Eurasian common energy space vs. more liberal “general standard” within evolving common European energy space**

- **Level of “liberalization”**
- **Growing gap between EU acquis & ECT**
- **EU enlargement**
- **ECT enlargement**
- **Withdrawals from ECT**
- **Energy Community Treaty EU+SEE (27+7)**

**Rest of ECT = Russia/CIS/Asia/…**

**ECT observer-states (23+)**

**ECT member-states (51+2 REIO)**

**Increase of liberalization level of EU acquis**
EU acquis’ international expansion instruments (energy industry)

Treaty of Rome, 1958

- Increase of liberalization level within the geographical area of EU acquis application
- Expansion of the geographical area of EU acquis application

Hard law instruments (domestic)

4. ... (???)

Hard law instruments (international)

0. EU enlargement (6=>27)
3. ... (???)

Soft law instruments (international)

- Eastern Partnership (2006)
- ... (???)

One of the factual aims of international expansion of EU acquis is to provide standards of work and investment protection for EU business abroad adequate to such standards at the internal EU markets(s) => thus diminishment of transaction costs, increase competitiveness of EU business abroad

Source: A. Konoplyanik, НИУ ВШЭ, 21.02.2024
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### Russian Gas Supplies to Europe: Zones of New Risks for Existing Supplies Within Russia’s Area of Responsibility Under Its LTGEC

<table>
<thead>
<tr>
<th>Direction of Russian gas flow to Europe</th>
<th>Zones of new transit risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>FSU = Former Soviet Union, ECOMT = Energy Community Treaty</td>
<td></td>
</tr>
</tbody>
</table>

**New Transit Risks zone 2 – former COMECON states**

- **France**
- **Switzerland**
- **Italy**

**New Transit Risks zone 1 – former USSR republics**

- **Poland**
- **Slovakia**
- **Czech R.**
- **Hungary**
- **Romania**
- **Bulgaria**

**EU – 25/27/28 (since 2004)**

**EU – 15 (till 2004)**

**FSU **(till 1991)**

**COMECON **(till 1991)**

**RF** (since 1991)

**COMECON**

**USSR**

**EU**

**Source:** A. Konoplyanik

Italics: non-EU countries; New EU accession states: underlined – since 01.05.2004, underlined + italic – since 01.01.2007; Bold – FSU states members of ECOMT; A, B, C – points of change of ownership for Russian gas (commodity) and/or pipeline (capacity) on its way to Europe; C – historical delivery points of Soviet (now Russian) gas to the EU

A. Конопляник, НИУ ВШЭ, 21.02.2024
This author’s vision of the nature and three major components of transit risk in the cross-border gas value chain through immobile infrastructure (Konoplyanik’s “gas transit risks pyramid”)

Direction of logical chain in development of transit risks - bottom-up approach: the name of the transit country is the element of last importance in this logical chain.

Mitigation of all three groups of transit risks stimulates the supplier to choose least risky transit route to the customer in order to diminish risk of non-delivery (non-timely delivery) thus improving security of supplies for the customer.

Technical component (adequate maintenance of transit system to provide technical stability and reliability of transit)

Legal (third country sovereign law) and regulatory component (adequacy of legal transit regime to fulfillment of supply obligations between parties to LTGEC from third countries) to exclude appearance of “contractual mismatch” problem.

Change in political relations between transit states and its upstream and downstream neighbors that can create interruptions of supplies through transit state by its political motivation.

Source: A.Konoplyanik
"Contractual mismatch" problem

Contractual mismatch: between duration/volumes (D/V) of (i) long term supply (delivery) contract (LTGEC) and (ii) transit/transportation contract as its integral part to fulfill the delivery contract => risk of non-renewal of transit/transportation contract => risk on non-delivery (non-timely delivery) for supply contract.

Core issue: how to guarantee access to (creation of) transportation capacity(ies) adequate to volume and duration of long term supply (delivery) contract(s) (LTGEC).

Source: A.Konoplyanik
Organization of internal domestic EU gas market according to Third EU Energy Package: cross-border gas flows within the EU between Member-States (market zones) still exist though the term “transit” is not in legal use within the EU anymore.

- No single internal EU gas market as homogenous economic model, but a combination of market areas
- All market areas organized as entry–exit zones with virtual (*aimed to be*) liquid hubs, uniform capacity allocation (bundled products) & gas pricing (spot- & exchange-based pricing) mechanisms

The generalized vision publicly presented immediately after introduction of the: (*) Third EU Energy package; (**) last Network Code to the Third EU Energy Package

Source: 17th Madrid Forum (January 2010); ACER Gas Target Model, 30th Madrid Forum (October 2017)

Source: A.Konoplyanik А.Конопляник, НИУ ВШЭ, 21.02.2024
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9) Energy Charter prospects after and without the EU and Russia
Intra-REIO Cases and Other Cases: 158 cases (*)

Total number of cases:
- intra-REIO = 99 cases (60%)
- Other = 66 cases (40%)

(*) as of 1/5/2023. Cases with mixed claimants are included in both categories. Therefore, the numbers indicated may be higher than the actual number of cases instituted in a given year.

Source: Statistics of ECT Cases (as of 1/5/2023) // ECS, Brussels, 2023, p.6

Distribution of Arbitration Cases under the ECT by Energy Sources Involved: 158 cases (*)

- Renewables = 94 (59%)
- Non-renewables = 60 (38%)

(*) as of 1/5/2023. 53 cases are still pending and in some of the cases, there is no publicly available information on the exact amounts claimed and/or awarded; one case involves more than one form of energy sources.

Source: Statistics of ECT Cases (as of 1/5/2023) // ECS, Brussels, 2023, p.2
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9) Energy Charter prospects after and without the EU and Russia
Evolution of EU attitude towards Energy Charter through 1990-2023 & four steps of EU diminishing interest in the ECT


2nd EU-ECT clash: 2nd RF-UA gas transit crisis + 3rd EU Energy Package + RF withdrawal from ECT provisional application (2009)


4th EU-ECT clash: EU Green Deal (2019) + ECT modernization on non-EU-based path

25.06.1990: Lubbers plan announced by EU

17.12.1991: European Energy Charter signed

17.12.1994: ECT signed


2003: 2nd EU Energy Package

01.2009: 2nd RF-UA gas transit crisis

08.2009: RF withdrawal from ECT provisional application

2004: 1st EU enlargement

09.2009: 3rd EU Energy Package

2007: 2nd EU enlargement

2015: International Energy Charter signed

2015: Paris Agreement (COP-21)

08.03./15.05.2022: REPowerEU => zero energy import from RF by 2027

24.02.2022: RF began SMO in UA

08.2009: RF withdrawal from ECT provisional application

03.2014: “Crimea Spring”, civil was in SE UA

first EU sanctions against RF

2018: Russia ECT withdraw

01.2006: 1st RF-UA gas transit crisis

01.2009: 2nd RF-UA gas transit crisis

2016: Italy ECT withdrawal

24.02.2022: RF began SMO in UA

2015: International Energy Charter signed

2016: Italy ECT withdrawal

24.06.2022: ECC decision to withdraw RF ECC Observer status

07.07.2023: EU announced ECT withdrawal

Source: A. Konoplyanik, НИУ ВШЭ, 21.02.2024
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Energy consolidation of Eurasia (acc. to A.Konoplyanik): demand for investment protection

(1) Pipeline NG (continent => pipelines from 4 areas: Russia, Iran, Central Asia, Myanmar) +
(2) LS-LNG (coastal => LNG-tankers) +
(3) SS-LNG (coastal/continent => cargo airships from compressor stations on pipelines &/or LS-LNG Regaz terminals + modular decentralized cryogenic fuel stations/gas power stations) +
(4) electricity: nuclear/mini-nuclear (continent) + floating mini-nuclear (coastal) +
(aditional for those interested states):
(5) Н2 from NG (SMR+CCS, coastal/continent) +
(6) H2 from NG (pyrolysis, coastal/continent) +
(7) electrolysis (floating mini-nuclear)
=> energy consolidation of Eurasia based on its gasification, electrification, fight with energy poverty/upgrade living standards (UN SDG 1-10, ...)

Electricity production in Eurasia by energy sources

<table>
<thead>
<tr>
<th></th>
<th>2011, %</th>
<th>2021, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coal</td>
<td>55</td>
<td>52</td>
</tr>
<tr>
<td>Nat. gas</td>
<td>19</td>
<td>17</td>
</tr>
<tr>
<td>Hydro</td>
<td>12</td>
<td>14</td>
</tr>
<tr>
<td>Nuclear</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Wind</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Solar</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>Liquid fuels</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>Biomass</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Total, TW-h</td>
<td>9780</td>
<td>15370</td>
</tr>
</tbody>
</table>

NG = natural gas
LS-LNG = large-scale LNG
SS-LNG = small-scale LNG
UN SDG = sustainable development goals of UN

Thank you for your attention!

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