

## THE FOURTEENTH OSCE ECONOMIC FORUM

### “Transport Development to Enhance Regional Economic Co-operation and Stability in the OSCE Area”

Vienna, 23 and 24 January 2006



#### **Address by Ambassador André Mernier Secretary-General of the Energy Charter Secretariat**

I would like to express my regrets that I am not able to attend the first session of the Fourteenth OSCE Economic Forum in person. I would, however, like to take the opportunity to address the Forum on the role that the Energy Charter Treaty plays in enhancing regional economic cooperation and stability in the OSCE Area. Indeed, forty-eight of the fifty-five OSCE member states are also member states of the Energy Charter Conference.

In my view, the creation of a rule-based multilateral framework for cross-border energy transit is essential to support regional integration in the energy sector. Governments need to act collectively in order to agree, as much as possible, a set of binding 'rules of the game' for investments and cross-border energy flows and to give a reliable framework for investors and other participants in the energy sector. Most investments will be made by the private sector, based on a commercial assessment of the risks and opportunities involved. Investors will want to have a reliable and predictable framework on which to base their decisions.

The Energy Charter Treaty provides a unique and readily available multilateral legal framework for the energy sector. It formulates a binding instrument of international law for the entire energy investment cycle, including investment in production and generation, but also trade and transport of energy across borders. It is founded on a mutual interest among energy consumers, producers and transit countries.

The binding rules contained in the Energy Charter Treaty can play a significant and positive role in fostering the confidence that is necessary for cross-border transport of energy and its associated investment decisions, and can also reduce the cost of investment capital on competitive international markets.

The Treaty does not seek to prescribe any particular structure of energy markets on its participating states. However, once a foreign investment is made in the energy sector in line with a country's national legislation, the Treaty is designed to provide a reliable and stable interface between this investment and the host government by providing protection for investors against specific non-commercial risks.

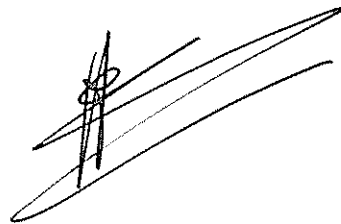
The Treaty also offers a set of multilateral legal obligations dealing specifically with energy cross-border flows, and provides mechanisms for conflict resolution both

between member countries and between investors and host countries. The existence of these mechanisms, and the knowledge that they can be used effectively, as demonstrated by several recent cases, provides persuasive encouragement for Contracting Parties to ensure compliance with the Treaty's provisions.

We believe that a multilateral approach on transport and associated investments is essential, not least because such an approach facilitates cooperation among states – rather than competition between them.

On behalf of the Secretariat, I also take this opportunity to assure you of our unrelenting efforts to help those of the OSCE member states that are also Energy Charter member states enhance a reliable energy transport development across their territory. The Secretariat is also ready to engage with those OSCE member states which are not Energy Charter member states and envisage with them ways to associate them in the work of the Energy Charter.

I wish you every success for this Forum.

A handwritten signature in black ink, consisting of several overlapping, sweeping lines that form a stylized, abstract shape.

Brussels, 3 January 2006