



WORKING GROUP ON ENERGY SECURITY AND COOPERATION

Building a Public-Private Energy Partnership within G8 Plus

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ENERGY EXPERTS' & PRIVATE SECTOR RECOMMENDATIONS IN SUPPORT OF THE G8'S FOCUS ON ENERGY SECURITY IN 2006

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The recommendations detailed below are a result of the Energy Experts meeting held in Brussels on September 26th, 2005, within the framework of the EWI Project: Energy Security and Cooperation within the Group of Eight, Plus (India and China).

The Energy Experts meeting convened a broad expert community to provide input into the future focus of EWI's Energy Security and Cooperation project and to discuss future research and events to be undertaken by the Project. Over thirty experts from the G8 countries, major energy companies and key government officials (from the EU, Russia and China) took part in the meeting.

The discussion during the meeting focused on three sets of issues:

1. What are the principal challenges facing the G8 in the area of energy?
2. What role should the private sector play in addressing these challenges?
3. What is the role of Russia in a global energy strategy?

The experts participating in the meeting identified the following key issues to be addressed during Russia's G8 Presidency in 2006:

I. Ensuring Access to Energy Resources (primarily oil and gas deposits):

- Open access to energy resources is critical to securing a reliable oil and gas supply.
- Governments should create conditions that encourage the private sector to be actively engaged in providing long-term investment for oil and gas exploration as well as for investment into other energy sources.
- The political risks of investment into oil and gas exploration should be mitigated both through inter-governmental agreements and through innovative public-private partnerships.

Russia-specific Issues:

- An open and transparent energy sector in the Russian Federation will reduce political risks for investors and will bring higher rents to Russia and her citizens.

- The Russian government should establish clear legal requirements for international investors in its energy market. Transparency and clear, stable rules are critical for strategic energy investments that will position the Russian Federation as a key G8 energy supplier.
- Cross-ownership schemes (swapping downstream and upstream assets between major Russian and foreign oil and gas companies) should be further explored as a way to further deepen the integration of energy networks between Russia and its G8 partners, as well as with India and China.
- The application of the production-sharing agreement (PSA) should be reviewed in light of new realities in the Russian Federation.

II. Ensuring Secure Access to Energy Transport

- Diversifying the energy supply chain is as important for energy producers as it is for consumers. G8 leaders should take this into consideration when developing a longer-term strategy for energy security and cooperation, with Russia serving as a key energy supplier.
- Energy transport routes should be secured against political and other security risks (for example, terrorist attacks) along the whole energy supply chain.
- G8 governments should re-consider the Transport Protocol of the Energy Charter in view of these realities and provide a new inter-governmental framework for securing energy transport that includes provisions for producers, consumers and transit countries.

Russia-specific Issues:

- The Russian government should comply with international practices that govern the regulation of the oil and gas transport market, including allowing competing private transport networks on its territory and providing open access to its gas transport networks.
- New supply routes and the relevant technologies and installations for LNG delivery from Russia should be agreed, with the private sector playing a leading role in providing LNG supply to Western markets.
- Supply routes for Russian oil and gas through transit countries should be secured against political risks, through international legal and inter-governmental frameworks and agreements.

III. Nuclear Energy and Renewable Energy Resources

- In light of the current high oil and gas prices and growing energy demand, G8 governments should review their policies vis-à-vis the role of nuclear energy.
- The relationship between nuclear non-proliferation and nuclear energy should be clarified and clearly defined so as not to constrain the future development of nuclear energy capacities worldwide.
- Investment into renewable energy resources (solar, hydro, bio, etc) should be encouraged through a range of government-provided incentives and public-private research and investment schemes.

Russia-specific Issues:

- The Russian leadership as well as the other G8 governments should clarify their future policies towards the development of the nuclear sector worldwide, including foreign investment in nuclear energy production facilities.
- Complex issues related to the storage of nuclear waste should become more transparent and benefit from an open exchange of information among the G8 countries Plus.
- Incentives for the development of renewable energy sources in the Russian Federation should be provided to both foreign and local entities, including conditions for technology transfer and for utilizing the relevant knowledge extant in the former Soviet military complex.

IV. Energy Conservation

- The impact that taxing energy consumption and providing energy subsidies has on the incentives for energy conservation should be considered carefully by the G8 countries Plus.
- The impact of the Kyoto agreement on a future global energy strategy should be explored, as well as possible scenarios for the post-Kyoto architecture after 2012.

Russia-specific Issues:

- A national strategy for energy conservation needs to be developed.
- Domestic energy prices in Russia should be gradually raised to world levels, thus providing incentives for energy conservation. The complex set of energy subsidies for domestic consumers should be simplified and reduced.

- Motor fuel taxation should be increased to international levels, leading to the production of environmentally friendly motor fuels in the Russian Federation supported by investments in its refineries.
- Nation-wide campaigns to raise awareness and educate consumers about energy conservation should be initiated.

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At the end of this Energy Experts meeting in Brussels, it was agreed that the main conclusions of the meeting would be sent to the relevant officials within the G8 governments as well as to the major energy companies for their feedback and input. Based on their responses, the Project Team will select priority areas for further research, focusing on the areas of common energy interests among the G8 countries Plus (China, India). Task Forces of experts will be created to provide in-depth research, leading to a *White Paper* on the future Energy Strategy and Cooperation within G8, Plus.

The White Paper will be presented to Russian officials, as well as to the other G8 governments and to energy companies, during April/May 2006, to provide input into the preparation for the G8 Summit in St. Petersburg in June 2006.