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European Parliament
Committee on Foreign Affairs

Public hearing
"Towards a common European Foreign Policy on Energy"

**Panel 1: Europe's External Energy relations:
present and future challenges.**

Keynote speech

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Honourable Members, ladies and Gentlemen,

I would like to first of all thank the Honourable Members for taking this initiative to have a public hearing on developing a common European Foreign Policy on Energy and for the opportunity you have given me to say a few words on this important subject.

While clearly the EU's principal task today in the energy sector is to get its own house in order, the issues we face are global in nature and we cannot tackle them alone or separately. That's why the international dimension of our proposals is so important.

The Commission's recent Communication and the Strategic Energy Review have clearly underlined the need to address climate change and energy security, both internal and external, as two sides of the same coin. I firmly believe that, for our foreign energy relations, we also need to add the important issue of good governance.

Recent events, such as the Belarus-Russia oil dispute at the beginning of this year and the findings of the Intergovernmental Panel on Climate Change published in early February emphasise this point. It is clear that the challenges we face to ensure our external energy security are environmental, social and economic, and need to be incorporated into our foreign and development policy.

Our own energy security and our efforts to tackle climate change are inevitably linked (and conditional) to international actions in both these areas. Moreover the adverse effects of climate change and the consequent threats to humanity as a whole, as well as the increasing competition for scarce energy resources, will further accentuate the international tensions we spend our time trying to resolve. More than 1.5 billion people in the world have no access to energy. These are the same people that are most vulnerable to the negative impacts of climate change, such as changing patterns of rainfall, the increased likelihood of draughts, disruptions in food production and diminishing access to freshwater supplies. Accordingly, it not only makes sense, but is also our responsibility to promote these intertwined agendas simultaneously as an integral part of our external action.

So a key element of our recent "energy package" is the proposal to build a common external energy policy which would address many of these issues.

Current activities

Having said this and before going into the details of this “energy package”, I would like to underline that the Commission has, been very active for many years in enhancing energy relations with our key external energy partners, be they producers, transit countries or consumers. Faced with a growing dependency on energy imports, we need to be more focussed and ensure that our efforts are articulated effectively and in a coherent manner.

Energy has featured and continues to feature in all of our bi-lateral relations with third countries. One only needs to look at our partnership and co-operation agreements, at our association agreements, at the country and regional programmes under the European Neighbourhood Policy. Energy is included in all those agreements. Over the last year and a half, we have also signed specific Memoranda of Understanding on energy with three of our key energy partners, namely Ukraine, Azerbaijan and Kazakhstan. In addition, energy features in the conclusions of many of the summits held with third countries.

Since the nineties, for example, the Commission has been very active in the Caspian and Black Sea regions through the **INOGATE** programme. Despite tremendous political difficulties, this region has seen the investment of several billion Euros for the development and export of energy resources to the EU and international markets. Several important new energy transport infrastructures have been realised in this region over the last ten years, including the Baku-Supsa, Caspian Pipeline Consortium (CPC) and Baku-Tblisi-Ceyhan oil pipelines as well as the Baku-Tblisi-Erzerum gas pipeline.

More recently, we have upgraded our relations with the Caspian region and central Asia. Our regional **Baku energy initiative** has been bringing together representatives from the countries of the Caucasus and Central Asia, as well as Turkey, Ukraine, Moldova, Belarus and Russia - as an observer – to discuss the modalities of exporting the EU’s internal energy market to this region.

Since October 2000, we have also had an **Energy Dialogue with Russia** which has involved very practical discussions and exchanges of views involving representatives of the EU and Russian energy industries, our Member States and the Commission and Russian administration.

Since the inception of the **Barcelona Process**, the European Union has been actively engaged with the Mediterranean Partner countries on an energy dialogue aimed at promoting regional energy integration, enhancing energy security and diversifying the sources and supply routes.

We have also developed a successful energy dialogue with **Norway**, one of our most important suppliers of oil and gas. This dialogue covers energy policies in a wider sense, including co-operation on technological issues.

With **China**, we have been co-operating on energy issues since the early nineties. This has been enhanced over the past couple of years with the establishment of the joint partnership on climate change and the technical dialogue on energy and transport strategies. Likewise, the establishment of a joint energy panel with **India** in 2004 has led to a reinforcing of energy relations.

And energy relations with the **US** are being enhanced, along with the developing dialogues with **OPEC** and the **Gulf Co-operation Council**.

The challenge

Energy today is increasingly being used as a political weapon. There is a resurgence of energy nationalism and re-nationalisation programmes among a number of producer countries, a deterioration of governance principles in the management of those resources, aggressive and non transparent energy security policies from certain important consuming countries and last but not least an absolute need to fight climate change.

We therefore need to review our energy strategy and options as well as our energy policy instruments. The current context provides us with a unique opportunity to develop an EU common energy policy based upon our common values and our common approach.

Future challenges

During 2006, tremendous work was achieved in developing common orientations for an external energy policy. And clearly there has been a growing consensus over the past year, at the European Summits, of the value of **speaking with one voice**.

There has also been a recognition of the need to **enhance our co-ordination**, both within the Commission and with all the Member States,

to ensure a coherent, focused and effective external energy approach.

An important practical step that is already underway is the establishment of a network of **energy correspondents** from the Commission services, the Commission delegations in third countries and representatives from the Member States. This will provide us with an effective early warning system and enhance the EU's capability to react.

And now to the Commission's recent "energy package" and what are we planning to do, if not already doing, on the external aspects.

We have proposed a number of key priorities in the external energy sector for the next three years. These include in particular:

- agreement on a **new energy relationship with Russia** in the framework of the new agreement to replace the current Partnership and Co-operation Agreement, in which we intend to reflect the key principles of the Energy Charter Treaty;
 - the new enhanced agreement with **Ukraine** should reflect the strategic importance of Ukraine's partnership with EU, and it will have a strong energy component, including trade related energy issues;
 - enhancing our bilateral energy relations with other key partners in the Caspian Basin, Central Asia, the Mediterranean (MoU with Algeria already under negotiation) and the Middle East;
 - a gradual extension, as appropriate, of the **Energy Community Treaty** to Norway, Ukraine, Moldova and Turkey (already observers);
 - increasing relations with **key energy producers and transit countries** through OPEC and the GCC, or on a bilateral basis, as well as looking further afield at areas like Latin America and the Caribbean;
 - **driving forward international agreements** such as the post-2012 climate regime and the future of the Energy Charter Treaty;
- continue improving nuclear safety, particularly in the neighbouring countries through the new Instrument for Nuclear Safety Cooperation.

In the framework of the European Neighbourhood Policy, the Commission will present shortly a communication on co-operation with the **Black Sea region which provides another opportunity to focus on energy relations.**

We are also working, together with the Member states, on a new EU strategy on **Central Asia**, in which energy will be an important element. The aim will be to strengthen ties with all energy-rich countries in the region.

Concerning the Mediterranean region, new cooperation priorities for the period ahead will be identified and formally adopted by the next Euromed Energy Ministerial Conference to be held in Cyprus in September 2007.

We are also looking to develop an important new initiative in the shape of an **Africa-Europe Energy Partnership** to strengthen the ongoing energy cooperation with Africa.

And we also attach great importance to the further development of EU energy relations with **China, India and Latin America.**

Apart from concluding agreements aiming at strengthening our relations with our major energy partners, one important element in our energy strategy is the need to **facilitate the construction of the necessary new infrastructure** that are needed to diversify our sources and routes. A certain number of important routes such as the Trans-Caspian – Black sea energy corridor and new projects in the Mediterranean region are key priorities (*full list in the defensive point*)

The Commission recently proposed, in the context of its European Neighbourhood Policy, to create a new **Neighbourhood Investment Facility** aiming at facilitating, in close cooperation with notably the EIB and EBRD, investments in the neighbourhood area. This facility can play a role in advancing energy infrastructure investments.

This Facility will also be coordinated with the African Infrastructure Facility in view of facilitating the access of sub Saharan gas resources to the EU. The development of EU-Africa energy infrastructure of common interest, including the **Nigeria – Niger – Algeria – EU** gas pipeline is important for our security of supplies as well as for the economic development of the concerned African countries.

The package has also proposed an **international agreement on energy efficiency.** We believe that this could take the form of a general

umbrella agreement that would remain open to new participants. We would foresee it providing a framework for specific agreements with those partners who are most interested and ambitious in particular fields.

Honourable Members, ladies and Gentlemen,

The EU clearly cannot tolerate the kinds of disruptions that occurred in our energy supplies at the start of last year and again at the start of this year.

The time is right for action. Making energy a key element of EU's external relations is a condition sine qua none to effectively implementing our new policy. The Union must make the necessary political step-change by underpinning the domestic efforts with a coherent and credible external policy.

However, we need to recognise our weaknesses. All the frameworks and bodies that the EU is engaged in have not been able to prevent or properly address the disruptions we have had to face as a result of the Russia-Ukrainian and Russian-Belarusian disputes. We need to rise to the challenge. The new equation is simple: **Energy security – the security of energy supplies, the security of energy transportation, the security of energy demand and climate change security** - need to be addressed within a coherent legal framework.

That is why we are currently thinking of the possibility of launching a feasibility study to examine all the existing bilateral, multilateral and regional energy frameworks to obtain a full picture of what is missing in order to ensure the EU is ready to respond to this new equation.

This will be carried out in the framework of examining the available options for an **EU-ENP energy community treaty**, a treaty that would be a regional treaty covering the interests of us as consumers but also the interests of the transit countries and the producers.

This should be our objective and I hope that this will find support amongst the Honourable Members here today.

Thank you.