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European Commissioner for External Relations and European Neighbourhood Policy  
“EU-Ukraine: Partners for securing gas to Europe”  
Welcoming remarks, International investment conference on the modernisation of Ukraine’s gas transit system  
Brussels, 23 March 2009

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European Commissioner for External Relations and European Neighbourhood Policy

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**Brussels, 23 March 2009**

Ladies and Gentlemen,

Welcome to Brussels.

Today’s conference is the fruit of many years of good cooperation between the EU and Ukraine in the field of energy. I hope it will open the way to a new chapter that will serve all our interests.

I am delighted that in this room we have energy producers, transit countries and consumers, international financial institutions, the private sector and EU Member States, and many friends from outside the EU. A warm welcome to you all, and many thanks for making the effort to be here.

Before we start our work, let’s remind ourselves of our goal for today.

Ukraine’s gas transit system provides an important physical link between Russia, Ukraine and the EU, which is crucial to the EU’s energy security. However, this infrastructure is now in need of modernisation.

Ukraine’s gas transit system is a fundamental part of Europe’s gas network. Fundamental because the gas we import from Russia is a crucial building block in our energy security and the Ukrainian infrastructure carries 80% of the gas Russia exports to us – that is 20% of all the gas consumed in the EU.

This interdependence mostly passes unnoticed by the general public. Until moments of crisis. The events of January left everyone a loser and made EU public opinion nervous about the

security of our gas supplies.

We cannot allow our citizens to face fuel shortages in the depth of winter again. Nor can Ukraine's economy develop without a more sustainable approach. Furthermore, all of us here today have an interest in ensuring Ukraine provides a reliable and secure transit route for gas in decades to come.

We support the decision taken by Ukraine, together with Russia, to move progressively towards European market conditions in their gas relations, including with respect to tariffs and transit fees. This, combined with the ten year contract, will help guarantee the security of gas supplies, transit and demand.

Modernising the gas transit system is another important step. According to the expert evaluation that will be presented later by Ukraine, there is room to improve the efficiency of the system by more than 25% - a huge added value for the environment. Modernisation will permit the quantities of gas to be measured more accurately, thus improving transparency. And it will also enable the system to be used nearer to its design capacity – so producers can send more gas; Ukraine can reap more benefit from the transit; and more gas can reach the EU. This is a real win-win.

However, this process has to go hand in hand with structural reforms to underpin both domestic gas supply and international transit.

Today's conference should be the first step towards both objectives.

First there is the question of the detailed technical work that needs to be done to make the **network function better**: after the coffee break the Ukrainian government will present us with its Master Plan.

Then this afternoon we will look at the **structural reforms** that need to be carried out in Ukraine's energy sector. These are as vital as modernising the infrastructure. Transparency and efficiency are essential to creating the climate of confidence which is a sine qua non for investment.

Finally, **investment**. Ukraine, the Commission services and the International Financial Institutions have successfully negotiated the joint declaration that will be signed later today. This document sets out a framework for permitting the necessary investments that will bring advantages to all sides.

The provisions of the joint declaration will help Ukraine integrate its gas sector into the EU's internal energy market. I hope they will also clear the way for some of you here today to invest in Ukraine's infrastructure. The Commission will play its part by providing Ukraine with the technical assistance it has requested to support its commitments.

The agreement we will sign is, of course, only a beginning. The moment this conference ends, we must all move to make a reality of the commitments we have entered into. Implementation is key.

Many people will have to work very hard – government and regulators; economic, technical, safety and environment experts; the gas transmission operator; and the technical co-ordination unit which will oversee modernisation and its funding. The challenges are just beginning.

However, this conference marks a crucial step in restoring confidence and confirming Ukraine's status as a reliable energy partner. You are not alone in meeting the difficult challenges we are discussing. If you keep your side of the bargain, we will keep ours.

Our support to Ukraine today should be seen in the broader context of our relationship under the new **Eastern Partnership**, adopted by our Member States last Friday. We seek to offer Ukraine and other countries close to our eastern borders new kinds of support, including in the field of energy. In particular I hope that Ukraine will be a major player in the multilateral track of the

partnership, where energy will be a major theme.

Energy is a cornerstone not only of the Eastern Partnership, but also of the Association Agreement we are negotiating with Ukraine. In addition to specific cooperation on energy, it is also an important component of the deep and comprehensive free trade area.

I am very pleased that both President Yuschenko and Prime Minister Timoshenko will be here today. This is a welcome signal of their unity of purpose and their commitment to remaining a key energy partner for the EU.

The overlapping interests of supplier countries, transit countries and consumers should be a driver for closer relations on our European continent - not a source of discord. Today's conference is about articulating those shared interests and acting on them, together.

The EU is striving to strengthen its energy partnerships not only in the Eastern Partnership but also further afield. I hope that the spirit of co-operation that guides our discussions today serves as a model for those to come.

With that let me thank you again for being here and I look forward to a stimulating and productive day ahead.