



**COUNCIL OF
THE EUROPEAN UNION**

Brussels, 17 November 2009

16001/09

**ENER 391
RELEX 1084**

NOTE

from: General Secretariat of the Council
to: Delegations

Subject: International relations in the field of energy:
a) State of gas relations between Ukraine and the Russian Federation
b) Energy Community Treaty
c) EU-US Energy Council
d) other international events
= Information from the Commission and the Presidency

Delegations will find attached some factual information concerning the Council's item "International relations in the field of energy".¹

¹ The joint declarations agreed at bilateral meetings are to be found on the Council's website www.consilium.europa.eu

The Council addressed energy issues with third countries and regions on the following occasions:

a) State of gas relations between Ukraine and the Russian Federation

Following the March "International Investment Conference on the modernisation of Ukraine's gas transit system" and alert about the payment of gas to be put in storage, continued dialogue with Ukraine and IFIs on reforms of the Ukrainian gas sector, including in the context of Ukraine's accession to the Energy Community Treaty, concerning infrastructure modernisation, financing needs, gas sector reform especially as regards increase in domestic prices towards international prices and the structural reforms of Naftogaz, led at the end of July to an agreement for a USD 1.7 bn financial package by IFIs facilitated by the Commission and conditional on a set of reforms being implemented. This was supported by Commission-led expert missions in June and July in Kyiv. The further developments of the gas relations between Ukraine and the Russian Federation is continually being watched at Community level, notably by the Gas Coordination Group.

Another opportunity to raise the subject of energy, and more specifically energy security, was afforded by the EU-Russia Summit which took place on 18-November in Stockholm. As agreed during the last EU-Russia Summit in Khabarovsk, the EU and Russia have strengthened the current dispositions under the EU-Russia Energy Dialogue to prevent and manage potential energy crises, with an enhanced Early Warning Mechanism (EWM) as reflected in the MoU signed on 16 November by the two coordinators of the Energy Dialogue, the Energy Commissioner and the Russian Minister for Energy. This EWM includes a clear definition of the circumstances that would trigger the activation of the mechanism, in terms of what constitutes a "significant disruption of supplies", be it due to maintenance of relevant infrastructure, accidents, or commercial disputes.

b) Energy Community Treaty

The seventh meeting of the Ministerial Council of the Energy Community will take place on 18 December in Zagreb, under the Presidency of Croatia. The Ministerial Council is due to take note of the progress achieved in the implementation of the Community *acquis* within the Energy Community countries, in particular with respect to security of supply, and will *inter alia* adopt a number of decisions, including possibly on the accession of the Republic of Moldova and of Ukraine to the Energy Community Treaty, on the implementation of three Community Directives on energy efficiency in the Energy Community¹, and on an annual (instead of biannual) rhythm of the Ministerial Council meetings. The Ministerial Council will also adopt an updated list of priority infrastructure projects in the Contracting Parties and will be informed on the state of play of dispute settlement cases and of the establishment of the Coordinated Auction Office.

In the meantime, the Commission, on the basis of the negotiating mandate adopted by the Council in late 2008, has started formal negotiations with Turkey with a view to its accession to the Energy Community.

c) EU-US Energy Council

On the occasion of the EU-US Summit on 3 November the European Union and the United States agreed to establish the EU-U.S. Energy Council at ministers' level, in order to deepen the dialogue on strategic energy issues of mutual interest, foster cooperation on energy policies and further strengthen research collaboration on sustainable and clean energy technologies.

¹ Directive 2006/32/EC on energy end-use efficiency and energy services; Directive 2002/91/EC on the energy performance of buildings; Directive 92/75/EEC on the indication by labelling and standard product information of the consumption of energy and other resources by household appliances

The Energy Council should meet annually, alternately in the U.S. and EU, and report to the EU-U.S. Summit. The Energy Council may decide to delegate preparatory work and follow-up to working groups at senior officials' level. The Energy Council will study diversification of energy sources, such as through increased use of liquefied natural gas (LNG), solar power, wind power and biofuels, and the use of nuclear power. It will discuss how to effectively promote global energy security on the basis of transparent, stable and non-discriminatory global energy markets and diversified energy sources. Diverse supplies and sources, as well as enhanced energy efficiency and transparent markets, are the surest route to energy security. The Council will foster energy policy cooperation, bilaterally and with third countries, aimed at improving energy security, enhancing energy efficiency, and deepening research, development, demonstration and deployment of sustainable and clean energy technologies.

The first, formal meeting of the Energy Council took place on 4 November.

d) Others

Energy Charter Treaty

On 20 August 2009, the Russian Federation informed the depository of the Energy Charter Treaty that it does not intend to become a Contracting Party to the Energy Charter Treaty. As a consequence, the provisional application of the Treaty for the Russian Federation has ended after 18 October 2009. The participation of the Russian Federation in the Energy Charter process, even as observer, is now uncertain.

The Community regrets this decision. The Community's support for the Energy Charter Treaty remains unchanged: the Treaty remains a unique legal framework for international energy cooperation and hence should not be amended, its participation should not be diluted and the Energy Charter Secretariat should focus on its strength, *i.e.* its core business.

Nevertheless, other means of modernising the Energy Charter *process* could be considered, in particular since this might encourage future participation - in one form or the other - of the Russian Federation. The annual Conference to be held on 9 December may adopt a statement relating to the modernisation of the Energy Charter process; in addition, it will take position on the draft report on the 2009 Review.

Summits and ministerial meetings with third countries

Energy, alone or with reference to climate change and/or energy security, was or will be on the agenda of many of the Union's other summits or ministerial meetings with third countries.

The most important of those meetings are the following:

The G8 ministerial meeting from 8 to 10 July in L'Aquila (Italy)¹,

The G20 summit on 24-25 September in Pittsburgh (USA)²,

The EU-Brazil summit on 6 October in Stockholm,

The EU-India summit on 6 November in New Delhi,

The EU-China summit on 30 November in Nanjing,

The EU-Ukraine summit on 4 December in Kyiv.

The meetings devoted exclusively to energy include *inter alia* the second meeting of the Energy Security Platform of the Eastern Partnership on 5 November in Brussels. Moreover, an IEA Ministerial Meeting took place on 14 and 15 October in Paris and adopted a communiqué addressing the issues of a cleaner and of a more secure energy future, the need for investment and international cooperation³.

¹ See: www.g8italia2009.it

² See: www.g20pittsburghsummit.org

³ The communiqué is available at: www.iea.org