

# **ANNEX 1 - CONCEPT PAPER**

## **Ministerial Conference**

**on**

### **Energy Co-operation between the EU, the Caspian Littoral States and their neighbouring countries**

Upon the initiative of and the invitation from the European Commission to the Ministerial Conference on Energy, kindly hosted by the Government of the Republic of Azerbaijan in Baku on 13 November 2004, representatives of the Governmental bodies of the Caspian Littoral States, namely, Azerbaijan, Iran, Kazakhstan and the Russian Federation as well as the Governmental bodies of the neighbouring countries, namely, Armenia, Georgia, Kyrgyzstan, Moldova, Turkey, Ukraine and Uzbekistan met with representatives of the European Commission, in the presence of representatives of the EU Member States.

The accession of 10 new Member States has brought the EU closer to the countries of the Black Sea Region and the Caspian Littoral States as well their neighbours; hence, the Conference participants discussed and confirmed the importance of enhancing energy co-operation between the EU and the wider region around the Caspian Sea. Building on the existing bilateral relations between the EU and these countries, past EU Tacis assistance as well as the international regulatory framework, the Conference participants agreed the following orientations for future work:

- 1) In the years ahead, the European Union as the world's second largest energy consumer and the largest importer of energy will see its energy requirements further grow and with them, its need for imports. Due to its very significant hydrocarbon resources, the countries of the Black Sea, Caspian Littoral States and their neighbouring countries have a key role in this respect, as outlined in the Commission's Green Paper "Towards a European strategy for the security of energy supply" (2000), further developed in the European Commission's Communication "On the development of energy policy for the enlarged European Union" (2003), the recent European Communication on "European Neighbourhood Policy" (2004) as well as relevant energy policies of the participating partner countries.

Enhanced energy co-operation between the EU, the countries of the Black Sea Region, the Caspian Littoral States and their neighbouring countries is of mutual interest for consumer, producer and transit countries. The energy resources endowed to the countries of the Caspian Region are of the utmost importance to their achieving sustainable economic and social development, thus contributing to peace, stability and prosperity in the region. Moreover, improved energy co-operation and better co-ordination of energy policies between the EU, the countries of the Black Sea Region, the Caspian Littoral States and their neighbouring countries are bound to have a positive effect for an increased mobilisation of investments by national authorities, international donors, including IFIs.

- 2) In this context, while recognising the concrete achievements in regional co-operation and integration with the help of the EU assistance since the early 1990s, through different programmes including the INOGATE Programme, the Conference participants acknowledged the importance of further developing the co-operation in the domain of energy towards multi-annual work programmes, within the framework of policies and strategies of the European Neighbourhood Programme, aiming at:
- progressively approximating the legal and technical standards with a view towards the creation of a functioning integrated energy market in accordance with EU and international legal and regulatory framework;
  - enhancing the safety and security of energy supplies through:
    - the extension and modernisation of existing infrastructure
    - the substitution of old and dangerous power generation infrastructures, such as the Medzamor Nuclear Power Station, with environmentally-friendly power generation infrastructures remains a common objective of the countries of the EU, the Caspian Region and their neighbours.
    - the development of new infrastructure, particularly of network interconnections
    - the implementation of a more modern monitoring system of their operation;
  - improving energy supply and demand management through the integration of efficient and sustainable energy systems; and
  - promoting the financing of commercially and environmentally-viable energy projects of common interest, which are identified according to pre-defined criteria.

- 3) With the aim of achieving the above objectives, the Conference Participants agreed:
- to use the INOGATE Technical Secretariat, kindly hosted since 2000 by the Government of Ukraine, as the co-ordination mechanism for supporting this enhanced co-operation. The Commission will be in charge of the monitoring and implementation of the above-mentioned multi-annual work programmes, with the support of the INOGATE Secretariat.
  - to create operation working groups in charge of:
    - a. Preparation of proposals in respect of a set of actions and procedures necessary for the development of multi-annual working programme of agreed measures, the realization of which will facilitate the creation of harmonized hydrocarbon and electricity markets;
    - b. addressing safety and security of energy production, transportation and supplies by assessing the work that has already been done up to date and proposing additional measures in this area including on rehabilitation of infrastructures and interconnection of electricity and hydrocarbon networks;
    - c. pursuing sustainable development by addressing energy efficiency, energy saving and renewable energy issues, as well as the environmental aspects of energy production, transportation and use, with a view to bringing the energy markets of the Black Sea, Caspian Littoral States and neighbouring countries into line with the standards of the European Union.
    - d. facilitating investments in energy projects of common interest by firstly identifying specific projects of common interest, which are identified according to pre-defined criteria, and promoting their financing by IFIs and/or the private sector.

For working groups (a) and (b) above, two sub-groups will be created concerning respectively hydrocarbons and electricity. Further sub-groups can be created on a regional basis.

- 4) The Conference participants took note of the EU financial technical assistance for past, ongoing and proposed projects under the EU Regional Co-operation Action Programmes 2002-2006 (Tacis) as well as prospects for future technical assistance under the proposed new co-operation instrument for the period as of 2007. The participants of the Conference agreed to review and align, where necessary, the existing Tacis-funded

projects under the regional co-operation programmes to take into account with the objectives set out above. In this respect, the Commission will present proposals for the realignment of projects identified, but not yet implemented.

5) Finally, the following was agreed:

- to nominate a representative to each working group before 31 December 2004; and
- to hold the next High-level Conference in May 2005 in Brussels to review the recommendations of the working groups and define the priorities for future work.