

Check Against Delivery

**STATEMENT BY
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ORGANIZATION OF THE
BLACK SEA ECONOMIC COOPERATION (BSEC)
PERMANENT INTERNATIONAL SECRETARIAT (PERMIS)**

**AT THE
BLACK SEA ENERGY CONFERENCE**

(Bucharest, 3-5 April 2006)

**Your Excellency President Basescu,
Your Excellencies Ministers of Foreign Affairs and Economy and Commerce of
Romania,
Excellencies,
Representatives of International Organizations,
Ladies and Gentlemen,**

It is a great pleasure and an honour for me to address such a distinguished audience at the opening session of the Black Sea Energy Conference. At the very outset I would like to thank the Romanian Chairmanship-in-Office for their kind invitation to an event devoted to energy, a very important and strategic issue for the Black Sea region. I'm sure that this event will stimulate our strategic thinking and elaborate new innovative and practical ideas for further collaboration and development in the energy area.

I would like on behalf of BSEC PERMIS to thank the Ministry of Economy and Commerce and the Ministry of Foreign Affairs of Romania and all other organizations involved in this event for an excellent organization and second to none hospitality.

Today, it is very important to encourage energy-related initiatives. We experience living in very dynamic though sometimes too much vibrant times often resulting to unpredictable developments. The continuing escalation of oil prices, the discussions regarding hydrocarbon reserves shortages and the apparent environmental implications have become the centrepiece of these developments. Energy is a global commodity, a true fact when markets are functioning effectively and supplies are unimpeded. But when markets are less than effective, or turmoil strikes the energy markets that supply the global customer, alternative routes and supplies become of paramount importance. From these very perspectives, Europe's investment in an energy security regime extending from the Black Sea area and the Caspian Sea basin to the European markets is of outmost importance.

The unique transit potential and energy resources of the wider BSEC area provide an important guarantor to Europe's energy security for the future. The Black Sea area has become one of the major energy crossroads, a strategic corridor, as it is often said, being at the same time a market, a transit region and a supplier.

The recent EU-25 enlargement together with the forthcoming accession of Bulgaria and Romania and the initiation of Turkey's accession process bring the EU borders to the west coast of the Black Sea and change the geopolitical configuration of energy in the region. The future integration of the EU internal energy market and the expected entry into force of the recently signed Energy Community Treaty are expected to offer an impetus to energy investments and transactions in the region for most of the non-EU countries of Southeast Europe. These strategic developments will also accelerate the creation of a homogenous institutional environment that will further facilitate the development of the local national energy markets.

This is a highly welcomed perspective for all BSEC Member States, given the twofold role of the region as both final and intermediate energy market. The European Neighbourhood Policy explicitly states that BSEC is supposed to play an important role in regional development which juxtaposes, within the framework of this Conference, to underline the increasing role of our Members in the diversification and security of the EU energy supply. That offers a historic opportunity for BSEC consolidation and integration within the new Pan-European energy context. Moreover, the Energy Charter Treaty, including almost all Eurasian countries, can be the basis for cooperation and common understanding in the specific sector.

That's why the energy sector is one of the pivotal areas of cooperation for our Organization. Cooperation in this sphere is of vital importance for the BSEC countries, for their future security, stability and development perspectives, and it is critical for an uninterrupted functioning of the East-West energy corridors.

The BSEC Economic Agenda for the Future has set a constantly increasing, in strategic importance and ambitious goal to utilize the outstanding potential of our region. A region which has the peculiarity to be simultaneously an energy producer, consumer and a transit area. BSEC Member States have confirmed these objectives by adopting the Baky Declaration of BSEC Ministers of Energy in 2003 and the Alexandroupolis Declaration in 2005. In addition, the Member States have expressed their intention to create a framework of internal cooperation and collaboration. To accomplish these goals, the BSEC Member States promote the development of a balanced, mutually beneficial cooperation with the EU and with all other major players in the energy sector.

Strategic developments in the energy sector around the Black and Caspian Sea areas are already producing results. Within this year the Baku-Tbilisi-Ceyhan Pipeline (BTC) will be fully operational and able to transport more than a million barrels of crude oil per day towards the European area. Gas from Azerbaijan will follow with the implementation of the South Caucasian Pipeline through Georgia and Turkey. Both routes when established could possibly be linked to the subsidiary pipelines located in the Eastern Mediterranean. Also, the Burgas-Alexandroupolis pipeline and gas from Turkey to Greece and Italy will solidify the corridor between the two regions and provide sustainable economic prosperity with additional investments and opportunities to the benefit of all players involved in supply, transit and demand for oil and gas.

The immediate strategic linkage between the related economic and security dimensions are more than obvious. For that reason, the Romanian Chairmanship-in-Office is providing, through this Conference, a great opportunity for participating countries to express their interest in further engaging in bilateral and multilateral investment projects.

In practical terms, BSEC needs to use more energetically and purposefully the strategic dimension of the Black Sea region in the forming of a Wider Europe and primarily of its

capacity to consolidate its role as a vital strategic corridor between Europe and Asia. To realize these ambitious goals we need to:

- strengthen the legal framework of energy-related issues and establish the common rules for generation, transmission and distribution of energy on the basis of the Energy Charter Treaty;
- create an integrated energy market for electricity and natural gas networks, based on a regional approach and integrate this market into the wider European customer space;
- ensure security of energy supplies, including the diversification of energy transport routes, particularly that of oil and gas export from the broader Caspian and Black Sea regions to the European and international markets;
- undertake joint action with respect to the interconnection of oil and gas pipeline networks of the Member States, as well as the electric power grid systems, and their linkage with the Trans-European energy networks;
- more actively engage in the practical activities of large multinational energy companies, that are already operating in the region, by using their resources and capacity;
- work towards the implementation of environmentally sensitive policies and, in parallel, towards the creation of a most-promising emissions trading regional market.

To accomplish this agenda, BSEC activities should be directed towards a more project-oriented approach, with emphasis on projects that will motivate the energy market stakeholders and have the highest possible regional impact.

We are fully aware of the difficulties arising from the various energy policies of our Member States but we are also aware of our common expressed decisiveness and commitment at the highest level in finding the common denominators and taking the advantage of international best practices.

We encourage regional cooperation among our BSEC Member States, with the EU and other international bodies and open new ways to capitalize on the potential of our different resources. To facilitate this accomplishment we have established the BSEC Project Development Fund and although at an early stage, we are satisfied with the so far achieved results.

Recently, during the last meeting of the Working Group on Energy in Baky –and given the opportunity, I'd like to recognise the presence of H.E. Natig ALIEV, the Minister of Energy of Azerbaijan at this Conference- we have discussed the multiplying effects of

this initiative that has created a momentum leading to the development of a scientific Energy and Climate Change Policy Network (PROMITHEAS). This was an energy related project, financed by the BSEC Project Development Fund, and successfully completed resulting to further financing by the EU Framework Program funds. The project established an energy cooperation network (PROMITHEAS) initially with institutions from six BSEC countries, one of which is Romania and open to all BSEC Member States.

We also put emphasis to improve the gathering, dissemination and exchange of energy related information by fully involving the BSEC related institutions and to encourage co-operation and exchange of best practices among energy professionals in the BSEC region as it is declared in the Baky Ministerial Declaration on Energy Cooperation. That is why, we are satisfied that as an outcome of our Project Development Fund financed energy project an *“Energy View of BSEC countries”* was circulated under the BSEC auspices. We assess that this edition together with the associated international meetings of both energy experts and stakeholders will further facilitate the accomplishment of the aforementioned aim and we are gratified that Romania is among the six countries that participated actively in this edition.

We assess that such initiatives contribute in reinforcing the energy dialog and the formation of a homogeneous regional energy space of investments and transactions which is one of the main aims of BSEC as it is expressed in the Baky Declaration. More over the Alexandroupolis Declaration has set the ambitious challenge for all BSEC members to work for the creation of a regionally integrated energy market for electricity and natural gas networks in the context of the European markets.

This is a complicated task that has as prerequisites to overcome certain technical, institutional and not to mention socio-economic obstacles. Our energy Ministers are optimistic and determined to face these challenges and we have put a lot of our expectations and dynamics in the BSEC Working Group on Energy and the Ad Hoc Group of Experts on Electrical Networks that examine these obstacles and try to find common accepted solutions.

In this respect we can only welcome the Romanian initiative of creating a Black Sea Energy Regulatory Roundtable and I am confident that the aforementioned BSEC Working Groups on Energy and Electrical Networks will be interested to discuss this in detail and further maximise its perspectives. This also seems to be an opportunity for diffusing best practices already created in Southeast Europe although the conditions are not identical regarding all the BSEC countries.

We are determined, as it is expressed in the Alexandroupolis Declaration to explore the possibilities of cooperation between the BSEC Member States, the Energy Community in South East Europe, the Mediterranean countries and other regional initiatives. In this

respect, the BSEC Working Group on Energy has been discussing project ideas aiming to facilitate investments and transactions among energy stakeholders in our region.

Depending on the discussions and decisions of the BSEC Working Group on Energy we are ready to further support practical measures promoting regional cooperation on energy issues.

I would conclude by underlining that BSEC has developed a sufficient political consensus among its Member States that allows the implementation of project oriented plans with high regional impact in specific sectors. We are conscious of the existing obstacles but we count on our decisiveness to overcome them by strengthening the already existing bonds of understanding and cooperation among our members and by working hard to enhance the bonds of cooperation with the EU, other international organisations and institutions, and countries with Observer status in BSEC.

I wish the Black Sea Energy Conference to lead in the best possible way the ongoing energy dialog and produce valuable recommendations for the further development of this crucial sector.

Thank you.
