



ENSURING INVESTOR CONFIDENCE THROUGH THE ENERGY TRANSITION

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In November 2017, I was in Bonn for the high-level segment of the COP23 conference where countries discussed what achieving the Paris Agreement goals would mean for them and what is required in terms of concrete action. What struck me about COP23 was the fact that most delegations were headed up by Ministers of the Environment – there was a notable absence of Ministers responsible for energy.

Yet we all know that in most countries the energy sector will have a major role to play in delivering the Paris Agreement commitments and striking the balance with energy security for each and every country. This will be impossible without significant scale-up of investment in clean energy resources and technologies alongside maintaining a level of investment in traditional resources. The Energy Charter Treaty, because of its technologically neutral scope, should play an important role to help facilitate this.

In my statement at the Ministerial Session of the 28th Energy Charter Conference in Ashgabat, Turkmenistan, I set out how I see the role of the Energy Charter Treaty in facilitating the energy transition and I believe that it is very relevant for the International Energy Forum ministerial meeting too.

To encourage sustainable energy investment, governments must have a long-term perspective and foster a commitment of mutual trust, legal stability, and policy predictability that goes beyond election cycles. Industry must have reassurance that the promises of today, will result in the honoured commitments of tomorrow. The Energy Charter Treaty was designed specifically for this purpose. Furthermore, through the projection of the rule of law in cross-border trade, investment and transit of energy, the Treaty strongly promotes open, competitive and liquid markets as well as energy efficiency – all of which offer huge potential to make the energy transition more affordable for countries.

There can be no doubt that the energy transition will have a massive global impact will massively impact. What we need are smart, balanced investments to create the conditions that help investors more effectively manage risks, such as high price volatility and stranded investments, which can potentially undermine energy security.

I would like to highlight the Energy Charter's *Energy Investment Risk Assessment initiative (EIRA)*. EIRA is specifically designed to help countries make smart regulatory choices of relevance to investors, and also of relevance to the energy transition. A key objective of EIRA is to ensure investor confidence is established and retained throughout the energy transition. EIRA allows us to advise countries on the approach they should take with regulatory reforms so

that disputes between investors and states are prevented.

In essence, EIRA promotes a regulatory approach that mitigates risks for investors and states as much as possible. This requires states:

- to uphold their obligations,
- to develop markets and regulatory frameworks that are fair and well-managed,
- to give investors clarity on the direction and pace of policy change
- to resolve issues and disputes with investors as efficiently as possible.

The Treaty was established over 20 years ago and we now have much experience in the Treaty's application. The Treaty will be more effective if adapted for the future and with a larger membership. This is why we embarked upon a modernisation process some time ago. The adoption of the International Energy Charter in 2015 was a major milestone and the global response was significant, with near to 90 states and regional organisations signing this declaration so far. For non-member countries, signing this political declaration is the entry point of engagement with the Energy Charter Process and many new countries are now pursuing accession to the Treaty.

Existing members and accession countries have a common interest in ensuring that the Treaty is ready for the challenges ahead. We also have a duty to ensure that the Treaty facilitates rather than hinders the global energy transition. Recently, the Contracting Parties started discussion on how to proceed with the ultimate stage of modernisation; which turns the spotlight on the Treaty itself. Under Romania's Chairmanship in 2018 our members will elaborate on the ideas for the future, interests and our commitments to modernise the Treaty. Any reforms should strengthen the Treaty's ability to successfully achieve its original purpose, and in turn, this should help facilitate Treaty membership expansion, benefiting all members through strengthened international cooperation.

The legal level playing field for international energy cooperation, created by the Energy Charter Treaty, complements the high level dialogue cultivated between energy producing and consuming countries by the International Energy Forum. Most of our members and observers are engaged in the IEF, which strengthens the case for even stronger interaction between both organisations. Indeed, our Energy Investment Risk Assessment initiative (EIRA) complements the IEF's Joint Organisation Data Initiative (JODI), for the purpose of strengthening energy security, which is our common goal. ■