

## ***Ministerial Declaration***

### **on Enhanced energy co-operation between the EU, the Littoral States of the Black and Caspian Seas and their neighbouring countries**

Upon the initiative of and following the invitation from the European Commission to participate to the 2<sup>nd</sup> Energy Ministerial Conference, kindly hosted by the Government of Kazakhstan in Astana, on 30 November 2006,

- the Littoral States of the Black and Caspian Seas, namely, Republic of Azerbaijan, Georgia, Republic of Kazakhstan, Republic of Moldova, Republic of Turkey, and Ukraine as well as their neighbouring countries, namely, Republic of Armenia, Republic of Belarus, Kyrgyz Republic, Republic of Tajikistan and Republic of Uzbekistan; hereinafter referred to as the Partner Countries; and
- the Russian Federation as an observer

met with the EU Presidency, the European Commission, EU Member States, in the presence of EU Acceding countries, EIB, EBRD and the World Bank.

The EU and the Partner Countries have agreed the following:

1. to endorse the Road Map outlined in the annex which has been jointly developed by the ‘Baku Initiative’ participating countries and the European Commission in the framework of this enhanced energy co-operation.
2. to focus their co-operation on the objectives set out by the Road Map namely:
  - a. Converging of energy markets on the basis of the EU internal energy market principles taking into account the particularities of the Partner Countries***
  - b. Enhancing energy security by addressing the issues of energy exports/imports, supply diversification, energy transit and energy demand***
  - c. Supporting sustainable energy development, including the development of energy efficiency, renewable energy sources and demand side management***
  - d. Attracting investment towards energy projects of common and regional interest***
3. to maintain regular meetings of the 4 existing working groups of experts, set up on the occasion of the 2004 Baku Ministerial Conference, with a view to implementing the Road Map and its related actions,

4. to enhance the role of the INOGATE Technical Secretariat in Kiev and its two Regional offices in Central Asia (Almaty) and South Caucasus (Tbilisi) while extending its scope of activities to fully cover all energy sub-sectors and priorities of the 'Baku Initiative', to denominate it the "EU-Black Sea and Caspian Sea Basin and its Neighbouring Countries Energy Cooperation Secretariat" and keep the short name "Inogate",

5. to support the European Commission in its monitoring role for the implementation of the Road map, with the technical support of Inogate

6. to make every effort to facilitate and mobilise private and/or public financial resources from relevant Partner Countries, EU assistance and IFIs with a view to implementing the approved actions set out in the Road Map.

7. For the short term, priority should be given to the:

- Development of a **Capacity Building Programme** for relevant energy authorities including regulators with a view to increasing their understanding on the EU energy legislation and practice and in this way, supporting the convergence of energy markets;
- Preparation of **regional electricity, gas, oil, renewable energy and energy efficiency action plans** for Partner Countries, covering the identification of the key legal, regulatory and technical issues to be addressed and the development of detailed technical action programmes and support of intra-regional cooperation; and
- Enhancing energy security of the 'Baku Initiative' Partner Countries through the support of **upgrading of the existing** oil, gas and electricity networks as well as the development of additional **new supply routes and relevant infrastructures** for the transportation of energy resources including oil and gas pipelines and LNG.

EU assistance will focus on these priorities for the period 2007-2010.

8. to hold the 3<sup>rd</sup> Ministerial Conference in 2008 to review the implementation of the Road Map and set out the institutional framework for the long-term implementation of the energy co-operation between the EU, the Littoral States of the Black and Caspian Seas and their neighbouring countries.

**Done in Astana, on 30th November 2006 in English and Russian languages. Both texts are equally valid.**

**Attachments:**

- *Road Map* for the Energy Co-operation between the EU, the Littoral States of the Black and Caspian Seas and their neighbouring countries. (Annex 1)
- Statements of Participating Countries (Annex 2)

## **ROAD MAP**

The present *Road Map* draws on work carried out by the four Working Groups established at the 2004 Baku Ministerial Conference and coordinated through the INOGATE Technical Secretariat, with the assistance of the European Commission. These Working Groups, have reviewed the current energy sector situation in the Partner Countries, defined long-term objectives for the regional energy cooperation, and set out a plan of actions to bridge the gap between the current situation and the long-term vision.

The four following priority areas were identified for future energy cooperation between the EU, the Littoral States of the Black and Caspian Seas and their neighbouring countries in the upcoming period<sup>1</sup>:

***1. Converging of energy markets on the basis of the EU internal energy market principles taking into account the particularities of the Partner Countries***

Under this area of cooperation, the participants decided to work jointly towards the following objectives:

- Short to medium-term objective: Gradual convergence of energy markets with the principles of the EU internal energy market, respecting fair competition, high environmental, efficiency and safety standards, including nuclear safety;
- Long-term objective: Creation of integrated regional energy markets and their progressive integration with the EU internal energy market (where applicable).

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<sup>1</sup> For the purposes of defining regional actions in the context of the energy cooperation between the Partner Countries and the EU , the following definitions were used for the regions:

- Eastern Europe region is defined as Belarus, Moldova and Ukraine
- Caucasus region is defined as Armenia, Azerbaijan and Georgia
- Central Asia region is defined as Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan

Turkey is included in all the regions.  
The Russian Federation is included as an observer.

**Arrangements reached within the 1<sup>st</sup> Area of Cooperation:**

**Convergence of energy markets**

**ARRANGEMENT ON working towards convergence of energy markets through:**

- Gradual opening of the internal electricity, oil & gas markets
- establishing independent energy regulators
- establishing common methodologies for tariff setting policy / role of regulators for gas & electricity markets, based on the EU principles
- ensuring full, effective and transparent implementation of the relevant legislation supporting the integration/convergence of the energy markets with the principles of the EU internal energy market, in particular environmental and safety standards including nuclear safety
- Taking into account the joint work of EURELECTRIC (Union of Electricity Industry) and CIS EPC (Electric Power Council of CIS) on their Roadmaps as the basis for gradually converging the technical rules and creating compatible electricity markets in the EU and CIS regions.
- Supporting the functionality of a monitoring mechanism with yearly reporting on progress through the working groups.
- Developing a capacity building programme for relevant energy authorities including regulators with a view to increasing their understanding on the EU energy legislation and practice and in this way, supporting the convergence of energy markets

**APPROVED ACTIONS for Eastern Europe, Caucasus and Central Asia regions**

- Preparation of an Action Plan for creating integrated regional markets in the electricity, gas and oil sectors in line with EU energy market principles and objectives. This could include the identification of the key legal, regulatory and technical issues and the development of a detailed technical roadmap to address them, as well as the review of the existing legal framework in order to speed up the administrative authorisation procedures, and develop a regulatory environment more conducive to investment projects.
- Creation of integrated regional energy markets, converging towards the adoption of the principles of the EU internal energy market including environmental and safety standards.

**2. *Enhancing energy security by addressing energy exports/imports, supply diversification, energy transit and energy demand issues***

With regard to this area of cooperation, the participants decided to work jointly towards the following objective:

- Enhancing energy security in the region by addressing energy exports, energy transit and energy demand issues.

<b>Arrangements reached within the 2<sup>nd</sup> Area of Cooperation: Enhancing Energy Security</b>
<p><b>ARRANGEMENT ON enhancing energy security through:</b></p> <ul style="list-style-type: none"><li>• <b>Enhancing cooperation</b> on open and non-discriminatory access to energy resources and networks</li><li>• Minimising the deterioration of the energy networks, developing appropriate network maintenance practices and enhancing network safety and security</li><li>• Supporting and actively promoting both rehabilitation of the existing infrastructures and development of new energy infrastructures, including LNG option with the appropriate government financial support, involvement of IFIs and technical and financial support of the European Union.</li></ul> <p><b>APPROVED ACTIONS for the Eastern European region</b></p> <ul style="list-style-type: none"><li>• Rehabilitation of existing gas, oil and electricity networks</li><li>• Diversification of energy transit infrastructure in the region including the development of alternative oil and gas transit routes towards Europe, including LNG options</li><li>• Installation of new gas and oil metering facilities in accordance with international standards</li><li>• Implementation of preventive maintenance practices for the existing infrastructure</li></ul> <p><b>APPROVED ACTIONS for Caucasus region</b></p> <ul style="list-style-type: none"><li>• Rehabilitation of existing gas, oil and electricity networks, taking into consideration the role of South Caucasus for energy transit towards the EU</li><li>• Implementation of preventive maintenance practices for the existing energy infrastructure</li><li>• Diversification of energy transit infrastructure in the region including the development of alternative oil and gas transit routes towards Europe, including LNG options</li><li>• Installation of new gas and oil metering facilities in accordance with international standards</li></ul>

**APPROVED ACTIONS for Central Asia region**

- Rehabilitation of existing gas, oil and electricity transportation networks.
- Facilitation of new economically viable and environmentally sustainable energy export routes towards Partner Countries including Black Sea and European markets.
- Implementation of preventive maintenance practices for the existing energy infrastructure.
- Installation of new gas and oil metering facilities in accordance with international standards

***3. Sustainable energy development including by developing energy efficiency and renewable energy sources***

With regard to this area of energy cooperation, the participants approved to work jointly towards the following objectives:

- Diversification of the energy mix while respecting the Partner Countries' national choices
- Increased use of renewable energy sources
- Promotion of energy demand management, including the implementation of energy efficiency and energy saving measures

**Arrangement reached within the 3<sup>rd</sup> Area of Cooperation:**

**Supporting sustainable energy development, including the development of energy efficiency, renewable energy sources and demand side management**

**ARRANGEMENT ON promoting sustainable energy development by:**

- Promoting the development of the energy sector based on the principles of security of supply, competitiveness and environmental sustainability
- Building up of a stable, sustainable energy policy framework in all beneficiary countries as well as enhancing institutional capacity,
- Fostering the market penetration of renewable energy sources in the overall energy mix
- Developing the legal, institutional and financial frameworks with the aim of promoting energy efficiency and renewable energy in all participating countries.
- Participating in international initiatives related to sustainable energy development

**APPROVED ACTIONS for Eastern Europe, Caucasus and Central Asia regions**

- Development of policy, legislative and institutional frameworks for sustainable energy, including through convergence with EU standards and norms
- Information campaigns supporting sustainable energy development, including dissemination of information, training and awareness raising on best practices

- Creation of energy agencies fostering energy efficiency measures and the use of renewable energy sources.
- Promoting research and development activities as well as the market uptake of energy efficiency, renewable energy and clean energy technologies
- Supporting the implementation of environmental assessments as well as assessments of renewable sources potential by the relevant industries/institutions
- Setting up environmental standards getting progressively closer to EU levels, for energy utilities and supporting the implementation of related energy demonstration projects
- Further developing the Kyoto Protocol mechanisms such as CDM, Joint Implementation Projects and emissions trading schemes (where applicable)
- Implementing gas flaring reduction as well as "methane to market" measures and participating if appropriate in related international initiatives.

**4. Investment Attraction of Energy Projects of Common Interest**

With regard to this fourth area of energy cooperation, the EU and the Partner Countries decided to work jointly towards the following objectives:

- Further improvement of the investment climate in order to facilitate investment in the energy sector; and
- Attraction of the necessary investments in the energy sector to support the development of the energy production, transmission and consumption infrastructure.

<b>Arrangement reached within the 4<sup>th</sup> Area of Cooperation: Investment Attraction of Energy Projects of Common Interest</b>
<p><b>ARRANGEMENT ON</b></p> <ul style="list-style-type: none"> <li>● Development of a transparent, equitable, stable framework attracting the necessary investment as well as promoting sustainable development in the energy sector</li> <li>● Improvement of medium to long-term investment planning procedures and multi-country investment coordination and promotion, aiming in particular to develop cross-border energy interconnections, including gas infrastructure (transport and storage) as well as energy generation capacities</li> <li>● Enhanced cooperation with IFIs</li> <li>● Projects of common interest to be identified, on the basis of the following commonly accepted criteria: <ul style="list-style-type: none"> <li>○ Project to conform, or as a minimum not to contradict, the national energy policy of</li> </ul> </li> </ul>



the participating countries.

- Project to be viable and bankable.
- Project supporting the creation of an integrated regional energy market.
- Project supporting regional energy cooperation in particular in the field of transport of energy products.
- Project developing the existing energy resources
- Project improving the energy security at national and regional level and facilitating energy transit.
- Project developing protection, monitoring and control systems in energy transit infrastructures.
- Project aiming to increase the capacities of reception and storage of gas including for LNG.
- Project aiming at developing LNG facilities.
- Project supporting sustainable energy development, in particular energy efficiency projects.
- Projects supporting the development of integrated energy networks with the EU.
- Projects improving or developing energy infrastructures with full respect to environmental conditions.
- Projects aiming to strengthen the relations with energy producing/transit countries.
- Projects aiming to link landlocked and peripheral regions with other parts of the Partner Countries and the EU
- Projects contributing to source and supply route diversification
- Areas of common interest that should be addressed are:
  - The modernization and development of energy infrastructures
  - Continuation of the restructuring and, where appropriate, privatisation process in the energy sector on a transparent and competitive basis
  - Unbundling of commercial and regulatory functions in state companies
  - Simplification of licensing and registration procedures
  - Legal framework reform with the objective to secure the proper implementation of transparent and consistent legislation with uniform application
  - The effective enforcement of property and contractual rights
  - The stability of legislation for investors
  - The extension of the dispute settlement mechanisms to include international arbitration

- The development of a transparent and stable taxation system
- Harmonisation with EU customs and trade practices
- The harmonisation of laws regulating bankruptcy, financial markets and secure transactions to internationally acceptable standards
- The fight against bureaucracy, lack of financial and market transparency and corruption
- Projects of common interest in the **Eastern European region** include the following:
  - The upgrading and construction of new cross-border gas and oil metering stations in accordance with the international standards
  - The rehabilitation of the existing gas, oil and electricity infrastructures
  - The development of new energy transport infrastructures including electricity interconnections
  - The development of power generation and heating from renewable energy sources
- Projects of common interest in the **Caucasus and Central Asia regions** include the following:
  - The rehabilitation and development of the gas, oil and electricity infrastructures including gas storage facilities
  - Electricity interconnections
  - The construction of new power generation from renewable energy sources
  - Use of energy saving technologies and renewables for the development of combined heat and power (CHP)

**STATEMENTS BY PARTICIPATING COUNTRIES**

**Republic of Uzbekistan**

The Republic of Uzbekistan requests the Partner Countries to take into consideration, when defining projects of common interest, the necessity to ensure that new hydropower generation facilities do not negatively affect the energy-related water downstream regime.

**Republic of Tajikistan**

The Republic of Tajikistan does not support the proposal of the Republic of Uzbekistan to connect the issue of developing hydroenergetics in the region with the irrigative water downstream regime of Uzbekistan, which are not agreed between the Central Asian countries of the region.