

The Future of Energy Security in Eurasia: the View from Georgia

**Statement by H.E. Mr. Valeri Chechelashvili,
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Ladies and Gentlemen,

The 60th Anniversary Session of the United Nations Economic Commission for Europe is a great opportunity to exchange ideas on one of the most pressing issues of our time and our continent – energy security.

It is a fact that energy sector, including energy production and energy distribution gained unprecedented importance for all us in the 21th century. The energy security is a precondition for economic stability and an indivisible part of a state's overall security.

Growing demand on energy resources means that the future energy security of Eurasia very much depends on diversification of sources of energy supplies and enhancing security of the energy network.

Eurasia - comprising all of Europe, Russia, the Caspian region, Central Asia, and also South and Northeast Asia - represents a natural cooperative space for energy supplies. There is a real possibility, in our view, to establish in future an efficient, transparent and competitive environment for investment and trade in energy extending across the entire Eurasian continent.

Allow me to first talk in brief about the importance of the Black Sea region in the context of the energy security of Eurasia and then about what we see as the right path towards ensuring the energy security in Eurasia.

The increased need for diversification of the sources of energy supplies and the cooperation in energy transit issues attaches a new relevance and mission to the Black and Caspian Sea regions as an important partner in a new Euro-Atlantic energy security strategy.

The issue of energy security has acquired a special significance for my country, in particular, not only due to the legitimate concerns regarding the diversification of its own energy supplies, which is crucial for the sustainable development but also due to the sharply increased importance of the region in terms of provision and protection of the energy shipping lanes between the Caspian region to South Caucasus region and further to the Western markets.

This part of the Black Sea region- South Caucasus, which is situated on crossroads of the biggest energy consumers and the biggest energy providers - has been called to play a special role in the functioning of the energy security network on the Eurasian continent.

The Black Sea has a great potential of becoming a major route of movement of gas and oil from the Middle East and Central Asia to Europe. South Caucasus, in particular, is emerging as key to diversification of energy-transit routes between the energy supplying and energy-consuming countries.

Georgia has contributed to the energy security of Eurasia and has accumulated vast experience in implementation of important trans-national energy projects. These are the Baku-Tbilisi-Ceyhan (BTC) oil pipeline and South Caucasus natural gas pipeline (Baku-Tbilisi-Erzurum).

The Baku-Tbilisi-Ceyhan (BTC) oil pipeline has recently reached its design capacity of one million barrels a day. It is the first land transportation system dedicated to delivering Caspian hydrocarbons directly to Turkey and its deepwater port of Ceyhan thus bypassing the Black Sea region's strategic checkpoint at the Bosphorus.

Kazakhstan – one of the major energy producers in Central Asia, has recently joined the BTC pipeline and this is a very good development.

The South Caucasus gas pipeline connects Shaz-Deniz fields of Azerbaijan with Erzurum in Turkey via Georgia.

The throughout capacity of this gas pipeline will be increased to up to 30 bcm per annum and importantly enough it has the potential of being connected to European gas markets through the Nabucco project.

In order to strengthen the energy security in Eurasia and reach balance between the consumers' and producers' interests it is vital to continue **further development of major international pipelines** to deliver oil and gas from the Caspian region and Central Asia to the European consumers.

This should remain in the forefront of EU policy planning. Securing of these pipelines and their markets will enhance the conditions needed to bring the more vulnerable Central Asian producers to the table.

We welcome active discussion started by EU member countries on energy security issues. Active dialogue of EU countries with new leader of Turkmenistan may bring new impetus for realization of Trans -Caspian gas pipeline project, which will increase the Eurasian energy security.

An important aspect of the creation of new transportation possibilities of energy resources is that it opens new prospects for states of Black and Caspian Sea regions, bringing stability to these countries. I would like to underline that Georgia welcomes efforts aimed at strengthening regional stability and encouraging economic cooperation with the Caspian and Central Asian Countries.

It is extremely important that the energy dialogue continues and all parties are able to have their voices heard. In this respect the forthcoming **energy summit planned in Poland in May this year**, which will mostly focus on diversification of energy

supplies is a useful opportunity to intensify and promote dialogue on energy security issues.

Strengthened partnership between energy producer and consumer countries, including enhanced dialogue on growing energy interdependence, security of supply and demand issues, is essential for sustainable development.

Our general approach to the energy security is the following – energy security issues should be regarded through the prism of four levels of interests:

First – balance of interests of all energy producers. It means that the interests of all players of energy game have to be considered properly and equally and they have to adhere to the "fair rules of game".

Second – consumers of energy resources have to get rid of political pressure from producer countries.

Third – it is necessary to reach an acceptable level of balance of interests between the consumers and producers. In other words, demands of consumers have to be met by the suppliers and vice versa.

Fourth – diversification of supply sources and the routes of transportation is one of the key elements in the energy game.

Inter-governmental, as well as public-private cooperation is essential for lasting energy security. We need to coordinate closely in order to facilitate fair transit rules, develop new investment projects, and promote greater energy efficiency. Substantial private and foreign investments are required to rehabilitate existing energy infrastructure and build new projects. Together we can make energy markets more competitive and secure. We can reduce the risk of supply disruptions and their negative consequences on our economies.

We also need to coordinate closely in order to facilitate fair transit rules. European leaders consider the need of ratification of the Energy Charter Transit Protocol as a necessary step towards secure natural gas supply. The ratification will introduce new obligations and decrease certain actors' ability to use gas supply for their political goals. It will also allow the European companies to buy natural gas directly from Central Asian producers.

The energy security implies not only the existence of diverse energy suppliers and enough guaranteed volumes but also the condition, whereas no supplier will be able to introduce monopolistic prices. It is not acceptable that certain actors control and dictate the prices and preconditions – and have proven their ability and willingness to use this monopolistic position as a tool to realize their political goals.

Another challenge in the energy security context is that enormous long-term investments are required if a fully-fledged, competitive Eurasian energy market is to be created. Substantial private and foreign investments are required to rehabilitate existing

energy infrastructure and build new projects. But such investments will only be made if there is confidence in a stable legal and regulatory framework.

Without this stability and predictability, the opportunity to forge an efficient and secure Eurasian gas and oil market will be missed to the detriment of both producers and consumers. This is one of the major problems that we are facing. And in this context it is essential that the biggest gas supplier Russia ratify the European Energy Charter.

In order to reduce existing monopoly and to support development of new routes of transportation of energy resources from Central Asia and Caspian Sea basin, more intense dialogue is required. We therefore welcome active discussion started by EU member countries on energy security issues. Active dialogue of EU countries with new leader of Turkmenistan may bring new impetus for realization of Trans- Caspian gas pipeline project, which will increase European energy security. We would like to express our readiness to collaborate on elaboration of the new routes of energy resources transportation.

Georgia reaffirms once again its commitment toward the cooperation in energy field. The open, transparent, efficient and competitive energy markets are the cornerstone for common energy security strategy and only adherence to these principles will result in enhancing our energy security.

Thank You