

ENERGY CHARTER SECRETARIAT
СЕКРЕТАРИАТ ЭНЕРГЕТИЧЕСКОЙ ХАРТИИ

The Secretary-General
Генеральный Секретарь

H.E. Maroš Šefčovič
Vice President
European Commission
Brussels

Brussels 14 August 2015
SG/15/E/0683

Your Excellency,

Dear Maroš,

First of all I would like to thank you for your active participation on behalf of the European Union at the 25th Energy Charter Conference in Astana and on 20 May 2015 at the Ministerial Conference in the Hague. I am pleased to confirm to you increase of global interest to sign the International Energy Charter and to accept European values and principles of energy cooperation incorporated in this important document.

However, as you may have been informed, in 2015, the year of the biggest achievement of the Energy Charter Process since the entry into force of the Treaty in 1998, the Secretariat is facing the severe financial challenge for 2016 due to the expected lack of contributions from Italy and Russia. We are currently in the middle of active consultations with main contributors and the European Commission (ENER) to address those difficulties and to design possible re-structuralization of the Secretariat.

At the same time, we have to look forward. I have recently circulated a longlist of proposals regarding the 2nd phase of Modernization of the Energy Charter Process. The aim of those proposals is to: (i) improve efficiency of the Energy Charter Process (e.g. in dispute resolution), (ii) revisit previous important initiatives which did not yet result in a final agreement (e.g. non discrimination in the pre-investment phase or transit/transportation of energy resources), (iii) improve institutional and financial settings (e.g. confirmation of the international legal personality or alternative sources of financing) and (iv) address some new issues arising from

the International Energy Charter (e.g. access to modern form of energy or energy security of island states). I expect, that through a detailed evaluation of those proposals, Contracting Parties will agree on a set of priority activities for the years to come. It is the Secretariat's understanding that none of the proposals would require amending the Energy Charter Treaty (which could be a potential, future 3rd phase of Modernization).

Regarding the prioritization of the Secretariat's activities, as Secretary General I am accountable to the Energy Charter Conference and its Chairmanship. Last year, the Conference (after a thorough review of its treaty functions) unanimously concluded that investment protection, transit, trade, energy efficiency, legal affairs and expansion are its main core areas of activity. In compliance with the conclusions of the review, I strongly prefer restructuring the Secretariat in a way that will limit costs for senior management and administrative support, while keeping a minimal level of expertise in all core areas. Under such scenario I could guarantee that the Secretariat will provide the Conference and all its subsidiary bodies with necessary assistance as stipulated in the Treaty. The hypothetical Conference decision temporary suppressing any of the core areas of expertise at the Secretariat shall be seen as a last resort. In this context I personally believe that providing an effective alternative dispute resolution mechanism for investment disputes, resuming the negotiation of an instrument regarding the nondiscrimination in pre-investment phase and the transit protocol should be kept as top priorities for the Energy Charter Process. The successful negotiation of those instruments will prove the adaptability of the Process to new conditions and its attractiveness to existing and future Members.

Regarding outreach activities, we are currently reviewing process of the CONEXO Strategy (CONsolidation, Expansion and Outreach). Based on ongoing consultations at the Strategy Group and the budget available for 2016 and beyond, the Secretariat is preparing a proposal of geographical priorities for the expansion of the Energy Charter. In an effort to keep the right balance of consuming, transit and producing countries, I would like to focus Secretariat's efforts on the energy producing countries that have signed or adopted the International Energy Charter in The Hague and the so called 'Next 11' emerging economies of 21st Century. To the highest extend possible, future geographical priorities will be determined by partnerships with certain Contracting Parties (similar to the program financed by the European Commission this year allowing to involve several Sub-Saharan countries with the IEC) and their ability to provide additional financial support for expansion into some specific regions of the world or particular countries.

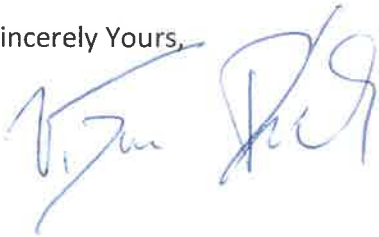
The weight and influence of certain Observers deserve a special approach. For this reason, a tailor-made roadmap is being currently discussed with China, which has requested the Secretariat's input regarding the flagship activities for their G20 Presidency in 2016. We are also

working closely with the US State Department regarding a potential staff on loan to strengthen our expertise and links with USA. Later in August, I am visiting Seoul to promote the signature of the IEC (Korea adopted it in May) and to understand better prospects for Korea's eventual accession to the Treaty.

Dear Vice-President Šefčovič, in the given circumstances streamlining and adjusting the Secretariat to the lower level of contributions, while maintaining the expertise essential for carrying on expansion and modernization of the Energy Charter is the only credible path forward. In addition to above mentioned, according to the internal Rules of the Energy Charter, the Members of the Energy Charter Conference have to decide in 2015 whether they will prolong or not my mandate as the Secretary General of the Energy Charter Secretariat. In this relation I hope that you personally and the European Union you represents will find my previous performance and explanation of future plans convincing enough to extend your support to my reappointment as a Secretary General for next 5 years mandate.

Looking forward to continuous cooperation,

Sincerely Yours,

A handwritten signature in blue ink, appearing to be 'V. Jurek', written over a horizontal line.