



BS/EN/WG/R(2006)2

**REPORT OF THE
MEETING OF THE
BSEC WORKING GROUP ON ENERGY**

Moscow, 14 - 15 June 2006

1. The Meeting of the BSEC Working Group (WG) on Energy was held in Moscow on 14-15 June 2006.

2. The Meeting was chaired by Mr. Anatoliy YANOVSKY, Director of Fuel and Energy (F&E) Department, Ministry of Industry and Energy of the Russian Federation. Mr. A. YANOVSKY delivered an opening statement and welcomed the participants of the Working Group.

3. The Meeting of the Working Group was attended by the following BSEC Member States:

Republic of Albania
Republic of Armenia
Republic of Azerbaijan
Republic of Bulgaria
Georgia
Hellenic Republic
Republic of Moldova
Romania
Russian Federation
Republic of Serbia
Republic of Turkey
Ukraine

The list of participants of the Meeting is attached as Annex I.

4. The Draft Agenda of the Meeting was discussed and adopted. The Agenda, as adopted by the Working Group, is attached as Annex II.

DISCUSSION OF PROPOSALS TO THE DRAFT AGENDA OF THE FORTHCOMING MEETING OF THE MINISTERS OF ENERGY OF THE BSEC MEMBER STATES

5. In view of the forthcoming Meeting of the BSEC Ministers of Energy, to be held in the Russian Federation on 26-27 September 2006, the delegations deliberated on the issue of the Agenda of the Meeting and decided to submit to BSEC PERMIS any suggestions by 15th July 2006 to be considered by the Chairmanship-in-Office who will in turn summarize them and send this for dissemination by BSEC PERMIS to the BSEC Member States by the end of August.

DISCUSSION OF THE DRAFT STATEMENT OF THE FORTHCOMING MEETING OF THE MINISTERS OF ENERGY OF THE BSEC MEMBER STATES

6. In view of the forthcoming Meeting of the BSEC Ministers of Energy, to be held in the Russian Federation on 26-27 September 2006, the Chairman presented the strategic points and issues of the draft "Statement of the Ministers of Energy of the BSEC Member States" (attached as Annex III), as suggested by the BSEC Chairmanship, and delegations deliberated further. The Delegations of the Member States made a number of suggestions and remarks on the Draft Statement.

7. Based on the proposed Draft Ministerial Statement, the Working Group decided to invite the delegations to submit to BSEC PERMIS any suggestions, corrections and remarks by 15th July 2006 to be considered by the Chairmanship-in-Office. The Chairmanship-in-Office will present the revised version to BSEC PERMIS no later than the middle of August for further dissemination

REVIEW OF THE STATE OF IMPLEMENTATION OF THE PREVIOUS INITIATIVES ON ENERGY COOPERATION IN THE BSEC MEMBER STATES

8. Having recalled the provisions of the Baky Declaration on Energy Cooperation in the BSEC Region (19 September 2003), the Alexandroupolis Declaration on Energy Cooperation in the BSEC Region (4 March 2005), and the main areas prescribed in the approved Plan of Action 2005-2007, the Working Group elaborated on the state of implementation of the said important documents.

9. The Working Group, in view of the forthcoming Ministerial Meeting and Ministerial Statement on Energy, decided to invite Member States to submit to BSEC PERMIS the state of affairs regarding the implementation of the two Ministerial Declarations and the Plan of Action in their respective countries by 31st July 2006. For that purpose, BSEC PERMIS will address to Member States a questionnaire by 30th June 2006. Once the answers are received, BSEC PERMIS will summarize and submit a consolidated document to the Chairmanship-in-Office, for consideration, at the beginning of September.

REVIEW OF THE CURRENT SITUATION IN THE ENERGY FIELD IN THE BSEC MEMBER STATES

10. The delegations presented their reports and/or information on the current situation and developments in the energy field in their respective countries.

11. The Chairman invited delegations to forward to BSEC PERMIS the electronic versions of their presentations in order to be disseminated among the Member States.

12. The Working Group invited the Member States to submit to BSEC PERMIS the energy strategy in their respective countries, if available, and called upon PERMIS to prepare a compendium to be ready before the next meeting.

13. The Working Group welcomed the proposal by the Chairmanship-in-Office to hold a special conference on the compatibility of BSEC Member States' energy strategies.

REGIONAL GAS MARKET DEVELOPING PROSPECTS AND PRESENTATIONS

14. The WG took note of information presented by JSC Gazprom on its vision of the principles of natural gas trading and the possibility of creating on this basis a unified system of production, transportation and distribution of natural gas in the BSEC Member States, as well as the possibility of developing a program to use natural gas as a motor fuel in the BSEC countries.

15. The WG suggested to JSC Gazprom to present before the 15th July proposals on the issue to BSEC PERMIS and Member States for further consideration by the WG.

DEVELOPING COOPERATION IN THE ELECTRICITY SECTOR AND FORMING REGIONAL ELECTRICITY MARKETS IN THE BLACK SEA REGION

16. The WG took note of the following:

- The presentation by the JSC RAO UES of Russia including information on a conceptual report on integration of the UCTE and IPS/UPS of CIS and Baltic States energy systems which is to be completed by the end of 2006.

- Information regarding the fact that the Republic of Moldova and Ukraine have sent accession requests to UCTE. On 5th May 2006 the requests were accepted and UCTE decided to set up a Technical Committee on this issue.

- Information regarding the Treaty establishing the Energy Community which is expected to enter into force on 1 July 2006.

- The information presented by the Delegation of the Republic of Turkey regarding the technical analysis towards the synchronous operation of Turkish power system with the European power system UCTE which is currently being implemented successfully.

17. The WG stressed that, currently, the main priority is development of electricity trading by implementing bilateral and multilateral projects.

18. The WG decided that after studying the UCTE and IPS/UPS conceptual report the Member States would discuss at the regular meeting of the BSEC Ad Hoc Working Group of Experts on Electrical Networks the project proposals on the possible integration of the BSEC Member States energy systems.

19. The delegations of Romania and the Republic of Turkey expressed their views on possible participation in a regional electricity market based only on the UCTE regulations and EU energy legislation.

PROJECT DEVELOPMENT FUND

20. The Working Group decided to postpone until the next meeting the assessment of the BSEC PDF project application “Preliminary study for the development of a BSEC Regional Intermediary Energy Organization” submitted by institutions from Greece (Lead Partner), Azerbaijan, Bulgaria, and Serbia. The Republic of Serbia and the Republic of Azerbaijan expressed their support for the said project application.

21. Considering that at the next Working Group meeting it will be the third time to consider the said project the Working Group decided to invite the Member States to submit to PERMIS, before the meeting, their evaluation and remarks concerning the project application, in view of a final assessment at the next meeting.

ANY OTHER BUSINESS

22. The Delegation of the Republic of Turkey emphasized the importance of deepening the cooperation between the BSEC Member States with the view to explore the hydrocarbon potential effectively, develop resources efficiently and promote the Black Sea as an exploration hub, and proposed the establishment of an Ad Hoc Working Group for that purpose. The Delegation of the Republic of Turkey is invited within one month to present the detailed proposal on the issue of creation of such a WG. The delegations are respectively invited to study the issue afterwards and send their opinions to BSEC PERMIS for further deliberations.

23. The Delegation of the Republic of Turkey informed of its candidacy to host the World Petroleum Congress in Istanbul in 2011 and expressed its expectation to receive the support of other BSEC Member States, namely the Russian Federation, Romania, Serbia and Ukraine which are currently members of the World Petroleum Council. In addition, the Republic of Turkey expressed its hope for the accession of the remaining of the BSEC Member States as members to the said Council which currently has 62 members.

DATE AND VENUE OF THE NEXT MEETING

24. The date and venue of the next Working Group meeting will be communicated to the Member States through the BSEC PERMIS.

ADOPTION OF THE REPORT

25. The Working Group adopted the present Report for submission to the next Meeting of the Committee of the Senior Officials of the BSEC Member States, to be held in Istanbul in mid September 2006.
