

Baku-Tbilissi-Ceyhan Pipeline is a Milestone Project for Security of Supply*

Andris Piebalgs, Member of European Commission, responsible for Energy

First of all, I would like to salute the completion of this milestone infrastructure project which is of the highest importance for the economic development of all participating countries as well as for the security of energy supply in Europe and worldwide.

I would like to congratulate the Azeri, Georgian and Turkish authorities on a strong involvement of the private sector and permitting it to play a vital role in the project implementation. And, last but not least, I congratulate all involved companies for having succeeded to find the necessary solutions to make this highly challenging pipeline project become a reality.

Ladies and Gentlemen,

Since December last year Turkey has been recognised as a candidate country for the EU accession and two other of involved countries Azerbaijan and Georgia are now being included in the European Neighbourhood policy.

The European Union is developing increasingly close links with these countries. It has constantly provided its political and technical support for the projects aiming to reduce bottlenecks in transportation of natural resources from the Caspian region. Thus, the Baku – Supsa pipeline is already supplying Central European and international oil markets. The new BTC pipeline will deliver an additional volume of 50 million tons of oil per year to the world markets, an amount which may increase in a foreseeable future. This is, indeed, an important amount in the situation of increased demand.

Aside from the importance of the Baku – Tbilisi – Ceyhan project in the overall context of world oil markets, the European Union recognises its contribution to safety and security of maritime transport of hydrocarbons in the Black Sea region. We have to realize that 50 million tons of oil per year transported by this new route will avoid in-

creasing tanker traffic through Bosphorus straits and thus provide major reduction of environmental risks. We still have in mind the consequences of the Erika or Prestige accidents. We can not even imagine the impact of such a disaster in the Black Sea or in the Bosphorus.

However, the ambitions of the European Union in the Caspian region go far beyond the activities related to the oil sector. Here, I would like to recall the new initiative launched during the Ministerial Conference on Energy Co-operation between the EU, the Caspian Littoral States and their neighbouring countries held in November 2004, which was kindly hosted by the Azeri authorities in Baku. On this occasion, the participating countries from Caucasus, Central Asia and Eastern Europe agreed on the following priorities for their cooperation in the energy sector:

- ! First, to harmonise the legal and technical standards for the energy sector,
- ! Second, to improve energy supply and demand management,
- ! Third, to enhance the safety and security of energy supplies,
- ! Fourth, to promote the financing for commercially and environmentally-viable energy projects of common interest.

We are confident that this cooperation framework will permit in the long term to progressively integrate the energy markets in the Caspian basin and Black Sea regions with the EU internal energy market.

Again, congratulations for this major infrastructure project!

*Speech at the Baku-Tbilissi-Ceyhan pipeline opening ceremony Baku, 25 May 2005.

EU-OPEC Energy Dialogue

Joint press release EU-OPEC. Issued in Brussels, 9 June 2005

The first meeting of the EU-OPEC Energy Dialogue took place in Brussels, 9 June 2005.

The participants from the EU were: Mr. Jeannot Krecké, Minister of the Economy and Foreign Trade

of Luxembourg and President of the EU Council; Mr. Laurens Jan Brinkhorst, Minister of Economic Affairs of the Netherlands; Mr. Malcolm Wicks, Minister for Energy of the United Kingdom; and Mr. Andris Piebalgs, European Commissioner for Energy.

The participants from OPEC were: Sheikh Ahmad Fahad Al-Ahmad Al-Sabah, Minister of Energy of Kuwait and President of the OPEC Conference; Dr. Edmund Maduabebe Daukoru, Presidential Advisor on Petroleum and Energy of Nigeria and Alternate President of the OPEC Conference; and Dr. Adnan Shihab-Eldin, Acting OPEC Secretary General.

The participants welcomed the discussions on energy, with a particular focus on the international oil market.

This important new initiative is seen by the EU as a part of a broader approach to strengthen energy dialogues with the main oil and gas suppliers, and by OPEC as a significant further step in its continued efforts to encourage dialogue and cooperation among oil producers and consumers. It was agreed upon in meetings and contacts between the Dutch EU Presidency, the European Commission and the President of the OPEC Conference at the end of 2004, in recognition of their mutual interdependence.

The dialogue is seen as a natural extension of the warm relations that have existed for decades in many areas of activity involving members of the two Organizations. Trade between the two groups occurs in many sectors, with the countries involved benefiting from the flow of goods and services.

Participants at today's meeting recognised the importance of an effective framework enabling an exchange of views on energy issues of common interest, including oil market developments, and the potential this has for contributing to stability, transparency and predictability in the international oil market. In this context, increased transparency in financial markets and their impact on the oil market is considered to be of common concern.

They stressed the importance of maintaining the dialogue when prices are low, as well as high. They noted that extreme prices in either direction, over a sustained period, could create problems for both producers and consumers. They shared the view that all parties should pursue efforts aimed at achieving greater market stability, with reasonable prices that are consistent with the need for healthy global economic growth and steady revenue streams for producing countries, and that are conducive to the expansion of upstream and downstream capacity to meet rising international demand for oil.

The meeting emphasized that many factors have the potential to contribute to oil market instability over the short, medium and long terms. The participants noted that the oil price increases over the last year are the result of the convergence of a number of fac-

tors, including strong global economic growth and the consequent big rise in the demand for oil and a reduction of spare capacity, combined with tightness in the downstream, geopolitical developments and increased activity in the oil futures markets. In this connection, while acknowledging OPEC's response in raising output and speeding up the implementation of capacity expansion plans, the participants nevertheless recognized that uncertainties, particularly associated with the level of future oil demand, will remain substantial. This carries additional risks for the level of investments that are necessary along the entire supply chain.

The above underlines the importance of greater data transparency and an enhanced exchange of views on trends in supply and demand, future policies and their implications, technology developments and other energy-related issues.

Therefore, at this meeting today, the following themes were identified for enhancing cooperation, in the mutual interest of both the EU and OPEC:

- ! Oil market developments, both short and medium-to-long terms,
- ! Energy policies,
- ! Energy technologies,
- ! Energy-related multilateral issues.

Discussions on these themes will be developed through workshops and other meetings which could include, where appropriate, other multilateral organisations, recognising the importance of their work and the need to avoid unnecessary duplication. These exchanges will inform future Dialogue meetings.

For the short term, practical work could be developed around the following programme:

- ! A Round Table in the second half of 2005 on oil market developments, with the objective of improving understanding of the functioning of the market, including specifically the effect of trading in futures markets.
- ! A Conference in the first half of 2006 on new technologies, with a particular focus on the capture and storage of carbon dioxide.
- ! A Round Table in the second half of 2006, to exchange views on energy policy developments, including energy market forecasts and the Commission's internal energy market observation system, which is under development.

The second meeting of the EU-OPEC Energy Dialogue will be held in Vienna at a mutually agreed date. □