



Organization for Security and Co-operation in Europe

**Office of the Co-ordinator of OSCE
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19TH OSCE ECONOMIC AND ENVIRONMENTAL FORUM

“Promotion of common actions and co-operation in the OSCE area in the fields of development of sustainable energy and transport”

*Summary note of recommendations and conclusions,
based on 1st and 2nd preparatory meetings of the 19th EEF*

Prepared by the Office of the Co-ordinator of
OSCE Economic and Environmental Activities

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Background

According to the Permanent Council Decision No. 959, the theme of the 19th OSCE Economic and Environmental Forum is “*Promotion of common actions and co-operation in the OSCE area in the fields of development of sustainable energy and transport*”. The Forum process consists of three meetings, two of which are Preparatory Meetings aimed at discussing, analyzing and identifying answers to the most pertinent questions related to sustainable energy and transport, through an open dialogue among the representatives of the OSCE participating States and other stakeholders.

The first of these meetings was held on 7 and 8 February 2011 in Vienna and focused on the “Development of Sustainable Energy”. The participants discussed the various challenges energy issues present in the 21st century, including questions of energy efficiency and the sustainable use of traditional and new energy sources, as well as how effective national policies can be in transforming economies towards more sustainable energy uses. Questions of good governance and transparency in the energy field were also analyzed, as was the potential for regional and sub-regional co-operation and the role the OSCE can play in promoting sustainable energy solutions in its area. The participants also reflected on the ideas set forth in the OSCE Secretary General’s report on the complementary role of the Organization in the field of energy security.

The second Preparatory Meeting, which took place in Druskininkai, Lithuania, on 4 and 5 April 2011, debated the “Development of Sustainable Transport”. Delegates considered the role national policies and innovative technologies have in fostering environmentally friendly transportation choices and improvement of energy efficiency in transport. They also discussed how co-ordination and simplification of border crossing and customs clearance procedures, as well as innovation, new technologies and information exchange can facilitate international transport. The participants also focused on what role the OSCE can play in promoting regional and sub-regional co-operation on transport issues as well as in assisting with the integration of transport networks and the promotion of sustainable transport solutions.

A comprehensive record of the deliberations and conclusions drawn at the two Preparatory Meetings is available in the form of Consolidated Summaries (EEF.GAL/9/11 and EEF.GAL/12/11).

By placing sustainable energy and transport on top of this year’s agenda of the OSCE’s Second Dimension, the participating States recognized the importance of continuity and of further building upon a number OSCE documents, notably:

- the OSCE Strategy Document for the Economic and Environmental Dimension (MC(11).JOUR/2);
- the OSCE Border Security and Management Concept (MC.DOC/2/05);
- Ministerial Council Decision No. 11/06 on future transport dialogue in the OSCE;
- MC Decision No. 9/08 on follow-up to the Sixteenth Economic and Environmental Forum on maritime and inland waterways co-operation;
- MC Decision No. 12/06 on energy security dialogue in the OSCE; and
- MC Decision No. 6/09 on strengthening dialogue and co-operation on energy security in the OSCE area.

Objective of this paper

In distilling and summarizing the main conclusions and recommendations stemming from the Preparatory Meetings of the 19th EEF, this paper aims at stimulating the discussions during the Concluding Meeting of the 19th EEF process (14-16 September, Prague). Ultimately, it aims at supporting the process of identifying the most appropriate ways and means to ensure a relevant follow-up to this year's Forum.

The ideas and proposals put forward in the paper are at different stages of elaboration and development and should be considered as having a preliminary character meant at eliciting reactions, comments and suggestions from all participants and stakeholders, leading eventually to the adoption of appropriate decisions by the OSCE participating States and/or to the development and implementation of relevant concrete activities and projects. This is in line with past decisions, and in particular the Sofia Ministerial Decision 10/04 on improving the efficiency and effectiveness of the Forum, aimed at making it as result-oriented as possible.

Key recommendations

1. A central concern: energy security

Securing the supply of energy to consumers while meeting the concerns of energy producers, protecting critical energy infrastructure and energy transit routes take a central place in the debate about the transition to a more sustainable energy network. Various inter-dependent critical factors provide a quite uncertain future of the energy market, and are influenced not only by economic but also political and technological factors. Diversification of energy sources, transport routes and supply lines can provide some answers, as e.g. renewable energy infrastructures tend to be more dispersed and less complex than traditional ones, making them less vulnerable. Aside from the technical aspects of energy security, improved political stability; increased co-operation on the political level; the development of commonly agreed principle of co-operation in the energy field; better regional co-operation; a stronger focus on confidence-building measures on energy issues; and better co-ordination among relevant international organizations as well as increased public-private partnerships are key measures that can help address energy security questions. With its comprehensive approach to security, the OSCE can offer support in several of these areas.

The OSCE could help develop new integrated energy concepts, or “networked energy security”, along the lines of its comprehensive concept of security, to address such varied risk factors as e.g. security of supply and demand, terrorist threats against energy networks, economic recovery uncertainties, and geopolitical risks;

As security in general, including energy security, is best promoted and preserved through a co-operative approach based on certain principles and rules, the OSCE can represent a political platform to facilitate processes of co-operation and partnerships among different

countries and regions as well as assist in developing commonly agreed principles and/or rules to be applied by all actors involved. The OSCE could, among other issues, be involved in promoting standards or codes of conduct and in providing assistance on the national level, on a demand-driven basis, in improving legislation.

Another way of supporting a regular dialogue on energy issues could consist in the establishment of a Task Force mandated with discussing various energy security related aspects. It could also facilitate early warning, consensus building, as well as promote regional co-operation.

In the same vein, some participants emphasized the OSCE's role as a platform for supporting good governance and promoting transparency in the field of energy. As regards good governance and steps towards more transparency in the energy sector, the promotion of principles of the Extractive Industries Transparency Initiative (EITI) were mentioned as key areas where the OSCE can add value, for instance through organizing training sessions and workshops. Participants suggested that the Organization ought to engage more, including through its field presences, in facilitating greater adoption of, and compliance with, EITI principles and standards.

The Forum process also emphasized that energy security can be best pursued through regular dialogue, transparency and exchange of information among countries. As a broker on regional and sub-regional level, the OSCE can bring together all relevant stakeholders, provide a forum for discussion and exchange of views, and support regional co-operation on the institutional level but also among the business sector.

The Chairmanship Conference "Integrating Global Energy Markets – Providing Energy Security" to be held on 3-4 November 2011 in Ashgabat represents an example of such dialogue. Based on the outcomes of the Prague Forum, the Ashgabat Conference and of the Ministerial Council in Vilnius, similar meetings on energy topics could be envisaged in the future.

While the potential of the OSCE to add value in the field of energy security is widely recognized, participants in the Forum process suggested that the Organization ought to better define the role it can play with regard to political and security aspects in this context. Since energy issues and energy co-operation are sometimes of a technical theme, the OSCE should team up with other multilateral organizations possessing expertise in this field to facilitate the interconnection of best practices.

2. Energy efficiency, clean energy and sustainability

Climate change concerns, population growth, a drastic increase in the use of energy over the last decades, the environmental impact of the use of conventional energy sources - these are only a few of the challenges that need to be faced in transitioning economies towards more sustainable energy solutions. There is wide agreement that major changes in the energy sector will have to take place, not only in terms of increasing the supply from renewable energy sources but also by increasing energy efficiency and finding innovative technological solutions.

A constructive energy dialogue needs to be based on more intense regional and sub-regional energy co-operation. Several international organizations have already started individual initiatives addressing energy efficiency issues, including UNECE with its "Financing Energy

Efficiency Investments for Climate Change Mitigation (FEEI) Project”, and UNIDO, which runs an “Industrial Energy Efficiency Programme”. Focusing on South-Eastern Europe, Eastern Europe and Central Asia, the FEEI Project promotes energy efficiency in transitional economies by means of improving capacities and networking, helping policy reforms and assisting the realization of targeted investments in the field of energy efficiency. UNIDO’s Programme advocates for the implementation of policy-driven, market-based tools and mechanisms, such as Energy Management System Standards, in order to promote energy efficiency in industry. As well, a new international organization was recently created – the International Renewable Energy Agency (IRENA). Its mission is to promote the widespread and increased adoption and sustainable use of all forms of renewable energy.

The OSCE can add value in the following areas:

- promoting examples of successful co-operation and best practices with regard to renewable energy, energy efficiency and savings;
- developing, in partnership with relevant specialized organizations, an inventory of best practices in the above mentioned areas, and facilitate the exchange of such best practices via regional meetings and exchange visits (in that regard, an electronically-based knowledge base or an electronic platform could also be envisaged);
- serving as a platform for discussing and assisting in promoting other relevant organization’s efforts (UNECE UNIDO, IRENA etc.);
- supporting dialogue initiatives between various stakeholders at national level as well as between countries, notably on small hydropower projects, solar and wind energy projects and technologies, and contributing to strengthening local knowledge and capacities in these fields;
- raising awareness on energy poverty in its area, including its gender aspects, and supporting innovative local solutions that overcome or alleviate it;
- organizing workshops and training events on the application of international guidelines and regulations, such as those relevant for environmental impact assessments, including demonstration of modern equipment and technologies;
- raising awareness of the multifaceted nature of rare elements management, also considering possible military, economic and environmental implications;
- raising the issue of misallocation of energy subsidies, which might undermine energy efficiency.

3. Towards more efficient and sustainable transport

The role of sustainability, energy use and environmental impact has become a central issue when discussing modern means of transport of goods and people. With economic growth, the need for means of transport is rising, and so is its impact on energy consumption and the environment. Social factors, such as the search for jobs and education, also have to be taken into account, as well as the existence of non-physical barriers for the cross-border passage of goods and political factors such as frozen conflicts.

Participants at the 19th EEF Preparatory Meetings agreed that there was a need to measure the current state of affairs, both nationally and regionally, in the field of transport in order to obtain a clearer picture of the next steps to be taken. More co-operation, also involving civil society, is needed on regional and global levels, and overlap among regional organizations should be identified and remedied. Among the next steps that ought to be considered are:

- strengthening and better implementation of current regulations;
- development of public transport and infrastructure;
- introduction of measures such as an energy efficiency operational index and management plans, emissions trading schemes, and greenhouse levies;
- making available and sharing of adequate information and know-how, providing sufficient human resources and investments;
- increased financial investments in research and innovation;
- tackling of corruption in border control agencies;
- in the maritime field, exploring and promoting new routes and lines; and
- with particular reference to the OSCE's role, by continuing efforts to resolve the frozen conflicts within its area, which would be conducive to improving the transport situation overall in these regions.

4. The role of policies

State actors have a specific responsibility to introduce new policies that will provide guidelines and incentives for the transition of the energy and transport sectors towards more sustainable solutions. In many countries across the OSCE region, such steps are envisaged or have already been taken. Numerous such examples have been highlighted during the 19th EEf Preparatory Meetings. Nevertheless, gaps and shortcomings still exist and the Forum discussions were helpful in identifying and suggesting possible solutions.

In the transport sector, a variety of policy options that could be supported by the OSCE were suggested by the participants, including:

- new efficiency standards for fuels and vehicles;
- providing technical assistance to agencies to help them obtain the necessary and adequate data and tools with which to assess emissions;
- implementing transport planning regulations, from encouraging states to mandatory requirements for greenhouse gases reduction;
- facilitating the ratification of the Protocol on Strategic Environmental Assessment of the Espoo Convention ;
- contributing to the promotion of effective and affordable general public transport, with particular attention to the needs of vulnerable populations;
- giving tax credits and/or subsidies that are linked to distance traveled;
- applying a carbon price; and
- promoting mobility management schemes for companies, organizations and schools.

In the field of energy efficiency and sustainability, the OSCE can contribute to a number of policy initiatives:

- by organizing discussions between participating States on the possibilities for a transfer of experiences with so- called “smart grids”, which are electricity networks able to co-ordinate the needs and capabilities of generators, operators and end users in such a way that it could minimize both costs and environmental impacts;
- by facilitating international co-ordination on the standards and norms pertaining to energy efficiency;

- by helping participating States in adapting their national legislation and legal framework to create a positive investment climate for renewable energy solutions;
- by providing a platform for dialogue concerning the exchange of best practices and technical assistance regarding renewable energy sources.

5. The role of innovation and technology

Innovation and technological advances are expected to play a significant role in solving some of the problems that the transition towards more sustainable energy and transport systems will pose. Policy interventions will be required to increase efficiency of traditional energy networks, and to reduce, and possibly replace, the use of traditional, carbon-based energy resources. But, at the same time, considerable efforts will have to be made to support technological development and the search for alternative fuels. New strategies for smart growth and investments for efficient public transport and movement of goods will have to be found. All this will require strong political will and increased co-operation among participating States, on a national, regional and sub-regional level.

The OSCE can contribute as follows:

- by promoting examples of successful co-operation and best practices regarding renewable energies, energy efficiency, and energy savings, including by supporting the introduction of new technologies, diversification, pricing and price stability;
- by supporting regional co-operation among the public as well as private sectors;
- by promoting energy efficiency improvements, search for alternative energy solutions, development of new technologies, and awareness-raising of the environmental and economic benefits of energy alternatives;
- by accumulating and disseminating best practices in the field of traffic safety policy solutions;
- by providing a platform for policy-makers and stakeholders to discuss and demonstrate the linkages between traffic safety and environmental protection.

In terms of international transport networks and innovative solutions to streamline and standardize the procedures pertaining to the movement of goods, including of sensitive and high-risk material, across borders, a variety of instruments are already in place, such as the “ASYCUDA 4G” solution, an Integrated Customs Information System developed by the United Nations Conference on Trade and Development (UNCTAD).

The OSCE’s contribution in this context could be to:

- promote recognized international instruments and software tools for facilitation of international transportation, as well as exchange of best practices and regional co-operation in this area; and
- promote international co-operation on monitoring the movement of dual-use, sensitive and high-risk goods.

6. Co-operation on energy and transport in the OSCE area

Public-private partnerships, international co-ordination and regional as well as sub-regional co-operation will play an important, if not central role, in tackling the challenges presented by the transition to new and more sustainable energy solutions and the integration and smooth functioning of transport networks in the OSCE area. Co-operation on these various levels will make it easier to share and apply best practices and knowledge acquired, and would allow for all stakeholders to adopt mechanisms and information-sharing tools that will create the basis for an effective, efficient and consistent dialogue on energy and transport issues.

A number of examples of effective co-operation were highlighted during the Forum's preparatory process and the OSCE and its participating States ought to draw on such examples. As well, the work of other relevant Organizations was presented, including the Energy Charter Treaty, which aims at ensuring energy security through common rules and the promotion of transparency among its 47 signatory countries, 46 of which are also OSCE participating States; or the Black Sea Economic Co-operation, which, *inter alia*, promotes regional co-operation on sustainable energy and transport issues. The OSCE has an important role to play in supporting such efforts, and possibly to help co-ordinate the various efforts and commitments in this field so that duplication and overlap can be avoided.

Participants agreed that improvements are needed to ensure stricter conformity between national legislations and international legal instruments, standards and best practices. The OSCE could contribute to information sharing and spreading of best practice, making them accessible so that they can be read and understood in the same manner by users and state agencies. In this regard, the co-operation with the UNECE towards the finalization of the joint OSCE/UNECE Handbook of Best Practices at Border Crossings – A Trade and Transport Facilitation Perspective was welcomed.

Finally, drawing on its comparative advantages as a high-level political organization, the OSCE's role in could also be:

- to encourage its participating States to develop a common vision, promote interregional co-operation and harmonize mechanisms in the energy and transport fields;
- to further promote integration of transport networks in Central Asia, South Caucasus, Russia, Eastern Europe and EU countries, including the Baltic and Nordic States;
- to promote the inclusion of good governance and anti-corruption aspects in policies promoting sustainable transport and energy;
- to support NGOs and governments in promoting the Aarhus Convention;
- to increase efficiency, security and environmental sustainability of Euro-Asian transport links, including East-West corridors, transport routes between Western China, and railway connections;
- to encourage multi-modal transport between Caspian, Black and Baltic Seas' regions, combining land and sea-based transport means;
- to encourage public-private partnerships that promote efficiency in the energy and transport fields;
- to leverage the work and co-operate closer with organizations such as the World Customs Organization that are addressing critical areas embodied in the OSCE commitments, including in fostering integrity in custom services at the field level.