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ENERGY SECURITY FORUM

Note by the secretariat

1. Energy security is emerging as a crucial issue for policy makers, energy industries and the general public. The recent electric power blackouts in North America, the attack on a French oil tanker near Yemen, sabotage and terrorist acts in major oil producing countries, such as Indonesia and Russia, and the September 11th attacks in New York and Washington have contributed to a greater sense of vulnerability. These worries are heightened by company and policy failures such as the Enron bankruptcy, the Californian energy crisis and their subsequent financial crises.
2. Underlying these headlines are sober economic and strategic facts that call for greater attention to energy security by UNECE member States. Energy import dependence is rising in the UNECE region. At the same time, the cost of developing incremental sources of energy supplies is increasing. Supply routes are getting longer and are distinctly vulnerable to terrorist attack. The full implications of market liberalisation for energy security are unclear. Social and ethnic strife in a number of producing and transit countries are unresolved.

Energy Security in the United Nations

3. Within the United Nations, the General Assembly Millennium Declaration and the Secretary-General's Global Compact both provide the broad policy guidance for enhancing energy security together with the private sector and international financial community. These initiatives address global security issues and engage the business community through policy dialogue and partnership projects to meet United Nations development goals.

4. Reconciling energy security, as noted in the Secretary-General's reform proposals, with sustainable energy development, as confirmed by the Johannesburg Summit, is both a striking policy challenge and opportunity. Decisions will have to be taken on a number of thorny energy policy issues, such as on the future role of coal and nuclear power, the subsidization of indigenous energy production, the provision of incentives for new fossil fuel exploration, the role of energy efficiency and renewable energy sources in meeting future energy needs and the pace and degree of introduction of additional environmental protection measures.

5. At its twelfth session in November 2002 the UNECE Committee on Sustainable Energy, requested the secretariat to introduce energy security as an aspect of Sustainable Energy Strategies for the Twenty-First Century providing for:

- a periodic exchange of views on energy security and sustainable energy;
- an analysis of the reliability of data on energy supplies and industries related to energy security to enhance the transparency and efficiency of energy markets;
- internet based information exchanges on the subject;
- the continued assessment of energy security and energy efficiency in the CIS.

6. The Committee requested that this work be undertaken in cooperation with other relevant international organisations. In addition, the Bureau of the Committee and secretariat were asked to explore extra-budgetary support for this activity with interested government departments and supporting institutions and report to the Committee at its next session.

UNECE Energy Security Forum

7. Some of the most pressing political concerns the United Nations Security Council seeks to resolve have direct implications for energy security and the economies of Member States. The persistent world energy market instability, its impact on global financial markets and vice versa need to be addressed under the auspices of the United Nations Economic and Social Council in order to bring together all of the relevant parties concerned. Energy producers, consuming countries and companies need to have a forum to assess major market developments and convey their considered views to the general public, the business community, policy makers and global financial markets. The Energy Security Forum will provide objective information annually from a wide range of reliable high-level sources to promote greater stability in the financial markets easing the energy related concerns of economies in transition and the developing world.

8. The diversity of the participants, their views and information will be one of the most compelling features of the Energy Security Forum, a comparative advantage of the United Nations as an institution. Bringing together OPEC, energy companies, major non-OPEC hydrocarbon exporters, key consuming countries, relevant international organisations together with representatives of the international financial sector will comprise a unique collective view.

9. The main objective is to assess energy security risks especially for the financial sector in partnerships between the private sector, governments and relevant international organisations. While volatility in the hydrocarbons markets can have serious repercussions for financial institutions, the energy producers and industries themselves have growing investment needs that

can only be answered by global financial markets. A better understanding of the risks run by energy producers and companies can help transform uncertainty into quantifiable risk. Once risks are better understood, options can be discussed and future actions can be planned. The UNECE Energy Security Forum is designed to provide value added high level exchanges and follow-up workshops on a range of subjects beginning with the impact of energy security on international financial markets.

10. Within the United Nations, the Energy Security Forum could be carried out in line with the Secretary-General's Global Compact on corporate citizenship in the global economy www.unglobalcompact.org. The Forum would provide business leaders with the opportunity to participate in the Global Compact as part of the Policy Dialogue and Partnership Projects with UNECE serving as the partnership United Nations agency concerned. In future annual sessions, the Forum may address issues such as energy security, management and corporate governance in the energy sector. This would consider the energy security implications of company failures and bankruptcies in the energy sector including commodities trading companies. Another area could be energy security and sustainable energy development. Clearly, these issues are linked. Some energy security measures, such as energy efficiency and the introduction of renewable energy sources, will contribute to the development of sustainable energy systems.

Objectives, Activities and Outputs

11. In order to implement the Energy Security Forum, the General and Immediate Objectives of the Forum for 2003 – 2006 are:

General Objective:

An enhanced dialogue on energy security based on the diversity of views expressed at the United Nations to provide objective information to the international financial markets

Immediate Objective 1: Annual Energy Security Forum Sessions will be held in conjunction with the annual sessions of the Committee on Sustainable Energy with high level participation from the energy producers, energy industries and financial institutions. The Forum would provide its views to the United Nations Secretary-General as part of the Policy Dialogue of the Global Compact on corporate citizenship in the world economy.

Immediate Objective 2: Energy Security Forum Workshops will provide in-depth follow-up to issues raised during the annual sessions of the Forum. Workshops will be hosted by a participating company, organisation or financial institution and findings will be reported to the high level session of the Forum.

Immediate Objective 3: Information dissemination and electronic publishing through the print media, television and by advanced Internet communications will provide value-added information outlets from the annual sessions and workshops of the Energy Security Forum.

Work Methods and Resources

12. The Forum will meet under the auspices of the Economic Commission for Europe and be implemented by the Committee on Sustainable Energy. It will be composed of interested high-

level representatives of energy producers, senior executives of major oil and natural gas companies, energy technology providers and leading financial institutions. The Forum will meet each year during the annual session of the Committee on Sustainable Energy to provide the views of selected members on a specific aspect of energy security. Conclusions of the annual sessions will be communicated to the Secretary-General as an input to the Global Compact. Recommendations for international co-operation of the Forum will be implemented by the Committee on Sustainable Energy when appropriate and/or by other international organisations participating in the Forum.

13. The Forum will elect a Chairman and Vice-Chairman for a two-year term to convene the annual Forum sessions and serve as the moderators for the meetings held in Geneva. The annual session will define one or several issues to be analysed further by experts from Energy Security Forum companies, public or private sector partners in a workshop hosted by a Forum participant. The findings of the Forum workshops will be presented to the annual Forum sessions. The proceedings of the annual Forum session and selected workshop reports will be disseminated in the media with an annual press conference, television coverage and advanced interactive Internet publishing. Versions of the proceedings of the annual session and the workshops will be issued in an electronic format on the Internet and as a United Nations e-Book.

14. The Energy Security Forum will maintain a dedicated Internet website for information exchanges on energy security matters and electronic publishing of Forum outputs. This will be located on the UNECE server linked to the www.unece.org/ie/ website of the Committee on Sustainable Energy. Background studies of topics selected by the annual session of the Forum will be prepared by the UNECE secretariat, consultants, sub-contractors and posted on the website as part of the information exchange.

15. The activities of the Energy Security Forum will be organised by the UNECE secretariat while some services will be provided under contract to UNECE. Services for the Forum will be supported partly by the regular budget of the UNECE and by an extra budgetary trust fund based on financial contributions of Forum participants from government departments, commercial companies and the financial community. Engagement of personnel and procurement of supplies, services or equipment from the trust fund will be subject to the regulations, rules, policies and procedures of the United Nations Organisation.