

PC.DEL/907/10
14 September 2010

ENGLISH
Original: RUSSIAN

**STATEMENT BY MR. KONSTANTIN BURAK, DEPUTY DIRECTOR
OF THE INFORMATION AND ANALYSIS DEPARTMENT OF THE
STATE SECRETARIAT OF THE SECURITY COUNCIL OF THE
REPUBLIC OF BELARUS, AT THE OSCE SPECIAL EXPERT
MEETING ON ASSESSING THE OSCE'S FUTURE CONTRIBUTION
TO INTERNATIONAL ENERGY SECURITY CO-OPERATION**

Vilnius, 13 and 14 September 2010

Session II: Regional co-operation on ensuring energy security

**Regarding some aspects of ensuring energy security in the Republic of Belarus and
regional co-operation in that sphere**

Ladies and gentlemen,

I should like first of all to thank the Office of the Co-ordinator of OSCE Economic and Environmental Activities, the Ministry of Foreign Affairs of the Republic of Lithuania, and the Kazakh Chairmanship for giving us the opportunity to share our views on the energy security issue and the search for ways to resolve it effectively.

The Republic of Belarus has consistently implemented the model of a socially oriented market economy, which has demonstrated its viability in practice. Even judging by the results of 2010, a difficult year in all respects, the gross domestic product is forecast to grow by around ten per cent. At the same time, the Belarusian economy is subject to the significant adverse influence of external factors, as illustrated in the first instance by its high dependency on international energy supplies. In 2009 the Republic of Belarus imported 100 per cent of its natural gas and over 92 per cent of its crude oil. The dominant supplier's share of the total fuel and energy resources used was around 82 per cent.

Belarus's dependence on external energy resources is connected not so much with their short supply as with the wide opportunities for monopolies to use the provision of these resources in order to impose harsh terms of trade. Unfortunately, it is not always possible to achieve mutually acceptable compromises. As it is with prices, so it is with other sensitive issues. A typical example is the rejection by Gazprom, which has an ownership stake in the Belarusian gas transport system, of a basically profitable tender for the building of the second leg of the Yamal-Europe gas pipeline. The same applies to the building of the second trunk line of the Baltic Pipeline System-2 (BPS-2): in order to fill it, a cut in oil supplies flowing through the southern leg of the Druzhba oil pipeline is planned. In the opinion of international experts, the BPS-2 project is commercially unprofitable for the sponsors; nonetheless, it is

being implemented. In other words, from the purely business point of view, there are far more questions than answers.

Overall, the current situation is predetermining Belarus's vulnerability to energy shocks. Such is the harsh but objective reality. For this reason, we are not making a tragedy out of it, but are striving to respond appropriately to the contemporary threats and challenges in the energy sphere, to forestall a negative turn of events, and to work out new algorithms for administrative decisions that in the final analysis will work to the benefit of society.

The President and the Government of the Republic of Belarus are adopting systematic measures to enhance energy efficiency and energy conservation, to diversify the sources of hydrocarbon supplies, and to broaden the use of alternative energy sources.

Energy security concepts have been in effect in Belarus since 2007. Energy issues were reflected in the drafting of the new version of the national security concept of the Republic of Belarus. I hope that this long-term pragmatic document will soon be officially approved, after which it will be submitted for review at the proper level. In 2010, the government approved the strategy for the development of the energy potential of the Republic of Belarus. The development parameters of the fuel and energy sector were revised, and the corresponding mechanisms for practical activity were made more specific, taking into account the new economic conditions.

The above-mentioned policy documents, especially the draft national security concept, embody Belarus's key national interests. These include economic growth and enhancing the competitiveness of the Belarusian economy on the basis of its restructuring and lowering the volume of imports and materials used in manufacturing. Emphasis is also placed on the need to achieve a level of energy security sufficient to neutralize Belarus's external dependence on energy supplies.

Clearly, the promotion and protection of these national interests can only be based on a multipronged approach consisting of simultaneous steps in the economic and political spheres. For this reason, among our priorities is the formation of a fully fledged, effective and mutually beneficial customs union and single economic area, free of artificial exclusions and constraints, within the framework of the Eurasian Economic Community. In the first instance, this concerns the real creation of equal conditions for all economic operators of the States participating in the customs union. This includes the abrogation of customs tariffs on exports of oil and oil products within the customs union.

Provision is made for the broadening of participation in mutually beneficial initiatives and projects within the framework of key subregional organizations, i.e., the Commonwealth of Independent States, the Central European Initiative, the Organization of the Black Sea Economic Co-operation, the Council of the Baltic Sea States, and others.

Significant attention is paid to steadily increasing Belarus's involvement in pan-European unification processes. In the first instance, this presupposes Belarus's active participation in international projects connected with the production and transport of energy resources and the exploitation of transport corridors. Obviously, this benefits both Minsk and Brussels equally.

On the basis of that principle, we are proceeding to consistently deepen our strategic partnerships with China, Venezuela and other States.

Our activities in the foreign policy area are seamlessly combined with specific steps in the economic sphere. The fuel and energy sector is being modernized. Energy efficiency technologies are being introduced. Energy generating capacities are being developed to use local and renewable sources of energy. Energy resource imports are being diversified through the selection of reliable and cost-effective suppliers from abroad. Conditions are being improved for the expansion of safe and reliable transit of all forms of energy through Belarus as well as for the export of fuel and energy resources produced by our own country. We are in the process of establishing a competitive environment in all the branches of the fuel and energy sector by creating genuine legal entities for the energy market and a market infrastructure.

There is significant potential for an increase in energy efficiency through the more resolute involvement of foreign investors in the country's energy sector and the implementation of joint projects with foreign partners. Two thermal power stations in Minsk are being modernized with Chinese credit on favourable terms totalling around 300 million euros. Investment agreements worth 2 billion United States dollars were concluded with the Polish company Kulczyk Holdings just a few weeks ago. They envisage the creation of a joint enterprise to construct a 920-megawatt capacity coal-fired power station in Belarus and an energy bridge connecting the Belarusian and European energy systems. This is a clear example of co-operation aimed at increasing energy supply reliability not only for Belarusian consumers but also for European ones.

Diversification of gas supplies will continue through the participation of Belarusian companies in the prospecting and extraction of natural gas abroad. A further important area is the construction of a terminal for the regasification of liquefied natural gas. Among the various options, Belarusian specialists have singled out the prospect of co-operation with Lithuanian colleagues. The Government of the Republic of Lithuania is also working to the same ends. It is entirely possible that we could pool our financial resources to create such an enterprise at the port of Klaipeda.

With a view to diversifying Belarusian oil supplies, a contract was signed in March 2010 for the delivery of 4 million tons of Venezuelan oil per year, subsequently to be increased to 10 million tons per year. This oil will be transported via Black Sea and Baltic ports.

Despite objective difficulties, dialogue is being systematically deepened with Ukrainian partners in this area. The likelihood of this project being implemented increases with the growing volume of oil traffic and the increased commercial attractiveness of using the Odessa-Brody pipeline in the averse (direct) mode.

If oil is delivered via the Latvian port of Ventspils there is the possibility of its further transport to the Republic of Belarus not only by rail but also by pipeline. For this reason, it is of strategic importance to ensure the reverse use of the Polotsk-Ventspils oil pipeline.

We are also taking into account the fact that Lithuania is interested in transporting oil via the port of Klaipeda subject to long-term guarantees regarding the use of the terminal's

transshipment capacities for a period of five years. Work is also being carried out in this context with Estonia.

With regard to important joint steps connected with renewable energy sources, I should like to single out the fruitful co-operation with our German partners. In July 2010 an agreement was signed with the German company ENERTRAG – a world renowned producer of electricity from wind. Our German partners regard co-operation with Belarus as promising and mutually advantageous. Their contribution to resolving the energy and climate problems affecting all countries takes the form of investments totalling 360 million euros. The project envisages the creation between 2011 and 2012 of a 160-megawatt capacity wind farm. The facility will be owned by the German company and will sell electricity for the Belarusian energy system. I should like to point out that the realization of this project was largely possible thanks to the efforts of Matthias Platzeck, head of the government of the federal state of Brandenburg.

Distinguished colleagues,

Some new approaches by Belarus to strengthening its energy security have been briefly outlined for you. It is clear that efforts to resolve such an important problem, which is equally pressing for the other countries of the region as well, must be guided by consolidated and appropriately formulated recommendations by experts. What is more, these recommendations must be presented to all interested parties. Here there is justification for expanding and strengthening the role of the OSCE as the preferred forum for an open, impartial and constructive exchange of views.

Belarus will also continue its systematic support for the development of dialogue on energy security and energy efficiency within the OSCE. A potential area for dialogue, in my view, is the creation of the necessary conditions for the equal access of all countries to new and effective energy saving technologies and the deepening of scientific, technical and investment co-operation in the energy sphere. I hope that the Belarusian initiative put forward in the United Nations will also be supported by our partners at a regional level within the OSCE and elsewhere.