

**Remarks of EU Special Representative for Central Asia, Amb. Patricia Flor
at
KIOGE 2012, 20th Anniversary Kazakhstan International Oil & Gas
Conference 4-5 October 2012**

EU-KAZAKHSTAN STRATEGIC PARTNERSHIP ON ENERGY

Dear Vice Ministers, Distinguished Delegates, Ladies and Gentlemen,

I am delighted to be here today in Almaty on the occasion of the 20th Anniversary of KIOGE conference and exhibition.

I believe that the KIOGE Conference offers a unique opportunity to reflect on the challenges and opportunities that Kazakhstan's energy industry is facing. The KIOGE Exhibition will prove a unique platform for our companies to build strong business partnerships and enhance cooperation with their partners. These business links could be advantageous for both parties and give a new impetus to further integration of our markets, closer interconnectivity and stimulate innovations.

For the European Union, Kazakhstan is a key partner in the region. The increased number of high-level contacts over the past years is one of the signs of our good political dialogue. The visits of President Nazarbayev to Brussels in October 2010, Prime Minister's visit in May 2012 and Commissioner Oettinger's visit to Astana last year strengthened the EU-Kazakhstan cooperation, including on energy.

In fact, the EU has put energy and relations with Central Asia among its top political priorities as reflected in the meetings of the European Council of Heads of State and government. The Council conclusions on Central Asia include the following priorities in the energy sector: "Consolidating energy cooperation, promoting diversification of energy supply and export routes and integration of energy markets. Concluding an agreement between the EU, Azerbaijan and Turkmenistan featuring a legal framework for the Transcaspian Pipeline project as an important contribution to support the opening of a Southern Gas Corridor; in parallel mobilise private sector engagement for infrastructure realisation and promoting broader regional co-operation for Caspian basin development and further strengthen participation of Central Asia partners in the enhanced

INOGATE programme, the Energy Charter Treaty and the Extractive Industries Transparency Initiative."

Today, I would like to make three points in line with the topics of this plenary session, adapted to the EU perspective:

Kazakhstan's oil and gas industry development and Strategic Partnership with the EU

I would like to start with some recent data on Kazakhstan's oil and gas industry: according to the Kazakhstani Agency of Statistics, in 2011 Kazakhstan produced more than 80 million tons of crude oil and gas condensate and exported approximately 69 million tons of oil and gas condensate.

Let me now put this data in the context of the Kazakhstan-EU strategic partnership: the EU is the largest Kazakhstan trade partner with almost 50 % of Kazakhstan's exports, mainly oil and gas, go to the EU. The EU is also the biggest foreign investor in Kazakhstan, accounting for more than 60 % of the country's foreign direct investment.

The EU also represents a dynamic and growing market for Kazakhstan. The EU is the largest single regional energy market in the world. It brings together more than half a billion consumers, and will in time, link energy supply networks from Eurasia in the East, the Arctic in the North, the Sahara in the South, and the Atlantic in the West.

This EU and Kazakhstan partnership has started since the early 90's, based on a dialogue which has been expanding ever since.

Today, we benefit from the EU-Kazakhstan Memorandum of Understanding on Co-operation in the field of energy, a series of EU-Kazakhstan nuclear co-operation agreements, energy assistance projects, including via the INOGATE programme, as well as co-operation also in the areas of clean coal, energy efficiency, and renewables.

For the future, the ongoing negotiations for an Enhanced Partnership and Cooperation Agreement will further strengthen cooperation between the EU and Kazakhstan, including on energy.

EU-Kazakhstan energy cooperation as key to sustainable growth and industry modernisation

The EU energy strategy is based on the belief that it is in the energy security interests of all to promote the diversification of export routes. Alternative export routes widen your market opportunities and will enhance your ability to obtain internationally competitive prices.

In the same spirit, we have a strong mutual interest to maintain and cultivate a favourable investment climate, as well as ensure a stable and predictable framework for energy supply flows.

EU companies have also been at the forefront in working side-by-side with their Kazakhstani counterparts to develop Kazakhstan's resources. This has enabled the use and transfer of unique skills, expertise and technological innovation.

EU perspective of supply and demand dynamic of the energy markets

For the EU, our prosperity and competitiveness rest on getting all the elements of a successful economy right. Sufficient, reliable, and affordable energy supply is a major element.

Our energy supplies are dominated by fossil fuels. The EU imports over 80% of its oil and over 60% of its gas. Moreover, Europe's own production of fossil fuels is declining. It is also clear that despite the current economic crisis, and no matter how successful EU countries are in boosting renewable energy and energy savings, Europe will remain significantly dependent on imports, in particular of gas, but also oil.

As you know, a primary focus of EU energy policy efforts in the region has been on the establishment of a Southern Gas Corridor. Its importance has been explicitly recognized by all EU Heads of State at their Energy Summit of 4 February 2011.

I am pleased to announce that a major step forward has recently been achieved to create an export route for countries on the eastern shore of the Caspian Sea. In September 2011 all 27 EU Member States of the European Union gave the mandate to the European Commission to negotiate a legally binding treaty between the EU, Azerbaijan and Turkmenistan to build a Trans-Caspian Pipeline System. For the European Union, a Trans-Caspian gas pipeline will be an important contribution to the development of the Southern Corridor.

Not many people are aware that this is the first time the European Union has proposed a treaty in support of an infrastructure project. This demonstrates how important this project and co-operation with the region is for the European Union and all of its 27 Member States. We are also convinced that a Trans-Caspian Pipeline will enhance stability and prosperity in the region. We will support the highest level of environmental standards. The EU has a strong record of legislating to protect the environment. It is a core part of our legislative process. No energy infrastructure project can escape an impact assessment to ascertain the highest environmental standards.

I should add that we do not forget the importance of oil evacuation from the Caspian region, particularly with expected increasing oil export volumes from Kazakhstan's offshore developments. These are some of the largest and most complex industrial projects in the world. They can also make a significant contribution to increasing the diversity of oil and gas supplies. Parties must work together to successfully deliver these projects to the mutual benefit of all stakeholders.

Ladies and Gentlemen, I do not intend to make a long intervention; you are the specialists in the oil and gas world and I believe you will have a very constructive debate today and tomorrow.

I wish you a successful conference and thank you for your attention.