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The European Federation of Energy Traders (“EFET”) is a group of more than 48 energy trading companies from fourteen European countries dedicated to stimulate and promote energy trading throughout Europe. EFET is designed to improve conditions for energy trading in Europe.

EFET can be characterized by strict impartiality, pan European geographic focus, lack of commercial interest, transparency and equality in third party communication, high quality and efficiency, providing service to trading organizations and an effective discussion partner for other organizations.

The Board of the European Federation of Energy Traders in its meeting on February 23, 2001 have discussed the proposal of the Transit Working Group of the Energy Charter Conference to develop public international law in the area of cross-border energy swaps.

By a cross-border energy swap is understood the exchange of energy by two players in two different jurisdictions based on a mutually beneficial sharing of energy price differentials.

With the exception of the Commodity Futures Markets Regulators’ Conference\(^1\), there is no currently ongoing multilateral initiative in the area of energy derivatives. The prevalence of cross-border energy swaps is expected to increase in the future as a consequence of energy market integration and interconnection in Europe and Central Asia. The flexibility of swap agreements make such transactions preferred in the early development of a natural gas or crude oil producing area, compared to the construction of new or additional transportation and/or transit facilities.

The Board noted the opportunity provided by cross-border energy swaps to create mutually beneficial economic transactions involving different jurisdictions and energy players in Europe and Central Asia.

The Energy Charter Transit Protocol currently being negotiated by 51 European and Central Asian states, including the member states of the European Union, the Russian Federation, the Commonwealth of Independent States and Japan, is expected to contain public international law provisions encouraging the removal of any obstacles to the execution of cross-border energy swaps. This important energy policy initiative is expected to facilitate secure, efficient, uninterrupted and unimpeded

\(^1\) The following signatories to the Energy Charter Treaty support the Commodity Futures Markets Regulators’ Conference: Australia, France, Germany, Hungary, Italy, Japan, the Netherlands and UK.
execution of cross-border energy swaps. The 51 states will also take necessary measures to prevent and address illegitimate taking of energy being delivered or redelivered under cross-border energy swaps.

The Board of EFET noted the role of the Energy Charter Transit Protocol in the long-term European security of energy supply. Finally, the Board expressed its appreciation of the principles outlined above governing cross-border energy swaps.

The Energy Charter Conference is the governing body of the Energy Charter Treaty. The Energy Charter Treaty is a legally binding treaty under public international law uniting 51 European and Central Asian states in the establishment of an energy policy foundation addressing transit of energy, energy investment, energy trade and energy efficiency and environmental policy.

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