

Statement on the modernisation of the Energy Charter Treaty

The EU aims to become the indisputable climate leader and the world's first climate-neutral region. The European Green Deal and the proposed EU Climate Law are some of the most ambitious known policy instruments to combat climate change.

However, the little-known Energy Charter Treaty (ECT) is threatening the climate ambition of the EU domestically and internationally. The EU and its Member States ratified the Treaty with the aim to strengthen the EU's energy security by ensuring a continuous supply of fossil fuels from the East to the West.

Not only did the "*raison d'être*" of the ECT become obsolete since Russia's withdrawal from the Treaty in 2009. Today, the ECT is a serious threat to Europe's climate neutrality target and more broadly to the implementation of the Paris Agreement. By protecting foreign investments in fossil fuels by means of the highly controversial Investor-State-Dispute-Settlement (ISDS) mechanism, the ECT protects foreign investments in greenhouse gas emissions and multiplies the cost of the ecological transition. EU citizens are democratically calling for ambitious climate action, but are unknowingly funding the life insurance that the ECT provides to fossil fuels investors.

By 2050, cumulative greenhouse gas emissions protected by the ECT, if fossil fuels are not phased-out, would be equivalent to one-third of the remaining global Carbon budget for the period 2018-2050.

Furthermore, the cost of the continuation of the ECT is higher than the historic EU recovery fund agreed in July. On one hand, stranded fossil fuels assets protected by the ECT would potentially reach at least €2.15 trillion by 2050 if fossil fuels are not phased-out from the ECT binding investment protection. On the other hand, the potential cost of ISDS claims could reach at least €1.3 trillion by 2050 out of which 42% will be paid by EU taxpayers.

The Energy Charter Treaty is neither consistent with the European Green Deal, nor with the proposed EU climate law and national carbon neutrality targets, nor with the EIB energy lending policy and the EU taxonomy for sustainable investment. Phasing-out fossil fuels from the ECT investment protection mechanism is for us a prerequisite for the negotiations on the modernisation of the ECT.

We, Members of the European and National Parliaments, require EU negotiators to ensure that the provisions in the ECT that protect foreign investment in fossil fuels are deleted and thus removed from the ECT. Similarly, ISDS provisions need to be scrapped or fundamentally reformed and limited. If this is not achieved at the end of the 3rd negotiation round planned for the autumn, we ask EU Member States to explore pathways to jointly withdraw from the ECT by the end of 2020.

Our priority is to ensure the EU and its Member States are fully aligned with the Paris Agreement and EU priorities. The ECT risks our climate future and every step must be taken to ensure the EU strengthens its climate action, not undermines it.

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