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**14th Workshop of the PfP Consortium Study Group
“Regional Stability in the South Caucasus”**

**Jointly with the
“Security Sector Reform Working Group”**

**“Building an Energy Policy Management
Institution for the South Caucasus”**

- Programme and Workshop Outline -

CONCEPT AND AGENDA

10-12 November 2016

Reichenau, Austria

Purpose:

In 2012, the Austrian Ministry of Defence and Sports, through its National Defence Academy and the Directorate General for Security Policy, initiated a resume of the scientific work done by the PfP Consortium of Defence Academies and Security Studies Institutes in the South Caucasus. This initiative built upon a Study Group which began already in 2001 but was discontinued due to internal strife in the region in 2005.

Past workshops held since 2012 in Reichenau and in the wider region (Tbilisi, Istanbul, Kyiv and Chisinau) have demonstrated that the Study Group had established a broad academic basis and cohesion necessary to undertake ambitious cooperative projects. The 12th workshop of the Study Group provided the opportunity for experts to present and develop ideas concerning the possibility of developing a sample media narrative and campaign that could prepare public opinion for the difficult decisions that South Caucasus political elite have to make regarding status and cooperation. Letting the media shape public opinion, even with biased information, is permissible as long as the result is in the public interest, and fosters the common good. Opinions were divided about the possibility of developing a comprehensive media campaign, but the idea of setting up a platform for dialogue between respective civil societies and interested business/expert interest groups was reiterated.

This enabled the Study Group to explore a particular and strategic aspect of business in the South Caucasus, such as the role of energy in bringing about cooperation in the region. The 13th RSSC SG workshop, held in Chisinau, Moldova 7-9 April 2016, applied this idea and broke new ground in that it enabled the Study Group to develop cooperatively an embryonic regional organization to manage and resolve issues related to energy politics and security in the South Caucasus. Considering the resumption of hostilities between Azerbaijan and Armenia over Nagorno-Karabakh during the weekend of 1-2 April, the sketching of a cooperative organization is significant. One of the aims of this organization would be to connect the region under the banner of energy management. Its main mission therefore would be to promote the development of region-wide energy infrastructure to generate, market and distribute energy within and without the region. Evidently a host of different functions – police-related and administrative – are needed to sustain these mission and goals.

The Study Group advanced rapidly towards a workable model of institutional cooperation to mitigate and manage issues related to regional energy security. Particular ideas were put forward, such as the creation of an regional emergency management function to deal with accidents and catastrophes impacting energy transfers, the establishment of a regional trust fund to cushion the shock of energy price fluctuations (for suppliers as well as for clients), and the sketch of a workable institutional structure emerged during discussions, but due to lack of time, crucial attention could not be devoted to details of this organization.

This is why the co-chairs have elected to revisit this subject with a view to bring more clarity to this organization, and are convening a workshop entitled **“Building an Energy Policy Management Institution in the South Caucasus” in Reichenau, Austria, 10-12 November 2016.**

Partners

The partners to this project are:

- Austrian National Defence Academy, Vienna/Austria
- Directorate General for Security Policy, Austrian Ministry of Defence and Sports, Vienna/Austria
- The Geneva Centre for the Democratic Control of Armed Forces
- PfP Consortium Study Group “Regional Stability in the South Caucasus”, www.pfp-consortium.org
- The European Geopolitical Forum, Brussels.

Topic Outline

The workshop that took place 7-9 April 2016, in Chisinau, Moldova, considered the problem of energy politics and security at the South Caucasus level, arguing on the one hand that the separation of business from politics in the field of energy would be beneficial to regional cooperation. On the other hand, it also considered the need to generate a common regional understanding of energy security, and more to the point, of the impact of energy availability and affordability fluctuations on the domestic stability of South Caucasus countries. The Study Group achieved an embryonic regional organization aimed at managing energy security issues.

This workshop is designed to bring greater detail to this organization, aiming at developing a comprehensive structure to which the whole South Caucasus can agree, a system of institutional and administrative governance that is fair and balanced, terms of references for senior officers, and mission statements for particular functions. Two functions, discussed in much detail in Chisinau, stand out as corresponding to Euro-Atlantic interests; 1) the necessity to set up a regional capability to handle energy-transfer emergencies affecting the availability of energy, and the environment, and 2) the establishment of a regionally-administered trust fund designed to address energy price fluctuations which can have a negative impact on the countries of the South Caucasus, particularly at the socio-economic level. It is worth noting that the Chisinau workshop also discussed the development of region-wide energy infrastructure to meet the needs of South Caucasus countries, and integrate them in a concrete cooperation framework. This workshop will address this issue.

The objective of this workshop is to expose participants from the South Caucasus to best practices in public administration, institution-building, legal provisioning, emergency management policy-making, finance and budgeting, and governance of regional organizations. The participants, aided by the subject-matter experts in the topics listed above, will then, through interactive discussions and break-out groups, develop plans, procedures and governance methods for a regional organization aimed at managing energy security issues in the South Caucasus.

The task of the participants is to come up with a comprehensive plan to present to South Caucasus stakeholders. The way in which this plan is developed, and its components will comprise much of

the ensuing Study Group Information booklet. This format will be less intensive on individual presentations and more intensive on participant interaction to achieve the goals set out above.

Key questions

- What will be the structure of the organization and its functions?
- How will it be administered?
- What are the mission statements of each of its functions?
- How is it financed?
- What kind of governance will it have?
- What kind of autonomous capabilities must it have?
- On what legal framework will it be based?
- How will the emergency management function be organized and administered?
- How will the trust fund be furnished, and under what exact circumstances can it be used?

PANEL 1: Examples from the field: Setting up new institutions

This panel invites experts familiar with the creation and setting up of new bureaucratic functions and multinational public institutions. The purpose of this panel is to inform the South Caucasus participants of the importance of establishing an effective structure (one with sufficient autonomy relative to the participating countries), precise functional mandates, such as energy infrastructure development, fair governance, and clear administrative procedures. Subject-matter experts expected should come from the field of public administration.

PANEL 2: Enabling functions: Budgeting and the Law

This panel covers the means whereby the organization will be enabled to perform its mission. Experts in public and international law, public finance and budget administration will provide essential input for this panel. The objective of this panel is to stimulate thinking about how the organization will be financed, what proportion of the budget will be used for operations vs. capital and capability expenditures, etc. This panel will also consider under what legal basis the organization should operate. The intent is to give legitimacy and capability to the organization in such a way as it will not be hampered by any one of the participating countries' particular interests.

PANEL 3: Key functions: Emergency Management and Regional Trust Fund administration

During the previous workshop, two functions were discussed in great detail as being crucial to regional cooperation; emergency management capabilities and a trust fund to mitigate energy price fluctuations. Emergency management policy and capabilities are necessary to make manifest the commitment of the South Caucasus countries to cooperate in a narrow field of security, and to create a structure that can prevent, mitigate, respond, recover from and investigate impartially any incident of a man-made or natural origin that directly affects the delivery of energy across and from the South Caucasus. Similarly, the establishment of a trust fund is intended to provide the organization with the means to alleviate the socio-economic shocks of energy price fluctuations. The

objective is to provide the organization with the authority to intervene operationally or financially to prevent incidents that could eventually have an impact on the member countries' internal stability.

BREAKOUT GROUPS:

Exceptionally, interactive discussions will be split among break-out groups for specific topics related to each panel. On the second day, break-out groups will reconvene for usual discussions aimed at bringing further refinement to the organization's structure. The breakout groups will not be regional, but topical. There will be two breakout groups called "Dumbarton Oaks", and "San Francisco", plus one other "optional" group for special dispute resolution scenarios.

Contrary to our usual practice of having "geographic" breakout groups, this time, the context will be thematic. The breakout groups will meet twice during the workshop, to bring added detail to particular aspects of the creation of a regional organization. As usual, discussions take place under Chatham House rules, and no photos will be permitted during this session. The rapporteur's reports are then used to feed the interactive discussion that closes the proceedings.

Programme

Thursday, 10 November 2016

till 18.30 Arrival of the participants

19.00 **Words of Welcome**

Andreas F. WANNEMACHER, Directorate General for Security Policy, Austrian Ministry of Defence and Sports, Vienna

Official Dinner

Friday, 11 November 2016

07.00 – 09.00 Breakfast

09.00 – 09.30 **Introduction to the Study Group “Regional Stability in the South Caucasus” and Administrative Remarks**

Benedikt HENSELLEK, Austrian National Defence Academy, Vienna

09.30 – 09:45 **Opening Speech**

LTG Erich CSITKOVITS, Commandant, Austrian National Defence Academy, Vienna

10.00 – 11.30 **PANEL 1: Examples from the Field: Setting up New Institutions**

Chair: COL Ernst FELBERBAUER, Austrian National Defence Academy, Vienna

Alexander KUPATADZE, King’s College, London - *Drafting organizational and functional mission statements (Regional energy infrastructure development)*

Dennis BLEASE, DBA-SSR Consultants, London - *Establishing new functions: chain of command relations*

11.30 – 12.00 Coffee Break

- 12.00 – 13.30 **PANEL 2: Enabling functions: Budgeting and the Law**
- Chair:** George NICULESCU, GPF-Europe, Brussels
- Patrick LARKIN, Energy Charter, Brussels - *Legal foundations of organizational administration*
- Fred LABARRE, PfP Consortium, Garmisch-Partenkirchen
- 13.30 – 14.30 Lunch
- 14.30 – 16.00 **PANEL 3: Establishing and Managing Crisis Coping Mechanisms**
- Chair:** Frederic LABARRE, PfP Consortium, Garmisch-Partenkirchen
- George NICULESCU, GPF-Europe, Brussels - *All-hazards emergency management policy-making and capability generation*
- Ulrich JANSSEN, Bundeswehr, Garmisch-Partenkirchen
- *Governance and administrative best practices (Crisis Management cell as an example)*
- 16.00 – 16.30 Coffee Break
- 16.30 – 18.00 **BREAKOUT GROUPS:**
- DUMBARTON OAKS – Establishing functional terms of reference**
- SAN FRANCISCO – Determining governance structure**

Saturday, 12 November 2016

- 07.00 – 08.00 Breakfast
- 08.00 – 10.00 **BREAKOUT GROUPS:**
- DUMBARTON OAKS – Incident Management Prevention and Response**
- Moderator: George NICULESCU, GPF-Europe, Brussels
- SAN FRANCISCO – Trust Fund Management**
- Moderator: Elizaveta EGOROVA, Control Risks, Washington
- 10.00 – 10.30 **Report on Breakout Group Discussions**
- DUMBARTON OAKS: Elena MANDALENAKIS, McGill University, Montreal

SAN FRANCISCO: Elizaveta EGOROVA, Control Risks, Washington

10.30 – 11.00 Coffee break

11.00 – 12.00 **Plenary Session: Interactive Debate for Policy Recommendations and Workshop Outlook**

Moderation: Frederic LABARRE, PfP Consortium, Garmisch-Partenkirchen

12.00 **Departure to the Side Programme/Individual Departures**

Sunday, 13 November 2016

Individual Departures