U.S.-RUSSIAN ENERGY WORKING GROUP
PROTOCOL OF THE FOURTH MEETING

December 16, 2003
Washington, D.C.

The fourth meeting of the Energy Working Group meeting took place in Washington, D.C. on December 16, 2003. The meeting was co-chaired by Assistant Secretary Vicky Bailey for the U.S. side and First Deputy Minister Leonid Tropko for the Russian side.

The meeting was preceded by a site visit to Cove Point, Maryland to visit a liquefied natural gas (LNG) facility.

Both co-chairs recognized the progress that has been made in our bilateral energy cooperation and that the work of the EWG has been expanded after the adhoc meeting in July in St. Petersburg.

Status reports were given from four of the subgroups. The co-chairs of the Energy Efficiency Subgroup reported that the subgroup is sponsoring a workshop in February on the Federal Energy Management Program, has expanded the hospital energy efficiency project to include more hospitals and to assist the City of Moscow in obtaining EBRD loans for at least hospitals, and continues exchanges on window and building technologies. The next report outlined the successful results of the December Oil Spill workshop and noted that follow-up activities include a workshop in Norway to coincide with the Multinational Conference on Oil Spills and a workshop in mid 2004 in Moscow. The Information Exchange Subgroup signed a protocol calling for regular exchanges of energy statistics, exchange of analytical materials used to project energy markets and other energy issues, and exchange of information on the legal framework necessary and methodologies used by energy information centers. The Oil Market subgroup discussed the presentation by the Energy Information Administration on oil market disruptions.

Both sides welcomed the LNG Summit and stressed the importance of understanding the global LNG market prospects and problems. Under the bilateral LNG cooperation, it was agreed to hold a LNG workshop in Moscow in 2004. The workshop would bring U.S. and Russian companies together to discuss how to advance LNG trade.

The U.S. side made a presentation on the International Partnership on a Hydrogen Economy and discussed ways Russia could participate. Both sides agreed to work on identifying specific technologies or research where collaboration could be possible.

Progress on cooperation on electric power was noted. Initial discussions have begun on implementation of the regional cooperation on transmission connections as agreed to under the Memorandum of Understanding signed by RAO UES and USEA and supported by U.S. Agency for International Development during the St. Petersburg Energy Summit. Also, the U.S. side proposed organizing an electric power workshop as a follow-up to the February 2003 workshop held in the U.S. This workshop, supported by RAO UES and

the American Chamber of Commerce, would highlight U.S. electric power equipment and technology that could be used to upgrade Russian electric power plants and discuss regulatory reform. Both sides agreed to pursue the workshop.

Both sides recognized the importance of the implementing the Presidents' Camp David mandate to move forward on energy investment. The EWG agreed that the investment subgroup should work on identifying specific actions needed to advance the four priority recommendations of the Commercial Energy Dialogue. Under the Camp David energy mandate, the EWG also agreed to facilitate the development of Russian LNG for export. As noted previously, the EWG has responded to this action by proposing to organize a workshop for U.S. and Russian companies on LNG investment. The EWG also supported recommending that the Secretary Abraham and Minister Yusufov urge agreement be reached on the engineering and design contracts for expanding the CPC capacity.

Both sides agreed to work together to implement the West Siberian-Murmansk pipeline project. The EWG will focus on identifying ways to cooperate on the project and to remove barriers to the project's realization. Both sides agreed that the Western Siberian-Murmansk Pipeline project would advance each country's strategic energy goals, specifically by diversifying U.S. oil imports and expanding Russia's global market share.

The U.S. side reported on the success of the Exhibition and Trade Show of Russian Technologies that was held November 4-6, 2003 in Philadelphia. At the Trade Show, Fuelco LLC, a Midwest utility service company, announced that it had contracted with the Russian company, Optima, to develop advance software for turn key operations. As a result of contacts made at the show, other negotiations for possible partnerships are being conducted.

The co-chairs agreed to hold the fifth meeting of the Energy Working Group in Spring 2004 and consider convenient locations for the next meeting.

Signed in Washington, D.C. on December 16, 2003.

Vicky P. Bailey

For the Department of Energy of the United States

For the Ministry of Energy of the Russian Federation