



EU WITHDRAWS FROM ENERGY CHARTER TREATY

Explained by

ARPA
EU AFFAIRS & COMMUNICATIONS

Executive Summary

The EU Notifies Withdrawal from the Energy Charter Treaty and Ends Intra-EU Arbitration Procedures

The EU has announced its withdrawal from the Energy Charter Treaty (ECT), a multilateral trade and investment agreement in the energy sector.

This decision stems from the **ECT's misalignment** with the EU's climate and energy goals under the European Green Deal and the Paris Agreement.

- The **withdrawal**, including the **EU** and **Euratom**, will take effect in **one year**.

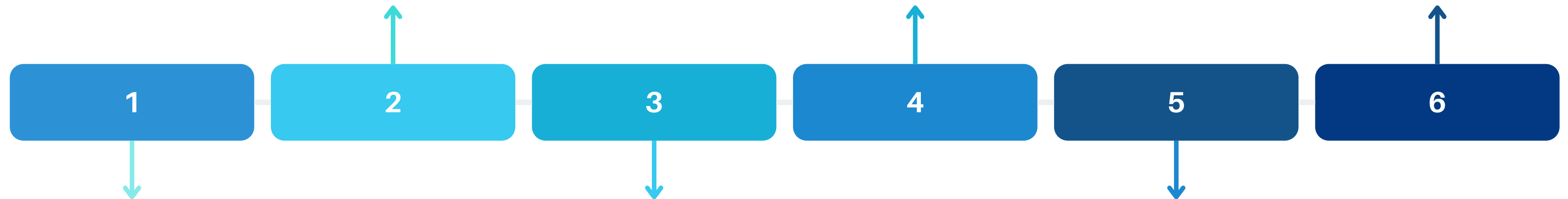
Additionally, the EU has agreed to terminate arbitration procedures within its member states under the ECT, following the European Court of Justice (ECJ) ruling in the *Komstroy case*, which declared such arbitrations invalid under EU law.

Background

The EU, Euratom, and 22 EU member states, along with Japan, Switzerland, Turkey and most Western Balkans and former Soviet Union countries: are parties to the ECT.

The EU Commission has proposed withdrawal from the ECT due to concerns over fossil fuel investment protection.

The EU's participation in the ECT was part of its external energy policy, not intended to replace the judicial protection system under EU Treaties



The Energy Charter Treaty (ECT): multilateral trade and investment agreement (1994, effective since 1998).

Italy, France, Germany, Poland and Luxembourg have withdrawn or started withdrawal. Slovenia, Portugal and Spain are also in process.

An agreement was reached to proceed with both ECT withdrawal and modernization in parallel during the Belgian EU Presidency.

Implications

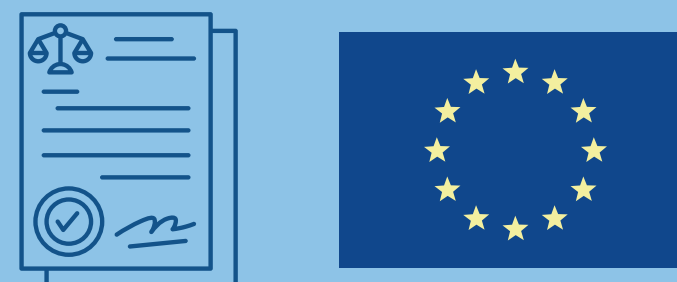
CLIMATE AND ENERGY COMPLIANCE:

The EU's exit from the ECT reinforces its commitment to the climate goals of the European Green Deal and the Paris Agreement, promoting a shift towards cleaner and more sustainable energy sources.



LEGAL CERTAINTY:

The decision to end intra-EU arbitration procedures provides clarity and consistency in the application of EU law, reaffirming the invalidity of arbitration awards between investors and EU member states.

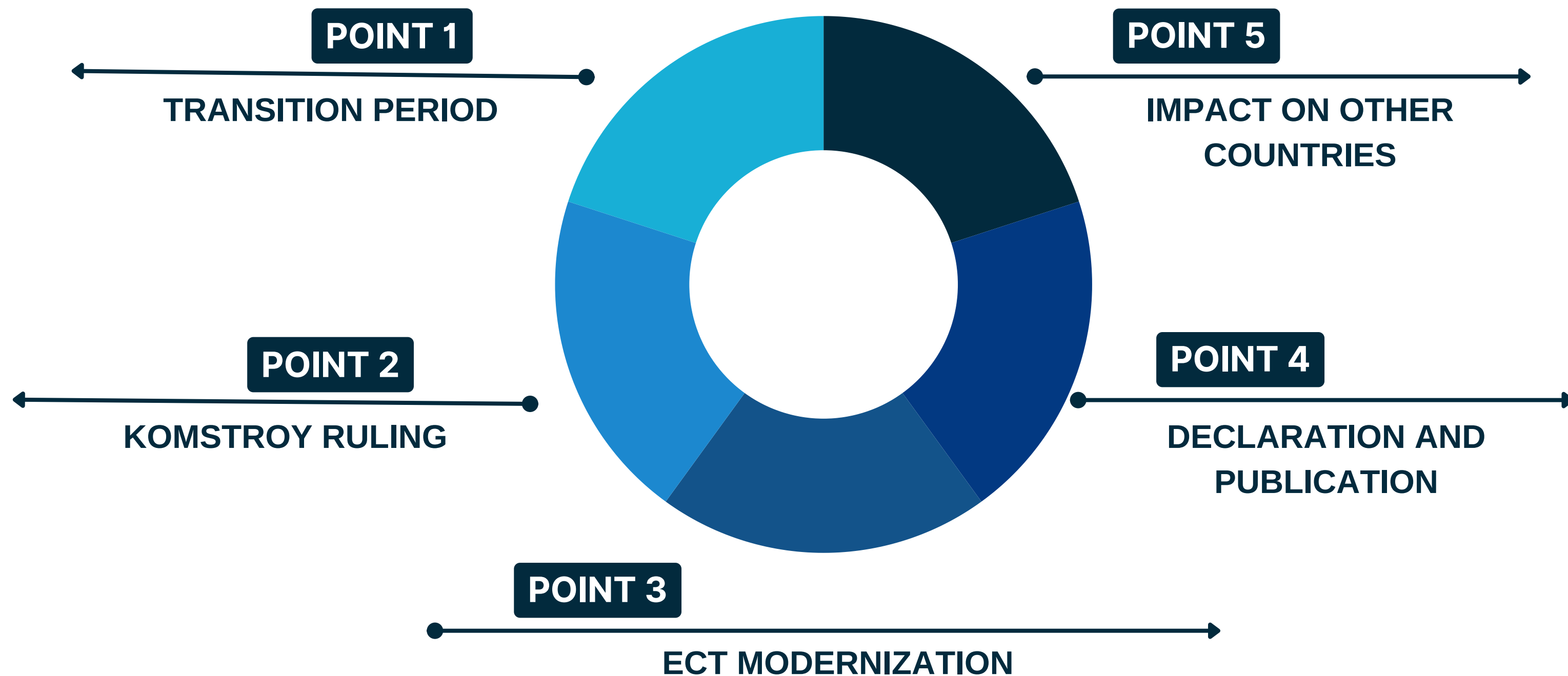


ENERGY INVESTMENT:

The withdrawal may impact investments in the energy sector, particularly fossil fuel projects, as the ECT provided protection for these investments. However, it may also boost investments in renewable energy aligned with the EU's climate goals



Key points to consider



I. Transition Period

The EU's withdrawal from the ECT will take one year to become effective, during which existing agreements and contracts will need to be adjusted.

TRANSITION PERIOD	01	POINT
KOMSTROY RULING	02	POINT
ECT MODERNIZATION	03	POINT
DECLARATION AND PUBLICATION	04	POINT
IMPACT ON OTHER COUNTRIES	05	POINT

II. Komstroy Ruling

The ECJ's ruling in the Komstroy case is crucial as it establishes that intra-EU arbitration awards under the ECT are invalid, affecting how investment disputes are resolved within the EU.

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III. ECT Modernization

The EU has been working to modernize the ECT to align it with its climate goals, but the lack of consensus among member states has led to the decision to withdraw

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IV. Declaration & Publication

The declaration on the legal consequences of the Komstroy ruling and the inter se agreement will be published in the Official Journal of the EU, formalizing the new interpretation and application of the ECT within the EU.

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V. Impact on other countries

The EU's withdrawal from the ECT will also affect other countries that are parties to the treaty, such as Japan, Switzerland, Turkey, and several nations in the Balkans and the former Soviet Union.

TRANSITION PERIOD

01

POINT

KOMSTROY RULING

02

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Conclusion

The EU's withdrawal from the ECT and the termination of intra-EU arbitration procedures represent a **significant shift in the EU's energy and investment policies**.

This move aims to better align policies with the EU's climate and energy goals, removing protections for fossil fuel investments and providing greater legal certainty within the framework of EU law.



THANK YOU

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