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Mr. Chairman, distinguished members of the Sub-Committee, I am pleased to be here today to discuss trends in oil and gas exploration, development and transportation in Russia and other regions of the former Soviet Union. I am also looking forward to addressing the greater region's rich potential to uncover additional reserves and expand production in coming years, with the participation of U.S. energy companies. Clearly, our approach to engaging Russia and resource-rich surrounding areas on energy cooperation is pertinent today, as the world confronts tight oil markets and as we consider ways to deepen energy security, nationally and globally.

The U.S. Energy Information Administration forecasts that the world is likely to consume about 120 million barrels of oil per day in 2025. That is a significant increase from current global consumption of about 85 million barrels per day. Moreover, as part of our national effort to shift to cleaner burning fuels, U.S. demand for natural gas, particularly imports of liquefied natural gas, is set to expand. U.S. demand may reach 32 trillion cubic feet – a 35-40% increase over current levels – by 2025. Meeting this expected demand will be challenging, as production from many traditional oil and gas fields, from West Texas to the North Sea, has plateaued or declined, while new fields present a series of political, technical and economic challenges to develop. Thus, to avoid shortfalls, we must press every lever in our energy security arsenal. This includes, as detailed in our national energy policy, promoting conservation and improving energy efficiency by adopting new technologies and applying market-based incentives, and diversifying energy supplies, especially in terms of greater imports of liquefied natural gas. We need to support the development of alternative fuels, and work with our allies to modernize and protect energy infrastructure worldwide.

It also means expanding oil and gas production at home, including our work to advance the development of Alaska's vast oil and natural gas reserves, and to bring greater diversity to world energy production in environmentally friendly ways. Through energy diplomacy abroad, in partnership with our G8 counterparts, we are pressing oil-producing countries for policy reforms, including the removal of barriers to trade and investment in energy production, transportation and refining. We are also emphasizing the need for transparency, reliability and availability of oil and gas market data.

The former-Soviet region that is the subject of this hearing will make important contributions to global energy security in the coming decades. Russia has already become one of the world's leading oil and gas suppliers, yet has more resources to exploit; production in Azerbaijan is ramping up as new transit options come on line;

Kazakhstan is well positioned to become an elite energy supplier in coming decades; energy companies of all sizes from all over the world are expressing interest in deepwater Black Sea exploration.

The challenge in this vast region is for governments and private producers to continue to build on resources and momentum, to work together to realize the greater region's full potential. With local resources and U.S. capital and technology, Russia and the rest of the region could increase output dramatically – much to the benefit of local governments and populations as well as the global energy market. But the region cannot fully recognize this potential unless local governments provide a predictable and reliable investment regime, streamlined and backed by investor-friendly legislation. Judicial systems must be independent and strong, adhering to rule of law, being transparent and recognizing the sanctity of contracts. Moreover, local governments must pursue a flexible, responsible approach to expanding new and existing pipeline capacity or other transport options – one that is based on economics, rather than politics. Local and national governments in the region should also establish procedures to involve communities in development, to increase public awareness, explain public benefits and allay concerns about detrimental environmental and health consequences.

All the while, it will be important to keep in mind that high oil prices can reduce incentives for governments in major oil exporting nations to pursue economic reforms and liberal investment regimes that promote the efficient development and distribution of natural resources. We must remind energy producers of the need to avoid backtracking on reforms and reinforce the crucial, central role of private investment, which fosters efficiency, promotes transparency and increases benefits to the general population.

Russia: the largest non-OPEC producer, exporter

Russia is the predominant energy player in the post-Soviet sphere, producing about 9.5 million barrels of oil per day and over 22 trillion cubic feet of natural gas per year. Russia's unrivaled growth in crude oil output – fields in Western Siberia expanded production by 14 percent per year 1999-2004 – are supplying extremely tight world markets with incremental oil production. Russia now accounts for 20% of non-OPEC oil production, and, despite a leveling off of production this year, still has been the fastest growing among non-OPEC producers in recent years.

U.S. energy companies have participated in the Russian market since 1992. Sakhalin I is an excellent example of U.S.-Russia joint investment projects. The Caspian Pipeline Consortium's Tengiz-Novorossiysk pipeline is another example of significant investment in the region. The Russian market's potential remains attractive. But while U.S. companies are poised to make additional investments in Russia, the rules of engagement are shifting and remain in question. Russian industry has consolidated in recent years, and the government's role is centralizing and expanding. The forced sale last year of the principal operating asset of Yukos, in the eyes of foreign investors, had negative repercussions on Russia's outlook to the investment community. In the post-Yukos environment, which is still developing, two government-owned entities, GazProm

and Rosneft, increasingly control energy assets; another state-owned entity, Transneft, maintains its domination of the oil transport sector.

Russian operators have made great strides to control many key aspects of upstream and downstream activities, from exploration to transport mechanisms and related infrastructure. Subsequently, Russia's neighbors, particularly the Baltic States, Poland, Ukraine and Georgia, have expressed concerns that Moscow uses its strong position as energy provider as a foreign policy lever, e.g., by manipulating quantities exported or prices. Meanwhile, Russia increasingly sees the market for its oil and gas exports shifting over time from Europe, where growth is slow, to Asia and the United States, which is keen to receive its supplies of crude oil and liquefied natural gas.

Russia's primary challenge in coming years, in our view, will be to continue to meet its role as burgeoning oil and gas producer, striving to accommodate nationalistic pressures to centralize, while also seeking capital and technology from foreign investors to develop new projects. We remind the Russians that U.S. companies continue to seek a stable, predictable commercial environment, and call for clearer, sounder operating rules, e.g., clarification of laws on subsoil and state secrets and a review of licensing procedures and tax policies that discourage investment. In recent years, we have seen two large Russian firms enter into partnerships with Western companies. TNK has partnered with BP and Lukoil has joined ranks with ConocoPhillips. We see these partnerships as strong statements of shared interests and excellent examples of cooperation between former rivals and adversaries. We encourage this type of cooperation, and would like to see it expanded.

U.S. strategic goals, in terms of energy security, have not changed vis-à-vis Russia. As iterated in the Joint Statement by President Bush and President Putin on U.S.-Russia Energy Cooperation, signed February 24, 2005, in Bratislava, Slovakia, our nations should concentrate on ways to enhance energy security, diversify energy supplies, improve the transparency of the business and investment environment, reduce obstacles to increase commercial energy partnerships, and develop resources in an environmentally safe manner. We know that Russia values an official U.S.-Russia energy dialogue, particularly the Energy Working Group and the Commercial Energy Dialogue. We also expect Russia to focus on energy security during its G-8 Presidency next year. With these notions in mind, we will continue to work with our Russian counterparts to boost energy supplies to world markets and seek commercial opportunities for American energy firms.

Russia's Resources . . .

Analysts report that Russia has proven oil reserves of over 60 billion barrels, most of which are located in Western Siberia, between the Ural Mountains and the Central Siberian Plateau. Approximately 14 billion barrels of oil resources exist on Sakhalin Island, in the far eastern region of the country, just north of Japan. Eastern Siberia, much of which is unexplored, is thought to contain additional reserves of oil and gas. The Sea of Azov, in the South, may also be energy rich. Last year, Russia produced over nine

million barrels of oil per day, and exported about 6.7 million b/d of oil and oil products. Only Saudi Arabia produced and exported more. During the period 2000-2004, Russia increased oil production by 8.5% per year; exports rose 14% annually. This year, however, the pace has slackened.

Russia holds the world's largest natural gas reserves, with 1,680 trillion cubic feet already proven. Much remains unexplored, particularly in extreme northern and eastern regions, so actual reserves could be much greater. In 2004, Russia was the world's largest natural gas producer, as well as the world's largest exporter. GazProm, a state-owned entity, essentially holds a monopoly position on gas production and distribution in Russia, producing 90% of Russia's gas. It is, however, inefficient as an operator. GazProm's largest fields are in decline and production has been stagnant for more than a decade. In recent years, GazProm has had to rely on Turkmenistan, which is dependent on GazProm's pipelines for transit, to meet export obligations in the former Soviet Union and Europe. Kazakhstan and Uzbekistan also export gas to Russia, partially to supply regions of Siberia.

. . . and Its Weak Export Infrastructure

Russia's export infrastructure is badly in need of an upgrade. Transneft's aging pipelines can carry over two-thirds of Russia's crude exports to Western markets. Remaining exports must be shipped by rail or barge, which tend to be expensive and inefficient. Major oil export points now are Primorsk, on the Baltic Sea near St. Petersburg; the Druzhba system, which runs through Belarus and Ukraine, and on to Poland and Southeastern Europe; and Novorossiysk and Tuapse on the Black Sea. Russia also exports crude oil through Ukrainian ports at or near Odesa, on the Black Sea. Oil arrives through the Pridniprosky pipeline and Odesa-Brody, which was reversed in 2004.

In recent years, Transneft has considered two large projects to increase export capacity. Lukoil has proposed a Barents Sea oil terminal at Murmansk, a year-around ice-free port, to deliver crude from the Western Siberia and Timan-Pechora basins. Transneft has suggested an alternative site in the High North near Indiga; this port, however, freezes in winter. The U.S. Government supports projects that could expand export capacity to the global market. In our view, a northern export route could provide up to two million barrels of oil per day for potential export to the United States.

Meanwhile, Russia is embarking on efforts to expand exports to Japan and China, which now receive minimal volumes of Russian crude by rail. For two years, Transneft studied proposals to construct a massive eastern pipeline, roughly from Lake Baikal, in Central Siberia, to the Pacific port of Nakhodka, near Vladivostok. Russia has also considered building a pipeline to Daqing, China. The latest plans are divided into two stages. Beginning December, Transneft will construct a Siberian pipeline from Taishet, in Irkutsk Oblast, to Skovorodino, near the Russian-Chinese border, with an extension to be built to China. Simultaneously, Russia will construct an oil terminal at Nakhodka. In the second stage, Transneft will extend the pipeline from Skovorodino to the Pacific Coast. The pipeline's capacity will be 1.6 million barrels per day, 600,000 b/d of which

would be delivered to China. The balance would be shipped to Nakhodka, initially by rail, for export to Japan or Korea. The economics of the plan, as well as the environmental implications, are uncertain.

GazProm's pipeline network largely runs from east to west, passing through Ukraine and Belarus on the way to European markets; Ukraine currently transports 80-85% of Russia's natural gas exports to Europe. Russia and Ukraine tentatively agreed some years ago to create an International Gas Transit Consortium to upgrade the existing pipeline network and expand gas exports to Europe. Bickering over prices, volumes, partners, illegal taps and operator rights has delayed the project. GazProm, meanwhile, is considering alternatives. Blue Stream, a pipeline running under the Black Sea to Turkey, was completed in 2002. This year, Russia partnered with Germany to announce a $10 billion project to construct a pipeline under the Baltic Sea – a route that would circumvent Ukraine, Poland and the Baltic States. GazProm is also negotiating with Poland to construct Yamal-II, which would link Belarus to Slovakia and points west without traveling through Ukraine.

Sakhalin and the Far East

Sakhalin Island, lying north of Japan, holds reserves of 14 billion barrels of oil and 96 trillion cubic feet of natural gas. The Russian Government partitioned the onshore and offshore territories of Sakhalin for exploration and development purposes; Sakhalin-I is progressing; Sakhalin-II is already producing oil; Sakhalin III, initially with U.S. participation, will be retendered. A consortium led by ExxonMobil will celebrate "first oil" at Sakhalin-I, a $12 billion project, on October 1. The partners hope to produce 250,000 barrels of oil per day and one billion cubic feet of natural gas in the initial stage. Royal Dutch Shell, with Russian and Japanese partners, is engaged in developing Sakhalin-II, which will include Russia's first liquefied natural gas (LNG) facility. Shell recently announced that costs of the second phase have doubled – from $10 billion to $20 billion. LNG exports, beginning 2008, will reach the United States via Mexico, where Shell is constructing two re-gasification plants. The project also plans to supply oil and natural gas to Japan and, perhaps, other Asian markets.

Shtokman: Offshore LNG in the Barents Sea

We are very much encouraging LNG – liquefied natural gas – cooperation with Russia, particularly at the massive Shtokman field in the Arctic. Russia is prepared to work with international partners on the project, which contains reserves of 112 trillion cubic feet of natural gas. On September 16, Russia released a "short list" of project partners, which included Chevron and ConocoPhillips; the Norwegian firms Statoil and Norsk Hydro and France's Total were also named. The Russian Duma has already approved a production sharing agreement in support of the project, though it is unclear when a final decision on project participants will be made. First phase plans call for 770 billion cubic feet of gas extraction per year, which will be converted into 14 million tons of LNG to be exported to the United States. After 2011, production could be ramped up to 2.5 – 3.1 trillion cubic feet of gas per year.

High Hopes for the High North and Eastern Siberia

With production declining in Russia's Soviet era oil and gas fields in Western Siberia – currently the source of 60-70% of Russia's oil production – energy analysts are increasingly looking north and east, to the Yamal Peninsula and the largely unexplored region of Eastern Siberia. In the East, Krasnayarsk, Irkutsk and Yakutia oblasts may be rich in oil and gas resources; some observers refer to the area as the "next Caspian." A harsh climate and utter lack of infrastructure, as well as remote locations and complex geology, present formidable challenges to prospects for development. Alexander's Oil and Gas Connection reckons that only 8% of Eastern Siberia has been explored geologically. According to the Petroleum Economist, the Russian Ministry of Natural Resources is offering 38 blocks in Eastern Siberia and the Far East for exploration this year. Higher global energy prices will bolster interest in these remote regions, though very high estimates for costs of exploration, development and transport – with few options – may dampen any excitement.

Earlier, TNK-BP tentatively announced plans to construct a 2,000-2,500-mile gas pipeline from Kovykta, Irkutsk Oblast, across China and the Yellow Sea to South Korea, but the Russian Government has not approved either the pipeline or gas exports. Total reserves of up to 70 trillion cubic feet of gas may be at stake. Rosneft, meanwhile, is exploring northern Krasnayarsk Oblast, where oil production could exceed 300,000 barrels per day by 2012. GazProm, focused on Yamal Peninsula and its 52 trillion cubic feet of gas reserves, may explore opportunities for LNG facilities in the High North, with the possibility of exporting to Mexico or the U.S. West Coast. TNK-BP is also weighing a five-year, $4 billion investment in Irkutsk's Verkhnechonskoye oil field, which could start producing in three years.

As more attention is focused on Eastern Siberia, we will encourage the Russians to work with international partners, be transparent with emerging data, attract foreign investment, adopt new technologies and safeguard the environment as it explores and develops its resources. Initial signs are that Russia may be limiting the level of foreign participation in certain auctions for blocks in Eastern Siberia. We will press the Russian Government to reverse this approach, noting that $35 billion or more in investment will be needed to develop these remote fields.

The Promise of Production, the Lure of China

Some observers have raised concerns over the possibility that Russia may export incremental oil and gas produced in Eastern Siberia to China, Korea and Japan, rather than Europe or the United States. Such developments, however, should not pose a threat to U.S. energy security. In a global context, additional Russian exports to China and other points in Asia would free up supplies elsewhere, from other producers, to meet market demand in the U.S. and other growth markets.

Kazakhstan and the North Caspian

Kazakhstan and the entire North Caspian region also have tremendous resources. At Tengiz, Kashagan and other fields, over 25 billion barrels of reserves are proven; there is potential for up to 110 billion barrels. Natural gas reserves range from 65-70 trillion cubic feet. We strongly support the work of U.S. energy companies and their international partners, who are now focused on ramping up production, improving transportation to markets, and heightening energy security in the North Caspian region. U.S. energy companies were among the first non-CIS foreign investors in Kazakhstan; we expect American companies to be active in the region for many years to come.

Kazakhstan, a huge country, remotely located, for many years held valuable resources but lacked export routes to global markets. After the breakup of the Soviet Union, Kazakhstan had to rely on Russia's Transneft to carry its crude oil exports. That situation changed in 2001, when the Caspian Pipeline Consortium, or CPC, completed construction of a nearly 1,000-mile pipeline from the North Caspian to Novorossiysk, Russia, on the Black Sea. CPC, a joint venture between the governments of Russia, Kazakhstan and Oman, with private partners that include U.S. energy companies, now transports over 500,000 barrels per day, mostly from the Tengiz field. The partners have drawn up plans to expand CPC capacity to 1.34 million barrels per day by 2009. Those plans have been delayed, however, as Russia expresses concerns over tariffs, corporate governance and management control. We have strongly encouraged the Russian Government to work constructively with CPC partners to resolve these issues and move forward with expansion, particularly as production in Kazakhstan is set to increase.

Overall, Kazakhstan produced about 1.2 million barrels of oil per day in 2004, and exported, through CPC and other routes, about one million b/d. The Kazakh Government hopes to increase production to about 3.5 million b/d by 2015, especially as the huge Kashagan field comes into production. Moreover, Kazakhstan has expanded production of natural gas in recent years, and expects to reach 570 billion cubic feet this year. A lack of export infrastructure – plus a focus on oil – has limited gas production in Kazakhstan; previously, gas had been flared or re-injected into oil wells to maintain production pressure. The Government of Kazakhstan is now studying options for increasing gas production and distributing it to global markets. As Kazakhstan aims to expand oil and gas production, it will require additional investment. We will encourage Kazakhstan to be transparent and give all capable companies fair access in any new tender process, whether for new acreage or for subcontracts on existing projects.

Recognizing strong demand for crude in the East, Kazakhstan and China have begun constructing a 600-mile crude oil pipeline from Atasu to Alashankou, Xinjiang, China. The three-part pipeline, scheduled for completion in 2011, will extend from Atyrau in the north Caspian region to western China and will ultimately have the capacity to carry 400,000 b/d. The initial stages of the project are scheduled for completion in December 2005. The proposed sale of PetroKazakhstan, a Canadian venture, to the China National Petroleum Corporation, is also indicative of Kazakhstan's focus on new markets. Clearly, demand for oil in East Asia, as well as in South Asia, is expanding rapidly. Kazakhstan, given its location, is well suited to meet a portion of that demand.

At the same time, we expect Kazakhstan to continue exporting to the West, particularly from the Tengiz and Kashagan fields.

Given the scope of the energy supply and demand challenges we face today and in years ahead, Kazakhstan has the potential to be a critical element in addressing the world's energy needs. As with Russia, we need to work with Kazakhstan to promote transparency and private investment, and to encourage leaders to expand cooperation with U.S. energy companies. Moreover, we must work with Kazakhstan and other countries of Central Asia and the Caucasus to encourage them to build out and expand infrastructure, and, in particular, to increase transport options.

Azerbaijan and the South Caspian

The promise of expanding incremental, non-OPEC energy production in the Caspian region – and transporting it to the global market – has already begun to play out in Azerbaijan, where offshore resources have been the focus of international energy companies for many decades. In the past, remote locations, political tensions, regional conflicts and undetermined maritime boundaries marred production and transport efforts. Those issues, as well as environmental sensitivities and proximity to Iran, continue to resonate today. However, multinational efforts to overcome these hurdles are showing results in the South Caspian.

Azerbaijan produced nearly 320,000 barrels of oil per day in 2004, about half of which came from the offshore Azeri-Chirag-Gunashli (ACG) fields. Total oil production could increase to one million barrels per day by 2010. Analysts estimate offshore proven reserves at 7-13 billion barrels of oil; Azerbaijan's state-owned oil company claims over 17 billion barrels. In recent years, ExxonMobil and Russia's Lukoil have failed to find additional commercially viable reserves at offshore sites, raising questions about Azerbaijan's ability to increase production substantially in coming years. Analysts report that Azerbaijan has proven natural gas reserves of 30 trillion cubic feet – and the potential for much more. Currently, Azerbaijan is a net gas importer – mostly from Russia. That is set to change, however, particularly as the giant Shah Deniz field, with at least 14 trillion cubic feet of reserves, comes on line, beginning 2006.

The crowning achievement of regional political leaders and international energy companies in the South Caspian is the Baku-Tbilisi-Ceyhan (BTC) pipeline. Traditionally, export routes for Azeri oil were limited to cross-Caucasus or Russian pipeline and rail links, which led to Black Sea ports. These routes, however, proved risky, as they passed through unstable areas like Chechnya. Moreover, in modern times, the Bosporus Straits, which lead from the Black Sea to the Mediterranean, became increasingly congested and subject to shipping delays.

A consortium of international oil trading and construction companies and state-owned oil companies in Azerbaijan and Turkey, encouraged by strong U.S. Government support, created the Azerbaijan International Operating Company in the early-1990s to stimulate offshore production at ACG fields. A production sharing agreement was signed

in 1994 and became effective in 1997. Overcoming strong political, engineering and environmental barriers, a similar group broke ground in 2002 on a 1,000-mile pipeline, connecting Azerbaijan's offshore oil fields to the Mediterranean port of Ceyhan, Turkey, via Georgia. The pipeline is slated to be completed in December 2005; oil has already begun to flow from Baku. Initial capacity is 200,000-300,000 barrels per day, increasing to 500,000 barrels per day in 2006 and eventually to one million barrels per day. Parallel to the BTC pipeline, partners are constructing a South Caucasus Pipeline to carry Azeri gas from Shah Deniz to Turkey. Initial volumes should reach 245 billion cubic feet per year. The BTC, a success by any measure, serves as an example of political cooperation, engineering accomplishment and environmental protection worldwide.

Expanding BTC

We strongly encourage the Government of Kazakhstan to act constructively and responsibly in bilateral efforts with Azerbaijan to link the Port of Aktau or Kuryk by tanker with the Baku-Tbilisi-Ceyhan pipeline. We believe that this latter effort, which would provide an export platform for future production at Kazakhstan's Kashagan field, must be held to very high standards – the same high standards that were upheld some years ago at the signing of the BTC inter-governmental agreement.

The BTC partners, including U.S. energy companies, insist that a Kazakhstan-BTC (KBTC) IGA must have appropriate commercial, legal, and environment protections. The partners want the IGA explicitly to limit the investors' present and future tax liabilities to those taxes that are agreed upon in the subsequent Host Government Agreements (HGA). Moreover, they want the IGA to be ratified by parliament and signed by the President, in order to give it a superior legal status (as an international treaty) to any future parliamentary amendments to the tax code.

The opening of the BTC pipeline, which transports Caspian crude from Azerbaijan to the Mediterranean port at Ceyhan, dramatically increased the value of Azerbaijan's oil reserves, namely, by bringing them closer to world markets. A successful agreement to link North Caspian production into the BTC by tanker to Baku would do the same for Kazakhstan's reserves. Moreover, it would greatly improve Kazakhstan's position in terms of investment potential and attractiveness – and return on investment.

Black Sea Deepwater Exploration

BP is leading international efforts to explore the Black Sea. With Turkish partners, BP has launched efforts to drill an exploratory well, nearly 10,000 feet deep in waters that are about 4,000 feet deep, off the coast of Turkey. Efforts could expand to Georgia's coastal waters, where an American company has exploratory rights. U.S. energy companies are also interested in exploring deepwater areas off the coast of Ukraine, surrounding the Crimean Peninsula. Currently, local companies are producing oil and gas from shallow water regions of the Black Sea, mostly in Russia, Ukraine and Romania.

Additional Efforts to Bypass the Bosporus

Expanding Russian production in recent years has led to increasing bottlenecks at the Bosporus Straits, controlled by Turkey. In the winter of 2003-2004, a tanker backlog of 30 days or longer developed, cutting into profits of oil producers and transporters. Expanded production in Russia, the Caspian and the Black Sea could further aggravate the situation. Russian and Turkish entities, as well as international energy companies, have begun exploring options for Bosporus bypasses, mainly in the form of pipelines. Various parties have put six or more options on the table at various times. Proposals include a pipeline from Burgas, Bulgaria, to Alexandropolous, Greece, supported by Russia's TNK-BP; a pipeline from Samsun to Ceyhan, Turkey, supported by the Government of Turkey; and at least two options for building pipelines across the Balkans. The Odesa-Brody pipeline, built by the Government of Ukraine, has not fulfilled its original purpose as a Bosporus bypass. The pipeline was reversed in 2004 to carry Russian Urals crude to the Black Sea for export through the Bosporus; that decision may be revoked in 2006.

The U.S. Government, aware of shipping delays and the environmentally sensitive nature of the Bosporus, generally supports efforts to build out infrastructure and improve transport efficiency in the region. However, weighing the commercial viability of the various proposals, in our opinion, is the responsibility of the private sector, which will ultimately finance and construct any pipelines that may move forward. Meanwhile, the U.S. Government will work with the Government of Turkey to improve operational efficiency in managing traffic flow in the Bosporus and to protect the environment from a catastrophic spill.

Conclusion

Russia and the Caspian continue to represent promising opportunities for upstream oil and gas investments needed to meet growing global demand over the next two decades. We recognize Russian's leadership in global energy markets, and underscore the contributions that Russia has made to supply expanding world oil demand, especially over the past five years. We will continue to work with U.S. energy companies and the Russian and Kazakh governments, in particular, to encourage further production increases and an expansion of transport infrastructure, particularly by expanding the Caspian Pipeline Consortium and the Baku-Tbilisi-Ceyhan pipeline. We will emphasize to them the need to advance corporate governance and transparency, including applications of revenues from oil and gas activity, adhere to rule of law, strengthen regional stability, broaden stakeholder participation, safeguard the environment and improve the investment climate. We will work with others in the region, from Turkmenistan to Turkey, Georgia to Ukraine, to cooperate internationally in exploring new fields and maximize efficiency of transit routes. All the while, we will promote partnerships between U.S. and local entities, with the objective of expanding production to meet rising global demand.