



EIRA

ENERGY INVESTMENT RISK ASSESSMENT

2023

 COMMON RULES FOR **GLOBAL ENERGY SECURITY**



E I R A

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2023

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ABOUT THE INTERNATIONAL ENERGY CHARTER

In the early 1990s, after the end of the Cold War, the Dutch Prime Minister at the time, Ruud Lubbers, took the initiative to establish cooperation in the field of energy between the East and the West. His efforts paved the way for the Energy Charter Treaty (ECT) which was signed in December 1994 at Lisbon and entered into force in April 1998.

The ECT establishes a unique multilateral legal framework to facilitate international energy cooperation. Its key principles, namely, openness of energy markets, investment protection and non-discrimination stimulate foreign direct investment and cross-border trade. As of 1 December 2023, the ECT has 53 Signatories and Contracting Parties (including the European Union and Euratom).

The *International Energy Charter* is the informal working name of the Energy Charter Conference, its subsidiary bodies and the Energy Charter Secretariat. It was adopted in 2016 to reflect the global nature of the Organisation better.

The Energy Charter Conference is the governing and decision-making body of the Organisation. Each year its Chairmanship is entrusted to a different Contracting Party of the ECT. In 2023, Jordan holds the Chairmanship. The Members and Observers of the Energy Charter Conference represent governments and regional intergovernmental organisations from six continents, including all significant energy producing, transit and consuming regions.

The Energy Charter Secretariat is based in Brussels, Belgium. It is headed by Secretary-General Guy Lentz. The main functions of the Energy Charter Secretariat include:

Providing administrative support and facilitating the work of the Energy Charter Conference and its subsidiary bodies;

Monitoring the implementation of the ECT;

Assisting governments in enhancing their investment climate through various instruments;

Offering support for dispute settlement and conflict resolution;

Developing regulation and model agreements for cross-border energy projects;

Organising capacity building and training sessions related to the ECT;

Assisting Observer countries with ECT accession.

FOREWORD

Over the last few years, countries across the world have accelerated their efforts towards a low-carbon transition. While it is heartening to see the substantial progress we are experiencing in this respect, it is also critical to recognise that the clean energy transition needs to pick up pace if we are to meet the ambitions set out in the Paris Agreement.

It is a fact that foreign investments will be the backbone of the energy transition and the key to reaching carbon neutrality in the long term. However, while there is a broad understanding and recognition of this fact, the gap between the needed and actual investments continues to grow, particularly in the least developing countries. A primary reason for this gap is the high level of risks faced by foreign investors that will provide the lion's share of funding for the energy transition in these countries.

Various risks can demotivate foreign investors despite political will, investor interest and supportive policies. The principal barriers to FDI in clean energy are not technology-related or economic but rather regulatory and legal. Legal and regulatory risks encompass the likelihood that government actions may disrupt business operations, often leading to the cancellation of projects, withdrawal of investment, or disputes with host countries.

Providing practical tools for risk analysis and mitigation is essential for proper investment planning. Therefore, while there is a need to have sound instruments for assessing market risk, it is equally relevant to evaluate policy, legal and regulatory issues. With this element

of risk identification and mitigation in mind, the Energy Charter Secretariat has developed its flagship publication – the Energy Investment Risk Assessment (EIRA) – to assist governments by identifying legal and regulatory risks to energy investments and providing them with policy recommendations to mitigate them.

EIRA guides governments in adopting best practices and designing an enabling environment for investment inflows. At the same time, it informs the investor community about the most recent legal and regulatory changes made by governments in the energy sector.

We hope that the recommendations provided to the countries participating in EIRA this year will allow them to implement practical policy measures to strengthen their legal and regulatory environment and, in turn, mobilise financing in clean energy technologies. Through this report, the Energy Charter Secretariat hopes to support governments and the investor community in their efforts to find sustainable solutions for a faster, affordable, and just energy transition for all.

Finally, I would like to express my sincere gratitude to the countries, the external parties participating in EIRA 2023, and its authors. I hope that EIRA will pave the way for growing the Energy Charter constituency in the coming years and bring benefits to its Members and Observers.

Guy Lentz
Secretary-General
Energy Charter Secretariat
Brussels

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The Secretariat expresses its appreciation to the countries that volunteered for EIRA 2023. We thank the government-appointed focal agencies and other participating government institutions for their intensive engagement with us and valuable contribution to this year's report.

EIRA 2023 is made possible through the expertise and generous input of external partners who have contributed to the report pro bono.

Intergovernmental organisations, legal and energy experts, members of the academia, financial institutions, think tanks, business consultants, accountants, and other professionals actively engaged in the participating countries provided the Secretariat with in-depth on-the-ground information and data. They are duly acknowledged in the Contributors section of the report.

The Secretariat is grateful to the Energy Charter Implementation Group delegates, peer reviewers, and the Energy Charter Industry Advisory Panel for their guidance and constructive feedback on enhancing EIRA's scope to cover new and emerging global energy issues. We hope that EIRA's comprehensive coverage will support governments in reducing risks to achieving the clean energy transition and help them meet their commitments under the Paris Agreement.

ABBREVIATIONS

AfDB	African Development Bank
BAU	Business As Usual
BIT	Bilateral Investment Treaty
CO ₂ e	Carbon Dioxide Equivalent
EBRD	European Bank of Reconstruction and Development
ECOWAS	Economic Community of West African States
ECT	Energy Charter Treaty
EIB	European Investment Bank
EIRA	Energy Investment Risk Assessment
EITI	Extractive Industries Transparency Initiative
EU	European Union
EUR	Euro
FDI	Foreign Direct Investment
FiT	Feed in Tariff
GDP	Gross Domestic Product
GEF	Global Environment Facility
GHG	Greenhouse Gas
ICSID	International Centre for Settlement of Investment Disputes
IEA	International Energy Agency
IIA	International Investment Agreement
kV	Kilovolt
KW	Kilowatt

LT-LEDS	Long-Term Low Emissions Development Strategy
MDA	Ministries, Departments and Agencies
MFN	Most Favoured Nation
MIGA	Multilateral Investment Guarantee Agency
MoU	Memorandum of Understanding
Mt	Million tonnes
MW	Megawatt
MWh	Megawatt-hour
NDC	Nationally Determined Contributions
NT	National Treatment
PPP	Public Private Partnership
PV	Photovoltaic
SDG	Sustainable Development Goals
UNFCCC	United Nations Framework Convention on Climate Change
UNDP	United Nations Development Programme
USD	United States Dollar
VAT	Value-Added Tax
Wh	Watt-hour
WTO	World Trade Organization

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INTRODUCTION TO EIRA



Adjustments to legal and regulatory frameworks and policy planning approaches are inevitable – and even necessary – for countries to successfully achieve a clean energy transition. As a result, governments worldwide are dramatically revising their public policy goals to ensure climate-compatible development, decarbonise high-emission sectors, and achieve net-zero emissions by mid-century.

Undoubtedly, the current energy transition will create new dependencies and energy security concerns, which will cause further changes to long-term policy trajectories. Countries will consider and apply the most appropriate policy, legal, and regulatory measures to reduce dependency on imported fossil fuels, promote resource diversification, and secure critical raw materials to support renewable energy technologies.

Due to these various considerations and resulting course corrections, financial flows into renewable energy sources and energy-efficient technologies have steadily increased in the last decade. While this is encouraging, it is relevant to note that attracting investments for renewable energy remains challenging, particularly in developing and least-developed countries. According to UNCTAD’s World Investment Report 2023 (WIR), “a review of investment needs at the midpoint of the 2030 Agenda for Sustainable Development shows that the investment gap in developing countries across all SDG-relevant sectors has increased from USD 2.5 trillion in 2015 to more than USD 4 trillion per year today. The largest gaps are in energy, water and transport infrastructure. The increase is the result of both underinvestment and additional needs.” Notably, the WIR highlights that more than 30 developing countries are yet to register even one utility-sized international investment project in renewables. FDI in the 46 least developed countries has dropped by at least 16% to USD 22 billion, accounting for less than 2% of global FDI.

While international donor agencies and State funding will contribute to financing the clean energy transition, the lion’s share will come from private sector investments. These investments, particularly in innovative and new technologies, will be made by small and medium-sized enterprises needing certainty that legal and regulatory conditions under which investments were made will not be subject to sudden and unilateral changes. Moreover, the global fuel and financial crisis resulting from the war in Ukraine and the COVID-19

pandemic has significantly diminished risk appetite, and it is unlikely that emerging markets will be able to attract the required investments without a reliable regulatory framework.

As a treaty-based organisation, the International Energy Charter recognises the need for countries to strengthen the rule of law and promote energy security

through open and competitive energy markets while respecting the principles of sustainable development and sovereignty over energy resources. Its mandate, unique under international law, encourages countries to implement well-designed legal and regulatory frameworks to considerably reduce the risk of lost investments and disputes between investors and States.

In this context, EIRA is an effort of the International Energy Charter to guide governments in making their legal and regulatory frameworks resilient and increase their preparedness for the energy transition. At the same time, the report aims to offer the investor community insights into countries’ policy planning, their ability to mitigate legal and regulatory risks to energy investments and recent efforts to offer the private sector certainty on investment conditions.

In 2022, the Energy Charter Conference approved changes to EIRA’s scope after more than three years of intensive analysis and discussions. The updated scope reflects the commitments made by countries under the Paris Agreement and the global efforts to combat climate change. It assesses whether countries have taken – or are taking – policy, legal and regulatory measures to build resilient energy systems and achieve a clean energy transition considering environmental, gender and corporate social responsibility issues. The report also

EIRA assesses legal and regulatory risks that can be managed and mitigated through government action.

EIRA is based on the understanding that countries must establish open and competitive energy markets that promote sustainable development while preserving governments’ right to regulate.

examines measures to decarbonise high-emission sectors, reduce macroeconomic GHG emissions, adapt to climate-neutral energy systems, and coordinate clean energy generation with grid infrastructure development. It includes more detailed information on policy monitoring and evaluation mechanisms to assess whether countries are on track to achieving their policy objectives in the energy sector.

Given the critical importance of public accountability in policy implementation, EIRA now covers anti-corruption issues and transparency in public procurement processes. Through a new sub-indicator, there is added

emphasis on steps being taken to liberalise electricity markets, promote competition, and make the power sector financially attractive for potential investors.

Finally, EIRA has expanded its scope in evaluating the rule of law. It now also examines governmental efforts to establish dispute prevention policies and early warning mechanisms and address investor grievances before they precipitate into full-scale disputes. On property rights, the report covers in more detail issues of indirect expropriation, evaluation of compensation and interest in the case of compulsory expropriation of property, and access to political risk insurance, among others.

Various international and multinational organisations examine different aspects of foreign investment and energy, such as energy economics, technologies and resources, and the macroeconomic investment climate. EIRA adds to this literature by exclusively assessing countries' legal and regulatory environments in line with the International Energy Charter's core mandate and area of competence.

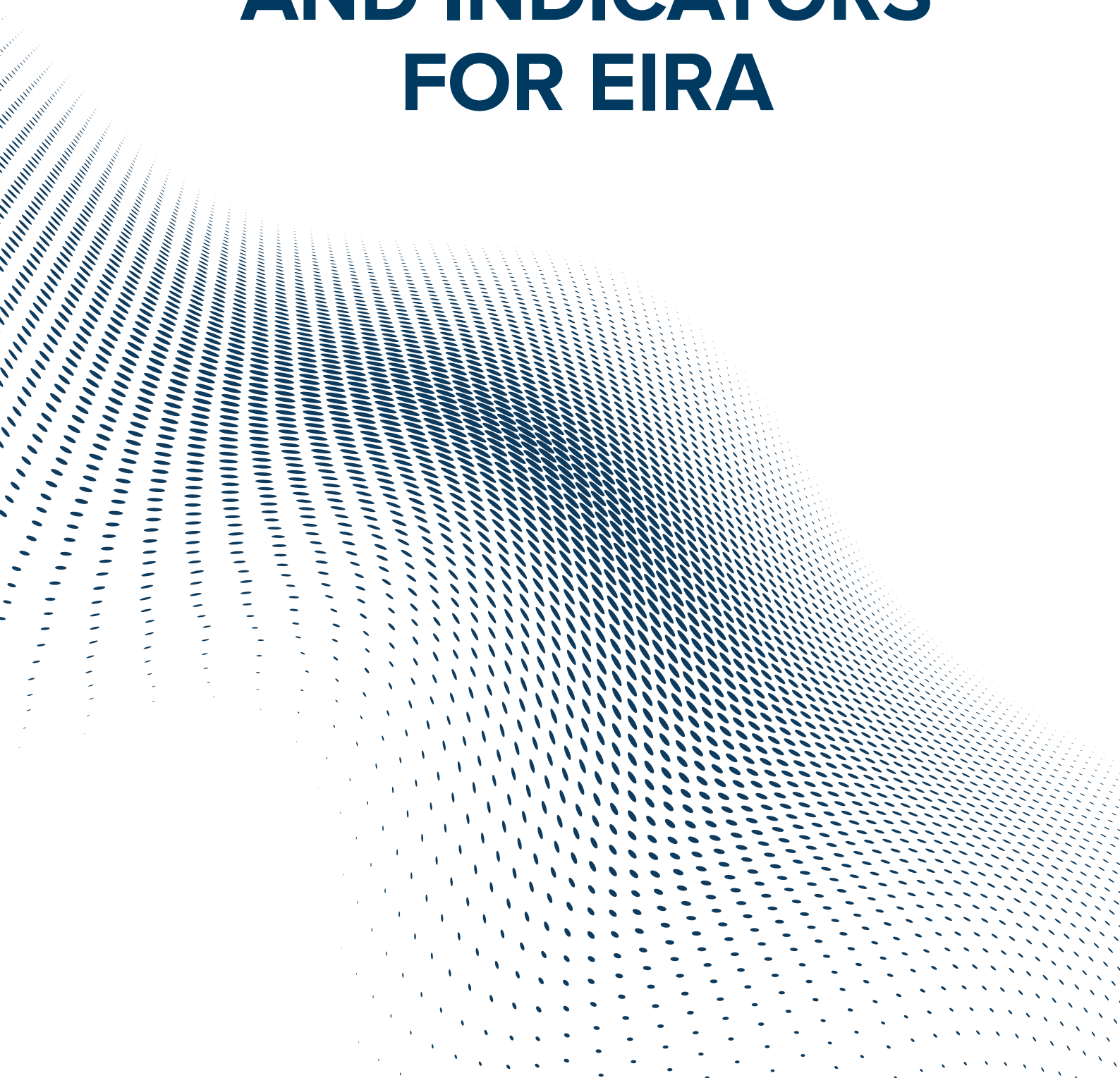
With its comprehensive coverage, EIRA intends to help countries make smart regulatory choices and develop effective strategies that ensure investor confidence is established and retained over time. It aspires to deliver a range of practical benefits for countries and the international investment community by:

- **Informing national and international stakeholders of the most recent legal and regulatory measures taken by countries to improve the investment climate in the energy sector;**
- **Providing support in identifying policy, legal and regulatory gaps and developing strategies to close these gaps;**
- **Tracking the progress made by countries in implementing the EIRA recommendations on mitigating legal and regulatory risks.**

The EIRA report's eventual goal is to aid global efforts to accelerate clean energy access, stimulate progressive reforms to facilitate the clean energy transition, and systemically reduce legal and regulatory risks in countries that hope to attract much-needed investments.

EIRA has been tailored to serve the needs of the International Energy Charter constituency and help its Members and Observers identify measures to improve their investment environment.

RISK AREAS AND INDICATORS FOR EIRA



EIRA evaluates risks to energy investment that can be mitigated through adjustments to legal and regulatory frameworks. The risk level in each country is assessed through five indicators. The indicators reward countries for effectively mitigating and managing these risks through long-term policy planning, transparent decision-making processes, competent market oversight, and dispute prevention policies.

What are the risks assessed in EIRA?

EIRA analyses the following risks:

Unpredictable policy and regulatory change

Governments have the prerogative to adopt legislative and regulatory measures necessary to pursue legitimate public policy objectives. Nevertheless, a sudden and arbitrary change to established rules can detrimentally affect the interests of foreign investors. It can lead to increased or stranded costs for operating a business, reduce the attractiveness of investments, and distort competition. As a result of unpredictable legal and regulatory changes, foreign investors may reconsider investing in the country or relocate the investment. Therefore, governments must ensure consistency in policy planning and implementation and engage with investors before effecting legal and regulatory changes.

Discrimination between domestic and foreign investors

Foreign investors need clarity on whether markets are competitive and offer a level playing field to all investors. This risk area assesses the

likelihood of an unfair advantage to domestic investors, as recipients of rights and privileges, and of protectionist practices that give rise to foregone investment gains for domestic investors. It should be noted that while discrimination can take various forms, such as between energy resources, technologies and types of investors, EIRA only focuses on discrimination between domestic and foreign investors.

Breach of State obligations

Disputes brought by investors against a State can disrupt the relations between the parties and even damage the country's overall investment climate. Investors must be confident that they will have recourse to robust grievance redressal and dispute resolution mechanisms and can enforce their rights if governments default on their obligations. Such obligations include protection against discrimination, expropriation and nationalisation, breach of investment treaties, and access to alternative dispute settlement avenues.

How are the EIRA indicators selected?

The indicators are constructed from a wide range of variables. They are based on the key principles of the ECT and the objective of governments to guarantee investors a secure, predictable, and transparent investment environment.

Five criteria are applied to determine the appropriate indicators:

Functionality/actionability – The indicators should be 'reform-oriented'. They should reflect best practices through which countries can manage legal and regulatory risks, capturing aspects of policy-making and regulation under the control of governments.

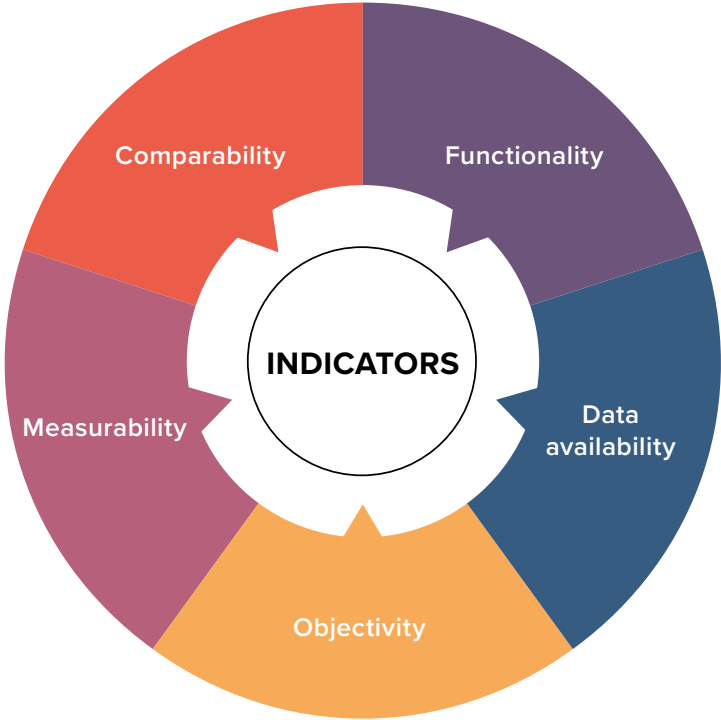
Data availability – Data for the indicators should be available from reputable and reliable sources. The indicators should be based on data that is relevant, readily accessible and easy to collect.

Measurability – The indicators should provide a quantifiable assessment, be robust, and remain unaffected by minor changes to their methodology.

Comparability – The indicators should be comparable over time and across countries, energy sub-sectors, and the energy value chain.

Objectivity – The indicators should accurately reflect the countries' policy, legal, and regulatory realities.

Figure I.1 – Criteria for the selection of indicators



What are the EIRA indicators?

Based on the above criteria, the following five indicators have been developed to assess countries:

- | Framework for a sustainable energy system
- | Foresight of policy and regulatory change
- | Management of decision-making processes
- | Rule of law (compliance with national and international obligations)
- | Regulatory environment and investment conditions

Table I.1 – Correlation between the EIRA risk areas and indicators

RISK AREAS	INDICATORS				
	Framework for a sustainable energy system	Foresight of policy and regulatory change	Management of decision-making processes	Rule of law	Regulatory environment and investment conditions
Unpredictable policy and regulatory change	✓	✓	✓	✓	✓
Discrimination between domestic and foreign investors			✓	✓	✓
Breach of State obligations	✓			✓	✓

INDICATOR 1

Framework for a sustainable energy system

While the world has witnessed energy transitions in the past, a complete shift from fossil fuel to sustainable energy systems is unprecedented. Given its scale, the ongoing energy transition will undoubtedly play a dominant role in shaping countries' short- and long-term social, economic and environmental priorities. It will place new demands on the existing legal and regulatory frameworks and decision-making structures. As a result, countries will need to plan well in advance and communicate clearly to investors legal and regulatory changes needed to achieve the clean energy transition successfully. Governments will need to develop and implement concrete policy and regulatory measures, enabling legislation, programmes and actions to facilitate a smooth transition and mitigate the risk of unpredictable changes.

SUB-INDICATOR:

POLICY PLANNING ON CLEAN ENERGY TRANSITION

Energy planning poses more complex challenges than before. The energy transition requires changes to policy-making approaches, new legal and regulatory frameworks to develop and deploy green technologies, re-distribution of investment flows, and new energy infrastructure. As a result, governments and investors will need to make strategic, forward-looking energy decisions aligned with the global efforts to decarbonise economies and account for new trends and uncertainties in technologies and markets. Consistency – with a degree of flexibility – in policy planning will be critical to building sustainable energy systems, accessing finance, de-risking clean energy investment, and structuring market-based instruments that lower the transition cost.

This sub-indicator examines whether governments are setting well-defined long-term policies to ensure climate-compatible development. It evaluates the robustness of their ambition and pathway to climate neutrality by examining policy measures in place, including concrete actions and strategies for grid infrastructure development, scaling up renewable power generation, reducing GHG emissions across sectors, promoting low-emission transportation modes, improving efficiency in the heating and cooling sector, and deploying energy storage solutions.

SUB-INDICATOR:

ENABLING MEASURES TO SUPPORT CLEAN ENERGY TRANSITION

While accuracy and consistency in policy planning are key to a successful energy transition, the effective implementation of these policies is as much – if not more – of a determining factor for their success. Appropriate market incentives, realistic short-, medium- and long-term policy targets and a coordinated approach to integrating higher shares of clean energy into the existing energy mix will reduce legal and regulatory risks and make the transition process smoother and efficient.

This sub-indicator assesses whether countries have introduced market instruments and set high-level, legally binding targets to accelerate the clean energy transition, phase out the use of hydrocarbons for power generation and promote renewable fuels and sustainable renewable electricity production. It also identifies GHG measurement, monitoring mechanisms, and penalty systems if specific targets are not met.

**SUB-INDICATOR:
ENVIRONMENTAL PROTECTION, HUMAN RIGHTS
AND GENDER**

A just and inclusive energy transition will be critical to empowering people, protecting ecosystems, and driving innovation that supports sustainable business models. As a result, legal and regulatory frameworks to support the transition will have to be cross-cutting, going beyond the energy sector to include environmental protection, human rights, corporate social responsibility and gender mainstreaming.

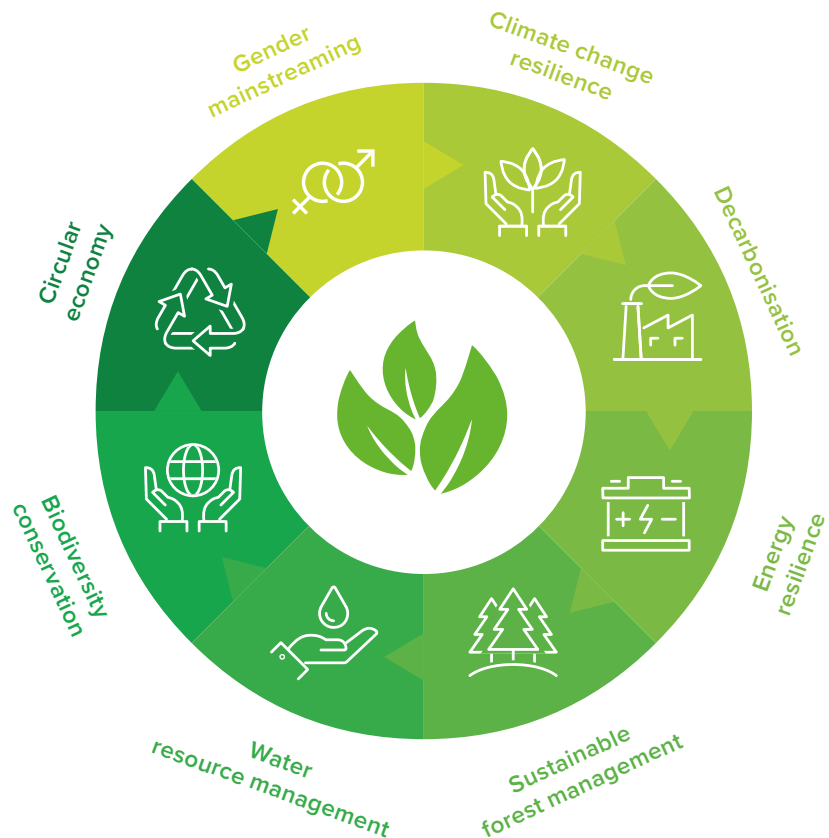
This sub-indicator examines whether countries are developing long-term policy and legal frameworks to achieve a holistic energy transition. It analyses the measures and strategies governments employ to close gender gaps in the energy sector, including capacity-building and national-level initiatives to increase the participation of women in renewable energy jobs. It also assesses if governments are integrating environmental concerns in energy policy planning, such as by setting mid-century net-zero emissions targets, reducing methane emissions and undertaking inclusive environmental impact assessments.

**SUB-INDICATOR:
ENERGY RESILIENCE**

With the introduction of modern energy systems, policy-makers and investors are prioritising energy resilience to address supply disruptions. Concerted efforts are being made to reduce energy dependence and absorb supply shocks by diversifying the energy production and supply sources. In addition, measures are also being taken to secure a steady supply of critical materials needed for clean energy technologies and encourage circular economy activities.

This sub-indicator assesses actions of governments to ensure the security of energy supply and lower energy consumption through energy efficiency policies and programmes. Moreover, it examines whether governments are taking adequate measures to ensure the supply of critical materials, promoting the reuse and recycling of these materials, and addressing the effects of mining activities on biodiversity, water resources and affected communities.

Figure I.2 – Framework for a sustainable energy system



INDICATOR 2

Foresight of policy and regulatory change

Policy priorities and investment patterns will substantially evolve as countries decarbonise their economies. Meeting new objectives will result in policy, legal and regulatory revisions and governments will need to communicate these revisions to investors in time so they can hedge long-term investments and modify their business portfolios as needed. Any adjustments to energy policy objectives must be consulted with affected investors and conveyed well in advance. Investors and governments will need realistic plans and benchmarks to cope with these changes while creating minimal impact on the country’s investment climate.

SUB-INDICATOR:
COMMUNICATION OF VISION AND POLICIES

This sub-indicator evaluates how effectively governments communicate their short- and long-term energy sector vision to investors. It examines the progress toward achieving the immediate and future energy sector targets and implementing the supporting policy, legal and regulatory frameworks.

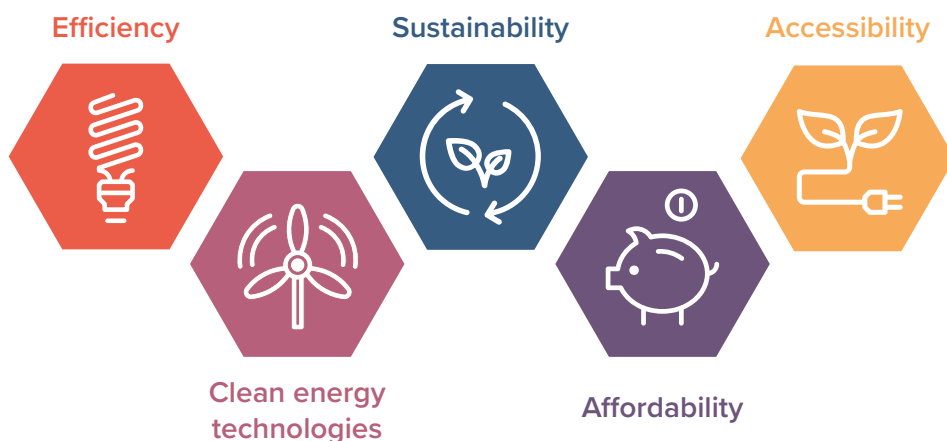
Risk management requires a view of the future. Understanding the energy landscape and how it is evolving is a central element of investment planning. National policies are the most relevant documents for informing investors about the goals governments intend to pursue and their timeframes for achieving these goals. Accordingly, governments must make investors aware of their current and future national energy priorities and any course corrections in these priorities by adopting clear and timely energy policies. By doing so, they will be able to better retain investors’ confidence, keep them updated on the need, pace, and nature of policy changes, and avert risk.

SUB-INDICATOR:
ROBUSTNESS OF POLICY GOALS AND COMMITMENTS

The impact of a policy, legal or regulatory measure remains uncertain before its implementation. However, by conducting rigorous cost-benefit analyses and stakeholder consultations, policy-makers can effectively quantify the likely impact of the proposed measure. Effective and continual monitoring mechanisms help citizens and investors assess how far governments have progressed in achieving their policy goals. It is equally essential to establish a financially and institutionally independent authority to objectively assess the government’s performance and give investors confidence that policy revisions will be proportionate to the situation and backed by evidence-based evaluations.

This sub-indicator evaluates policy monitoring and evaluation processes and their implementation. It analyses whether governments have created independent and inclusive policy monitoring processes to give investors confidence that policy revisions will be proportionate to the situation, subject to evidence-based evaluations, and not due to arbitrary and unsupported reasons.

Figure I.3 – Energy priorities under the UN Sustainable Development Goal 7



INDICATOR 3

Management of decision-making processes

The third indicator addresses the importance of coordinated and transparent policy planning and decision-making phases. The roles and responsibilities of the national and sub-national government levels must be defined in law to ensure structured decision-making processes. Investors must also be well informed and consulted whenever governments intend to revise laws or regulations. Stakeholder engagement will increase public accountability and allow foreign investors to actively participate in decision-making processes and take well-informed and timely decisions.

SUB-INDICATOR:

INSTITUTIONAL GOVERNANCE

Formulating investment and energy policies requires the engagement of multiple government levels. Provinces, municipalities, and regional and local authorities participate in framing and implementing these policies. Multi-level governance can make the decision-making process complex and result in the risk of overlapping or contradictory decisions.

This sub-indicator measures how well governments coordinate the decision-making process in their respective countries. While the degree of centralisation in each country may differ significantly, one central body should ultimately be responsible for coordinating different government levels and reconciling the diverging perspectives of public agencies. Therefore, effective intra-governmental coordination in policy design and implementation is essential for minimising unpredictability and maintaining an investment-friendly climate.

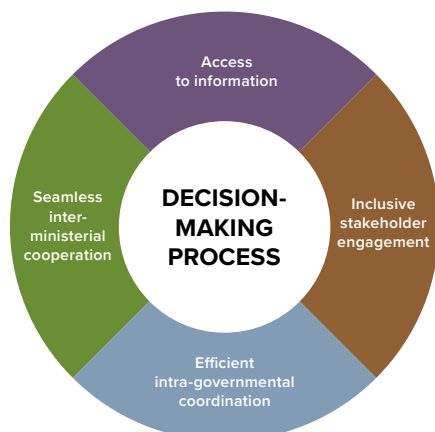
SUB-INDICATOR:

TRANSPARENCY AND ANTI-CORRUPTION MEASURES

Policy and regulatory changes that are systematised and transparent give investors time to plan and align their business models, operations, and finances according to the changing circumstances. While transparency benefits all types of investors, it is particularly crucial for foreign investors who have to cope with regulatory systems and administrative frameworks that may be unfamiliar to them. This sub-indicator measures the inclusiveness exercised by governments in designing and implementing their laws and policies.

Governments can enhance the quality and predictability of their regulatory framework by reviewing and publishing administrative decisions, codifying legislation, disseminating regulatory materials, and developing registers of the existing and proposed regulations. These measures will ensure that investors are aware of the policies affecting them. Prior consultation on investment- and energy-related governmental actions can provide investors with foresight on the conditions in the host countries. For instance, it may reveal indirect discrimination in secondary measures, even though the enabling legislation does not intend it. Moreover, affording interested parties the right to comment on policy options and regulatory decisions will allow policy-makers, legislators and regulators to take stock of different opinions, parameters and considerations before modifying the existing framework.

Figure I.4 – Key aspects of effective decision-making processes



INDICATOR 4

Rule of law (compliance with national and international obligations)

EIRA relies on the definition of ‘rule of law’ presented in the UN Report ‘The rule of law and transitional justice in conflict and post-conflict societies’.¹ It focuses on three aspects of this definition. First, fair and effective implementation of national laws and international commitments arising from treaties and international agreements; second, settlement of investor-State disputes promptly and according to due process; and third, respect for the property rights of foreign investors. Peace, security and human rights are outside the purview of EIRA.

SUB-INDICATOR:

MANAGEMENT AND SETTLEMENT OF INVESTOR-STATE DISPUTES

This sub-indicator examines the efficiency of case management and dispute settlement procedures. International companies tend to invest in low-risk host countries that provide transparent and predictable legislation and avoid retrospective changes to laws. Moreover, investors will also consider whether countries have established early warning and grievance redressal mechanisms to de-escalate conflicts before they precipitate into disputes and have granted access to alternative dispute resolution mechanisms to settle matters without unnecessary cost or delay.

Well-organised judicial procedures help foster trust between investors and the State. Timely and cost-effective enforcement of foreign judgements and awards assure investors that the domestic courts of host countries will safeguard and uphold their rights. Similarly, the existence of appeal mechanisms and domestic dispute mitigation instruments, such as an investment ombudsperson and mediation, provide additional avenues for resolving conflicts between investors and States. Beyond the national legal system, governments must provide an extra layer of protection to investors by granting them recourse to dispute settlement mechanisms under international law. They may give foreign investors this benefit either through BITs or on a case-by-case basis.

SUB-INDICATOR:

RESPECT FOR PROPERTY RIGHTS

This sub-indicator assesses the risk of companies losing ownership or control of their investment due to government action. Arbitrary property acquisition by the State can also lead to the risk of discrimination when foreign investors suffer a loss.

In this sub-indicator, ‘investment’ refers to tangible and intangible assets, including IP rights. It assesses whether direct and/or indirect expropriation, nationalisation or confiscation (or any action equivalent to these) was undertaken for a legitimate public purpose, following the due process of law, in a non-discriminatory manner and with adequate compensation.

There are some steps governments may take to reduce the risk of perceived arbitrariness. For instance, they should define in the national laws (1) activities and areas of ‘public interest’ that are grounds for expropriation, (2) the process for determining expropriation compensation, and (3) a timeframe for paying the compensation. Such legal provisions will increase security for foreign investors operating under BITs and, at the same time, protect investors not covered by international investment agreements. Investors will also be able to better assess whether the host country’s laws, mechanisms and guarantees align with international practice and investment agreements.

Figure I.5 – Rule of law elements covered by EIRA



¹ EIRA interprets ‘rule of law’ as “a principle of governance in which all persons, institutions and entities, public and private, including the State itself, are accountable to laws that are publicly promulgated, equally enforced and independently adjudicated, and which are consistent with international human rights norms and standards. It requires, as well, measures to ensure adherence to the principles of supremacy of law, equality before the law, accountability to the law, fairness in the application of law, separation of powers, participation in decision-making, legal certainty, avoidance of arbitrariness and procedural and legal transparency”. United Nations, Report of the Secretary-General, The rule of law and transitional justice in conflict and post-conflict societies (2004). UN Member States reaffirmed their commitment to uphold ‘rule of law’ in the United Nations, Declaration of the High-level Meeting of the UN General Assembly on the Rule of Law at the National and International Levels, A/RES/67/1 (30 November 2012).

INDICATOR 5

Regulatory environment and investment conditions

This indicator evaluates the independence energy regulators exercise in taking decisions, setting tariffs, and performing their functions. Regulatory independence guarantees neutrality and helps avoid situations where decisions are continuously revised to the detriment of some market actors and investors. The indicator further examines the restrictions faced by foreign investors in the energy sector. Despite the increasing realisation that international capital flows are crucial for developing the energy sector, persisting restrictions deter foreign investors. Key FDI restrictions include investment screening, local content and other performance requirements, and currency- and investment-related capital transfer limitations.

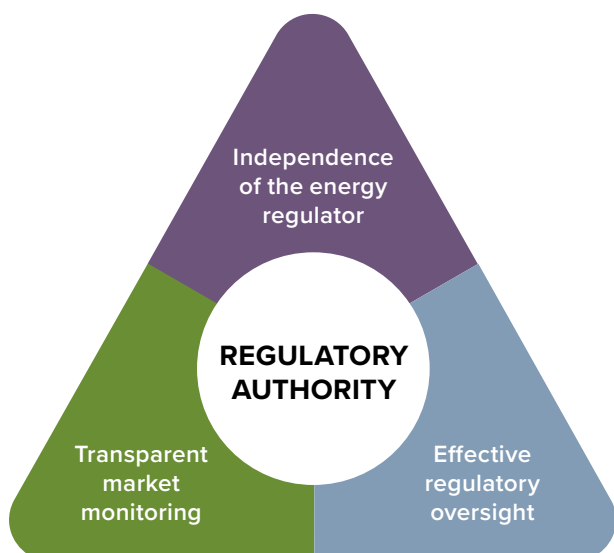
SUB-INDICATOR:

REGULATORY INDEPENDENCE

When an independent and specialised institution monitors the market, there is a lower risk of biased decision-making, discriminatory rules, and anti-competitive behaviour. Political distance gives regulatory authorities credibility because it limits governmental influence and guarantees to investors that political events will not interfere with regulatory decision-making.

This sub-indicator examines the autonomy of energy regulators through various parameters, such as their legal basis, funding sources, financial accountability to independent institutions, and their relationship with ministries and other public authorities. It also assesses the level of transparency exercised in selecting regulatory staff.

Figure 1.6 – Regulatory environment and investment conditions



SUB-INDICATOR:

ELECTRICITY INDUSTRY MARKET STRUCTURE AND COMPETITION

Regulatory uncertainty is a critical barrier to investment and is considered one of the most prominent risks by energy project developers/investors worldwide. For example, the inability to recover the cost of new generation via electricity tariffs is a critical constraint to investing in new large-scale power generation and transmission projects. Without a cost-reflective tariff, utility providers will find it difficult to enter any market, however large the market.

This sub-indicator examines the measures taken by policy-makers and regulators to ensure healthy competition in the power sector, boost its financial viability, and avoid sudden regulatory changes. The establishment of financially and functionally independent regulatory entities, the vertical and horizontal unbundling of integrated national monopoly utilities, the introduction of cost-reflective network tariffs, and the deregulation of retail electricity prices are some of the issues assessed by this sub-indicator.

SUB-INDICATOR:

RESTRICTIONS ON FOREIGN DIRECT INVESTMENT

Policy and regulatory measures that discriminate between domestic and foreign firms restrict inward investment flows. They can obstruct foreign investments or make the cost of operations financially unviable. Foreign investors commonly face restrictive measures such as lengthy investment screening and approval procedures, regional investment restrictions, and operational controls.

This sub-indicator assesses the commitment of countries to accord non-discriminatory treatment to foreign investors. It evaluates whether domestic and foreign investors receive equal treatment in applying domestic laws and regulations. It also gives attention to sectoral restrictions, limits on the transfer of profit and repatriation of capital abroad, and onerous local content requirements.

EIRA METHODOLOGY



EIRA assesses three types of risk to energy investment. It applies five indicators to (1) identify the actions needed to address these risks and (2) define the corrective measures countries must take to mitigate them.

The implementation of legal and regulatory frameworks is critical to ensure that governments can successfully achieve their policy goals and objectives. EIRA 2023 recognises this and tries to give a clear picture regarding the enforcement of laws and regulations in the participating countries. The profile of each country shows the implementation of the existing policies, laws and regulations and highlights its progress in translating commitments into actions. The profiles of countries that have participated in EIRA previously include a 'status of recommendations' page with detailed information on the actions governments are taking to implement the improvements suggested through EIRA. Depending on the work undertaken, the progress is categorised as fully implemented, partially implemented, ongoing, or pending.

In 2022, the Energy Charter Conference approved a new questionnaire for EIRA to reflect the additions made to the report's scope. The indicator scores are derived from the new questionnaire developed after four years of intensive discussion within the subsidiary working groups of the Energy Charter Conference. The new questionnaire allows comparability across energy sub-sectors and captures trends over time. The questions are user-friendly and ensure that the responses can be easily verified. While most are binary, requiring simple 'yes' or 'no' answers, some are cascading and multiple-choice.

How are the respondents for EIRA selected?

The EIRA questionnaire is provided to the national governments in the participating countries. It is also sent to selected external parties to secure an objective viewpoint.

The unit of analysis for EIRA is a country. The policies taken into consideration are those framed and implemented at national level. In federal arrangements, the central government is designated as a single point of contact responsible for collecting and processing inputs from relevant ministries/departments at State and municipal level.

External parties are chosen from a pool of experts comprising local and international law firms, legal practitioners, business councils, accounting and consulting firms, think-tanks, energy associations, chambers of commerce, international institutions and non-governmental organisations operating in the assessed countries. The ECS conducts extensive research on various aspects, such as their expertise, renown, and previous participation in other international reports. All the external parties contribute to the project pro-bono.

The main parameters for selecting the external parties are:

Expertise in the energy sector: Active involvement in different stages of energy projects, and experience of providing consulting services in multiple energy sub-sectors and on regulatory issues.

Diversity and neutrality: Vast experience working with governmental entities as well as private investors. This ensures the external party has a holistic understanding of issues in the energy sector and contributes to a more balanced approach.

Reputation: Parties with extensive global reach or local partner groups. For law firms, international guides identifying leading providers of legal services (local and global) in each country are consulted.

What is the data collection and validation process for EIRA?

In 2023, data was collected in a standardised manner through the EIRA questionnaire. The ECS received responses from the national government focal points and the external parties over five months. The respondents provided copies of the source documentation to support their responses.

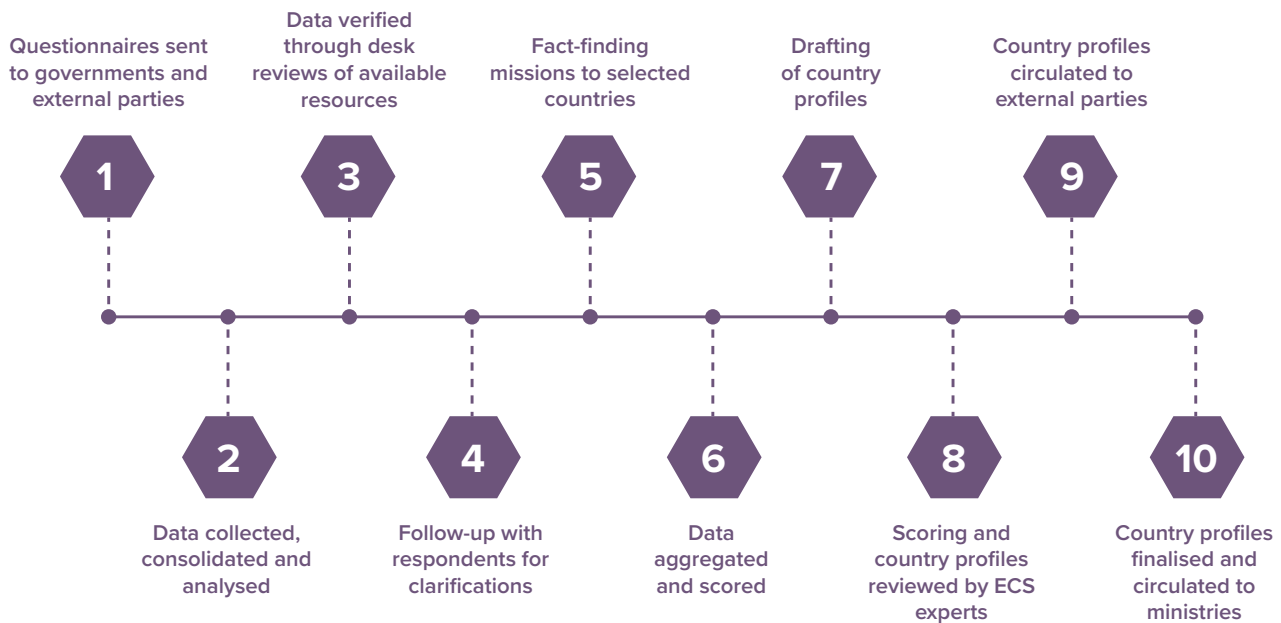
The answers provided by the respondents were accepted only to the extent that they relied on laws, regulations, national plans, and strategies that are currently in force. The cut-off date was 1 April 2023. Accordingly, countries have been scored only on legislation, regulation, policies, legislative initiatives and regulatory reforms that came into force before this date.

Upon receiving responses to the questionnaire, the ECS in-house experts engaged in an extensive data-validation process. They confirmed that the respondents correctly understood each question, and that the submitted documents supported the responses. In the absence of supporting documents, or if respondents gave conflicting answers, the ECS experts sought clarifications from government officials and external parties through correspondence and phone interviews.

The ECS took steps to address the issue of low data availability in certain countries. While there were no EIRA fact-finding missions organised in the participating countries this year, the national government focal points and external parties made substantial efforts to ensure that the ongoing global crisis has minimal impact on the report’s quality by providing the ECS with exhaustive information and documents, and continual updates. Where it was not possible to identify external partners, the profiles were based on the information provided by the government and the desk research conducted by the ECS in-house experts.

Overall, the process of data collection and validation lasted seven months, from April 2023 to October 2023.

Figure I.6 – Data collection and validation process



How are risks assessed in EIRA?

EIRA assesses countries through a quantitative and qualitative analysis. The quantitative assessment is by a scoring system that shows the performance of the countries on the EIRA indicators. The qualitative evaluation is through 'country profiles' that describe their strengths and identify areas for improvement.

Scoring system

All indicators carry equal weight. The score of each indicator is the average of its component

sub-indicators. The score of each sub-indicator is calculated through a set of questions. The questions are scored between 0 and 100 and are equally weighted. The highest possible score for each question is 100. All the scores are rounded off for the risk areas and the indicators. A country's total indicator score is the average of (1) the score received on the government questionnaire, and (2) the combined average of the external party scores.

Figure I.7 – Scoring an indicator for individual respondents

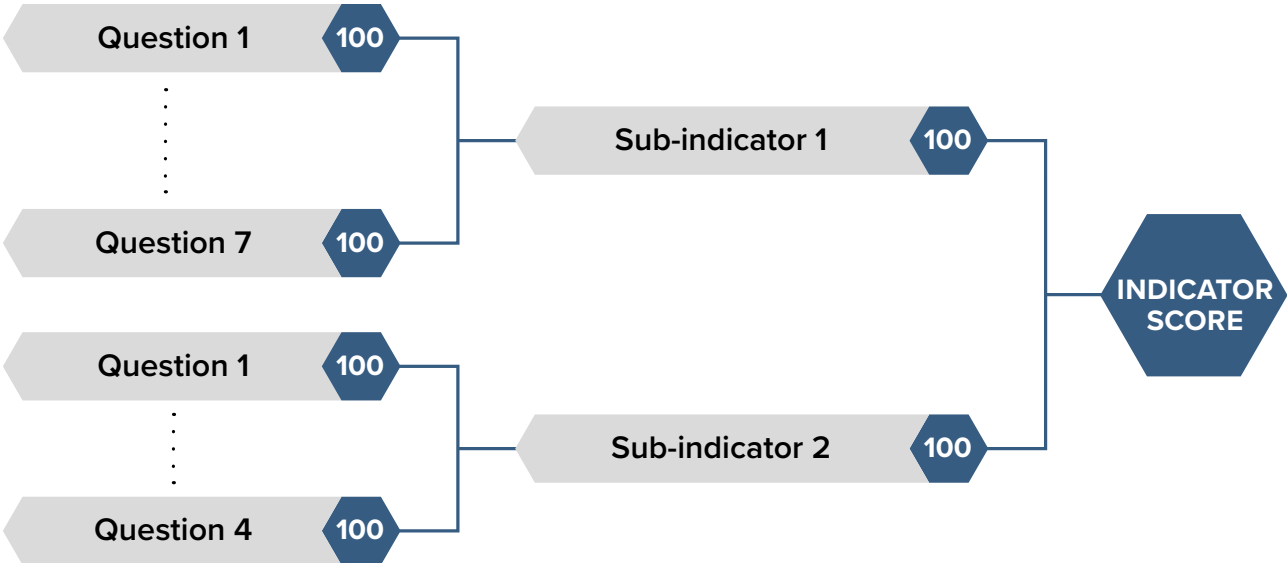
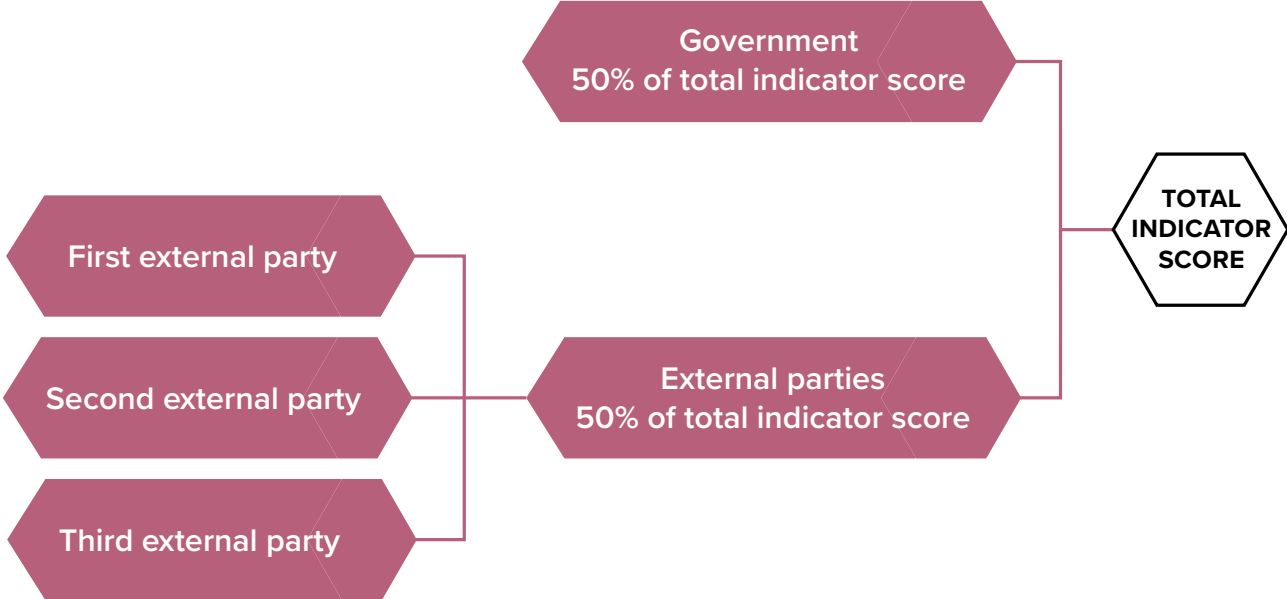


Figure I.8 – Total score of an indicator



Country profile outline

The qualitative assessment for each country is through an eight-page profile. The first page gives background information on the assessed country. It features a table of key metrics on area, population, GDP per capita, total energy supply, net energy imports, the share of renewables in total energy supply, and CO₂ emissions. It also includes

information from Orbis Crossborder Investment on energy projects and deals completed between 2015-2023 in the participating countries. Profiles of the recurrent countries have a table that reflects changes to their performance, vis-à-vis the last assessment year.

INDICATOR 1 SCORE **48**

Framework for a sustainable energy system

QUICK FACTS

I The country submitted its revised NDC to the UNFCCC Secretariat in March 2021.

II In November 2020, the country signed the Sofia Declaration on the Green Agenda (Sofia Declaration), under which it is obliged to become climate neutral by 2050.

STRENGTHS

The country is intensifying its efforts to imply change mitigation and adaptation measures economic sectors. According to its revised primary scenario, the GHG emissions risk for 2030 is 12.8% compared to the 2014 base additional measures scenario, the target 17.5% compared to 2014. The 2050 goal is emissions reduction compared to 2014. In sector, measures are planned to increase the Gg CO₂ eq until 2030 from the baseline of CO₂ eq in 2014. The projected emissions is more ambitious and expected to reach 5.5 eq, which is 80% less than the 34.04349 Gg emissions in 1990.

The country is already implementing active its commitments under the Sofia Declaration it has not set a carbon pricing mechanism owned electricity producer and supplier. The country has established an internal carbon mechanism to collect taxes on CO₂ per ton from operational coal plants. The taxes included in the financial reports and transit environmental section of the company.

According to the National Emission Reduction The country 2015, thermal power plants (TP) the one in Kakanj, are increasing operation by installing combined electrostatic precipitator filters, contributing to lower GHG emission co The Government is continuing the phase of the TPPs, Tuta 3, Tuta 4 and Ter Kolubara A3. All three plants can operate for of 20,000 hours from 1 January 2018 to 31 2023. Notably, the State Energy Regulatory (SERC) statistics report that in 2021, power from TPPs decreased by 620 GWh, or 6%, 2020. At entity level, the Energy Strategy of Srpska 2030 presents two options for renewable energy and hydrogen: option A, the TPPs Gacko 1 and Ugljevik 1 will 2025. Gacko 1 will be replaced by Gacko 2, combustion technologies characterised by its production and eco-friendly mechanisms: pollutant gas emissions. However, option A high-financed investment of EUR 840 million positions the deadline for the retirement of Ugljevik 1 to 2025. During this time, the TPPs with a minimal increase in power generation efficiency rate and emit high aggregate CO₂ from 2018 to 2027. Option B's expected investment but the operating and maintenance costs remain.

The Strategy and Action Plan for Protection Diversity of The country 2015 sets a focus to preserving biological diversity. At ent

INDICATOR 2 SCORE **53**

Foresight of policy and regulatory change

QUICK FACTS

I The Council of Ministers (CoM) of the country adopted the Framework Energy Strategy until 2035 (FES 2035) in 2018.

II The Framework Energy Strategy until 2035 and the Energy Strategy of Republika Srpska 2030 are aligned with FES 2035.

FLAG

Country name

Population ¹	3,323,929
Area (km ²) ²	51,210
GDP per capita (USD) ³	6,072.18
TES/GDP (Gt/1000USD) ⁴	16.62
Net Energy Imports (TJ) ⁵	82.48
RE share in Final Energy Consumption (%) ⁶	37.0
Total CO ₂ emissions (MtCO ₂) ⁷	22.35

Data by Orbis Crossborder Investment on completed energy projects and deals from 2015-2022⁸

Target industry	Number of projects and deals	Project CapEx and deal value (billion EUR) by source country
Electric power generation, transmission and distribution	3 new projects	Austria: 1 RE project of 0.2 mEUR China: 1 RE project of 0.2 mEUR China: 1 RE project of 4 mEUR

Sources:

- The World Bank 2018
- OECD (2022), World Energy Balances (<https://www.iea.org/data-and-statistics>). All rights reserved.
- Orbis Crossborder Investment (2023), Business View Dsp. Data represents the period 1 April 2015 - 1 April 2022.
- For more information see Annex III of this report.
- Renewable energy based electricity production
- TP: Thermal based electricity production
- TP: Transmission and Distribution of electricity

The country's overall risk level against the assessed areas is **moderate**.

Among the three risk areas, the risk of discrimination between foreign and domestic investors is lower than the risks of breach of State obligations and unpredictable policy and regulatory change.

The country has a good performance on one EIRA indicator and a moderate performance on four indicators. Regulatory environment and investment conditions is the highest-scoring indicator at 65. Its score on rule of law is 59, while foresight of policy and regulatory change is 53 and management of decision-making processes is 51. Its score on framework for a sustainable energy system is 48.

On a more detailed level, the country's overall sub-indicator performance is moderate. The highest-scoring sub-indicator is regulatory independence at 89. The country's score is good on four sub-indicators, namely restriction on FDI at 76, management and settlement of investor-State disputes at 69, robustness of policy goals and commitments at 67 and policy planning on clean energy transition at 64. The country's score is moderate on six sub-indicators, namely transparency and anti-corruption measures at 53, institutional governance at 50, respect for property rights at 48, environmental protection, human rights and gender at 44, energy resilience at 43, and enabling measures to support clean energy transition at 42. The lowest-scoring sub-indicators are communication of vision and policies at 40 and electricity industry market structure and competition at 30.

While the country is enforcing its regulatory independence, more efforts must be made to improve its electricity market structure and competition.

RISK LEVEL

INDICATOR PERFORMANCE

SUB-INDICATOR PERFORMANCE

YEAR-ON-YEAR COMPARISON

INDICATORS	2022	2023
Framework for a sustainable energy system	53	56
Foresight of policy and regulatory change	62	62
Management of decision-making processes	71	71
Rule of law	73	79
Regulatory environment and investment conditions	58	62

KEY METRICS

Population and surface area: Data refer to year 2021 (for surface area) and 2022 (for population). *The World Bank 2021 and 2022, World Development Indicators, World Bank national accounts data and OECD National Accounts data files*, <https://data.worldbank.org/> (accessed on 15 November 2023).

GDP per capita (current USD): Data refer to year 2022. *The World Bank 2022, World Development Indicators, World Bank national accounts data and OECD National Accounts data files*, <https://data.worldbank.org/> (accessed on 15 November 2023).

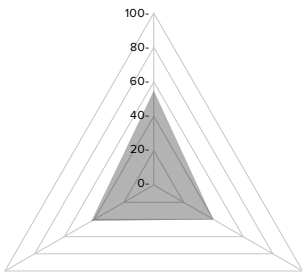
Total Energy Supply (TES) in millions of tonnes of oil equivalent (Mtoe): TES is made up of production + imports - exports ± stock changes. Note, exports, bunkers and stock changes incorporate the algebraic sign directly in the number. *IEA (2023), World Energy Balances* (<https://www.iea.org/data-and-statistics>). All rights reserved.

Net Energy Imports ((Mtoe): Imports minus exports for total energy, expressed in Mtoe. *IEA (2023), World Energy Balances* (<https://www.iea.org/data-and-statistics>). All rights reserved.

Share of renewable sources in TES: Renewable sources TES divided by total TES, expressed as a ratio. Renewable sources include hydro, geothermal, solar, wind, tide, wave, biofuels and the renewable fraction of municipal waste. *IEA (2023), World Energy Balances* (<https://www.iea.org/data-and-statistics>). All rights reserved.

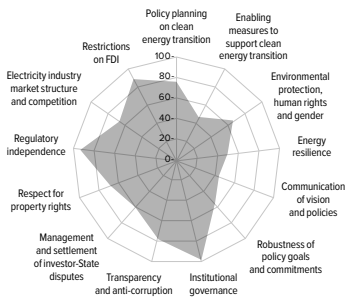
CO₂/TES (tCO₂ per TJ): This ratio is expressed in tonnes of CO₂ per terajoule. It has been calculated using the total CO₂ fuel combustion emissions (CO₂F_{COMB}) and total energy supply (including biofuels and other non-fossil forms of energy). *IEA (2023), IEA Greenhouse Gas Emissions from Energy* (<https://www.iea.org/data-and-statistics/data-product/greenhouse-gas-emissions-from-energy>). All rights reserved.

The second page of the profile contains three charts showing the risk level across the assessed areas, the performance of the country on the five indicators, and the score on the sub-indicators. A five-colour-coded bar chart depicts the indicator scores. Dark green represents the highest band of scores, while the colour red represents the lowest. In the radial chart, representing the sub-indicator scores, 0 denotes the weakest performance, and 100 is the strongest. The following five pages of the profile describe the country's strengths on the EIRA indicators and the main areas for improvement. The final page reflects the implementation status of the recommendations provided to governments through EIRA between 2018 to 2023. There is no status of recommendations page for the countries participating in EIRA for the first time this year.



RISK LEVEL

The risk level is displayed by the grey triangle. Each axis represents a risk area. The smaller the size of the grey triangle, the lower the level of risk.

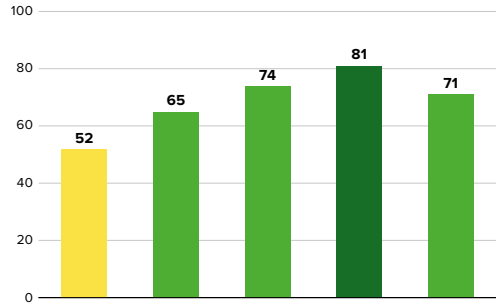


SUB-INDICATOR PERFORMANCE

Each axis represents a sub-indicator. The larger the size of the grey area, the better the country's performance.

**DATA FROM ORBIS
CROSSBORDER INVESTMENT**

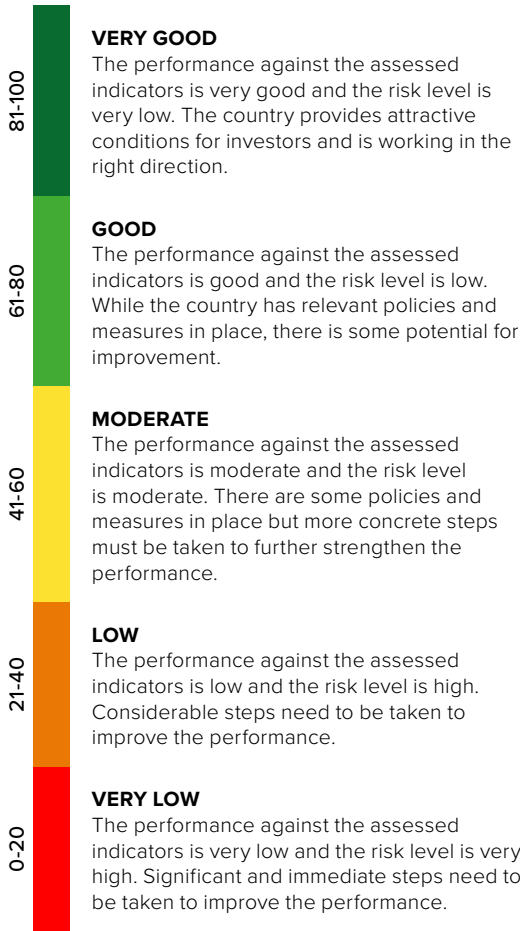
Energy projects and deals completed between 2015-2023.

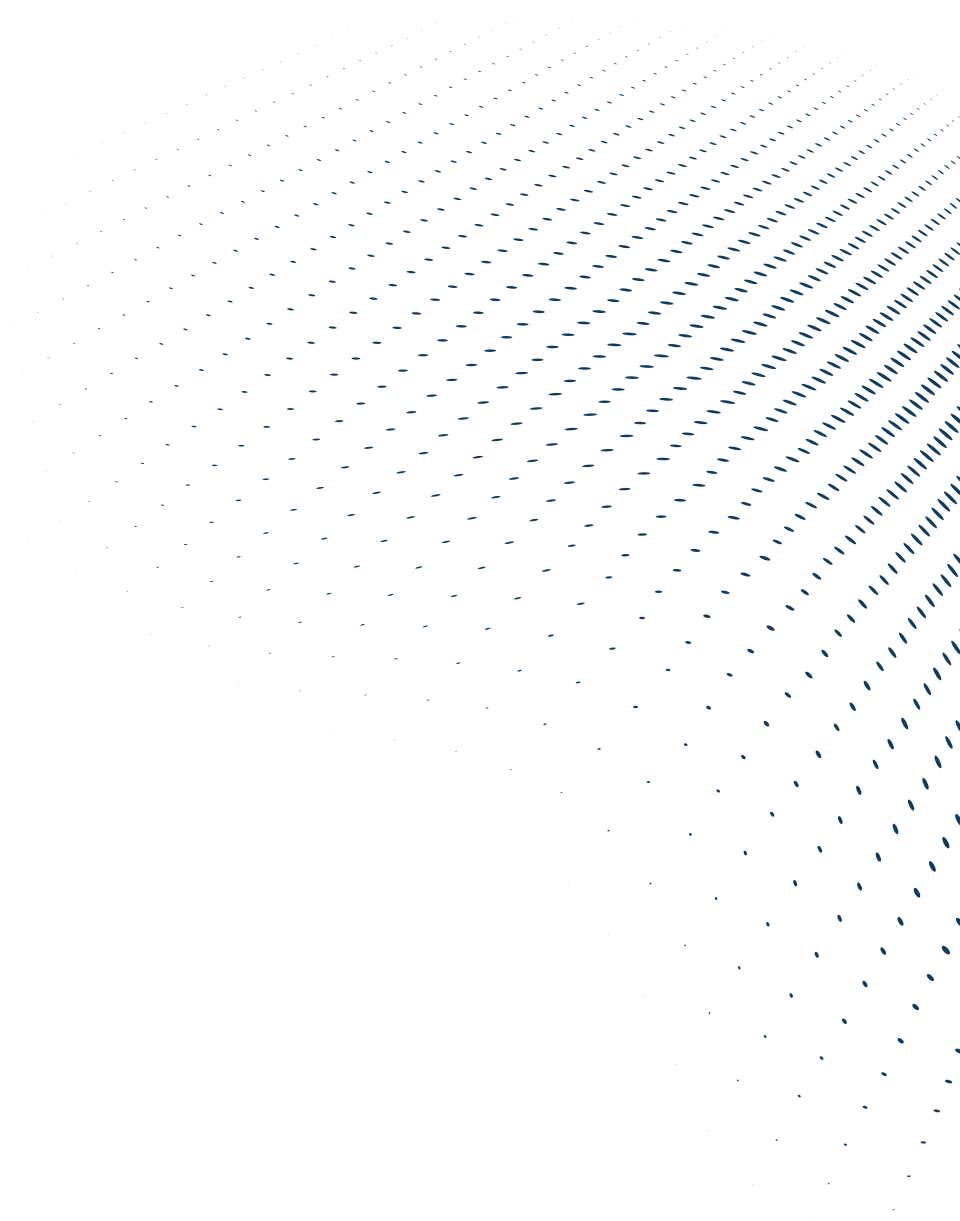


INDICATOR PERFORMANCE

The indicators affect the risk areas differently. For example, the indicators *rule of law* and *regulatory environment and investment conditions* have the highest impact since they influence all three risk areas. For details on the correlation between the indicators and the risk areas, see Table I.1.

The bars are colour-coded. Each colour corresponds to a performance level.





COUNTRY PROFILES





Bosnia and Herzegovina

Population ¹	3,233,526
Area (km ²) ¹	51,210
GDP per capita (USD) ¹	7,585.38
TES (Mtoe) ²	7.20
Net energy imports (Mtoe) ²	1.88
Share of renewable sources in TES ²	0.25
CO ₂ /TES (tCO ₂ per TJ) ²	66.78

Data by Orbis Crossborder Investment on completed energy projects and deals from 2015-2023³

Target industry	Number of projects and deals	Project CapEx and deal value (million EUR) by source country
Electric power generation, transmission and distribution	3 new projects	Austria: 1 RE project of 14.94 mEUR United Kingdom: 1 FF project of 14.94 mEUR China: 1 RE project of 4 mEUR
Support activities for other mining and quarrying	1 acquisition deal	Australia: 1 deal of 5.22 mEUR

Sources:

1. The World Bank 2021 (area) and 2022 (population and GDP per capita).
 2. ©IEA (2023), World Energy Balances (<https://www.iea.org/data-and-statistics>). All rights reserved. Data refer to the year 2022.
 3. Orbis Crossborder Investment (2023), Bureau Van Dijk. Data represents the period 1 April 2015 - 1 April 2023. For more information see Annex III of this report.
- RE: Renewable energy based electricity production
FF: Fossil fuel based electricity production

Bosnia and Herzegovina’s (BiH) overall risk level against the assessed areas is **low**.

Among the three risk areas, *discrimination between foreign and domestic investors* and *breach of state obligations* have a lower risk-level compared to the risk of *unpredictable policy and regulatory change*.

BiH has a good performance on two indicators and a moderate performance on three indicators. *Regulatory environment and investment conditions* is the highest-scoring indicator at 70. BiH’s score on the indicator *rule of law* is 65, while the score for *foresight of policy and regulatory change* is 56. Its score is 54 on the indicators *framework for a sustainable energy system* and *management of decision-making processes*.

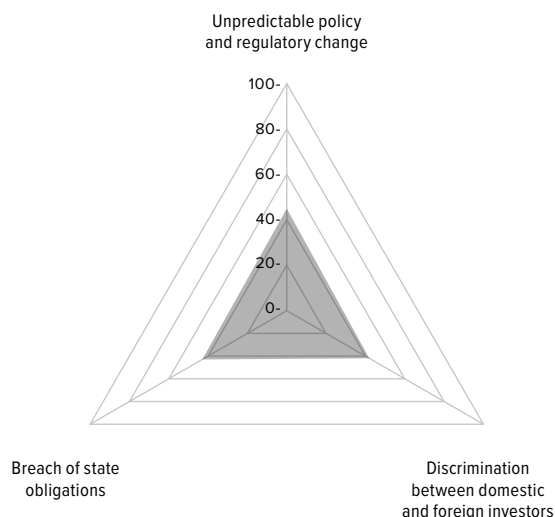
BiH’s sub-indicator performance is good. The highest-scoring sub-indicator is *regulatory independence* at 89, followed by *restrictions on FDI* at 76, *robustness of policy goals and commitments* at 72, *management and settlement of investor-state disputes* at 70, *policy planning on clean energy transition* at 64, and *energy resilience* at 63. BiH’s score is moderate on six sub-indicators, namely, *respect for property rights* at 59, *transparency and anti-corruption measures* at 58, *institutional governance* at 50, *environmental protection, human rights and gender* at 48, and *electricity industry market structure and competition* at 44, and *enabling measures to support clean energy transition* at 42. The lowest-scoring sub-indicator is *communication of vision and policies* at 40.

The legal and regulatory risks associated with energy investments are low in BiH. At the same time, it should implement further measures to effectively communicate its policies to existing and potential investors.

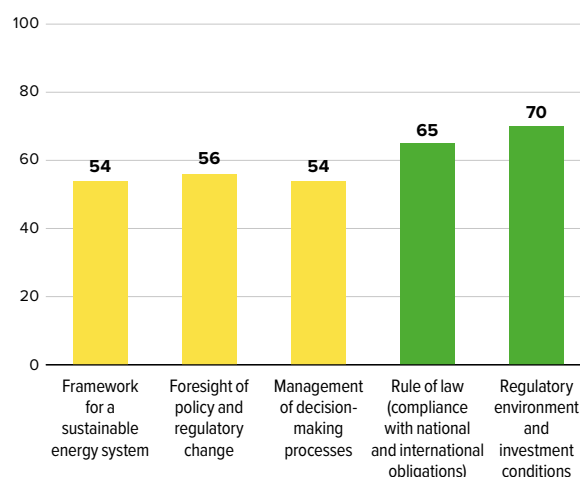
YEAR-ON-YEAR COMPARISON

RISK AREAS	2022	2023
Unpredictable policy and regulatory change	45	40
Discrimination between foreign and domestic investors	42	37
Breach of state obligations	43	37
INDICATORS	2022	2023
Framework for a sustainable energy system	48	54
Foresight of policy and regulatory change	53	56
Management of decision-making processes	51	54
Rule of law	59	65
Regulatory environment and investment conditions	65	70

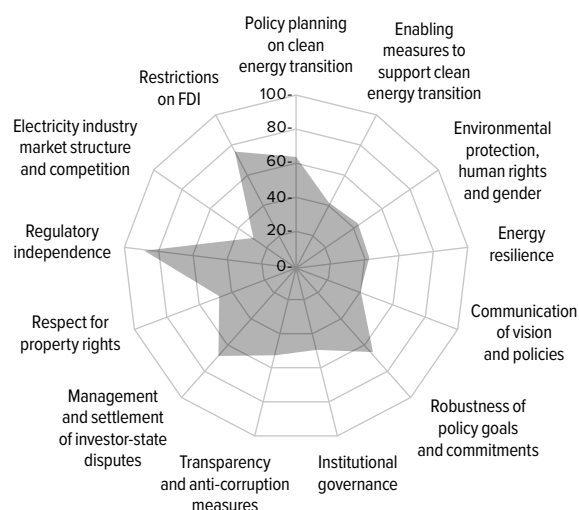
RISK LEVEL



INDICATOR PERFORMANCE



SUB-INDICATOR PERFORMANCE



Framework for a sustainable energy system

QUICK FACTS

BiH submitted its revised NDC to the UNFCCC Secretariat in March 2021.

In December 2020, the government released the 2020-2030 Climate Change Adaptation and Low Emission Development Plan for BiH.

STRENGTHS

BiH is progressing with its climate change mitigation and adaptation plans in line with its international and regional commitments and national objectives. In October 2022, BiH approved the Climate Change National Adaptation Plan (NAP) and submitted it to the UNFCCC Secretariat. The NAP intends to advance the reporting framework and develop and realise climate change adaptation measures. To prepare for regular and efficient updates of the NAP, the government has adopted standard operating procedures for horizontal and vertical institutional collaboration on the exchange of climate data and the introduction of an appropriate monitoring and evaluation system.

In October 2022, BiH submitted its Third Biennial Update Report (BUR) on GHG emissions to the UNFCCC Secretariat. The BUR indicates that in 2018, the energy sector remained the key contributor to the national GHG emissions, generating up to 80% of CO₂ emissions, followed by the industrial sector with a 9% share. It analyses the obstacles in preparing an appropriate GHG inventory and makes recommendations for its improvement, including through systematic gathering of data, enhancing institutional capacities of relevant authorities, securing funds to prepare inventories, engaging with scientific and research institutions and independent experts, and creating conditions to operate separate GHG databases in various agencies.

One of BiH's key priorities is facilitating a comprehensive SDG implementation monitoring and reporting system. To this end, in 2022, the government established a working group (the Council) to oversee the progress of the SDG Framework implementation in the country. The Council coordinates the preparation of the annual reports on the value of the Framework and the Voluntary National Reviews presented to the High-Level Political Forum in New York (to be submitted in 2023, 2027, and 2030). It comprises relevant state institutions responsible for governing foreign affairs, economic planning, international cooperation, and coordination of the Federation of Bosnia and Herzegovina (FBiH), Republika Srpska, and the Brčko District.

BiH plans to phase out coal-fired power plants, which currently dominate the market, by 2035. To meet this target and gradually decarbonise the economy, the government of BiH intends to decommission 410 MW of thermal power generating capacities, establish a GHG emission trading system and invest around 13.5 convertible marks of Bosnia and Herzegovina (BAM) – 16.0 billion in relevant programmes by 2030. In particular, it plans to allocate EUR 529-635 million and 719-874 million for wind and solar PV power production projects, respectively. In March 2023, the state authorities of the FBiH and Republika Srpska announced their backing, in the following three years, of the installation of 600 MW of hydro, wind, and solar power generation capacities

in each entity (1,200 MW in total). The authorities plan to invest nearly BAM 1.5 billion in the FBiH and BAM 1.2 billion in Republika Srpska in renewable energy facilities to phase out coal-fired power plants by 2035.

BiH is working to strengthen the country's legal and regulatory framework on environmental protection. In 2023, the FBiH drafted a novel air protection legislation containing provisions for monitoring air emissions and establishing an air quality information system regulated by the FBiH Ministry of Environment and Tourism in collaboration with the Environmental Protection Fund and the FBiH Hydrometeorological Institute. The latter will prepare the GHG emissions inventory and develop forecasts on the emission levels. Moreover, in May 2023, BiH circulated the draft National Environmental Strategy (BiH ESAP 2030+), which covers water and waste management, biodiversity and nature conservation, air quality, climate and energy, chemical safety, noise, and resource and environmental management. It addresses equal opportunities, poverty elimination, and gender and social equality by examining the impact of climate change, industrial pollution, and biodiversity loss. The development of the draft BiH ESAP 2030+, which spans ten years (2022-2032), followed the approval of relevant strategic documents of the FBiH, Republika Srpska, and the Brčko District in 2022.

The government is working to mainstream gender in various sectors. In December 2022, the Agency for Gender Equality (AGE) of the BiH Ministry of Human Rights and Refugees and the UNDP launched the 'Gender Equality Seal for Public Institutions' project in BiH. In March 2023, the AGE published the Report on Mapping the Gender Component in Data and Legislation in Climate Change, Environment and Biodiversity Areas. The Report indicates that in 2022, 10.4% of the positions at specialised bodies in the environmental sector at all levels of government were occupied by women, and around 25% of employed females in the country have jobs in areas directly or indirectly related to environment and climate change. About 17% of jobs in the generation and supply of electricity, gas, steam and air conditioning are held by females.

AREAS FOR IMPROVEMENT

At the state and entity level, BiH should introduce initiatives to increase the number of women employed in the energy and climate change sector and implement relevant directions of BiH ESAP 2030+ by promoting gender equality in the environmental protection, climate change, and energy sectors.

The government should communicate to the UNFCCC Secretariat its LT-LEDS with absolute targets for emission reduction.

Foresight of policy and regulatory change

QUICK FACTS

BiH adopted the Framework Energy Strategy until 2035 (FES 2035) in 2018.

The FBiH Framework Energy Strategy until 2035 and the Energy Strategy of Republika Srpska 2030 are aligned with the FES 2035.

The Council of Ministers (CoM) of BiH adopted the Clean Energy Package and the Decarbonisation Roadmap in November 2021.

STRENGTHS

BiH's Third BUR on GHG emissions foresees three scenarios for emissions reduction – the baseline, the ambitious, and the decarbonisation scenarios. Under the decarbonisation scenario, BiH anticipates a 40% reduction in total GHG emissions, or an estimated 11,868 GgCO₂e, by 2030 compared to 2016. It also assumes a 48% (or 6,494 GgCO₂e) emissions cut in the energy sector within the same period. The baseline scenario foresees a 35% emissions cut by 2030, compared to 2016, in electricity production from thermal power plants and the phasing out of coal-fired power plants by 2050.

In June 2023, the Ministry of Foreign Trade and Economic Relations of BiH (MoFTER) submitted the draft Integrated Energy and Climate Plan of BiH up to 2030 (NECP BiH) to the Energy Community Secretariat. According to the draft NECP, by 2030, the government aims to reduce GHG emissions by 41.21% compared to 1990 levels, or by 15.65 million tonnes of CO₂, and increase the share of energy generated by renewable sources of the final energy consumption to 43.62% compared to 1990 levels. It also intends to ensure maximum primary and final energy consumption of 6.84 and 4.34 Mtoe. The draft NECP envisions the installation of 2,000 MW of renewable electricity generating capacities by 2030, including solar power plants with a total capacity of 1,500 MW.

In June 2022, the International Bank for Reconstruction and Development, the International Finance Corporation, and the MIGA published the Country Partnership Framework for BiH 2023-2027 setting lifetime energy savings targets for public buildings of 1,322.5 GWh in 2025 compared to 683.4 GWh in 2020, communities phasing out use of coal (4 in 2027 compared to 0 in 2021), and lifetime GHG savings of 504,653 metric tonnes in 2025 compared to 257,476 in 2021.

The government is utilising various sources to fund energy management and energy efficiency projects. In April 2022, the EBRD granted a EUR 20 million loan to the state-owned power transmission system operator Elektroprenos-Elektroprijenos (TransCo BiH) to modernise and enhance its central telecommunications systems. Moreover, in January 2023, BiH received a EUR 1.5 million investment grant from the EU and a EUR 4.5 million loan from the EBRD to secure a decrease of up to 90% of annual CO₂ emissions and a reduction in heat and electricity consumption by 80% and 63%, respectively, resulting from improved energy performance in 20 selected public buildings.

State authorities are taking measures to implement their renewable electricity targets while ensuring the security

of the energy supply. In February 2023, Komunalno Mostar requested that TransCo BiH connect solar power generating facilities with a total capacity of 40 MW to the grid. The project assumes the construction of 10 PV units near Mostar by the local company, Plavo Sunce. With an estimated cost of EUR 92 million, this project will be implemented as part of Mostar municipality's initiative to build a solar cluster. For this, in March 2023, the government of the Herzegovina-Neretva canton granted concessions for constructing three solar power plants, Lena 1, Lena 2 and Energo MI 7, with a total generating capacity of 231 MW.

To promote e-mobility, the CoM of BiH, in March 2023, adopted a decision to temporarily suspend customs duty on importing electric cars and reduce customs rates from 15% to 5% for imported hybrid cars until 31 December 2023. In June 2023, the government of the FBiH adopted a BAM-1-million programme providing subsidies to individuals, private entities and entrepreneurs for the purchase of fully electric, 'plug-in' hybrid and hybrid vehicles, respectively.

BiH is trying to ensure the accountability of state agencies and regulatory bodies. In March 2023, the BiH State Electricity Regulatory Commission (SERC) published its Report on Activities for 2022, indicating that 15,035.96 GWh of electricity was generated in BiH in 2022, including 9,629 GWh by thermal power plants and 4,459 GWh by hydropower plants. Small-scale renewable generating facilities produced 536.89 GWh, of which 406.75 GWh was from small HPPs, 390 GWh from wind power plants, 117.05 GWh from solar power plants, and 13.06 GWh from biomass and biogas power plants. While the total number of electricity consumers in BiH reached 1,590,197, the power consumption in the country was 12,058 GWh (including 10,546 GWh by the customers connected to the grid) in 2022.

AREAS FOR IMPROVEMENT

BiH should define a long-term strategy for large-scale green energy storage and introduce fiscal schemes, such as cash rebates and tax incentives, to promote eco-friendly technologies like flywheels, batteries, compressed air, and pumped hydro storage.

The government should introduce financial incentives for purchasing electric vehicles (EVs) and public-private partnership models to expand the EV infrastructure. It should also consider introducing binding targets for biofuels and electric-powered vehicles in public transport.

Management of decision-making processes

QUICK FACTS

- | MoFTER leads policy-making on energy and environmental protection at the national level.
- | The Ministry of Energy and Mining (MEM) plans and manages the power sector strategy in Republika Srpska.
- | The Federal Ministry of Energy, Mining and Industry (FMERI) is responsible for developing energy policies for the FBiH and implementing adopted policies and relevant legislation.
- | In August 2023, the Parliamentary Assembly of BiH adopted the new Freedom of Access to Information Act.

STRENGTHS

The government is making efforts to strengthen cooperation across different state authorities, governance levels, and government branches. In mid-2022, it initiated the development of the Economic Reform Programme (ERP) 2023-2025. The Directorate for Economic Planning of BiH is responsible for disseminating information on the preparation of the ERP 2023-2025 to the relevant state agencies and organising consultations via in-person and online meetings. On 20 March 2023, the CoM of BiH adopted the final version of the ERP 2023-2025, which was prepared by the Directorate using contributions from the relevant institutions. The ERP 2023-2025 aims to strengthen procedures for evaluating, prioritising, and selecting public investment projects and ensure higher compliance with public investment legislation. The Programme also intends to increase the efficiency of the tax collection system, streamline the exchange of information on taxpayers, establish a central register of bank accounts, improve the analytical capacities of the Ministry of Finance and Treasury of BiH, and restructure the FBiH Tax Administration.

In August 2022, the upper house of the Parliament of BiH adopted the Law on Amendments to the Law on Public Procurement. The consolidated Law on Public Procurement, which better aligns with the relevant EU legislative framework, is expected to contribute to the EU's accession process. The new provisions of the legislation remove the requirements for the contractor to purchase legal services through the public procurement process and allow for the selection of service providers based mainly on the lowest price criterion. The amendments also provide more details regarding the requirements for public procurement officers and the capacity of bidders and introduce the description of exemption cases and anti-corruption measures, particularly disqualification of bidders in case of conflict of interest, according to the EU directives.

BiH is working proactively to improve transparency and accountability. For instance, the BiH Central Bank's Strategic Plan 2022-2024 focuses on collecting and publishing reliable and updated macroeconomic statistics data, which will be harmonised with the EU requirements and correspond to the best international standards. The Central Bank is committed to ensuring the availability and transparency of monetary-financial, external sector, and public finance and financial accounts statistics for all categories of users. Strategic objective nine of the Plan focuses on strengthening corporate governance, transparency, integrity of operations, and social responsibility. In particular, the Bank intends to introduce

institutional integrity regulations, fight corruption, and enhance business ethics.

In December 2022, the CoM approved the BiH Action Plan for implementing the Open Government Partnership (OGP) Initiative in 2022-2024, describing ten commitments. The Action Plan foresees the establishment of the first centralised government open data portal and the publication of information on the public procurement portal in an open data format. In addition, it outlines measures to improve budget allocation transparency by encouraging government institutions to disseminate information on allocations from the state budget to media and civil society organisations on an official online portal.

The government encourages a participatory approach to involve main stakeholders in discussions on key policy and strategy documents. For the first time in BiH's history, stakeholders recently contributed to preparing the draft BiH Environmental Strategy. Throughout 2021 and 2022, over 650 international experts, citizens, representatives of the public and private sectors, civil society, and academia participated in consultations of 28 cross-jurisdictional working groups guided by policy groups. In addition, the government involved a wide range of stakeholders in developing BiH's second Voluntary National Review (VNR) outlining the country's progress in achieving the SDGs. All government levels are required to endorse the VNR, which will be presented at the High-Level Political Forum at the end of this year. In 2023, the experts working on the VNR held 45 consultations with civil society organisations primarily representing vulnerable groups in Sarajevo, the Brčko District, Banja Luka, Tuzla and Mostar.

AREAS FOR IMPROVEMENT

The government of FBiH may consider setting up a one-stop shop at the cantonal level to provide investors with local assistance and improve the ease of operating businesses.

BiH should consider establishing a beneficial ownership register that gives the public access to detailed data on the owners, shareholders, and benefactors of companies operating in the country and their respective profits.

The government should adopt a new public procurement strategy as soon as possible. The new strategy should propose specific measures to completely digitalise the procurement process and introduce efficient oversight procedures. It must be accompanied by an action plan to support the implementation process.

Rule of law

QUICK FACTS

- | BiH ratified the ECT on 10 January 2001.
- | BiH ratified the Convention on the Recognition and Enforcement of Foreign Arbitral Awards in 1993.
- | BiH ratified the Convention on the Settlement of Investment Disputes Between States and Nationals of Other States in 1997.
- | BiH joined MIGA in 1993.

STRENGTHS

On 15 December 2022, the European Council officially granted EU candidacy status to BiH under the condition that BiH will enhance the rule of law, strengthen anti-corruption measures, improve migration management, and protect fundamental rights. The candidacy status requires BiH to align its public administration and public policies, including energy and environmental policies, with the EU principles. Moreover, the government must align its legal and regulatory framework with the EU standards and take further steps across all levels of government to establish coordination mechanisms on EU matters.

BiH has established a robust legal framework to allow investors access to international arbitration. The Law on Resolving the Conflict with the Laws of Other Countries in Certain Relations regulates the recognition and enforcement of foreign decisions in BiH. In the event of an investment dispute involving domestic and foreign entities, the parties may choose a foreign jurisdiction to resolve the conflict. However, a foreign court decision is enforced in BiH only if the domestic court recognises it through a special contentious procedure.

BiH is continuously working to improve the justice sector's accountability, service quality, and independence. In July 2022, the Ministry of Justice (MoJ) of BiH approved its Annual Work Programme (AWP) detailing its activities for the next year. In 2023, the MoJ intends to determine the costs of the justice sector reforms in BiH and map donor funding needs. Another priority is the further coordination of the country's judicial institutions with the relevant EU bodies to speed up the transition and integration processes via networking, gaining knowledge and practices in the judicial field, participating in analytical activities, sharing experience, and exchanging information. To secure the engagement of relevant stakeholders in the judicial reforms, the MoJ, in April 2022, launched public consultations to discuss the draft strategic framework of the Justice Sector Reform Strategy and the Action Plan for 2023-2027 aimed at enhancing the rule of law and good governance. Professional associations, civil servants, civil society organisations, and interested individuals were granted an opportunity to provide feedback on the draft strategic framework, its action plan, the activities foreseen, and the performance indicators through a dedicated public consultation platform.

The government supports initiatives to increase the competence of judicial officers and ensure better case management mechanisms. In January 2023, it launched a partnership with the Strengthening the Efficiency and Quality of Justice in Bosnia and Herzegovina (BiHSEJ) project, co-funded by the EU and the Council of Europe (CoE). The BiHSEJ project, spanning 2023-2026, aims

to increase the efficiency and quality of the justice system in line with the standards developed by the CoE European Commission for the Efficiency of Justice. The targeted beneficiaries of the project are the MoJ, the High Judicial and Prosecutorial Council (HJPC), judicial training institutions, court administrators, judges and prosecutors, courts, and the Association of Mediators. These justice professionals will be trained in mediation skills and utilising tools for gathering, processing and analysing judicial performance data and statistics in line with CEPEJ methodology. The HJPC and several municipal pilot courts in Cazin, Livno, Trebinje, Brčko, and Sokolac are already organising their activities under the CEPEJ standards. The project's expected outcomes include faster case proceedings and a reduced backlog of court cases.

The government is taking practical steps to ensure public access to judicial information. Following the update of the Constitutional Court of BiH's website in 2021, the Court of BiH began to publish online the status of cases, hearing schedules, briefs and motions filed, decisions and judgments passed, and statistics on judgments.

The Law on the Policy of Foreign Direct Investment in BiH requires the state (national) government to provide adequate, effective, and prompt compensation to foreign investors in case of the expropriation of a foreign investment. In turn, the entity-level laws require the expropriating authority to reach an agreement with the affected investor on the compensation for the expropriated or nationalised assets.

BiH has 39 signed BITs in place, of which 36 are in force. Many BITs signed by BiH, such as with Albania, the Belgo-Luxembourg Economic Union, and Denmark, include provisions prioritising amicable dispute settlement mechanisms in the case of investor-state disputes. Agreements like those with France, Lithuania, and Moldova recognise intellectual property rights as an 'investment' that benefits from the MFN and NT provisions.

AREAS FOR IMPROVEMENT

The government should appoint a central authority to maintain a database of investment treaties, contracts, and special undertakings with foreign investors. The database should be established at the national level and include information on the entities and the Brčko District. Moreover, it should provide real-time information on the foreign investors operating in the country and historical data on investor grievances. The database could help identify the sectors most prone to investor conflicts, recurrent issues arising between investors and public agencies, and patterns of investor non-compliance.

Regulatory environment and investment conditions

QUICK FACTS

The SERC regulates the transmission of electricity, the transmission system operation, and the international electricity trade, as well as the generation, distribution and supply of electricity for customers in the Brčko District.

The Federal Commission for Electricity Regulation (FERK) is the regulatory authority in the FBiH, while the Regulatory Commission for Electricity of Republika Srpska (RERS) regulates Republika Srpska's electricity market.

Functions of the transmission system operator are provided by the Independent System Operator (ISO) in BiH and TransCo BiH.

Elektroprivreda Hrvatske zajednice Herceg Bosne (EPHZHB), Elektroprivreda Bosne i Hercegovine (EPBiH), Elektroprivreda Republika Srpska are publicly owned power generation, distribution, and retail companies.

STRENGTHS

The national and entity-level governments are strengthening the electricity sector's legal framework and mobilising financing for sustainable power generation. On 5 March 2022, Republika Srpska enacted its new Law on Renewable Energy Sources, introducing incentives to facilitate electrical and heat production from renewable sources. Moreover, the Parliament of FBiH has adopted the Law on Electricity of the FBiH, the Law on the Use of Renewable Energy Sources and Efficient Cogeneration, and the Law on Energy and Regulation of Energy Activities in the FBiH.

In June 2022, the Brčko District's Parliament adopted the Law on Renewable Energy Sources and Efficient Cogeneration to promote green electricity and define incentives for power generation from different renewable resources. In July 2022, it adopted the Law on Energy Efficiency to ensure reduced GHG emissions from power production, enhanced energy supplies and use of smart and efficient technologies, unified standards on energy efficiency, and improved energy performance in buildings.

BiH is progressing with the electricity market reforms. In December 2022, EPHZHB introduced the green electricity model by guaranteeing electricity supply from renewable sources to consumers at an additional fee of BAM 0.0005 (EUR 0.026) per kWh. Starting January 2023, EPHZHB offers this model to all its consumers, except households, who will receive the guarantees of origin issued by the Renewable Energy and Efficient Cogeneration Operator. Moreover, on 18 May 2022, SERC adopted the Decision on Lifting the Requirement for Maximum Capacity for the Integration of Variable Renewable Energy Sources into the Electric Power System of BiH. Moreover, in December 2022, it approved the Rules on Amendments to the Harmonised Allocation Rules for Long-term Transmission rights on the Bidding Zone Borders Serviced by the Coordinated Auction Office in South East Europe (SEE CAO) and Rules on Amendments to the Rules for Explicit Daily Transmission Capacity Allocation on the Bidding Zone Borders Serviced by SEE CAO as proposed by the ISO in BiH.

BiH continues to attract foreign direct investment across several economic sectors, including energy. According to the Central Bank of BiH, FDI inflow exceeded BAM 1.44 billion in 2022 (up 21% compared to the previous year). Power production and supply became the leading sector by attracting nearly BAM 200 million inflow. In 2022, the United Kingdom, Austria and the Netherlands became

the top investing countries by injecting around BAM 271.8 million, 175.8 million, and 166.6 million into BiH's economy.

BiH welcomes financing of energy projects from various sources. On 22 December 2022, the CoM adopted the Action Plan for the Energy Support Package Agreement as a prerequisite for signing the Financing Agreement between BiH and the European Commission through the EU4Energy project. This EUR 70 million project, intends to support reforms in the energy sector by implementing and monitoring an updated legislative framework, building institutional capacity, and performing effective energy sector management.

In July 2022, EPBiH announced a 30-year concession agreement with the Ministry of Economy of the Central Bosnia Canton for constructing two solar power farms in the municipality of Bugojno. Moreover, in January 2023, the Ministry of Energy and Mining of the Republic of Srpska and a Banja Luka-based company, V&Z zaštita, signed a concession agreement to develop a solar park with a cumulative generation capacity of 10 MW and an expected annual output of 16 GWh.

In April 2022, TransCo BiH, which operates around 300 transmission lines and 153 substations, submitted its Investment Plan 2022 to the SERC. The following month, the SERC approved the Investment Plan of TransCo BiH. In January 2023, the company received a corporate loan of EUR 15.4 million from the EBRD as part of its EUR 30.1 million investment programme. The loan will help install variable shunt reactors in the transmission system to stabilise the operations of the 400 kV and 220 kV transmission systems, enable further integration of variable energy sources into the transmission system, reduce active power loss, and increase cross-border transmission capacity.

AREAS FOR IMPROVEMENT

FBiH should take steps to initiate and complete the legal unbundling of the electricity distribution system operators EPHZHB and EPBiH.

The state (national) and entity-level governments must harmonise and consolidate the rules on unbundling, market liberalisation, and third-party access to gas networks. This approach will support investment in gas infrastructure development, expansion and refurbishment, diversify gas routes, make the wholesale gas market competitive, and help eventually phase out coal consumption.

INDICATOR 1

Improvements proposed in 2022

Develop an action plan to implement the Strategy for the Development of Science 2017 – 2022; set financial initiatives to support innovation in energy storage solutions.

Pending

Develop a policy framework to track the implementation of the NDCs; enact legislation establishing the MRV system for national GHG emission.

Work ongoing. In October 2022, BiH approved the Climate Change National Adaptation Plan and submitted it to the UNFCCC Secretariat. In 2023, the FBiH drafted a law for establishing an air quality information system.

Organise capacity-building programmes to increase the employment of women in the renewable energy sector.

Work ongoing. In December 2022, the Agency for Gender Equality of the BiH Ministry of Human Rights and Refugees and the UNDP launched the 'Gender Equality Seal for Public Institutions' project.

Improvements proposed in 2023

Communicate to the UNFCCC Secretariat the country's LT-LEDS.

Improvement suggested in 2023. Status will be updated in 2024.

INDICATOR 2

Improvements proposed in 2018

Adopt the Framework Energy Strategy of BiH until 2035 at state level.

Fully implemented. The Framework Energy Strategy of BiH until 2035 was adopted in late 2018.

Finalise and adopt the draft legislation for the electricity and gas sub-sectors at state-level.

Work ongoing. On 8 December 2022, the government of FBiH approved the draft Law on Electricity, the Law on the Use of Renewable Energy Sources and Efficient Cogeneration, and the Law on Energy and Regulation of Energy Activities.

Improvements proposed in 2019

Adopt an updated action plan for energy efficiency since the last one expired in 2018.

Work ongoing. BiH is in the process of adopting its draft NECP that will replace action plans for energy efficiency and renewable energy sources.

Improvements proposed in 2020

Adopt national and entity-level legislation on renewable energy and energy efficiency, transposing the EU energy efficiency acquis and the renewable energy directive.

Work ongoing. In February 2022, Republika Srpska adopted its new Law on Renewable Energy Sources. In August 2023, the FBiH adopted the Law on Energy and Regulation of Energy Activities in FBiH and the Law on Electricity in FBiH. The Law on the Use of Renewable Energy Sources and Efficient Cogeneration is going through a parliamentary procedure. In June 2022, the Brčko District's Parliament adopted the Law on Renewable Energy Sources and Efficient Cogeneration. In July 2022, the Parliament adopted the Law on Energy Efficiency.

Harmonise policy monitoring and evaluation mechanisms at state and entity levels.

Pending

Improvements proposed in 2022

Develop a roadmap to mobilise financing for wind and solar power projects and promote large-scale green energy storage.

Work ongoing. The MoFTER is creating a Single Sector Pipeline Projects List for the Energy Sector of BiH in 2019. After collecting and evaluating all project proposals it developed a draft single list comprising 62 projects. As part of BiH's new obligations under the Energy Community Treaty, and commitments under the 4th energy support package 'Clean energy for all Europeans', the MoFTER has initiated the currently ongoing revision of the draft list.

Intensify efforts to increase the share of renewable energy fuels in the transport sector.

Work ongoing. FBiH's Law on the Use of Renewable Energy Sources and Efficient Cogeneration promotes the installation of efficient cogeneration systems and the use of green transport fuels.

INDICATOR 3

Improvements proposed in 2018

Publish the enacted and draft laws, regulations, and policies in foreign languages and make the translations available free of cost; set up one-stop investment shops in the entities and the FBiH cantons.

Pending

Improvements proposed in 2021

Ensure NOSBiH publishes data about congestion management and electricity month-ahead forecasted capacities on the European Network Transmission System Operators (ENTSO-E) transparency platform.

Fully implemented. The independent electricity transmission system operator, NOSBiH, made this data available on the ENTSO-E transparency platform.

Improvements proposed in 2022

Establish a beneficial ownership register.

Work ongoing. In November 2021, the CoM approved the BiH Action Plan for implementing the OGP Initiative in 2022-2024. One of the obligations under the Action Plan requires holding, between May 2023 and May 2024, eight workshops for civil society organisations on the disclosure of beneficial ownership information.

Improvements proposed in 2023

Adopt a new public procurement strategy and its implementing plan.

Improvement suggested in 2023. Status will be updated in 2024.

INDICATOR 4

Improvements proposed in 2018

Establish a foreign investment ombudsperson; update the expropriation laws of the entities and the Brčko District to define 'public purpose or in the public interest'.

Pending

Improvements proposed in 2020

Update the Alternative Dispute Resolution Strategy that was drafted in 2008.

Pending

INDICATOR 5

Improvements proposed in 2018

Harmonise licencing procedures for energy projects across entities and in the Brčko District.

Pending

Improvements proposed in 2021

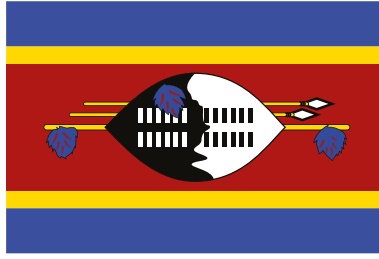
Regularly publish the decisions of RERS on gas and electricity tariffs.

Work ongoing. On its website, the RERS's website publishes decisions on tariff methodologies and on current gas and electricity tariffs.

Improvements proposed in 2022

Finalise the legal unbundling of EPHZHB and EPBiH; establish a national-level legal framework to regulate the natural gas sector that applies the same regimes in the entities for unbundling, market liberalisation and third-party access.

Pending



Eswatini

Population ¹	1,201,670
Area (km ²) ¹	17,360
GDP per capita (USD) ¹	4,039.52
TES (Mtoe) ²	1.24
Net energy imports (Mtoe) ²	0.39
Share of renewable sources in TES ²	0.63
CO ₂ /TES (tCO ₂ per TJ) ²	23.96

Data by Orbis Crossborder Investment on completed energy projects and deals from 2015-2023³

Target industry	Number of projects and deals	Project CapEx and deal value (million EUR) by source country
N/A	N/A	N/A

Sources:

1. The World Bank 2021 (area) and 2022 (population and GDP per capita).
2. ©IEA (2023), World Energy Balances (<https://www.iea.org/data-and-statistics>). All rights reserved. Data refer to the year 2022.
3. Orbis Crossborder Investment (2023), Bureau Van Dijk. Data represents the period 1 April 2015 - 1 April 2023. For more information see Annex III of this report.

Eswatini’s overall risk level against the assessed areas is **moderate**.

Among the three risk areas, *discrimination between foreign and domestic investors* has the lowest risk level, followed by *unpredictable policy and regulatory change* and the risk of *breach of state obligations*.

Eswatini has a good performance on two indicators and a moderate performance on three indicators. *Regulatory environment and investment conditions* is the highest-scoring indicator at 66, followed by the indicator *management of decision-making processes* at 61. Eswatini’s score on *foresight of policy and regulatory change* is 56, while its score on the indicator *rule of law* is 49. Its score on the indicator *framework for a sustainable energy system* is 48.

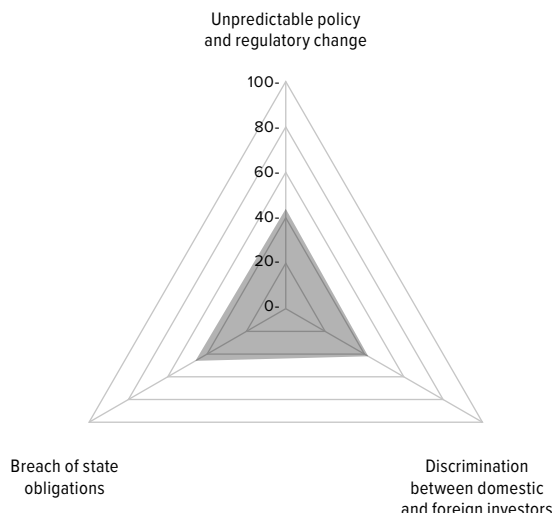
Eswatini’s sub-indicator performance is moderate. The highest-scoring sub-indicators are *institutional governance* at 75, *regulatory independence* at 72, *communication of vision and policies* at 67, and *restrictions on FDI* at 65. Eswatini’s score is moderate on seven sub-indicators, namely, *electricity industry market structure and competition* at 60, *policy planning on clean energy transition* at 59, *respect for property rights* at 59, *energy resilience* at 53, *transparency and anti-corruption measures* at 46, *environmental protection, human rights and gender* at 44, and *robustness of policy goals and commitments* at 44. The lowest-scoring sub-indicators are *management and settlement of investor-state disputes* at 39 and *enabling measures to support clean energy transition* at 36.

Since the legal and regulatory risk associated with energy investments remains moderate in Eswatini, the government is advised to improve the management and settlement of investor-state disputes and implement policy measures to achieve a clean energy transition.

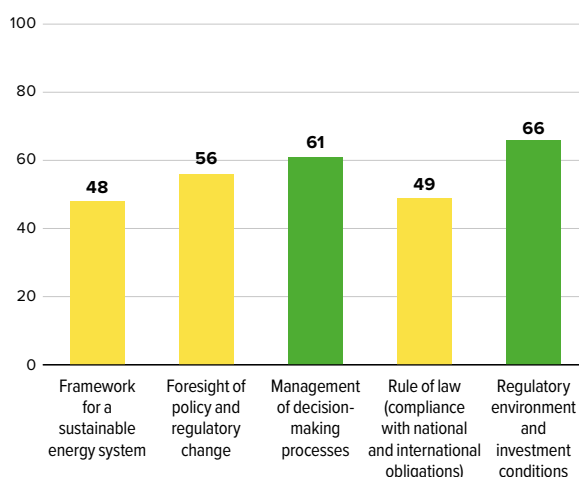
YEAR-ON-YEAR COMPARISON

RISK AREAS	2022	2023
Unpredictable policy and regulatory change	45	44
Discrimination between foreign and domestic investors	42	42
Breach of state obligations	46	46
INDICATORS	2022	2023
Framework for a sustainable energy system	48	48
Foresight of policy and regulatory change	56	56
Management of decision-making processes	61	61
Rule of law	49	49
Regulatory environment and investment conditions	64	66

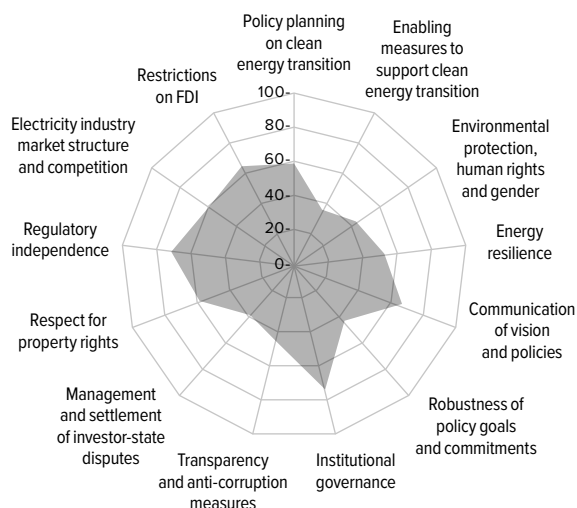
RISK LEVEL



INDICATOR PERFORMANCE



SUB-INDICATOR PERFORMANCE



Framework for a sustainable energy system

QUICK FACTS

- Eswatini submitted its updated NDC to the UNFCCC Secretariat in October 2021.
- In May 2023, the government of Eswatini released its updated NDC Implementation Plan for 2020-2030 (NIP).
- The Eswatini Energy Master Plan 2034 (EMP) and the National Climate Change Policy 2016 define measures to decarbonise different economic sectors of the country.

STRENGTHS

Through its updated NDC, Eswatini has adopted its first economy-wide unconditional emissions reduction target of 5% by 2030 and a 14% target conditional upon financial support. The updated NDC is compatible with the government's long-term objective of achieving carbon neutrality by 2050 and sets out measures for climate change mitigation and adaptation across sectors, including energy, transport, residential buildings, industry, agriculture, and waste.

In May 2023, the government launched the USD 1.3 billion NIP for 2020-2030, emphasising the country's ambition to meet the Paris Agreement goals. The NIP covers 12 priority areas: agriculture, health, water, ecosystems and biodiversity, infrastructure, energy, waste, industry, forestry, gender, youth, and disaster risk reduction. Various development partners and national stakeholders who had previously contributed to revising the country's NDC were involved in drafting the NIP. In parallel, the Deputy Prime Minister launched the Inclusive Budgeting and Financing for Climate Change report, a blueprint for integrating the climate dimension into the budget framework.

The government recognises the critical role of energy storage in securing an affordable, reliable and clean energy supply. In this context, the Eswatini Energy Regulatory Authority (ESERA) is developing the Electricity Supply Industry Energy Storage Regulatory Framework to harmonise industry standards on energy storage. Moreover, some power plants that have recently started commercial operations include energy storage technologies. For instance, the 10 MW Lavumisa and 100 MW Edwaleni solar power plants are complemented by a battery energy storage system of 1 MWh and 15 MWh, respectively. The Edwaleni power station, which will commence operations in 2024, is expected to supply some of the generated capacity to other countries within the Southern African Development Community (SADC) via the Southern African Power Pool.

In 2021, the Ministry of Tourism and Environmental Affairs (MTEA) partnered with the Initiative for Climate Action Transparency (ICAT) to strengthen Eswatini's NDC-related transparency efforts. Thus far, its collaboration with ICAT has helped improve institutional arrangements for GHG inventories and measurement, reporting, and verification frameworks. The partnership has resulted in a revised methodology and data set for mapping forestry and other land-use change, an updated emissions baseline, and projections for these sectors. A roadmap has also been developed for data collection, and institutional arrangements have been established for the agriculture sector to support a Tier 2 approach for GHG inventories.

Finally, the partners analysed three scenarios for the energy sector, highlighting that using renewable biomass could bring significant emissions reductions and an annual revenue of USD 28.5 million to USD 78 million per annum by 2030.

The government is progressing with its climate change adaptation efforts. In 2022, the Climate Change Unit of MTEA steered the process that led to the adoption of the first National Adaptation Plan (NAP). The NAP paves the way for implementing the adaptation priorities mentioned in Eswatini's updated NDC, covering five priority sectors (water, ecosystems and biodiversity, health, infrastructure, and agriculture) and the cross-cutting area of disaster risk reduction.

The Eswatini Environment Fund (EEF), administered by the Eswatini Environment Authority (EEA) within the MTEA, seeks to ensure sustainable funding for projects encouraging community participation in environmental protection and conservation and the sustainable management of natural resources. In 2022, through the EEF, the MTEA provided financing of 1.1 million Swazi emalangeni (SZL) to six community projects on wetlands management, land rehabilitation (erosion control), and climate change education. All six projects engage youth and women. More recently, public authorities in Mpolonjeni, west of Eswatini's capital, have allocated traditional land at no cost to women and youth recyclers to earn livelihoods and contribute to waste management. The recyclers benefitted from the UNDP Waste for Livelihoods and Resilience project, which resulted from a partnership between UNDP and the EEA.

AREAS FOR IMPROVEMENT

79% of Eswatini's population is rural and relies on wood, charcoal, dung and paraffin for cooking. Therefore, the government should introduce demand-side management measures to change fuel consumption patterns in rural households, including incentives to use modern cooking stoves and boilers. It should organise awareness campaigns for end-users on energy-efficient appliances that reduce energy consumption. Shifting away from wood as fuel will also help prevent deforestation and natural resource depletion.

The government should set a date to achieve net-zero carbon emissions and develop a roadmap with step-by-step economy-wide measures to achieve this ambition. Complementary to this, it should frame a long-term policy and action plan to reduce methane emissions.

Foresight of policy and regulatory change

QUICK FACTS

The updated National Energy Policy 2018 (NEP) and the NEP Implementation Strategy 2018 reflect the government's vision for the energy sector until 2030.

The Department of Energy under the Ministry of Natural Resources and Energy (MNRE) monitors and evaluates the NEP's implementation in consultation with various state agencies, the private sector and civil society.

STRENGTHS

The NEP defines the energy sector's short- and long-term priorities, including the security of supply, reduction of electricity costs, access to modern energy, and eradication of energy poverty. The NEP Implementation Strategy Plan 2018, the EMP and the Sustainable Energy for All Country Action Plan 2014-2030 elaborate common binding policy targets to meet these priorities.

The government is working to eradicate energy poverty and ensure universal electricity access by 2030. Notably, the national electrification rate increased by 2.7% from 82.3% in 2020-2021 to 85% in 2021-2022. The national power utility's total customers increased by 4.96% from 246,108 in 2020-2021 to 258,304 in 2021-2022.

Eswatini has been participating in the UNDP's Africa Minigrid Program' (AMP) since 2019 to ensure remote areas' electrification. The AMP comprises country-level interventions that support clean energy access by lowering the costs for renewable energy mini-grids and promoting innovative business models. In the same vein, the Small-Scale Embedded Generation Framework (SSEG) has been incorporated in the Eswatini Independent Power Producer Policy (EIPPP) to facilitate the roll-out of power generation installations of less than or equal to 1 MVA/1000 kVA. These installations are located on residential, commercial, and industrial sites, and the generated power is mainly for self-consumption. Moreover, the Eswatini Electricity Company (EEC) has pledged to complete the Edwaleni-Stonehenge 132 kV project before May 2024. At the same time, a model for installing distribution-ready boards has been established to assist the underprivileged population who cannot afford to wire their houses.

The government has been actively promoting the development of renewable energy sources, such as solar, wind, and biomass, to enhance its energy security and promote sustainable development. The national renewable energy target defined in the NEP is to increase the share of renewables in the country's energy mix to 50% by 2030. In 2023, the government allocated a budget of SZL 1.09 billion, an increase of SZL 561 million compared to 2022, to implement its programmes, including clean energy access. In line with this, ESERA has approved the implementation of the 75 MW solar PV power plant, 13.6 MW lower Maguduza hydropower plant, 33 MW Maguga expansion, and lower Maguga hydropower plants. A total of 80 MW of biomass power generation capacity, in addition to the already approved 40 MW, has been assessed and confirmed viable for additional generation. All these projects are expected to add to the installed capacity, contribute to higher energy security, and

achieve the target of at least 50% renewable energy in the country's electricity mix.

In terms of energy efficiency, the updated NDC of 2021 commits to ensuring a 50% uptake of energy-efficient biomass stoves for cooking by 2030 and reducing energy intensity by 3% in the agricultural sector compared to the 2010 levels. Moreover, the EMP targets energy savings of 180 GWh annually by 2025. ESERA has collaborated with MNRE to develop technical regulations for banning inefficient lighting products to meet the EMP's target. The regulations are based on a regulatory impact assessment study by the Center for Sustainable Energy Research. The study revealed that residential lighting accounts for a total annual energy consumption of 125.9 GWh, about 31.7% of the electricity consumed by the residential sector. The government is also enforcing Minimum Energy Performance Standards (MEPS) requirements for energy-efficient appliances to facilitate energy-saving and decarbonisation initiatives in line with the EMP and further ensure harmonisation of regulatory instruments with the regional SADC initiatives.

The government is exploring the possibility of liberalising the electricity supply industry to lower electricity prices and improve supply quality. To this end, it has initiated several studies on electricity resale activities covering the 'as-is' situation and the potential impact of unregulated electricity resale activities in the local electricity supply market. Guidelines are currently being drafted to regulate resale activities and will include requirements to operate as a reseller, technical registration and reporting requirements, applicable tariff principles, and recommendations for a review period and appropriate licences.

AREAS FOR IMPROVEMENT

The government should conduct an ex-ante and ex-post cost-benefit analysis of all energy policies and programmes. Applying these evaluation methods will give investors and policy-makers a better understanding of their social and economic opportunities, challenges, and impact.

The government should take the necessary measures to update the short-term targets set in the EMP for deploying hydropower capacities, integrating solar- and wind-powered electricity on the grid, and increasing the co-generation from bagasse, as these are now outdated. Additionally, it must incorporate step-by-step approaches within the EMP and the NEP to ensure long-term energy supply diversification, coal import reduction, least-cost power sector development, and expansion of hydrologic storage capacities.

Management of decision-making processes

QUICK FACTS

- The Constitution of Eswatini establishes a democratic 'tinkhundla' system of governance based on the devolution of power from the central government. A tinkhundla is an administrative subdivision smaller than a district but larger than a chiefdom. Currently, Eswatini has 55 tinkhundla.
- The Ministry of Commerce, Industry and Trade (MCIT) is responsible for formulating the national investment policy.

STRENGTHS

The government of Eswatini is working toward the goals set in the Strategic Roadmap 2019-2022 (SRM), including creating a business environment conducive to investors and development partners, restoring macroeconomic stability, and ensuring inclusive growth. Under the SRM, implementing responsibilities are shared among various ministries that coordinate with each other and with relevant stakeholders. The implementing ministry must provide a quarterly update report to the Directorate of Planning, Monitoring and Evaluation on its work progress.

The Eswatini Investment Promotion Authority (EIPA) is responsible for designing and implementing strategies to attract and promote local and foreign direct investments. EIPA undertakes research and policy analysis, facilitates company registration, business licences, work permits and visas, and provides information and aftercare services. Similarly, the Investor Roadmap Unit under the MCIT engages with private businesses and the government to review and report on the progress and implementation of the investor roadmap reforms. In May 2022, the MCIT organised a workshop on the Electronic Business Registry, forming a cluster of the upcoming One Stop Shop project. The e-Business Registry will make online registration of companies possible and improve internal business registry processes.

All branches of the government engage with the public during the policy- and law-making process and disseminate the relevant information to ensure transparency and inclusivity. For instance, in April 2022, the MCIT circulated the draft Companies Act, inviting stakeholders to present their views on the online registry reform. In 2023, the Ministry of Justice and Constitutional Affairs (MJCA) interacted with governmental and external entities while developing an enterprise software-based case management system. The entities involved in the exchange included the Director of Public Prosecution, the Attorney General, members of the judiciary and the police, and representatives of the law society.

Public authorities are committed to enforcing policy monitoring and evaluation processes and making the findings available for full transparency and disclosure. The performance of ministries, departments and agencies in their focal areas is assessed against the key indicators mentioned in the NEP. The results of these periodic assessments are made available through the Prime Minister's Office. In July 2022, the Eswatini Water Services Corporation presented an overview of its annual operations in various regions. Moreover, the EEC's 2022 annual report describes, among other things, strategies and measures undertaken in terms of generation, network extension, security and quality of supply, and research and development. It has also published a simplified 'EEC

Report to Society' to ensure citizens can access and comprehend all critical statistics and information.

The e-Government Portal and the Ministry of Finance website provide national budget-related information, such as the budget estimate report 2020-2023, taxation guidelines, and financial statistics. A transparency and public accountability obligation also binds entities engaged in the energy sector. The EEC's 2022 annual report contains its financial statements, the status of the cash flows, and an external auditor's report. In 2022, the Office of the Auditor General, an independent institution mandated to perform financial and compliance audits on public accounts and government programmes, published the Compliance Audit Report for the period until 31 March 2021. The Central Bank of Eswatini aggregates and presents direct foreign investment inflow and outflow data in its annual reports.

The Eswatini Public Procurement Agency (ESPPRA) is raising awareness about best practices in public purchasing through training programmes and seminars. Invitations to tender and information on awarded contracts are posted on the ESPPRA's Tender Portal and included in its annual report. The Eswatini Anti-Corruption Commission safeguards public accountability per the Prevention of Corruption Act 2006. Eswatini is a signatory to the African Union Convention on Preventing and Combating Corruption and Related Offenses and the Southern African Development Community Protocol against Corruption. At the same time, it has ratified the UN Convention against Corruption.

AREAS FOR IMPROVEMENT

The government has undertaken significant steps to fight corruption, such as introducing the Tender Portal to advertise public procurement tenders online and the Supplier Database as a common registry for government suppliers. It should now focus on the timely implementation of additional tools such as e-purchasing, e-tendering, e-payment, and e-auctioning. At the same time, it should establish an online platform that makes public procurement contracts in the energy sector available to citizens.

The government has paid attention to increasing transparency in the public sector, but more work needs to be done in this respect. To this end, it needs to enact an overarching law on access to information with a clear scope of application, a procedure for obtaining information from state agencies, and a definitive list of exceptions to information access. Moreover, it must set timelines for consulting with stakeholders and receiving their feedback.

Rule of law

QUICK FACTS

- | Eswatini signed the International Energy Charter political declaration in 2015.
- | Eswatini has been a signatory to the Convention on the Settlement of Investment Disputes between States and Nationals of Other States since 1971.
- | Eswatini has been a member of the WTO since 1995.
- | Eswatini is a member of MIGA.

STRENGTHS

The government of Eswatini is promoting alternative dispute resolution mechanisms and fast-track courts to expedite the resolution of commercial and labour cases. In this context, the Conciliation Mediation and Arbitration Commission, established under Section 62 of the Industrial Relations Act of 2000 (as amended), is tasked with resolving employee-employer disputes. The Commission organises seminars with the participation of social partners, employers, union officials, and employment relations specialists. Moreover, as of November 2022, the Tax Appeals Tribunal of Eswatini (RATE) has become fully operational. According to its statute, the RATE is to process and determine appeals as efficiently as possible without the formality of a court setting. Its decisions will be available on the RATE website to provide practitioners and taxpayers with certainty in interpreting the law.

The MJCA continues to implement measures envisaged in the Justice Sector Strategy and Action Plan 2019-2023 to ensure better administration of justice. Following a rigorous tendering process, in 2022, a private company was awarded a contract to develop an integrated electronic case management system (IECMS). Once rolled out, the IECMS will replace the current manual case management processes, reduce case backlog, and contribute to case file preservation. As per standard practice, in 2022, the national judicial authorities, including the High Court, the Supreme Court, and the Conciliation Mediation and Arbitration Commission, disclosed information on pending cases, briefs, motions filed, and judgments passed.

Eswatini has BITs in force with the United Kingdom, Taiwan, and Germany. It is also negotiating an agreement on the promotion and reciprocal protection of investment with Qatar. An amended double taxation avoidance treaty with Mauritius entered into force in 2022. The competent national authorities undertake to exchange information

regarding the enforcement of relevant national laws and regional regulations and assist each other in tax collection. A tax information exchange agreement with the United States of America is currently in the pipeline.

MFN and NT are granted under the above-mentioned BITs and the WTO rules to tangible and intangible assets that qualify as an 'investment'. All investments are guaranteed protection against direct expropriation and measures having an effect equivalent to nationalisation or expropriation. No recent cases of foreign-owned property being expropriated have been reported.

Local courts recognise and enforce foreign arbitral awards issued against the state and judgments of foreign courts. As of 2015, Eswatini has amended the legal framework on intellectual property rights to ensure its conformity with the TRIPS Agreement and the Banjul Protocol on Trademarks. The Intellectual Property Tribunal, established in 2015, hears disputes concerning potential violations of intellectual property rights in the country. According to the Intellectual Property Alliance Index, in 2022, Eswatini ranked sixth in the African region and 73rd in the world.

AREAS FOR IMPROVEMENT

The government should consider creating a dedicated institution to prevent, manage and monitor conflicts across economic activities. It may draw inspiration from the Energy Charter Model Instrument on Management of Investment Disputes, which aims to assist states in handling investment disputes while considering their specific needs and circumstances.

Eswatini may consider becoming a party to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards. Ratification of this Convention by Eswatini will give international investors security that foreign arbitral awards will be respected, complied with, and applied non-discriminarily.

Regulatory environment and investment conditions

QUICK FACTS

| ESERA was established under the Energy Regulatory Act 2007 to regulate the electricity sector.

| The EEC is engaged in the generation, transmission, and distribution of electricity in Eswatini.

| The Eswatini Investment Promotion Act 1998 sets the legal basis for ensuring equal treatment between domestic and foreign investors.

STRENGTHS

ESERA continues to undertake regulatory reforms to improve the electricity sector's performance. In December 2022, it published a report on the electricity tariff review for 2023/24 and 2024/25, per its mandate under Section 32 of the Electricity Act 2007. Following an official application filed by the EEC, ESERA conducted eight public hearings to receive consumers' opinions about a proposed tariff increase of an average of 21.31%. ESERA conducted a thorough analysis of the forecasts for the said periods and, having made the necessary adjustments in areas such as the cost of sales, the return on the weighted average cost of capital (WACC), the depreciation on regulated asset base, and strategic initiatives approved an average tariff increase of 10.14% in 2023/24 and 8.02% in 2024/25. The relevant decision was published in February 2023.

The ESERA Annual Report 2021/22, published in late 2022, described numerous developments and regulatory initiatives. Specifically, it highlighted that ESERA issued two licences to Lilanga Power for generating and supplying electricity and 11 exemptions from the obligation to hold a generation licence. It also conducted technical compliance assessments to evaluate licensees' compliance with quality of service and supply standards. Moreover, ESERA developed the Connection Charge Guidelines. The Guidelines aim to guarantee transparency and predictability in calculating the connection costs through a connection charge model, thereby allowing ESERA to determine the costs of connecting a consumer to the grid.

In the gas and oil sub-sector, ESERA has focused on ensuring all market players conform to the licensing requirements envisaged in the Petroleum Act of 2020. This mainly involved issuing relevant licences to current and prospective wholesalers, retailers, and commercial consumers of unleaded petrol, diesel, paraffin, and liquefied petroleum gas (LPG). In parallel, ESERA conducted inspections at retail, commercial consumer, and LPG sites to monitor regulatory compliance, operational safety, plant and equipment maintenance, and emergency preparedness.

ESERA's financial statements for the year ending March 2022 were successfully audited. Notably, its reliance on the state budget has ended, and its entire funding is derived directly from licence fees. This is mostly due to its expanded mandate to include petroleum licensing.

The government of Eswatini is promoting and undertaking several projects in the energy sector with the support of the private sector. Incentives to invest in Eswatini's energy sector include repatriation of profits, reduced corporate tax of 10% for ten years to local and foreign investors,

exemption from withholding taxes on dividends during the same 10-year tax period as well as from import duties for solar panels and batteries.

In addition to the independent producers that sell electricity to the EEC under the EIPPP, privately-owned distribution and supply licensees also participate in the market primarily by buying electricity from the utility and then selling it to consumers. In 2022, several renewable power generation projects were initiated, including the Balekane 15 MW solar PV project, which is currently at the permitting stage. Moreover, Frazium Energy has entered into a long-term contract with the government to develop a 100 MW solar-storage IPP project. The project has been granted a Special Economic Zone licence, which entitles Frazium Energy to receive tax and duty exemptions and other benefits and protections.

In October 2022, the GET.invest programme was launched in Eswatini with support from the EU. The GET.invest programme has set up a funding database, thus allowing potential investors to receive targeted coaching and business advisory support to get their project investment. In January 2023, under the purview of the GET.invest programme, the EU and Business Eswatini, the leading private sector business organisation, organised a workshop to enable local investors to find funding for their renewable projects. In addition, in February 2023, the Royal Eswatini Sugar Corporation, one of the four main distribution licensees, published a call for renewable developers to partner with it for the generation of 20 MW of baseload power through biomass and solar PV supplemented with a battery energy storage system. The 40 MW biomass power plant will commence in 2023 and enter into commercial operation by the end of 2024.

AREAS FOR IMPROVEMENT

To fully exploit the country's renewable energy potential, the government should consider introducing policy measures, such as FiT and metering schemes for small solar PV projects, public auctions for larger solar PV and wind power generation projects, incentives to improve electricity service performance, and a system to track performance standards.

ESERA has noted that Eswatini, like its peers in the region, suffers from the lack of cost-reflective electricity tariffs. After analysing the conflicting tariff regulation objectives, stakeholder expectations, and information asymmetry, ESERA has launched a migration plan toward achieving cost-reflective tariffs, which the government should pursue to ensure the sector's financial viability. Mechanisms like service-based tariffs can also be introduced as a step towards full cost-reflectivity.

INDICATOR 1

Improvements proposed in 2022
Set a date to achieve net-zero emissions and develop an action plan to achieve this ambition.
Pending
Frame a long-term policy and action plan to reduce methane emissions.
Pending
Introduce demand-side management measures to change fuel consumption patterns in rural households.
Work ongoing. ESERA has collaborated with the MNRE to develop the technical regulation for banning inefficient lighting products. The regulation is based on a regulatory impact assessment study by the Center for Sustainable Energy Research. The government is enforcing the Minimum Energy Performance Standards requirements of energy-efficient appliances to facilitate energy-saving and decarbonisation initiatives.
Introduce policies to expand the use of electric power in the transport sector.
Pending

INDICATOR 2

Improvements proposed in 2018
Adopt an independent power production policy and revise the rural electrification plan to focus on off-grid solutions.
Work ongoing. The government has adopted the Swaziland Independent Power Producer Policy. The SSEG has been incorporated in the country's independent power producer policy (EIPPP) to facilitate the roll-out of power generation installations of less than or equal to 1 MVA/1000 kVA. In September 2021, the MNRE announced that the government is implementing a Rural Electrification Programme to ensure that all Emaswati have access to affordable and modern energy by the year 2030, in line with the United Nations SDG 7 and the NEP.
Create robust monitoring and evaluation mechanisms to track the progress made on the country's energy objectives.
Work ongoing. While there is still no dedicated monitoring and evaluation framework in place, public authorities publish information regularly on their financial and operational performance. In 2021, the Office of the Auditor General of Eswatini published the Compliance Audit Report 2022, including an MNRE audit. It also published the Financial Audit Report 2021, which includes an audit of the Consolidated Government Accounts of the MNRE. In 2021, the EEC released its annual report for the year, assessing its performance on key indicators. In 2021, the ESRA published its Annual Compliance report.

Improvements proposed in 2022
Establish legally binding obligations to conduct ex-ante and ex-post cost-benefit analyses of energy policies and programmes.
Pending
Update the short-term targets set in the EMP for deploying hydropower capacities, integrating solar and wind into the grid, and increasing co-generation from bagasse.
Pending

INDICATOR 3

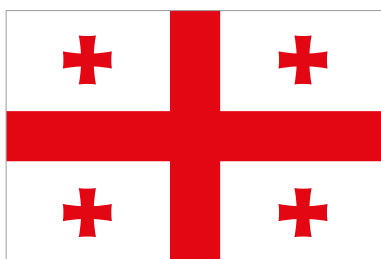
Improvements proposed in 2018
Adopt a legislative framework on the freedom of information, create an online version of the Official Gazette, and solicit feedback from stakeholders on legal and regulatory decisions.
Pending
Improvements proposed in 2022
Digitalise the public procurement processes and establish an online platform that makes public procurement contracts in the energy sector available to citizens.
Pending

INDICATOR 4

Improvements proposed in 2018
Modernise the legal framework for intellectual property rights and investment arbitration.
Work ongoing. The government has enacted laws to reinforce the protection of intellectual property rights, such as the Copyright and Neighboring Rights Act 2014, the Intellectual Property Tribunal Act 2015, and the Trademarks (Amendment) Act 2015.
Update the domestic laws to clarify the 'public purpose' activities for which the expropriation of private property may be permissible.
Pending
Improvements proposed in 2022
Introduce investor-state conflict management and prevention policies and develop an electronic case management system.
Work ongoing. Following a rigorous tendering process, in 2022, a private company was awarded a contract to develop an integrated electronic case management system. Once rolled out, the electronic system will replace the current manual case management processes, reduce case backlog, and contribute to case file preservation.
Ratify the Convention on the Recognition and Enforcement of Foreign Arbitral Awards.
Pending

INDICATOR 5

Improvements proposed in 2018
Reinforce the functional and financial independence of ESERA.
Partially implemented. In 2021, ESERA took measures to strengthen its regulatory position by publishing a package of instruments in the form of guidelines, licences and permitted forms for LPG wholesale, petroleum wholesale, LPG retail and petroleum retail. Moreover, in 2021, SNG Grant Thornton Chartered Accountants (Eswatini) audited the financial statements of ESERA, which comprise the statement of financial position, the statements as of 2021, and changes in equity and cash flows for the financial year. In October 2021, ESERA elected, finalised and announced its new board members.
Relax restrictions on land tenure.
Pending
Improvements proposed in 2021
Reduce the role of the state in regulating the mining and petroleum sectors.
Pending
Local content requirements in the Public Procurement Act 2011 and the Petroleum Act 2020 should be accompanied by collaborative partnerships among state authorities and the industry to strengthen the competitiveness of local companies.
Pending
Improvements proposed in 2022
Undertake feasibility studies on FIT and metering schemes for small solar PV projects and public auctions for large solar PV and wind power projects.
Work ongoing. In October 2022, the GET.invest programme was launched in Eswatini with support from the EU. The GET.invest programme has set up a funding database, thus allowing potential investors to receive targeted coaching and business advisory support to get their project investment.
Pursue the cost-reflective electricity tariff migration plan and take measures to phase out cross-subsidies while gradually increasing electricity prices for urban consumers.
Pending



Georgia

Population ¹	3,712,502
Area (km ²) ¹	69,700
GDP per capita (USD) ¹	6,627.71
TES (Mtoe) ²	5.50
Net energy imports (Mtoe) ²	4.29
Share of renewable sources in TES ²	0.22
CO ₂ /TES (tCO ₂ per TJ) ²	45.07

Data by Orbis Crossborder Investment on completed energy projects and deals from 2015-2023³

Target industry	Number of projects and deals	Project CapEx and deal value (million EUR) by source country
Electric power generation, transmission and distribution	1 acquisition deal 1 minority stake deal	Czech Republic: 1 deal of 7.52 mEUR Value of 1 deal (Japan) is N/A

Sources:

1. The World Bank 2021 (area) and 2022 (population and GDP per capita).
2. ©IEA (2023), World Energy Balances (<https://www.iea.org/data-and-statistics>). All rights reserved. Data refer to the year 2022.
3. Orbis Crossborder Investment (2023), Bureau Van Dijk. Data represents the period 1 April 2015 - 1 April 2023. For more information see Annex III of this report.

Georgia’s overall risk level against the assessed areas is **low**.

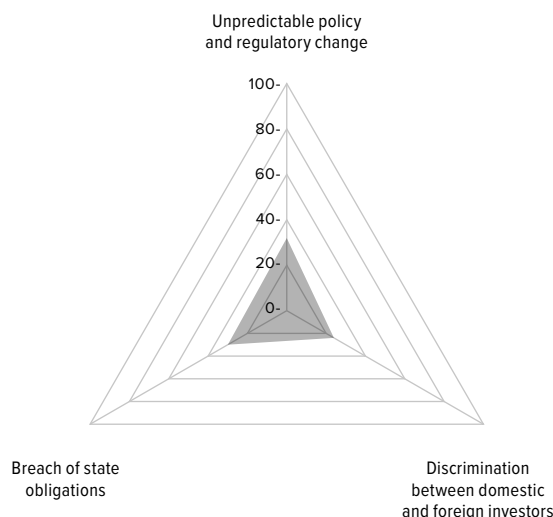
Among the three risk areas, *discrimination between foreign and domestic investors* has the lowest risk level, followed by *breach of state obligations* and the risk of *unpredictable policy and regulatory change*.

Georgia has a good performance on four EIRA indicators and a moderate performance on one indicator. *Regulatory environment and investment conditions* is the highest-scoring indicator with a score of 78, followed by *rule of law* at 76 and *management of decision-making processes* at 72. On *framework for a sustainable energy system*, it has scored 57, while on the indicator *foresight of policy and regulatory change*, it has scored 54.

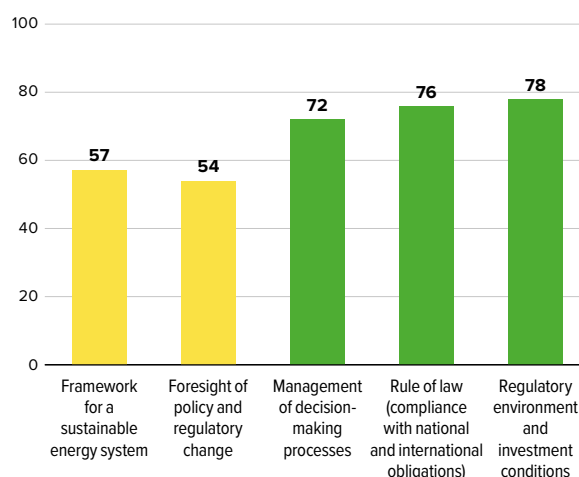
Georgia’s overall sub-indicator performance is good. The highest-scoring sub-indicators are *regulatory independence* at 89, *policy planning on clean energy transition* at 86, and *restrictions on FDI* at 85. Georgia’s score is good on six sub-indicators, namely, *management and settlement of investor-state disputes* at 79, *institutional governance* at 75, *respect for property rights* at 74, *transparency and anti-corruption measures* at 69, and *electricity industry market structure and competition* at 61. It has a moderate score on the sub-indicators *robustness of policy goals and commitments* and *environmental protection, human rights and gender* at 58, *communication of vision and policies* at 50, and *energy resilience* at 43. The lowest-scoring sub-indicator is *enabling measures to support clean energy transition* at 40.

The legal and regulatory risks associated with energy investments are low in Georgia. At the same time, it should implement further measures to support its transition to clean energy.

RISK LEVEL



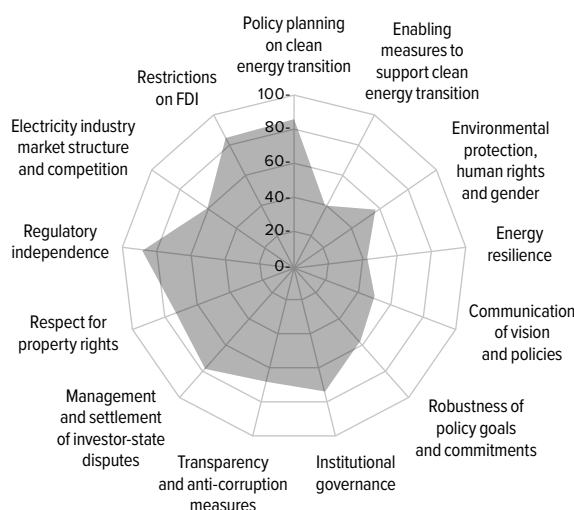
INDICATOR PERFORMANCE



YEAR-ON-YEAR COMPARISON

RISK AREAS	2022	2023
Unpredictable policy and regulatory change	33	32
Discrimination between foreign and domestic investors	24	24
Breach of state obligations	31	29
INDICATORS	2022	2023
Framework for a sustainable energy system	54	57
Foresight of policy and regulatory change	54	54
Management of decision-making processes	72	72
Rule of law	76	76
Regulatory environment and investment conditions	78	78

SUB-INDICATOR PERFORMANCE



Framework for a sustainable energy system

QUICK FACTS

- | Georgia submitted its LT-LEDS to the UNFCCC Secretariat on 25 July 2023.
- | Georgia submitted its updated NDC to the UNFCCC Secretariat in May 2021.
- | The government adopted the National Climate Change Strategy 2030 (CSAP) and its Action Plan 2021-2023 (CAP) in April 2021.

STRENGTHS

Georgia's LT-LEDS sets the stage for the country's carbon-neutral future and outlines a sustainable, low-emission growth roadmap. It presents priority actions for reducing GHG emissions in different economic sectors, including energy, building, transport, industry, agriculture, waste, land use, and forestry, and defines the vision for 2050 based on the projections of GHG emissions and removals from the GHG emitter and sink sectors aggregated into the total national emissions.

Georgia's updated NDC reflects the government's commitment to GHG reduction and decarbonisation. The unconditional emission reduction target in the updated NDC (35% below the 1990 level of the domestic total GHG emissions by 2030) exceeds those in the previous one by 7%, and the conditional target (50-57% of the total GHG emissions by 2030 compared to 1990) by 10-17%.

Ensuring energy independence is one of the main policy objectives of the Georgian government. According to the Georgian Electricity Market Operator (ESCO), the country's electricity consumption reached 14.8 billion kilowatt-hours in 2022, an increase of 3.8% compared to 2021. At the same time, in 2022, it generated 14.2 billion kilowatt-hours, 12.7% more than in 2021. At the same time, in 2022, it generated 14.2 billion kilowatt-hours, 12.7% more than in 2021. By 2030, energy consumption is expected to increase by almost 70% and reach 22 billion kilowatt-hours.

The government is implementing several hydroelectric, thermal, and wind stations to meet this increasing domestic energy demand. Technical and economic studies have been completed to construct the Gardabani 3 thermal power plant, with a total capacity of 350-430 MW. The thermal power plant will use new technology with a combined cycle of gas turbines. Additionally, as of 30 September 2023, 242 MoUs have been signed to construct 185 small and medium-sized hydropower plants, 22 wind and 35 solar power plants, with a total capacity of 2841 MW. Additionally, the government has plans to develop four high-capacity hydropower plants, and work is ongoing in this direction.

Georgia has developed an incentive scheme to support renewable energy sources through capacity auctions and price difference agreements. The scheme involves state support for energy projects for 15 years after the start of operation of the power plant. Under the scheme, the government will provide a guarantee between the contract price and the market price to companies ensuring the construction of new power plants in Georgia. This

applies to hydro and other renewable sources, such as solar and wind energy. The incentive scheme aims to ensure the construction of power plants with a total capacity of 1,500 MW over the next three years through auctions.

The first capacity auction under the renewable energy incentive scheme has been successfully completed, and 27 projects have been identified as winners to construct 15 hydroelectric power plants, two wind power plants and 10 solar power plants. In September 2023, the government approved feasibility study agreements with the companies that won awards in the first auction. One solar, two wind and seven hydropower plants, with a total installed capacity exceeding 165 MW and a total investment of USD 225 million, were presented to the government on 15 September 2023 for this purpose.

Within the last year and a half, Georgia has issued contracts to construct four power transmission line nodes to support the power infrastructure. Moreover, in December 2022, the governments of Azerbaijan, Georgia, Romania and Hungary signed an agreement 'On a Strategic Partnership in the Development of Green Energy and Transport', which, among other things, involves the construction of a power transmission line across the Black Sea. Once the project is implemented, a cable with a capacity of 1,000 MW and a length of 1,195 km will connect Georgia with the Eastern Balkans, allowing Georgia and Azerbaijan to supply electricity to Europe, considering hourly electricity market prices.

Sustainable land use and protecting forest cover are key priorities that the government aims to address while ensuring the country's energy security. The Law of Georgia on Determination of the Designated Purpose of Land and Sustainable Management of Agricultural Land of 2019 provides for the rational use and protection of land and the development of the land market. Similarly, the Law of the Forest Code of Georgia of 2020 regulates forest management and preservation, biodiversity conservation, and the targeted and rational use of forest resources.

AREAS FOR IMPROVEMENT

The government should set a date to achieve net-zero emissions and develop a roadmap with step-by-step economy-wide measures. It should frame a long-term policy and action plan to reduce methane emissions, which must be suppressed to a net-zero value in the future.

Foresight of policy and regulatory change

QUICK FACTS

The document, Main Directions of the State Policy in the Energy Sector of Georgia, adopted by the Parliament of Georgia on 24 June 2015, sets the national energy sector objectives.

The Government Program 2021-2024: Toward Building a European State was adopted in December 2020.

STRENGTHS

Georgia has a robust legal framework to support investments in the energy sector. The Law of Georgia on Energy and Water Supply governs electricity production, transmission, distribution and supply, including criteria and procedures related to procurement activities and obtaining permits for energy activities. It also regulates a wide range of legal relations relating to the operation and commissioning of infrastructure facilities, public services and the protection of the rights of consumers of energy services.

The Ten-Year Network Development Plan of Georgia for 2023-2033 (TYNDP), approved by the MoESD on 9 March 2023, aims to ensure that by 2033, Georgia's total energy capacity will increase to 9848 MW. Of this, 4348 MW will be from conventional hydroelectric power plants, 2887 MW from seasonal run-of-the-river hydroelectric power plants, 850 MW from wind power plants, 174 MW from solar power plants, 110 MW from gas-fired turbines, and 1479 MW from new combined cycle thermal power plants.

According to the MoESD, it is expected that the construction of hydroelectric power plants with an installed capacity of approximately 73 MW will be completed by the end of 2023, increasing domestic electricity production by more than 340 GWh annually. By 2024, the government plans to commission one wind power plant and nine hydropower plants. Moreover, on 16 May 2023, the MoESD, JSC Georgian Oil and Gas Corporation, Batumi Municipality City Hall, and the German development bank KfW signed an MOU for the development of a green hydrogen pilot plant and its full value chain. As a starting point, the government plans to undertake comprehensive technical-economic and other necessary studies for this project with financing from KfW.

Recently, the government approved rules for issuing the Certificate of Origin of Electricity from renewable sources. These rules provide for trading certificates of origin and encourage investment in the renewable energy market. Moreover, the Grid Rules approved by the Georgian National Energy and Water Supply Regulatory Commission (GNERC) oblige the transmission system operator to quantify the benefits of integrating higher renewable energy shares in the energy mix.

The JSC Georgian Energy Development Fund (GEDF) has been created to implement energy projects and attract foreign investors. The main goal of the GEDF fund is to promote the implementation of promising projects based on the use of renewable energy sources and search for potential investors. For example, a striking example is the successfully implemented project for the construction of the Kartli wind power plant. The success of this project has greatly stimulated interest in the exploitation of wind resources, which, according to the GNERC estimates, have a total potential of 1,450 MW and an average annual production potential of 4,160 million kWh.

The government ensures robust policy monitoring and evaluation and periodically informs citizens of its performance. Ministries and state agencies make financial and operational performance data available to the public. For instance, the MoESD has informed stakeholders through its official website about its approved and revised annual budget for 2022 and 2023, quarterly updates on the budget implementation, and the Annual State Procurement Plan of the MoESD for 2022 and 2023. The Ministry of Finance's website allows stakeholders to access statistics on the country's public debt, macroeconomic indicators, and government finance statistics.

AREAS FOR IMPROVEMENT

The first National Energy Efficiency Action Plan of Georgia 2019-2020 (NEEAP) has successfully guided the country toward achieving its energy efficiency targets. The government should now update the NEEAP and set new targets with an outlook beyond 2030. The new targets should be aligned with the country's upcoming NECP and existing policies for the energy sector.

Since Georgia is contemplating the production and use of hydrogen as an energy resource, it should already begin researching and mapping the country's potential in this area. Based on the findings, it should develop a long-term green hydrogen roadmap to attract private investments in this industry. Such a roadmap would be useful for policy-makers and potential market entrants in understanding the key implementation challenges, such as the high cost of production, investment in transport infrastructure, and the need for safety standards and regulations.

Management of decision-making processes

QUICK FACTS

- | The MoESD sets the strategic direction for the energy sector.
- | Enterprise Georgia, operating under the MoESD, is the country's investment promotion authority.
- | The General Administrative Code 1999 provides for access to information held by public authorities.

STRENGTHS

The government is committed to ensuring inclusivity in its policy and legislative decision-making process. It is guided by the Policy Planning, Monitoring and Evaluation Guide in this respect, which defines the policy development cycle and requires the involvement of stakeholders at each stage of the process to preserve the legitimacy of policy documents.

In line with the Policy Planning, Monitoring and Evaluation Guide, on 6 July 2021, the MoESD launched the long-term economic development vision of Georgia Economy - 2030, which aims for inclusive growth and intensive citizen engagement in the economic processes and sustainable development efforts. Moreover, in 2022, the government adopted Resolution no. 324 'On the Approval of the 2022-2023 Action Plan for the Implementation of the 2020-2025 Strategy of Decentralisation' to increase the role of local governments in the political decision-making process and reduce administrative burdens.

The MoESD ensures that policy and regulatory decisions are coordinated across different governance levels and stakeholders, including on transposing the EU energy acquis and the electricity sector reforms. To this end, in May 2022, the MoESD discussed the electricity sector reforms with the Parliamentary Committee on Sectoral Economics and Economic Policy. The main issues presented were structural changes to the power market for liberalisation and intensifying competition to attract investors in power generation while protecting consumers. The MoESD highlighted the activities carried out by all the agencies involved in the reform process since December 2019, such as separating system operators, opening the market, and institutional developments.

The government is engaging with international partners to ensure the sustainable development of the energy sector. On 26 July 2023, the First Deputy Minister of the MoESD met with representatives of the Ministry of Energy of Lithuania under the framework of the 'Georgian Energy Sector Reform Program' with the support of the EU and the German development bank KfW. The two sides discussed further cooperation in promoting green energy and energy efficiency in various economic sectors. Moreover, on 13 May 2022, the first meeting of the Joint Committee established within the Georgia-EFTA Free Trade Agreement was held in Geneva. During this meeting, the parties exchanged information on the agreement's implementation, particularly the trade and sustainable development chapter.

The government has created a comprehensive policy framework for ensuring fiscal transparency. In 2023, the Ministry of Finance released the Public Financial Management Reform Strategy (PFMRS) 2023-2026 to promote the rational use of financial resources and

support economic development. The PFMRS addresses several critical issues, including: budget and debt management; implementation of International Public Sector Accounting Standards (IPSAS) and financial statements in the public sector; improving the tax policy and administrations; effective macroeconomic analysis and modelling considering the changing external factors; continual monitoring, analysis and appropriate response to risks arising from macroeconomic, environmental and social factors, as well as contingent liabilities and quasi-fiscal operations; introducing internal financial control mechanisms; improving the accounting, reporting and auditing system of private sector enterprises; implementing international standards of reporting and auditing; and surveilling money laundering and financing of terrorism.

Apart from the PFMRS, the Ministry of Finance also produced the Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report for 2022, which was validated with the support of the EU and the World Bank, the Public Investment Management Assessment (PIMA) conducted in 2022 using the IMF's methodology, and the updated index of the Open Budget Survey 2022.

In 2022, the government adopted, through Resolution no. 273, the statute for detecting and preventing activities related to money laundering, financing terrorism, and proliferation of weapons of mass destruction. The Resolution establishes a permanent inter-agency commission to deal with the abovementioned issues and defines its mandate. The commission must submit to the government by 15 June 2022 a national strategy and action plan for 2022-2025 to deal with these matters. The national strategy and action plan should be updated once every three years. The commission must also develop and submit the national risk assessment report to the government by 10 November 2022.

AREAS FOR IMPROVEMENT

To deliver high-quality public services and streamline regulatory and licensing processes for businesses, the government may consider setting up a one-stop shop that assists foreign investors in undertaking businesses locally. The mandate can be vested in the existing investment promotion agency or a separate public entity.

To establish a direct link between a company and a specific individual to determine the company's ownership structure, the government should consider establishing a beneficial ownership register. This will help to minimise the risk of money laundering and terrorist financing, as well as improve the exchange of tax information and the tax administration of companies' commercial activities.

Rule of law

QUICK FACTS

Georgia ratified the Energy Charter Treaty in 1995.

Georgia has been a party to the Convention on the Settlement of Investment Disputes between States and Nationals of Other States since 1992.

Provisions protecting foreign investments from unlawful expropriation are included in the Law on the Procedure for Expropriation of Property upon the Urgent Necessity of Ensuring Public Needs 1997 and the Law on the Procedure for the Expropriation of Property for Pressing Social Needs 1999.

STRENGTHS

The government is working to strengthen the rule of law and provide investors with a robust legal and regulatory framework for carrying out their operations in the country. On 1 January 2022, the Law of Georgia on Entrepreneurs became effective and replaced its predecessor from 1994. The new Law, which is based on the EU's directives in this respect, aims to create a streamlined and transparent legal framework for corporations operating in the country.

The government of Georgia is taking steps to popularise and encourage alternative dispute resolution mechanisms to resolve commercial and investment disputes, including in the energy sector. The Law of Georgia on Mediation came into effect on 1 January 2020 to facilitate access to justice, ensure the speedy disposal of disputes, and relieve the courts from resolving such disputes where mutual agreement is possible. Moreover, on 20 July 2021, the first international forum, Mediation for Business, was held online. The Association of Mediators of Georgia and the Office of the Business Ombudsman of Georgia organised the forum under the USAID programme, Supporting the Rule of Law in Georgia.

The GNERC has signed an MoU with the Association of Mediators of Georgia to promote mediation. Per this MoU, the parties have agreed to exchange information, plan and develop joint projects, and organise events, round tables, conferences and other activities. The GNERC has also signed an MoU with the Energy Ombudsman Service (EOS) and the Legal Assistance Service (LSA) to guarantee the rights of consumers in the electricity, natural gas and water supply sectors. Under the provisions of this MoU, the LSA will offer its services to energy and water consumers. It will also provide meeting space in legal bureaus and consulting centres to the EOS and the GNERC so they can conduct consultations with consumers. In turn, the GNERC and the EOS will keep the LSA abreast of the regulations and practices in the energy and water supply sectors to provide accurate advice to consumers.

The Constitution of Georgia protects property rights, including property possession, acquisition, disposal and inheritance. The Constitution permits the restriction or annulment of the right of private property only in cases of extreme social necessity provided for by law. The

Law on the Procedure for the Expropriation of Property for Pressing Social Needs establishes the rules for expropriation in Georgia. It allows for expropriation for certain listed public needs, establishes a mechanism for valuation and compensation, and provides for judicial review of the valuation at the option of either party. The Law of Georgia on Investments allows the expropriation of foreign investments only with appropriate compensation. Article 8 provides that compensation for deprived investments shall be the equivalent of 'real market value' immediately before the taking and shall be freely transferable abroad.

Georgia has signed 38 BITs, of which 32 countries are in force. The BIT signed between Georgia and Turkey grants protection to the energy sector through its Articles One and Five. Georgia has five treaties with investment provisions in force. Most BITs establish a process for determining compensation in the event of expropriation. For instance, the BIT with Switzerland stipulates that compensation shall amount to the market value of the investment expropriated immediately before the act of expropriation was taken or became public knowledge, whichever is earlier. The amount of compensation, with interest at a normal commercial rate included, shall be settled in a freely convertible currency and paid without delay to the affected person without regard to their residence or domicile.

BITs signed by Georgia consider intellectual property as an 'investment'. Protection is granted to investments against compulsory and arbitrary expropriation through the unqualified operation of MFN and NT obligations.

AREAS FOR IMPROVEMENT

While the legal framework protecting foreign investors against expropriation is robust, more attention could be given to protecting intellectual property rights against expropriation. While there is no exclusion to intellectual property rights listed in the relevant legislation, the definitions of 'pressing public needs' and 'urgent public necessities' relate only to immovable property. In light of this, it may be considered to extend the scope of protection to intangible rights of foreign investors in the national law.

Regulatory environment and investment conditions

QUICK FACTS

The GNERC regulates the electricity and gas sub-sectors. The State Agency of Oil and Gas regulates oil and gas operations following the main directions of state policy set by the MoESD.

In 2020, the government adopted the Concept Design for the Georgian Electricity Market, which outlines measures for organising a competitive wholesale electricity market.

The Law on Promotion and Guarantees of Investment Activity 1996 governs the establishment and promotion of investments.

STRENGTHS

The government of Georgia is committed to strengthening energy regulation, including improving the corporate governance and commercial operations of state-owned enterprises. In this context, between 2022 and 2025, it aims to develop a strategy for reforming state enterprises, which will form the basis of a framework legislation regulating state enterprises and introducing corporate management standards following the Organisation for Economic Cooperation and Development (OECD) recommendations. In 2023, MoESD published its summary report on the public consultations held on the 2023-2026 strategy on the comprehensive reform of state enterprises.

Efforts are underway to enhance the technical expertise in the field of renewable energy. In this context, in August 2023, per the Law of Georgia on Promotion of Production and Use of Energy from Renewable Sources (RES Law), the MoESD organised a training programme for 34 renewable energy installers on the installation of various renewable energy devices, including solar thermal systems, small-scale biomass boilers and stoves, solar PV systems, and surface geothermal and heat pumps.

The GNERC is progressing with the electricity sector reforms. In May 2022, it granted the Georgian Energy Exchange a licence to operate the day-ahead and intraday markets. At the same time, the Georgian State Electrosystem (GSE) was provided with a licence to operate the balancing and ancillary services markets. In July 2022, the GNERC approved the Rules for the Bilateral Contract Market and updated the Rules for Balancing and Ancillary Services Market.

Georgia continues to be an attractive destination for foreign investors. According to the MoESD, in 2022, Georgia's FDI inflow increased by 61.1% compared to 2021, reaching USD 2 billion, contributing to 8.1% of the GDP (up from 6.7% in 2021). The EU's share in the FDI stood at 43%. The government has established an attractive investment regime with no restrictions on the repatriation of capital and profits, double taxation treaties with 57 countries, and only six taxes applicable to foreign investments. In 2017, the government substantially reformed the corporate tax regime in line with Estonia's profit tax model, according to which undistributed profits are exempt from profit tax.

The government has introduced attractive conditions to promote the development and deployment of renewable energy. Investors are free to negotiate the selling price of electricity and choose the buyer in the open market.

Project developers do not have to pay a fee for connecting to the transmission grid, and there is no requirement for a licence to export electricity. At the same time, all renewable electricity generation and export activities are VAT-exempt. As of May 2022, all hydropower plants of less than 65 MW capacity have been deregulated, and the government plans to further deregulate those below 75 MW by May 2024.

The government is engaging with several countries to establish cooperation on investment and trade. On 10 October 2023, Georgia signed the Economic Partnership Agreement with the United Arab Emirates to deepen trade and investment cooperation. Moreover, on 25 and 26 July 2023, the government representatives of Canada and Georgia attended the sixth round of negotiations on the draft Investment Promotion and Protection Agreement. On 7 July 2023, the first meeting of the joint commission of the free trade agreement between the governments of Georgia and the People's Republic of China was held in Tbilisi to discuss the implementation of this agreement during its first five years and the progress achieved through this economic cooperation. Moreover, on 1 July 2023, the third ministerial meeting of the governments of Georgia, Azerbaijan, Romania and Hungary was held under the purview of agreement on strategic partnership in green energy development and transmission.

AREAS FOR IMPROVEMENT

The government is encouraged to continue the ongoing electricity and gas market reforms. To give its efforts impetus, it should ensure the launch of the Georgian Electricity Exchange before 1 July 2024, as this has already been postponed four times since March 2023. It may consider setting a roadmap with definitive timelines for the exchange's launch to ensure its timely implementation.

The GNERC should gradually start phasing out implicit cross-subsidies in the electricity sector to attract investments in energy infrastructure, energy-efficient technologies, and renewable energy sources. At the same time, it should accelerate the deployment of smart meters and create greater awareness among consumers on demand-side management measures to ensure higher energy savings. It should also explore options for increasing the grid's flexibility through dispatchable electricity generation and investment in energy storage solutions.

INDICATOR 1

Improvements proposed in 2022

Adopt a climate change action plan that sets long-term emission reduction targets and strategies for achieving these targets.

Fully implemented. Georgia submitted its LT-LEDS to the UNFCCC Secretariat on 25 July 2023.

Improvements proposed in 2023

Set a date to achieve net-zero emissions and develop a long-term policy and action plan to reduce methane emissions, which must be suppressed to a net-zero value in the future.

Improvement suggested in 2023. Status will be updated in 2024.

INDICATOR 2

Improvements proposed in 2018

Finalise and adopt the Energy Strategy 2020.

Fully implemented. In 2019, the Energy Strategy of Georgia 2020-2030 was launched.

Finalise and adopt the new draft Energy Law in line with the Third Energy Package.

Fully implemented. On 20 December 2019, the Law of Georgia on Energy and Water Supply was adopted.

Create a defined framework for monitoring and evaluation of policy implementation.

Fully implemented. In 2019, the government of Georgia adopted Resolution no. 2629 'On the approval of the rules for the development, monitoring and evaluation of policy documents'.

Improvements proposed in 2020

Adopt the Energy Performance of Buildings Law and the Energy Efficiency Law.

Fully implemented. The Energy Efficiency Law and the Energy Performance of Buildings Law were adopted on 21 May 2021.

Adopt a climate change action plan that sets long-term emission reduction targets and strategies for achieving these targets.

Fully implemented. The government adopted the National Climate Change Strategy 2030 (CSAP) and its Action Plan 2021-2023 (CAP) in April 2021.

Improvements proposed in 2022

Update the National Energy Efficiency Action Plan and set new targets with an outlook beyond 2030.

Pending

Develop a long-term green hydrogen roadmap to attract private investments in this technology.

Pending

INDICATOR 3

Improvements proposed in 2018

Set-up a one-stop shop dedicated to the energy sector.

Work ongoing. The Investment Division of Enterprise Georgia acts as the moderator between foreign investors and the Georgian government, ensures access to updated information, provides a means of communication with government bodies, and serves as a 'one-stop shop' to support investors throughout the investment process.

Make official translations of policies, laws, and regulatory decisions available in foreign languages relevant to investors.

Work ongoing and partially implemented. English translations of some policies and laws are available, but not all of them are official or consolidated versions.

Improvements proposed in 2019

Create a legal requirement for public consultation of draft laws and policies.

Fully implemented. Legal provisions to such effect are included in the Law of Georgia on the Promotion of Energy Production and Use from Renewable Sources, as well as in the Government of Georgia Resolution no. 2629 (2019) and Resolution no. 35 (2020).

Improvements proposed in 2022

Establish a beneficial ownership register for companies operating in Georgia.

Pending

INDICATOR 4

Improvements proposed in 2020

Extend the scope of protection to intangible rights of foreign investors in the national law.

Pending

INDICATOR 5

Improvements proposed in 2018

The GNERC's board members and the State Audit Office of Georgia should be publicly announced; create a legal provision restricting the tenure of GNERC board members to a one-time renewal.

Work ongoing and partially implemented. The Law on Energy and Water Supply of Georgia provides for this.

Adopt a law clarifying foreign ownership over agricultural land.

Fully implemented. The Law on the Ownership of Agricultural Land was adopted on 25 June 2019.

Improvements proposed in 2020

Consider reinstating the six-year tenure of the GNERC's Chairman from the current rule of three years.

Pending

Improvements proposed in 2022

Gradually phase out implicit cross-subsidies in the electricity and gas sectors.

Pending

Accelerate the deployment of smart meters and create greater awareness among consumers on demand-side management measures to ensure greater energy savings.

Pending

Explore options for increasing the grid's flexibility through dispatchable electricity generation and investment in energy storage solutions.

Pending

Improvements proposed in 2023

The government should ensure the launch of the Georgian Electricity Exchange before 1 July 2024. It may consider setting a roadmap with definitive timelines for the exchange's launch to ensure its timely implementation.

Improvement suggested in 2023. Status will be updated in 2024.



Guatemala

Population ¹	17,357,886
Area (km ²) ¹	108,890
GDP per capita (USD) ¹	5,473.21
TES (Mtoe) ²	16.13
Net energy imports (Mtoe) ²	6.49
Share of renewable sources in TES ²	0.64
CO ₂ /TES (tCO ₂ per TJ) ²	27.08

Data by Orbis Crossborder Investment on completed energy projects and deals from 2015-2023³

Target industry	Number of projects and deals	Project CapEx and deal value (million EUR) by source country
Electric power generation, transmission and distribution	1 acquisition deal	Singapore: 1 TD deal of 445.72 mEUR

Sources:

1. The World Bank 2021 (area) and 2022 (population and GDP per capita).
2. ©IEA (2023). World Energy Balances (<https://www.iea.org/data-and-statistics>). All rights reserved. Data refer to the year 2021.
3. Orbis Crossborder Investment (2023), Bureau Van Dijk. Data represents the period 1 April 2015 - 1 April 2023.
For more information see Annex III of this report.

TD: Transmission and Distribution of electricity

Guatemala’s overall risk level against the assessed areas is **low**.

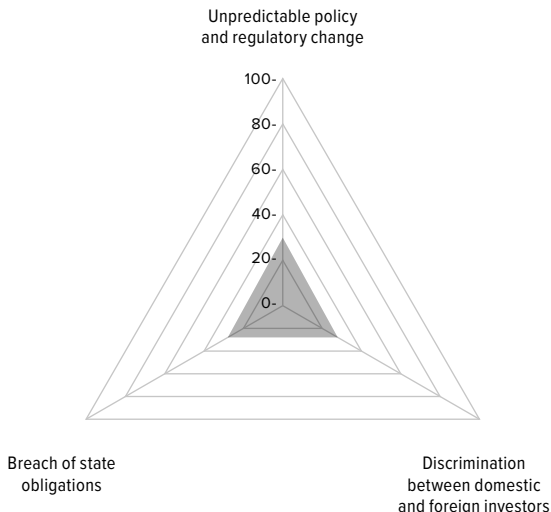
Among the three risk areas, the risks of *discrimination between foreign and domestic investors* and *breach of state obligations* are lower than the risk of *unpredictable policy and regulatory change*.

Guatemala has a good performance on all the EIRA indicators. The highest-scoring indicator is *regulatory environment and investment conditions* at 78, followed by *rule of law* at 71. It has scored 68 on the indicators *management of decision-making processes* and *foresight of policy and regulatory change*. *Framework for a sustainable energy system* is the lowest-scoring indicator at 67.

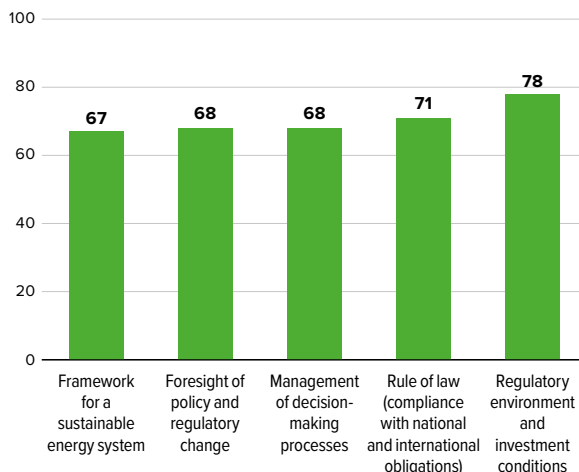
Guatemala’s sub-indicator performance is good. The highest-scoring sub-indicators are *restrictions on FDI* at 85, *policy planning on clean energy transition* at 79, *regulatory independence* at 76, *institutional governance* at 75, *respect for property rights* at 74, *electricity industry market structure and competition* at 71, and *communication of vision and policies* at 70. It has a score of 68 on the sub-indicator *management and settlement of investor-state disputes*, 67 on *robustness of policy goals and commitments*, 65 on *enabling measures to support clean energy transition*, 64 on *environmental protection, human rights and gender* and 61 on *transparency and anti-corruption measures*. The lowest-scoring sub-indicator is *energy resilience*, with a score of 60.

The legal and regulatory risks associated with energy investments are low in Guatemala. At the same time, it should implement further measures to strengthen the resilience of the country’s energy system.

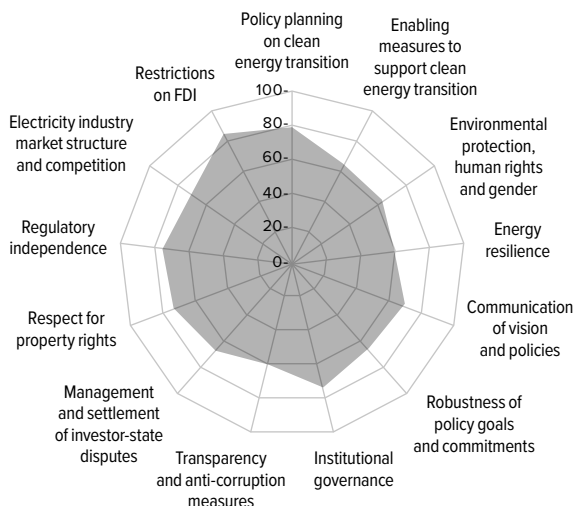
RISK LEVEL



INDICATOR PERFORMANCE



SUB-INDICATOR PERFORMANCE



Framework for a sustainable energy system

QUICK FACTS

Guatemala ratified the Paris Agreement on 25 January 2017 and submitted its updated NDC to the UNFCCC Secretariat on 23 May 2022.

Guatemala submitted its LT-LEDS to the UNFCCC Secretariat on 6 July 2021 and its National Adaptation Plan on 21 September 2021.

In 2013, Guatemala enacted Decree No 7-2013 Climate Framework Law, which is implemented through regular National Climate Change Action Plans.

STRENGTHS

Guatemala has set an unconditional target to reduce its total GHG emissions by 11.2% compared to 2005 in the BAU scenario and a conditional target of 22.6% by 2030. The updated NDC aims to ensure that 80% of the power generation is from clean energy sources by 2030 and promote e-mobility and biofuels to reduce emissions by 2.5 MtCO₂e.

Although Guatemala contributes only about 0.08% to global GHG emissions, it faces high vulnerability to climate change. For this reason, the government has developed a comprehensive policy framework to address the issue. The National Climate Change Policy promotes practices on risk prevention, vulnerability reduction, lowering national GHG emissions, improving the quality of life of inhabitants and strengthening its capacity to influence international negotiations on climate change. With support from USAID, the government has also prepared the National Strategy for Development with Low GHG Emissions, with options for reducing GHG emissions across several sectors, including energy, transport, industry, solid and liquid waste, agriculture and livestock, forestry and other land uses.

The Ministry of Environment and Natural Resources (MENR) plans to develop an incentive programme encouraging voluntary activities to reduce or absorb GHG emissions. Legal provisions in force to incentivise reduced GHG emissions include Article 21 of Decree 7-2013 Climate Change Framework Law, which allows activities and projects that generate certificates of removals or reduction of GHG emissions to access voluntary and regulated carbon markets, as well as other bilateral and multilateral compensation and payment mechanisms for environmental services.

In 2023, the government approved the National Energy Efficiency Policy 2023-2050, which aims to guide the efficient management and use of available energy resources. It is also taking policy measures to make the transport sector sustainable and start using a 10% ethanol blend in gasoline in 2024. The recently approved Decree 40-2022 Law on Incentives for Electric Mobility promotes and facilitates the sale, import, and use as means of transportation, of electric, hydrogen, and hybrid vehicles that are imported, assembled, or produced in Guatemala.

Decree 68-86 Law of the Protection and Improvement of the Environment (as amended by Decree 1-93) requires all activities that detrimentally affect the environment, landscape and cultural heritage to undergo an environmental impact assessment (EIA) study before development. Public officials who omit the EIA requirement are personally responsible for the breach of duties. Project

developers who fail to conduct an EIA are subject to a fine of 5,000 to 100,000 Guatemalan quetzales (GTQ).

The National Energy Policy 2013-2027 (NEP) seeks to increase the country's forest cover by 10%. At the same time, the National Energy Plan 2017-2032 aims to ensure the reduction of 15,766,996 tons of firewood for energy use. Moreover, Guatemala's updated NDC anticipates that by 2025, at least 1,500 hectares of mangrove ecosystems will be restored and reforested, with the participation of local communities, indigenous peoples, women's groups, and youth. It also envisages that by 2025, forests cover 32% of the national territory (3,479,124 hectares), and indigenous and non-indigenous women manage at least 30% of these.

Agriculture is a priority sector for climate change mitigation and adaptation. The updated NDC envisages that by 2025, the government will implement soil conservation measures in an additional 19,500 hectares to those existing in the 2020 baseline. By the same year, the agricultural area under irrigation systems should increase by at least 4,500 hectares. Moreover, by 2025, Guatemala will present at least one project proposal addressing sustainable livestock to international funds for climate financing.

The Ministry of Energy and Mines (MEM) informs the public of the annual national energy balance and prepares monthly reports monitoring GHG emissions from the energy sector. The methodology used to calculate GHG emissions is based on that used by the Intergovernmental Panel on Climate Change (IPCC), which allows better control of compliance with actions that promote the energy sector to mitigate emissions from each sub-sector. The monthly reports show emissions from the energy sector by type of fuel used.

AREAS FOR IMPROVEMENT

The government may consider making corporate social responsibility in climate change mitigation and adaptation a legal requirement. Public and private corporations must be obliged to develop roadmaps for achieving net-zero emissions and the mechanisms, such as carbon offset or removal, that will be utilised to achieve this target. At the same time, public and private sector banks should develop individual long-term plans to limit and eventually end financing for coal-fired power plants. They should also be legally required to progressively increase funding for clean energy technologies and report annually on this to the government.

Foresight of policy and regulatory change

QUICK FACTS

- | The K'atun National Development Plan 2032 constitutes the country's long-term national development policy.
- | The NEP 2013-2027 aims to make Guatemala more competitive and efficient and ensure the sustainable use and exploitation of resources. The National Energy Plan 2017-2032 supports the country's efforts in implementing the NEP.
- | The Energy Policy 2019-2050 reaffirms the goals set in the NEP and sets new long-term objectives and sector goals for the MEM to develop.

STRENGTHS

Guatemala has set detailed short- and long-term policy targets for the energy sector. The NEP seeks to ensure 80% renewable generation by 2027, support investment in 500 MW of renewable electricity, increase the transmission network by 1,500 km at different voltage levels, and promote energy savings of 25% in the industry and commerce sector. The contribution of renewables to the country's energy matrix is expected to be 70% in 2027 and 64% in 2032.

The National Energy Plan 2017-2032 sets targets for the priorities mentioned in the NEP. By 2032, it intends to expand the share of geothermal energy by 3.34 GWh, incorporate 128.38 MW of non-conventional resources in the energy mix, integrate 12.52 MW of self-generated power, reduce 15,766,996 tons firewood for energy use, deploy 4,447 electric vehicle units in the country's vehicle fleet and lower electricity consumption in the residential sector by 18%, equivalent to 684.16 GWh.

The National Energy Efficiency Plan 2019-2032 defines the pathway to reduce energy consumption by 69,790 TJ by 2032, compared to the BAU scenario, representing a 15.1% decrease in the country's energy consumption. At the same time, the Rural Electrification Policy 2020-2050 and its supporting Indicative Rural Electrification Plan 2020-2050 aim to achieve 93.5% electrification by 2023, 95% by 2027 and at least 99.99% electricity coverage before 2032. Notably, the MEM informed the public that as of July 2023, the country's electricity coverage reached 90%, integrating more than 51,000 new homes into the energy distribution network.

The Indicative Expansion Plan of the Generation System 2022-2052 (IEP) expects to ensure 80% renewable power generation by 2027 and contains a comparative analysis of investment costs, installed capacity, deficit and marginal costs for ten probable scenarios. In the scenarios promoting 80% renewable electricity by 2027, the CO₂e emissions are expected to reduce by 44% compared to the BAU scenario. The Transmission System Expansion Plan 2022-2052 presents a long-term vision for developing the sub-sector based on the average life of critical transmission assets, consistency with strategic instruments in energy matters, expected population growth and reaching the goal of universal electrification.

The government's efforts to reach these targets are producing notable results. Between 2005 and 2020, renewable energy sources' contribution to power generation increased from 3,680 GWh (50.80% of the total generation mix) to 8,373 GWh (69.3%). From 2019 to 2022, 80.47 MW of actual installed capacity was added to the National Interconnected System (SNI), 97% of which was

from renewable energy sources. Due to the seasonality of most renewable power plants, non-renewable power still contributes to meeting the base demand. However, between 2005 and 2021, the percentage of non-renewable energy sources in electricity generation decreased from 48.80% to 22.8%. In 2022, Guatemala generated about 12,025 GWh of electricity (9,416.62 GWh from renewable energy sources and 2,608.08 GWh from non-renewable sources), representing a growth of 0.83% compared to 2021. Almost 78.31% of the total power generated in 2022 was from renewable energy sources.

Generation through hydro resources has been one of the fastest growing, increasing from 2,920 GWh in 2005 to 5,816.54 GWh in 2020. According to the IEP, in 2020, GHG emissions were reduced by 51% compared to 2019 due to an increase in the share of hydroelectricity in the power generation matrix. The National Energy Plan indicates that the country is yet to utilise about 4,690 MW of hydropower, 966 MW of geothermal resources and 204.12 MW of wind power. In line with these projections, the government is scaling up the use of these resources. In 2022, hydropower accounted for 58% of the total power generated, while the share of biomass was 14%, followed by geothermal, wind and solar. Guatemala exported 974.2 GWh in 2022, of which approximately 96% went to the regional electricity market and the rest to Mexico.

In May 2023, the MEM produced the Report on Monitoring and Evaluation of the Electricity Subsector of Guatemala for 2022. The Report contains information on the national macroeconomic performance and the electricity market operations, including the installed power generation capacity, actual electricity generation, international transactions, electricity demand, energy prices and utility tariffs. Moreover, on 15 July 2023, the government released its First Semi-Annual Report for January to June 2023, which integrates the progress made by public authorities in implementing the objectives outlined in their respective work plan for 2023. Among other things, this Report provided information on the improvements made by the MEM toward rural electrification in San Mateo Ixtatán.

AREAS FOR IMPROVEMENT

The government is encouraged to develop a policy framework creating a technically, economically and financially conducive environment for energy storage solutions, supporting greater investment in new storage technologies, and ensuring higher integration of variable renewable energy into the electrical system through battery energy storage systems.

Management of decision-making processes

QUICK FACTS

As per Decree 114-97 Law of the Organisation of the Executive Body, the MEM is responsible for formulating and executing policies and plans for producing, distributing, and commercialising energy and hydrocarbons, and exploiting mining resources.

The MENR develops and implements policies concerning the conservation, protection, sustainability and improvement of the environment and natural resources.

The Ministry of Economy is responsible for developing and promoting internal and external trade, consumer protection, fair market competition, national and foreign investment, and limiting the operation of monopolistic companies.

The Constitution of Guatemala and Decree 57-2008 on the Law on Access to Public Information establish and recognise the right of individuals to obtain public information from administrative authorities.

STRENGTHS

The government of Guatemala is committed to transparency and public accountability in political and budgetary decision-making. In June 2023, the Ministry of Public Finance held the Open Budget 2024 event, during which the MEM presented the utilisation of the GTQ 97 million allocated to ongoing programmes in the energy and extractives sectors and consultations with indigenous communities on projects under the MEM's mandate. It also announced that in 2023, the number of households with electricity access increased by 1.86 percentage points.

Guatemala's economic performance has been strengthening progressively. According to the Bank of Guatemala, taking as a reference the price of the quetzal in 2013, Guatemala's estimated GDP in 2021 was GTQ 544,485 million, representing a growth of 7.5% compared to the previous year. In terms of GDP by production activity, in 2022, the electricity and water supply sector grew by 4.4% compared to 2021, with an estimated value of GTQ 15,926.29 million at 2013 prices. Notably, this sector has maintained its growth trend for the last three years.

The MEM makes weekly reports on the electricity market performance available to the public. In 2023, in line with public accountability requirements under national laws and regulations, the MEM published the Report on Transparency and Efficiency in Public Spending for the first quarter of 2023, its Annual Purchasing Plan for 2023, the Accountability Report 2023, General Standards for Centralized Budget and Financial Execution 2023, General Standards for budget execution under the MEM Resolution no. 325-2023 and the Quarterly Management and Accountability Report for the first quarter of 2023.

Through its Decision No. 532-92, the government has established the Investment Office (IO) of the Ministry of Economy as a One Stop Window for Investment to facilitate the ease of doing business in the country. All government institutions must cooperate with the IO to centralise investment-promotion efforts and inform the IO of all matters pertaining to foreign investments. The

Law on Foreign Investment 1998 requires that the IO has a dedicated budget under the state's General Income and Expenditure Budget to meet its annual operating expenses. The IO may also receive donations and voluntary contributions from individuals or legal entities, national or international. It may also utilise funds generated from fees collected for the services it renders.

In June 2022, the President of the Republic inaugurated the Single Window for Investments as a virtual tool that will serve as a single point of query for enterprises that wish to establish businesses in Guatemala. The tool simplifies, harmonises and automates administrative procedures and provides potential investors with up-to-date information for procedures applicable to different regions. The single window also aims to facilitate communication between the public and private sector entities and, at the same time, serve as an inter-institutional focal point to ensure project developers comply with the necessary requirements to operate in Guatemala.

Laws and regulations are available on the websites of the relevant ministries. For instance, the MEM has published all the laws relevant to its institutional framework and management, the energy sector, the hydrocarbon sector, the mining sector, and sustainable development on its website. The National Electric Energy Commission (CNEE) has uploaded on its website all regulations issued by it, along with all relevant laws and applicable rules, the monthly rates charged by different distributors, and the calculation methodology employed for these rates.

AREAS FOR IMPROVEMENT

The government should adopt a law enforcing beneficial ownership disclosure requirements on companies operating in the country to ensure higher transparency and accountability. This should be coupled with a publicly accessible register that provides the public with information on the ultimate beneficial ownership of companies and supporting documentation. The register should be updated periodically and upon any change.

Rule of law

QUICK FACTS

- | Guatemala signed the International Energy Charter political declaration on 25 November 2016.
- | The Convention on the Settlement of Investment Disputes between States and Nationals of Other States entered into force for Guatemala on 20 February 2003.
- | Guatemala acceded to the New York Convention on 21 March 1984.

STRENGTHS

Guatemala grants foreign investors access to alternative dispute resolution mechanisms to resolve disputes with the state in line with international best practices. To this end, on 8 December 2022, it signed a cooperation agreement with the Permanent Court of Arbitration (PCA) to reinforce their relationship and promote the use of arbitration and other dispute settlement mechanisms for international disputes. The agreement also aims to facilitate open dialogue between the government and the PCA and strengthen Guatemala's role in the context of the Hague Convention of 1899 and the 1907 Convention for the Pacific Settlement of International Disputes.

While foreign investors have access to international arbitration, Guatemala is also committed to providing them with effective recourse through its judiciary. Domestic courts recognise and enforce foreign judgments based on reciprocity as per Articles 344 and 3454 of the Civil and Mercantile Procedural Code of Guatemala. Domestic laws require the national courts to resolve cases within specified time limits.

The Political Constitution of Guatemala safeguards the property of foreign investors against arbitrary acts of expropriation. Its Article 40 states that the state may expropriate private property only for reasons of duly proven collective utility, social benefit, or public interest. Acts of expropriation are subject to legal proceedings. The expropriated property must be evaluated by experts, taking its actual value into account. Before the expropriation is affected, compensation must be made in legal tender unless another form is agreed upon with the interested party. The domestic law shall determine the form of payment of compensation for the expropriation of idle land. In no case will the deadline to make such payment effective exceed ten years.

Article 6 of the Foreign Investment Law 1998 further establishes that the state may not directly or indirectly expropriate an investment of a foreign investor. Any such measure must, in all cases, be on a non-discriminatory basis, following due process, and with prior and effective compensation, except for cases specified in the Political Constitution where the state must provide compensation before effecting the expropriation. Article 10 of the Foreign Investment Law states that such compensation must include the value of the property and any damage, deterioration, and expenditures resulting from the expropriation, such as payment for delays. Interest shall accrue on the compensation amount from the date of expropriation or loss until the actual date of payment. The interest must be equal to the average bank lending rate

of interest published by the banking system on the date before such rate is determined. If the rate is not published or there is any ambiguity in this respect, then the Office of the Bank Examiner shall issue a report on the matter, and the report's conclusions shall be final.

Guatemala has bilateral investment protection agreements with investor-state dispute settlement mechanisms, including the energy sector with 19 countries. These BITs provide for robust protection of foreign investments. For instance, Article 6 of the BIT signed between Guatemala and Türkiye (2015) requires that the compensation shall be payable in a freely convertible currency in the case of expropriation. In case the payment is delayed, it must include an applicable interest rate from the date of expropriation until the date of payment. Similar provisions are included in other BITs, such as the ones with Trinidad and Tobago (2013), Austria (2012), Israel (2006), Finland (2005), and Switzerland (2002).

Investment protection extends to intellectual property rights through the unqualified application of the MFN and NT provisions under the BITs signed with Turkey (2015), Austria (2012), Israel (2006), Finland (2005), and Switzerland (2002). At the same time, neither the domestic laws nor the international investment agreements signed by Guatemala require the mandatory transfer of technology.

AREAS FOR IMPROVEMENT

Guatemala is looking to attract foreign investment in several sectors, including energy. As a result, it must make efforts to mitigate the risk of potential disputes between foreign investors and the State by establishing early warning and dispute prevention mechanisms to address investors' grievances in a timely and coordinated manner. As a starting point, it should consider establishing a business ombudsperson to handle the grievances of foreign investors against public authorities. It should also appoint a central authority that maintains a database of investment treaties, contracts, and special undertakings with foreign investors. This authority should maintain real-time information on the foreign investors operating in the country and historical data on investor grievances. The government can seek support in this respect by implementing the Energy Charter Secretariat-World Bank's joint project 'Enabling Foreign Direct Investment in the Renewable Energy Sector Reducing Regulatory Risks and Preventing Investor-State Conflicts', which aims to assist states in retaining and attracting much-needed investments in the country.

Regulatory environment and investment conditions

QUICK FACTS

The MEM is responsible for applying the General Electricity Law 1996 and its supporting regulations.

The General Electricity Law 1996 created the CNEE as a technical body of the MEM, with functional independence for exercising its powers.

The Wholesale Market Administrator (AMM) is a private, non-profit entity coordinating transactions between the market participants.

In July 1997, the governments of Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama signed the Framework Treaty for the Creation of the Regional Electrical Market (MER).

STRENGTHS

Guatemala's General Electricity Law 1996 liberalised the country's electricity market. It deregulated power generation and removed the requirement for power producers to obtain special permits for conducting activities (except for nuclear power generation projects and hydroelectric and geothermal projects exceeding 5 MW). Likewise, it liberalised power transmission and distribution activities except for companies using public installations or public land to provide transmission and distribution services. While market forces determine power generation prices, the government sets transmission tolls and distribution tariffs to avoid monopolistic practices. The General Electricity Law 1996 requires distribution companies to allow all consumers to connect to their distribution lines in exchange for toll payments, provided there is available capacity.

Currently, six generators account for the country's majority share of electricity generation. The transmission system is primarily state-owned and operated, with eight private transmission companies participating in the principal and secondary transmission systems. There are 19 distributors in Guatemala, including 16 municipal companies providing distribution services within their jurisdictions.

The wholesale electricity market is divided into two segments: the long-term market, which runs on Power Purchase Agreements (PPAs) agreed between power generators and suppliers and the spot market, which determines electricity prices by the hour. The wholesale electricity and capacity markets are open to cross-border trading. Parties that can participate in the wholesale electricity and capacity market are (1) power producers with an installed capacity of at least 10 MW, (2) distribution companies with at least 2,000 customers, (3) transmission companies with connections to power plants exceeding 10 MW capacity, (4) energy brokers, including importers and exporter, buying or selling at least 10 MW power, and (5) wholesale electricity buyers. While it is not mandatory to participate in the wholesale market, all entities functioning within the electricity sector must abide by the rules set by the AMM.

Distribution companies, wholesale buyers and brokers may buy and sell capacity only under medium- or long-term PPAs. Distribution companies can enter into PPAs only through public auctions organised by the CNEE. Any distribution company looking to enter into a PPA must commit to at least 100% of their projected capacity needs for the current year and the following year.

The General Electricity Law 1996 sets out the institutional arrangements for regulating the energy sector. It grants considerable functional and financial independence to the CNEE in performing its functions as the market regulator. It mandates the CNEE to have its own budget and funds, which it should utilise solely to fund its activities. The CNEE must meet its financial needs through the operational fees it levies based upon the monthly power sales of distribution utilities, each of which should pay to the CNEE every month a liquid sum equal to 0.3% of total electric energy distributed in the month times the kilowatt-hour price of electricity according to the Guatemala City residential rate schedule. The CNEE can spend its revenues within the limits prescribed by the General Electricity Law 1996 and the Guatemalan Constitution.

The government is making considerable efforts to ensure the connection of electricity consumers to the grid, particularly vulnerable consumers. For this purpose, the parliament enacted the Law for Strengthening the Social Contribution to the Electric Rate, which became effective in January 2023. Per this Law, the National Institute of Electrification (INDE) may offer an additional contribution to users of the social rate. The Law extends this additional contribution from January 2023 to June 2023 for users benefitting from a monthly subsidy of up to 125 kWh. According to the government, the Law will potentially benefit almost 447,544 homes, translating into 74.38% of the electricity users serviced by the three largest electricity distributors in the country.

Guatemala has an open legal and regulatory regime concerning foreign investments. According to the Bank of Guatemala, as of March 2023, the total FDI inflow into the country was USD 394.6 million, up from USD 303.9 million in March 2022. In March 2023, Mexico contributed the most to FDI inflow in Guatemala, with USD 79.6 million (20% of the total). Following Mexico was the United States with a contribution of USD 52.1 million (13.2%), and Luxembourg with a contribution of USD 51.6 million (13.1%). As of March 2023, the electricity, water and sanitation supply sector received USD 48.4 million as FDI (12.3% of the total FDI inflow), up from USD 23.1 in March 2022. In 2022, private sector initiatives accounted for 81% of power generation. Although Guatemala is already producing more than 78% of its electricity from renewables, according to the Indicative Expansion Plan of the Generation System 2022-2052, complying with the ambitious 80% renewable energy share in the generation mix by 2027 will require USD 563 million more in investment than the BAU scenario.

The Constitution of the Republic of Guatemala protects the rights of domestic and foreign investors operating in the country. In 1998, Guatemala enacted the Foreign Investment Law, which grants foreign investors the same treatment as domestic investors in undertaking economic activities within the country. The Law expressly prohibits discrimination against a foreign investor or their investment.

The Foreign Investment Law 1998 states that foreign investors may have an ownership interest in any economic activity lawfully carried out in Guatemala and may own share capital in any proportion or percentage in profit-making companies incorporated under the country's laws. Moreover, foreign investors have free access to buy and sell available foreign currency and free currency convertibility. They may transfer abroad funds in freely convertible currency related to their invested capital or resulting from the voluntary dissolution and liquidation or sale of the foreign investment, remit profits or earnings generated in Guatemala, pay and remit dividends, debts contracted abroad, and interest accrued thereon, royalties, income, and technical assistance, and make payments derived from compensation for expropriation.

Sizable investment is also needed to develop a resilient transmission and distribution infrastructure. The Transmission System Expansion Plan 2022-2052 (TSEP) presents a long-term vision for developing the sub-sector based on the average life of critical transmission assets, consistency with strategic instruments in energy matters, expected population growth and reaching the goal of 99% electrification. The TSEP aims to reinforce 69 kV transmission lines and improve the network's quality, safety and performance indices at said voltage level and in the associated distribution networks. Reinforcements are also planned in the 230 kV transmission network and the new 400 kV trunk network, passing through the country's most important generation and demand poles. It also considers networks that will improve capacity and access to the National Interconnected System and bilateral interconnections, encouraging international transactions and promoting foreign investment in the country.

The government has taken legislative and policy measures to mobilise adequate foreign investment in the energy sector. Decree 52-2003 Law on Incentives for Development of Renewable Energy Projects (RES Law) grants several incentives to renewable power producers, including exemptions from customs duties and value-added tax for imports. Exemption from charges and consular fees on importing machinery and equipment used exclusively for renewable power generation is also available. The entity importing the machinery and equipment for renewable energy projects must apply to the Superintendent of Tax Administration (SAT) to benefit from the exemption. This incentive will be valid exclusively during the pre-investment and construction periods, which shall not exceed ten years.

The RES Law also offers an exemption from the payment of income tax to renewable electricity generation projects. This exemption may only be availed by individuals and legal entities that directly develop the projects and only for the part corresponding to the renewable power aspect since the exemption does not apply to the other activities they carry out. The incentive is offered for ten years from

the date the plant starts commercial operations. Besides this, mercantile and agricultural companies engaged in renewable power generation projects may also avail tax incentives, subject to certain conditions being met as stipulated in the RES Law. Moreover, renewable energy producers will be granted an emission reduction certificate, which they can utilise to enhance trade in renewable energy. The competent authority will issue the certificate after considering the quantity of emissions reduced or displaced by a specific project.

The government is taking policy and legislative measures to promote investments in electric vehicles. Decree 40-2022 Law on Incentives for Electric Mobility, enacted on 30 August 2022, aims to facilitate the sale, import, and use of vehicles powered by electricity and hydrogen, electric or hydrogen-powered motorcycles, hybrid vehicles, and electric transport systems such as cable car, funicular, electric train, light rail, tram, or trolleybus for all uses. The Decree contemplates VAT exemption on imports and first sale, and exemptions on the Specific Tax on First Registration of Motor Vehicles (IPRIMA) and the Land, Maritime and Air motor Vehicles Tax. Income Tax exemption is available for the assembly and/or production of electric vehicles, hybrid vehicles, electric motorcycles, hydrogen-powered vehicles, and electric transportation systems. The exemptions are granted for ten years from their enforcement date and according to the specific terms for each case. In November 2022, the MEM published Governmental Agreement No. 295-2022 to issue the Regulation of the Law of Incentives for Electric Mobility, which sets out the necessary procedures for applying Decree 40-2022.

On 27 September 2022, Decree 46-2022 Law for Promotion of Investment of Foreign Capital came into force. The Law grants special treatment to investors, individuals, and legal entities with foreign capital that will make new investments in the country. However, the mining sector is not eligible for these benefits. To avail of the benefits of Decree 46-2022, an investor must obtain an authorisation from the Ministry of Economy by submitting information on the origin of the capital invested, the investment project's profile, implementation timeline and potential job creation. Based on this information the Ministry of Economy will determine the duration of the special treatment, which can range from three to ten years. If the application is approved, the foreign entity can enjoy preferential tax treatment for the duration of the benefit, even if there are any changes to domestic taxation laws affecting such treatment. The Ministry of Economy and the SAT will ensure that any entity availing benefits under Decree 46-2022 complies with all its obligations related to the project development and presents quarterly progress reports for review.

AREAS FOR IMPROVEMENT

The government may consider increasing the financial and managerial independence of the CNEE. For this purpose, it may propose amendments to the General Electricity Law 1996, which currently stipulates that the term of office of the CNEE members shall be five years but does not restrict its renewal to one term. It may also include an explicit requirement on the CNEE members not to take positions in the regulated industry for at least two years after finishing their term to remove any potential conflict of interest.



Jordan

Population ¹	11,285,869
Area (km ²) ¹	89,318
GDP per capita (USD) ¹	4,204.51
TES (Mtoe) ²	8.32
Net energy imports (Mtoe) ²	7.68
Share of renewable sources in TES ²	0.09
CO ₂ /TES (tCO ₂ per TJ) ²	59.10

Data by Orbis Crossborder Investment on completed energy projects and deals from 2015-2023³

Target industry	Number of projects and deals	Project CapEx and deal value (million EUR) by source country
Electric power generation, transmission and distribution	2 projects 2 institutional buy-out deals	United Arab Emirates: 1 RE project of 452,66 mEUR Republic of Korea: 1 RE project of 170,28 mEUR Value of 1 RE deal (Supranational) is n.a. Value of 1 RE deal (United Kingdom) is n.a.

Sources:

1. The World Bank 2021 (area) and 2022 (population and GDP per capita).
 2. ©IEA (2023), World Energy Balances (<https://www.iea.org/data-and-statistics>). All rights reserved. Data refer to the year 2021.
 3. Orbis Crossborder Investment (2023), Bureau Van Dijk. Data represents the period 1 April 2015 - 1 April 2023. For more information see Annex III of this report.
- RE: Renewable energy based electricity production

Jordan’s overall risk level against the assessed areas is **low**.

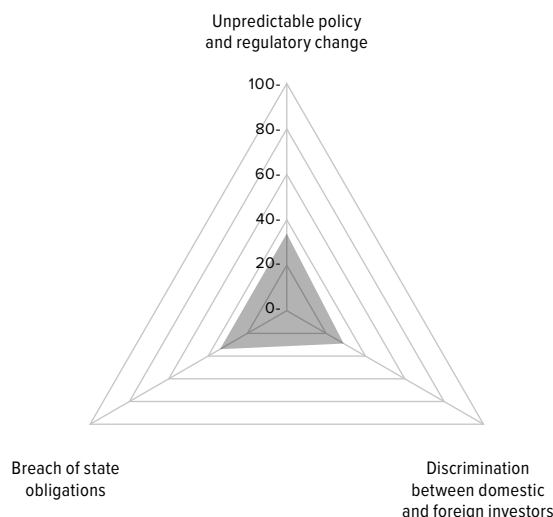
Among the three risk areas, *discrimination between foreign and domestic investors* has the lowest risk-level, followed by *unpredictable policy and regulatory change* and the risk of *breach of state obligations*.

Jordan has a good performance on four indicators and a moderate performance on one indicator. The highest-scoring indicator is *rule of law* at 79, followed by *management of decision-making processes* at 71. It has a score of 62 on the indicators *foresight of policy and regulatory change* and *regulatory environment and investment conditions*, respectively. *Framework for a sustainable energy system* is the lowest-scoring indicator at 61, with an increase of seven points compared to last year.

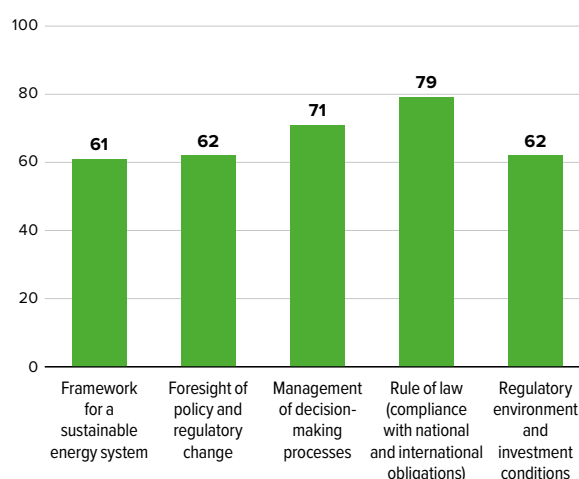
Jordan’s sub-indicator performance is good. The highest-scoring sub-indicators are *respect for property rights* at 85 and *policy planning on clean energy transition* at 76. Following these are the sub-indicators *institutional governance* at 75, *regulatory independence* at 72, *management and settlement of investor-state disputes* at 72, *transparency and anti-corruption measures* at 68, *communication of vision and policies* at 63 and *robustness of policy goals and commitments* at 61. Jordan’s score is moderate on the sub-indicators *restrictions on FDI* at 59, *environment protection, human rights and gender* at 58, *electricity industry market structure and competition* at 56, and *energy resilience* at 50. The lowest-scoring sub-indicator is *enabling measures to support clean energy transition* at 44.

The legal and regulatory risks associated with energy investments are low in Jordan. At the same time, it should implement further measures to support the transition to clean energy.

RISK LEVEL



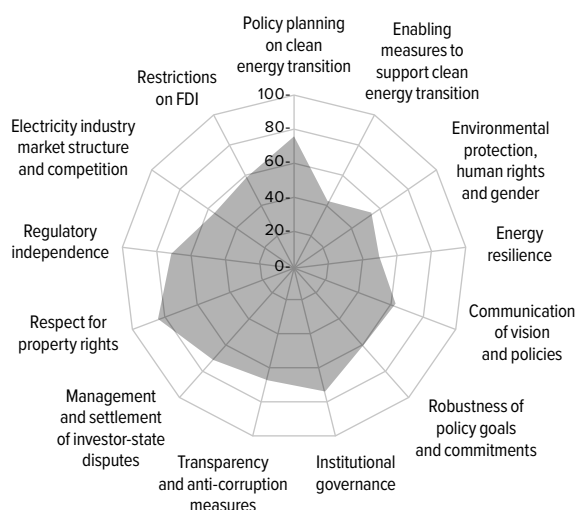
INDICATOR PERFORMANCE



YEAR-ON-YEAR COMPARISON

RISK AREAS	2022	2023
Unpredictable policy and regulatory change	37	33
Discrimination between foreign and domestic investors	33	29
Breach of state obligations	39	33
INDICATORS	2022	2023
Framework for a sustainable energy system	53	61
Foresight of policy and regulatory change	62	62
Management of decision-making processes	71	71
Rule of law	73	79
Regulatory environment and investment conditions	58	62

SUB-INDICATOR PERFORMANCE



Framework for a sustainable energy system

QUICK FACTS

Jordan submitted its updated NDC to the UNFCCC Secretariat in October 2021.

In 2023, the government of Jordan launched the Economic Modernisation Vision 2023-2033 (EMV) to ensure sustainable and inclusive growth while improving the quality of life of all Jordanians.

The Green Growth National Action Plan 2021-2025 (GGNAP) sets out sector-level green growth frameworks for the energy, transport, water, waste, agriculture and tourism sectors.

Climate Change Bylaw No. 79 of 2019 defines the regulatory framework for climate-related actions.

STRENGTHS

Jordan's updated NDC raises the macroeconomic GHG emissions reduction target from 14% in the first NDC to 31% compared to the BAU scenario (using the 2012 GHG inventory as a base year). Compared to the BAU scenario, it sets an unconditional emissions reduction target of 5% and a 26% target conditional upon international support and resource availability.

The updated NDC sets out several mitigation measures for the energy sector, including increasing power generation from renewables to more than 35% by 2030. It envisages the deployment of 185 MW PV for the Aqaba-Amman Water Desalination and Conveyance Project (AAWDC) and the commissioning of 100 MW and 300 MW concentrated solar power plants by 2030. The updated NDC also contains measures to increase efficient energy consumption across sectors by 9%, install solar water heaters in 90,000 houses, insulate all pipes, fittings and tanks in food industries, and renovate conventional burners in the steel reheating industry.

The government is developing its energy transition roadmap for Jordan under the purview of the recently adopted EMV. The sustainability pillar of the EMV aims to (1) expand the deployment of renewable energy, including new sources of energy (such as hydrogen), and continuously improve energy efficiency measures, (2) develop sustainable transport systems and establish a network of electric charging stations, (3) increase ecotourism and environmentally compatible activities, (4) adopt modern and environmentally friendly agricultural techniques that adapt to climate change, (5) promote improved water efficiency, water quality, and identify new water resources, and (6) enhance waste management, recycling and reuse. Moreover, the Jordan Green Program in the EMV supports sustainable practices as a pillar of Jordan's 'future economic growth and the enhancement of quality of life'. The EMV emphasises the private sector's role in achieving various goals, including the energy transition.

The Ministry of Energy and Mineral Resources (MEMR) has introduced several initiatives and measures to improve energy efficiency across sectors, particularly demand-side management. On 1 March 2023, it signed a cooperation agreement with the Jordan Engineers Association to install solar heating systems in 300 homes nationwide. The project aims to assist low-income and vulnerable households increase energy savings and promote rational energy use. Moreover, in late 2022, the MEMR's Jordan

Renewable Energy and Energy Efficiency Fund (JREEF) provided homes in the Rahma and Qatar municipalities with five energy-saving LED bulbs per house. This initiative was part of a JREEF programme, in cooperation with the German-based Bautec, to promote energy-saving methods and technologies among 10,000 beneficiaries across several regions and governorates.

At the same time, the government is working to secure the supply of critical raw materials to power renewable energy systems. To this end, on 18 December 2022, it signed an MoU with the Arab Mining Company to explore lithium in the Feynan area in Wadi Araba. Per the MoU, the Arab Mining Company will have the right to undertake lithium exploration and excavation operations for 12 months on 35 km² of land, excluding areas located within the boundaries of natural, archaeological and geological reserves.

The sustainable use of water resources is a key priority for the government. As a result, the EMV outlines ten initiatives, including enhancing water supply and demand management monitoring/control, promoting climate resilient and sustainable water use practices, introducing water desalination projects to enhance water security, and implementing the new Non-revenue Water Strategy to reduce losses in the system.

The government's Economic Priorities Program for 2021-2023 aims to establish an Industry Development Fund to modernise and develop manufacturing firms by establishing strong governance, increasing linkages to new markets and access to finance, fortifying climate-resilience and implementing climate change mitigation solutions, and boosting productive investment and job creation in higher value-added activities.

AREAS FOR IMPROVEMENT

The MEMR is in the last stages of developing an action plan for deploying energy storage solutions in the short and long term and is encouraged to finalise this action plan as soon as possible. Given the country's massive solar potential, the action plan could emphasise scaling up home solar battery systems. Economic and technical feasibility studies should be conducted to explore the potential of grid-scale battery storage to address the intermittency of solar and wind energies, ensure system flexibility and increase the reliability and dispatch of renewable electricity.

Foresight of policy and regulatory change

QUICK FACTS

The National Energy Sector Strategy 2020-2030 (NESS) is a ten-year roadmap defining Jordan's national energy goals and targets.

Under the purview of GGNAP, the government has developed dedicated green growth plans, covering the period from 2021 to 2025, for the energy, agriculture, tourism, transport, waste and water sectors.

STRENGTHS

The EMV sets high-level targets to ensure the energy sector's contribution to the GDP increases from 0.4 billion Jordanian dinars (JOD) in 2021 (1.3% of the total GDP) to JOD 0.7 billion by 2033 (a rise of more than 4.5% per annum). At the same time, the share of persons employed in the energy sector is expected to increase from 9,500 (0.6% of the total employed workforce) in 2021 to 15,200 (an increase of more than 4% per annum) by 2033. The EMV also aims to increase the country's energy exports, which, as of 2021, are limited to approximately 80 MW capacity to Palestine, and plans to expand the quantities to serve broader regional markets, including Syria and Iraq.

To meet its energy sector targets, the EMV outlines eight initiatives in the energy sector, including developing an energy transition roadmap, strengthening the country's energy infrastructure through smart grids, storage handling, and transit pipelines, and encouraging energy cost reduction mechanisms through tariff reforms, PPA renegotiations and the introduction of time-of-use tariffs. The EMV's initiatives are aligned with NESS, which aspires to increase the share of renewable energy in power generation to 31% by 2030, even as the government aspires to raise it to 50%.

The NESS aims to rationalise energy usage and improve energy efficiency by 9% compared to 2018. To meet the NESS's target, the MEMR is developing the third national plan for energy efficiency that will build on the work already done under the first and second energy efficiency national plans. Moreover, in February 2023, the MEMR launched a knowledge exchange training programme with the Korean Trade and Investment Promotion Agency to prepare a dedicated study on improving energy efficiency in Jordanian buildings.

The government is currently finalising its third national energy efficiency plan covering the period from 2024 to 2026. At the same time, the JREEF is also implementing programmes to promote energy conservation measures in the tourism industry and encourage investments in energy-efficient technologies. It recently concluded energy audit reports on 12 three-star hotels in the Aqaba governorate. The implementation of these reports will be supported by the Energy Encouragement Fund of the MEMR and the Aqaba Special Economic Authority. The activity will fall under a programme launched by the JREEF in July 2022 in partnership with the UNDP and the Energy Services Company.

The government is also looking to diversify the domestic energy supply. For this purpose, the MEMR is developing

a national green hydrogen strategy and has already concluded a framework agreement with Australian-based Fortescue Future Industries to set up a green hydrogen and green ammonia production project in the Aqaba Economic Zone. It has also signed an MoU with the Danish company AB Moller-Maersk to cooperate on a green methanol production project in Aqaba.

Moreover, on 3 December 2022, the Jordanian and the Norwegian governments agreed to sign several MoUs to cooperate on green hydrogen, renewable energy, and oil and gas exploration projects. The countries discussed joint work on strengthening electricity interconnections between European and MENA markets, utilising existing infrastructure for transporting green hydrogen and attracting investment in renewable energy and green hydrogen projects. Additionally, on 14 March 2023, the MEMR signed an MoU with the UAE-based investment firm Tawazun Economic Council to conduct a prospecting study to explore geothermal energy in the Al-Rishah gas field for electricity generation and industrial operations.

The government is committed to robust monitoring and evaluation of its policy decisions and their financial impacts. The Ministry of Finance (MoF) has created the 'Government Financial Management Information System' to provide citizens with comprehensive information on the financial and accounting processes, including cash management, payment, procurement management, budget implementation and management, and reporting for the final account. It has also developed the country's Medium Term Debt Management Strategy (2019-2023) to restructure the central government's debt portfolio optimally. This Strategy applies to the debt incurred by independent public institutions, particularly in the electricity and water sectors, and recommends a mechanism to monitor public-private partnerships. It is updated annually based on a comprehensive cost-benefit analysis of alternative borrowing strategies and takes into account the country's macroeconomic outlook.

AREAS FOR IMPROVEMENT

The government is working now on its grid development study to increase the share of renewable energy. To ensure that potential investors have a long-term perspective of the renewable energy sector, the government should finalise and adopt this least-cost grid development strategy as soon as possible. At the same time, it should ensure that the energy efficiency plan for 2024-2026 contains disaggregated energy efficiency targets for end-use sectors.

Management of decision-making processes

QUICK FACTS

- | The MEMR is tasked with policy-making in the energy sector.
- | The Ministry of Environment leads policy-making on environmental protection and climate change issues.

STRENGTHS

The government is implementing prudent financial policies and institutional reforms to ensure fiscal consolidation, lower inflation rate, create jobs and stimulate private investment. In April 2023, the MoF published data on the government's economic performance during the first three months of 2023 to achieve higher transparency and disclosure levels. It informed the public of the total revenue and expenditure of the central and local governments, the status of the central government's domestic and external debt, and the National Electric Power Company's (NEPCO) financial statistics.

According to the MoF, the domestic revenues in the first quarter of 2023 were JOD 1995.6 million, compared to JOD 1829.2 million during the same period of 2022. The increase in domestic revenues was primarily attributable to a rise in tax revenues by JOD 77.5 million and an increase in non-tax revenues by JOD 88.9 million. Moreover, in July 2023, the Department of Statistics of Jordan announced that the country saw a GDP growth of 2.8% at constant prices in the first quarter of 2023 compared to a 2% growth during the same period in 2022.

The EMV aims to create more than one million new income opportunities for Jordanians by 2033, increase the real income per capita by 3% per year on average, and improve the country's rank in the Global Competitiveness Index to the top 30th percentile. The EMV contains 18 initiatives in the energy and mining sector, and the MEMR is working proactively to execute these. On 9 April 2023, the MEMR organised a coordination meeting to follow up on the implementation of the energy and mining sector initiatives. As part of this process, 16 officials reviewed the progress made towards achieving the initiatives, including strengthening the legislative environment, transitioning to clean energy consumption, directing investments in clean energy resources, fostering public-private partnerships, reducing energy supply costs, marketing investment opportunities in the energy sector, and ensuring infrastructure development.

The General Budget Department of Jordan provides the public with information on the draft government budget 2023, including that of the MEMR, the MoE, the Energy and Minerals Regulatory Commission (EMRC), the Jordan Atomic Energy Commission and the Ministry of Water and Irrigation. The draft budget of these bodies reflects their strategic objectives and performance indicators, the preliminary self-evaluation results, and the targets to be achieved by 2025 from the baseline year 2021. The draft budget also identifies the number of staff employed in the ministries and state agencies, the programme-wise budget allocation for 2023, and the estimated budget allocation for women for each programme between 2021 and 2025. It summarises overall expenditures from 2021 to 2025 (actual and estimated), capital expenditures for each

governorate, and current expenditures estimated for each programme (2021-2025).

On 15 November 2022, the Jordan Integrity and Anti-corruption Commission (JIAC) submitted its Annual Report for 2021 to the Lower House of Parliament. The report highlights the JIAC's efforts in establishing working methods to ensure the proper use of public funds and mitigate abusive financial and administrative practices. The JIAC is also cooperating with foreign governments, international partners and local organisations to improve its operations and share best practices and technical know-how. For instance, on 25 July 2022, the JIAC and the Public Security Directorate discussed the implementation of MoUs on establishing coordination mechanisms to execute the National Strategy for Integrity and Anti-corruption. Moreover, in August 2022, a delegation from the Lithuanian Special Investigations Service visited the JIAC as part of the twinning project 'Support the JIAC in the Fields of Integrity and Corruption Prevention', which is funded by the EU and implemented by the JIAC along with Lithuania and Austria. With support from the Al Hayat Center for Civil Society Development, in August 2022, the JIAC launched the National Integrity Index to measure the compliance of public administration institutions with national standards of integrity and support them to combat corruption effectively.

Institutional reforms are underway to increase business efficiency. In 2022, the Parliament of Jordan enacted Investment Environment Law No. 21 of 2022 (New Investment Law), which introduces a single investment window that will facilitate the creation of a one-stop shop for investors. This one-stop shop is intended to allow project developers to procure registration and licences for operating businesses in a cost- and time-effective manner. For strategic activities contributing to sustainable development, the Council of Ministers, upon the recommendation of the Investment Commission, may grant a single unified licence that will replace all other permits and authorisations required under applicable laws. At the same time, the Ministry of Investment (MoI) will set up an electronic portal to expedite the application and processing of licences and permits needed for other economic activities.

AREAS FOR IMPROVEMENT

The government is recommended to operationalise an online registry of ultimate beneficial ownership accessible by citizens and investors for free. The registry should be updated within a specified timeframe and supported with documentation upon any change.

The government should finalise, at the earliest, the revised version of the Law on Guarantee of Access to Information of 2007.

Rule of law

QUICK FACTS

- | Jordan became a Contracting Party to the ECT on 11 December 2018.
- | Jordan has been a member of the WTO since 11 April 2000.
- | Jordan is a member of MIGA.

STRENGTHS

Jordan is committed to providing foreign investors with legislative stability. In this regard, the New Investment Law guarantees that legislative amendments or regulatory changes adversely affecting an investor will not apply to an investment (1) worth at least JOD 5 million or (2) employing a minimum of 250 Jordanians. An investor may apply for the non-implementation of the changed provisions for seven years from achieving either of these conditions. Within six months of the legislative or regulatory change, an affected investor must send a written notification to the MoI specifying the adverse impact of the change in law event and submit supporting documents evidencing that it has met the qualifying criteria for the exemption. Based on the information provided, the Council of Ministers may issue an exemption from the application of the changed legal or regulatory provisions. Additionally, incentives granted to existing projects under Investment Law No. 30 of 2014 will remain in force until the expiry of their duration as stipulated under the terms of the grant. If incentives are not time-bound, they will cease to apply seven years from the entry into force of the New Investment Law.

The New Investment Law also guarantees that an investor shall be indemnified against any losses resulting from its reliance in good faith upon a decision issued by any incompetent official authority or an obligation undertaken by such an authority towards the investor. Similar to the Investment Law No. 30 of 2014, the New Investment Law also contains provisions that the ownership of any investment cannot be confiscated, whether totally or partially, except as per the applicable laws and for a public, specific and valid purpose, and in a non-discriminatory manner and upon the payment of fair compensation. Any compensation or indemnification should be (1) in JOD or any exchangeable currency, (2) equal to the fair market value of the assets before the seizure decision, and (3) inclusive of the interest rate of the secured financing as published by the Central Bank of Jordan.

The New Investment Law's clause prohibiting the expropriation of investments is reinforced by the Jordanian Constitution, which states that expropriation is prohibited unless deemed in the public interest. The Jordanian Civil Code No. 43 of 1976 affirms the provisions of the Constitution in this respect. Moreover, 21 BITs signed by Jordan require compensation to be paid without delay in the case of investment expropriation. Provisions on interest payment differ across BITs. For example, while the BITs with Austria and Finland refer to interest at a commercial rate established on a market basis, those with Greece, the Netherlands and Bahrain refer to the normal/ordinary commercial rate. Other formulations of the

interest rate include the 'fair and equitable rate' in the BIT with India, and the 'rate applicable in the territory of the Contracting Party' under the BIT with Thailand.

While the New Investment Law maintains the dispute resolution clause of the Investment Law No. 30 of 2014, there are some minor changes. The Investment Law No. 30 of 2014 allowed parties to bring disputes before Jordanian courts, resort to the Arbitration Law No. 31 of 2001 (as amended), or rely on other unspecified means of alternative dispute resolution. The New Investment Law builds on this provision by specifying the rules and fora for dispute settlement, namely, (1) the Arbitration Law No. 31 of 2001 (as amended), (2) the rules of the United Nations Commission on International Trade Law (UNCITRAL), and (3) the Rules of the International Chamber of Commerce. The New Investment Law also specifies that arbitral awards issued outside Jordan are enforceable in the country according to the applicable local laws and international treaties to which Jordan is a signatory. Notably, 49 BITs signed by Jordan are currently in force and provide access to international arbitration in case of a dispute with the host state.

In 2019, the MoI established a Grievance Committee (GC) to which foreign investors may submit complaints against public authorities. The New Investment Law gives legislative backing to the GC by authorising it to examine investors' grievance applications and verify that public institutions follow due process while making decisions affecting investments. According to the annual review of the UK's Foreign, Commonwealth and Development Office's 'Jordan Investment and Economic Reform Advisory Programme', conducted in March 2023, the GC recorded 37 grievances and accepted 23 (14 were dismissed prima facie) as of June 2022. It handled but did not resolve four matters, dismissed ten, resolved five, and four remained pending. Thirty-seven complaints involved male business owners, and five were from women-run enterprises. The review also highlighted that the MoI has allocated a dedicated budget to support the GC. In March 2022, two customer relationship management staff were trained on the new investor grievance management module.

AREAS FOR IMPROVEMENT

The government may consider introducing a legally binding timeline for paying compensation in the case of compulsory expropriation of property and an explanation of the acquired property's intended use. There must be explicit mention that any act of expropriation will be non-discriminatory.

Regulatory environment and investment conditions

QUICK FACTS

The EMRC is the national regulator for all energy activities. NEPCO is the sole buyer of electricity, which it sells to the distribution networks' operators.

The Regulation for Organising Non-Jordanian Investments No.77 of 2016 lists the economic activities that non-Jordanian investors can undertake.

In 2022, the Senate approved amendments to the Companies Law No. 22 of 1997 to create a stable legal framework for venture capital companies and allow financially unviable companies to course correct.

STRENGTHS

Jordan is moving forward with electricity sector reforms. In March 2023, the World Bank and the government of Jordan launched the Electricity Sector Efficiency and Supply Reliability Program for Results to improve the power sector's efficiency, sustain the supply of on-grid renewable power and the reliability of electricity service, and strengthen NEPCO's governance. The USD 250 million programme, financed through a World Bank loan, will be implemented by NEPCO from March 2023 to August 2026.

Commendable steps have been taken to secure greater grid reliability, such as the introduction of time-of-use tariffs, which became effective in June 2023. The tariff structure applies only to the medium industrial sector, water pumping sector, and residential and public electric vehicle charging stations. The new tariff aims to ensure better load distribution throughout the day and reduce the burden on the grid during peak hours.

In 2022, NEPCO advanced with significant interconnection projects, allowing it to export electricity to neighbouring countries at a profit, lower debt, and manage power oversupply. Some critical projects on which it made progress include the 1985 km Jordanian-Gulf-Egyptian Electrical Interconnection (2000 MW). NEPCO has completed the project's technical, economic and environmental feasibility studies and is developing a roadmap and a timetable for the next stages. Feasibility studies have also been finalised for the Jordanian-Saudi Electrical Interconnection (with a 500 MW capacity in the first stage and a 1000 MW capacity in the second stage). NEPCO is also developing bidding procedures for constructing a new substation in Al Risha and a connection line between the Al Risha substation and the one in Al Qaim in Iraq for the 400 kV Jordanian-Iraqi Electrical Interconnection (capacity of 150-200 MW).

The government has taken legislative measures to improve the country's investment climate. The New Investment Law, enacted in 2022, unifies 18 regulations and instructions concerning investments. It introduces new incentives for projects that add value to the Jordanian workforce and economy. Notably, projects established in undeveloped areas or hiring more than 250 Jordanian workers will enjoy a tax exemption or a minimum 30% tax reduction for five years from the commencement date of operations. The MoI will release separate regulations outlining the exempt sectors, those eligible for a tax reduction, the sectors excluded from this incentive scheme, the criteria and duration of the tax reductions, and the list of undeveloped areas.

Following the recommendation of the Incentives Committee, the Council of Ministers may grant additional incentives for the rent or purchase of government-owned lands, electricity and water tariffs, renewable energy projects, and customs and tax deductions to projects hiring Jordanian nationals. These additional incentives are available to projects that meet the following criteria: (1) employ at least 350 Jordanians, (2) employ Jordanian women amounting to at least 50% of the total labour force, (3) target export markets at a rate of at least 50%, (4) have local content of at least 50%, (5) ensure the transfer of knowledge, technology and digital transformation, (6) are of strategic significance, (7) are listed as public-private partnership projects and (8) target the development of rural local communities.

Limits on the percentage of foreign capital do not apply in free and development zones. While a sales tax of 7% applies to services consumed in the development zones, goods and services bought or imported by an entity registered in a development zone are subject to 0% sales tax when sold for operations within it. Moreover, tax rates prescribed in the Income Tax Law No. 38 of 2018 do not apply to income derived from some sectors, including extraction industries, electricity generation and distribution, and the transport and distribution of water, gas and petroleum products using pipelines.

The MoI estimates that projects worth JOD 288.46 million benefitted from the New Investment Law in the first quarter of 2023, an increase of 49.1% from JOD 193.5 million during the same period in 2022. Moreover, during the first quarter of 2023, 72 projects were implemented outside development zones with an investment volume of about JOD 269.46 million (93.4% of the overall investments). At the same time, 19 projects were executed within development zones with an investment volume of about JOD 19 million, or 6.6% of the total investments.

AREAS FOR IMPROVEMENT

The MEMR, along with the consulting companies ILF, Castalia, GIDE, and Nabulsi & Associates has prepared a study to review the renewable and traditional energy sources agreements from a technical, economic, commercial and legal perspective and to review the best practices in the countries of the region and similar experiences in the field. In light of this, the MEMR is encouraged to continue ongoing discussions with investors on the potential restructuring of renewable-based PPAs, so policy revisions are based on mutually acceptable terms to ensure regulatory predictability and promote investor confidence.

INDICATOR 1

Improvements proposed in 2022

Develop an action plan to scale up home solar battery systems and conduct economic and technical feasibility studies to explore the potential of grid-scale battery storage.

Pending

INDICATOR 2

Improvements proposed in 2018

Adopt a national energy strategy for 2020-2030 at the earliest.

Fully implemented. In July 2020, the MEMR adopted the National Energy Sector Strategy 2020-2030.

Periodically evaluate the energy sector's incentive framework to ensure it evolves predictably and progressively.

Work ongoing. In 2022, the New Investment Law was enacted to introduce new incentives for projects that add value to the Jordanian workforce and economy. The incentives apply to several sectors, including energy.

Ensure that the policy implementation authorities differ from those evaluating the progress made towards achieving the policy.

Pending

Improvements proposed in 2020

Update the National Energy Efficiency Plan 2017-2020 since the last one expired in December 2020; develop a renewable peak load strategy and a least-cost grid development strategy.

Pending

Improvements proposed in 2021

Set disaggregated energy-efficiency targets for end-use sectors and renewable energy targets for the industry, agriculture, heating/cooling, and transport sectors.

Pending

INDICATOR 3

Improvements proposed in 2018

Introduce institutionalised stakeholder engagement mechanisms for consultation on draft laws and regulations.

Partially implemented. In April 2022, the government restructured electricity tariffs after rigorous stakeholder engagement. Since March 2022, the MEMR has been organising regular meetings with the private sector to resume negotiations on the prices NEPCO will pay to renewable electricity producers.

Establish a unit within the Legislative and Opinion Bureau to prepare official translations of laws and policies in foreign languages.

Partially implemented. The Legislative and Opinion Bureau has launched an updated user-friendly website, but the translations of draft and enacted laws are unofficial.

Improvements proposed in 2020

Continue to support the decentralisation and electoral reform.

Work ongoing. In early 2020, a draft local administration law was tabled in the Jordanian parliament.

After public consultation, adopt amendments to the Law on Guarantee of Access to Information of 2007.

Pending

Improvements proposed in 2021

Ensure the development of an e-mobility strategy by the MEMR and the Ministry of Transport.

Fully implemented. The government has issued the Transport Sector GGNAP, which runs from 2021 to 2025 and is aligned with the NGGP, Jordan Vision 2025, and Jordan's NDC commitments.

Improvements proposed in 2022

Develop an online registry of ultimate beneficial ownership, accessible by citizens and investors for free, which is updated periodically and supported with documentation upon any change.

Pending

INDICATOR 4

Improvements proposed in 2018

Establish a foreign investment ombudsperson or similar institution to settle conflicts arising in the course of projects between investors and public authorities.

Fully implemented. The New Investment Law gives legislative backing to the GC by authorising it to examine grievance applications of investors and verify that public institutions follow due process while taking decisions affecting investments.

Update national laws to include a timeline for paying compensation in case the state expropriates private property; explicitly stipulate that any act of expropriation will be non-discriminatory.

Partially implemented. Article 6 of the New Investment Law states that the state cannot expropriate any investment or any part except in accordance with the law and for a public, specific and legitimate purpose and in a non-discriminatory manner in return for fair compensation to the affected investor.

Improvements proposed in 2023

Consider developing dedicated mechanisms for dispute prevention in the renewable power generation sector.

Improvement suggested in 2023. Status will be updated in 2024.

INDICATOR 5

Improvements proposed in 2018

Appoint an independent auditor to oversee the EMRC's annual accounts.

Pending

Relax/fast-track investment screening procedures of the Companies Control Department (CCD) under the Ministry of Industry and Trade.

Partially implemented. In 2020, the CCD launched an electronic portal through which investors can apply for business registration and submit the necessary documents, and the CCD can audit these requests automatically.

Improvements proposed in 2020

Implement a new and symmetrical tariff adjustment mechanism; conduct technical studies to protect low-income and vulnerable households from the removal of cross-subsidies.

Partially implemented. In April 2022, the government restructured electricity tariffs to eliminate price distortions and grant direct subsidies to households while reducing the tariffs for the commercial, industrial, health, hotel and agricultural sectors. The new tariff is expected to impact households consuming less than 600 kWh per month minimally.

Remove the suspension on new applications for renewable energy projects with a capacity exceeding 1 MW; restructure renewable-based PPAs only based on mutually acceptable terms and consider renegotiating PPAs for fossil fuel power plants.

Partially implemented. In July 2022, the government lifted the suspension on new renewable projects under 1 MW, provided they comply with local content requirements and applicable regulations.

Improvements proposed in 2022

Conduct technical and economic feasibility studies to implement time-of-use tariffs.

Partially implemented. In June 2023, the EMRC introduced time-of-use tariffs applicable to the medium industrial sector, water pumping sector, and residential and public electric vehicle charging stations.



Kazakhstan

Population ¹	19,621,972
Area (km ²) ¹	2,724,900
GDP per capita (USD) ¹	11,243.67
TES (Mtoe) ²	68.68
Net energy imports (Mtoe) ²	-90.38
Share of renewable sources in TES ²	0.02
CO ₂ /TES (tCO ₂ per TJ) ²	77.79

Data by Orbis Crossborder Investment on completed energy projects and deals from 2015-2023³

Target industry	Number of projects and deals	Project CapEx and deal value (million EUR) by source country
Electric power generation, transmission and distribution	1 new project	Italy: 1 RE project of 381.60 mEUR
Extraction of natural gas and crude petroleum	1 acquisition deal 1 joint venture deal	Value of 2 deals (Luxembourg and United States of America) are n.a.
Manufacture of refined petroleum products	1 new project	Russian Federation: 1 project of 77.6 mEUR
Support activities for petroleum and natural gas extraction	2 acquisition deals 1 joint venture deal	Canada: 1 deal of 168.3 mEUR Values of 2 deals (Austria and France) are n.a.
Mining of uranium and thorium ores	1 new project	China: 1 project of 1,000 mEUR

Sources:

1. The World Bank 2021 (area) and 2022 (population and GDP per capita).
 2. ©IEA (2023), World Energy Balances (<https://www.iea.org/data-and-statistics>). All rights reserved. Data refer to the year 2021.
 3. Orbis Crossborder Investment (2023), Bureau Van Dijk. Data represents the period 1 April 2015 - 1 April 2023. For more information see Annex III of this report.
- RE: Renewable energy based electricity production

Kazakhstan’s overall risk level against the assessed areas is **low**.

Among the three risk areas, *discrimination between foreign and domestic investors* has the lowest risk level, followed by *breach of state obligations* and the risk of *unpredictable policy and regulatory change*.

Kazakhstan has a good performance on three EIRA indicators and a moderate performance on two indicators. *Management of decision-making processes* and *rule of law* are the highest-scoring indicators with a score of 78 and 71, followed by *framework for a sustainable energy system* at 67. On *regulatory environment and investment conditions*, it has scored 56. Its score on the *indicator foresight of policy and regulatory change* is 49.

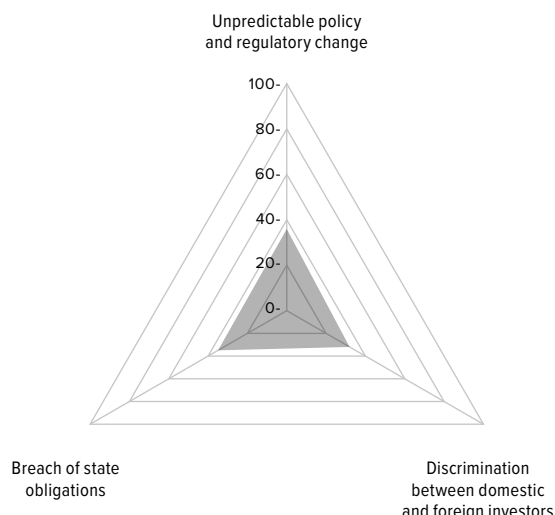
Kazakhstan’s overall sub-indicator performance is good. The highest-scoring sub-indicator is *institutional governance* at 83. Kazakhstan’s score is good on seven sub-indicators, namely, *policy planning on clean energy transition* at 79, *environmental protection, human rights and gender* at 79, *respect for property rights* at 78, *restrictions on FDI* at 78, *transparency and anti-corruption measures* at 72, *management and settlement of investor-state disputes* at 65 and *enabling measures to support clean energy transition* at 61. It has a moderate score on the sub-indicators *electricity industry market structure and competition*, at 54, *robustness of policy goals and commitments and energy resilience*, both at 50, and *communication of vision and policies* at 49. The lowest-scoring sub-indicator is *regulatory independence* at 36.

The legal and regulatory risks associated with energy investments are low in Kazakhstan. At the same time, it should implement further measures safeguarding the regulatory independence of the energy sector.

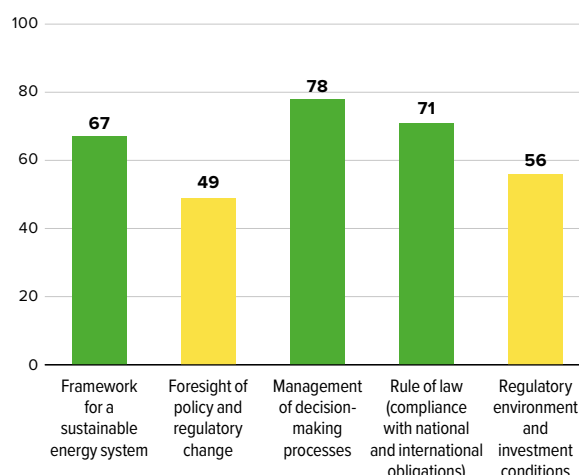
YEAR-ON-YEAR COMPARISON

RISK AREAS	2022	2023
Unpredictable policy and regulatory change	38	36
Discrimination between foreign and domestic investors	32	32
Breach of state obligations	37	35
INDICATORS	2022	2023
Framework for a sustainable energy system	61	67
Foresight of policy and regulatory change	47	49
Management of decision-making processes	78	78
Rule of law	69	71
Regulatory environment and investment conditions	52	56

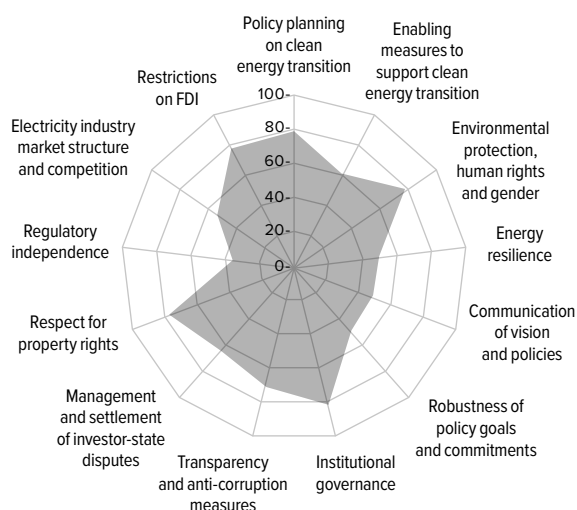
RISK LEVEL



INDICATOR PERFORMANCE



SUB-INDICATOR PERFORMANCE



Framework for a sustainable energy system

QUICK FACTS

Kazakhstan submitted its first NDC to the UNFCCC Secretariat in December 2016.

On 2 February 2023, the government of Kazakhstan adopted the Strategy to Achieve Carbon Neutrality by 2060 (Carbon Neutrality Strategy) through Presidential Decree No. 121.

The Ministry of Ecology and Natural Resources (MENR) is responsible for implementing the Action Plan for the implementation of the Concept for the Transition of the Republic of Kazakhstan to a 'Green Economy' for 2021-2030 (Green Economy Plan).

The Development Strategy of the Republic of Kazakhstan until 2050 sets the basis for all long-term national planning, including strategic plans and programmes implemented by ministries and governmental departments.

STRENGTHS

One of the key national objectives of Kazakhstan is the transition to a low-carbon economy. To this end, it has made commitments to reduce GHG emissions to 15% below its 1990 levels and increase the share of renewable energy sources in electricity generation to 10% by 2030. By 2050, renewable and alternative energy sources should account for at least half of total energy consumption. Efforts to achieve these goals are already underway. According to the Bureau of National Statistics, in 2020, stationary sources of pollution emitted 2,441 thousand tons of pollutants into the air, which is 1.7% less than in 2019.

The recently adopted Carbon Neutrality Strategy contributes to achieving the global peak of GHG emissions in the first half of the 21st century while giving due consideration to principles of equity, sustainable development, and poverty eradication. Its medium-term goal is to reduce GHG emissions by 2030 by 15% compared to the level of emissions in 1990 (unconditional goal) and bring the reduction to 25%, subject to receipt of international support for the decarbonisation of the economy (conditional goal).

To ensure the implementation of the NDC, the government plans to conduct forecast studies that will evaluate the country's long-term low-carbon development. The studies will be developed with the involvement of stakeholders using methods for generating trans-disciplinary ideas. Moreover, between 2022 and 2024, the government aims to publish an NDC Roadmap, identifying key thematic areas, the competencies, courses and formal education programmes on decarbonisation, options for implementing multidisciplinary postgraduate education programmes in partnerships with foreign universities and online education platforms, and the creation of 'ecosystems' to develop new solutions for decarbonisation.

With the adoption of the Environmental Code, the foundations of climate change mitigation and adaptation have been laid in the country. The Code includes a dedicated chapter on climate change adaptation, which focuses on increasing resilience to climate change while addressing its impact, minimising climate risks and implementing measures that ensure the adaptation of natural ecosystems, economic activities and infrastructure while protecting public health, and ensuring food security and access to water. The priority of adaptation activities is determined considering sectors' vulnerability to climate change.

The Action Plan for the implementation of the Concept for the Transition of the Republic of Kazakhstan to a Green Economy Plan for 2021-2030 also defines policy measures on climate change adaptation, reducing the intensity of water use, agricultural transformation, energy efficiency, upgrading housing and communal services, developing sustainable transport, preserving ecosystems and increasing forest cover. Some of these measures are cross-cutting, benefiting different sectors affected by climate change. For example, the thermal modernisation of buildings will save energy while improving citizens' quality of life. Greening cities and creating forest belts around major cities will help manage and retain groundwater, enhance air quality, and create a pleasant living environment for citizens. The inclusion of adaptation measures in sectoral and territorial policies is one of the expected results under the Environmental Code of the Republic of Kazakhstan.

The government is working to mainstream gender in energy and climate change issues. In September 2023, Ernst and Young, the Women's Energy Club, KAZENERGY, and the Renewable Energy Association Qazaq Green announced the launch of nominations for the Women in Renewables Sector Award as part of the EBRD and Green Climate Fund (GCF) programme to support the renewable energy sector and promote gender equality in Kazakhstan. The main purpose of the 'Women in the Renewable Energy Sector' award is to identify and recognise the achievements of women who actively contribute their professionalism, enthusiasm and commitment to institutional change in the renewable energy sector in Kazakhstan. In addition, the award aims to develop the potential of the renewable energy sector in the country, identify role models among women working in this industry, and draw attention to the issue of equal opportunities for women in the renewable energy sector in government agencies, businesses and public organisations.

AREAS FOR IMPROVEMENT

The government should submit to the UNFCCC Secretariat its updated NDC and LT-LEDS to achieve net-zero emissions by mid-century. At the same time, it should prepare a national action plan to implement its updated NDC targets and a national climate change action plan with quantifiable mitigation and adaptation measures for high-emission sectors. The action plans must set step-by-step measures with deadlines for transition to low-carbon technologies while ensuring the country's long-term energy security.

Foresight of policy and regulatory change

QUICK FACTS

- | The Strategic Development Plan of the Republic of Kazakhstan until 2025 was adopted on 15 February 2018.
- | In 2013, the government approved the Concept for the Transition of the Republic of Kazakhstan to a 'Green Economy' (Green Economy Concept).
- | To implement the Green Economy Concept, on 29 July 2020, Kazakhstan adopted the Green Economy Plan.
- | In 2009, Kazakhstan enacted the Law on Supporting the Use of Renewable Energy Sources.
- | The joint stock company Kazakhstan Electricity Grid Operating Company manages the national electric grid and acts as the system operator of the unified electricity system.

STRENGTHS

The government has developed short and long-term targets for decarbonising the country's energy sector while meeting its economic development priorities. The Ministry of Industry and Infrastructure Development has prepared the Concept for the Development of Energy Saving and Energy Efficiency in the Republic of Kazakhstan for 2023-2029, which aims to reduce the energy intensity of Kazakhstan's GDP by reducing consumption and inefficient use of fuel and energy resources. The implementation of the Concept is expected to positively impact energy consumption in the industrial, transport, and public sectors, as well as in housing and communal services.

The government's priority is ensuring energy security while achieving the net zero emissions target by 2060. As a result, on 24 March 2022, it approved the Energy Balance of the Republic of Kazakhstan until 2035 (Energy Balance 2035), which expects to increase power generation substantially, primarily utilising renewable energy sources and low-carbon technologies. It estimates there will be a need to commission 17.5 GW of new generating capacity by 2035, including replacing decommissioned facilities. Power generation from renewables will account for 6.5 GW by 2035, while the share of gas is expected to reach 5.1 GW. Hydropower plants will contribute about 2.1 GW. At the same time, the share of coal is anticipated to be about 1.4 GW. The Energy Balance 2035 also introduces nuclear energy to the power generation mix and expects it to contribute about 2.4 GW by 2035.

The government is working proactively with international partners to scale up the development and deployment of renewable power generation to meet its national targets in this respect. Currently, 142 renewable energy facilities are operating in the country with an installed capacity of 2,332 MW. In September 2022, a new wind farm with a capacity of 60 MW, constructed in the Enbekshikazakh district of the Almaty region, became operational. Besides this, 24 windmills of 2.5 MW have been installed in the region, with a cumulative capacity of 60 MW. Samruk-Energy Holding implemented the project in partnership with the Chinese corporation Power China. Moreover, in November 2022, Kazakhstan and the EU entered into an MoU on a strategic partnership in the field of sustainable raw materials, batteries and green hydrogen value chains. The signing of this MoU creates conditions for establishing financial

and technological cooperation between Kazakhstan and industrial alliances of the EU.

In July 2022, the government adopted the Comprehensive Development Plan for the Gas Industry of the Republic of Kazakhstan for 2022-2026 (Gas Development Plan), which intends to increase commercial gas production by 15 billion m³ by 2030. The Gas Development Plan defines the main approaches to reforming the gas industry in the medium term, ensuring safe and uninterrupted gas supply to consumers, sustainable fulfilment of gas transit obligations, expanding the gas resource base and increasing export volumes. According to the Plan, the national company QazaqGaz should increase the level of gasification in the country to 65% by 2030.

The Kazakhstan Electricity Grid Operating Company ensures the reliability, availability and rapid development of the energy system of Kazakhstan. As of 1 July 2023, the Intersystem Electric Networks branches of the Kazakhstan Electricity Grid Operating Company have on their balance sheet 387 overhead power lines in sizes 0.4-1,150 kV with a total length of 26,977.215 km (along circuits). In April 2023, Kazakhstan Electricity Grid Operating Company published its Development Plan for 2023-2032. As a result of an analysis of the internal and external environment, the strengths and weaknesses of the Kazakhstan Electricity Grid Operating Company JSC were identified, as well as existing opportunities and threats and the most effective ways to minimise these threats. One of the company's priorities is modernising overhead power lines and electrical substations.

The taxonomy of green projects, approved by Decree No. 996 of the Government of the Republic of Kazakhstan, dated 31 December 2021, defines the classification of projects to be financed through green bonds and loans. The taxonomy reflects environmental and low-carbon policies onto various financial instruments and institutions to stimulate the implementation of projects with environmental benefits.

AREAS FOR IMPROVEMENT

Kazakhstan has adopted its Carbon Neutrality Strategy until 2060 to meet its long-term decarbonisation goals. Nevertheless, an action plan with quantifiable targets, actions, timelines, key performance indicators, responsible agencies, and financing requirements should support the Strategy's final version.

Management of decision-making processes

QUICK FACTS

- | The Ministry of Energy leads policy-making in the energy sector.
- | In 2020, the Agency for Strategic Planning and Reforms was established to plan, monitor and evaluate strategic reform and develop a new public administration system.
- | On 26 February 2021, the government approved the Concept for the Development of Public Administration in Kazakhstan until 2030 (Public Administration Concept) and its Action Plan.
- | The government adopted the Concept of Anti-corruption Policy 2022-2026 and its Action Plan on 2 February 2022.

STRENGTHS

The government is taking substantial measures to increase public accountability and promote inclusivity and transparency in decision-making. The political and democratic reforms carried out in 2022 strengthened the partnership between the state and society, improved fairness and equality in the distribution of national income, strengthened the fight against social inequality, and ensured political competition, which positively affects the perception of corruption in society. As part of this ongoing reform, in September 2023, the upper house of the country's bicameral parliament approved the draft Law On Public Control. It is expected that the adoption of this law will be a significant step in increasing the openness and accountability of government bodies and quasi-public sector entities to society.

State agencies provide the public with information on the country's investment trends, performance, and budget utilisation. For instance, the Open Government portals allow the public to participate in decision-making through commenting on draft regulations and budget programmes and granting citizens access to information from government bodies through open data. Similarly, KAZAKH INVEST regularly updates the public on the country's investment inflow data. According to KAZAKH INVEST, in 2022, 46 investment projects worth USD 4.1 billion were put into operation with the participation of foreign investors, creating over 6,000 jobs.

State agencies proactively engage with counterparts in other countries to facilitate and mobilise private investments. Notably, in 2022, KAZAKH INVEST organised 14 major investment events, half of which were organised as part of the visits of the head of state. Round tables were also organised with some of the largest companies in the United States, France, Türkiye, Saudi Arabia, and other countries. As part of this work, agreements were reached on major projects, the implementation of which should begin next year, including the project for the production of green hydrogen by German-Swedish company Svevind AB and the construction of a 1 GW wind power plant by the French-based Total Eren.

To inform the public about the results of the implementation of the anti-corruption policy of Kazakhstan in 2022, the Anti-Corruption Agency of the Republic of Kazakhstan published the National Anti-Corruption

Report for 2022 on 14 July 2023. The report reflects Kazakhstan's efforts at international cooperation in combating corruption and the results of an independent assessment of the level of corruption perception in the country and the world. The report also presents legislative and practical measures to minimise corruption risks and ensure accountability for acts of corruption, and contains conclusions and proposals for further improvement of the country's anti-corruption policy.

Participatory decision-making on legal and regulatory matters is encouraged by the government. In keeping with this, on 19 April 2023, the Kazakhstan Electricity Grid Operating Company hosted a public hearing where it presented its performance report along with information on the approved tariff estimate, implementation of the approved investment programme, compliance with the quality and reliability standards for regulated services, and the achievement of key performance indicators for a natural monopoly to consumers and other stakeholders in 2022.

The government is trying to streamline and modernise its public procurement processes and ensure transparency. The official web portal of public procurement of the Republic of Kazakhstan provides a single point of access to electronic services in the public procurement sector and allows users to participate in the public procurement processes as a customer, organiser and supplier. There is also the potential for trade and citizen engagement with real-time government procurement information. The portal regularly publishes information on the needs for procurement of goods, works and services, procurement procedures, identification of suppliers, the conclusion of electronic contracts and their implementation, and detailed reports on public procurement of goods and services.

AREAS FOR IMPROVEMENT

While the government ensures stakeholder participation in developing draft regulatory and legal acts, per the Law on State Services and the Law on Access to Information, it may consider further institutionalising stakeholder engagement and facilitating the active involvement of different interested groups in public consultations, including civil society and business associations.

Rule of law

QUICK FACTS

- | Kazakhstan ratified the ECT on 18 October 1995.
- | In 2004, Kazakhstan ratified the Convention on the Settlement of Investment Disputes between States and Nationals of Other States.
- | Kazakhstan acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards in 1995.
- | Kazakhstan joined MIGA in 1988.

STRENGTHS

The Constitution of the Republic of Kazakhstan guarantees investors' rights against the compulsory nationalisation and requisition of property and safeguards their right to the use of income and the legal protection of their activities in the country.

The domestic laws establish the priority of an international treaty ratified by the Republic of Kazakhstan over national legislation. Notably, Kazakhstan has concluded bilateral agreements on mutual protection of investments with various countries, including the United States, the United Kingdom, France, Türkiye, Tajikistan, Bulgaria, Kuwait, the Belgian-Luxembourg Economic Union, Russia, India, Switzerland, Mongolia, Poland, Saudi Arabia, Italy, Hungary, Egypt and other countries.

The Entrepreneurial Code of the Republic of Kazakhstan is the primary law governing investor and state relations. Specifically, chapter 25 of the Code defines the legal and economic foundations for stimulating investments, guarantees the protection of investors' rights when investing in Kazakhstan, determines state support measures for investments, and provides procedures for resolving disputes involving investors.

The Entrepreneurial Code establishes an Investment Ombudsman entrusted with the duty to protect investors' rights and legitimate interests. The government appoints the Investment Ombudsman, which considers investors' appeals on issues arising in the course of investment activities in the country and makes recommendations for their resolution. The Ombudsman also interacts with state bodies, assists investors in resolving emerging issues out of court, and develops and submits to the government recommendations for improving the domestic legislation on investment activities.

Kazakhstan has established a comprehensive legal framework to protect foreign investors and their assets. It safeguards foreign investments across various activities,

including the use of subsoil in Kazakhstan. The Civil Code of Kazakhstan guarantees the right to private property. Restrictions on this right are permissible only in cases specified in the Civil Code. Moreover, the Entrepreneurial Code establishes limited and exceptional grounds on which an investor's property may be nationalised/expropriated subject to the payment of compensation. The Land Code states that a land plot may be expropriated for the state's needs in exceptional cases with the owner's consent or by the court's decision.

In 2022, to strengthen legal guarantees for the protection of constitutional human rights, for the first time, the status, powers, and guarantees of independence of the Commissioner for Human Rights were incorporated into the country's constitutional law. The mandate of the Prosecutor General in dealing with human rights matters has also been reinforced. The Constitutional Court has been revived, and any citizen can apply to it to check the compliance of laws and regulatory decisions that directly affect their rights and freedoms as envisaged in the Constitution of the Republic of Kazakhstan.

As part of implementing the Concept of Legal Policy until 2030, the government has initiated a gradual transition to a new three-tier model of the criminal process with a clear delineation of areas of responsibility between the investigative body, the prosecutor's office and the court. The Anti-Corruption Agency has approved the instructions for organising pre-trial proceedings, with special attention to the regulation of procedures aimed at protecting the rights of entrepreneurs.

AREAS FOR IMPROVEMENT

The government should update national legislation to include well-defined grounds for expropriating private property, with a detailed description of the process for determining the compensation amount.

Regulatory environment and investment conditions

QUICK FACTS

On 15 July 2022, the government adopted the Concept of the Investment Policy until 2026 (CIP) and the action plan for its implementation.

The government adopted the Concept of Protection and Development of Competition in the Republic of Kazakhstan for 2022-2026 on 22 June 2022.

The Samruk-Energy joint-stock company (KASE) was established on 18 April 2007 to develop and implement a long-term state policy for upgrading the existing power generation facilities and commissioning new ones.

STRENGTHS

The government of Kazakhstan is committed to creating favourable conditions for foreign and domestic investors and implementing projects that support modernisation, structural reforms and sustainable growth rates of the national economy, contributing to a high quality of life for the country's population. In keeping with these high-level objectives, on 15 July 2022, the government of Kazakhstan approved the country's Investment Policy Concept through Decree No. 482, which defines the main principles for the country's transition to a green economy, the development of sustainable and green financing instruments, and the introduction of environmental, social and corporate governance principles.

At the end of 2022, the gross inflow of FDI in Kazakhstan amounted to USD 28 billion, 17.7% more than in 2021 (USD 23.8 billion). Considering the volume of investments by country, in 2022, the most significant investments came from the Netherlands, amounting to USD 8.3 billion. The United States invested USD 5.1 billion, with Switzerland and Belgium investing USD 2.8 billion and USD 1.6 billion, respectively. Russia invested USD 1.5 billion in the Kazakh sector in 2022, while the shares of South Korea and China amounted to USD 1.5 and USD 1.4 billion. France invested USD 770 million, the UK USD 661 million, and Germany USD 469.5 million.

In terms of sectors, in 2022, the largest inflow of investments was observed in the mining industry with USD 12.1 billion (an increase of 25% compared to 2021), followed by the manufacturing industry with USD 5.6 billion (an increase of 2.7%), wholesale and retail trade with USD 5.1 billion (an increase of 36%), professional, scientific and technical activities with USD 1.2 billion (2.2 times higher than the previous year), and transport and warehousing with USD 1.2 billion (an increase of 13.5%).

The government is making substantial efforts to mobilise financing for developing and deploying renewable energy resources. The Ministry of Energy has organised auctions for further development of renewable generation facilities. During the auctions held in October-November 2022, a total installed capacity of 690 MW was offered, of which

solar power plants accounted for 60 MW, wind power plants for 400 MW, hydroelectric power plants for 220 MW and biogas power plants for 10 MW. Moreover, on 1 September 2023, the EBRD announced that it would provide financing of up to USD 39 million to construct and operate the 100 MW Shokpar wind farm in the Zhambyl region, which will be the first wind project under the Kazakhstan Renewable Energy Auction and the last under the second phase of the EBRD's Renewable Energy Framework in Kazakhstan. The project, which is expected to reduce annual CO₂ emissions by almost 212,000 tons, will be implemented by a joint venture of the EBRD's long-term clients, China Power International Holding (CPIH) and Visor International.

Exploring the potential of hydrogen as an energy source has become crucial for Kazakhstan, given its commitment to decarbonise the economy. In this context, in 2021, the government of Kazakhstan and Svevind Energy GmbH signed an agreement to construct renewable energy facilities and produce green hydrogen in the Mangistau region. The project entails the development of solar and wind farms to generate 40 GW of electricity, which will be supplied to a hydrogen production plant by electrolysis using desalinated water. From 2027 onwards, the project developers will begin large-scale construction work with phased commissioning. The first green hydrogen is expected to be produced in 2030, with a total output of the design capacity in 2032.

AREAS FOR IMPROVEMENT

To enhance the energy system's financial recovery, Kazakhstan should consider gradually adjusting the electricity and heating tariffs to make those more cost-reflective and phasing out the cross-subsidisation practice. This adjustment would generate the necessary income to rehabilitate and modernise the energy and heating systems. Moreover, rolling out the gas market liberalisation process will facilitate transparency in transmission tariffs, gas trading, and exchange. It will also allow for competition in gas exports and non-discriminatory third-party access.

INDICATOR 1

Improvements proposed in 2022

Submit to the UNFCCC Secretariat the country's updated NDC and LT-LEDS to achieve net-zero emissions by mid-century.

Work ongoing. The updated NDC was adopted by Government Decree No. 313 on 19 April 2023. The updated NDC includes eight chapters for different areas of political, economic and social issues, as well as mentions adaptation measures for the first time in the national commitment.

Develop a national action plan to implement the updated NDC targets and a national climate change action plan with quantifiable mitigation and adaptation measures for high-emission sectors.

Pending

INDICATOR 2

Improvements proposed in 2018

Improve coherence and alignment in the objectives identified under the different strategy documents, and revise the national energy policies and plans in a timely manner.

Work ongoing. On 27 December 2021, the government adopted the new edition of the Ecological Code of the Republic of Kazakhstan, and on 14 July 2022 the updated Law on Access to Information. On 19 April 2023, Kazakhstan updated its NDC. On 31 January 2023, the government adopted resolutions providing long-term tenge liquidity for the solution of the problem of available credit and some measures of public support for private enterprise which defined climate bonds and green investments briefly. On 17 March 2023, the government adopted a resolution adopting the Development Plan of the joint-stock company 'Samruk-Kazyna' for 2018 - 2028', which included statements on low-carbon development and climate change agenda. On 1 July 2023, the government adopted a resolution approving the Concept of Rural Development of the Republic of Kazakhstan for 2023 - 2027 years, which included the necessity of taking measures with regard to climate change-related adaptation measures in the agrarian sector.

Enhance the independence of policy monitoring and evaluation bodies.

Work ongoing. On 2 October 2023, the President of Kazakhstan signed the Law of the Republic of Kazakhstan on amendments and additions to certain legislative acts of the Republic of Kazakhstan on issues of public control and improvement of administrative procedures.

Establish tracking mechanisms and incentive schemes, and conduct environmental impact assessments to implement the country's NDC successfully.

Work ongoing. The new Ecological Code introduced mechanisms to conduct environmental impact assessments for large infrastructure projects. The Code streamlines procedures to impose environmental fines and sets mechanisms to reduce GHG emissions. Moreover, the government has updated its NDC and work is ongoing to further develop and implement the Environmental Code adopted in 2021.

Improvements proposed in 2021

Intensify discussions with stakeholders on the draft Concept on Low-carbon Development; prepare an action plan with quantifiable targets and timelines to support the Concept's implementation.

Work ongoing. On 2 February 2023, the government adopted the Strategy to Achieve Carbon Neutrality by 2060 through Presidential Decree No. 121.

Improvements proposed in 2023

Develop an action plan with quantifiable targets, actions, timelines, key performance indicators, responsible agencies, and financing requirements to support the Carbon Neutrality Strategy.

Improvement suggested in 2023. Status will be updated in 2024.

INDICATOR 3

Improvements proposed in 2018

Streamline the division of responsibilities among different state entities.

Work ongoing. The government is currently developing the Just Kazakhstan Action Plan. On 20 April 2023, the Law on introducing amendments and additions to certain legislative acts of the Republic of Kazakhstan on issues of settlement of issues was adopted.

Promote public consultation in decision-making.

Work ongoing. On 2 October 2023, the President signed the Law on amendments and additions to certain legislative acts of the Republic of Kazakhstan on issues of public control and improvement of administrative procedures, allowing civil society to influence decision-making through online petitions.

INDICATOR 4

Improvements proposed in 2018

Adopt alternative dispute resolution mechanisms such as mediation and a foreign investment ombudsperson.

Work ongoing. On 7 August 2019, Kazakhstan became a party of the United Nations Convention on International Settlement Agreements Resulting from Mediation.

Update the national legislation to include well-defined grounds for the expropriation of property, with a detailed description of the process for determining the compensation amount.

Work ongoing. Some of the aspects were updated by the Law on introducing amendments and additions to some legislative acts of the Republic of Kazakhstan on the return of illegally acquired assets to the state adopted on 12 July 2023.

INDICATOR 5

Improvements proposed in 2018

Phase out local content requirements in the energy sector.

Work ongoing. In 2019, the new Subsoil and Subsoil Use Code was amended to state that the minimum level of local content cannot exceed 50%.

Reduce state control in different energy activities.

Work ongoing. On 19 April 2023, the Law on introducing amendments and additions to certain legislative acts of the Republic of Kazakhstan on issues of administrative reform in the Republic of Kazakhstan was adopted.

Improvements proposed in 2021

Gradually introduce cost-reflective electricity and heating tariffs and phase out cross-subsidies.

Work ongoing. On 14 July 2022, the Law on introducing amendments and additions to some legislative acts of the Republic of Kazakhstan on issues of stimulating innovation, developing digitalization, information security and education was adopted.



Mauritania

Population ¹	4,736,139
Area (km ²) ¹	1,030,700
GDP per capita (USD) ¹	2,190.70
TES (Mtoe) ²	1.91
Net energy imports (Mtoe) ²	1.18
Share of renewable sources in TES ²	0.39
CO ₂ /TES (tCO ₂ per TJ) ²	54.44

Data by Orbis Crossborder Investment on completed energy projects and deals from 2015-2023³

Target industry	Number of projects and deals	Project CapEx and deal value (million EUR) by source country
Extraction of crude petroleum & natural gas	1 project	United States of America: 1 project of 4 mEUR

Sources:

1. The World Bank 2021 (area) and 2022 (population and GDP per capita).
2. ©IEA (2023). World Energy Balances (<https://www.iea.org/data-and-statistics>). All rights reserved. Data refer to the year 2021.
3. Orbis Crossborder Investment (2023), Bureau Van Dijk. Data represents the period 1 April 2015 - 1 April 2023. For more information see Annex III of this report.

Mauritania’s overall risk level against the assessed areas is **moderate**.

Among the three risk areas, *discrimination between foreign and domestic investors* has the lowest risk-level, followed by *unpredictable policy and regulatory change* and the risk of *breach of state obligations*.

Mauritania has a good performance on one indicator and a moderate performance on four indicators. *Management of decision-making processes* is the highest-scoring indicator at 71, followed by *foresight of policy and regulatory change*, *regulatory environment and investment conditions*, and *rule of law* at 60, 59 and 56, respectively. The lowest-scoring indicator is *framework for a sustainable energy system* with a score of 48.

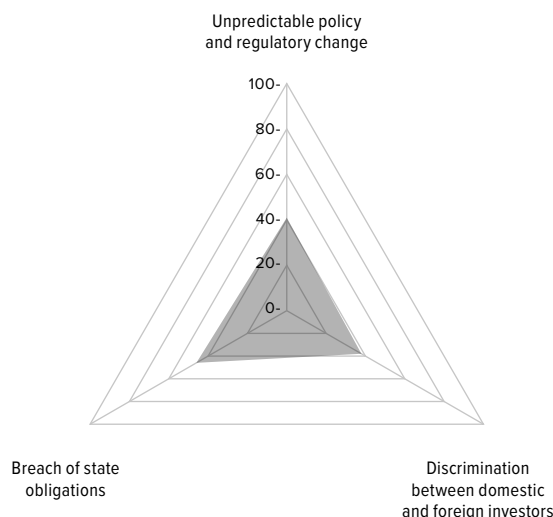
Mauritania’s overall sub-indicator performance is moderate. The highest-scoring sub-indicator is *institutional governance* at 83. It has a good score on four sub-indicators, namely, *regulatory independence* at 76, *environmental protection, human rights and gender* and *restrictions on FDI*, both at 67, and *robustness of policy goals and commitments* at 63. It’s score on *management and settlement of investor-state disputes* stands at 60, followed by *transparency and anti-corruption measures* at 59, *communication of vision and policies* at 58, and *respect for property rights* at 52. Its score on *policy planning on clean energy transition* is 44 and 43 on *energy resilience*. The lowest-scoring sub-indicators are *enabling measures to support clean energy transition* at 40 and *electricity industry market structure and competition* at 36.

Since the legal and regulatory risk associated with energy investments remains moderate in Mauritania, the government is advised to increase the electricity sector’s competitiveness and strengthen its regulation.

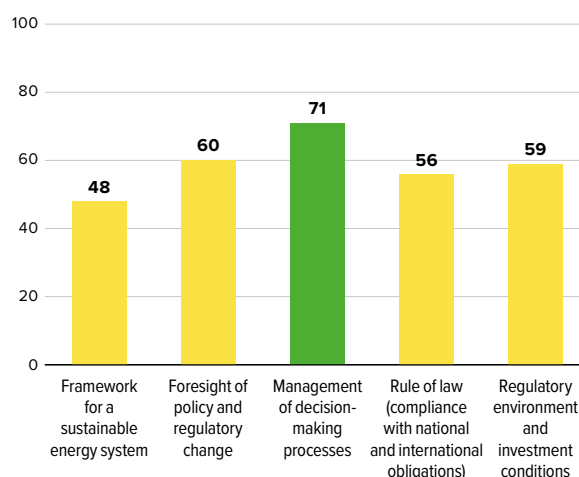
YEAR-ON-YEAR COMPARISON

RISK AREAS	2022	2023
Unpredictable policy and regulatory change	41	41
Discrimination between foreign and domestic investors	38	38
Breach of state obligations	46	46
INDICATORS	2022	2023
Framework for a sustainable energy system	48	48
Foresight of policy and regulatory change	60	60
Management of decision-making processes	71	71
Rule of law	56	56
Regulatory environment and investment conditions	58	59

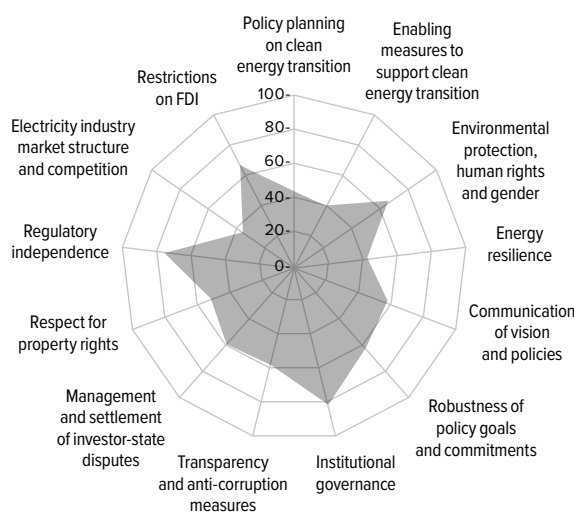
RISK LEVEL



INDICATOR PERFORMANCE



SUB-INDICATOR PERFORMANCE



Framework for a sustainable energy system

QUICK FACTS

Mauritania submitted its updated NDC to the UNFCCC Secretariat in October 2021.

The Environmental Code of Mauritania was enacted in 2020 through Law No. 2000-045 to guide the national policy for environmental protection.

Mauritania has adopted the National Strategy for the Environment and Sustainable Development (2017-2030) and its Action Plan (2017-2021).

STRENGTHS

The government of Mauritania is cooperating with international organisations to implement climate change adaptation and mitigation measures. In 2021, it submitted its second Biennial Update Report and the National Inventory Report to the UNFCCC Secretariat. These reports indicate that the country's methane emissions declined from 1.43 to 1.42 thousand tonnes between 2015 and 2018.

In August 2022, the Ministry of Environment and Sustainable Development (MEDD) launched the Adaptation to Climate Change and Livelihoods in Three Arid Regions of Mauritania project to benefit over 35,000 households. This project, running from 2022 to 2025, aims to increase the climate resilience capacity of rural communities and secure sustainable access to water through ecosystem-based adaptation interventions.

In the energy sector, the government's priority is accelerating the deployment of clean energy solutions. Mauritania and six other African countries are engaged in Phase 2 of the Africa Minigrids Program (AMP) under the Energy4Sahel regional project to encourage the decentralisation of electricity generation. The AMP has a national component, which envisions the allocation of USD 1.5 million for Mauritania to develop policies and regulations facilitating investment in mini-grids, business management innovations, and implementing monitoring and evaluation mechanisms to study the economic and environmental impact of mini-grids. Moreover, in July 2022, the Ministry of Petroleum, Mines and Energy of Mauritania (MPME) announced 20 new mini-grid projects currently under construction or in the tendering process.

The government is working with international aid agencies and organisations to secure financial and technical support for clean energy access. Notably, in December 2022, the United States African Development Foundation (USADF) announced a call for proposals for the Off-Grid Energy Challenge (OGEC) initiative. The OGEC initiative aims to improve electricity access by installing small-scale power generation systems using solar, hydro, wind, biomass, biogas, gas, energy storage technologies and hybrid systems in Africa. The USADF has offered grants worth USD 250,000 to implement off-grid solutions for households and businesses, prioritising commercial and industrial entities owned or headed by women.

The government is trying to establish and implement a robust legal and policy framework on environmental protection. In 2023, it reported on the restoration of 21,500 hectares of degraded lands country-wide and the creation of 27 integrated agricultural farms, which secured jobs of 3,000 females in the regions (Wilayahs) of Hodh

Chargui, Hodh El Garbi, Assaba, Tagant, Brakna and Trarza on 5,000 hectares of reinstated lands. Moreover, in January 2023, the government declared its intention to operationalise the Environmental Police established through Law No. 2021-008. The Environmental Police manages and protects forest areas, surface water, and wildlife, conducts awareness-raising missions, and ensures compliance with environmental standards.

In November 2022, the World Bank allocated USD 50 million for the five-year Mauritania Agriculture Development and Innovation Support project to restore land resources in selected sub-watersheds and accelerate the adoption of climate-smart and climate-resilient agricultural practices and technologies. It targets 320,000 beneficiaries, including smallholders practising farming and herding, women and youth engaged in non-farming activities, unemployed graduates, small and medium agri-entrepreneurs, and private firms from 32 communities in eight Wilayahs. Moreover, in December 2022, the GEF endorsed a new project to enable the climate-resilient management of 71,500 hectares of land by applying contemporary climate adaptation and resilience practices. The project will benefit approximately 100,000 inhabitants, at least 50% female.

The government is tailoring projects to empower women and youth in rural areas and enhancing professional and entrepreneurial skills. In 2022, it financed 1,500 new projects that created nearly 5,000 jobs, organised awareness campaigns promoting vocational training, launched job fairs in all Wilayahs, and conducted training for 490 small- and medium-sized enterprises.

AREAS FOR IMPROVEMENT

The government should develop a national policy framework to oversee the implementation of the country's updated NDC and establish a Measurement, Reporting and Verification (MRV) system to track its GHG emissions. It must also submit to the UNFCCC Secretariat the country's LT-LEDS containing absolute targets for emission reduction in different economic sectors, including energy.

Mauritania should develop a comprehensive strategy for gender mainstreaming in climate change mitigation and adaptation actions in the energy sector. This strategy may introduce policy measures, including national targets for increasing women's share of employment in the energy sector, particularly in technical and scientific jobs and integrating women's empowerment components in designing and implementing energy projects.

Foresight of policy and regulatory change

QUICK FACTS

The Accelerated Growth and Shared Prosperity Strategy (SCAPP) 2016-2030 defines the government's vision for the country's socio-economic development. In 2022, the government adopted the Second Action Plan for SCAPP (2021-2025).

The Production and Transmission Master Plan of 2011 (2011 Master Plan) aims to increase the country's access to reliable electricity supply.

STRENGTHS

In January 2023, the Prime Minister of Mauritania presented to the National Assembly a report on the implementation of government programmes in 2022 and the list of planned activities for 2023. In particular, the programmatic activities envisaged in 2023 include commissioning the 102 MW Boulouvar wind power plant, a new high voltage transmission line between Mauritania and Senegal, and a new 225 kV Nouakchott-Zouerate transmission line. The programme for 2023 also assumes the commencement of works on the Kaédi Maghama-Sélibaby-M'bout-Kaédi transmission loop, which will boost power supply for 65 communities, electrification projects benefitting 534 communities in 16 Wilayahs, and the construction of the 90 kV line from the Beninaji substation to the port of N'Diogo.

Mauritania is steadily improving energy access for its citizens. In January 2023, the government reported an increase in the population's total electricity access from 45.8% in 2019 to 54.6% at the end of 2022 and a 75% electrification rate for 410,000 residents of 214 communities in six Wilayahs. It also announced the completion of rural communities' electrification in the Aftout El Chergui area and its intention to increase the rural electrification rate from 6% in 2022 to 12% in 2024. To meet this target, it implemented several projects in 2022, including rehabilitating the energy infrastructure in the inner part of the country and installing new equipment in the power substations in Tidjikdja, Aioun, Kiffa, and Akjoujt. It also plans to launch a mini-grid programme covering at least 200 villages in the foreseeable future.

Mauritania's energy sector directly benefits from its involvement in regional energy projects financed by various international financial institutions. In April 2022, the AfDB approved USD 379.6 million for the Desert to Power (DTP) G5 Sahel Facility project. In Mauritania, the DTP project aims to add 335 MW of solar power generation by 2030 and assist the national electric power company, SOMELEC, in developing financial and technical models. Moreover, in June 2022, the MPME and the UNDP signed an MoU and a financing agreement for the annual allocation of USD 5 million to deploy solar mini-grid systems in ten villages.

Strengthening the domestic energy infrastructure remains one of the country's main priorities. To this end, on 28 November 2022, the President of Mauritania indicated that in 2023, 3,000 km of the power network would be commissioned in the Wilayahs of Trarza, Brakna, Gorgol, and Guidimakha, in addition to the construction of hybrid power plants and medium voltage lines. Moreover, in December 2022, the government launched a project to expand Nouakchott's power grid and secure power supply for 12,000 households in the capital city's remote districts. Throughout the project, it plans to build and

equip 18 H59 15/0.4 kV substations with a nominal power of 630 kVA, construct 65 km of medium voltage and 110 km of low voltage lines, and install 600 public lighting units. Additionally, the project foresees the installation of a second 225 kV circuit to reinforce the 225/90 kV Nouakchott-Nouadhibou line, the construction of relevant substations, and an increase in the capacity of Nouakchott-Boulouvar transmission lines from 100 to 200 MW.

The government is making efforts to ensure the accountability of public expenditure across different sectors, including energy. In March 2023, the Ministry of Finance (MoF) released a report informing the public that the state revenue reached Mauritanian ouguiyas (MRU) 87.32 billion in 2022, or 97% of the projected level. The total revenue grew by 14% compared to 2021 due to the unprecedented growth of non-tax incomes by 45%. The revenue from the hydrocarbon sector in 2022 was MRU 2.24 billion.

In November 2022, the MoF published the State Economic and Financial Report 2023, providing information on inflation, interest and exchange rates, an overview of the financial sector and debt management, and a financial risks review. The MoF also published a consolidated report analysing the financial performance of 167 public companies operating in 21 sectors and employing over 34,000 people, including SOMELEC and SMH, the national oil company. The industry, mining, and energy sectors demonstrated considerable investment (MRU 5.37 billion) and earnings (MRU 31.22 billion).

AREAS FOR IMPROVEMENT

The government should revise its 2011 Master Plan based on updated scenarios for future energy demand, energy mix, and electricity generation potential. The updated plan should prioritise sustainable power generation and the expansion of decentralised mini-grids to secure access to electricity in remote areas with low population density. At the same time, the government must conduct a comprehensive analysis of potential sources of financing for these decentralised systems, including a combination of private investment and funding from the international donor community.

The government should consider adopting a comprehensive national renewable energy policy reinforcing the goals reflected in the updated NDC. The policy should set the pathway for establishing the regulatory and institutional regime necessary to inspire confidence in potential renewable energy investors regarding long-term investments and ensure consistency in the incentives and project development terms and conditions.

Management of decision-making processes

QUICK FACTS

Mauritania has a presidential system of government. The country has a bicameral legislative body comprising Majilis al-Shuyukh (the Senate) and Jamiya Al Wataniya (the lower house).

The MPME is responsible for energy planning and policy, while the MEDD defines national strategies for environmental management.

The Ministry of Economic Affairs and Promotion of the Productive Sectors (MAEPSP) designs and monitors the country's economic and social policy implementation under Decree No. 028-2021.

STRENGTHS

Mauritania is implementing reforms in various economic sectors to curb the effects of the global economic downturn, protect vulnerable social groups, diversify the country's economy, create new jobs and reduce inequalities. In January 2023, it received a 42-month arrangement of USD 86.9 million from the IMF under its Extended Credit Facility and Extended Fund Facility. This financial arrangement aims to anchor fiscal policy, strengthen monetary and foreign exchange policy frameworks, bolster good governance and transparency, and reinforce the enabling business environment to attract private investment.

In January 2023, the MoF published its report on the implementation of the public finance management system reform (SD-RFP). The government initiated the SD-RFP under the Second Master Plan for SCAPP 2021-2025 to improve the quality of its services and efficiency of public expenditures, advance the country's public finances management, secure proper execution and transparency of financial operations, and increase accountability. The report describes the progress toward each indicator outlined in the SD-RFP and details the reforms' monitoring and evaluation process.

The government is streamlining its public procurement processes with international standards. It has adopted Decree No. 2022-083 on the Implementation of Law No. 2021-024, which sets out the regulatory framework for public procurement. It also defines the functions of the Public Procurement Commission (CPMP) and mandates the centralisation of public procurement through an electronic platform managed by the government's Purchasing Center. Decree No. 2022-084 establishes the National Commission for Public Procurement Control (CNCMP) and the Electronic Public Procurement Management System (SYGMAP), while Decree No. 2022-085 sets up the Regulatory Authority for Public Procurement (ARMP). Decree No. 2022-084 authorises the CNCMP and ARMP to draft standard bidding documents, evaluate the procurement tenders and contracts, and collect information on beneficial ownership.

Mauritanian authorities safeguard the transparency of their financial performance to ensure better public accountability. In October 2022, the MoF released the draft State Budget for 2023, which was later adopted by the National Assembly in January 2023. In February 2023, the government launched the country's first-ever e-payment portal, Amwali, which simplifies information collection and data exchange between citizens and state authorities, streamlines the electronic payment processes, and helps combat money laundering.

Mauritania is progressively strengthening its policy framework to fight corruption. In December 2022, the MAEPSP presented the draft National Anti-corruption Strategy until 2030 to stakeholders, including other state authorities and international organisations. This strategy will help reinforce transparency in the public sector, promote integrity, and implement a zero-tolerance policy toward corrupt practices. It foresees measures for corruption prevention and detection, engaging with relevant stakeholders, fostering good governance, furthering law enforcement, and introducing an anti-corruption culture in the country.

The government is also trying to promote decentralised governance and explore new avenues for engaging civil society in its decision-making process. For instance, in 2022, it set up regional digital platforms for civil society organisations and conducted training programmes for local administrations across different regions.

Since joining the EITI's pilot project on systematic disclosure in 2021, Mauritania has intensified efforts to strengthen transparency in the sector. In December 2022, the EITI National Secretariat of Mauritania published the country's 2020-2021 EITI report. The report furnished data on the extractive industry's production, revenue, exports, contribution to the national economy and state revenues, social and environmental expenditures, and disclosure of available beneficial ownership information in the oil and gas and mining sectors.

AREAS FOR IMPROVEMENT

The government should develop an overarching legal framework for public accountability and access to information. In light of the country's ongoing electricity market reforms, it should streamline stakeholders' engagement in the policy- and law-making process. For instance, it should give the public advance notice of debates on draft legislation, grant sufficient time to review the drafts, create online and offline mechanisms to collect opinions and conduct physical consultations in remote areas to ensure inclusion.

According to the 2020-2021 report of the EITI National Secretariat of Mauritania, the country made some progress in disclosing beneficial ownership information. Mauritania is encouraged to build on the work done by establishing a publicly accessible beneficial ownership register. To ensure higher transparency in the mining and hydrocarbon production sectors, the government should regularly publish data on the extractive industries' revenues and their contribution to the state budget.

Rule of law

QUICK FACTS

- | Mauritania signed the International Energy Charter political declaration on 20 May 2015.
- | Mauritania ratified the Convention on the Settlement of Investment Disputes Between States and National of Other States in 1966.
- | Mauritania ratified the Convention on the Recognition and Enforcement of Foreign Arbitral Awards in 1997.
- | Mauritania has been a member of the WTO since 1995.
- | Mauritania is a member of MIGA.

STRENGTHS

The government of Mauritania is working with international organisations to strengthen arbitration and mediation institutions and promote amicable dispute resolution practices. For instance, since 2021, the MoF, with support from the AfDB, has been implementing the three-year Economic Governance and Investment Management Support Project (PA2GI). One of the PA2GI project components supports the Mauritania International Arbitration and Mediation Centre in determining the training strategy for arbitrators and organising training programmes for them.

Mauritania is committed to optimising the performance of its judicial institutions. In December 2022, as part of the justice sector reforms, the Minister of Justice presented the draft legislation on the judicial officer profession to the National Assembly. The draft law outlines measures to safeguard the judicial independence of legal officers, sets criteria for entry-level candidates applying to legal officers' positions, clarifies the civil status of bailiffs, and gives guidance on improving transparency. The government is also undertaking activities to streamline and modernise logistical planning and processes of the judicial sector. In 2022, it completely furnished the courts of all newly established departments (Moughataas) and provided computers to several others. It also plans to develop 12 new courthouses, renovate some existing buildings, establish a new functional centre in Kiffa for junior legal staff, and build a judicial training institution in West Nouakchott.

The government declared ambitious plans for 2023 to improve the efficiency of the justice system. In a report to the National Assembly in January 2023, the Prime Minister announced the launch of a digital legal database that will provide online public access to the country's official gazette, the Journal Officiel, and include the text of legal and regulatory acts. Besides this, in 2023, the Ministry of Justice plans to implement five training programmes for the courts' staff, particularly on judicial inspection and the use of statistics.

Mauritania is committed to guaranteeing property rights and improving the land planning and administration processes. In January 2023, the government announced that it had started preparing the National Land Use and Planning Policy and finalised the sedentarisation strategy and the methodological guidelines and tools for land-use planning to address issues related to illegal land occupation. Moreover, Mauritania has expanded the scope of protection granted to intellectual property rights in public procurement by adopting Decree No. 2022-083. Article 37 of this Decree defines the term 'intellectual

service' and specifies procedures for purchasing consulting and intellectual services.

Mauritania has signed 22 BITs, of which 10 are in force (with Burkina Faso, Germany, Italy, Lebanon, the Republic of Korea, Morocco, Romania, Spain, Switzerland, and the United Arab Emirates). Several BITs, such as between Mauritania and the Republic of Korea and between Mauritania and Spain, include provisions protecting investors' property from expropriation. For example, the BIT between Mauritania and the Republic of Korea protects investments against all forms of expropriation and nationalisation. It requires adequate compensation if the host state expropriates an investor's assets or investments. Moreover, all the BITs in force since early 2000 (such as with Burkina Faso, Italy, Lebanon, the Republic of Korea, Morocco, Spain, and the United Arab Emirates) recognise intellectual property as an 'investment'.

AREAS FOR IMPROVEMENT

Mauritania is looking to attract private investment in several sectors, including energy. As a result, it should consider establishing a business ombudsperson to handle the grievances of foreign investors against public authorities. Such an authority could boost the confidence of existing and potential investors – particularly in the country's nascent renewable energy sector – that Mauritania is committed to reducing investment barriers and facilitating the successful completion of projects.

Mauritania should appoint a central authority that maintains a database of investment treaties, contracts, and special undertakings with foreign investors. This authority should also provide real-time information on the foreign investors operating in the country and historical data on investor grievances. The government can seek support in this respect by implementing the Energy Charter Secretariat-World Bank's joint project 'Enabling Foreign Direct Investment in the Renewable Energy Sector Reducing Regulatory Risks and Preventing Investor-State Conflicts'.

The government should consider amending the relevant domestic legislation to introduce binding timeframes for adjudicating cases. The government already announced the launch of an online information platform that will make the Journal Officiel, domestic legislation and regulations available to the public. It could supplement this platform with a case management information system that provides citizens with the status of all court cases, judicial orders, case summaries, and pleadings submitted by the disputing parties.

Regulatory environment and investment conditions

QUICK FACTS

The MPME regulates the activities of SOMELEC and the production, import, export, transport, storage and commercialisation of hydrocarbons in Mauritania.

The Multi-sectoral Regulatory Authority (ARM) determines the electricity rate for various high- and low-voltage services and categories of consumers. Information on electricity tariffs (the most recent is for April 2021) is available on SOMELEC's website.

On 12 December 2022, Law No. 2022-027 on the new Electricity Code entered into force.

Law no. 2021-006 of 19 February 2021 modifies Law No. 2017-06 of 1 February 2017 on Public-Private Partnerships (PPP Law).

STRENGTHS

In 2022, the government launched the electricity sector reform to liberalise power production, strengthen regional interconnections, and streamline regional market rules to boost cross-border electricity exchange. As part of the reform, it plans to unbundle SOMELEC's services and establish four new electricity production, transmission, distribution, and retail companies. Once the unbundling is achieved, industrial manufacturers can obtain corresponding licences to sell surplus electricity to the grid. Under certain conditions, commercial and industrial customers may purchase the excess generation produced on-site. Operators with concession agreements in rural areas can conduct power generation, distribution, and retail activities. For this purpose, the companies must procure government licences to build mini-grids and operate and sell electricity at a fixed price, depending on the project size.

The new Electricity Code, which recently entered into force, defines the legal framework for licensing electricity production, transmission, distribution, marketing, import, export, transmission network management, electricity distribution network management, storage, and dispatching services. The Electricity Code also introduces a basis for competitive selection in awarding licences. The relevant regulatory authorities are now preparing the implementing regulations that will define the detailed procedures, principles and criteria for granting such licences.

With the support of international financial institutions, Mauritania is improving the economic environment and conditions for attracting investments. For instance, through the PA2GI project, the government plans to strengthen its legal and regulatory framework on investment protection and facilitation, optimise public investment management practices and private investment mobilisation, and solidify tax and land governance. PA2GI also aims to implement a standardised and reliable monitoring process for public investment and PPP projects and build the capacities of the Investment Promotion Agency of Mauritania and the Chamber of Commerce, Industry, and Agriculture of Mauritania to foster private investment.

The government of Mauritania plans to finance large energy infrastructure projects, including regional projects for energy access and storage, through the rural development sector (MRU 7.3 billion), the 100 MW wind farm in Boulénouar (MRU 4.9 billion in total, MRU 240 million in 2023), public lighting projects (MRU 120 million), the electrical interconnection between Mauritania and Senegal (MRU 500 million), the Electrical Infrastructure Development and Reinforcement Programme (MRU 700

million), and rural electricity infrastructure development in remote areas (MRU 103 million).

The country's gas sector has a promising perspective, with 22 blocks available for leasing. In October 2022, the government signed a deal with the British-based BP and American-based Kosmos Energy to explore and develop the BirAllah gas field with an estimated reserve of 2.26 billion m³. Moreover, in January 2023, the government of Mauritania reported 85% completion of the Grand Tortue Ahmeyim project, which will produce nearly 2.3 million tonnes of liquified natural gas annually for the next 20 years.

Keeping up with recent innovations and resource diversification opportunities, the government is developing a legal and regulatory framework for the green hydrogen sector with support from the EU. The new framework will focus on creating incentives to facilitate FDI inflow and removing barriers for investors interested in the sector. The country is already receiving some interest from investors in green hydrogen projects. In March 2023, Mauritania signed a MoU with the German-based Conjuncta GmbH, the Egyptian-based Infinity Group and the UAE-based Masdar to implement a USD 34 billion green hydrogen project. The total capacity planned for the project is 10 GW, and the green hydrogen production capacity is estimated to be 8 million tonnes. The initial stage assumes the installation of a 400 MW plant near Nouakchott by 2028. Moreover, in November 2022, BP and Mauritania signed an MoU to explore opportunities to develop a 30 GW low-carbon hydrogen production plant in the country's northwest region.

AREAS FOR IMPROVEMENT

The government should strengthen ARM's regulatory role in setting electricity tariffs, market rules, and tariff determination methodologies. It should safeguard ARM's independence and eliminate perceptions of biased decision-making by limiting its role in appointing members to ARM's National Regulatory Council.

The government should comprehensively analyse the country's current and future electricity demand and production costs and update the electricity tariff framework to make it cost-reflective. Such a tariff reform may consider front-load subsidies for projects considering the general population's purchasing power and the market operators' economic viability. Tariff equalisation could also help ensure that customers in urban areas can contribute to subsidising rates in rural areas.

INDICATOR 1

Improvements proposed in 2022

Establish institutional and policy mechanisms to evaluate the implementation of GHG emissions reduction measures accurately and adjust them, if necessary, to achieve the targets in the updated NDC.

Pending

Introduce legislative provisions placing mandatory corporate social responsibility obligations for public and private sector companies operating in the country.

Pending

Improvements proposed in 2023

Submit to the UNFCCC Secretariat the country's LT-LEDS.

Improvement suggested in 2023. Status will be updated in 2024.

Develop a comprehensive strategy for gender mainstreaming in climate change mitigation and adaptation actions in the energy sector.

Improvement suggested in 2023. Status will be updated in 2024.

INDICATOR 2

Improvements proposed in 2021

Develop a national renewable energy policy that defines the country's goals in this area and identifies the means to achieve them.

Work ongoing. The government has been undertaking efforts to reach the 50% target set in the updated NDC by launching critical renewable energy projects to transform Mauritania into a regional front-runner in renewables production, including major green hydrogen production projects and a world-class liquefied natural gas hub.

Adopt energy efficiency measures, including quantifiable targets, mandatory audits and penalties for large energy users, savings incentives for commercial users and the public sector, and financing mechanisms for energy efficiency activities.

Work ongoing. The UNDP-steered 'Greening Mauritania' project has deployed a team of experts to conduct an energy consumption audit on two major administrative buildings and the UN building. The UNDP has also offered technical equipment for three wind measurement stations.

Improvements proposed in 2023

Revise the 2011 Energy Master Plan based on updated scenarios for future energy demand, energy mix, and electricity generation potential, prioritising decentralised mini-grids; conduct a comprehensive analysis of potential sources of financing for decentralised power systems.

Improvement suggested in 2023. Status will be updated in 2024.

INDICATOR 3

Improvements proposed in 2021

Create a legal framework on public accountability and access to information.

Work ongoing. In 2022, the government passed the 2023 budget and made it accessible to the public via the MoF portal. In 2022 and 2023, the government published reports on the state finances allocated for 2022, including information on the status of public expenditures, monthly state financial operations' reports, the annual State Economic and Financial Report for 2023, and a consolidated analytical report on the financial performance of publicly owned or operated companies.

Improvements proposed in 2022

Ensure that the beneficial ownership cadastres effectively collect and disclose data on beneficial ownership.

Work ongoing. Decree No. 2022-084, approved in 2022, authorises the CNCMP and ARMP to draft bidding documents which also includes collecting information on beneficial ownership. In December 2022, the EITI National Secretariat of Mauritania published the country's 2020-2021 EITI report. The report indicated that the country made some progress in disclosing the beneficial ownership information.

Improvements proposed in 2023

Institutionalise stakeholders' engagement in the policy- and law-making process.

Improvement suggested in 2023. Status will be updated in 2024.

Regularly publish data on the extractive industries' revenues, and their contribution to the state budget and public finance flows.

Improvement suggested in 2023. Status will be updated in 2024.

INDICATOR 4

Improvements proposed in 2021

Establish criteria to determine which activities constitute 'public purpose' in the context of expropriation and introduce a valuation process and timeframes for the payment of compensation.

Pending

Improvements proposed in 2022

Establish an ombudsperson or lead agency to handle conflicts and grievances between foreign investors and the public administration arising in the course of projects.

Pending

Reinforce the protection granted to intellectual property owners by implementing in practice the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights and signing and ratifying all the internet-related World Intellectual Property Organization treaties.

Pending

Improvements proposed in 2023

Appoint a central authority that maintains a database of investment treaties, contracts, and special undertakings with foreign investors, and provides real-time information on the foreign investors operating in the country and historical data on investor grievances.

Improvement suggested in 2023. Status will be updated in 2024.

Consider amending the domestic legislation to introduce binding timeframes for adjudicating cases; supplement the new legal information platform with a case management information system that provides citizens with the status of all court cases, judicial orders, case summaries, and pleadings submitted by the disputing parties.

Improvement suggested in 2023. Status will be updated in 2024.

INDICATOR 5

Improvements proposed in 2021

Reinforce the ARM's institutional and functional independence and increase its authority to set tariffs and market rules.

Work ongoing. The new Electricity Code, which recently entered into force, defines the legal framework for licensing electricity production, transmission, distribution, marketing, import, export, transmission network management, electricity distribution network management, storage, and dispatching services.

Improvements proposed in 2022

Revise the electricity tariff framework to ensure the market operators' economic viability.

Work ongoing. The power market reforms assume the unbundling of SOMELEC's activities. Once the unbundling is achieved, industrial manufacturers can obtain corresponding licences for selling surplus electricity to the grid. Under certain conditions, commercial and industrial customers may purchase the excess power produced on-site. In turn, the operators having concession agreements in rural areas will be able to conduct power generation, distribution, and retail activities. For this, the companies will be required to obtain, government licences, through tenders, to build mini-grids and operate and sell electricity at a fixed price (MRU 5, 9, or 12 per kWh, depending on the project size).



Montenegro

Population ¹	616,159
Area (km ²) ¹	13,810
GDP per capita (USD) ¹	9,893.52
TES (Mtoe) ²	1.12
Net energy imports (Mtoe) ²	0.35
Share of renewable sources in TES ²	0.30
CO ₂ /TES (tCO ₂ per TJ) ²	57.07

Data by Orbis Crossborder Investment on completed energy projects and deals from 2015-2023³

Target industry	Number of projects and deals	Project CapEx and deal value (million EUR) by source country
Electric power generation, transmission and distribution	1 minority stake deal	Serbia: 1 TD deal of 13.84 mEUR

Sources:

1. The World Bank 2021 (area) and 2022 (population and GDP per capita).
2. ©IEA (2023). World Energy Balances (<https://www.iea.org/data-and-statistics>). All rights reserved. Data refer to the year 2022.
3. Orbis Crossborder Investment (2023), Bureau Van Dijk. Data represents the period 1 April 2015 - 1 April 2023.
For more information see Annex III of this report.

TD: Transmission and Distribution of electricity

Montenegro’s overall risk level against the assessed areas is **low**.

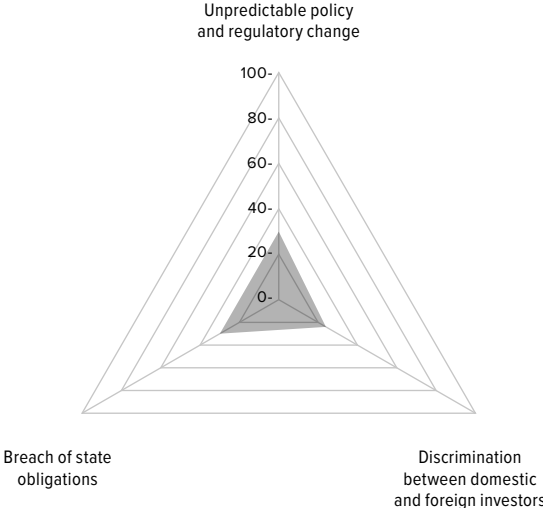
Among the three risk areas, *discrimination between foreign and domestic investors* has the lowest risk-level, followed by *unpredictable policy and regulatory change* and the risk of *breach of state obligations*.

Montenegro has a very good performance on one indicator, a good performance on three indicators, and a moderate performance on one indicator. *Regulatory environment and investment conditions* is the highest-scoring indicator at 83, followed by *management of decision-making processes* at 77. It has received a good score of 67 on the indicator *rule of law* and 66 on *foresight of policy and regulatory change*. The lowest-scoring indicator is *framework for a sustainable energy system* at 59.

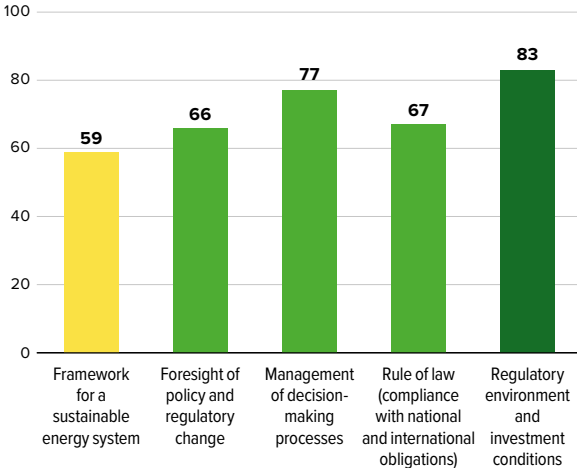
Montenegro’s sub-indicator performance is good. The highest-scoring sub-indicators are *regulatory independence* at 89, *electricity industry market structure and competition* at 85, and *transparency and anti-corruption measures* at 80. Montenegro’s score is good on six sub-indicators, namely, *restrictions on FDI* at 76, *institutional governance* at 75, *robustness of policy goals and commitments* at 72, *respect for property rights* at 69, *policy planning on clean energy transition* and *energy resilience* at 67 each, and *management and settlement of investor-state disputes* at 65. The lowest-scoring sub-indicators are *communication of vision and policies* at 59, *environmental protection, human rights and gender* at 52, and *enabling measures to support clean energy transition* at 51.

The legal and regulatory risks associated with energy investments are low in Montenegro. At the same time, it should implement further measures to support the transition to clean energy.

RISK LEVEL



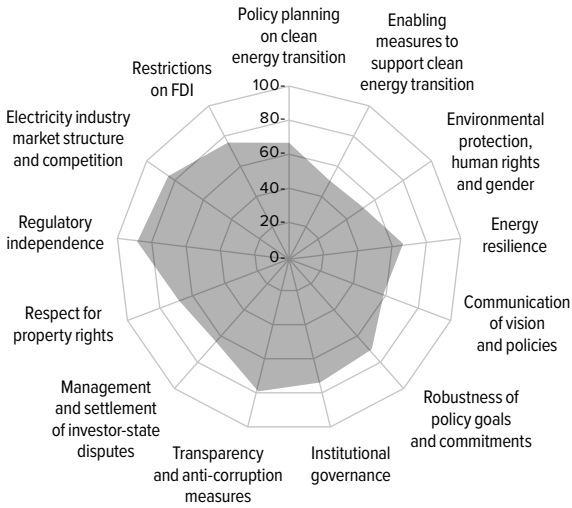
INDICATOR PERFORMANCE



YEAR-ON-YEAR COMPARISON

RISK AREAS	2022	2023
Unpredictable policy and regulatory change	31	30
Discrimination between foreign and domestic investors	24	24
Breach of state obligations	33	30
INDICATORS	2022	2023
Framework for a sustainable energy system	52	59
Foresight of policy and regulatory change	66	66
Management of decision-making processes	77	77
Rule of law	67	67
Regulatory environment and investment conditions	83	83

SUB-INDICATOR PERFORMANCE



Framework for a sustainable energy system

QUICK FACTS

- | In June 2021, Montenegro submitted an updated NDC to the UNFCCC Secretariat.
- | In December 2021, Montenegro submitted its Third Biennial Update Report (BUR) to the UNFCCC Secretariat.
- | In 2015, the government of Montenegro released the National Climate Change Strategy until 2030 (NCCS).

STRENGTHS

Despite Montenegro's small share in global GHG emissions (0.009%), it is taking measures to mitigate climate change and promote green growth. Montenegro's updated NDC has set an economy-wide GHG emissions reduction target of 35% by 2030 compared to 1990, excluding Land Use, Land Use Change and Forestry. The Third BUR submitted by Montenegro presents the country's climate profile and analyses the potential adaptation measures and information on capacity-building activities at the national level.

While Montenegro prioritises mitigation measures, it is now giving increasing attention to adaptation. To this end, the government is developing the National Adaptation Plan with the UNDP. The NCCS is another critical strategy document that aims to harmonise Montenegro's approach to climate change with the EU climate acquis and envisages various implementation measures, including institutional strengthening, education and training of actors, research on climate change and technological development, and financing.

The government has established a robust institutional framework to implement its climate objectives. The Ministry of Ecology, Spatial Planning and Urbanism (MESPU) is responsible for the national environmental and climate change policy and is the national focal point of the UNFCCC. As of 2022, the MESPU has been charged with developing national communications and BURs, while the UNDP maintains an oversight role. The Environmental Protection Agency (EPA) continues implementing the NCCS and prepares the country's GHG inventory.

In December 2022, the National Council for Sustainable Development (NSOR) was established as a consultative body to the government of Montenegro. At the same time, the Working Group for Mitigation and Adaptation to Climate Change was formed as a permanent working body of the NSOR. The Working Group comprises state authorities, local administration officials, scientists, independent experts, and representatives of civil society associations operating in the field of climate change.

Currently, the MESPU, in cooperation with the UNDP, is implementing the project 'Biennial Transparency Report (BTR) and Fourth National Communication'. This project, which will be completed by December 2024, seeks to update the GHG inventory for 1990-2021. The MESPU is also implementing the project 'Strengthening the Montenegrin NDC and adaptation actions within the framework of transparency' (CBIT). The CBIT aims to strengthen the institutional capacity of national institutions responsible for implementing policies and measures on climate change mitigation and adaptation and collecting data for the GHG inventory.

In 2022, the government published the Circular Economy Roadmap, which identifies five focus areas for circular economy reforms: food systems, forest systems, tourism, built environment and manufacturing. To support the Roadmap's implementation, in 2022, the government also developed the National Strategy for Circular Transition until 2030 with the support of UNDP. The Strategy makes recommendations for production without waste and minimal pollution, extension of product lifespan, and reduction or minimisation of damage to nature.

The government is taking policy decisions to ensure climate-compatible development of the agricultural sector. To this end, it is updating the Strategy for the Development of Agriculture and Rural Areas 2015-2020 for 2021 to 2027. The updated Strategy will set the path for the long-term management of agricultural resources sustainably while preserving the environment. Moreover, the government launched the Gora project in 2022 to increase the resilience of smallholder farmers' livelihood to climate change in northern Montenegro by adopting environmentally sustainable and climate-resilient technologies and practices. The project also aims to address gender inequalities and empower women by ensuring gender-equitable participation and influence in adaptation decision-making and gender-equitable access to finance.

The government is prioritising environmentally sustainable economic development. Since transposing the relevant EU directives in 2020, Montenegro has completed more than five strategic environmental assessments and 53 regular environmental impact assessments (EIA). In 2022, Montenegro and Bosnia and Herzegovina (BiH) established a joint working group to address challenges associated with the Buk Bijela hydropower project located on the border between the two countries. The government of Montenegro emphasised the need for a new EIA process with transboundary consultations, given that the previous EIA permit had expired.

AREAS FOR IMPROVEMENT

The government should adopt reforms to apply circular economy approaches in the extractives sector. These reforms should include formulating a circular economy vision in mining activities, the structured analysis of inputs compiled through statistical analyses and stakeholder consultations, and identifying key objectives and outputs as well as potential barriers and hindrances.

The government should intensify its efforts to fully transpose all EU Emissions Trading System elements and the Effort Sharing and Governance Regulation.

Foresight of policy and regulatory change

QUICK FACTS

- | In 2014, the government adopted the Energy Development Strategy (EDS) to outline the country's objectives for the energy sector.
- | In April 2021, the government announced that it is preparing a new energy strategy in parallel with the country's NECP.
- | Montenegro has adopted the Third Energy Package of EU directives and regulations.

STRENGTHS

One of the key drivers for Montenegro's energy market growth is its commitment to reducing fossil fuel dependence and increasing the share of renewables in the energy mix. The government had set an ambitious target of generating 33% of its electricity from renewable energy sources by 2020, in line with the EU's renewable energy directive. Its proactive approach to reaching this target led to a surge in investment in renewable energy projects, particularly in the hydroelectric sector.

Critical hydropower projects, such as the Piva and Perucica plants, have increased the country's renewable energy capacity, created jobs, and generated additional revenue. While hydropower is still a priority electricity generation resource for Montenegro, the government is looking to diversify the country's energy mix and strengthen energy security in an environmentally friendly manner. To this end, Montenegro's state-owned power utility Elektroprivreda Crne Gore AD (EPCG) has announced its plan to invest almost EUR 1 billion over the next five years to accelerate renewable power generation to 2,000 GWh per year and eventually become an exporter of green energy. Moreover, in 2022, EPCG obtained a EUR 82 million loan from the EBRD for the 54.6 MW Gvozd wind farm. The project includes the installation of a 33 kV/110 kV substation, the reconstruction of the Krnovo 33 kV/110 kV transformer, a new 3.1 km 110 kV line between them, a 14.7 km overhead 110 kV link to Nikšić, and the reconstruction of the transformer station there.

The government is exploring options to use natural gas as a bridging fuel in the mid-term. In this context, EPCG is preparing a study to build gas-fired power plants that will allow the country's transition from coal. Moreover, in 2021, Singaporean-based project developer LNG Alliance partnered with EPCG to explore possibilities of implementing LNG projects and a dedicated LNG import terminal in the Port of Bar. In May 2022, it completed the pre-feasibility studies for the terminal and signed an MoU with the Port of Bar for further studies. The Bar LNG terminal is expected to serve Montenegro and parts of BiH, Kosovo, Serbia, Albania, and the southern region of Hungary.

The government of Montenegro is developing interconnection projects with neighbouring countries, such as the Montenegro-Serbia-BiH Electricity Interconnection Project. Moreover, in 2023, the basic design of the Ionian-Adriatic Pipeline's (IAP) Albanian and Montenegrin sections was completed. The 516 km pipeline will stretch from Albania through Montenegro, BiH, to Croatia, carrying five billion m³ of gas annually.

Notable progress was also made on the Trans-Adriatic Pipeline (TAP), whose developers, namely, Plinacro (Croatia), BH-Gas (BiH), and Geoplin Plinovodi (Slovenia), signed MoUs with the governments of Montenegro and Albania to connect the IAP and the TAP. A joint TAP-IAP working group has been established to coordinate technical issues of interconnection and the timing of the two projects.

Montenegro has made progress in aligning its national laws on energy efficiency with the EU energy acquis by adopting legal requirements for eco-design and energy efficiency labelling of energy-related products. Additionally, over the past decade, the government has secured external financing to implement major energy efficiency measures to improve systems for heating, sanitary water, energy performance of building envelope, and interior lighting. Since 2021, the government has been developing the NECP and amendments to the Law on Efficient Use of Energy. Once adopted, the updated legal framework will give investors clarity about the country's energy efficiency policy until 2030.

The government regularly monitors and evaluates the energy sector's performance and makes relevant data available to the public. Montenegro's annual energy statistics are produced and transmitted to EUROSTAT in line with the relevant EU acquis. The Energy Community Secretariat and the European Commission monitor the country's performance, and the findings of their studies are published annually. Moreover, in 2022, the government issued performance evaluation reports on the macroeconomic level and for the energy sector and adopted the second report on the implementation status of the NCCS 2030.

AREAS FOR IMPROVEMENT

The government should progress with the adoption of the draft Law on the Security of Supply of Oil Products, the new draft Law on Cross-border Energy Infrastructural Projects, and the transposition of the Trans-European Transport Network (TEN-T) and Trans-European Networks for Energy (TEN-E) regulations.

MESPU should develop a long-term low-carbon development strategy until 2050, as envisaged in the Law on Protection against Adverse Impacts of Climate Change. Such a policy can guide the overall vision, general and specific objectives, and measures to achieve mandatory GHG reduction targets across sectors.

Management of decision-making processes

QUICK FACTS

The Ministry of Capital Investments is responsible for the energy portfolio and developing investment projects in energy and mining.

The Law on Free Access to Information, adopted in 2012, regulates the manner and process for exercising the right to access government-held information.

STRENGTHS

The government of Montenegro is updating the Public Administration Reform Strategy (2021-2025) based on an independent evaluation of its implementation between 2016 and 2020. The revised Strategy will outline the goals of the reform, success indicators, and monitoring and implementation models. The revised Strategy will also include guidelines for accelerating the digital transformation of public administration.

The legal framework for Montenegro's digital transformation is, to a large extent, already in place. For instance, the Law on Electronic Identification and Electronic Signature of 2017 introduces the principle of signature equivalence. Following this, the Law on Electronic Government was adopted in 2020, obliging public authorities to perform their activities using digital technologies. Moreover, the amended Law on Electronic Documents, which entered into force in December 2022, promotes the use of electronic documents, digital signatures, and electronic seals in public administration. It prescribes that legal and natural persons, including the competent authorities, are obliged to keep electronic documents in their original form, in an electronic archive, in an information system, or on media that enable the durability of the record for the established storage period.

Montenegro continues to make good progress in ensuring transparency in public administration. The Ministry of Finances (MoF) publishes reports on budget execution on a monthly, quarterly, and annual basis. In May 2022, the MoF reported on the national budget's execution from January to April 2022. Similarly, the Agency for Protection of Competition (APC) published its annual work report 2021, the yearly report for State aid granted in 2021, and 30 decisions on business mergers.

In December 2022, the Energy and Water Regulatory Agency of Montenegro (REGAGEN) published the energy sector and the annual utility benchmarking reports for 2021. By February 2023, it also launched a public call on the amended methodology for determining the regulatory allowed revenue and prices for the use of the electricity distribution and electricity transmission systems and the amended methodology for determining prices and terms and conditions for providing auxiliary and balancing services of the electricity transmission system.

The recently adopted Public-Private Partnership (PPP) and public procurement legislation have streamlined the procurement process of goods, services, and works and reduced irregularities in the public procurement system. The State aid register, established in 2021, has contributed to ensuring greater transparency, allowing each major grantor of aid to enter information into it.

The government launched the first electronic public procurement system in 2021 with the support of the European Commission. Since then, it has joined efforts with the EU on more projects to improve the institutional and legal framework in public procurement and State aid. The most recent project, completed in November 2022, consisted of two components: strengthening the capacity of state institutions, such as the APC, and harmonising the relevant legislation with the EU acquis. Support activities are underway to provide state institutions with expert advice on policies, legislation, and institutional structures, along with a range of training programmes and awareness-raising initiatives with citizens.

The Law on Prevention of Corruption defines measures for fighting corruption in public institutions. It foresees that integrity plans will be prepared and implemented by public authorities, including ministries and the police, to prevent unethical conduct. Such plans are made public on the respective authorities' websites. The APC, an independent body established by the Parliament of Montenegro in 2015, assesses the compliance of public authorities, companies, legal entities, entrepreneurs and natural persons with the anti-corruption legislation. It reports annually on the integrity plans of public institutions and provides recommendations to further their implementation. The APC also gives its opinion on relevant draft laws and regulations. For instance, in 2022, it submitted comments on the proposed amendments to the Law on Prevention of Corruption.

In January 2023, the EU/Council of Europe joint programme 'Horizontal Facility - Action against Economic Crime in Montenegro' entered its third phase. The objectives of this programme include increasing efficiency and guaranteeing impartiality in processing high-level corruption cases by state institutions and the criminal justice system. It also aims to enhance the effectiveness and implementation of anti-money laundering policies. Moreover, the Council of Europe is currently assisting the Montenegrin government with finalising the legislative framework for applying the new draft Law on Lobbying, which will significantly improve the transparency of lobbying activities.

AREAS FOR IMPROVEMENT

Montenegro should expediently adopt the revised Free Access to Information Law, pending since 2020. An updated legal framework will guarantee proactive disclosure of legal and regulatory decisions, including the integrity plans prepared by public authorities and the timely exchange of information held by them.

Rule of law

QUICK FACTS

- I Montenegro ratified the ECT in 2015.
- I Montenegro is a member of MIGA.
- I Montenegro signed the UN Convention on International Settlement Agreements Resulting from Mediation in 2019.

STRENGTHS

The government of Montenegro is gradually introducing results-based financial and human resources management in its judicial system. In this context, the Ministry of Justice, Human and Minority Rights (MoJHMR) has collaborated with various stakeholders to amend the Law on the Judicial Council and Judges. The proposed amendments focus on several crucial issues, including improving the work of the Judicial Council, the system of ethical and disciplinary liability of judges, the process of appointing judges, and their assignment, transfer, and appraisal. In 2022, the MoJHMR requested the opinion of the Venice Commission, which found that the amended Law addresses several shortcomings identified in its practical implementation by incentivising internal mobility, providing for a transparent and more systematised system of appraisal, and entrusting the Judicial Council with the possibility to initiate disciplinary proceedings. Other legislative measures to support the country's judiciary include enacting the Law on the Budget in 2022, which establishes a system to disburse financial resources among courts and prosecution offices individually for the first time.

The Law on International Private Law regulates the procedure for recognising and enforcing foreign judgments from countries outside the EU. At the same time, the Law on Enforcement and Security of Claims provides for the recognition and enforcement of foreign judgments and orders issued by EU courts, covering civil and criminal cases.

In April 2023, the MoJHMR signed the Judgments Convention, which entered into force on 1 September 2023. This Convention establishes a common framework for circulating judgments in civil and commercial matters. Its entry into force is expected to assist national courts in overcoming differences in legal systems and, consequently, increase legal certainty and predictability.

The positive trend toward alternative dispute resolution, which started with the adoption of the Law on Alternative Dispute Resolution (ADR) in 2020 continues. Currently, the government, with the support of the EU and the Council of Europe, is developing the Advanced Training Scheme, which will cover several knowledge and skills development topics, considering the background of mediators, the initial level of knowledge, and the need for practical expertise. Once adopted, the Scheme will be implemented through supervision, mentoring, and continuous professional development exercises.

The government has benefited from international donors and experts in integrating information and communication technology solutions into the court system. For instance,

the UNDP has partnered with the government to implement the Strategy for Information-Communication Technologies for the Justice System (2016-2020) and the Judiciary ICT Development Programme (2021-2023). The objectives of these endeavours are, among others, to strengthen the capacities of the MoJHMR and introduce a business intelligence module for analytics and statistics. Moreover, in 2023, Montenegro became a beneficiary of the 'Dashboard Western Balkans' initiative launched by the EU and the Council of Europe. The initiative supports the annual collection and processing of data on the functioning of the judicial system, thereby allowing the country to finalise its judicial reforms and improve the quality, efficiency, and accountability of its justice system in line with European standards.

BITs and IIAs signed by Montenegro, such as the ECT, the Central European Free Trade Agreement, and the European Free Trade Agreement, protect foreign investments against expropriation, nationalisation, or other measures having an equivalent effect. The IIAs clarify that expropriation or nationalisation is permissible only for a public purpose, following due process of law, on a non-discriminatory basis, and against compensation.

On the national level, the Law on Expropriation, as amended in 2018, sets out detailed provisions concerning the expropriation procedure, including the amount and types of just compensation. The Law on Foreign Investment supports this position. It provides in Article 11 that the assets of foreign investors may not be expropriated except in cases of public interest as determined by law and upon the payment of compensation. Investor-state arbitration is envisaged in the 24 BITs Montenegro is a party to. Notably, in 2023, the MoF published an arbitration award rendered in Montenegro's favour by ICSID under the BIT with Austria.

AREAS FOR IMPROVEMENT

The government should consider establishing an ombudsperson or lead agency to handle conflicts and grievances between foreign investors and the public administration arising during projects.

Several BITs signed by Montenegro, such as those with Moldova, Qatar, Cyprus, Serbia, Lithuania, and Austria (all currently in force), peg the interest rate payable to a foreign investor in the case of expropriation at the London Interbank Offer Rate (LIBOR). Since LIBOR was fully phased out on 30 June 2023, the government should amend the BITs affected by this change and replace the reference to LIBOR with a different benchmark.

Regulatory environment and investment conditions

QUICK FACTS

- | The Law on Energy, as amended in 2020, stipulates the regulatory powers and functions of REGAGEN.
- | The Montenegrin Electricity Market Operator, COTEE, manages wholesale market operations.
- | The Law on Protection of Competition, enacted in 2012 and last amended in December 2021, regulates market competition and reflects the relevant EU principles. The APC monitors and analyses market competition.
- | Under the Law on Foreign Investment, domestic and foreign companies in Montenegro are guaranteed equal legal treatment.

STRENGTHS

REGAGEN remains committed to liberalising the electricity market. To this end, it is working intensely on the transposition of Regulation (EU) 1227/2011 of 2011 on the integrity and transparency of the wholesale market (REMIT) into national legislation.

The Law on Surveillance of the Wholesale Electricity and Natural Gas Market entered into force in 2022 and seeks to improve transparency in the wholesale electricity and natural gas market, increase the number of market participants, and protect end customers from abusive market behaviour. REGAGEN has created a set of templates to facilitate this Law's implementation, namely, (1) an application form for an entry in the register of wholesale market participants, (2) notification of delay in disclosure of insider information, (3) a list of electronic systems for publishing insider information, (4) notification of the use of exemption related to insider trading, and (5) notification of the suspected breach in the wholesale energy market in Montenegro or any other Energy Community Contracting Party.

In June 2022, REGAGEN adopted new tariff methodologies for the market operator, distribution system operator, and transmission system operator applicable from 2023. The methodologies intend to limit allowed revenue, provide efficient incentives, allow risk sharing between operators and system users, and facilitate non-discriminatory network access. Network operators have submitted applications for the regular tariff review for three years, from 2023 to 2025.

In April 2023, the Montenegrin Power Exchange (BELEN) launched its day-ahead market. The European Power Exchange (EPEX SPOT) provided the platform, the Energy Community Secretariat offered technical assistance in establishing the institutional set-up for the organised day-ahead market, and the clearing system was implemented in cooperation with BSP SouthPool from Slovenia. The launch of the day-ahead market represents an important step toward fulfilling all technical and legal conditions for Montenegro's integration into the single European electricity market. It will further incentivise renewable energy deployment by promoting a transparent and robust price signal. Thus far, 13 companies have participated in Montenegro's day-ahead market.

The government is taking measures to create an investment-conducive energy sector. In August 2022, the Parliament of Montenegro introduced changes to the Law on Spatial Planning and Construction to facilitate the construction of facilities producing electricity from renewable energy sources. More specifically, the Law

mandates that pending the adoption of the general regulation plan, the government may set urbanistic-technical conditions based on the opinion of state authorities responsible for environmental protection, agriculture, and forestry where the land is located and the legal entities responsible for the conditions of connection to the infrastructure. In October 2022, MESPU adopted the Rulebook to specify the criteria for issuing urbanistic-technical conditions for solar, wind, or hydropower plants of at least 1MW. Moreover, the Government has recently announced a reduced VAT on the sales, installation, and imports of solar panels from 21% to 7%.

The private sector is advancing with plans to develop new wind and solar capacities. For instance, BSD Mont intends to build a solar power plant and a wind farm in the Rožaje municipality, with an estimated cost of over EUR 200 million. At the same time, Sunrise Europe plans to install a solar power plant with a maximum capacity of 220 MW in Šavnik. In 2023, the company Obnovljivi izvori energije requested urban development and technical conditions for a 225 MW solar power plant in Cetinje, while RES Montenegro Group received urban planning and technical requirements for a solar PV facility with a connection capacity of up to 506 MW. In June 2023, the transmission system operator, CGES, and MEnergy signed the first agreement to connect a planned 385 MW solar power plant to the national grid. The value of the project is around EUR 300 million, and it will be completed and connected to the grid by 2027.

AREAS FOR IMPROVEMENT

The parliament and government of Montenegro should take steps to secure the functional and operational independence of REGAGEN. For instance, any undue political interference in REGAGEN's decision-making should be avoided, and REGAGEN's staff could be exempt from applying the Law on Salaries of Employees in the Public Sector. Moreover, the period between the expiry of the term of office/release of REGAGEN's Chairman and Board Members from duty and employment in regulated companies should be more than one year.

The development of Montenegro's day-ahead market will help the country join the single day-ahead and intraday market and benefit from better cross-border interconnection. However, for this to happen, the government must swiftly transpose and implement additional regulatory instruments, such as the Nominated Electricity Market Operators (NEMO) designation.

INDICATOR 1

Improvements proposed in 2022

Replace the generation capacity of the 225 MW coal-fired plant in Pljevlja by setting more ambitious targets for solar and wind generation in the NECP; avail technical and financial support from international financial and development institutions in this respect and introduce auctions for installing new production facilities at competitive prices.

Pending

Formulate a circular economy vision for mining activities in line with best practices.

Work ongoing. In 2022, the government published the Circular Economy Roadmap and the National Strategy for Circular Transition until 2030 (NSCT). The Roadmap identifies five focus areas for circular economy reforms: food systems, forest systems, tourism, built environment and manufacturing. The extractives sector is not mentioned as a focus area in the Roadmap or the NSCT.

Improvements proposed in 2023

Fully transpose all EU Emissions Trading System elements and the Effort Sharing and Governance Regulation.

Improvement suggested in 2023. Status will be updated in 2024.

INDICATOR 2

Improvements proposed in 2018

Adopt national action plans that set long-term and outcome-oriented targets for the energy priorities.

Work ongoing. The government is working on the NECP and the Law on Efficient Use of Energy. In April 2021, the government announced that it is preparing a new energy strategy in parallel with the country's NECP.

Enhance the independence of the monitoring bodies and increase the capacities of certain agencies such as the Inspectorate for Energy Efficiency and the Eco Fund.

Work ongoing. The Eco Fund became fully operational in 2020. It is financed under the polluter pays principle and must utilise its resources for environmental remediation and pollution prevention. Furthermore, the Law on Protection against Negative Impacts of Climate Change envisages the establishment of the National System for the Measurement, Reporting and Verification of GHG emissions.

Improvements proposed in 2020

Adopt the Action Plan on Compulsory Strategic Reserves of Oil and Petroleum Products, the draft Law on the Security of Supply of Oil Products, the REMIT Regulation, and the draft Law on Cross-border Energy Infrastructural Projects that will bring the country's legal framework in conformity with the EU acquis.

Work ongoing. In 2020, the parliament of Montenegro enacted amendments to the Law on Energy and in 2021, it passed the Law on Infrastructure.

Improvements proposed in 2022

Adopt the NECP with updated national renewable and energy efficiency targets and the necessary policy monitoring and evaluation mechanisms.

Pending

Adopt a long-term low-carbon development strategy until 2050 to guide the overall vision, general and specific objectives, and measures to achieve mandatory GHG reduction targets across sectors.

Pending

INDICATOR 3

Improvements proposed in 2018

Reinforce stakeholder engagement and ensure the implementation of laws regarding transparency in decision-making.

Work ongoing. In 2020, the government invited comments on proposed amendments to the Law on Energy.

Improvements proposed in 2022

Adopt the revised Law on Free Access to Information pending since 2020 and replace the expired 2018-2020 Strategy for Improving the Environment for NGOs.

Work ongoing. In December 2021, the Montenegrin cabinet of ministers adopted the Draft Law on Amendments to the Law on Free Access to Information with the action plan for effective implementation of this Law.

INDICATOR 4

Improvements proposed in 2018

Establish criteria to determine which activities constitute 'public purpose' in the context of expropriation.

Pending

Establish an ombudsperson or lead agency to handle conflicts and grievances between foreign investors and the public administration arising during projects.

Work ongoing. Since 2019, a positive trend in alternative dispute resolution has been established, with an increasing number of cases referred to the Mediation Centre and the Agency for Peaceful Settlement of Labour Disputes.

Introduce timeframes for the conclusion of every step of the legal proceedings and limits on the number of adjournments to reduce case backlogs.

Pending

Improvements proposed in 2023

Amend the BITs referencing LIBOR to replace it with a different benchmark since LIBOR was fully phased out on 30 June 2023.

Improvement suggested in 2023. Status will be updated in 2024.

INDICATOR 5

Improvements proposed in 2018

Relax annual quotas on the number of foreign workers employed in the country.

Pending

Improvements proposed in 2022

Exclude REGAGEN's staff from the scope of the Law on Salaries of Employees in the Public Sector and secure the timely approval of RERAGEN's annual report by the parliament; extend the period between the expiry of the term of office/release of REGAGEN's Chairman and Board Members from duty and the employment in regulated companies to at least two years.

Pending

Improvements proposed in 2023

Transpose and implement the requirements of the EU's Capacity Allocation and Congestion Management Regulation, including the designation of NEMOs.

Improvement suggested in 2023. Status will be updated in 2024.



Republic of Moldova

Population ¹	2,592,477
Area (km ²) ¹	33,850
GDP per capita (USD) ¹	5,562.61
TES (Mtoe) ²	4.18
Net energy imports (Mtoe) ²	3.50
Share of renewable sources in TES ²	0.16
CO ₂ /TES (tCO ₂ per TJ) ²	50.43

Data by Orbis Crossborder Investment on completed energy projects and deals from 2015-2023³

Target industry	Number of projects and deals	Project CapEx and deal value (million EUR) by source country
N/A	N/A	N/A

Sources:

1. The World Bank 2021 (area) and 2022 (population and GDP per capita).
2. ©IEA (2023), World Energy Balances (<https://www.iea.org/data-and-statistics>). All rights reserved. Data refer to the year 2021.
3. Orbis Crossborder Investment (2023), Bureau Van Dijk. Data represents the period 1 April 2015 - 1 April 2023. For more information see Annex III of this report.

Moldova’s overall risk level against the assessed areas is **low**.

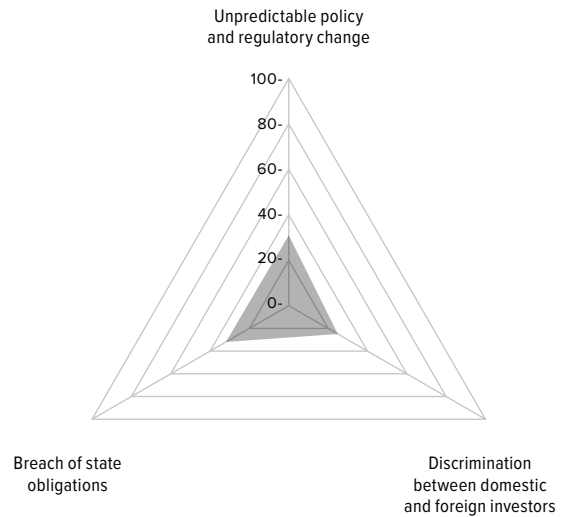
Among the three risk areas, *discrimination between foreign and domestic investors* has the lowest risk-level, followed by *unpredictable policy and regulatory change* and the risk of *breach of state obligations*.

Moldova has a very good performance on one EIRA indicator, a good performance on three indicators and a moderate performance on one indicator. *Rule of law* is the highest-scoring indicator at 81, followed by *management of decision-making processes* at 74, *regulatory environment and investment conditions* at 71, and *foresight of policy and regulatory change* at 69. Its lowest-scoring indicator is *framework for a sustainable energy system* at 52.

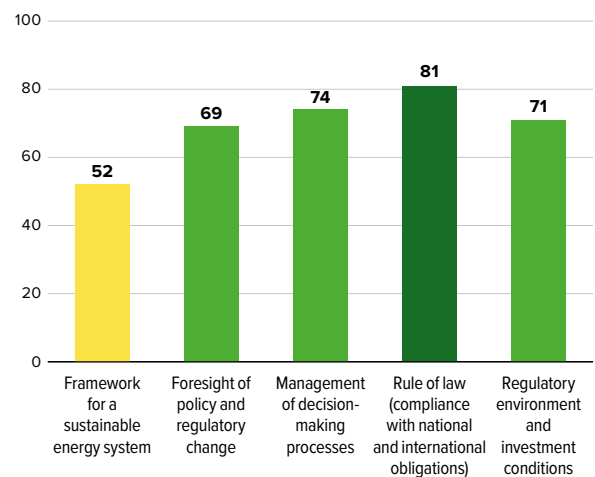
Moldova’s sub-indicator performance is good. The highest-scoring sub-indicators are *regulatory independence* at 94, *respect for property rights* at 85, and *robustness of policy goals and commitments* at 81. It has received a good score on six sub-indicators, namely, *management and settlement of investor-state disputes* at 76, *institutional governance* at 75, *transparency and anti-corruption measures* at 72, *policy planning on clean energy transition* at 62, and *restrictions on FDI* at 61. It has a score of 57 on *electricity industry market structure and competition*, 57 on *communication of vision and policies*, and 52 on *environmental protection, human rights and gender*. The lowest-scoring sub-indicators are *energy resilience* at 50 and *enabling measures to support clean energy transition* at 43.

The legal and regulatory risks associated with energy investments are low in Moldova. At the same time, it should implement further measures to support the transition to clean energy.

RISK LEVEL



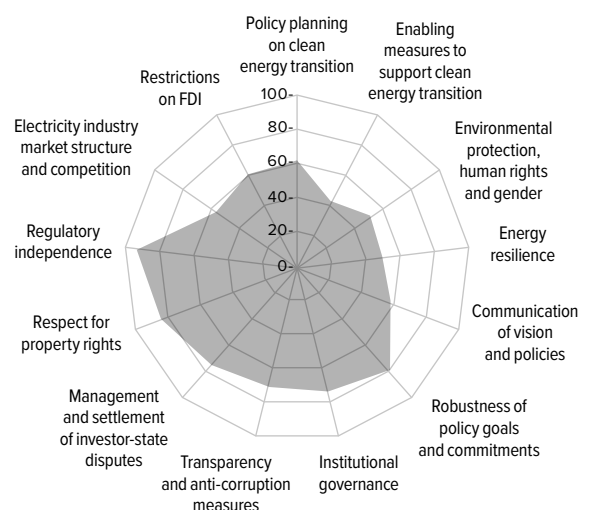
INDICATOR PERFORMANCE



YEAR-ON-YEAR COMPARISON

RISK AREAS	2022	2023
Unpredictable policy and regulatory change	31	31
Discrimination between foreign and domestic investors	25	25
Breach of state obligations	32	32
INDICATORS	2022	2023
Framework for a sustainable energy system	52	52
Foresight of policy and regulatory change	65	69
Management of decision-making processes	74	74
Rule of law	81	81
Regulatory environment and investment conditions	71	71

SUB-INDICATOR PERFORMANCE



Framework for a sustainable energy system

QUICK FACTS

Moldova submitted its updated NDC to the UNFCCC Secretariat in March 2020.

Since February 2023, the Ministry of Environment has become responsible for developing and promoting policies on climate change, environmental protection, and the rational use of natural resources and biodiversity conservation.

STRENGTHS

The government of Moldova has incorporated its vision and targets for GHG emissions reduction and climate change adaptation and mitigation in the country's Low Emission Development Strategy (LEDS) until 2030 and the Action Plan for its Implementation, as amended in 2018. It is now in the process of drafting the Integrated National Energy and Climate Plan and revising the relevant policies to implement the targets set under the updated NDC. In its updated NDC, the country has committed to more ambitious targets than its first NDC. Its new economy-wide unconditional target is to reduce GHG emissions by 70% below the 1990 level in 2030, instead of 64-67% as committed in the first NDC, which could be further increased to 88% if international low-cost financial resources, technology transfer, and technical cooperation are ensured.

In March 2023, Moldova submitted its Fifth National Communication to the UNFCCC Secretariat, indicating its future activities in GHG inventory and data collection, climate change adaptation, transfer of environmentally friendly technologies, and various capacity- and awareness-building initiatives in environmental issues.

Since March 2022, Moldova's electricity grid has been synchronised with the ENTSO-E Continental Europe network, thus enabling the country to buy electricity from Romania and other European countries.

Moldova is progressively increasing its renewable power generation capacity. According to the country's Energy Efficiency Agency, Moldova's total installed renewable energy capacity rose to 206.81 MW at the end of 2022 from 61.6 MW four years earlier. Wind power accounted for 56% of the total generation capacity from renewable sources, while solar PV, hydropower, and biogas cogeneration plants accounted for 29%, 8%, and 7%, respectively. More specifically, wind power capacity rose from 35.6 MW in 2018 to 115.1 MW in 2022. Solar PV plants also registered a significant increase of 60.13 MW in 2022, up from only 4.02 MW in 2018.

The government is working proactively with international financial institutions to accelerate the adoption of energy-efficient technologies across sectors. In September 2022, the EIB and the government signed a EUR 15 million grant agreement to support the Moldova Energy Efficiency Project. This project will improve the energy efficiency of public buildings, including hospitals and schools. International donors have invested in improving the existing district heating infrastructure. For instance, the District Heating Efficiency Improvement projects (SACET I and SACET II), funded by the World Bank and EBRD sovereign loans, have aimed to improve operational efficiency and the quality and reliability of heating services delivered to the population of Chisinau.

The government has successfully eliminated cross-subsidies for household electricity and gas tariffs. Targeted support schemes for the most vulnerable consumers are introduced from time to time, such as the compensation offered to consumers for gas and heat from the country's budgetary resources and EU grants under the National Energy Crisis Action Plan (2021). An updated version of this Action Plan was adopted in July 2022, adding new measures to cope with a potential energy crisis in the upcoming winters.

In addition to these efforts, Moldova has implemented energy savings and fuel-switching measures. In July 2022, the government launched the 'Addressing the impacts of the energy crisis in the Republic of Moldova' programme in partnership with the UNDP and the EU. The project will assist in reducing the energy costs of domestic consumers through a social experiment under which the energy supplier has sent a communication to around 300,000 high-consumption customers, comparing their data with those of the more energy-efficient consumers in their community and giving them solutions to save energy.

Moldova is working with international agencies and institutions to ensure environmental preservation while meeting its development needs. In September 2022, the parliament of Moldova revised the legislative framework on environmental impact assessment per the relevant EU directives. The amendments address issues related to stakeholder consultation by the public authorities, the quality assurance of the impact assessment reports, and the project monitoring mechanisms. Moreover, forest regeneration and expansion efforts have been undertaken through the National Programme for the Extension and Rehabilitation of Forests to ensure 150,000 hectares of new forests in the next ten years. In 2022, the government also secured funding from the EBRD and E5P to finance critical waste management infrastructure that will benefit 185,000 people in three different districts.

AREAS FOR IMPROVEMENT

The government should implement appropriate regulatory framework and demand-side management measures to promote biodiesel, alternative fuels, and electrical power in transport. In this context, it should expediently transpose the EU Directive on the promotion of the use of biofuels or other renewable fuels for transport (2003/30/EC) and the EU Directive on the promotion of the use of energy from renewable energy sources (2018/2001).

The government should accelerate the adoption of the revised LT-LEDS and the national energy and climate action plan.

Foresight of policy and regulatory change

QUICK FACTS

- | The Energy Strategy of the Republic of Moldova until 2030 (ES 2030) outlines the government's mid-term policy in the energy sector.
- | In November 2022, the government released the Concept of the Energy Strategy of the Republic of Moldova 2050 (Energy Concept).
- | In 2020, the government approved the Moldova 2030 National Development Strategy through Decision no. 377 of 2020 and presented it to the Parliament for consideration.
- | On 16 February 2023, an updated Government Activity Program (GAP 2023) was adopted by Parliament Decision no. 28.

STRENGTHS

According to the Energy Concept, the strategic objectives for Moldova's energy sector are increasing the country's energy security, developing a competitive market, and protecting consumers from the impact of energy crises. In addition, the country is committed to promoting renewables and implementing energy efficiency measures. The government plans to construct a power plant with a capacity between 80 and 100 MW to increase the balancing capabilities of the power system and a cogeneration power plant based on combined cycle steam gas, with an electrical efficiency of over 55% and a capacity of at least 250 MW.

Establishing interconnections with neighbouring countries remains a national priority. To this end, the government is conducting a feasibility analysis of the interconnection projects between Moldova and Romania and between Moldova and Ukraine. Moreover, it plans to allocate significant capital to the construction of two 400 kV overhead power lines connecting Moldova to Romania, the first between Vulcănești and Chisinau and the second between Bălți and Suceava. The Moldovan government also plans to create strategic stocks of natural gas and petroleum products to reinforce its energy security.

The government is committed to implementing its energy market reforms, including the launch of a competitive day-ahead market and an intraday market, the use of platforms developed by ENTSO-E for the exchange of balancing and system services, and the completion of the unbundling of the Natural Gas Transmission System Operator to ensure guaranteed non-discriminatory access of alternative suppliers to the transmission network.

Moldova's renewable generation capacity has increased substantially over the last few years. To keep up the momentum, the Energy Concept envisages the construction of solar PV parks with a total capacity of around 200 MW, wind parks with a total capacity of about 250 MW, and power plants based on biogas and biomass with a total capacity of 65 MW. Furthermore, according to the Energy Concept, the government plans to transpose and implement EU legislation on renewable energy communities and prosumers and introduce net billing.

In terms of energy efficiency, Moldova has achieved the targets set under Law no. 139 of 2018 on Energy Efficiency

and the National Energy Efficiency Action 2019-2021. Although the draft law transposing the amended Directive 2018/844 on the energy performance of buildings and energy efficiency is currently under consultation, several programmes are underway to finance public building renovations in line with the Directive. Moreover, the government has announced a target of 21.49 ktoe per year of new energy savings (0.8% equivalent of the final energy consumption) under the energy efficiency obligation scheme set through Law no. 139 of 2018 on Energy Efficiency. Several projects are at the implementation stage, including the EIB-EBRD-EU financed 'Energy Efficiency in the Republic of Moldova' (EUR 75.5 million), which aims to integrate renewable energy sources and introduce efficient energy management practices.

The state agencies publish annual reports on the progress in policy implementation as required under national legislation and international agreements. For instance, the AA/DCFTA provides a comprehensive institutional set-up for bilateral dialogue and monitoring the gradual approximation of Moldova's legislation with the EU acquis. As such, in February 2023, the 2022 Association Implementation Report was released by the government. Drawing on the EU technical support, the Court of Accounts has improved its external auditing functions. In September 2022, it published the Annual Report on the Management and Use of Public Funds and Public Sector Assets for 2021, while in November 2022, it released its audit report of Moldovagaz for the period 2011-2021.

AREAS FOR IMPROVEMENT

The government is determined to improve its national energy sector policies and long-term planning and align them with the country's climate commitments. For this reason, adopting a long-term energy strategy, with objectives as reflected in the Energy Concept, is paramount as it will provide existing and potential investors with information on the sector's future trajectory and allow them to define their business plans accordingly. Moreover, the government should adopt a revised national action plan on energy efficiency and renewables with targets beyond 2021, an action plan for emergencies on the oil products market and the minimum level of oil stocks, and an energy labelling regulation.

Management of decision-making processes

QUICK FACTS

- | As of February 2023, the Ministry of Energy is responsible for seven areas, namely, energy security, energy efficiency, renewable energy, electricity, heat and promotion of high-efficiency cogeneration, natural gas and oil products, digitalisation, and energy transition.
- | The Ministry of Economic Development and Digitalisation (MoEDD) leads economic, trade, and investment policy-making.
- | The right to access public information is established by Law no. 982 of 2000.
- | Law no. 239 of 2008 on Transparency in the Decision-making Process guarantees participation in public consultation regarding draft laws and regulations.

STRENGTHS

In March 2023, the government approved the Public Administration Reform Strategy for 2023-2030, which covers the most important pillars of public administration, such as civil service management, public institutions, strategic planning, and public and local public administration. The Strategy will be implemented in two stages, from 2023 to 2026 and from 2027 to 2030.

In line with the Public Administration Reform Strategy for 2023-2030, in 2023, the government of Moldova substantially restructured its ministries to improve administrative efficiency. It created a new ministry dedicated to tackling energy matters and reinforcing administrative capacities in this field. Moreover, in February 2023, it restructured the Ministry of Economy into the MoEDD. According to the government's 2023 Activity Plan, the restructured MoEDD will promote competition in the Moldovan economy by providing financial support and incentive schemes and facilitating access to finance. To this end, in March 2023, the Organisation for Entrepreneurship (ODA) launched a programme for the Support of Digital Innovations and Technological Startups, through which it will offer non-refundable funding to stimulate research and development in information and communication, sustainable industrial production, and ecological technologies. The ODA and the MoEDD, in coordination with the United Nations Environment Programme, will also continue to promote the concept of eco-innovation and raise awareness of the advantages and opportunities for sustainable development of the business environment in the context of the project 'Promoting ecological value chains and eco-innovation within the SME from Moldova 2022-2023'.

The government continues to make good on its obligation to ensure transparency in public administration. In April 2023, the State Chancellery published its report on ensuring transparency in the decision-making process during 2022. The report is based on information from 21 central public administration authorities, including 13 ministries. It shows an increase in the number of public announcements regarding legislative initiatives and subsequent public consultations. Moreover, Law no. 150 of 28 October 2021, amending Law no. 220 of 2007 on State Registration of Legal Entities and Individual Entrepreneurs, has introduced new beneficial ownership disclosure requirements. From 2023 onwards, legal entities will be able to register their beneficial ownership information online through the Public Services Agency.

In December 2022, the government launched a public dialogue on the Energy Concept, developed with the

support of the USAID Moldova Energy Security Activity (MESA). It also invited stakeholders to the first meeting of the Working Group to discuss the Implementation Program of the Public Administration Reform Strategy 2023-2030. This consultation meeting was attended by representatives of ministries, local authorities, experts, and development partners, including UNDP Moldova. Similarly, in 2022-2023, the National Energy Regulatory Agency (ANRE) submitted for consultation the new methodology for calculating, approving, and applying regulated tariffs for the electricity transmission service, as well as amendments to the electricity market rules and to the methodology for calculating, approving, and applying the regulated tariffs for the natural gas transport service.

Budget documentation is publicly available and includes comprehensive information on the financial performance of public utilities and institutions, which allows for monitoring the budgeted and executed strategic allocations. For instance, in June 2022, Moldelectrica, the state-owned transmission system operator (TSO), published the financial statement concerning the period 1 January to 31 December 2022. ANRE's financial statements and audit report for 2022 were published on its official website in April 2023.

The Ministry of Finance (MoF) has improved the accounting methodology and standards for the certification of internal auditors. It also continues to strengthen the capacity of the internal public auditors through on-the-job and formal training activities, external evaluation of their activities, and implementation of information systems. To advance the modernisation and consolidation of the national public finance management system, in 2021, the MoF launched the ex-post and ex-ante analysis of the Strategy for Development of Public Finance Management 2013-2022.

AREAS FOR IMPROVEMENT

The government should consider establishing a one-stop shop operating across business activities and covering the energy sector. This will relieve private investors of the administrative burden of lengthy and complex registration, licence and permit procedures.

The government has aligned its public procurement framework with international best practices. Its efforts must now focus on integrating into a single database all information related to power purchase agreements, including procurement plans, award notices, and data on contract execution, which currently appears on the individual websites of each contracting authority.

Rule of law

QUICK FACTS

- I Moldova ratified the ECT in 1996.
- I Law no. 81 of 2004 on Investment in Entrepreneurial Activity and Law no. 24 of 2008 on International Commercial Arbitration guarantee the right to refer disputes to arbitration.
- I Moldova ratified the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards by Law no. 87 of 1998 and the Washington Convention on the Settlement of Investment Disputes between States and Nationals of Other States by Law no. 28 of 2011.
- I Moldova became a member of MIGA in 1993.

STRENGTHS

In 2013, the EBRD launched the 'Commercial Mediation and Arbitration Project in Moldova' in close cooperation with the Ministry of Justice of the Republic of Moldova, the Mediation Council, domestic courts, the Mediation Centre of the Chamber of Commerce and Industry of Moldova, and the International Development Law Organization. Since then, there has been an increase in the use of mediation and arbitration within the country, particularly in commercial disputes. The ongoing fourth phase of this project is focused on raising awareness about the use and benefits of mediation and arbitration, providing high-quality training for mediators, judges, lawyers and entrepreneurs, building capacity, and ensuring the financial independence of the Mediation Council. In addition, the development of a comprehensive digital infrastructure for mediation, planned for 2023, will create a transparent environment for the accreditation of mediators and mediation centres, and keep the State Register of Mediators up to date.

In April 2022, important Constitutional amendments strengthening the independence of the judiciary came into force. Through these amendments, which are in line with the recommendations from the Council of Europe's Venice Commission and Group of States against Corruption, the Superior Council of Magistracy (SCM) no longer includes the Minister of Justice and Prosecutor General as ex officio members, the five-year probation period for judges has been removed, and the monthly salaries of Constitutional Court judges increased.

In 2021, the government adopted the Comprehensive Strategy for Ensuring the Independence and Integrity of the Justice Sector for 2022-25 and its corresponding action plan. Following the adoption of these strategic documents, additional 'pre-vetting' integrity checks have been introduced for candidates of the SCM and the Superior Council of Prosecutors. In April 2022, an independent six-member evaluation committee was formed to conduct the 'pre-vetting'. Three committee members are international experts appointed by the Parliament of Moldova based on a nomination process among international donors.

The updated Integrated Case Management System (ICMS), introduced in 2019 with external assistance, has significantly improved the speed of all judicial processes, from filing to the disposition of cases, due to its interoperability with various state agencies' systems and databases. An important feature of the ICMS is the random distribution of cases depending on its complexity and the judges' specialisation, thus ensuring a more transparent

and balanced assignment of cases. Further efforts to improve the quality and efficiency of the judicial system and strengthen court users' confidence are being made in the context of the 'Support to further modernisation of court management in the Republic of Moldova' project. At the beginning of April 2023, the technical committee held a meeting with national partners, such as the SCM, the Agency for Court Administration, and the National Institute of Justice, to discuss measures to improve the working conditions of judges, the transparency and communication of the judiciary, and the quality of services for court users.

The government has proposed a draft law introducing a new ombudsperson for entrepreneurs' rights who will ensure the observance of the rights and legitimate interests of entrepreneurs by public authorities, private entities, and individuals. The adoption of this law would be beneficial for improving the country's business climate because the new institution will monitor, receive, and handle complaints regarding violations of the rights of entrepreneurs in a centralised manner.

Intellectual property rights are recognised as a form of protected investment under the national law and international agreements to which Moldova is a party. In October 2022, the new Copyright and Related Rights Law entered into force, thus transposing several EU directives in the relevant field and generally improving the copyright protection system in the country. The new Law establishes mechanisms for the collection and distribution of royalties, while the designated collective management organisation is now also required to prepare and publish an annual transparency report that includes information on its activities, collected royalties, financial statements, and licence refusals.

AREAS FOR IMPROVEMENT

Moldova should appoint a central early detection body responsible for identifying regulatory and legal issues that can potentially escalate into investor-state disputes. This authority should collect and maintain real-time information on the foreign investors operating in the country and historical data on investor grievances, including in the energy sector. The government can seek support in this respect by implementing the Energy Charter Secretariat-World Bank's joint project 'Enabling Foreign Direct Investment in the Renewable Energy Sector Reducing Regulatory Risks and Preventing Investor-State Conflicts', which aims to assist states in retaining and attracting much-needed investments in the country.

Regulatory environment and investment conditions

QUICK FACTS

ANRE, established through Law no. 174 of 2017 on Energy, has country-wide regulatory competencies in the gas, electricity, heat, and oil sectors.

Under Law no. 81 of 2004 on Investment in Entrepreneurial Activity, domestic and foreign companies in Moldova are guaranteed equal legal treatment.

STRENGTHS

ANRE is responsible for issuing licences to undertake activities in the electricity sector and setting tariffs. In December 2022, through its Decisions no. 1004 and no. 1005, ANRE approved the electricity transmission tariff, the regulated price for electricity supplied by the central electricity supplier, and the specific commercial margin. Moreover, in 2022, ANRE granted eligible producer status to 154 solar PV installations (excluding those mounted on rooftops). In 2020, ANRE adopted new market rules through Decision no. 283 of 2020, with the procedures for the procurement of electricity on forward, day-ahead, intraday, and balancing markets, as well as rules on ancillary services procurement and imbalance settlement. The new market rules entered into force in June 2022.

Market restructuring is ongoing in Moldova per the provisions of the Third Energy Package and EU directives. In February 2022, Moldova adopted amendments to the Electricity Law no. 107 of 2016, introducing the independent system operator model for unbundling the electricity sector. The amended Law also requires electricity suppliers and network operators to buy electricity from at least two sources to increase the security of supply.

Moldelectrica, the TSO, conducted the unbundling process in line with the new model and, in September 2022, requested certification from ANRE. Following Moldelectrica's request, ANRE endorsed its unconditional certification preliminarily through a decision issued on 9 December 2022.

In July 2022, the government amended the Law on Gas no. 108 of 2016, addressing the supply and price volatility in the gas market and requiring the incumbent to file a certification request by June 2023. Absent such certification, ANRE will designate an independent system operator if the gas transmission network belongs to a vertically integrated company. Currently, there are 26 licensed suppliers operating in the natural gas market, two licensed TSOs, Moldovatrangaz LLC and Vestmoldtrangaz LLC, and 22 natural gas distribution licence holders.

According to available data, the country's overall potential of renewable energy sources is estimated at 65 TWh, comprising solar (6 TWh), wind (50.2 TWh), biomass (5.4 TWh) and hydro (3.3 TWh). Government Decision no. 401 of 2021 has set the capacity limits, maximum quotas, and capacity categories in the field of electricity from renewable sources valid until 31 December 2025 that are eligible for support schemes under Article 34 of Law no. 10 of 2016 on Promoting the Use of Energy from Renewable Sources (fixed price or fixed tariff). According to the above-mentioned decision, these support schemes are offered to the following categories: solar PV

installations - 200 MW; wind power installations - 120 MW; biogas-based cogeneration installations - 65 MW; syngas-based cogeneration installations - 10 MW; cogeneration installations using direct combustion (biomass) - 10 MW; and hydro installations - 5 MW. Eligible producers also benefit from non-discriminatory grid connection and priority dispatch.

Several renewable energy generation projects are underway. The 1 MW solar PV park in the Bacioi village has been connected to the grid. Meanwhile, throughout 2022, the Criuleni solar PV park, with a total capacity of 2.8 MW, delivered around 4 million kW to the grid. The construction of the 28 MW Fly Ren Bulboaca solar PV park will commence in 2023, and it is expected to enter into commercial operation in 2025. Another solar PV park in the Ștefan Vodă district will be commissioned in 2023. Ostia Group SRL will operate this solar PV park, generating approximately 1.7 million kWh of electricity annually.

Despite the uncertainties generated by Russia's military aggression against Ukraine, the government is committed to pursuing transparent and predictable regulatory practices to ensure a level playing field in trade and investment. In May 2022, the EU announced that it would mobilise an additional EUR 52 million to advance the country's long-term resilience and reforms via the implementation of actions foreseen in the Economic and Investment Plan for the Eastern Partnership that support SMEs, improve the business climate through trade facilitation, and increase employability.

AREAS FOR IMPROVEMENT

According to data from Moldelectrica, there are currently 44 registered investment projects in the field of renewable energy production, which would qualify for the auction of 1654 MW. However, these investors must obtain the eligible producer status offered in the auctions that would distribute the 165 MW allocated by Government Decision no. 401 for such projects. To this end, secondary legislation must be adopted to clarify auction procedure details, including schedules, rules for bidder participation, and competition criteria.

The government has aligned its legal and regulatory framework significantly with the EU energy acquis. That said, it is necessary to finalise the unbundling and development of independent market operators in the electricity and gas sectors, the creation of spot markets to allow market coupling with the Romanian and Ukrainian day-ahead and intraday markets, and the implementation of the EU Regulation on Wholesale Energy Market Integrity and Transparency (REMIT).

INDICATOR 1

Improvements proposed in 2022

Transpose into the national law the EU Directive on the promotion of the use of biofuels or other renewable fuels for transport (2003/30/EC) and the EU Directive on the promotion of the use of energy from renewable energy sources (2009/28/EC).

Pending

Adopt the revised LEDS to integrate the targets set in the updated NDC into national legislation as soon as possible.

Pending

INDICATOR 2

Improvements proposed in 2018

Adopt a revised version of the Energy Strategy 2030 corresponding to the country's future needs and circumstances.

Work ongoing. The updated version of the Energy Strategy 2030 is undergoing consultation within the Parliament of Moldova.

Enact secondary legislation to implement Law no. 10 of 2016 on the Promotion of the Use of Energy from Renewables Sources (RES Law).

Work ongoing. Following the adoption of the RES Law in 2018, the regulation on renewable energy tendering was approved. It provides an initial framework for organising auctions that grant 'eligible producer' status to large investors. In August 2020, ANRE adopted electricity market rules to implement the RES Law.

Ensure that the authorities implementing the national energy policies are different from those evaluating the progress made towards achieving these policies.

Work ongoing. The Energy Efficiency Agency (EEA) was restructured in 2018 and made responsible for financially supporting energy efficiency projects through the state budget and from regional and international financial markets. Following a change of government in June 2019, the Moldovan authorities have engaged in significant institutional and governance reforms, as specified in the EU-Moldova Association Agreement.

Improvements proposed in 2021

Adopt revised action plans outlining the priorities and desired outcomes to promote energy efficiency and renewable energy sources.

Work ongoing. The government is working on transposing the EU Regulations on wholesale energy market integrity and transparency (REMIT) and energy labelling and adopting the draft Law on the Security of Supply of Oil Products.

INDICATOR 3

Improvements proposed in 2018

Establish a one-stop shop for documenting and approving all licences, registrations, permits, and procedures related to energy projects.

Work ongoing. Local one-stop shops for public service delivery have been established under the Public Administration Reform Strategy for 2016-2020. Moreover, the EEA acts as a de facto one-stop shop, providing all the needed assistance to prospective investors in its areas of competence.

Ensure that all the state authorities regularly publish their documents, public expenditure and other relevant reports and properly maintain their respective websites.

Work ongoing. In September 2022, the Court of Accounts published on its website the Annual Report on the Management and Use of Public Funds and Public Sector Assets for 2021, while in November 2022, it released its audit report of Moldovagaz for the period 2011-2021. In June 2022, Moldelectrica published its financial statement concerning the period 1 January to 31 December 2022. ANRE's financial statements and audit report for 2022 were published on the official website in April 2023.

Improvements proposed in 2022

Integrate into the MTender all energy procurement contracts, procurement plans, award notices and data on contract execution and actual use of funds, which currently appears on the individual website of each contracting authority.

Pending

INDICATOR 4

Improvements proposed in 2018

Introduce timeframes for national courts to examine cases and deliver judgments.

Pending

Improvements proposed in 2022

Adopt the draft law to establish an ombudsperson for guaranteeing entrepreneurs' rights.

Pending

Improvements proposed in 2023

Appoint a central early detection body responsible for identifying regulatory and legal issues that can potentially escalate into investor-state disputes.

Improvement suggested in 2023. Status will be updated in 2024.

INDICATOR 5

Improvements proposed in 2018

Reinforce the independence of ANRE.

Work ongoing. In February 2020, ANRE approved and published the rules of the natural gas market. In 2020, the government made progress with the unbundling of Moldovagaz, the vertically integrated natural gas monopoly.

Improvements proposed in 2022

Create an enabling regulatory framework to attract investment in renewables through competitive procurement, support schemes, and simplified administrative procedures; clarify the auction procedure details, including schedules, rules for bidder participation, and the competition criteria.

Work ongoing. Support schemes are offered to the following categories of renewable energy producers: solar PV installations - 200 MW; wind power installations - 120 MW; biogas-based cogeneration installations - 65 MW; syngas-based cogeneration installations - 10 MW; cogeneration installations using direct combustion (biomass) - 10 MW; and hydro installations - 5 MW. Eligible producers also benefit from non-discriminatory grid connection and priority dispatch. Moreover, in 2022, ANRE granted eligible producer status to 154 PV installations (excluding those mounted on rooftops).



Rwanda

Population ¹	13,776,698
Area (km ²) ¹	26,340
GDP per capita (USD) ¹	966.33
TES (Mtoe) ²	4.84
Net energy imports (Mtoe) ²	0.45
Share of renewable sources in TES ²	0.90
CO ₂ /TES (tCO ₂ per TJ) ²	6.88

Data by Orbis Crossborder Investment on completed energy projects and deals from 2015-2023³

Target industry	Number of projects and deals	Project CapEx and deal value (million EUR) by source country
Electric power generation, transmission and distribution	1 acquisition deal	Value of 1 RE deal (Mauritius) is n.a

Sources:

1. The World Bank 2021 (area) and 2022 (population and GDP per capita).
2. ©IEA (2023). World Energy Balances (<https://www.iea.org/data-and-statistics>). All rights reserved. Data refer to the year 2021.
3. Orbis Crossborder Investment (2023), Bureau Van Dijk. Data represents the period 1 April 2015 - 1 April 2023.
For more information see Annex III of this report.
RE: Renewable energy based electricity production

Rwanda’s overall risk level against the assessed areas is **low**.

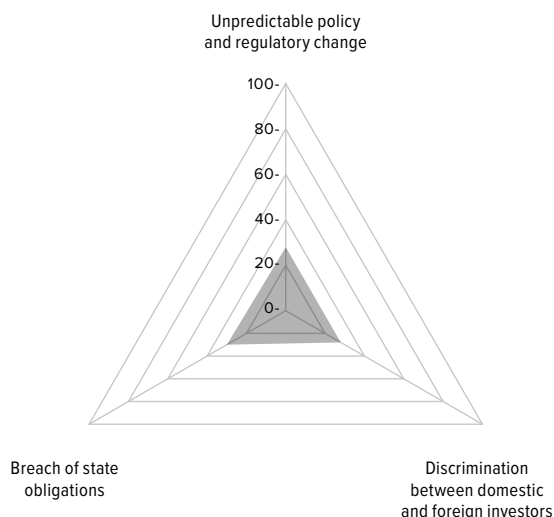
Among the three risk areas, *unpredictable policy and regulatory change* and *discrimination between foreign and domestic investors* have a low risk level, followed by the *risk of breach of state obligations*.

Rwanda has a very good performance on one indicator and a good performance on four indicators. The highest-scoring indicator is *rule of law* at 85, followed by *foresight of policy and regulatory change* at 78. Its score is 69 on the indicator *management of decision-making processes* and 65 on *framework for a sustainable energy system*. The lowest-scoring indicator is *regulatory environment and investment conditions*, with a good score of 61.

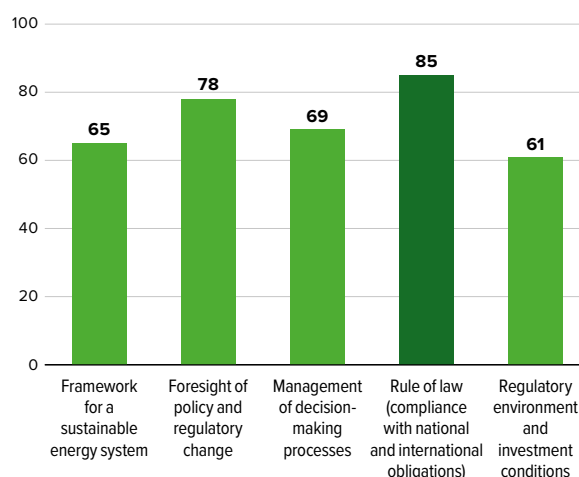
Rwanda’s sub-indicator performance is good. The highest-scoring sub-indicators are *respect for property rights* at 85 and *management and settlement of investor-state disputes* at 78. These sub-indicators are followed by *institutional governance* at 75, *policy planning on clean energy transition* at 73, *regulatory independence* at 72, *communication of vision and policies* at 71, *robustness of policy goals and commitments* at 69, *restrictions on FDI* at 67, *transparency and anti-corruption measures* at 65, *energy resilience* at 62, and *environmental protection, human rights and gender* at 61. Rwanda has a moderate score on only two sub-indicators, namely *electricity industry market structure and competition* at 46 and *enabling measures to support clean energy transition* at 45.

The legal and regulatory risks associated with energy investments are low in Rwanda. At the same time, it should implement further policy measures to support the transition to clean energy.

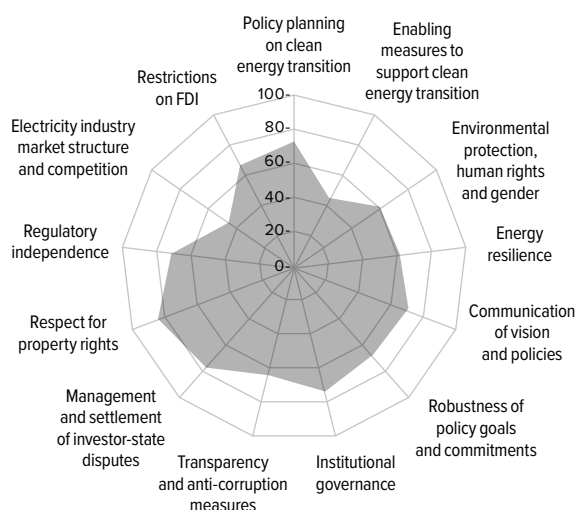
RISK LEVEL



INDICATOR PERFORMANCE



SUB-INDICATOR PERFORMANCE



Framework for a sustainable energy system

QUICK FACTS

Rwanda ratified the Paris Agreement on 6 October 2016 and submitted its updated NDC in 2020.

In December 2020, the government published Rwanda's Vision 2050, establishing the development framework for 2020-2050.

STRENGTHS

Rwanda's updated NDC sets an unconditional target to mitigate 19.1 MtCO₂e by 2030 (baseline year 2015), amounting to a reduction of 16% relative to the BAU scenario in 2030. Conditional upon international support, it aims to make an additional reduction of 22% relative to BAU in 2030, equivalent to an estimated mitigation level of 2.7 MtCO₂e. The combined unconditional and conditional contribution amounts to a 38% reduction in GHG emissions compared to BAU in 2030, equivalent to an estimated mitigation level of up to 4.6 MtCO₂e in 2030.

During the financial year 2020/2021, Rwanda's total installed capacity increased from 228 MW to 238.37 MW. At the same time, the total energy generated amounted to 954.7 GWh, an increase of 82.1 GWh from the 872.6 GWh generated the previous year. The contribution of hydropower to the energy mix increased from 44.4% (387 GWh) to 51.8% (494.4 GWh), while that of methane gas decreased from 24.5% (213.6 GWh) to 21.7% (206.8 GWh). There was a reduction in the share of electricity from thermal power plants compared to the previous year, from 15.6% (135.9 GWh) to 9.7% (92.7 GWh), and in energy imports from 3.7% (31.95 GWh) to 3.1% (29.7 GWh).

In January 2022, the Ministry of Infrastructure (MININFRA) introduced minimum standard requirements for off-grid solar home systems to promote modern energy services through standalone and off-grid solutions. Moreover, in March 2022, the Rwanda Energy Group (REG) launched the Reticulation Standards for Street Lights Design, Construction and Maintenance to guide the design, construction and maintenance of lighting systems on roadways and off-roadway facilities in the country. Among other things, through these Standards, the REG aims to ensure an energy-efficient roadway lighting system, avoid the high cost of street lighting operation and maintenance, and ensure uniformity and consistency in lighting designs throughout the country while meeting the industry standards.

The government is promoting energy-efficient technologies in the heating and cooling sector. In 2014, the Rwanda Utilities Regulatory Authority (RURA) issued Regulation No. 004/2015 On Solar Water Heating Systems, establishing a licensing and regulatory framework for designing, installing, operating, repairing, maintaining and upgrading solar water heating systems in Rwanda. Following this, the government adopted the National Cooling Strategy in 2019, which includes Minimum Energy Performance Standards (MEPS) and supporting policies for refrigerators and air conditioners, recommendations on using a national product registration system and drafting a strategy addressing the cold chain, and insights on managing cooling demand through building codes, shading and cool roofs, operations and maintenance, etc. Moreover, in January 2022, MININFRA introduced minimum standard requirements for

off-grid solar home systems to promote modern energy services through stand-alone and off-grid solutions.

In April 2021, MININFRA released the Strategic Paper on Electric Mobility Adaptation in Rwanda, outlining several incentives to promote e-mobility. Electricity tariffs for charging stations will be limited to the industrial level of the large industry category. Electric vehicles (EVs) will benefit from a reduced tariff during off-peak times. EVs, spare parts, batteries and charging station equipment will be exempt from VAT, import, and excise duty. MININFRA also intends to introduce an exemption from withholding tax of 5% at customs and a carbon tax to discourage polluting vehicles. Non-fiscal incentives include rent-free land for charging stations (for land owned by the government), provisions of EV charging stations in the building code and city planning rules, green licence plates to grant EVs preferential treatment in parking, free entry into congested zones, free licence and authorisation for commercial EVs, and access to High Occupancy Vehicle lanes (dedicated bus lanes).

The Biomass Energy Strategy 2019-2030 sets comprehensive targets, such as halving the percentage of households that use inefficient, traditional technologies for cooking from the baseline value of 83.3% recorded in 2014 to 42% by 2024. It also aims to ensure that wood supply and demand balance by 2030. All commercial institutions (hotels, restaurants, tea factories, brick factories) are expected to shift from inefficient wood and charcoal to clean cooking solutions by 2024. Tree density in agroforestry/crop area will increase from 25 trees/ha in 2017 to 50 trees/ha in 2024 and 75 trees/ha in 2030. In December 2022, MININFRA adopted the Ministerial Guidelines for Clean Cooking Technologies to meet some of these targets. Among other things, the Guidelines establish mechanisms and support programmes encouraging public institutions to switch to clean and efficient cooking technologies, facilitate private sector investment in clean cooking technologies, support capacity-building and technology transfer to local manufacturers, and coordinate and contextualise target setting, data collection, monitoring and reporting mechanisms of biomass reduction initiatives.

AREAS FOR IMPROVEMENT

Rwanda should develop comprehensive climate mitigation legislation and update its current laws to include its emissions targets and actions to meet these targets. Moreover, public and private companies must be legally required to set net-zero targets covering direct, indirect and value-chain emissions, undertake corporate social responsibility in climate change mitigation and adaptation, and submit to the Ministry of Environment a roadmap for achieving net-zero emissions through different mechanisms, such as carbon offset or removal.

Foresight of policy and regulatory change

QUICK FACTS

The government adopted the Energy Sector Strategic Plan 2018/19-2023/24 (ESSP) and the Energy Sector Capacity Development Strategy 2019-2024.

Imihigo are performance contracts signed between the President of Rwanda, local governments, and line ministries to achieve community targets.

STRENGTHS

Rwanda has a comprehensive energy policy framework that provides investors insight into the country's future energy objectives and development plans. The ESSP sets targets covering sectoral issues such as generation capacity, access, efficiency and security of supply. Specifically, it aims to ensure universal electricity access in the country by 2024, with 52% of households connected to the grid (46.92% in 2021) and 48% with off-grid access (17.61% in 2021). To meet this target, the Forward-Looking Joint Sector Review Report for 2022/23 (FLJSR) prioritises the connection of 1,311,450 new households to the national grid and 670,000 new households to off-grid solutions by 2024.

To promote clean energy solutions, the ESSP projects the generation mix to comprise of 52% renewable sources by 2024. It also plans to reduce the number of homes using traditional cooking technologies and fuels from 77.6% in 2021 to 42% in 2024. To achieve this target, the FLJSR 2022/2023 prioritises clean cooking technologies for large institutions, increasing awareness campaigns for urban households on these technologies and disseminating efficient cookstoves in rural areas.

The ESSP intends to increase the country's electricity generation with an installed capacity of 228.763 MW to meet all demand and maintain a 15% reserve margin. To this end, the priority actions envisaged in the FLJSR 2021/22 are the commissioning of 137.7 MW of power generation through the Hakan, Rusumo, Shema, and RukararaV & Mushishito HP Plant. To improve the energy system's efficiency, the ESSP targets a reduction in the average number of power interruptions per year (SAIFI) from 44.1 in 2020-2021 to 35.5 by 2024 and a reduction in the average number of hours without power (SAIDI) to 14.6 from 18 hours in 2020-2021. For this purpose, the FLJSR proposes measures to improve outage management, regular inspections and effective maintenance and introduce the Distribution Management System (SCADA/DMS). Losses in the transmission, distribution networks, and commercial networks will be reduced from 19% in 2021 to 15% in 2024 with the installation of DMS and smart meters and the rehabilitation of the old distribution network. The existing and new major national and urban roads with street lighting are expected to increase from 1,615 km in 2021 to 1,970 km (100%) by 2024.

Rwanda's Vision 2050 intensifies the country's ambition to become an upper-middle-income country by 2035 with a GDP per capita of over USD 4,036 and a high-income

country by 2050 with a GDP per capita of USD 12,476. Investment as a percentage of GDP is expected to rise from 26% in 2020 to 32.6% in 2035 and 53.1% in 2050. The use of smart distribution systems will reduce energy losses to 12% by 2035 and 6% by 2050 from 19.1% in 2019/2020. Shortages and power supply interruptions should be minimal, while outages in hours per year will reduce by over 90% of the current levels by 2050.

The government has established robust policy monitoring and evaluation mechanisms. Under the annual Imihigo, the MININFRA must achieve high-level energy sector targets. It cooperates with the implementing institutions (such as RURA and REG), which report to it on their quarterly performance. MININFRA, in turn, reports to the central government on the performance against these targets. To track Imihigo's achievements, the National Institute of Statistics of Rwanda (NISR), as an independent evaluator, conducts a midterm and final evaluation. The Imihigo evaluation methodology requires a comprehensive review of Imihigo implementation reports, field visits of sampled Imihigo projects, focus group discussions and interviews with beneficiaries. Following this thorough process, in September 2022, the NISR published the General Report of Imihigo 2021/2022 Evaluation. The final evaluation of Imihigo 2021/2022 revealed that ministries and state institutions implemented their Imihigo at 78.70% in Economic Transformation, 73.64% in the Transformational Governance Cluster and 73.25% in the Social Transformational Cluster.

AREAS FOR IMPROVEMENT

In Rwanda, the daily peak load occurs in the evening and grid reliability is most affected during these hours. To ensure grid stability, increase generation in the evening, and scale up solar power generation investments, the government should develop a long-term energy storage strategy factoring in the existing policy framework, estimated future demand forecast, and energy mix. While coupling solar power generation with energy storage solutions should be emphasised, the strategy should also explore developing and deploying other small and large-scale energy storage solutions such as reservoirs, pumped storage, and batteries. Along with setting progressive targets to scale up energy storage, the strategy could outline financial incentives for projects coupling power generation with storage solutions and possible project models.

Management of decision-making processes

QUICK FACTS

MININFRA is responsible for developing policies and strategies related to energy, transport, water supply and sanitation, housing and human settlement and monitoring and evaluating projects and program implementation, while the Ministry of Environment coordinates Rwanda's environmental and natural resources sector.

Rwanda Development Board (RDB) leads investment mobilisation and promotes private investor participation in the energy sector.

Law No. 04/2013 Relating to Access to Information enables the public to access information held by public authorities and some private bodies.

STRENGTHS

The government is committed to ensuring seamless and coordinated decision-making across different governance levels. MININFRA's Imihigo 2021/2022 reflects its good performance against key indicators and identifies the factors responsible for this across all provinces and Kigali. The effective coordination of various district partners, including the private sector, non-government organisations, and citizens, played a vital role in channelling their contributions in the planning and implementation of the Imihigo. Moreover, the intensive engagement of members of the Joint Action Development Forums (JADF) and district councils resulted in greater understanding, ownership and a commitment to the Imihigo's achievements. Regular monitoring and continuous follow-up of the Imihigo implementation during the first quarters of 2022 took place at all levels through various virtual platforms, including Webex, Zoom and WhatsApp.

MDAs ensure that all financial and operational performance information is regularly available to citizens. In July 2022, the REG published its annual report for 2020-2021, highlighting key achievements in its strategic objectives, including, among others, electricity generation, transmission and distribution, electricity access, operation and maintenance. Moreover, it published its Consolidated Annual Report and Audited Financial Statements for the year ended 30th June 2021. The Ministry of Finance and Economic Planning uploaded on its website the Consolidated Financial Statements of the Government of Rwanda for the Fiscal Year Ended 30 June 2022. In March 2022, RURA published its annual report for 2021-2022 and its Strategic Plan for 2022-2024, which sets out a performance management framework.

Notably, the energy sector was allocated 125.3 billion Rwandan francs (RWF) in the financial year 2020/2021. Of this amount, RWF 122.9 billion was earmarked for the REG and RWF 2.3 billion for districts. About 85% of the national budget was allocated to developmental matters, while operational expenses accounted for the remaining 15%. By source, 75% of the budget was from domestic resources, while the remaining 25% was from external funding, including grants and loans. By the end of June 2021, RWF 111.4 billion (equivalent to 89% of the allocated budget) had been committed, with domestic finance performing better than external finance. In terms of expenditure, the transmission and distribution segments took the largest share of the budget as a result of the government prioritising investments in power generation plants and the ongoing expansion of the distribution network to accelerate the electrification of households and productive use areas.

The government makes comprehensive information on the energy sector's performance available to the public. According to the latest data of RURA, during the third quarter of 2022, electricity generated was 288,973.382 MWh, a 7.5% increase from the year's first quarter (256,712.188 MWh). About 91.5% of electricity generated in the third quarter came from domestic power plants (264,376.775 MWh), 5.9% from regional shared plants (16,990 MWh), and 2.6% from imports (7,606.607 MWh). Hydropower accounted for 42.61% of electricity generation during the third quarter of 2022, followed by 19.37% from methane gas, 18.93% from peat, 14.83% from thermal plants, 1.63% from solar energy, and 2.63% from imports. As a result, about 44.24% of the electricity generated in the third quarter of 2022 was from renewable energy sources and 53.13% from non-renewables.

Electricity supply to the national grid increased by 12.8% between the third quarter of 2021 and the third quarter of 2022 (from 254,012,949 kWh to 286,653,064 kWh). Over the last five quarters, the total electricity supplied to the national grid was 1,347,145,094 kWh. Moreover, during the third quarter of 2022, about 23.87% of the total electricity was sold to non-residential customers (55,425,840 kWh), 31.72% to industries (73,645,659 kWh), 20.21% to residential customers (46,930,009 kWh) and 24.20% to water pumping stations, water treatment plants, broadcasters, health facilities, telecom towers, hotels, and commercial data centres (56,177,715 kWh).

In 2018, the Parliament of Rwanda enacted Law No. 54/2018 On Fighting Against Corruption to improve public accountability and transparency. The Law aims at preventing and punishing corruption in public organs, civil society, private institutions and international organisations operating or wishing to operate in Rwanda. Moreover, Law No. 007/2021 Governing Companies establishes the legal framework for the disclosure of beneficial ownership information by companies operating in Rwanda. In line with this Law, Rwanda has established an online beneficial ownership register. On 5th January 2023, the RDB released the Rwanda Beneficial Owners E-register User Guide, followed, in March 2023, by the Guidelines for the Identification of Beneficial Owners of Legal Persons and Arrangements.

AREAS FOR IMPROVEMENT

To support the policy framework on climate change mitigation and adaptation, Rwanda should establish a climate-oriented inter-ministerial coordination body to lead policy development and action in this area.

Rule of law

QUICK FACTS

- I Rwanda signed the International Energy Charter political declaration on 21 September 2016.
- I The Convention on the Settlement of Investment Disputes Between States and Nationals of Other States entered into force for Rwanda on 14 November 1979.
- I Rwanda acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards on 31 October 2008.

STRENGTHS

Rwanda is proactively taking measures to improve its business climate. In particular, Law No. 006/2021 On Investment Promotion and Facilitation (Investment Law) requires the RDB to amicably settle disputes that may arise between an investor and a state institution. As a result, the RDB collects data on investor conflicts and monitors the operations of registered investors daily. It also maintains records of all investment certificates, work permits, visas, and other documents submitted by registered companies.

Rwanda has established a multi-layered institutional mechanism to avoid the risk of investor-state disputes. In the first instance, RDB's Reinvestment and Investor Aftercare Department (RIAD) resolves conflicts that established investors face due to government conduct. Where the RIAD cannot address an issue, it is presented to the Investment Committee of the RDB, which is chaired by the Chief Investment Officer and composed of heads of the Investment Office of the RDB. At the next level, the matter is taken up by the RDB CEO and then by the Private Investment Committee, comprised of the RDB CEO, the Minister of Finance and a representative of the Office of the President. At the last level, it is submitted to the cabinet of ministers for resolution.

The government has established a robust case management system to ensure that disputes are decided promptly and cost-efficiently on the domestic level. According to Law No. 22/2018 Relating to the Civil, Commercial, Labour and Administrative Procedures, any case referred to the court must be decided within six months from the date the claim is referred to the domestic courts. The adjournment of a case is subject to the approval of the relevant court and can only occur in case of unforeseen and special reasons and not more than twice. The Law also prescribes punishment for delaying a case or obstructing the investigation.

Between 2015 and 2016, the Ministry of Justice of Rwanda launched the Integrated Electronic Case Management System (IECMS), an automated information management system designed under the Justice, Reconciliation, Law and Order Sector (JRLOS) project. The IECMS aims to make justice information for government institutions and the general public more easily accessible to the public, facilitate information exchange, and improve the efficiency and coordination of the police, prosecution, and court activities in the Republic of Rwanda. It has computerised the paper-based case records, static spreadsheets, and workflows and established a centralised database for all justice sector institutions, case records, and information

storage processes to ensure more effective follow-up at different levels.

Rwanda's legislative framework guarantees the right of private ownership and protects the property of foreign investors from unlawful and arbitrary expropriation. Specifically, Law No. 32/2015 Relating to Expropriation in the Public Interest requires that only the government shall order expropriation in the public interest and with prior and fair compensation. Article 5 of the Law stipulates 22 activities constituting 'public interests' to effect expropriation and states that the Minister in charge of lands can determine other public interest activities. Chapter III of the Law contains detailed provisions on the process and bodies determining, supervising and approving the projects classified as expropriated in the public interest. Real estate value shall be established by the Institute of Real Property Valuers in Rwanda and subject to annual review and approval of the regulatory Council for the real property valuation in Rwanda before it becomes effective. The unit prices for the property shall be published every year in the Official Gazette.

Law No. 006/2021 On Investment Promotion and Facilitation also stipulates that an investor has the right to own private property, individually or collectively. State authorities may expropriate an investor's property in the public interest only after the investor is given fair compensation following the relevant laws.

There are no restrictions imposed on the transfer of technology. Law No. 006/2021 On Investment Promotion and Facilitation stipulates that the investor's intellectual property rights and legitimate rights related to technology transfer are protected under relevant laws. Rwanda has four BITs currently in force. The United States-Rwanda BIT prohibits restrictions on Performance Rights through technology transfer, while the Republic of Korea-Rwanda BIT prohibits unreasonable or discriminatory measures concerning technology transfer.

AREAS FOR IMPROVEMENT

An ombudsperson can significantly contribute to addressing foreign investors' grievances and providing them with advisory services. Alternatively, the RDB's mandate can be expanded to include representation of foreign investors before the government. The government may seek guidance from the Energy Charter Model Instrument on Management of Investment Disputes, which aims to assist states in handling investment disputes while considering their needs.

Regulatory environment and investment conditions

QUICK FACTS

In June 2023, the REG released the Rwanda Least Cost Power Development Plan 2023-2050 (LCPDP), the Transmission Master Plan 2023-2030 (TMP) and the Revised Electricity Distribution Master Plan (EDMP).

Law No. 09/2013 confers on RURA the responsibility of regulating multiple public utilities, including renewable and non-renewable energy, industrial gases, pipelines and storage facilities.

Rwanda's power sector is operated by the national utility, which is state-owned and vertically integrated, and some independent power producers participate in the electricity generation market.

STRENGTHS

The LCPDP prioritises the least-cost electricity generation options to ensure tariff affordability and optimisation. According to it, of the 47 power plants currently operational in Rwanda, 34 are hydropower plants with an installed generation capacity of 107.3 MW, followed by three thermal units, mostly diesel, which only run during peak hours due to their high operational costs (58.8 MW). There are two peat-powered plants with a total installed capacity of 85 MW, three solar plants of 12 MW, and imports worth 18 MW. As a result, the LCPDP aims to ensure higher penetration of new technologies in the energy mix, such as natural gas, solar, hydro-pumped storage, and waste, in the long term.

The TMP and the EDMP aim to support the LCPDP and ensure the balanced development of the electricity sector. Specifically, the TMP's objectives include planning and designing regional transmission interconnectors and the network so it can function under contingency conditions, guaranteeing that every power plant with an installed capacity of over 5 MW has more than one evacuation line, and ensuring that existing lines can be upgraded or maintained without network interference or supply interruptions. It also intends to install static or dynamic reactive control devices to manage high voltages during off-peak conditions and low voltages on single and multiple contingencies. At the same time, the expected outcomes of the EDMP include developing a plan with a comprehensive long-term demand forecast for Rwanda, an estimate of distribution investment costs to meet demand growth, and a programme for launching initiatives to reduce distribution loss.

Efforts are already underway to meet the objectives of the TMP and the EDMP. As of June 2023, the total length of the high-voltage transmission system is 1,156.291 km, with 354 substations on the network. Moreover, by the end of June 2022, the distribution network comprised 10,520 km of medium voltage lines (30kV and 15kV), 18,465.7 km of low voltage lines (0.4kV), a total of 6,610 distribution transformers and a total of 1,376,998 customers connected to the grid.

According to RURA's Annual Report 2021-2022, Rwanda's total LPG storage capacity increased from 703.7 metric tons to 765.7 metric tons due to the installation of a storage facility of 52 metric tons by MEREZ. Progress was also observed in the nuclear energy sub-sector, which recorded 311 radiation generators and 15 radioactive sources and issued six industry-related import and transportation licences and three medical use licences.

The government is committed to ensuring an investment-friendly environment. Per the National Bank of Rwanda's statistics, the RDB registered investment commitments of approximately USD 3.7 billion in 2021, up from USD 1.3 billion in 2020. FDI increased from USD 274.1 million in 2020 to USD 399.3 million in 2021, accounting for 73.4% of the Foreign Private Capital inflow. The increase was through both debt and equity instruments. The reduction in COVID-19 restriction measures increased retained earnings from USD 130 million in 2020 to USD 183.8 million in 2021, representing a year-on-year increase of 41.4%. At the same time, equity increased from USD 49.7 million in 2020 to USD 59.4 million in 2021. Along with FDI inflow, there was also a rise in FDI stocks from USD 2,707.1 million in 2020 to USD 2,937.8 million in 2021 (an increase of about 8.5%), of which borrowings from affiliated companies accounted for 45.4%, followed by equity capital at 35.6% and retained earnings at 19%. The electricity sector's FDI stocks grew from USD 305 million to USD 319.6 million during the same period, contributing to 10.9% of the total FDI stock.

In 2021, Mauritius contributed USD 121.6 million to FDI inflows (30.5% of the total), primarily in the financial, ICT, manufacturing and electricity sectors. Following it was India, with a contribution of USD 71.6 million (17.9%), mostly invested in construction, and China, with USD 70.3 million (17.6%) invested in tourism and manufacturing. The major contributors to the FDI stock were Mauritius, with a contribution of USD 983 million (33.5% of the total FDI stock), Kenya with USD 308.1 million (10.5%), South Africa with USD 191.9 million (6.5%), the United States with USD 156.1 million (5.3%), and India with USD 132.2 million (4.5%).

AREAS FOR IMPROVEMENT

To ensure REG's financial viability and optimal cost recovery, the government should accelerate its efforts to implement cost-reflective electricity tariffs and gradually remove cross-subsidies for industrial and residential consumers (subsidies based on different consumption levels). Achieving cost-reflective consumer tariffs will also allow for a more competitive electricity market and support further private investment.

The government should undertake technical studies to gradually phase out the vertically integrated single-buyer model in the power sector, unbundle electricity transmission and distribution, and separate the transmission asset management from the system operator.

INDICATOR 1

Improvements proposed in 2023

Develop comprehensive climate mitigation legislation and update the current laws to include Rwanda's emissions targets and actions to meet these targets.

Improvement suggested in 2023. Status will be updated in 2024.

Introduce legally mandatory requirements for public and private companies to set net-zero targets covering direct, indirect and value-chain emissions, undertake corporate social responsibility in climate change mitigation and adaptation, and submit to the Ministry of Environment a roadmap for achieving net-zero emissions through different mechanisms, such as carbon offset or removal.

Improvement suggested in 2023. Status will be updated in 2024.

INDICATOR 2

Improvements proposed in 2018

Allow all interested individuals and organisations to review the government's performance and provide feedback on how to improve policy implementation.

Partially implemented. The Monitoring and Evaluation Unit of the MININFRA receives external expertise and support in internal evaluation projects. Imihigo and Joint Sector Review Reports are publicly available. In September 2022, the NISR published the General Report of Imihigo 2021/2022 Evaluation. The final evaluation of Imihigo 2021/2022 revealed that ministries and state institutions implemented their Imihigo at 78.70% in the Economic Transformation Cluster, 73.64% in the Transformational Governance Cluster and 73.25% in the Social Transformational Cluster.

Improvements proposed in 2023

Develop a long-term energy storage strategy factoring in the existing policy framework, estimated future demand forecast, and energy mix.

Improvement suggested in 2023. Status will be updated in 2024.

INDICATOR 3

Improvements proposed in 2018

Establish the Technical Coordinating Committee and the Centre for Climate Knowledge for Development.

Work ongoing. In 2020, the government updated its NDC for the period up to 2030. According to the updated NDC, an Environment and Climate Change Thematic Working Group (E&CC TWG) will be created to host a technical working committee that will implement Rwanda's NDC. The E&CC TWG will act as the national coordinator for all public authorities that implement sector-specific climate change mitigation, adaptation, and financial and capacity-building measures.

Improvements proposed in 2020

Produce and collect timely, reliable, and accurate data on green investment monitoring mechanisms, and on the implementation of Rwanda's Paris Agreement targets.

Work ongoing. Rwanda submitted its Biennial Update Report to the UNFCCC Secretariat on 9 August 2022.

INDICATOR 4

Improvements proposed in 2018

Establish a foreign investment ombudsperson or expand the mandate of the Ombudsman Office to include representation of foreign investors before the government.

Pending

Improvements proposed in 2020

Consider imposing penalties in cases where timelines set for paying compensation in the case of expropriation are not respected.

Pending

Improvements proposed in 2023

Consider developing dedicated mechanisms for dispute prevention in the renewable power generation sector; designate a unit within the ministry responsible for investments that (1) centralises and maintains a database of investment treaties, contracts, and special undertakings with foreign investors and (2) provides real-time information on the foreign investors operating in the country and historical data on investor grievances.

Improvement suggested in 2023. Status will be updated in 2024.

INDICATOR 5

Improvements proposed in 2018

Define the roles of the REG, RURA, the MININFRA, and the Rwanda Mining and Petroleum and Gas Board in the petroleum sub-sector.

Pending

Improvements proposed in 2020

Define the role of the REG in a legal instrument.

Pending

Revise the New Investment Code to specify that investors have the right to (1) engage in economic activities of their choice, (2) recruit or dismiss employees, (3) market goods and services, (4) freely establish business management methods, and (5) choose sources of supplies. Such a provision will ensure parity with the treatment offered by Article 4 of the previous Investment Code.

Pending

Take a case-by-case and flexible approach in granting renewals for long-term and capital intensive energy projects. This is in light of the five-year limit on an investment certificate's validity introduced by the New Investment Code.

Pending

Set a time limit on the number of tenure renewals for the Board Members of the newly established Rwanda Atomic Energy Board to strengthen its institutional and functional independence.

Pending

Improvements proposed in 2023

Accelerate efforts to implement cost-reflective electricity tariffs and gradually remove cross-subsidies for industrial and residential consumers (subsidies based on different consumption levels).

Improvement suggested in 2023. Status will be updated in 2024.

Undertake technical studies to gradually phase out the vertically integrated single-buyer model in the power sector, unbundle electricity transmission and distribution, and separate the transmission asset management from the system operator.

Improvement suggested in 2023. Status will be updated in 2024.



South Sudan

Population ¹	10,913,164
Area (km ²) ¹	646,883
GDP per capita (USD) ¹	N/A
TES (Mtoe) ²	0.79
Net energy imports (Mtoe) ²	-7.12
Share of renewable sources in TES ²	0.25
CO ₂ /TES (tCO ₂ per TJ) ²	54.50

Data by Orbis Crossborder Investment on completed energy projects and deals from 2015-2023³

Target industry	Number of projects and deals	Project CapEx and deal value (million EUR) by source country
N/A	N/A	N/A

Sources:

1. The World Bank 2021 (area) and 2022 (population and GDP per capita).
2. ©IEA (2023), World Energy Balances (<https://www.iea.org/data-and-statistics>). All rights reserved. Data refer to the year 2021.
3. Orbis Crossborder Investment (2023), Bureau Van Dijk. Data represents the period 1 April 2015 - 1 April 2023. For more information see Annex III of this report.

South Sudan’s overall risk level against the assessed areas is **moderate**.

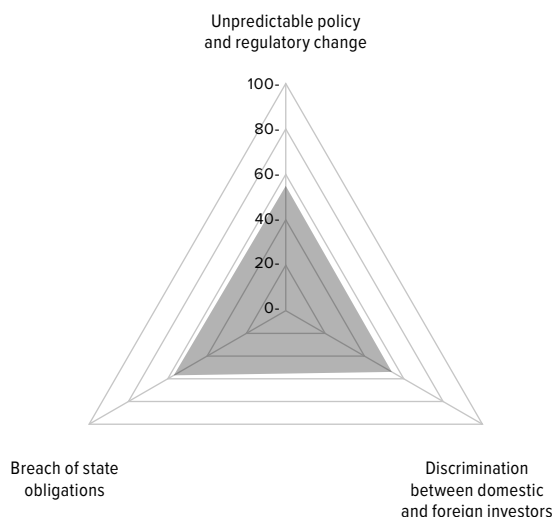
Among the three risk areas, *discrimination between foreign and domestic investors* has a lowest risk level, followed by *unpredictable policy and regulatory change* and the risk of *breach of state obligations*.

South Sudan’s performance is moderate on four indicators and low on one. The highest-scoring indicators are *foresight of policy and regulatory change* and *management of decision-making processes*, both at 49, followed by the indicator *regulatory environment and investment conditions* at 48. Its score on the indicator *framework for a sustainable energy system* is 41. *Rule of law* is the lowest-scoring indicator at 40.

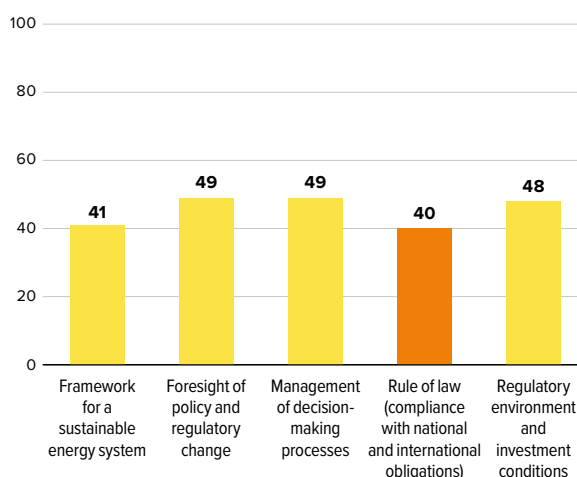
South Sudan’s sub-indicator performance is moderate. The highest-scoring sub-indicators are *institutional governance* at 67 and *restrictions on FDI* at 63. South Sudan’s performance is moderate on six sub-indicators: *environmental protection, human rights and gender* at 59, *regulatory independence* at 53, *communication of vision and policies* at 52, *energy resilience* at 50, *robustness of policy goals and commitments* at 46, and *respect for property rights* at 41. The lowest-scoring sub-indicators are *management and settlement of investor-state disputes* at 39, *policy planning on clean energy transition* at 36, *transparency and anti-corruption measures* at 32, *electricity industry market structure and competition* at 27, and *enabling measures to support clean energy transition* at 19.

Since the legal and regulatory risk associated with energy investments remains moderate in South Sudan, it is advised to take measures to increase competition in the electricity market and support its clean energy transition.

RISK LEVEL



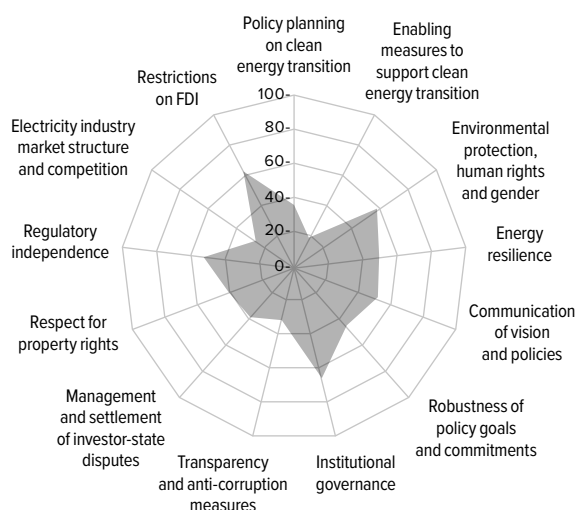
INDICATOR PERFORMANCE



YEAR-ON-YEAR COMPARISON

RISK AREAS	2022	2023
Unpredictable policy and regulatory change	55	55
Discrimination between foreign and domestic investors	54	54
Breach of state obligations	57	57
INDICATORS	2022	2023
Framework for a sustainable energy system	41	41
Foresight of policy and regulatory change	49	49
Management of decision-making processes	49	49
Rule of law	40	40
Regulatory environment and investment conditions	48	48

SUB-INDICATOR PERFORMANCE



Framework for a sustainable energy system

QUICK FACTS

- | On 22 February 2020, South Sudan formed the Revitalised Transitional Government of National Unity (R-TGoNU).
- | On 21 September 2021, South Sudan submitted its second NDC to the UNFCCC Secretariat.
- | On 30 November 2021, South Sudan released its first National Adaptation Plan (NAP) for Climate Change.

STRENGTHS

South Sudan has outlined its vision for a low-carbon future in its second NDC. It specifies actions to reduce GHG emissions from various sectors, the implementation timeline, and the progress status. South Sudan aims to become carbon neutral by 2030 with a total emission reduction of 11.9 MtCO₂e through renewable energy sources such as solar, wind, hydro, biomass and mass tree planting. It has also pledged to reduce 109.87 MtCO₂e and sequester 45.06 MtCO₂e by 2030, depending on funding availability. South Sudan's second NDC has listed adaptation measures for 14 priority sectors: agriculture, energy, environment, health, land use, transport, water, and disaster risk management. It has increased its use of solar power across the country, generating carbon credits that can be traded on the international market for financing green projects.

Through the second NDC, the government aims to enhance biomass efficiency, lower the carbon footprint of the existing power plants, expand the national grid and interlinked transmission lines, and provide rural areas with off-grid renewable energy solutions. It also plans to regulate the emission intensity of oil extraction, increase the efficiency of the extraction process, and substitute petroleum products with alternative resources. Its adaptation strategy for the petroleum sector involves building infrastructure that can withstand climate change impacts.

The R-TGoNU is allocating funds to expedite the approval of the Draft Environmental and Forestry Bill and the Water Bill. South Sudan has also defined policies to ensure sustainable land use, fight deforestation, protect wetlands, and prevent biodiversity loss. The management of forests across the country and the execution of forest action plans are regulated by the National Forest Policy 2015. Moreover, the National Environmental Policy 2015-2025 proposes an afforestation project to plant 100 million trees in a decade. The National Biodiversity Strategy and Action Plan 2018-2027 recognises the need to increase the policy, legislative and institutional capacity for biodiversity conservation, restore degraded ecosystems, and promote access to and benefit-sharing of biodiversity and ecosystem services.

South Sudan's National Adaptation Programmes of Action (NAPA) to Climate Change prioritises projects for environmental protection, water resources, agriculture, disaster risk reduction, and strengthening the policy and institutional framework. The NAP intends to implement short-term and priority programmes for these five themes. It also proposes five programmatic activities for the energy sector to evaluate the impact of climate change on power demand and generation, develop frameworks, procedures and guidelines for resilient energy systems and provide

incentives for renewable electricity, energy efficiency, and clean transportation fuels and technologies.

South Sudan's second NDC explores the opportunities for the country's transition from a linear to a circular economy. The proposed strategies aim to turn industrial and agricultural waste volumes into fuel and promote alternative energy sources for the country's electrification. The R-TGoNU is also designing projects to empower young people and women by improving their entrepreneurial skills. In this context, the AfDB approved the USD 2.145 million Private Sector Development in Fragile Context: Capacity Building and Access to Finance for Youth and Women project that will run from 2022 to 2024. It intends to increase employment opportunities and incomes for 450 women and 1,500 young people in the Western Bahr-el-Ghazal and Western Equatoria areas. The Ministry of Finance and Planning (MFP) has also been working with the AfDB to implement the Youth Enterprise Development and Capacity Building project, which aims to enhance employability and create job opportunities for citizens from age 18 to 35.

On 19 April 2023, the UNDP and the R-TGoNU, represented by the Ministry of Environment and Forestry, launched the Strengthening the Capacity of Government and Communities in South Sudan to Adapt to Climate Change project, funded by the GEF Least Developed Countries Fund at an initial amount of USD 9 million. This project aims to test disaster management, ecosystem-based adaptation, and climate-smart agriculture in Kapoeta and Terekeka.

AREAS FOR IMPROVEMENT

South Sudan has developed several climate change policies, including the National Environmental Policy 2015-2025, the NAPA in 2016, the comprehensive Agriculture Master Plan 2015-2040, and its second NDC in 2021. To translate these policies into action, it must enhance cross-sectoral coordination and establish institutional frameworks for strong horizontal and vertical policy implementation.

Droughts and floods affect the livelihood of 95% of South Sudan's population. Women are especially vulnerable to climate change, mainly working in agriculture and relying on rain-fed crops. As a result, South Sudan needs to adopt a cross-sectoral framework on climate change mitigation and adaptation in line with its second NDC goals. This framework should aim to ensure food security, reduce the impact of climate change on women in agriculture, and balance the interests of different stakeholders.

Foresight of policy and regulatory change

QUICK FACTS

In November 2021, the R-TGoNU extended until 2024 the National Development Strategy 2018-2021.

The National Electricity Policy Paper was adopted in 2007 to define the roles and responsibilities of power sector actors and regulate their interactions.

STRENGTHS

The R-TGoNU has set some policy targets and programmes to direct investments in South Sudan's energy sector. It aims to raise the total power generation capacities from 131.4 MW in 2018 to 580 MW by 2025 and ensure electricity access for 75% of urban households by 2025. At the same time, as stated in the second NDC, it plans to build and deploy 2,729.5 MW of renewable energy-based power plants to meet its CO₂ emission reduction targets.

The R-TGoNU is seeking regional support to improve the country's energy infrastructure, besides increasing power generation. South Sudan intends to build the most cost-effective and reliable interconnections, enable efficient power trading, and develop a competitive electricity market with other Eastern Africa Power Pool (EAPP) member countries. The collaboration within the EAPP has resulted in significant outcomes that will enhance South Sudan's energy security. For instance, in May 2022, the Ministry of Energy and Dams (MED) signed an MoU with the Ethiopian Electric Power to import 100 MWh of electricity for the next three years. The parties have agreed to gradually raise the total volume of the power supplies to 400 MWh. The MoU also plans a 230 kV transmission line spanning 357 km between the Gambella region in Ethiopia and the Malakal region in South Sudan and a 700 km high-voltage line connecting the town of Tepi in southern Ethiopia to Juba.

South Sudan plans to engage local communities in the design, execution, and evaluation of energy projects. The projects will offer infrastructure and services that will benefit local communities, such as access to electricity, clean water, health care, and education. Moreover, they will improve the resilience of the communities to natural disasters and climate shocks by establishing integrated disaster risk management systems.

The South Sudan Electricity Corporation (SSEC) has been working on a USD 14.6 million project, funded by the AfDB, to strengthen the domestic power infrastructure since 2019. The project involves replacing the old 11 kV lines in Juba with 33 kV lines and installing new concrete poles. In 2022, the World Bank approved a USD 120 million grant for the second phase of a project to enhance community resilience and local governance in South Sudan. The project will run from 2022 to 2027 and will be carried out by the MFP together with the Local Government Board. It aims to provide access to essential services such as

electricity, clean water, health care, and education for over 900,000 people, of which at least 50% will be women.

The R-TGoNU is developing mechanisms to monitor and evaluate the progress made towards achieving policy targets and actions. The Ministry of Environment and Forestry, which is the national NDC Focal Point South Sudan, is in charge of tracking the progress of implemented projects. MDAs implementing the projects have to monitor interventions periodically and report on the targets achieved and the use of funds. The Petroleum Revenue Management Act (PRM Act) of 2013 regulates allocations to the consolidated fund that finances the national budget and the reserve funds comprising the Oil Revenue Stabilization Account and the Future Generation Fund. The PRM Act of 2013 requires the Minister of Finance and Planning to submit quarterly reports to the Transitional National Legislative Assembly (TNLA) and the Council of States on investment performance related to these funds and an annual report on audited financial statements for the Petroleum Revenue Account and the Reserve Funds consisting of Oil Revenue Stabilisation Account and the Future Generation Fund. The Minister also has to publish records of petroleum revenues.

AREAS FOR IMPROVEMENT

To achieve its goal of providing 75% of the population with electricity access by 2025, South Sudan needs to urgently adopt a strategy that covers both short- and long-term actions to rehabilitate the energy sector in the post-conflict period. This strategy should specify targets and measures to expand the electricity grid, improve power reliability, and reduce network losses. The strategy should be supported by an institutional, legal and regulatory framework that encourages private investment in the power sector.

The R-TGoNU should create a legal framework to facilitate PPP models for medium and large-size projects, given the current constraints and the small size of the power network. The main legislation could establish the criteria for selecting projects and the types and nature of state support. The legislation should be accompanied by regulations that classify the projects by size and nature, identify priority areas, specify the selection procedures and typical requests for qualifications, and use Fédération Internationale des Ingénieurs - Conseils (FIDIC) contracts as model infrastructure contracts.

Management of decision-making processes

QUICK FACTS

South Sudan has a presidential system of government and a bicameral legislature.

In 2018, the Transitional Government of National Unity (TGoNU), the South Sudanese People's Liberation Movement/Army-In Opposition, the South Sudan Opposition Alliance, former detainees, and other opposition parties signed the Revitalised Agreement on the Resolution of Conflict in the Republic of South Sudan (R-ARCSS) to share power in the two houses of the national legislature, namely the TNLA and the Council of States.

The Transitional Constitution of South Sudan establishes the fundamental legal basis for the establishment and functioning of the state.

The MED develops and implements electricity sector policies, programmes and projects, while the Ministry of Investment (MoI) prepares national investment strategies, policies and programmes.

STRENGTHS

The political forces of South Sudan have agreed to complete the legislative transition by 2023. The Reconstituted Joint Monitoring and Evaluation Commission (RJMEC), as the official monitor of the Revitalised Agreement, has requested the R-TGoNU to outline its strategy for achieving its tasks within the remaining timeframe. Therefore, the R-TGoNU developed a roadmap in August 2022, which defines how it would manage the remaining tasks, including an extension of the transitional period of 24 months until February 2025. The RJMEC will monitor the implementation of this roadmap.

The parties that signed the R-ARCSS and the country's diverse communities got the agreed representation when the national legislature was reformed in 2021. The R-ARCSS mandates 35% affirmative action for women's representation in the R-TGoNU, which was established in February 2020. In keeping with the R-ARCSS's spirit, South Sudan appointed a woman speaker to the TNLA and a deputy woman speaker to the Council of States in 2021.

The R-TGoNU has started working on the country's new constitution and plans to adopt it before the national elections in 2024. The Ministry of Justice and Constitutional Affairs has finalised the Constitution-Making Process (CMP) Bill, which makes the National Constitutional Review Commission and Constitutional Drafting Committee, the National Constitutional Conference, and the TNLA responsible for the constitution-making process.

South Sudan is enhancing public accountability by informing the public of the financial performance of the R-TGoNU and state agencies. The National Audit Chamber (NAC) has published the Consolidated Compliance Audit Report on the First Tranche of the Rapid Credit Facility from the IMF. It has also published the Stakeholder Engagement Strategy 2019-2024, which aims to improve communication within the NAC and strengthen its relationship with the newly established Public Accounts Committee of the national legislature.

The R-TGoNU has established the Public Financial Management Oversight Committee (PFMOC) to monitor revenue collection and allocation, budgeting and expenditure, and public debt. The PFMOC, led by the Minister of Finance and Planning and composed of various ministers and the international aid community, is in charge

of implementing the Treasury Single Account, reviewing and verifying loans and contracts secured or guaranteed by crude oil, and strengthening the Anti-Corruption Commission (ACC) and the NAC. The PFMOC also needs to set up a Public Procurement and Asset Disposal Authority to monitor financial allocations.

The R-TGoNU shares data on the utilisation of the country's oil income with citizens and other stakeholders. The national oil company, Nile Petroleum Corporation (NILEPET), offers information about the company's profile, management, business strategies, upstream and downstream operations, and activities on its website, which was launched in September 2020. The Ministry of Petroleum (MoP) also consolidated the revenue accounts within the Bank of South Sudan to allow more oversight and control over the petroleum sector's revenue flows and distribution.

South Sudan's Petroleum Revenue Management Act of 2013 (PRM Act) establishes a formal structure for allocating petroleum revenues to immediate budgetary needs, savings and revenue stabilisation, and direct transfers to petroleum-producing states and affected communities. It requires that 2% of the net income from oil and gas production must go to the petroleum-producing states for development programmes, and 3% must go to the local communities in the petroleum-producing states, shared among both oil-producing and non-oil-producing counties. In 2021, the NAC published an audit report covering 2011-2020 to assess whether the MFP had made allocations per the PRM Act. The NAC ensured that the Council of States and other sub-national authorities were part of the decision-making process regarding the use of the 2% and 3% net oil incomes transferred to the states and communities.

AREAS FOR IMPROVEMENT

The Oil Revenue Stabilisation Account and the FGF, which get certain portions of oil incomes, should disclose their finances to enhance public accountability. Likewise, NILEPET should disclose all the relevant financial information. The MFP should allow auditors and the public to access information, data, and documents related to the payment and use of the net oil income share that is transferred to the producing states and the affected communities.

Rule of law

QUICK FACTS

- | South Sudan signed the International Energy Charter political declaration in 2021.
- | South Sudan ratified the Convention on the Settlement of Investment Disputes between States and Nationals of Other States on 18 April 2012.
- | South Sudan has been a member of MIGA since 2012.

STRENGTHS

Some of the accomplishments of the R-ARCSS in improving the rule of law include the formation of a coalition government, the establishment of the R-TGoNU, the work done by the National Constitutional Amendment Committee (NCAC) in preparing legislation to govern the security, political, and economic spheres of life, and the completion of Phase one of the unification of forces. Moreover, the President of the Republic of South Sudan signed the Constitution-Making Process Act in December 2022.

Some steps have been taken to establish a temporary Judicial Reform Committee (JRC) that will assess the current state of the justice sector and suggest suitable reforms. The R-TGoNU and the Intergovernmental Authority on Development (IGAD), a regional organisation in East Africa, agreed on the Terms of Reference for creating the JRC. The IGAD is in the process of identifying qualified regional experts to serve as the JRC's Chair and Deputy Chair and will ask the parties to the R-ARCSS to choose their representatives for the JRC. Moreover, the R-TGoNU has declared the creation of the Hybrid Court for South Sudan. It also plans to establish the Commission for Truth, Healing and Reconciliation and the Compensation and Reparations Authority, as mandated by the R-ARCSS.

To strengthen the judicial system, the state budget has provisioned some amounts to carry out various programmes and activities that will help amend the constitution, review and revise existing laws, and draft new laws where needed. The budget also allocates funds for hiring and training more judges and staff, expanding the mobile courts to speed up the trials, and developing a new policy on land issues.

The government of South Sudan is setting up systems to gather and store data related to investment. The MoP and the MED are in charge of keeping track of the contracts and agreements in the oil and electricity sectors, respectively. The MoI acts as the main authority that records the contracts and deals in other sectors.

The government has committed to protecting investors against the loss of their assets due to direct or indirect expropriation and to respect property rights. The Land Act of 2009 gives a legal basis for expropriation for public benefit. It explains the expropriation process and requires fair and reasonable compensation for expropriated land that, among other things, shall take into account its market value. At the same time, the national law does not have

provisions that force technology transfer in the energy sector. The draft National Land Policy, which is being discussed with stakeholders, will establish the regulatory framework on land rights and address important issues such as finding effective land dispute resolution mechanisms.

South Sudan is a member of the East African Community (EAC) and is working with other member states to deepen their institutional and economic integration. All EAC member states are currently discussing the EAC-EU Economic Partnership Agreement (EAC-EU EPA), which will cover trade in goods, dispute settlement, and economic and development cooperation. The draft EAC-EU EPA has a clause for negotiating several critical issues, such as competition policies, investment and private sector development, and intellectual property rights.

AREAS FOR IMPROVEMENT

South Sudan should ratify the Convention on the Recognition and Enforcement of Foreign Arbitral Awards to show foreign investors that it supports dispute resolution through international arbitration. This will also facilitate the recognition and enforcement of foreign awards in the country.

The national legislation should set clear deadlines for courts to conduct hearings and deliver judgments in pending cases. The government should consider amending the Judiciary Act of 2008 to introduce legal timeframes for resolving disputes. The judiciary should also create an online portal that gives investors and citizens access to the status, orders, summaries and pleadings of all court cases to ensure transparency and efficiency in case management.

The R-TGoNU should develop mechanisms to prevent and manage grievances of existing investors. For example, establishing an investment ombudsperson in the country will allow local and foreign investors to resolve conflicts with public agencies and find friendly dispute resolutions without resorting to costly and lengthy arbitration proceedings. It may also use the Energy Charter Model Instrument on Management of Investment Disputes, which aims to help states deal with investment disputes according to their specific needs and circumstances.

Regulatory environment and investment conditions

QUICK FACTS

- | The MED regulates the power sector and issues licences for activities in the electricity market.
- | The SSEC is responsible for determining electricity tariffs in consultation with the MED and the MFP.

STRENGTHS

The energy sector in South Sudan is undergoing legal and regulatory reforms after the signing of the R-ARCSS and the formation of the R-TGoNU. The National Electricity Bill of 2015, which provides a legal framework for various aspects of the power sector, has been approved by the Executive Cabinet and is now pending the approval of the national legislature. South Sudan also received technical support from the Common Market for Eastern and Southern Africa to set up an independent national energy regulator during a validation workshop in March 2022. In addition, the R-TGoNU is revising the Petroleum Act of 2012 to include regulation of the downstream segment. The revision process, which began in June 2022, is led by the NCAC.

To attract foreign investment, the R-TGoNU has implemented some measures to ease the business environment. The Investment Promotion Act of 2009 ensures equal rights and guarantees free currency transfer for domestic and foreign investors. The R-TGoNU has also launched an online portal to process work permit applications for foreigners who want to work in South Sudan. Moreover, the National Revenue Authority has introduced an electronic portal to make the taxpayer registration process more accessible and issue tax identification numbers.

South Sudan seeks to benefit from its substantial petroleum reserves and invest in the country's further development. The MoP opened the first licensing round for five out of 14 new oil blocks in March 2022. These blocks range from 4,000 km² to 25,000 km² in area. The MoP plans to award nine more blocks between 2023 and 2024. The downstream oil and gas sector is also expected to attract some investment. The Strategic Fuel Fund of South Africa plans to build a refinery in South Sudan that can process 60,000 barrels per day. Another local oil marketing firm, Trinity Energy Ltd, announced its intention to invest USD 500 million in a module refinery in Paloch that can process 40,000 barrels per day. The new facility, which will be built by Chemex Global, a US-based engineering firm, will supply various refined oil products to South Sudan and its neighbouring countries.

South Sudan is exploring investment opportunities in other energy sources besides oil and gas. The R-TGoNU plans to install hydropower plants of different capacities in Kentti, Shukoli, Sue, Lakki, Beden and Fulla. It also intends to construct wind farms in several states, including Eastern Equatoria, Greater Upper Nile and Jonglei. In addition, Aptech Africa, a company based in Kampala, announced in May 2022 that it will build a 12 MW solar power plant in Juba. The project will be funded by Ezra Construction, which is part of the Ezra Group.

Some projects to promote the development and deployment of renewable energy sources are underway. South Sudan received funding for the solar power project of 700 kWp for the Malakal Teaching Hospital, which was completed in December 2022 and supported by the Peace Renewable Energy Credit (P-REC) Programme. The next P-REC deal will finance the solar electrification of the Bor State Hospital. Moreover, a solar power plant of 350 kW, built by OFGEN Africa, a company based in Nairobi, is providing off-grid energy to the UAP Equatorial Tower, the highest building in Juba. The Juba Solar PV Park project, worth USD 45 million, has been launched by Asunim Solar and I-kWh, both from the United Arab Emirates. This project will be carried out in Nesitu county and will include a 20 MW solar power plant and a 35 MWh battery storage that will cover about 25 hectares of land. Besides these projects, the Egyptian Elsewedy Electric T&D will construct the park, which will supply power to around 60,000 households and reduce almost 11,000 tonnes of CO₂e every year.

AREAS FOR IMPROVEMENT

The R-TGoNU should prepare a long-term plan to diversify South Sudan's economy and increase revenues from non-oil sectors. This strategic plan should be coupled with reforms to effectively enforce provisions of the PRM Act of 2013, improve accountability in revenue disbursement and utilisation, and ensure stricter oversight of the financial flows to and from the FGF and the Oil Revenue Stabilisation Account. At the same time, the R-TGoNU should develop a regulatory framework to encourage micro- and small-scale renewable energy systems, introduce appropriate tax incentives and other support schemes, and simplify administrative procedures for those willing to invest in these projects.

South Sudan must urgently update its electricity tariff methodology to ensure prices are progressively made cost-reflective. This approach is essential to rehabilitate the financial health of the power market and attract more private investment in the country. In parallel, the SSEC should identify mechanisms to protect low-income consumers from the high electricity costs resulting from a gradual shift to cost-reflective tariffs and cross-subsidies elimination. With support from donor agencies, it should organise public awareness campaigns to promote energy savings and invest in demand-side management tools to control peak load shifts, reduce technical losses, and cut transmission and distribution costs. It could also include educational and training components to change unsustainable energy consumption behaviours, such as using wood and charcoal for cooking and heating purposes, which could help reduce carbon footprints.

INDICATOR 1

Improvements proposed in 2022

Develop a comprehensive least-cost power sector development plan encompassing electricity production, transmission, and distribution.

Pending

Develop support schemes to promote rooftop solar power systems and mini and microgrids to serve households and small communities.

Pending

Adopt a cross-sectoral institutional, legal, and regulatory framework on climate change mitigation and adaptation to address the existing and potential challenges caused by climate change, in line with the country's most recent NDC objectives.

Work ongoing. In 2021, the Ministry of Environment and Forestry along with the UNDP launched the country's First National Adaptation Plan for Climate Change.

INDICATOR 2

Improvements proposed in 2021

Urgently adopt a comprehensive post-conflict energy sector rehabilitation strategy that outlines short- and long-term actions to achieve to ensure 75% electricity access by 2025.

Pending

Establish an institutional, legal, and regulatory framework to complement the comprehensive post-conflict energy sector rehabilitation strategy.

Pending

Introduce a legal framework to implement medium and large-size projects based on PPP models.

Pending

Improvements proposed in 2022

Introduce ex-ante and ex-post policy monitoring and evaluation mechanisms.

Pending

INDICATOR 3

Improvements proposed in 2021

Require state-owned funds, including the sovereign wealth fund and enterprises, to publish annual reports summarising the activities completed in the previous years and make financial disclosures.

Work ongoing. In June 2021, the NAC released an audit report covering 2011-2020 to assess whether the MFP had complied with the PRM Act of 2013, requiring the transfer of 2% and 3% of the net oil revenue to the producing states and the local communities. In September 2021, the NAC released the Consolidated Compliance Audit Report on the First Tranche of the Rapid Credit Facility from the IMF.

Impose requirements on the state-owned company NILEPET, involved in the oil production and the distribution of oil refinery products, to make all the relevant financial disclosures.

Work ongoing. In September 2021, NILEPET released information on its website regarding the company's profile, management, business strategies, upstream and downstream operations, projects and joint activities, and updates on recent actions and events. Recently, the MoP centralised the revenue accounts within the Bank of South Sudan to enable greater scrutiny and control over the petroleum sector revenue flows and further income distribution.

Improvements proposed in 2022

Ensure the engagement of stakeholders in the policy- and law-making process; provide all stakeholders prior notification of a sufficient duration on public debates to collect opinions and ensure inclusivity.

Pending

INDICATOR 4

Improvements proposed in 2021

Expedite the ratification process of the Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

Pending

Improvements proposed in 2022

Amend the Judiciary Act of 2008 to introduce legally binding timeframes for adjudicating cases.

Pending

Set up an online portal that provides investors and citizens with the status of all court cases, most recent judicial orders passed, case summaries and pleadings submitted by the parties involved, to ensure transparency and efficiency in case management.

Pending

Develop conflict prevention and management mechanisms to avoid disputes with potential investors, such as by establishing an investment ombudsperson and seeking guidance from the Energy Charter Model Instrument on Management of Investment Disputes.

Pending

INDICATOR 5

Improvements proposed in 2021

Update the electricity tariff methodology to ensure prices are progressively made cost-reflective while identifying mechanisms to protect low-income and vulnerable consumers from a gradual shift to cost-reflective tariffs and cross-subsidies elimination.

Pending

Improvements proposed in 2022

Develop a long-term plan to increase revenues from non-oil sectors and introduce reforms to effectively enforce provisions of the PRM Act of 2013, improve accountability in oil and gas revenue disbursement and utilisation, and ensure stricter oversight of the related financial flows.

Pending

Establish a regulatory framework to encourage micro- and small-scale renewable energy systems, introduce appropriate tax incentives and other support schemes, and simplify administrative procedures for those willing to invest in renewable energy projects.

Pending

Organise public awareness campaigns to promote energy savings and invest in demand-side management tools to control peak load shifts, reduce technical losses, and cut transmission and distribution costs.

Pending

Include educational and training components to the regulatory framework to change unsustainable energy consumption behaviours, such as using wood and charcoal for cooking and heating purposes, which could help reduce carbon footprints.

Pending



The Gambia

Population ¹	2,705,992
Area (km ²) ¹	11,300
GDP per capita (USD) ¹	840.01
TES (Mtoe) ²	N/A
Net energy imports (Mtoe) ²	N/A
Share of renewable sources in TES ²	N/A
CO ₂ /TES (tCO ₂ per TJ) ²	N/A

Data by Orbis Crossborder Investment on completed energy projects and deals from 2015-2023³

Target industry	Number of projects and deals	Project CapEx and deal value (million EUR) by source country
N/A	N/A	N/A

Sources:

1. The World Bank 2021 (area) and 2022 (population and GDP per capita).
2. ©IEA (2023), World Energy Balances (<https://www.iea.org/data-and-statistics>). All rights reserved. Data refer to the year 2021.
3. Orbis Crossborder Investment (2023), Bureau Van Dijk. Data represents the period 1 April 2015 - 1 April 2023. For more information see Annex III of this report.

The Gambia’s overall risk level against the assessed areas is **moderate**.

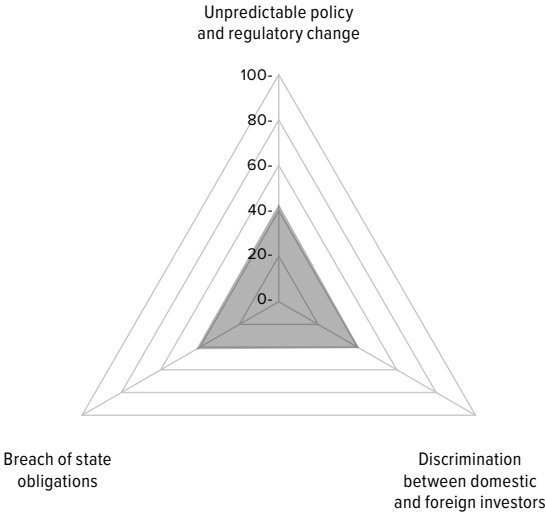
Among the three risk areas, *discrimination between foreign and domestic investors* has the lowest risk level, followed by *breach of state obligations* and the risk of *unpredictable policy and regulatory change*.

The Gambia’s performance is good on one indicator and moderate on four indicators. The highest-scoring indicator is *regulatory environment and investment conditions* at 64. Its score is 57 on the indicator *rule of law* and 55 on *management of decision-making processes*. On *foresight of policy and regulatory change*, its score is 53. *Framework for a sustainable energy system* is the lowest-scoring indicator at 52.

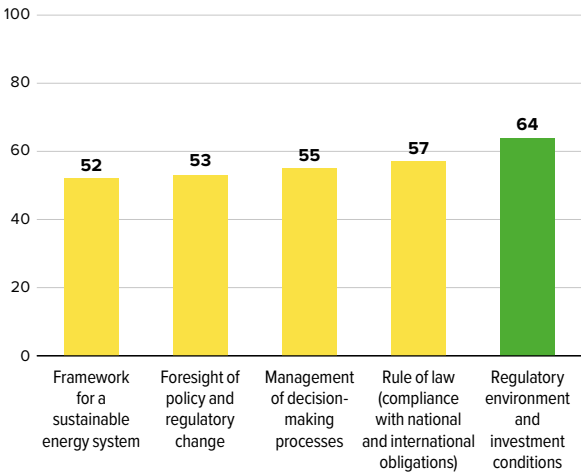
The Gambia’s sub-indicator performance is moderate. The highest-scoring sub-indicators are *restrictions on FDI* at 89 and *regulatory independence* at 83. These sub-indicators are followed by *institutional governance* at 75 and *respect for property rights* at 70. The Gambia’s score is moderate on seven sub-indicators: *environmental protection, human rights and gender* at 58, *robustness of policy goals and commitments* at 57, *policy planning on clean energy transition* at 55, *enabling measures to support clean energy transition* at 51, *communication of vision and policies* at 50, *energy resilience* at 47 and *management and settlement of investor-state disputes* at 44. The lowest-scoring sub-indicators are *transparency and anti-corruption measures* at 35 and *electricity industry market structure and competition* at 20.

Since the legal and regulatory risk associated with energy investments remains moderate in The Gambia, the government is advised to take measures to increase competition in the electricity market and strengthen transparency and public accountability.

RISK LEVEL



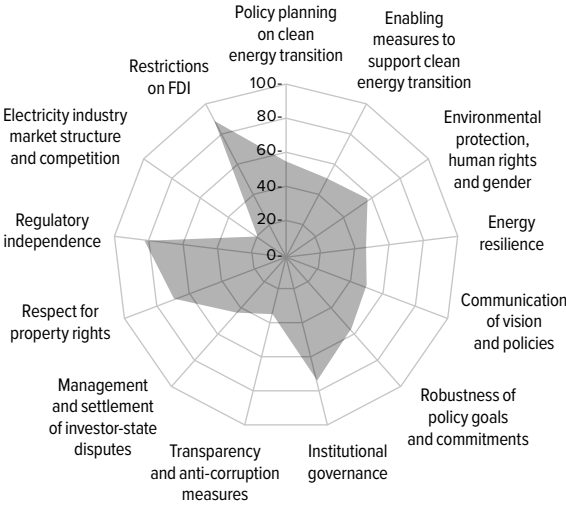
INDICATOR PERFORMANCE



YEAR-ON-YEAR COMPARISON

RISK AREAS	2022	2023
Unpredictable policy and regulatory change	44	43
Discrimination between foreign and domestic investors	41	41
Breach of state obligations	43	42
INDICATORS	2022	2023
Framework for a sustainable energy system	50	52
Foresight of policy and regulatory change	53	53
Management of decision-making processes	55	55
Rule of law	57	57
Regulatory environment and investment conditions	64	64

SUB-INDICATOR PERFORMANCE



Framework for a sustainable energy system

QUICK FACTS

In September 2022, The Gambia submitted its LT-LEDS to the UNFCCC Secretariat.

On 12 September 2021, The Gambia submitted its second NDC to the UNFCCC Secretariat.

In November 2021, the government of The Gambia released the Strategic Roadmap 2021-2040: Universal Access by 2025 and Transforming The Gambia Electricity Sub-sector (Strategic Electricity Roadmap).

STRENGTHS

The Gambia has developed a policy framework to ensure a sustainable and environmentally friendly development trajectory. The recently adopted LT-LEDS outlines the country's implementation strategy for achieving net zero GHG emissions by 2050. The government has aligned its second NDC with the country's 2050 Climate Vision and sectoral green growth strategies.

The Gambia's eventual goal is to ensure net zero emissions by 2050 and use forests as sinks to remove emissions by the second half of the century. The country's second NDC contains enhanced targets and covers more sectors than its predecessor. It accounts for emissions from agriculture, forestry and other land use (AFOLU) as opposed to the first NDC, which only addressed emissions from agriculture. Specifically, the second NDC aims to implement climate-smart agricultural practices to reduce 205 GgCO₂e of emissions by 2030. Moreover, the waste sector covers emissions from solid waste and wastewater, whereas the previous NDC did not include wastewater emissions. In waste management, the second NDC proposes mitigation measures to reduce 497 GgCO₂e of GHG emissions.

According to government estimates, between 2019 and 2020, climate finance inflows amounted to USD 65 million, mostly from public, bilateral, and multilateral institutions. The private sector accounted for 1% of the total financing received and targeted initiatives on carbon markets in forestry and renewable energy. The Gambian government aims to utilise private climate finance through innovative approaches such as green bonds, debt-for-nature swaps, blended financing, and carbon markets. It also plans to leverage its renewable natural capital, which has increased by 86.2% between 1995 and 2018. Notably, The Gambia boasts more than 500 marine fish species, with 47.5% of the land area covered by 505,000 hectares of forests, 10% of which is woodland.

One of The Gambia's key emission reduction strategies is to increase the uptake of renewable energy technologies. Currently, industrial hydropower accounts for the lion's share of domestic renewable energy production. Several renewable electricity generation facilities will become operational soon, including the hydropower plant at Sambangalu, adding 128 MW of capacity along with the planned 93.3 MW at Digan, 80 MW under development at Fello Songa and 20 MW at Saltinha. To promote solar, wind and bioenergy adoption among small to medium-sized independent producers and enterprises, in June 2022, the government validated the FiT and net metering scheme after some setbacks since its introduction in 2013.

The Gambia has successfully ensured that 50% of its power generation capacity is from renewable sources, with low-carbon energy sources comprising 52.4% of total final energy consumption. It is now trying to scale this up to 170 MW through solar PV projects that will be implemented between 2021 and 2025 with partial funding from the World Bank and the EIB. At the 5th UN Conference for the Least Developed Countries (LDC5), The Gambia, the EU and the EIB announced the signing of a EUR 24.08 million EU Global Gateway grant to be used together with an EIB loan of EUR 8 million to implement an on-grid and off-grid renewable energy generation, transmission and distribution programme in The Gambia. The project is expected to transform electricity access in rural communities nationwide and ensure that more than 1,000 schools and 100 health centres benefit from a reliable energy supply through new connections to the national power grid and off-grid solar and battery systems.

The government recognises the impact of climate change on women, particularly those engaged in agriculture, which is one of the largest contributors to emissions in the country. As a result, in 2013, it launched the ECOW-GEN programme to introduce gender-specific policies and incentive instruments and create a critical mass of gender-aware policy-makers and technicians across economic sectors. In the energy sector, the Ministry of Petroleum and Energy (MoPE) has established a six-member Gender Focal Unit (GFU) to implement the National Action Plan 2021-2025 on gender. The GFU promotes gender in different units and departments of the MoPE and contributes to mobilising the human, material, and financial resources necessary to implement the framework strategy on gender. In 2022, the GFU started collecting gender-disaggregated data on energy use, production, and provision of energy services at the regional and local levels.

AREAS FOR IMPROVEMENT

The Strategic Electricity Roadmap relies primarily on electricity imports from Senegal or Cote d'Ivoire to meet The Gambia's universal energy access target by 2025. While this approach may be a short-term solution, increasing imports will create energy security risks in the longer term. Therefore, the government should reconsider the modest share of solar PV (70 MW) and batteries (total installed capacity between 8 MW and 108 MW in different scenarios) in the Strategic Electricity Roadmap and set long-term measures to incentivise investment in on-grid and off-grid renewable electricity. This will allow it to reduce import dependency, increase domestic power generation, and meet its decarbonisation goals.

Foresight of policy and regulatory change

QUICK FACTS

| The MoPE is currently implementing its Strategic Plan 2021-2025.

| The Ministry of Finance and Economic Affairs (MFEA) is revising the country's National Development Plan (NDP) with a vision for 2050.

STRENGTHS

The government has defined targets for its national energy priorities and developed action plans to meet these. The most critical among these plans is the Strategic Electricity Roadmap, which communicates the sector's long-term vision to citizens, existing and potential investors, and development partners. According to the Roadmap, the government aims to ensure universal energy access, construct the 225 kV Eastern Backbone for Basse, and strengthen the Barra grid by 2025. The Roadmap also envisages a reduction in network losses from 22% in 2020 to 15% by 2040 and the integration of at least 60 MW of solar PV into the grid by 2025 and 250 MW by 2040. It also foresees an interconnection with Senegal to increase the transmission purchase capacities for its domestic market and develop a robust inter-transmission grid.

Given that only about 60% of Gambians have an electricity connection, the government, with support from its key development partners, is taking rapid measures to implement the several actions envisaged in the Strategic Electricity Roadmap. Notably, the government has made progress in rehabilitating the power plants in Kotu and Brikam. Some initial investments in the distribution infrastructure have also helped reduce blackouts in the Greater Banjul Area. Moreover, the continued implementation of the Gambia Electricity Restoration and Modernisation Project (GERMP) has helped improve The Gambia National Water and Electricity Company's (NAWEC) operational performance and capacity to dispatch variable renewable electricity, including through the first utility-scale solar plant. At the same time, the ECOWAS-Regional Access Project has brought substantial financial resources for expanding the power distribution infrastructure and ensuring grid densification, while the Solar Development in Sub-Saharan Africa Project is supporting the development of a regional solar park in The Gambia.

The Renewable Energy Act sets a 30% renewable energy target in the domestic power generation mix by 2030. The government has taken some policy and programmatic initiatives to implement this target. For instance, under the Sustainable Energy Action Plan for The Gambia, the government plans to install 50 MW of solar and 20 MW of wind power by 2030 compared to 17 MW of solar and 7 MW of wind in 2020. Moreover, it will equip 50% of public buildings with solar thermal systems by 2030, compared to 25% in the baseline scenario for 2020.

In terms of energy efficiency, the government aims to reduce transmission and distribution losses to 10% compared to 2020 and achieve 15% energy savings in the building sector by 2030, in contrast to 5% in 2020. To meet these targets, the government plans to establish a system for Monitoring, Verification and Enforcing the

Minimum Energy Performance Standards of the lighting systems in public buildings and infrastructure. It will also introduce mandatory labelling of electricity appliances such as refrigerators and air conditioning units and set quality standards for solar water heaters. These initiatives will be supported through programmes to change consumption patterns and promote energy savings.

In 2021 and 2022, MDAs made information on their financial and operational performance available to the public. In March 2021, the MFEA published the final Mid-Term Evaluation Report of the NDP 2018-2021. According to this Report, 60% of the National Development Plan 2018-2021 (NDP) outcomes have been achieved or will be achieved by December 2021. In September 2021, it published the country's Medium-Term Debt Management Strategy 2021-2025 and the 2021 Debt Sustainability Analysis. The MFEA has also published, for 2021 and 2022, monthly national budget implementation reports and quarterly progress reports on the implementation of The Gambia Public Finance Management Strategy 2021-2025. In 2021, the National Audit Office published a financial performance report on NAWEC for electricity distribution in the Greater Banjul Area. This report examines the state of investment planning, power generation, transmission and distribution, auction sales, quality control and financial arrears.

AREAS FOR IMPROVEMENT

The National Energy Policy 2015-2020 (NEP) has expired and should be updated in line with the recent developments and needs of the country. It should be aligned with other strategic policies, such as the 2050 Climate Vision, the Renewable Energy Law, the country's second NDC, the Strategic Electricity Roadmap 2021-2040, and the upcoming NDP 2050. Moreover, the MoPE should make comprehensive information available on the achieved targets, those that could not be achieved, and the reasons of their non-fulfilment. The future NDP should account for the lapses and integrate measures to ensure that all the unachieved targets are met within defined timeframes.

The government must periodically monitor and evaluate the achievement of its policy targets and publish the results. It should conduct an ex-post impact assessment of its NEP and a mid-term evaluation of its National Renewable Energy Action Plan (set in 2015) to align the policy targets on renewable electricity, clean cooking, solar water heaters, and biofuels with the second NDC and the 2050 Climate Vision. Finally, it should make the performance evaluation and budget execution reports of MDAs publicly available to improve accountability.

Management of decision-making processes

QUICK FACTS

The MoPE is responsible for implementing government policy on electricity supply and distribution, water management, petroleum products, and renewable energy.

In July 2021, the National Assembly enacted the Access to Information Act.

STRENGTHS

The government is working to strengthen its institutional framework and ensure good governance, inclusive growth, and sustainable development. To this end, it launched the country's first Turn Around Allocation Strategy (TAAS) and held the first TAAS steering group meeting on 23 January 2023 in cooperation with the World Bank. The TAAS is structured around five strategic goals that are critical to charting a pathway towards sustainable development: (i) security and political stability; (ii) governance and transitional justice; (iii) land management, environment and climate change; (iv) human capital development; and (v) inclusive growth and economic stability.

Moreover, public institutions, including ministries, engage actively with citizens and relevant stakeholders while making policy-related decisions. For instance, in 2022, the MFEA released the draft Green Recovery Development Plan 2023-2027 (RF-NDP), which aims to address development challenges, including climate change and debt distress in the medium term. The RF-NDP has been developed through a consultative process involving all relevant stakeholders nationwide and was validated on 22 December 2022 by a wide set of stakeholders, including ministries, governmental departments, agencies, local and international development partners, the private sector, and civil society organisations.

It should be noted that while the MFEA has launched the RF-NDP to set out its mid-term objectives, it has also started developing The Gambia's new NDP, extending to 2050. The updated NDP will establish a framework for identifying long-term policy priorities and mainstreaming the Agenda 2063 and the Sustainable Development Agenda 2030. The MFEA is preparing the updated NDP in close coordination with the Department of Strategy, Policy and Delivery and The Gambia Bureau of Statistics. Efforts are also being made to involve the private sector, youth, women, civil society organisations, trade unions, and development partners.

Policies and action plans outline the level of coordination required amongst governmental agencies toward achieving high-level national targets. For example, the Strategic Electricity Roadmap requires the establishment of a high-level task force chaired by the Minister of Petroleum and Energy for its implementation. The task force comprises the Office of the President of The Gambia and the representatives of the MFEA, the Ministry of Justice, the Ministry of Lands, Regional Governments, and Religious Affairs, NAWEC, the Public Utilities Regulatory Authority (PURA), the National Environment Agency (NEA) and The Gambia Investment and Export Promotion Agency (GIEPA) as members. With a dedicated Roadmap

Implementation Coordinator, the Department of Energy of the MoPE should support the task force in its activities, including organising meetings, taking minutes, providing briefing notes, and following up on its decisions.

The government has also launched the National Platform for Energy Nexus to strengthen cooperation among MDAs responsible for the energy sector. The platform will allow applicants to avail certain incentives for targeted renewable energy and energy efficiency solutions. Once operational, the platform is expected to support over 20 projects integrating renewable energy and energy efficiency in peer sectors. Efforts will also be made to ensure that 40% of the platform representatives are women.

The new Access to Information Act offers greater transparency and accountability in public administration. Specifically, its Article 11 establishes the right of citizens and interested parties to access information of any public body, which must appoint an Information Officer to facilitate this process. The Act also establishes an information commission whose functions include promoting, regulating, and protecting citizens' right of access to information.

In line with The Gambia's commitment to increase public accountability, in February 2022, the National Assembly approved the Anti-Corruption Bill 2022. The Bill aims to prevent and curb corrupt practices by fining and convicting public officials who benefit financially from such practices. It foresees the establishment of the Gambia Anti-Corruption Commission, whose members will be appointed by the President in consultation with the Public Service Commission of Gambia.

AREAS FOR IMPROVEMENT

The Gambia should adopt the Anti-Corruption Bill that is still pending before the National Assembly and set up an independent anti corruption commission that is empowered and equipped with sufficient financial and human resources to investigate and prosecute corruption cases and confiscate public officials' assets if needed.

The government should establish a legislative framework to collect and monitor beneficial ownership information of companies operating in The Gambia. Such legislation will prevent beneficiaries from remaining anonymous and concealing their financial activity to evade taxes. Moreover, it will help the state authorities to discover and deter financial and economic crimes, terrorism financing and money laundering.

Rule of law

QUICK FACTS

- | The Gambia ratified the Convention on the Settlement of Investment Disputes between States and Nationals of Other States in 1975.
- | The Ministry of Justice and the Office of the President are responsible for managing investment arbitrations.
- | Arbitration in The Gambia is governed by the Alternative Dispute Resolution Act 2005.
- | Intellectual property rights are guaranteed by the Industrial Property Act 2007.

STRENGTHS

The government is cooperating with donor agencies and international development partners to strengthen judicial accountability and the rule of law. In 2021, the American Bar Association and the Freedom House started implementing the Promoting Rights and Justice in The Gambia Project. USAID is funding this USD 7.9 million project, which will run for five years. Its objective is to support The Gambia in enforcing the rule of law and consolidating its democratic and accountable governance. The project will provide technical support and expertise to the justice sector reform process and the modernisation of the judiciary and state institutions in charge of implementing judicial policies. In addition, it will equip civil society organisations and media with the know-how to initiate legal reform proposals so that the public administration and executive branch remain accountable to the people.

Domestic laws promote alternative dispute resolution mechanisms to address investor-state disputes. The Gambia Investment and Export Promotion Agency Act 2015 (GIEPA Act) requires that investors and the state settle their disputes amicably through conciliation or mediation. In real terms, the government favours and employs amicable mechanisms to resolve conflicts with foreign investors, particularly on resource exploration projects. For instance, in September 2020, it agreed with the Norwegian-based oil and gas company PetroNor to settle its arbitration related to the A1 and A4 offshore licences. Per the settlement agreement, PetroNor has regained the A4 licence and signed a 30-year lease under new terms. At the same time, it has relinquished its claim to the A1 block.

The Foreign Judgment (Reciprocal Enforcement) Act 1922 allows for the enforcement of judgments delivered in foreign countries that accord reciprocal treatment to judgments made in The Gambia. National laws do not oblige investors to exhaust local judicial remedies before recourse to international arbitration. Similarly, international investment agreements do not impose such conditions on investors.

There is a legal framework to protect the property and assets of foreign investors operating in the country. The Constitution of The Gambia protects private property. Expropriation for reasons of public interest is only possible with prompt payment of adequate compensation determined by a domestic court or another independent authority. The GIEPA Act 2015 also mentions the criteria for expropriating investors' private property. It states that private property may only be expropriated for a public purpose defined by law, on a non-discriminatory basis,

following the procedures prescribed by the law and on the payment of compensation. Moreover, the Land Acquisition and Compensation Act (LACA) 1991 establishes the legal basis for the acquisition of property by the state for public/planning purposes. Section 11 of LACA 1991 stipulates that compensation for acquired land should use the replacement cost method. The method is based on the prevailing cost for construction and improvements, including design and supervision. The LACA 1991 also sets out a mechanism for dispute resolution at the formal and informal (traditional) levels.

The Gambia has signed 16 BITs, of which six are in force. The Gambia is a party to the Cotonou 2000 regional trade and investment partnership agreement with investor-state dispute settlement provision. Some international investment agreements signed by The Gambia explicitly mention the energy sector. For instance, the BIT signed with Türkiye in 2013 refers to investment protection in exploring and exploiting natural resources in the energy sector.

The international investment agreements signed by The Gambia guarantee the right of investors to receive compensation in the event of expropriation. According to its BIT with Morocco, the compensation shall amount to the fair market value of the expropriated investment immediately before expropriation has taken place or before the impending expropriation becomes public knowledge, whichever is earlier. The compensation must be paid without undue delay. In case of delay, the investor is entitled to interest at a normal commercial rate calculated until the payment date. Most BITs consider intellectual property an 'investment' and protect such rights against expropriation through the unqualified operation of MFN and NT obligations.

AREAS FOR IMPROVEMENT

To prevent and manage investor grievances, and avoid costly judicial or arbitration proceedings, the government should establish an investment ombudsperson or similar institution to handle the complaints of foreign investors against public authorities during the licensing procedures. It can utilise Nigeria's example to modernise its six BITs and structure the new ones to include provisions on dispute prevention, sustainable investment, and environmental protection.

The government and the National Assembly should take coordinated action to update the Alternative Dispute Resolution Act 2005 to allow recourse to mediation in investor-state conflicts.

Regulatory environment and investment conditions

QUICK FACTS

- | In 2021, the National Assembly of The Gambia enacted the Petroleum Commission Act (PCA).
- | PURA regulates, among other sectors, the electricity and downstream petroleum sub-sectors.
- | GIEPA is the national agency responsible for encouraging and facilitating private sector investment in The Gambia.

STRENGTHS

Over the past years, the government has made increasing FDI inflow a priority. According to the MoPE, FDI was 33% of the GDP in 2016, above the ECOWAS average of 29%. Compared to 2019, NAWEC's revenue increased by 6% (reaching 2.86 billion dalasis (GMD)) in 2020, despite reduced consumption by critical consumers such as hotels and banking institutions due to the COVID-19 pandemic.

There are no restrictions imposed on foreign investors in most economic sectors, nor are there any limitations on business ownership. Foreign companies can invest in The Gambia without facing systemic discrimination in favour of local companies.

The Gambia is giving particular attention to scaling up renewable electricity projects. As the Renewable Energy Law stipulates, renewable energy investments are supported by a FIT scheme, integrated into the grid and combined with a net metering option. The government is currently revising tariff policies and schemes to attract further investments. In terms of upcoming projects, it is notable that in 2021, the government signed a USD 25 million investment programme with the Millennium Challenge Corporation as a grant donor. The grant, dedicated to introducing renewable electricity in the country's power generation mix, will support The Gambia's efforts to ensure universal energy access by 2025 and reduce GHG emissions in the energy sector. The government has also established The Gambia Renewable Energy Center to increase the share of renewables in electricity generation.

GIEPA plays a critical role in investment promotion. Within the last five years, its support has resulted in a net investment portfolio of USD 154 million for the country, creating more than 2,274 jobs for citizens. About 39 companies invested this amount in different sectors, including manufacturing, agriculture, tourism, and fisheries. To induce further investments across economic activities, GIEPA has defined eight 'priority sectors' for which eligible investors may avail Special Investment Certificates (SICs). The SICs offer investors a range of benefits, including duty exemptions and tax holidays. Moreover, in 2022, GEIPA published The Gambia Solar Report to provide investors with information on investment opportunities in solar technology, government and legal support offered, and the availability of a skilled and cost-effective workforce. To ensure dialogue with potential and incumbent investors, GIEPA regularly organises The Gambia Competitiveness Forum, where investors comment on government policies and actions.

Regarding oil and gas regulation, The Gambia made substantial progress with the enactment of the PCA.

The PCA ensures independent regulation of the sector by establishing the Petroleum Commission, which is independent of the MoPE. The Petroleum Commission is a corporate body with perpetual succession and a common seal. Its non-ex officio board members are elected for three years, and their tenure is renewable only once. The Petroleum Commission's funds comprise monies allocated to it by the National Assembly, payments it received as signature bonuses and surface rentals from licences, and monies accrued from its activities and the sale and licensing of data. Per the PAC, the Petroleum Commission must prepare an annual statement of its accounts and submit it to the Auditor General of The Gambia. Moreover, within three months of the end of each financial year, the Petroleum Commission must submit an annual report on its business and operations during the preceding year to the National Assembly.

Some positive developments were also observed in electricity regulation. PURA is revising its electricity tariff methodology to maximise cost recovery for NAWEC. In 2021, PURA released energy statistics on customer numbers, MWh sales, revenue collection, system losses, capacity and energy demand, and energy demand growth rates to inform the public about the performance of the electricity sector.

The The Gambia River Organization for Development (OMVG) Energy Project, which is key to The Gambia's integration into the West African Power Pool and achieving its universal energy access by 2025 goal, is progressing at a reasonable pace. In 2021, the government announced the launch of the Greater Banjul Area Modernisation Project under the USD 164 million GERMP, funded by multiple donors. The Project includes designing and installing a 17 km 225 kV high-voltage transmission line from Brikama to Jabang, followed by a 33 kV substation at Kotu.

AREAS FOR IMPROVEMENT

The single-buyer model prevalent in The Gambia was envisaged as an intermediate step in transitioning from a vertically integrated system to a completely liberalised one. Although the purpose of the single-buyer model is to facilitate private investment by ensuring financial guarantees by the off-taker, the approach may prove counterintuitive in The Gambia's case as the off-taker, NAWEC, may be unable to guarantee the purchase of electricity. Therefore, the government should liberalise the wholesale electricity market so investors can participate in it without needing government-backed guarantees, and at the same time, NAWEC can earn more from cost-reflective electricity prices.

INDICATOR 1

Improvements proposed in 2022

Increase the share of solar PV and batteries in the country's long-term generation mix as set out in the Strategic Electricity Roadmap 2021-2040; set long-term measures to incentivise investment in on-grid and off-grid renewable electricity.

Pending

Prepare an agricultural adaptation strategy to climate change and an action plan to implement climate-smart agricultural practices and ensure sustainable land use.

Pending

INDICATOR 2

Improvements proposed in 2018

Update the NEP 2015-2020 in line with the recent developments and needs of the country.

Work ongoing. The MoPE recently published its draft Strategic Plan 2021-2025. One of the targets set for 2021 under the Strategic Plan is the adoption of an updated NEP.

Create ex-ante and ex-post policy evaluation and review mechanisms.

Work ongoing. The MoPE's Strategic Plan contains a results-based monitoring and evaluation framework to track its implementation.

Improvements proposed in 2021

Integrate ultimate outcomes and a long-term vision (up to 2050) in the upcoming NEP and update the national renewable energy and energy efficiency action plans.

Work ongoing. In 2021, the government adopted the Strategic Electricity Roadmap 2021-2040 and The Gambia 2050 Climate Vision. It is currently revising the country's NDP with a vision for 2050.

Grant public access to the performance evaluation reports and budget execution reports of MDAs.

Work ongoing. In 2021, the MFEA published the final Mid-Term Evaluation Report of the NDP 2018-2021, the Medium-Term Debt Management Strategy 2021-2025 and the 2021 Debt Sustainability Analysis. The National Audit Office published an audit performance report on the NAWEC for electricity distribution in the Greater Banjul Area.

INDICATOR 3

Improvements proposed in 2018

Adopt a law facilitating public access to information held by state authorities.

Fully implemented. In July 2021, the National Assembly enacted the Access to Information Act.

Establish the Competitiveness Improvement Forum as required in the GIEPA Act of 2015.

Pending

Improvements proposed in 2020

Give public access to the extractive industry contracts and consider joining the EITI.

Work ongoing. The MoPE's Strategic Plan aims to ensure that the rate of adherence to the standards of EITI increases from 0% in 2020 (baseline) to 50% by 2021, 80% by 2023 and 100% by 2025.

Improvements proposed in 2021

Develop institutional tools to coordinate decisions on fuelwood monitoring and regulation between the MoPE and the Ministry of Environment, Climate Change and Natural Resources.

Pending

Adopt the Anti-Corruption Bill and set up an independent Anti-Corruption Commission that has sufficient financial and human resources.

Pending

Improvements proposed in 2022

Establish a beneficial ownership register for companies operating in The Gambia.

Pending

INDICATOR 4

Improvements proposed in 2018

Set definitive timelines for domestic courts to deliver judgments in commercial disputes.

Work ongoing. Constitutional, institutional, and legal reforms are underway in line with the NDP 2018-2021.

Adopt dispute prevention policies to assist investors in addressing potential grievances against public authorities.

Pending

Enact a law protecting investors against the expropriation of property defining the conditions of 'public interest' that can prompt an act of expropriation, the procedure to determine the compensation, and the timeframe for its payment.

Work ongoing. In March 2021, the MoPE published Resettlement Action Plans (RAP) for two sub-projects under the GERMP. Each RAP sets up a project-level grievance mechanism to address complaints and concerns raised during the RAP's implementation.

INDICATOR 5

Improvements proposed in 2018

Increase the PURA's institutional capacity and streamline its operations so that it may effectively perform its functions.

Pending

Ease access to land and provide certainty on land titles by creating a land registry and records.

Pending

Limit the government's right to own some, or the majority, of shares in strategic industries, such as mining and petroleum exploration and refining activities.

Pending

Improvements proposed in 2020

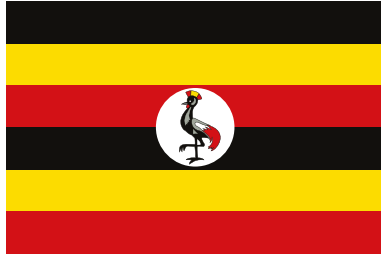
Liberalise the energy market and limit the state's involvement in the NAWEC.

Pending

Improvements proposed in 2021

Establish without delay the legal and regulatory framework for private investment in the power transmission and distribution infrastructure.

Pending



Uganda

Population ¹	47,249,585
Area (km ²) ¹	241,550
GDP per capita (USD) ¹	964.22
TES (Mtoe) ²	22.11
Net energy imports (Mtoe) ²	4.59
Share of renewable sources in TES ²	0.91
CO ₂ /TES (tCO ₂ per TJ) ²	6.19

Data by Orbis Crossborder Investment on completed energy projects and deals from 2015-2023³

Target industry	Number of projects and deals	Project CapEx and deal value (million EUR) by source country
Electric power generation, transmission and distribution	1 new project 1 acquisition deal	Germany: 1 RE project of 21.41 mEUR Value of 1 RE deal (Mauritius) is n.a

Sources:

1. The World Bank 2021 (area) and 2022 (population and GDP per capita).
2. ©IEA (2023), World Energy Balances (<https://www.iea.org/data-and-statistics>). All rights reserved. Data refer to the year 2021.
3. Orbis Crossborder Investment (2023), Bureau Van Dijk. Data represents the period 1 April 2015 - 1 April 2023.
For more information see Annex III of this report.
RE: Renewable energy based electricity production

Uganda’s overall risk level against the assessed areas is **low**.

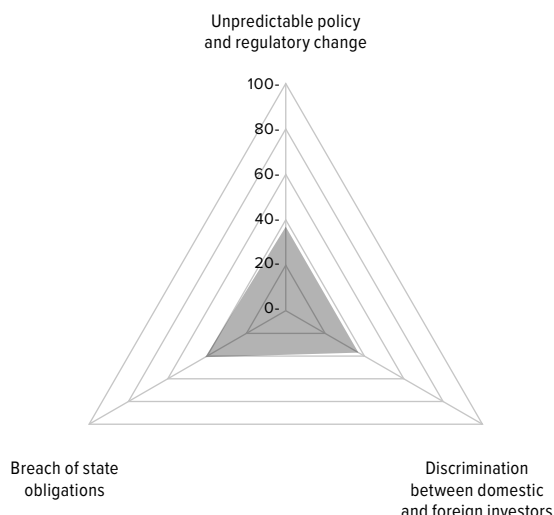
Among the three risk areas, *discrimination between foreign and domestic investors* has the lowest risk-level, followed by *unpredictable policy and regulatory change* and the *risk of breach of state obligations*.

Uganda has a good performance on three EIRA indicators and a moderate performance on two indicators. *Management of decision-making processes* is the highest-scoring indicator at 73, followed by *foresight of policy and regulatory change* at 67. On the indicators *framework for a sustainable energy system* and *rule of law*, it has scored 62. *Regulatory environment and investment conditions* is the lowest-scoring indicator at 53.

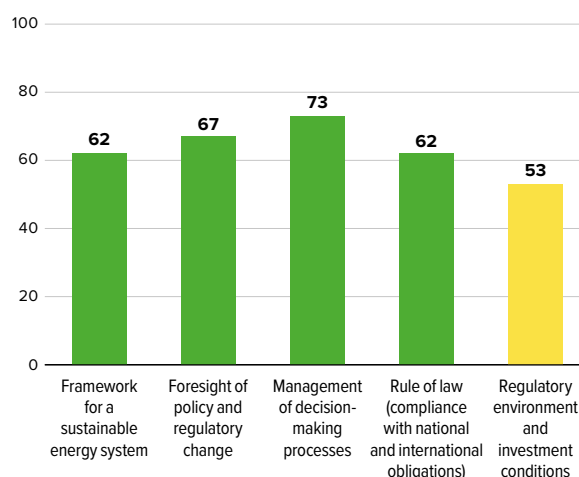
Uganda’s sub-indicator performance is good. *Robustness of policy goals and commitments* is the highest-scoring sub-indicator at 78, followed by *institutional governance* at 75, *respect for property rights* at 74, *policy planning on clean energy transition* at 73, *transparency and anti-corruption measures* at 71, and *environmental protection, human rights and gender* at 67. Its score on *electricity industry market structure and competition* is 58, followed by *enabling measures to support clean energy transition* at 57, *communication of vision and policies* at 56, and *regulatory independence* at 52. The lowest-scoring sub-indicators are *energy resilience*, *management and settlement of investor-state disputes*, and *restrictions on FDI*, all at 50.

The legal and regulatory risks associated with energy investments are low in Uganda. At the same time, it should implement further measures to improve the management and settlement of investor-state disputes and reduce restrictions on FDI.

RISK LEVEL



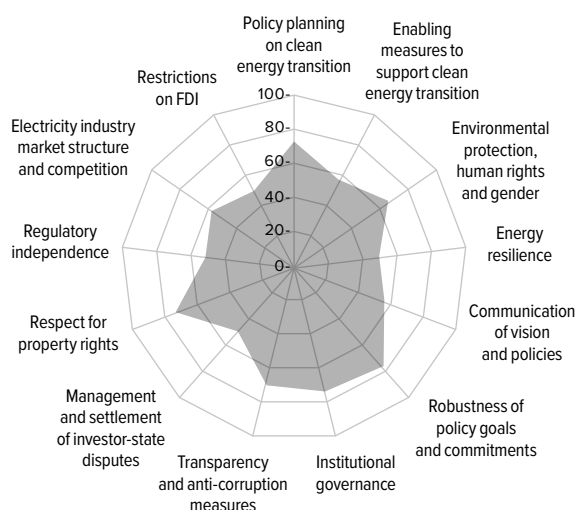
INDICATOR PERFORMANCE



YEAR-ON-YEAR COMPARISON

RISK AREAS	2022	2023
Unpredictable policy and regulatory change	38	37
Discrimination between foreign and domestic investors	38	37
Breach of state obligations	43	41
INDICATORS	2022	2023
Framework for a sustainable energy system	58	62
Foresight of policy and regulatory change	67	67
Management of decision-making processes	73	73
Rule of law	61	62
Regulatory environment and investment conditions	53	53

SUB-INDICATOR PERFORMANCE



Framework for a sustainable energy system

QUICK FACTS

Uganda submitted its updated NDC to the UNFCCC Secretariat in September 2021.

Uganda's Green Growth Development Strategy, spanning 2017/28-2030/31, aims to ensure the country's social and economic development based on equity, inclusivity, environmental sustainability, and resource efficiency.

In 2022, Uganda finalised its LT-LEDS based on 13 pillars outlined in the updated NDC and aims to build a climate-resilient, low-carbon, prosperous and inclusive economy by 2050.

The Climate Change Act 2021 aims to coordinate and implement climate change response measures and facilitate financing-related matters.

STRENGTHS

Uganda's updated NDC reflects the government's intention to strengthen policy planning on climate change, migration and disaster risk reduction, water resources management, climate-proofing infrastructure, sustainable livestock production, reforestation, and climate-compatible extraction of mineral resources. In the energy sector, the country aims to ensure access to clean electricity, promote renewable energy sources and energy efficiency, increase the use of clean cooking technologies and make the power transmission grid climate-resilient. The updated NDC also specifies the need to address gender mainstreaming in the country's upcoming NDC implementation plan.

Uganda's updated NDC forecasts net GHG emissions to reach 148.8 MtCO₂e under the BAU scenario. However, utilising economy-wide mitigation actions may help reduce the emission levels to 112.1 MtCO₂e, or 24.7% less compared to the BAU scenario, by 2030. Notably, while the updated NDC foresees, under the BAU scenario, the overall increase of GHG emissions in the energy sector (stationary) from 5.7 MtCO₂e in 2015 to about 12.4 MtCO₂e in 2030, it also assumes that mitigation actions may potentially lower GHG emissions in this sector by 18.8%, or to 10.1 MtCO₂e by 2030.

In February 2023, Uganda released its Third National Communication (TNC) to the UNFCCC Secretariat. The TNC assesses the country's progress in climate change adaptation and presents a comprehensive analysis of constraints and opportunities in implementing mitigation measures across several sectors. In particular, it indicates a decline in CO₂ emissions, from 171.29 Gg in 2007 to 122.8 Gg in 2017. The report also evaluates the government's progress in ensuring equity and inclusion of various social and gender groups in the climate change adaptation and mitigation process. Currently, Uganda is preparing its Second Biennial Update Report.

Several intra- and inter-agency structures have been created to coordinate government actions addressing climate change issues. In October 2022, with support from the UNDP, the government established the National Taskforce on Climate Change Mechanisms. In addition, the Ministry of Finance, Planning, and Economic Development (MFPED) has recently formed its Climate Finance Unit (CFU). The CFU will be responsible for institutional coordination and capacity building of state institutions, state-owned enterprises, civil society organisations, and the business community to mobilise climate funding. For this purpose, the CFU will prepare the National Climate

Finance Strategy and develop relevant initiatives and programmes.

The government has identified mechanisms to address climate change risks faced by rural communities. In this context, in October 2022, the Adaptation Fund approved the allocation of USD 9.5 million for a project to enhance community adaptation to climate change through climate-resilient flood early warning, catchment management and wash technologies in the Mpologoma catchment area. This project will be implemented over 4.5 years, benefit 40,933 inhabitants, and address the climate-related issues of highly vulnerable ecosystems.

Uganda is receiving financial support from international partners to expand its forest cover and protect biodiversity. In March 2023, the EU committed to allocate EUR 40 million to the government of Uganda for a five-year forest restoration programme to support the country's ambitious target of 21% forest coverage by 2030.

In June 2022, Uganda received USD 217 million from the World Bank to implement the 'Generating Growth Opportunities and Productivity for Women Enterprises Uganda' project. This project, running until the end of 2027, will empower women entrepreneurs and enterprises headed by women. It targets families of 20,000 female entrepreneurs in 14 sub-regions of the Greater Kampala Metropolitan Area as primary beneficiaries. The significant indirect beneficiaries (1.6 million people, at least 50% female) include refugees and host communities, persons with disabilities, ethnic minorities, elderly females, and people with serious health conditions.

AREAS FOR IMPROVEMENT

Uganda must expediently implement the Automotive Industry Development Policy to establish a solid e-mobility agenda, create incentives for EV manufacturers and allied businesses, introduce financial and policy measures to deploy EVs for public transport and mobilise private financing for developing the charging infrastructure.

To make rural households and communities more climate-resilient, the government should adopt a cross-sectoral climate change mitigation and adaptation strategy with specific measures to ensure food and water security while mitigating the impact of climate change on women in agriculture and the rural population in general.

Foresight of policy and regulatory change

QUICK FACTS

- In 2020, the parliament of Uganda approved the country's Third National Development Plan (NDP III) covering the period from 2020 to 2025.
- On 20 May 2022, the parliament of Uganda approved the National Budget for Fiscal Year (FY) 2022/23.

STRENGTHS

The government of Uganda has identified key policy targets for the energy sector in the Sustainable Energy Development (SED) Programme under the Revised National Budget Framework Paper FY 2022/2023. Specifically, it plans to increase the grid reliability to 98% by FY 2022/23 and ensure electricity to 80% of households by FY 2025/26.

According to the SED Programme, the government intends to finalise feasibility studies for installing 200 off-grid/mini-grid renewable energy systems, increase the total power generation capacity from 984 MW in FY 2018/19 to 3.5 GW in FY 2025/26, expand the high-voltage transmission lines network from 3,100 km in FY 2018/19 to 4,700 km in FY 2025/26, and double the per capita electricity consumption from 100 kWh in FY 2022/23 and to 200 kWh in FY 2025/26.

The updated NDC and the SED Programme include actions to promote energy-efficient cooking technologies and cleaner fuels. The NDC envisions the use of clean energy for cooking to grow from 15% in 2020 to 65% in 2030 and the share of consumers using efficient cooking technologies to increase from 1% in 2020 to 10% by 2025. According to the updated NDC, raising the efficiency of traditional charcoal kilns from 12% to 75% and the utilisation of more efficient charcoal stoves will allow GHG emissions to be reduced by 3.37 MtCO₂e and 6.89 MtCO₂e, respectively, by 2030.

The SED Programme for FY 2022/23 aims to reduce the share of biomass as a cooking fuel from 86% in FY 2018/19 to 50% in FY 2025/26 and increase the percentage of clean energy used for cooking from 15% in FY 2018/19 to 50% in FY 2025/26. It also prioritises the modernisation and expansion of the existing infrastructure, particularly the construction of 10,000 km of medium voltage networks and 15,000 km of low voltage networks, upgrading the Kabulasoke switching station and Nkongwe substation, installing the Wobulenzi-Kapeeka and Kapeeka-Kaweeta- Nakasongola transmission lines, completing the Namanve- South Luzira (43 km, 515 MVA) and the Kawanda-Kasana (45 km, 20 MVA) transmission lines, and connecting the Jinja (240 MVA), Nyanza (160 MVA), Masese (160 MVA), Kasese (160 MVA), and Ishaka (160 MVA) industrial parks to the national grid. Moreover, in April 2023, the Minister of State for Energy commissioned the installation of 118.3 km of distribution power lines (35.4 km of medium voltage and 82.9 km of low voltage) and 25 transformers under the Rural Electrification Programme that covers 91 districts and envisions the construction of 3,449.1 km of medium voltage and 7,131.6 km of low voltage lines, as well as the installation of 1,926 distribution transformers.

The government is looking to expand green electrification and grid connectivity. In December 2022, it announced the launch of the EUR 35 million GET ACCESS Mini-grid Solar Programme to facilitate access to affordable and clean energy for 110,000 people, 800 public institutions, and around 700 commercial entities in five remote areas. It also intends to expand the country's generation capacities by around 6 MW by installing over 120 solar-powered mini-grids from 2024 onwards. During the implementation phase, GET ACCESS will support the private sector with subsidies by reimbursing capital expenditures of the mini-grid developers.

The World Bank-funded Electricity Access Scale-Up Project (EASP), spanning 2022 to 2027, aims to raise the annual number of grid connections from the current average of 70,000 to 300,000, increase the share of clean energy used for cooking to 40% by 2027, and reduce the annual CO₂ emissions by 107,000 tonnes. The EASP beneficiaries include 2,525,000 females and 534,000 refugees in hosting communities. Moreover, the government intends to establish 1,223,500 on grid, mini-grid, and off-grid connections, providing electricity to nearly 50,000 business enterprises, five industrial parks, and 700 public institutions under the EASP.

The government provides public access to its financial performance reports and the annual national budget. In November 2022, the Ministry of Finance, Planning and Economic Development (MFPED) published the Development Plan Implementation (DPI) Programme's Annual Performance Report for FY 2021/2022. The report provides information on the efficiency of public undertakings and progress towards the targets outlined in NDP III. It also examines performance challenges and identifies critical emerging issues. In April 2023, the MFPED released the Semi-annual Budget Monitoring Report for the SED Programme, Private Sector Development, Public Sector Transformation, Mineral Development, and Digital Transformation Programmes for FY 2022/23. The SED Programme report shows that 400 energy-efficient cookstoves were provided to selected households within the reporting period and that the installation of 15 mini-grids in southern Uganda was ongoing.

AREAS FOR IMPROVEMENT

Uganda has established a legally binding and transparent system for identifying, implementing and measuring the progress made in achieving energy policy targets. However, the government may increase the accountability level by introducing penalties for not meeting the policy targets and designating a body responsible for enforcing these penalties.

Management of decision-making processes

QUICK FACTS

- | The Ministry of Energy and Mineral Development (MEMD) is responsible for developing and implementing energy policies.
- | The MFPED formulates economic and fiscal policies and mobilises resources for implementing government programmes.
- | In May 2022, Uganda published its Extractive Industries Transparency Initiative (EITI) report for FY 2019/2020.

STRENGTHS

Uganda is adopting reforms to strengthen public administration and make it more efficient. The Public Sector Transformation Programme for FY 2022/2023 requires MDAs and local governments to align their annual development plans with the NDP III and expand the use of the Electronic Document and Records Management System installed in eight MDAs and two local government bodies in FY 2020/2021 (about 19% of the total public institutions).

In May 2022, the United States Agency for International Development launched its new 'Strengthening Systems and Public Accountability' (SSPA) project, which will be implemented by the American-based consulting company Management Systems International in partnership with the Anti-Corruption Coalition of Uganda, the Private Sector Foundation Uganda, the Accountability Lab, and Development Gateway. SSPA, spanning five years, aims to improve public participation in political decision-making, ensure the oversight of state entities and social services, and reduce corruption in the public sector, including education, oil and gas, and refugee support areas.

The government is working proactively to improve transparency in the extractive sector. The Companies (Amendment) Act 2022, which entered into force on 14 September 2022, requires the disclosure of beneficial ownership data. The Companies (Beneficial Owner) Regulations 2023, and the Partnership (Beneficial Owner) Regulations 2023, adopted by the Uganda Registration Services Bureau (URSB), give guidance on fulfilling this requirement. In January 2023, the URSB issued a general notice advising private companies and partnerships to comply with the obligation and submit data on beneficial owners within 30 days of the statement. According to it, companies must share details of shareholders and individuals who own or control their parent or subsidiary entities. In turn, the Anti-Money Laundering (Amendment) Act 2022 requires the state authorities to impose administrative penalties on companies that do not comply with the obligation to disclose beneficial ownership information.

State authorities regularly monitor and report on their performance, making this information publicly available. In December 2022, the Office of the Auditor General presented the Annual Audit Report for the year ending 30 June 2022. The report provides detailed information on the consolidated public accounts of the national government and the financial performance of 186 MDAs, 83 statutory companies, and 151 local governments. It highlights improvements in the performance of the Uganda Electricity Transmission Company Limited (UETCL) and the Uganda Electricity Generation Company Limited (UEGCL). Both companies demonstrated profit generation and

positive fiscal balance (37.7 billion Ugandan shillings (UGX) for UETCL and UGX 27.9 billion for UEGCL). Moreover, the Electricity Regulatory Authority (ERA) makes its decisions on electricity tariff reviews and tariff adjustment methodology available to the public in a timely manner. Uganda's leading electricity distribution company, UMEME, the Uganda Electricity Distribution Company Limited (UEDCL), and the West Nile Rural Electrification Company have also published the most recent information on electricity tariffs on their websites.

In December 2022, the Bank of Uganda (BoU) made comprehensive FDI inflow data available through its Monetary Policy Report. The report shows that, in 2022, Uganda received USD 1.4 billion in FDI. This inflow was driven by investment in the oil sector, which was higher by 37% compared to 2021.

Moreover, in September 2022, the BoU published its Annual Report 2021-22, which indicates that the country's economy grew by 4.6% in FY 2021/22, or higher by 1.1% compared to FY 2020/21, due to increased public sector investment. The report describes the accomplishments in various economic sectors, provides information on inflation, interest and exchange rates, gives a detailed analysis of the financial sector and debt management, and reviews economic risks. An analysis of the industry sector performance shows a 5.4% expansion, up from 3.5% in the previous fiscal year, mainly due to the acceleration of mining and manufacturing sub-sectors, which jointly contributed to 91% of the increase in the sector growth.

AREAS FOR IMPROVEMENT

Uganda should establish a legal and institutional framework for stakeholders' engagement in the policy- and law-making processes. Moreover, the government should give the public notice of debates on draft legislation well in advance, grant sufficient time to review the drafts, and create online and offline mechanisms to receive feedback on draft legislation and regulations.

The government should consider creating a national consultative council to deepen bilateral and multilateral investment, trade, and economic security relations. To be an effective platform, such a council should comprise diverse stakeholders, including representatives of state institutions, local governments, international organisations, businesses, trade groups, youth and women's associations, and rural enterprises. The council's functions may include proposing and reviewing relevant legislative amendments and initiatives and providing the government with policy options to reduce and remove obstacles to economic development and investment flows.

Rule of law

QUICK FACTS

- | Uganda signed the International Energy Charter political declaration on 20 May 2015.
- | Uganda is a member of the WTO and MIGA.
- | Uganda ratified the Convention on the Settlement of Investment Disputes between States and Nationals of Other States on 7 June 1966.
- | Uganda acceded to the New York Convention on 12 February 1992.

STRENGTHS

Uganda prioritises amicable methods to resolve investor-state disputes and encourages mediation and arbitration for settling such disagreements, including in the energy sector. The government also recognises the need for capacity building of national arbitration specialists. For this purpose, it has established partnerships with local and regional organisations experienced in arbitration and mediation services. In September and December 2022, the Chartered Institute of Arbitrators - Uganda Chapter organised several workshops introducing alternative dispute resolution to legal professionals intending to pursue arbitration practice.

The National Budget FY 2022/23 envisions the allocation of UGX 400.02 billion to implement the Administration of the Justice Programme. To improve the efficiency of the justice system and reduce the courts' backlog, the government plans to recruit at least 30 High Court judges and implement case management reforms to promote mediation. In January 2023, the public was informed that in FY 2021/22, six high court circuits and 15 new magisterial courts became operational, while the number of judicial officers doubled in FY 2021/22 due to the recruitment of 40 chief and 142 general magistrates.

The judicial authorities, other state institutions, civil society, business entities and citizens have significantly benefited from the Electronic Court Case Management Information System (ECCMIS). The ECCMIS, introduced in 2021 and expanded in 2022, is an integrated digital platform for checking the case status e-filing of cases, e-payments of fees, receiving online support and interacting with other relevant state authorities. Throughout the previous FY period, the government built the ECCMIS service desks nationwide and trained 32 magistrates and 9 justices appointed to these desks.

The government is trying to strengthen judicial institutions' credibility and efficiency. In this context, it has established the Judicial Council under the Administration of the Judiciary Act 2020. The Judicial Council is a consultative body that provides the Chief Justice of Uganda strategic advice to improve policies and administration of the judicial sector. Following the requirements of the Administration of the Judiciary Act 2020, the Judicial Council recently approved the Regulations on Committees and the Inspectorate of Courts. The Inspectorate is responsible for promoting good governance in the Judiciary Service and the highest standards of integrity among its staff members. It also monitors judicial compliance with constitutional and statutory provisions,

including the Judicial Code of Conduct. The Regulations institutionalise Peer Committees as a soft tool to ensure commitment to the Judicial Code of Conduct and revitalise the work of the Judiciary Integrity Committee, which coordinates the Peer Committees.

The Uganda Law Reform Commission is an independent institution established under the Constitution of the Republic of Uganda. It examines and reviews current legislation and recommends improving, developing, modernising and amending the country's legal framework in line with citizens' social, cultural and economic needs and values. The Commission regularly hold meetings and consults with relevant groups and key stakeholders. In January 2023, it organised a meeting with members of the Uganda Law Society to discuss the Law Revision (Miscellaneous Amendments) Bill 2022. The Bill intends to simplify the process of preparing the amended versions of the legislative acts which become outdated or redundant.

Uganda has signed 15 BITs, six of which are in force (with Denmark, France, Germany, the Netherlands, Switzerland, and the United Kingdom). The majority of these treaties consider intellectual property as an 'investment'. These BITs protect investment against all forms of expropriation through the operation of MFN and NT obligations. BITs and IIAs signed by Uganda also include explicit provisions on the payment of compensation if the state expropriates a foreign investor's asset or investment. For instance, the BIT signed between Uganda and France requires that the host state shall pay freely transferable compensation without delay for any private property it expropriates or nationalises for public purposes. This compensation shall be accompanied by interest calculated at the appropriate market rate until fully paid.

AREAS FOR IMPROVEMENT

Uganda may consider the appointment of a single authority that maintains a database of investment treaties, contracts, and special undertakings with foreign investors. This authority should maintain real-time information on the foreign investors operating in the country and historical data on investor grievances. The government can seek support in this respect by implementing the Energy Charter Secretariat-World Bank's joint project 'Enabling Foreign Direct Investment in the Renewable Energy Sector Reducing Regulatory Risks and Preventing Investor-State Conflicts', which aims to assist states in retaining and attracting much-needed investments in the energy sector of the country.

Regulatory environment and investment conditions

QUICK FACTS

- | ERA regulates Uganda's electricity generation, transmission, distribution, sale, export, import, and distribution.
- | The Electricity (Amendment) Act (EEA), which entered into force in May 2022, enhances the financial independence of ERA and empowers it to classify power generation licences and determine criteria for the licence requirement.
- | The Petroleum Authority of Uganda (PAU) regulates and oversees the petroleum sub-sector and handles the National Supplier Database and the National Oil and Gas Talent Register.
- | The Investment Code Act 2019 provides conditions for local and foreign investment in the country.

STRENGTHS

ERA is committed to effectively regulating the electricity sector of Uganda. On 4 April 2023, it determined new electricity tariffs to be charged by UMEME in the second quarter of 2023. ERA's revision was based on macroeconomic factors, international fuel prices, exchange rates, inflation, changes in the energy generation mix and associated costs. The decision envisaged the reduction of tariffs for all consumer categories except for street lighting. Following the review, tariffs have been reduced from UGX 808.9 to UGX 805.0 for domestic consumers, from UGX 624.6 to UGX 611.8 for commercial enterprises, from UGX 472.3 to UGX 461.8 for medium industrial consumers, from UGX 386.3 to UGX 384.4 for large consumers, and from UGX 326.6 to UGX 325.0 for the extra large consumers. The Lifeline tariff and so-called Fumba tariff for domestic customers, introduced by ERA at the beginning of 2022, remained unchanged.

The government is taking initiatives to strengthen and expand the electricity sector and make access to electricity more affordable. On 13 December 2022, the MEMD launched the country-wide Hybrid Electricity Customer Connection Credit Framework programme, which reduces the cost of no-pole electricity connections from UGX 720,883 to UGX 470,000 through a subsidy of UGX 250,883. Eligible customers can avail of a connection by making a down payment of UGX 200,000 and applying for a UGX 270,000 credit line by the Uganda Development Bank, to be paid through a 15% deduction on the consumer's energy purchases over eight years. The Global Energy Alliance for People and Planet and the Rockefeller Foundation will cover this subsidy.

Uganda is trying to support private sector development and increase investor confidence through its Second National Strategy for Private Sector Development 2022/23 - 2026/27 (NSPSD II). Among other things, the NSPSD II aims to reduce the cost of power for industrial and commercial consumers, subsidise electricity connections for about 300,000 households and increase the country's total energy generation capacity to 3,500 MW by 2025/26 to meet the private sector's growing demand. The government expects to allocate over UGX 7,473.60 billion over five years to implement NDPSD II, including UGX 3,560.39 billion to finance interventions for improving the macroeconomic situation, UGX 1,003.43 billion to enhance

access to markets and economic opportunities, and UGX 2,909.71 billion to improve access to finance.

In October 2022, the newly built Uganda Business Facilitation Centre (UBFC), which hosts the Uganda Investment Authority, launched its operations. The UBFC accommodates the URSB and other state agencies, which provide business support services, including land title verification, compliance advisory, and registering investments, companies, intellectual property rights, and applicable taxes.

Although the oil and gas sector remains prominent, Uganda wants to diversify its energy mix with the engagement of the private sector. To this end, in September 2022, the government commissioned the 14 MW Kikagati hydropower plant (HPP) built by Kikagati Power Company Limited (KPCL) under the Global Energy Transfer for FIT Programme led by the German KfW. Moreover, in November 2022, the MEMD signed an MoU with Gironde-based Hydrogene de France SA to construct the country's first 'renewable' power plant, which will combine solar PV panels, hydrogen fuel cell chains, and long-term energy storage facilities. By commissioning this power plant, Uganda will become one of the first countries in Africa to implement a green hydrogen project.

AREAS FOR IMPROVEMENT

While the EAA ensured increased funding for ERA and independent decision-making on licensing, the government may consider further amending the legal framework to state that the board of ERA should be approved by the parliament instead of the MEMD and to lift the requirement for ERA and the PAU to submit the annual estimates of income and expenditures to the MEMD for approval.

The government should expedite the adoption of the Competition Bill, pending since 2004, and create the conditions necessary to establish an independent competition commission as envisioned in the draft law.

Uganda should consider gradually lowering and eventually phasing out the financial support provided to the hydrocarbon sector, particularly the tax incentives offered to companies undertaking petroleum operations.

INDICATOR 1

Improvements proposed in 2022

Adopt the Automotive Industry Development Policy and introduce a regulatory framework on e-mobility.

Pending

Install solar panels with battery storage systems based on a robust legal and regulatory framework.

Work ongoing. In November 2022, the MEMD signed an MoU with Hydrogene de France SA to build the country's first 'renewable' power plant, combining solar PV panels, hydrogen fuel cell chains, and long-term energy storage facilities. Moreover, in December 2022, the government launched the EUR 35 million-worth GET ACCESS Mini-grid Solar Programme, which envisages the installation of over 120 solar-powered mini-grids from 2024 onwards to expand the country's power generation capacity by around 6 MW.

Introduce financial incentives and public awareness campaigns to promote efficient cooking technologies.

Work ongoing. The MEMD and the Uganda Energy Credit Capitalization Company will implement the Electricity Access Scale-Up Project, spanning 2022-2027, to raise the annual number of grid connections from the current average of 70,000 to 300,000 and increase the share of clean cooking to 40% by 2027.

Improvements proposed in 2023

Adopt a cross-sectoral climate change mitigation and adaptation strategy to ensure food and water security while mitigating the impact of climate change on women and the rural population.

Improvement suggested in 2023. Status will be updated in 2024.

INDICATOR 2

Improvements proposed in 2018

Update the Energy Policy of Uganda of 2002.

Fully implemented. The MEMD has launched the Energy Policy for Uganda 2023.

Update the Renewable Energy Policy 2007-2017.

Fully implemented. The new overarching Energy Policy of Uganda was approved by the cabinet of ministers in April 2023.

Update the Mineral Policy of 2001.

Fully implemented. In 2018, MEMD adopted the new Mining and Mineral Policy for Uganda.

Design energy delivery systems that are compatible with the local conditions.

Work ongoing and partially implemented. The government aims to finalise feasibility studies for installing 200 off-grid renewable energy systems. It also intends to establish 1,223,500 mini-grid and off-grid connections for nearly 50,000 business enterprises, five industrial parks, and 700 public institutions under the Electricity Access Scale-Up Project.

Improvements proposed in 2019

Implement the Electricity Connections Policy 2018-2027.

Work ongoing. In 2022, the MEMD launched the country-wide Hybrid Electricity Customer Connection Credit Framework programme, which reduces the cost of no-pole electricity connections from UGX 720,883 to UGX 470,000 through a subsidy of UGX 250,883.

Improvements proposed in 2020

Increase investment in the transmission and distribution infrastructure to balance grid supply and demand at the least cost.

Work ongoing. The SED Programme FY 2022/23 aims to expand the high-voltage transmission lines network from 3,100 km in FY 2018/19 to 4,700 km in FY 2025/26. Several projects are underway to increase the country's clean power production and rehabilitate the power infrastructure. In April 2023, the Minister of State for Energy commissioned the installation of 118.3 km of distribution power lines (35.4 km of medium voltage and 82.9 km of low-voltage) and 25 transformers under the Rural Electrification Programme.

INDICATOR 3

Improvements proposed in 2018

Publish the extractive industry contracts in line with international best practices.

Work ongoing. In May 2022, Uganda published its first EITI report for FY 2019/2020, which includes a recommendation for the Uganda EITI Multi-Stakeholder Group to develop a roadmap for publication of all agreements in the extractive industry.

Improvements proposed in 2020

Make it legally mandatory for public authorities to consult the stakeholders on draft laws and regulatory decisions; establish an online platform to receive feedback from stakeholders on draft legislation.

Pending

Improvements proposed in 2023

Create a national consultative council comprising diverse stakeholders to deepen bilateral and multilateral investment, trade, and economic security relations.

Improvement suggested in 2023. Status will be updated in 2024.

INDICATOR 4

Improvements proposed in 2018

Consider establishing a foreign investment ombudsperson to settle conflicts arising in the course of projects.

Pending

Update national legislation to define 'public purpose' in the case of expropriation and identify the key decision-makers of the process.

Work ongoing. The Mining and Minerals Act 2021 provides for the compulsory acquisition of private land where the exploration or mining operation is significant to the government.

Improvements proposed in 2023

Appoint a central authority that maintains a database of investment treaties, contracts, and special undertakings with foreign investors and records real-time information on the foreign investors operating in the country and historical data on investor grievances.

Improvement suggested in 2023. Status will be updated in 2024.

INDICATOR 5

Improvements proposed in 2018

Limit the government's role in ERA's decision-making process and remove governmental approval in setting the salaries of the PAU's board members.

Work ongoing and partially implemented. The Electricity (Amendment) Act 2022 empowers ERA to determine the minimum generating capacity for licencees, classify licenses based on the size, technology or market segment, and impose fines in case of breach of the licence terms.

Adopt the Competition Bill pending since 2004.

Pending

Set the same eligibility requirements for registering and issuing investment licenses to domestic and foreign companies; streamline the land tenure system to ensure the realisation of planned projects.

Work ongoing and partially implemented. The Investment Code 2019 imposes the minimum investment capital requirement on both domestic and foreign investors to qualify for the registration and issuance of an investment licence.

Improvements proposed in 2023

Consider gradually phasing out financial support offered to companies operating in the hydrocarbon sector.

Improvement suggested in 2023. Status will be updated in 2024.

ANNEX I: EIRA QUESTIONNAIRE



Indicator 1: Framework for a sustainable energy system

QUESTIONS	SCORING
Sub-indicator 1.1: Policy planning on clean energy transition	
1.1.1 Has your country:	
a. become a party to the UNFCCC Paris Agreement [Y/N]	Yes- 33.33, No-0
b. communicated to the UNFCCC Secretariat the long-term low GHG emissions development strategy per the Paris Agreement [Y/N]	Yes- 33.33, No-0
c. submitted an updated NDC to the UNFCCC Secretariat [Y/N]	Yes- 33.33, No-0
1.1.2 Has your country:	
a. specified the energy sector CO ₂ contribution in its NDC [Y/N]	Yes- 33.33, No-0
b. set an action plan to implement its NDC target [Y/N]	Yes- 33.33, No-0
c. appointed a national lead authority to implement the NDC [Y/N]	Yes- 33.33, No-0
1.1.3 Do national policies and plans include emissions reduction actions/measures for the energy sector? [Y/N]	Yes-100, No-0
1.1.4 Has your country committed to a date by which it will achieve net-zero emissions? [Y/N]	Yes-100, No-0
1.1.5 Has your country developed:	
a. policies and/or strategies to expand the use of electric power transport [Y/N]	Yes- 33.33, No-0
b. policies and/or strategies to promote sustainable renewable fuels in transport [Y/N]	Yes- 33.33, No-0
c. an action plan for the use of electric power transport [Y/N]	Yes- 33.33, No-0
1.1.6 Has your country developed:	
a. policies and/or strategies for renewable and energy-efficient technologies in heating and cooling [Y/N]	Yes-50, No-0
b. an action plan for renewable and energy-efficient technologies in heating and cooling [Y/N]	Yes-50, No-0
1.1.7 Has your country developed:	
a. policies and/or strategies on large-scale energy storage [Y/N]	Yes-50, No-0
b. an action plan for large-scale energy storage deployment [Y/N]	Yes-50, No-0
1.1.8 Is there a policy framework to monitor the implementation of renewable energy	
a. targets [Y/N]	Yes-50, No-0
b. programmes [Y/N]	Yes-50, No-0
1.1.9 Is there a policy framework to monitor the implementation of energy efficiency and energy use	
a. targets [Y/N]	Yes-50, No-0
b. programmes [Y/N]	Yes-50, No-0
1.1.10 Has your country developed:	
a. policies/strategies/action plans to increase energy security [Y/N]	Yes-50, No-0
b. policies/strategies/action plans to promote climate-neutral energy transition and ensure energy security [Y/N]	Yes-50, No-0
1.1.11 Is there a policy framework in place for tracking:	
a. the implementation of the country's NDC [Y/N]	Yes-50, No-0
b. progress towards the CO ₂ emissions reduction targets [Y/N]	Yes-50, No-0
Sub-indicator 1.2: Enabling measures to support clean energy transition	
1.2.1 Has your country set a:	
a. carbon pricing mechanism (e.g. through a carbon tax, emissions trading scheme, etc.) covering its GHG emissions [Y/N]	Yes-50, No-0
b. measurement, reporting and verification system for GHG emissions [Y/N]	Yes-50, No-0
1.2.2 Has the government:	
a. set policy targets that are legally binding for renewable energy [Y/N]	Yes-25, No-0
b. set penalties for not meeting policy targets for renewables [Y/N]	Yes-25, No-0
c. set policy targets that are legally binding for energy efficiency and/or energy use [Y/N]	Yes-25, No-0
d. designated a body responsible for enforcing penalties in case policy targets are not met [Y/N]	Yes-25, No-0
1.2.3 Does your country offer instruments of at least ten years duration for renewable electricity production (e.g. via feed-in-tariffs, Power Purchase Agreements (PPAs) awarded through auctions, etc.) to:	
a. small-scale producers (10 MW or less) [Y/N]	Yes-50, No-0
b. large-scale producers (more than 10 MW) [Y/N]	Yes-50, No-0
1.2.4 Has the government taken measures to coordinate clean energy generation with the grid infrastructure development? [Y/N]	Yes-100, No-0
If yes, please provide some examples of these measures.	

QUESTIONS	SCORING
1.2.5 Has the government set a legally binding:	
a. date to retire domestic thermal power plants [Y/N]	Yes-50, No-0
b. date to phase out the domestic consumption of coal [Y/N]	Yes-50, No-0
c. the country does not have thermal power generation, coal mining operations, or use of coal [Y/N]	Yes-100, No-0
1.2.6 Has the government set a legally binding:	
a. requirement on public banks and national development agencies to divest from fossil-based investments [Y/N]	Yes-50, No-0
b. deadline for phasing out public spending on fossil fuels (such as fossil fuel subsidies/preferential programmes) [Y/N]	Yes-50, No-0
c. the country does not finance fossil operations or give fossil fuel subsidies [Y/N]	Yes-100, No-0
1.2.7 Has your country set short-/mid-term targets (or other policy measures) for the:	
a. integration of variable renewable energy in power generation [Y/N]	Yes-20, No-0
b. electrification of new end uses (such as transport and heating) [Y/N]	Yes-20, No-0
c. development of energy storage [Y/N]	Yes-20, No-0
d. setting of incentives to increase energy efficiency or to reduce energy consumption to energy producers and users [Y/N]	Yes-20, No-0
e. adaptation to climate-neutral energy systems in power generation and ensuring energy security [Y/N]	Yes-20, No-0
1.2.8 Has your country set long-term targets (or other policy measures) for the:	
a. integration of variable renewable energy in power generation [Y/N]	Yes-20, No-0
b. electrification of new end uses (such as transport and heating) [Y/N]	Yes-20, No-0
c. development of energy storage [Y/N]	Yes-20, No-0
d. setting of incentives to increase energy efficiency or to reduce energy consumption to energy producers and users [Y/N]	Yes-20, No-0
e. adaptation to climate-neutral energy systems in power generation and ensuring energy security [Y/N]	Yes-20, No-0
1.2.9 Has the government developed for facilitating clean energy transition as well as ensuring energy security:	
a. measures/plans for energy transition with a step-by-step approach [Y/N]	Yes-50, No-0
b. measures/mechanisms to phase out the operation of energy generators with fossil fuels [Y/N]	Yes-50, No-0
Sub-indicator 1.3: Environmental protection, human rights and gender	
1.3.1 Has your country developed national policies and/or strategies on:	
a. reducing methane emissions [Y/N]	Yes- 33.33, No-0
b. sustainable land use [Y/N]	Yes- 33.33, No-0
c. forestry [Y/N]	Yes- 33.33, No-0
1.3.2 Does your country have a legal or regulatory framework on:	
a. reducing methane emissions [Y/N]	Yes- 33.33, No-0
b. sustainable land use [Y/N]	Yes- 33.33, No-0
c. forestry [Y/N]	Yes- 33.33, No-0
1.3.3 Is your country a party to the Geneva Convention on Long-range Transboundary Air Pollution? [Y/N]	Yes-100, No-0
1.3.4 Is your country a party to:	Not scored
a. the Convention on Biological Diversity [Y/N]	
b. the Convention on Access to Information, Public Participation in Decision-Making and Access to Justice in Environmental Matters [Y/N]	
c. any other environment-related international conventions [Y/N]	
1.3.5.a Are energy projects, plans and programmes legally required to undergo an environmental impact assessment? [Y/N]	Yes-50, No-0
1.3.5.b If yes, are the findings consulted with stakeholders and made publicly available? [Y/N]	Yes-50, No-0
1.3.6 Does your country have a legal framework and reporting on corporate social responsibility? [Y/N]	Yes-100, No-0
1.3.7 Has the industry in your country created a framework for reporting on corporate social responsibility? [Y/N]	Yes-100, No-0
1.3.8 Does your country have a legal framework on:	
a. labour rights [Y/N]	Yes- 33.33, No-0
b. health and safety [Y/N]	Yes- 33.33, No-0
c. environmental protection [Y/N]	Yes- 33.33, No-0
1.3.9 Has your government created a policy framework for gender equality in energy and climate change? [Y/N]	Yes-100, No-0
1.3.10 Does the government collect disaggregated sex and gender data on energy jobs? [Y/N]	Yes-100, No-0
1.3.11 Is your government running capacity-building programmes/projects to increase the number of women employed in the renewable energy sector and programmes to promote gender equality in energy and climate? [Y/N]	Yes-100, No-0

QUESTIONS	SCORING
1.3.12 Does your country reflect gender dimensions and data in its most recent NDC? [Y/N]	Yes-100, No-0
Sub-indicator 1.4: Energy resilience	
1.4.1 Does your country have an energy security strategy to: a. diversify sources of energy supply [Y/N] b. scale-up domestic energy production in terms of energy efficiency measures and investments in renewable energy [Y/N]	Yes-50, No-0 Yes-50, No-0
1.4.2 Has the government identified reforms and activities to support circular economy activities in the energy sector? [Y/N]	Yes-100, No-0
1.4.3.a Does your country have an industrial strategy in place? [Y/N] 1.4.3.b If yes, does it cover measures to ensure a sustainable supply of raw materials in the energy sector? [Y/N]	Yes-50, No-0 Yes-50, No-0
1.4.4 Has the government introduced policies/plans/programmes to address the impact of mining activities on: a. biodiversity [Y/N] b. displacement of communities [Y/N] c. water resources [Y/N]	Yes- 33.33, No-0 Yes- 33.33, No-0 Yes- 33.33, No-0
1.4.5 Does the relevant ministry/State agency conduct: a. periodic water stress tests [Y/N] b. emergency response exercises for water management in mining and mineral operations [Y/N]	Yes-50, No-0 Yes-50, No-0

Indicator 2: Foresight of policy and regulatory change

QUESTIONS	SCORING
Sub-indicator 2.1: Communication of vision and policies	
2.1.1 What are the key energy priorities of your country? a. Energy security [Y/N] b. Power reliability [Y/N] c. Affordability – energy poverty – the alleviation of socio-economic costs (e.g. just transition) [Y/N] d. Access to energy [Y/N] e. Development of energy infrastructure [Y/N] f. Interconnection with neighbouring countries [Y/N] g. Research and innovation in the energy sector [Y/N] h. CO ₂ reduction [Y/N] i. Digitalisation, cybersecurity [Y/N] j. Reduction of environmental impacts [Y/N] k. Other issues related to the energy sector. Please specify:	
2.1.2 Does your country have energy policies/roadmap/vision documents to address the priorities selected above? [Y/N]	Proportionate scores are allocated based on the priorities identified.
2.1.3 Has your country set measurable short-term or mid-term targets for the priorities selected above? [Y/N]	Proportionate scores are allocated based on the priorities identified.
2.1.4 Has your country set ultimate outcomes for the priority areas selected above? [Y/N] <i>Note: This may include final outcomes such as net-zero GHG emissions by 2050, universal energy access by a specific date, etc.</i>	Proportionate scores are allocated based on the priorities identified.
2.1.5 Has your government: a. set policy targets that are legally binding for the priorities selected above [Y/N] b. set penalties for not meeting policy targets [Y/N] c. designated a body responsible for enforcing penalties in case policy targets are not met [Y/N]	Yes- 33.33, No-0 Yes- 33.33, No-0 Yes- 33.33, No-0
2.1.6 Does your country have a legally binding national action plan[s] to implement the energy policies? [Y/N]	Proportionate scores are allocated based on the priorities identified.
1.1.7 Is there a detailed list of measures defined (either in the action plan or elsewhere) to achieve the policy targets set for the energy sector? [Y/N]	Proportionate scores are allocated based on the priorities identified.

QUESTIONS	SCORING
Sub-indicator 2.2: Robustness of policy goals and commitments	
2.2.1 Is it a legal obligation for the government to conduct a: a. cost-benefit analysis of the energy policies [Y/N] b. cost-benefit analysis of energy projects and programmes [Y/N] c. policy implementation cost analysis [Y/N]	Yes-33.33, No-0 Yes-33.33, No-0 Yes-33.33, No-0
2.2.2 Is the legal framework for policy monitoring and evaluation set in the following: a. Primary laws (these are laws enacted by the Parliament) [Y/N] b. Subsidiary laws (these are regulations that can be approved by the head of government, by an individual Minister or by the Cabinet) [Y/N] c. There is no legal framework for policy monitoring and evaluation [Y/N]	Yes-100 Yes-50 Yes-0
2.2.3 Which of the following institutions, apart from the central government, have competencies in the budget implementation of policy evaluation? Please select the relevant options. a. Supreme audit institutions/State control office or similar [Y/N] b. Budget offices of the legislature (or similar offices) [Y/N] c. None [Y/N]	Yes-100 Yes-100 Yes-0
2.2.4 Does your country's policy monitoring and evaluation process require the participation of the following: a. Civil society [Y/N] b. Local governments [Y/N] c. International organisations (such as IEA, IRENA, OECD) and environmental organisations [Y/N] d. Existing energy investors [Y/N] e. Energy industry associations [Y/N] f. Neighbouring countries [Y/N]	Yes- 16.67, No-0 Yes- 16.67, No-0 Yes- 16.67, No-0 Yes- 16.67, No-0 Yes-16.67, No-0 Yes-16.67, No-0
2.2.5 Does the country make available in the public domain: a. performance evaluation reports of its ministries [Y/N] b. performance evaluation reports of utilities [Y/N] c. performance evaluation reports of State agencies and State-owned utilities [Y/N]	Yes-33.33, No-0 Yes-33.33, No-0 Yes-33.33, No-0
2.2.6 How does your country make available in the public domain policy monitoring and evaluation reports: a. By default [Y/N] b. Upon request [Y/N] c. On an ad hoc basis for each evaluation [Y/N] d. Only across government [Y/N] e. Only for selected public officials [Y/N] f. Not available in the public domain [Y/N]	Yes-100 Yes-50 Yes-50 Yes-25 Yes-25 Yes-0

Indicator 3: Management of decision-making processes

QUESTIONS	SCORING
Sub-indicator 3.1: Institutional governance	
3.1.1.a Is there a central-level government authority that leads policy-making on energy and natural resources? [Y/N]	Yes-50, No-0
3.1.1.b Is the mandate of this central-level government authority stated in a law? [Y/N]	Yes-50, No-0
3.1.2.a Is there a central-level government authority that leads policy-making on environmental protection and climate change issues? [Y/N]	Yes-50, No-0
3.1.2.b Is the mandate of this authority stated in a law? [Y/N]	Yes-50, No-0
3.1.3.a Is there a central-level government authority that leads policy-making on economy, trade and investment? [Y/N]	Yes-50, No-0
3.1.3.b Is the mandate of this authority stated in a law? [Y/N]	Yes-50, No-0
3.1.4 Do the energy and investment authorities consult each other while formulating policies related to their respective sectors? [Y/N]	Yes-100, No-0
3.1.5 Has your country established an online one-stop-shop authority for registering and approving new energy projects? [Y/N]	Yes-100, No-0
3.1.6.a Is there a single window for all enquiries concerning investment policies and applications? [Y/N]	Yes-50, No-0
3.1.6.b If yes, does it also give information about the energy sector? [Y/N]	Yes-50, No-0

QUESTIONS	SCORING
Sub-indicator 3.2: Transparency and anti-corruption measures	
3.2.1.a Does your country have a law on the right of access to information? [Y/N]	Yes-50, No-0
3.2.1.b Are the exceptions to this right clearly defined in law or regulation? [Y/N]	Yes-50, No-0
3.2.2 How are laws and regulations made accessible to the public? [Please select one option from below]	
a. Both electronically and in print	Yes-100
b. Only electronically	Yes-66.67
c. Only in print	Yes-33.33
d. Available only upon request/payment of a fee	Yes-0
e. Legal and regulatory information is not made available	Yes-0
3.2.3 Does the national energy regulator make the decisions on tariffs and tariff methodology publicly available? [Please select one option from below]	
a. Yes, all the decisions are made available	Yes-100
b. Only some decisions are made available	Yes-50
c. No decisions are made available	Yes-0
3.2.4 Are the following available in any of the UN languages? Please select the relevant options:	
a. Energy policies	Yes-25
b. National action plans	Yes-25
c. Enacted laws	Yes-25
d. Regulatory information (e.g. tariff changes, tariff methodology, price statistics, consumption data, customer database, etc.)	Yes-25
3.2.5 Has the country digitalised public procurement processes in the energy sector? [Y/N]	Yes-100, No-0
3.2.6 Is the standstill period provided during the public procurement process sufficient? [Y/N]	Yes-100, No-0
<i>Note: The standstill period is a short time between the point when the contract award decision is notified to bidders, and the final contract conclusion, during which time competitors can challenge the decision.</i>	
3.2.7 Do State-controlled utilities in the following segments make their financial statements publicly available:	
a. Generation [Y/N]	Yes-25
b. Transmission [Y/N]	Yes-25
c. Distribution [Y/N]	Yes-25
d. Retail [Y/N]	Yes-25
3.2.8 Are the financial statements of State-controlled utilities in the following segments audited by an independent body:	
a. Generation [Y/N]	Yes-25
b. Transmission [Y/N]	Yes-25
c. Distribution [Y/N]	Yes-25
d. Retail [Y/N]	Yes-25
3.2.9 Does your country provide publicly available data on existing investment flows, particularly on clean energy investment (incoming, outgoing, per country of investor/investment, per energy technology/sector) in the energy sector? [Y/N] If yes, please indicate the source.	Yes-100, No-0
3.2.10 What work is the government undertaking to improve the available data on energy investment flows, particularly clean energy investment in the near future?	Not scored
3.2.11 Is legal information centralised? [Please select one option from below]	
a. In a centralised electronic registry of laws and regulations	Yes-100
b. Centralised registry/official gazette in print	Yes-50
c. No centralisation of laws and regulations	Yes-0
3.2.12 Is consultation between the government and the stakeholders required under any law/regulation/rule? [Y/N]	Yes-100, No-0
3.2.13 Is consultation between the energy regulator and the stakeholders required under any law/regulation/rule? [Y/N]	Yes-100, No-0
3.2.14 Are stakeholders notified and consulted in advance when new laws and regulations are enacted? [Please select one option from below]	
a. Notified and consulted in advance	Yes-100
b. Notified but not consulted	Yes-0
c. Not notified or consulted	Yes-0

QUESTIONS	SCORING
3.2.15 Your country's score in the latest edition of the Corruption Perceptions Index lies between: a. 100-90 b. 89-80 c. 79-70 d. 69-60 e. 59-50 f. 49-40 g. 39-30 h. 29-20 i. 19-10 j. 9-0	Yes-100 Yes-88.89 Yes-77.78 Yes-66.67 Yes-55.56 Yes-44.45 Yes-33.34 Yes-22.23 Yes-11.12 Yes-0
3.2.16 Does your country have legislation and/or regulations that mandate the collection of beneficial ownership information? [Y/N]	Yes-100, No-0
3.2.17 Has your country established a beneficial ownership register? [Y/N]	Yes-100, No-0
3.2.18 Is the beneficial ownership register for the energy sector: a. Publicly available online [Y/N] b. Free of charge [Y/N] c. Updated regularly [Y/N]	Yes-33.33, No-0 Yes-33.33, No-0 Yes-33.33, No-0
3.2.19 Has your government established an online platform that makes public procurement contracts in the energy sector available to citizens? [Y/N]	Yes-100, No-0
3.2.20 Has your government established an online platform to make budget allocation and utilisation reports of ministries and State agencies available to citizens? [Y/N]	Yes-100, No-0
3.2.21 Does your country have a law enforcing public accountability and anti-corruption measures? [Y/N]	Yes-100, No-0
Please highlight any important issues related to the country's decision-making process or transparency measures that you consider relevant.	

Indicator 4: Rule of law (compliance with national and international obligations)

QUESTIONS	SCORING
Sub-indicator 4.1: Management and settlement of investor-State disputes	
4.1.1 Does your country have domestic dispute prevention policies that include the following measures: a. Early detection systems [Y/N] b. Training for public servants [Y/N] c. The creation of dedicated institutions in charge of preventing, managing and monitoring disputes [Y/N]	Yes-33.33, No-0 Yes-33.33, No-0 Yes-33.33, No-0
4.1.2 Is there a central government authority (e.g. agency, ministry, etc.) that maintains a database of investment treaties, contracts, and special undertakings with foreign investors? [Y/N]	Yes-100, No-0
4.1.3.a Is there an investment/business ombudsperson to whom foreign investors can refer disputes with the government? [Y/N]	Yes-50, No-0
4.1.3.b Is mediation with the State allowed under the national laws? [Y/N]	Yes-50, No-0
4.1.4.a Do national laws allow the recognition and enforcement of foreign arbitral awards? [Y/N]	Yes-50, No-0
4.1.4.b Do national laws allow the recognition and enforcement of foreign judgements? [Y/N]	Yes-50, No-0
4.1.5 Is the country a Contracting Party to: a. the Convention on the Settlement of Investment Disputes Between States and Nationals of Other States (the Washington Convention)? [Y/N] b. the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the New York Convention)? [Y/N]	Yes-50, No-0 Yes-50, No-0
4.1.6 Does your country have bilateral investment protection agreements with ISDS, including the energy sector, with other countries? [Y/N] If yes, how many and with which countries?	Not scored
4.1.7 Does your country have regional trade agreements with ISDS, including the energy sector [Y/N]? If yes, which ones?	Not scored

QUESTIONS	SCORING
4.1.8 Are national courts and administrative tribunals required by law to:	
a. fix the first date of hearing within a time limit [Y/N]	Yes-25, No-0
b. deliver the final judgement within a time limit [Y/N]	Yes-25, No-0
c. allow parties to file an appeal within a time limit [Y/N]	Yes-25, No-0
d. fix the number of adjournments in a case [Y/N]	Yes-25, No-0
4.1.9 Is the following information on pending judicial cases available online:	
a. Status of the case [Y/N]	Yes-25, No-0
b. Hearing schedule of the case [Y/N]	Yes-25, No-0
c. All briefs and motions filed in the case [Y/N]	Yes-25, No-0
d. Latest orders and judgements passed in the case [Y/N]	Yes-25, No-0
4.1.10 Do national laws and/or IIAs require the exhaustion of local remedies (e.g. domestic courts) before recourse to international arbitration? [Y/N]	Yes-0, No-100
4.1.11 Has the country made retroactive changes to laws in the past five years? [Y/N]	Yes-0, No-100
Sub-indicator 4.2: Respect for property rights	
4.2.1 Do the national laws contain a list of activities that constitute public purpose/public interest in the case of expropriation? [Y/N]	Yes-100, No-0
4.2.2 Do the IIAs grant protection to activities that have an effect similar to expropriation? [Y/N]	Yes-100, No-0
4.2.3 Does the State provide in its laws and/or IIAs a process to determine compensation in the event of expropriation in the energy sector? [Y/N]	Yes-100, No-0
4.2.4 Does the State provide in its laws and/or IIAs a timeframe within which compensation needs to be paid? [Y/N]	
a. Entire amount is paid before expropriation is effected [Y/N]	Yes-100
b. Amount is paid in stages within defined deadlines [Y/N]	Yes-50
c. There is no definite date/deadline for payment of compensation [Y/N]	Yes-0
4.2.5 Do the national laws/IIAs specify the following in relation to the interest rate (for expropriation):	
a. Type of interest applicable (simple or compound) [Y/N]	Yes-33.33, No-0
b. The annual rate of interest (fixed rate applicable to the host country's sovereign debt or market rates) [Y/N]	Yes-33.33, No-0
c. The reference period for conversion into foreign currency [Y/N]	Yes-33.33, No-0
4.2.6 Are Most-Favoured-Nation and National Treatment obligations extended to intellectual property under the IIAs? [Y/N]	Yes-100, No-0
4.2.7 Are expropriation provisions extended to intellectual property under the IIAs? [Y/N]	Yes-100, No-0
4.2.8 Does the State have in its laws, contracts and/or IIAs any provisions requiring the mandatory transfer of technology in the energy sector? [Y/N]	Yes-0, No-100
4.2.9 Is the country a Member State/Contracting Party to:	
a. WTO [Y/N]	Yes-33.33
b. MIGA [Y/N]	Yes-33.33
c. ECT [Y/N]	Yes-33.33

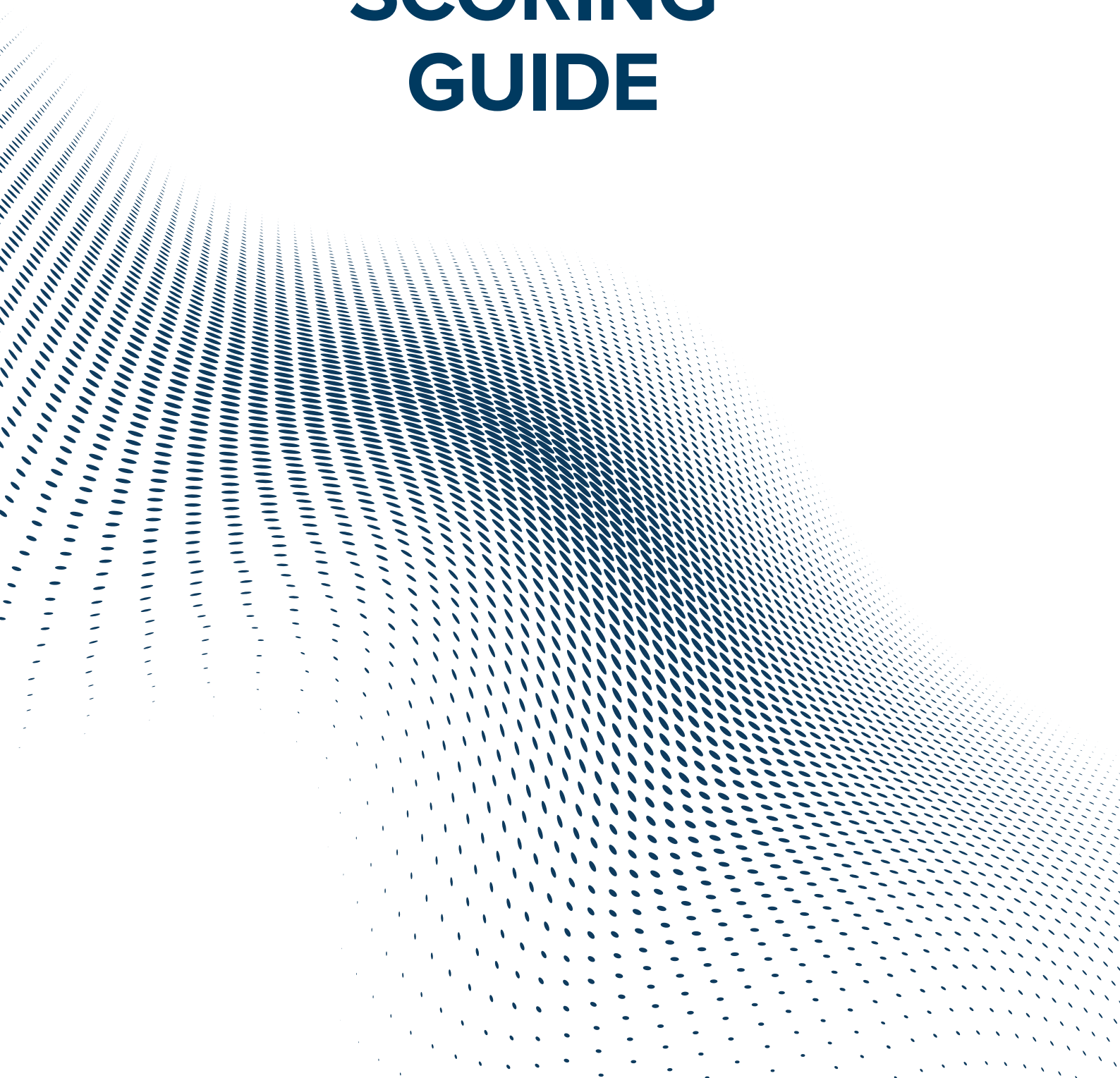
Indicator 5: Regulatory environment and investment conditions

QUESTIONS	SCORING
Sub-indicator 5.1: Regulatory independence	
5.1.1 Which institution is responsible for regulating the energy sector:	
a. An independent energy regulatory body [Y/N]	100
b. An agency under the control of a ministry [Y/N]	50
c. A ministry [Y/N]	25
d. Multiple ministries/agencies regulating sub-sectors separately [Y/N]	0
5.1.2.a Does the energy regulator derive its authority from a law? [Y/N]	Yes-50, No-0
5.1.2.b Are the functions and obligations of the energy regulator stated in a law? [Y/N]	Yes-50, No-0
5.1.3 Is the energy regulatory authority subject to public control conducted by other institutions?	
a. Supreme audit office that is independent of the central government [Y/N]	Yes-100
b. National legislature [Y/N]	Yes-100
c. Central government (e.g. a ministry, the council of ministers or similar executive authority) [Y/N]	Yes-0
d. None of the above [Y/N]	No-0

QUESTIONS	SCORING
5.1.4 How is the energy regulator financed? [Please select one option from below]	
a. Exclusively by its income based on the fees for performing the regulation of energy activities [Y/N]	Yes-100
b. Combined from the government and its income based on the fees for performing the regulation of energy activities [Y/N]	Yes-50
c. Exclusively by the government [Y/N]	Yes-0
5.1.5 Does the energy regulator(s) have the right to allocate its budget? [Please select one option from below]	
a. Yes, it has full right to do so [Y/N]	Yes-100
b. Yes, but it needs approval from the governmental authority/ministry [Y/N]	Yes-50
c. No, it cannot allocate the budget on its own [Y/N]	Yes-0
5.1.6.a Is there a fixed-term appointment for the board of the energy regulator(s)? [Y/N]	Yes-33.33, No-0
5.1.6.b If so, is the fixed term renewable more than once? [Y/N]	Yes-33.33, No-0
5.1.6.c Is the selection procedure of the board and its finalisation publicly announced? [Y/N]	Yes-33.33, No-0
5.1.7 Are the directors/commissioners of the energy regulatory authority allowed to work in the regulated industry (public or private) after their tenure?	
a. They are not allowed to take positions in the regulated industry for at least two years after finishing their term [Y/N]	Yes-100
b. They are not allowed to take positions in the regulated industry for less than two years after finishing their term [Y/N]	Yes-50
c. There is no such requirement [Y/N]	Yes-0
5.1.8 The energy regulator:	
a. is required by law to make reasoned decisions [Y/N]	Yes-50, No-0
b. has the legal right to impose penalties and enforce regulatory obligations?[Y/N]	Yes-50, No-0
5.1.9 Does your country have:	
a. an authority that deals with competition in the energy sector [Y/N]	Yes-50, No-0
b. regulations aimed at protecting energy consumers [Y/N]	Yes-50, No-0
Sub-indicator 5.2: Electricity industry market structure and competition	
5.2.1 Which of the following best describes the power market structure of your country:	
a. Vertical integration – a vertically integrated monopolist [Y/N]	Yes-0
b. Vertical integration with independent power producers – a vertically integrated monopolist with independent power producers that sell power to it [Y/N]	Yes-25
c. Some extent of vertical and horizontal unbundling – a national generation, transmission, or distribution entity; a combined national generation and transmission entity; or a combined transmission and distribution entity acting as the only wholesale power trader (single buyer) with IPPs that sell power to it and regional distribution entities unbundled from the monopolist that buys power from it [Y/N]	Yes-50
d. Extensive vertical and horizontal unbundling – many distribution entities and generation entities and a transmission entity formed from unbundling the monopolist, in which the transmission entity acts as a single buyer of power from the generators and IPPs and sells power to the distribution entities and large users of power [Y/N]	Yes-75
e. Power market – an organised market of generation entities, distribution entities, and large users, in which power is traded competitively, supported by a transmission entity, a power system operator, and a power market administrator [Y/N]	Yes-100
5.2.2 To what degree has your country unbundled the power sector?	
a. Ownership unbundling [Y/N]	Yes-100
b. Legal unbundling [Y/N]	Yes-50
c. Accounting/functional unbundling [Y/N]	Yes-25
d. The power sector is not unbundled [Y/N]	Yes-0
5.2.3 Is your country's network tariff cost-reflective? [Y/N]	Yes-100, No-0
5.2.4 Are the end-user electricity tariffs regulated in your country? [Y/N]	Yes-0, No-100
If yes:	
a. is the regulated end-user tariff lower than wholesale energy prices [Y/N]	Yes-0, No-33.33
b. has the country set a roadmap/plan to phase out non-household regulated prices [Y/N]	Yes-33.33, No-0
c. has your country set a roadmap/plan to phase out household regulated prices (except for vulnerable customers) [Y/N]	Yes-33.33, No-0
5.2.5 Do the laws/regulations of your country require:	
a. licencing for electricity trading (internal or cross-border) [Y/N]	Yes-0, No-33.33
b. local representation for electricity trading (a local branch or a fully registered company is required) [Y/N]	Yes-0, No-33.33
c. licencing for electricity import and export activities [Y/N]	Yes-0, No-33.33
5.2.6 Has the country introduced time-variant pricing for electricity (real-time pricing, variable peak pricing and critical peak pricing or critical peak rebates, etc.)? [Y/N]	Yes-100, No-0
5.2.7 Does the network code (or any other regulation/law) guarantee non-discriminatory access to the electricity grids? [Y/N]	Yes-100, No-0

QUESTIONS	SCORING
Sub-indicator 5.3: Restrictions on FDI	
5.3.1.a Does the country give equal treatment to domestic and foreign investors? [Y/N]	Yes-50, No-0
5.3.1.b If yes, is this equal treatment established in law or IIAs of the country? [Y/N]	Yes-50, No-0
5.3.2.a Are investors in the energy sector allowed to invest in all energy sub-sectors within the country? [Y/N]	Yes-50, No-0
5.3.2.b If no, does this apply equally to domestic and foreign investors? [Y/N]	Yes-50, No-0
5.3.3.a Is there a screening or prior-authorisation requirement for foreign investors in the energy sector? [Y/N]	Yes-50, No-0
5.3.3.b If yes, is it only a notification requirement? [Y/N]	Yes-50, No-0
5.3.4.a Are foreign companies legally allowed to hold a majority stake in energy projects? [Y/N]	Yes-50, No-0
5.3.4.b Are foreign investors required by law to partner with the State/State-owned or local enterprises before undertaking projects in the energy sector? [Y/N]	Yes-0, No-50
5.3.5.a For public procurement, are bidders required to post bid security before the contract is signed? [Y/N]	Yes-50, No-0
5.3.5.b If yes, are the following conditions on bid security stated in the law:	
a. The maximum amount of the security [Y/N]	Yes-16.67, No-0
b. Payment terms [Y/N]	Yes-16.67, No-0
c. Return of security amount to bidders [Y/N]	Yes-16.67, No-0
5.3.6 Is there a limit on the employment of foreign personnel?	Yes-100
a. There are no limitations [Y/N]	Yes-0
b. Limitation by percentage [Y/N]	Yes-0
c. Limitation on the number of times work permit/visa can be renewed [Y/N]	Yes-0
d. Annual quotas of work permits for foreigners [Y/N]	Yes-0
5.3.7 Are foreign investors required to employ specific percentages of the local workforce?	
a. There are no such requirements [Y/N]	Yes-100, No-0
b. Yes, for managerial level (board of directors, etc.) [Y/N]	Yes-40, No-0
c. Yes, for unskilled labour and non/technical administrative staff [Y/N]	Yes-10, No-0
5.3.8 Are foreign investors required to purchase a certain percentage/value/quantity of products or services from local suppliers? [Y/N]	Yes-0, No-100
5.3.9.a Are there any currency restrictions and/or foreign exchange controls applied to foreign investors under a law or regulation? [Y/N]	Yes-0, No-100
5.3.9.b If yes, do these exchange controls include:	
a. banning the use of foreign currency [Y/N]	Yes-0
b. limiting currency exchange to government-approved exchangers [Y/N]	Yes-0
c. fixed exchange rates [Y/N]	Yes-0
5.3.10.a Do restrictions on the transfer of investment-related capital, payments and profits exist? [Y/N]	Yes-0, No-100
5.3.10.b If yes, do they apply equally to foreign and domestic investors? [Y/N]	Yes-50, No-0

ANNEX II: SCORING GUIDE



The score for each indicator is the average of its component sub-indicators. The score of each sub-indicator is the average of its underlying questions. The scoring rules for different types of questions are as follows:

1. Questions with proportionate scores

This category is scored based on the number of energy policy goals set by the country. In the example given below, the first sub-indicator of Indicator 1 allows the respondents to list the energy priorities of the country. Under the first question, there are nine identified options for respondents to select. Additionally, they are given the opportunity to specify other priorities considered relevant to their respective energy sectors. The response to the first question sets the premise on which the following questions will be answered and scored. For example, a country has set 5 goals. As a result, 20 points are attributed to each of the selected goals for the scoring of the next questions. Subsequently, the respondent identifies an energy strategy document for three out of the five selected goals, and the country receives 60 points on that question. The scores for the third and the fourth questions are calculated likewise. The final score of this sub-indicator is the average scores of its component questions, which in this case is 66.7.

Sample Question Type 1

INDICATOR 1: FORESIGHT OF POLICY AND REGULATORY CHANGE	SCORING	RESPONSE	SCORE
Sub-indicator 1: Communication of vision and policies			66.7
1. What are the key priorities or goals of the energy sector policy? a. Energy security [Y/N] b. Power reliability [Y/N] c. Affordability – energy poverty [Y/N] d. Access to energy [Y/N] e. Investment in the energy sector [Y/N] f. CO ₂ reduction [Y/N] g. Renewable energy [Y/N] h. Energy efficiency [Y/N] i. Innovation [Y/N] j. Others issues related to the energy sector (like air quality, water quality job creation etc). Please specify.	Not Scored	5 goals selected: Energy security; power reliability; access to energy; CO ₂ reduction; and Innovation (100/5=20 for each goal in the related questions)	–
2. Does the country have an energy strategy document for the key priority areas selected above (e.g. a Vision document/ Roadmap etc.)? [Y/N]	Based on the number of goals selected in the previous question proportionate scores are allocated	Energy strategy document for 3 goals: Energy security; CO ₂ reduction; and innovation	3x20=60

2. Binary questions

These questions can be answered with a simple ‘yes’ or ‘no’. In the example below, the respondent must answer ‘yes’ to all three questions to obtain the highest score. However, the respondent gives two positive answers and a negative one. As a result, the score for the sub-indicator is 66.7.

Sample Question Type 2a

INDICATOR 3: REGULATORY ENVIRONMENT AND INVESTMENT CONDITIONS	SCORING	RESPONSE	SCORE
Sub-indicator 1: Regulatory effectiveness			66.7
1. Does the energy regulator derive its authority from a law? [Y/N]	Yes-100 No-0	Yes	100
2. Are the functions and obligations of the energy regulator stated in a law? [Y/N]	Yes-100 No-0	No	0
3. Does the energy regulator have a budget that is separate from the government’s budget? [Y/N]	Yes-100 No-0	Yes	100

In some cases, a negative response may yield a high score while a positive answer may be scored 0. In the following example, the respondent must answer 'no' to all the questions to obtain the highest score. However, the respondent gives one negative and one positive answer. As a result, the score for the sub-indicator is 50.

Sample Question Type 2b

INDICATOR 3: REGULATORY ENVIRONMENT AND INVESTMENT CONDITIONS	SCORING	RESPONSE	SCORE
Sub-indicator 2: Restrictions on FDI			50
1. Are foreign investors required by law to partner with State/ State-owned enterprises or local enterprises before undertaking projects in the energy sector? [Y/N]	Yes-0 No-100	No	100
2. Are foreign investors required to purchase a certain percentage/ value/quantity of products or services from local suppliers? [Y/N]	Yes-0 No-100	Yes	0

3. Questions with alternative responses and granulated scores

In some cases, the respondent is asked to select an answer from a group of alternatives. The answer reflecting best practice is scored 100, whereas the score for the rest of the options is granulated. In the table below, the respondent states that only some legal and regulatory information is made available. This alternative is not considered optimal and, thus, yields only 50 points. In the following question, the respondent states that laws and regulations are accessible both electronically and in print. This is considered best practice and gets a score of 100. Similarly, the respondent answers that the energy regulator makes available all its decision to the public, which again is considered best practice and gets 100. The overall score for this sub-indicator is 83.3.

Sample Question Type 3

INDICATOR 2: MANAGEMENT OF DECISION-MAKING PROCESSES	SCORING	RESPONSE	SCORE
Sub-indicator 1: Transparency			83.3
1. Does the country make available legal and regulatory information to the public?		1-b	50
a. Yes, all information is made available	100		
b. Only some information is available	50		
c. No information is available	0		
2. How are laws and regulations made accessible to public?		2-a	100
a. Both electronically and in print	100		
b. Only electronically	66.7		
c. Only in print	33.3		
d. Available only upon request/or payment of fee	0		
3. Does the energy regulator make available its decisions (on tariffs, tariff methodology, market access etc.) to the public?		3-a	100
a. Yes, all decisions are made available	100		
b. Only some decisions are made available	50		
c. No decisions are made available	0		

4. Questions with alternative sub-questions

This type of question provides alternatives to the respondents, in case a negative answer to the main question is compensated by other measures. In the example provided below, the respondent claims that investors need authorisation before investing in the energy sector. Since this imposes a restriction on investors, the answer to the main question gets a 0. Where the prior authorisation requirement results in restrictiveness but is not discriminatory in nature, 50 points are 'recovered' by answering 'yes' to question 1a.

Sample Question Type 4

INDICATOR 3: REGULATORY ENVIRONMENT AND INVESTMENT CONDITIONS	SCORING	RESPONSE	SCORE
Sub-indicator 2: Restrictions on FDI			50
1. Is there a pre-screening or prior-authorization requirement for investing in the energy sector? [Y/N]	Yes-0 No-100	Yes	0
If yes:			
1a. Is pre-screening applicable to both domestic and foreign investors? [Y/N]	Yes-50 No-0	Yes	50

5. Divided questions

For some sub-indicators the main question is bifurcated into sub-questions, which are awarded identical scores since they are equally important. The sub-questions develop a joint perfect score of 100, when answered positively. In the example below, the country scores 50 because it is a Contracting Party only to the Convention on the Settlement of Investment Disputes between States and Nationals of Other States.

Sample Question Type 5

INDICATOR 4: RULE OF LAW (COMPLIANCE WITH NATIONAL AND INTERNATIONAL OBLIGATIONS)	SCORING	RESPONSE	SCORE
Sub-indicator 1: Management and settlement of investor-State disputes			50
1. Is the country a Contracting Party to:			
1a. The Convention on the Settlement of Investment Disputes Between States and Nationals of Other States? [Y/N]	Yes-50 No-0	Yes	50
1b. The Convention on the Recognition and Enforcement of Foreign Arbitral Awards? [Y/N]	Yes-50 No-0	No	0



**ANNEX III:
ORBIS CROSSBORDER
INVESTMENT
GLOSSARY
AND INDUSTRY
CLASSIFICATION**

Terms used in EIRA 2022 from Orbis Crossborder Investment*

Acquisition deal	A deal in which the acquiror ends up with a stake of 50% or more in the target's equity. Even deals involving the purchase of a very small stake will be defined as an acquisition if the final stake held by the acquiror is 50% or above.
Co-location project**	The same company (investor) investing into the same location (city) in a different business activity (for example, XYZ company could be setting up a regional distribution center as well as a manufacturing plant). Sometimes companies will create a new warehouse to complement an existing manufacturing plant.
Completed project status	If a company has opened a facility or a location is deemed to be operational, the project will be deemed to have been completed.
Completed deal status	This is the date when the deal has officially completed.
Institutional buyout (IBO) deal	A deal in which a private equity firm has purchased a stake of 50% or more in a company. As with acquisitions, even deals involving the purchase of a very small stake will be defined as an IBO if the final stake held by the acquiror is 50% or above. The only difference between a standard acquisition and an IBO is that the acquiror in an IBO is a private equity firm.
Joint venture deal	A deal in which two or more companies create a new, jointly-owned entity. The two or more companies that have established the new entity continue to exist.
Minority stake deal	A deal in which the acquiror has purchased a number of shares in the target and the resulting final stake is less than 50%. A deal involving the purchase of a 2% stake could be defined as an acquisition if the acquiror's overall final stake is 50% or more, such as if a buyer increases its stake from 49% to 51%.
New project	A new operation, whether it is a manufacturing plant, regional headquarters, sales office, and so on.

*The value of some deals and the CapEx of some projects may be unofficial or modelled by Orbis Crossborder Investment. For more information on the Orbis Crossborder Investment methodology, data collection and definitions please visit <https://www.bvdinfo.com/orbis> (data accessed on 1 July 2022).

Industry Classification used in EIRA 2022 from Orbis Crossborder Investment

The data for EIRA 2022 is compiled using the following NACE Rev. 2 classes. **

Electrical energy		
35.11	Production of electricity	This class includes the operation of generation facilities that produce electric energy; including thermal, nuclear, hydroelectric, gas turbine, diesel and renewable.
35.12	Transmission of electricity	This class includes operation of transmission systems that convey the electricity from the generation facility to the distribution system.
35.13	Distribution of electricity	This class includes operation of distribution systems (i.e., consisting of lines, poles, meters, and wiring) that convey electric power received from the generation facility or the transmission system to the final consumer.
35.14	Trade of electricity	This class includes the sale of electricity to the user; activities of electric power brokers or agents that arrange the sale of electricity via power distribution systems operated by others; operation of electricity and transmission capacity exchanges for electric power.
Petroleum and gas		
06.10	Extraction of crude petroleum	This class includes extraction of crude petroleum oils; extraction of bituminous or oil shale and tar sand; production of crude petroleum from bituminous shale and sand; processes to obtain crude oils: decantation, desalting, dehydration, stabilisation etc.

Petroleum and gas

06.20	Extraction of natural gas	This class includes production of crude gaseous hydrocarbon (natural gas); extraction of condensates; draining and separation of liquid hydrocarbon fractions; gas desulphurization; mining of hydrocarbon liquids, obtained through liquefaction or pyrolysis.
09.10	Support activities for petroleum and natural gas extraction	This class includes oil and gas extraction service activities provided on a fee or contract basis: <ul style="list-style-type: none">• In exploration services in connection with petroleum or gas extraction, e.g. traditional prospecting methods, such as making geological observations at prospective sites• In directional drilling and re-drilling; 'spudding in'; derrick erection in situ, repairing and dismantling; cementing oil and gas well casings; pumping of wells; plugging and abandoning wells etc.• In liquefaction and regasification of natural gas for purpose of transport, done at the mine site• In draining and pumping services, on a fee or contract basis• In test drilling in connection with petroleum or gas extraction
19.20	Manufacture of refined petroleum products	This class includes production of motor fuel: gasoline, kerosene etc.; production of fuel: light, medium and heavy fuel oil, refinery gases such as ethane, propane, butane etc.; manufacture of oil-based lubricating oils or greases, including from waste oil; manufacture of petroleum briquettes; blending of biofuels, i.e. blending of alcohols with petroleum (e.g. gasohol); manufacture of peat briquettes; manufacture of hard-coal and lignite fuel briquettes.
49.50	Transport via pipeline	This class includes transport of gases via pipelines. It also includes the operation of pump stations.

Coal

05.10	Mining of hard coal	This class includes the mining of hard coal: underground or surface mining, including mining through liquefaction methods; cleaning, sizing, grading, pulverising, compressing etc. of coal to classify, improve quality or facilitate transport or storage; recovery of hard coal from culm banks.
05.20	Mining of lignite	This class includes mining of lignite (brown coal): underground or surface mining, including mining through liquefaction methods; washing, dehydrating, pulverising, compressing of lignite to improve quality or facilitate transport or storage.
08.92	Extraction of peat	This class includes peat digging; preparation of peat to improve quality or facilitate transport or storage.
09.90	Support activities for other mining and quarrying	This class includes support services on a fee or contract basis, required for mining of coal and lignite, among other: <ul style="list-style-type: none">• In exploration services, e.g. traditional prospecting methods, such as taking core samples and making geological observations at prospective sites• In draining and pumping services, on a fee or contract basis• In test drilling and test hole boring.

Nuclear energy

24.46	Processing of nuclear fuel	This class includes the production of uranium metal from pitchblende or other ores; smelting and refining of uranium.
07.21	Mining of uranium and thorium ores	This class includes mining of ores chiefly valued for uranium and thorium content: pitchblende etc.; concentration of such ores; manufacture of yellowcake.

** For more information on the NACE Rev. 2 statistical classification of economic activities please visit <https://ec.europa.eu/eurostat/web/nace-rev2>.

Electrical energy, petroleum, gas, coal and nuclear energy are covered by Annex EM I 'Energy Materials and Products' of the ECT (as amended).

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Ishita is an Investment Official at the International Energy Charter. She is a common law qualified lawyer and holds an LL.M. degree in Energy and Natural Resources Law from the Queen Mary University of London. Before joining the International Energy Charter, she worked as an in-house counsel for the France-based company, Air Liquide. Her areas of expertise are energy, projects and infrastructure, and regulated industries.

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as of 1 December 2023

OBSERVERS (44)

MEMBERS (54)

Sig	Rat	EEC	IEC	Country
1994	2013	2006	2015	Afghanistan
1994	1997	1991	2015	Albania
1994	1997	1991	2015	Armenia
1994	1997	1991	2015	Austria
1994	1997	1991	2018	Azerbaijan
1994		1991	2015	Belarus (prov. application suspended as of 24.06.2022)
1994	1998	1991	2015	Belgium
1995	2001	1995	2016	Bosnia and Herzegovina
1994	1996	1991	2015	Bulgaria
1994	1997	1993	2015	Croatia
1994	1998	1991	2015	Cyprus
1995	1996	1993	2015	Czech Republic
1994	1997	1991	2015	Denmark
1994	1998	1992	2015	Estonia
1994	1998	1991	2015	European Union
1994	1998	1991	2015	EURATOM
1994	1997	1991	2015	Finland
1994	1999	1991	2015	France
1994	1995	1991	2015	Georgia
1994	1997	1991	2015	Germany
1994	1997	1991	2015	Greece
1995	1998	1991	2015	Hungary
1994	2015	1991		Iceland
1994	1999	1991	2015	Ireland
1995	2002	1991	2015	Japan
	2018	2007	2015	Jordan
1994	1995	1991	2015	Kazakhstan
1994	1997	1992	2015	Kyrgyzstan
1994	1995	1991	2015	Latvia
1994	1997	1991	2015	Liechtenstein
1995	1998	1992	2015	Lithuania
1994	1997	1991	2015	Luxemburg
1994	2001	1991	2015	Malta
1994	1996	1992	2015	Moldova
	1999	1997	2015	Mongolia
	2015	2012	2015	Montenegro
1994	1997	1991	2015	Netherlands
	1998	1996	2015	North Macedonia
1995		1991	2015	Norway
1994	2000	1991	2015	Poland
1994	1997	1991	2015	Portugal
1994	1996	1991	2015	Romania
1994	1995	1993	2015	Slovakia
1994	1997	1992	2015	Slovenia
1994	1997	1991	2015	Spain
1994	1997	1991	2015	Sweden
1994	1996	1991	2015	Switzerland
1994	1997	1991		Tajikistan
1994	2001	1991	2015	Türkiye
1994	1997	1994	2015	Turkmenistan
1994	1998	1991	2015	Ukraine
1994	1996	1991	2015	United Kingdom
1995	1995	1991	2015	Uzbekistan
	2018	2014	2015	Yemen

INTERNATIONAL ENERGY CHARTER 2015 (91)

EUROPEAN ENERGY CHARTER 1991 (70)

ENERGY CHARTER TREATY 1994 (56)



Country	EEC	IEC
Australia	1991	
Bangladesh		2015
Benin		2015
Burkina Faso		2017
Burundi	2015	2015
Cambodia		2015
Canada	1991	
Chad	2015	2015
Chile		2015
China		2015
Colombia		2015
EAC		2016
ECCAS		2016
ECOWAS		2015
Eswatini		2015
G5 Sahel		2016
Gambia		2017
Guatemala		2016
Guyana		2018
Indonesia	2009	
Iran		2016
Iraq		2016
Italy	1991	2015
Kenya		2017
Mali		2017
Mauritania	2014	2015
Morocco	2012	2015
Niger	2015	2015
Nigeria		2017
Pakistan	2005	2015
Palestine	2014	2015
Panama		2017
Rwanda		2016
Senegal		2016
Serbia	2001	2015
Sierra Leone		2018
South Korea		2015
South Sudan		2021
Syria	2010	
Tanzania		2015
UAE		2017
Uganda	2019	2015
USA	1991	2015
Vietnam		2018

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