



Uzbekistan

Population ¹	32,955,400
Area (km ²) ¹	447,400
GDP per capita (USD) ¹	1,532.37
TPES (Mtoe) ²	33.83
Energy intensity (toe/10 ³ 2010 USD) ²	0.51
CO ₂ emissions - energy (MtCO ₂) ³	81.16

Data from Orbis Crossborder Investment on energy projects and deals completed between 2015-2020⁴

Target industry	Number of projects and deals	Project/deal type	Project CapEx and deal value (million EUR)
Extraction of natural gas and crude petroleum	2 projects	co-location projects	2000m EUR total project CapEx
Transport by pipeline	1 project	co-location project	40m EUR total project CapEx

Sources:

1. The World Bank 2018
2. ©IEA, World energy balances, 2020, www.iea.org/data-and-statistics, webstore.iea.org/key-world-energy-statistics-2019
3. ©IEA 2020, CO₂ emissions from fuel combustion, www.iea.org/data-and-statistics, webstore.iea.org/key-world-energy-statistics-2019
4. Orbis Crossborder Investment (2020), Bureau Van Dijk. Uzbekistan is the destination country of the investment. Data represents the period 1 April 2015 - 1 April 2020. For more information see Annex II of this report.

Uzbekistan's overall risk level against the assessed areas is **low**.

Among the three risks assessed in EIRA, *breach of State obligations* is the lowest, followed by *discrimination between foreign and domestic investors*, and *unpredictable policy and regulatory change*.

Uzbekistan's performance is good on three indicators, and it is moderate on one indicator. It has retained a score of 72 on the indicator *rule of law*. Its performance on *management of decision-making processes* has improved by six points and stands at 71. On *regulatory environment and investment conditions*, it has again scored 63. The performance on *foresight of policy and regulatory change* has gone up by 16 points and the score is now 46.

On a more detailed level, Uzbekistan's overall sub-indicator performance is good. It has a very good score of 85 on *management and settlement of investor-State disputes*. The sub-indicators *transparency* and *restrictions on FDI* stand at 73 and 70, respectively. Compared to last year, the score on *institutional governance* has improved by 13 points and is now 69. An increase of 32 points has been recorded on the sub-indicator *communication of vision and policies*, which now stands at 67. On *respect for property rights*, the score is 58, while *regulatory effectiveness* is at 56. Its performance on *robustness of policy goals and commitments* continues to be the lowest at 25.

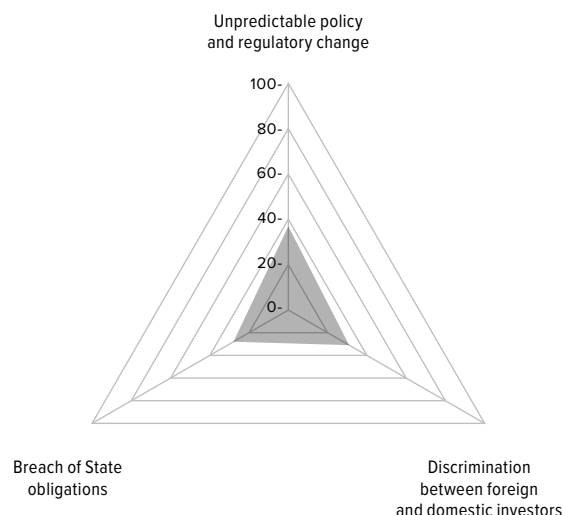
While Uzbekistan has the relevant policies and measures in place, there is potential for improvement. Attention should be given to strengthening the robustness of its policy goals and commitments.

YEAR-ON-YEAR COMPARISON

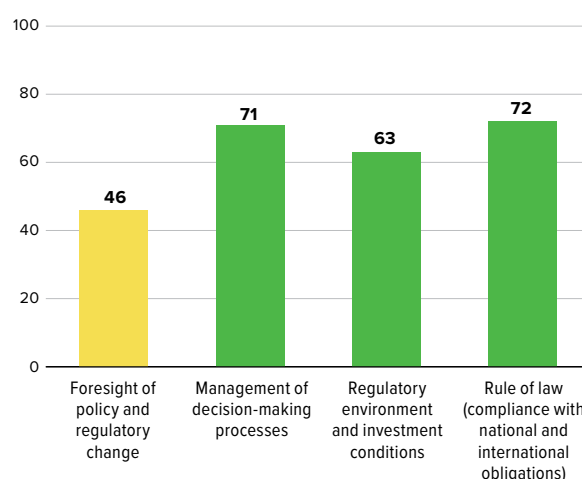
RISK AREAS	2019	2020
Unpredictable policy and regulatory change	45	37
Discrimination between foreign and domestic investors	34	32
Breach of State obligations	28	28

INDICATORS	2019	2020
Foresight of policy and regulatory change	30	46
Management of decision-making processes	65	71
Regulatory environment and investment conditions	63	63
Rule of law	72	72

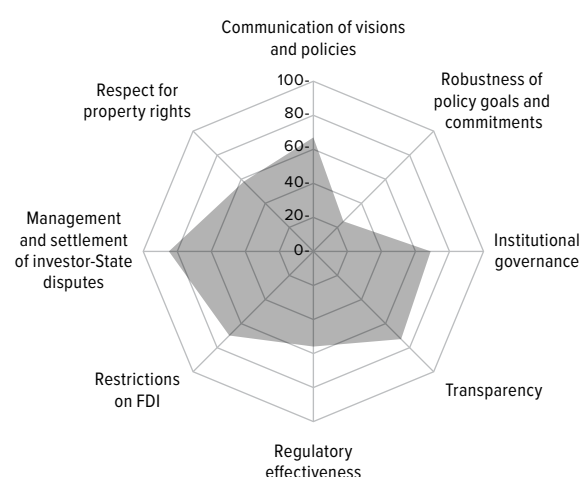
RISK LEVEL



INDICATOR PERFORMANCE



SUB-INDICATOR PERFORMANCE



Foresight of policy and regulatory change

QUICK FACTS

In May 2020, the Government of Uzbekistan approved the Concept Note for the Supply of Electric Power 2020-2030 (Concept Note).

Uzbekistan ratified the Paris Agreement in 2018 and submitted its first NDC.

STRENGTHS

The new 2020-2030 Concept Note defines the medium-term and long-term objectives for the power sector. It envisages the modernisation of the existing power plants, the construction of new energy-efficient generation assets, improvement of the power-metering systems, and the expansion of renewable energy generation capacities. By 2030 the country plans to increase its installed generation capacity to 29.2 GW (after the decommissioning of outdated assets). By 2025, the electricity loss in transmission is expected to reduce to 2.4% and in distribution to 7.9%. The capacity of wind and solar power plants will be increased to 3 GW (10.4%) and 5 GW (17.3%), respectively. The Government also plans to build its first nuclear power plant to meet the country's growing electricity demand and to cut its CO₂ emissions. The capacity of the nuclear power plant will be 2.4 GW or 7.5% of the country's total generation capacity.

The Cabinet of Ministers (CoM), the Prime Minister and, ultimately, the President of the Republic of Uzbekistan monitor and evaluate the implementation of the energy sector reforms. The Ministry of Energy is responsible for coordinating and managing projects in most areas, including energy efficiency, renewable energy, nuclear energy, and the electric power industry. It reports to the authorities mentioned above on the implementation of the projects. The new Concept Note has the necessary provisions in place to ensure that it can be adjusted, based on continual analysis, as per the changing needs and circumstances.

AREAS FOR IMPROVEMENT

Monitoring and evaluation of energy policies and projects should be conducted by an independent authority. This approach will guarantee the assessment's objectivity. The Government is also encouraged to conduct progress evaluation more consistently, and make the evaluation results publically available.

Management of decision-making processes

QUICK FACTS

The Ministry of Energy leads the policy-making process for the energy sector.

The Law no. LRU-598/2020 "On Investment and Investment Activity" entered into force on 27 January 2020.

Law no. LRU-369/2014 "On the Openness of the Activities of State Authorities and Management" supports the public's right to access information held by State authorities.

STRENGTHS

In 2019, the CoM adopted decrees that reaffirm the obligation of the Ministry of Energy and the Ministry of Investments and Foreign Trade to carry out activities in cooperation with public administration authorities, local executive authorities, and other organisations. The Interdepartmental Council on Promotion and Implementation of Green Economy was established in October 2019 to coordinate and manage the implementation of Uzbekistan's NDC targets. As of July 2019, the Investment Promotion Agency under the Ministry of Investments and Foreign Trade must provide information and legal support to foreign investors, as well as create and maintain an information database of prospective and ongoing investment projects. The new Investment Law assigns the Ministry of Investment and Foreign Trade and its territorial units as one-stop shops for investors. Through this approach, the Government hopes to reduce the bureaucratic rigours investors undergo while coordinating with multiple State bodies.

The new Investment Law reaffirms the obligation of State and local government bodies to publish through the media, including government websites, decisions made in the field of investment. The Law also makes it mandatory for investment agreements to carry an anti-corruption and anti-monopoly clause. In 2019, the State-owned company Uzbekneftegaz (UNG) disclosed its production statistics, classified as State secret until last year. The UNG and its companies-successors of unbundled Uzbekenergo, will apply a list of corporate reporting standards in 2020, including the International Financial Reporting Standards. The Ministry of Energy has launched its website which gives access to the relevant laws, Presidential Decrees, Resolutions and Orders, Government Decrees and Orders, and regulatory documents registered with the Ministry of Justice.

AREAS FOR IMPROVEMENT

The Government invites citizens and other stakeholders to comment on laws and regulations through the unified electronic system of drafting regulations and agreements, project.gov.uz. In addition to this website, the Government may consider defining in law the modalities and timeframe of public participation. Institutionalised and legally binding consultations will boost the confidence of investors in the Government and promote cooperation.

Regulatory environment and investment conditions

QUICK FACTS

The Ministry of Energy regulates the energy sector.

Resolution of CMRU no. 310 approves major directions of the electricity tariff policy of Uzbekistan for the period until 2030.

The new edition of the Law “On Currency Regulations” was signed into law on 22 October 2019.

STRENGTHS

In 2019, JSC Uzbekenergo was reorganised into three independent companies. The restructuring aims to modernise the production, transmission and distribution of electricity. The new Concept Note envisages legal reforms to improve tariff policies and ensure the transition to the wholesale market by 2023. Per Resolution of CMRU no. 310, effective from 1 January 2020, electricity tariffs will remain unchanged for at least three years from 2023. There are 17 principles, including accessibility, transparency, tariff flexibility, and environmental responsibility which will form the basis of the electricity pricing policy. To unbundle the commercial and regulatory functions of the UNG, it has also been split into separate production, transmission and distribution units. In May 2019, the CoM adopted a decree for organising the activities of the Antimonopoly Committee of the Republic of Uzbekistan.

The share of FDI in the total investment increased from 10.5% in 2018 to 37% in 2019. The new Investment Law retains the guarantees and incentives provided by the old 1998 law, such as free use, transfer and repatriation of funds, protection against nationalisation and against adverse changes in legislation. It also introduces new investor support mechanisms such as investment tax credit and subsidies. Foreign investors can now enter into long-term leases of non-agricultural land plots for up to 50 years. The Law on the Use of Renewable Energy Sources grants exemptions from the payment of property and other taxes. The Law on Currency Regulations introduces progressive reforms such as the right of free disposal by residents and non-residents of their respective currency in foreign exchange transactions. It also removes a number of licensing procedures required for undertaking foreign exchange operations.

AREAS FOR IMPROVEMENT

The Government is encouraged to continue its efforts towards enacting the new versions of the laws on electric energy and on the establishment of an independent energy regulator. Technical studies must be conducted for setting the subsidiary rules on market operations and the licensing of market participants, the models of the wholesale electricity market, and the electricity balancing model. The approval of the relevant rules will give investors more certainty on the market operations for the coming period.

Rule of law

QUICK FACTS

Uzbekistan became a Contracting Party to the Energy Charter Treaty in 1995.

Law no. LRU-598/2019 “On Investment and Investment Activity” grants protection against the expropriation of property.

STRENGTHS

The new Investment Law promotes alternative dispute resolution mechanisms for settling investor-State investment disputes. It outlines a three-tiered approach, which requires negotiations as a first step. If the parties are unable to settle the matter through negotiations, they shall resort to mediation before bringing it to the local courts. The new Investment Law gives exclusive competence of Uzbek courts over investment disputes unless there is an international treaty in place that provides for the exclusive competence of a foreign court or an international arbitration tribunal. The Investment Law reaffirms that a higher regulatory authority or court can hear appeals against those decisions, actions or omissions of State bodies which violate the rights, freedoms and legitimate interests of investors.

The Investment Law upholds the commitment of the State to protect investments established under domestic legislation and international treaties. The Law specifies that assets of investors can be expropriated only in cases of natural disasters, accidents, epidemics, epizootics, and in other situations of an extraordinary nature. The CoM should adopt all decisions on expropriation. The decisions must be non-discriminatory and accompanied by the payment of adequate compensation. The State is the guarantor of the timely payment of compensation.

AREAS FOR IMPROVEMENT

The Investment Law addresses critical issues on the expropriation of investments and other assets. However, it is not the law but PPAs that stipulate the conditions for determining the compensation amount and the time of payment. While this approach gives the parties negotiation flexibility, the Government may still consider updating the Investment Law to outline a time-bound structure for paying the compensation or identify payment stages for this purpose. This addition to the law will give investors more certainty on the rules governing expropriation and strengthen the credibility of the Government's commitments.

IMPLEMENTATION STATUS



Uzbekistan

PROPOSED IN	EIRA AREAS FOR IMPROVEMENT	IMPLEMENTATION STATUS AS OF 1 APRIL 2020
Indicator 1		
2019	Adopt a national energy strategy that will provide the overarching framework for future actions.	Fully implemented. In 2020, the Concept Note for the Supply of Electric Power 2020-2030 was adopted. The Strategy for the transition of the Republic of Uzbekistan to a green economy in the period of 2019-2030 was adopted in April 2019.
	Ensure that the authorities implementing the national energy policy are different from those evaluating the progress made towards achieving the policy.	Pending
Indicator 2		
2019	Develop insitutional mechanisms and a legal framework to integrate stakeholders in regulatory decision-making.	Pending
Indicator 3		
2019	Establish an independent energy regulator that has institutional, functional, and financial autonomy.	Work ongoing. During 2020-2021, the Government intends to introduce an energy market regulator that will undertake regulation, licensing and control of the electricity and natural gas market. The regulator will be a financially independent body accountable to the President and the Parliament of Uzbekistan.
2020	Enact new versions of the laws on electric energy and the establishment of an independent energy regulator.	Improvement suggested in 2020. Status will be updated in 2021.
	Approve the subsidiary rules on market operations and licensing of its participants, models of the wholesale electricity market, and the electricity balancing model.	Improvement suggested in 2020. Status will be updated in 2021.
Indicator 4		
2019	Consider setting a legally binding timeframe to pay compensation in the case of expropriation.	Pending