Armenia

Population\(^1\) 2,951,776

Area (km\(^2\))\(^1\) 29,740

GDP per capita (USD)\(^1\) 4,220.49

TES (Mtoe)\(^2\) 3.08

Energy intensity (toe/10\(^3\) 2015 USD)\(^2\) 0.26

CO\(_2\) emissions - energy (MtCO\(_2\))\(^3\) 5.4

Data by Orbis Crossborder Investment on completed energy projects and deals from 2015-2021\(^4\)

<table>
<thead>
<tr>
<th>Target industry</th>
<th>Number of projects and deals</th>
<th>Project CapEx and deal value (million EUR) by source country</th>
</tr>
</thead>
</table>
| Electric power generation, transmission and distribution | 1 new project 4 acquisition deals | United States of America: 1 RE project of 1.75 mEUR  
Cyprus: 1 TD deal of 478 mEUR  
United States of America: 1 RE deal of 164 mEUR  
Russian Federation: 1 RE deal of 2.15 mEUR  
Value of 1 FF deal (Cyprus) is N/A |

Sources:
1. The World Bank 2018
4. Orbis Crossborder Investment (2021), Bureau Van Dijk. Armenia is the destination country of the investment. Data represents the period 1 April 2015 - 1 April 2021 (accessed on 1 July 2021). For more information see Annex II of this report.

RE: Electricity generation from renewable resources
FF: Electricity generation from fossil fuels
TD: Transmission and distribution of electricity
Armenia’s overall risk level against the assessed areas is low.

Of the three risks assessed in EIRA, breach of State obligations is lower compared to discrimination between domestic and foreign investors and unpredictable policy and regulatory change.

Armenia’s performance is very good on two of the EIRA indicators and good on two indicators. The highest-scoring indicator is rule of law at 82, followed by regulatory environment and investment conditions at 81. Its score on the indicator management of decision-making processes is 75. On foresight of policy and regulatory change, its score has improved by two points, from 63 to 65.

On a more detailed level, Armenia’s overall sub-indicator performance is good. The highest-scoring sub-indicator is restrictions on FDI at 90, followed by respect for property rights (83) and transparency (82). Its score is 80 on the sub-indicators communication of vision and policies, and management and settlement of investor-State disputes. It has retained its EIRA 2020 scores on the sub-indicators regulatory effectiveness (72) and institutional governance (69). The lowest-scoring sub-indicator is robustness of policy goals and commitments at 50.

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

The Strategic Programme on Energy aims to maximise the utilisation of renewable energy resources, improve energy efficiency in buildings, extend the operational life of the Armenian nuclear power plant, build regional energy corridors, and further liberalise the electricity market. Annex II of Decree no. 48-L/2021 identifies actions to implement the Strategic Programme on Energy, such as adopting legislative amendments to facilitate competitive trading of renewable electricity, enacting a new gas supply law, and approving a new National Programme on Energy Savings and Renewable Energy (2021-2030). Moreover, it lists measures for transitioning to a new wholesale electricity market model, the rehabilitation and reconstruction of power infrastructure, and the digitalisation of the energy sector. The Government has also set ambitious climate change adaptation and mitigation targets. It plans to reduce 30% of the country’s CO2 emissions by 2030 (compared to the 1990 level) and reduce 2.07 tons of CO2 equivalent per capita by 2050.

The Government of Armenia’s annual reports on its 5-year Programme and Action Plan are the primary tools to monitor and evaluate its progress towards meeting the national energy priorities. The Ministry of Territorial Administration and Infrastructure and the Ministry of Environment publish progress reports on their respective activities to implement the Action Plan. These reports also contain additional information, such as the reasons for incomplete or partially completed activities. Additionally, throughout 2020, the Ministry of Finance presents quarterly reports on the execution of the State budget by each economic sector. On 14 April 2021, the Prime Minister of Armenia presented before the National Assembly the annual progress made by the Government in implementing the 2019-2023 Government Programme.

Most of the targets set under the Strategic Programme on Energy are for 2027 or 2030, and it does not include long-term targets for the national energy priorities. For this reason, the Government may consider updating the Action Plan Ensuring the Implementation of the Strategic Programme to integrate ultimate targets to be achieved in the energy sector by 2040.
AREAS FOR IMPROVEMENT

The Government should expedite the adoption of its FDI promotion strategy initially planned for the end of 2020. The strategy should contain measures to attract foreign investments in the energy sector.
IMPLEMENTATION STATUS
<table>
<thead>
<tr>
<th>Indicator</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indicator 1</td>
<td>Ensure that the authorities implementing the national energy policy are independent.</td>
<td>Work ongoing. Data collection on GHG emissions, energy efficiency, and renewable energy projects is partially implemented by independent international agencies.</td>
<td>Review the energy policies and laws to evaluate their relevance and eliminate any potential duplication or contradictions.</td>
<td>Work ongoing. On 14 January 2021, the Armenian Government adopted the Strategic Programme for Development of the Energy Sector until 2040 (Strategic Programme on Energy) to phase out and replace several regulatory acts on energy security, power reliability, and electricity market liberalisation.</td>
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<tr>
<td></td>
<td>Prepare and approve a new programme on energy savings and renewable energy that sets the priorities and targets for 2021–2030.</td>
<td>Work ongoing.</td>
<td>Amend the Strategic Programme on Energy to include ultimate outcomes for 2040.</td>
<td>Improvement suggested in 2021. Status will be updated in 2022.</td>
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<tr>
<td>Indicator 2</td>
<td>Publish official translations of the energy strategy documents, legislation, and regulations.</td>
<td>Work ongoing. The Translation Centre of the Ministry of Justice makes some laws available in foreign languages.</td>
<td>Provide pre- and post-investment services through Business Armenia.</td>
<td>Work ongoing. The Investment Support Center (ISC) was set up in 2020 to serve as a single window that responds to the queries of potential investors and provides information on investments. However, the ISC does not provide post-investment services.</td>
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<td>Expand the role of the Investment Support Center so it can serve as a one-stop shop for energy investors.</td>
<td>Pending</td>
<td>Intensify consultations and dialogue with professional and specialised organisations in drafting legal and regulatory acts.</td>
<td>Improvement suggested in 2021. Status will be updated in 2022.</td>
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<td>Indicator 3</td>
<td>Strengthen the financial autonomy of the Public Services Regulatory Commission (PSRC).</td>
<td>Pending</td>
<td>Create the necessary pre-conditions to implement the ongoing energy sector reform.</td>
<td>Work ongoing. The Action Plan on Ensuring the Implementation of the Strategic Programme on Energy contains actions to implement the energy reforms, such as amending the laws on energy and introducing competitive trading for renewable electricity.</td>
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<td>Reduce the time needed to liaise with State authorities on licensing procedures, identify and eliminate redundant licences and permissions, and clarify contradictory regulations, especially on investment in renewable energy and energy-efficient technologies.</td>
<td>Partially implemented. PSRC Decision no. 516-N/2019, effective from February 2021, sets new wholesale electricity market rules.</td>
<td>Adopt a national investment promotion strategy with special measures to increase FDI in the energy sector.</td>
<td>Pending</td>
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<tr>
<td>Indicator 4</td>
<td>Establish a foreign investment ombudsperson to resolve conflicts arising between energy companies and public authorities in the course of investment activities.</td>
<td>Pending</td>
<td>Update the domestic law to define the term &quot;public purpose or in the public interest&quot; in the context of expropriation. Develop clear guidelines to determine the amount of compensation and the timeframe for its payment.</td>
<td>Pending</td>
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<td>Offer investors an arbitration pledge to make the State's participation in investor-State dispute settlement binding.</td>
<td>Pending</td>
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