



# Armenia

Population <sup>1</sup>	2,951,776
Area (km <sup>2</sup> ) <sup>1</sup>	29,740
GDP per capita (USD) <sup>1</sup>	4,220.49
TES (Mtoe) <sup>2</sup>	3.08
Energy intensity (toe/10 <sup>3</sup> 2015 USD) <sup>2</sup>	0.26
CO <sub>2</sub> emissions - energy (MtCO <sub>2</sub> ) <sup>3</sup>	5.4

Data by Orbis Crossborder Investment on completed energy projects and deals from 2015-2021<sup>4</sup>

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 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
  2. ©IEA (2021), World Energy Balances (<https://www.iea.org/data-and-statistics>). All rights reserved.
  3. ©IEA (2021), CO<sub>2</sub> Emissions from Fuel Combustion (<https://www.iea.org/data-and-statistics>). All rights reserved.
  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**.

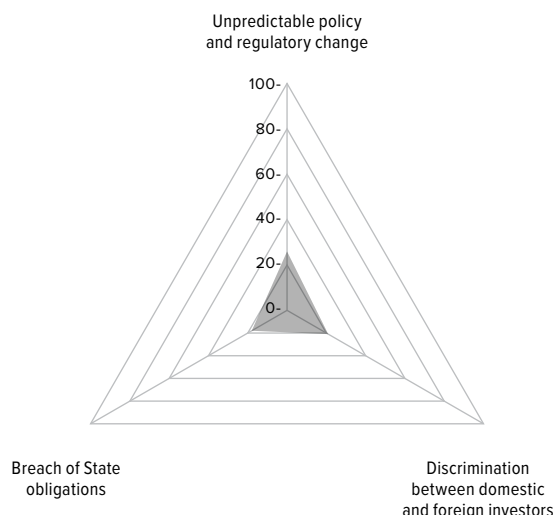
Of the three risks assessed in EIRA, *breach of State obligations* is lower compared to *discrimination between domestic and foreign investors* and *unpredictable policy and regulatory change*.

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.

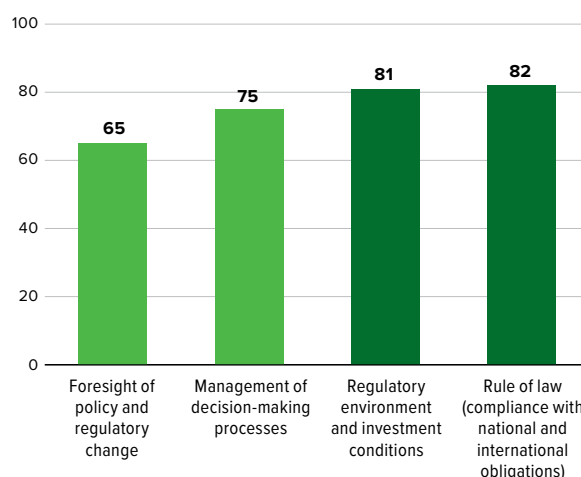
On a more detailed level, Armenia’s overall sub-indicator performance is good. The highest-scoring sub-indicator is *restrictions on FDI* at 90, followed by *respect for property rights* (83) and *transparency* (82). Its score is 80 on the sub-indicators *communication of vision and policies*, and *management 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.

### RISK LEVEL



### INDICATOR PERFORMANCE



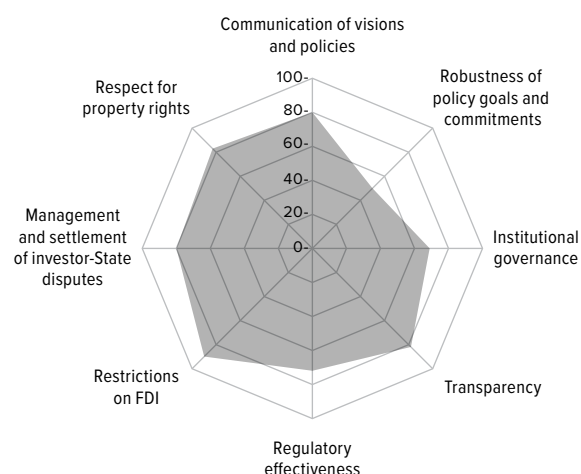
### YEAR-ON-YEAR COMPARISON

RISK AREAS	2018	2019	2020	2021
Unpredictable policy and regulatory change	29	29	26	26
Discrimination between domestic and foreign investors	22	22	20	21
Breach of State obligations	18	18	18	18

INDICATORS	2018	2019	2020	2021
Foresight of policy and regulatory change	62	63	63	65
Management of decision-making processes	70	70	76	75
Regulatory environment and investment conditions	81	81	81	81
Rule of law	82	82	82	82

### SUB-INDICATOR PERFORMANCE



## Foresight of policy and regulatory change

### QUICK FACTS

The main policies governing Armenia's energy sector are the Concept Note on Ensuring Energy Security 2013 and the Strategic Programme of Prospective Development for 2014-2025.

In January 2021, the Government of Armenia approved Decree no. 48-L/2021 on the Strategic Programme on Development of the Energy Sector until 2040 (Strategic Programme on Energy).

Armenia ratified the Paris Agreement in 2017 and submitted its updated NDC in May 2021.

### STRENGTHS

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 CO<sub>2</sub> emissions by 2030 (compared to the 1990 level) and reduce 2.07 tons of CO<sub>2</sub> 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 complete 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.

### AREAS FOR IMPROVEMENT

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.

## Management of decision-making processes

### QUICK FACTS

The Ministry of Territorial Administration and Infrastructure develops and implements the national energy policies.

The Ministry of Economy frames the investment policies.

The Armenian National Interest Fund (ANIF) is responsible for attracting foreign investors in priority sectors and key infrastructure.

### STRENGTHS

With Decree no. 183-L/2021, the Government approved the new digitalisation strategy, the underlying action plan, and performance indicators. Among others, this strategy aims to improve the quality of public services and increase the efficiency and transparency of the public administration system. It also envisages a unified platform to provide digital public services to citizens, where all the State institutions will operate under separate sub-platforms. Moreover, the Government has committed to developing several cross-sectoral documents to implement its Paris Agreement commitments, including the National Climate Change Adaptation Plan, the implementation plan for the country's NDC and the NDC Partnership Plan.

The Government is trying to encourage the use of electronic services by public authorities and State agencies. Currently, numerous e-governance platforms are operational and available to citizens. For instance, the Government operates a website (e-draft.am) that regularly publishes draft legislation and allows interested stakeholders to provide their opinions, comments and suggestions. It also has a platform through which citizens can vote in favour of or against draft legislation. Moreover, on 24 March 2021, the National Assembly adopted Law no. HO-147-N/2021 "On Anti-Corruption Committee" through which it established a new committee to investigate corruption cases, including misconduct by high-level Government officials. Armenia is a member of the Open Government Partnership initiative. It is also part of the Istanbul Anti-Corruption Action Plan, a peer review programme of the OECD.

### AREAS FOR IMPROVEMENT

The Government of Armenia can improve consultations and dialogue with energy sector stakeholders. For instance, it can increase engagement with professional associations and specialised civil society organisations in drafting legal and regulatory acts.

## Regulatory environment and investment conditions

### QUICK FACTS

The Public Services Regulatory Commission (PSRC) is an independent agency responsible for regulating the electricity and natural gas sectors.

The Competition Protection Commission deals with competition issues in all sectors of the economy, including the retail fuel market.

### STRENGTHS

The Strategic Programme on Energy aims to establish a fully liberalised wholesale electricity market. To this end, the PSRC approved Decision no. 516-N/2019, which came into effect on February 2021. The Decision sets new wholesale electricity market rules, streamlines planning of the power system balance, regulates the activities of the market participants, and ensures open, transparent, and non-discriminatory network access and use. Additionally, Armenia is making efforts to further integrate into the regional energy markets through various fora, including the EAEU. The EAEU's Strategy-2025, presented in December 2020 at the Summit of Heads of the EAEU Member States, envisions 25 amendments to the EAEU Treaty and the signing of international treaties on several issues, including the establishment of a supranational authority to regulate common financial markets.

On 1 March 2021, the EU-Armenia Comprehensive and Enhanced Partnership Agreement entered into force. This Agreement enhances the regulatory environment for businesses and covers several areas of cooperation, including company operations, capital movement, public procurement, and sustainable development. On 26 May 2021, the National Assembly adopted Law no. HO-236-N/2021 "On Amendments and Addendums to the Law on Joint-Stock Companies and Other Relevant Legal Acts" to improve the existing legal framework on joint-stock companies, enhance corporate governance and streamline capital market regulations. Additionally, the Government plans to launch several renewable power generation projects in line with its climate neutrality ambitions and commitments. Recently, ANIF concluded a deal with Abu Dhabi-based group Masdar to develop the first stage of a 400 MW solar photovoltaic project with an estimated investment of around USD 320 million. In July 2020, the European Bank for Reconstruction and Development, the International Finance Corporation and the EU loaned USD 38.4 million to the Spanish company Fotowatio Renewable Ventures to develop a 55 MW solar power plant in the Mets Masrik municipality.

### 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.

## Rule of law

### QUICK FACTS

Armenia is a contracting party to the ECT since 1998.

Armenia signed the UN Convention on International Settlement Agreements Resulting from Mediation (Singapore Convention) in 2019.

Law no. HO-110-N/2018 "On Civil Procedure Code" and Law no. HO-55-N/2006 "On Commercial Arbitration" contain legal provisions on the recognition and enforcement of international arbitration decisions in the Republic of Armenia.

### STRENGTHS

Recently, the Armenian Government announced judicial reforms, supported by an EUR 9 million grant from the EU, to enhance accountability in the justice system and improve access to modern and quality judicial services. As part of these reforms, the Government plans to establish a specialised Anti-Corruption Court, increase the number of judges, and digitalise the judicial procedures. The Government and the private sector are taking proactive measures to promote alternative dispute resolution in the country. Armenia houses several alternative dispute resolution bodies, including the Arbitration Institution at the Chamber of Commerce and Industry of the Republic of Armenia (RR CCI) and Optimus Lex Arbitration Court. The RR CCI has introduced its own arbitration rules that were last updated in 2019. The Law on Commercial Arbitration in Armenia is based on the UNCITRAL Model Law on International Commercial Arbitration, and it sets the legal framework for domestic and international arbitration.

Law no. HO-115/1994 "On Foreign Investment" states that private foreign investment cannot be nationalised or expropriated by State authorities except in emergencies, based on a court's decision, and upon fully compensating the property owner. Armenia is also developing a robust legal framework to protect the IP rights of foreign investors. On 11 May 2020, it ratified the Protocol on the Protection of Industrial Designs to the Eurasian Patent Convention, which introduces a regional system to protect industrial design patents. In 2020, the Member States of the EAEU signed the Treaty on Trademarks, Service Marks and Appellations of Origin. This Treaty regulates the registration and management of trademarks and appellations of origin in the EAEU. Additionally, Armenia has signed and ratified BITs with 42 countries, of which 39 are in force. It also has eight treaties with investment protection provisions, of which five are in effect.

### AREAS FOR IMPROVEMENT

The State can offer an arbitration pledge, which would bind it to participate in arbitration proceedings if the investor so chooses.

# IMPLEMENTATION STATUS



## Armenia

PROPOSED IN	EIRA AREAS FOR IMPROVEMENT	IMPLEMENTATION STATUS AS OF 1 APRIL 2021
<b>Indicator 1</b>		
2018	Ensure that the authorities implementing the national energy policy are independent.	<b>Work ongoing.</b> Data collection on GHG emissions, energy efficiency, and renewable energy projects is partially implemented by independent international agencies.
2019	Review the energy policies and laws to evaluate their relevance and eliminate any potential duplication or contradictions.	<b>Work ongoing.</b> 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.
2020	Prepare and approve a new programme on energy savings and renewable energy that sets the priorities and targets for 2021–2030.	<b>Work ongoing.</b> The Action Plan on Ensuring the Implementation of the Strategic Programme on Energy mandates the development of a new programme on energy savings and renewable energy for 2021–2030.
2021	Amend the Strategic Programme on Energy to include ultimate outcomes for 2040.	<b>Improvement suggested in 2021.</b> Status will be updated in 2022.
<b>Indicator 2</b>		
2018	Publish official translations of the energy strategy documents, legislation, and regulations.	<b>Work ongoing.</b> The Translation Centre of the Ministry of Justice makes some laws available in foreign languages.
2018	Provide pre- and post-investment services through Business Armenia.	<b>Work ongoing.</b> 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.
2020	Expand the role of the Investment Support Center so it can serve as a one-stop shop for energy investors.	<b>Pending</b>
2021	Intensify consultations and dialogue with professional and specialised organisations in drafting legal and regulatory acts.	<b>Improvement suggested in 2021.</b> Status will be updated in 2022.
<b>Indicator 3</b>		
2018	Strengthen the financial autonomy of the Public Services Regulatory Commission (PSRC).	<b>Pending</b>
2018	Create the necessary pre-conditions to implement the ongoing energy sector reform.	<b>Work ongoing.</b> 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.
2019	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.	<b>Partially implemented.</b> PSRC Decision no. 516-N/2019, effective from February 2021, sets new wholesale electricity market rules.
2020	Adopt a national investment promotion strategy with special measures to increase FDI in the energy sector.	<b>Pending</b>
<b>Indicator 4</b>		
2018	Establish a foreign investment ombudsperson to resolve conflicts arising between energy companies and public authorities in the course of investment activities.	<b>Pending</b>
2018	Update the domestic law to define the term “public purpose or in the public interest” in the context of expropriation. Develop clear guidelines to determine the amount of compensation and the timeframe for its payment.	<b>Pending</b>
2020	Offer investors an arbitration pledge to make the State’s participation in investor-State dispute settlement binding.	<b>Pending</b>