

# Mongolia

Population <sup>1</sup>	3,170,208
Area (km <sup>2</sup> ) <sup>1</sup>	1,564,116
GDP per capita (USD) <sup>1</sup>	4,134.98
TES (Mtoe) <sup>2</sup>	5.75
Energy intensity (toe/10 <sup>3</sup> 2015 USD) <sup>2</sup>	0.43
CO <sub>2</sub> emissions - energy (MtCO <sub>2</sub> ) <sup>3</sup>	21.1

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 acquisition deal	Hong Kong SAR, China: 1 RE deal of 1.2 mEUR
Mining of hard coal and lignite	1 co-location project	United Kingdom: 1 project of 100 mEUR
Support activities for other mining and quarrying	2 acquisition deals	Australia: 1 deal of 42.8 mEUR Singapore: 1 deal of 24.8 mEUR

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. Mongolia 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

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

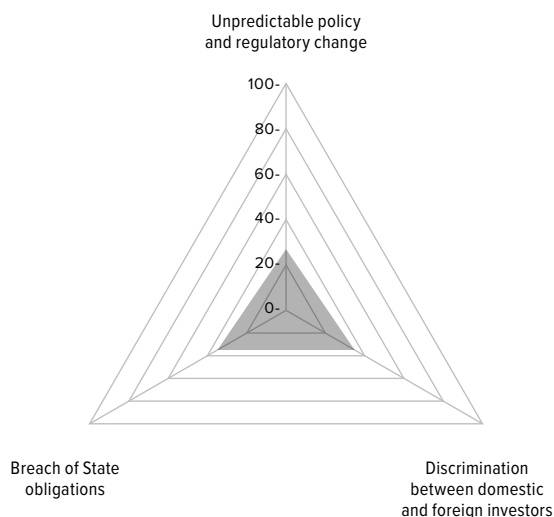
Of the three risks assessed in EIRA, *unpredictable policy and regulatory change* is lower compared to *discrimination between domestic and foreign investors* and *breach of State obligations*.

Mongolia’s performance is good on three indicators, and it is moderate on one. It has the highest score on the indicators *foresight of policy and regulatory change* and *management of decision-making processes* (77). On the indicator *rule of law*, it has a score of 65. Its score on *regulatory environment and investment conditions* is 53.

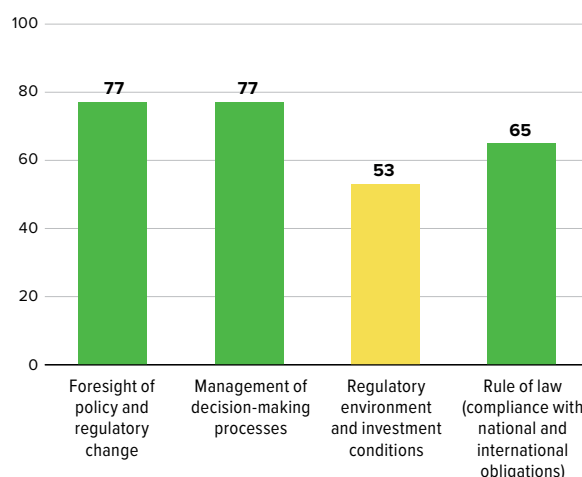
On a more detailed level, Mongolia’s overall sub-indicator performance is good. The highest-scoring sub-indicators are *institutional governance* and *management and settlement of investor-State disputes*, at 88 and 80. Its score on *communication of vision and policies* is 79, while on *robustness of policy goals and commitments*, it has a score of 75. On *transparency*, the country’s score has improved by nine points and now stands at 67. It has maintained a moderate score of 56 on *regulatory effectiveness*. *Restrictions on FDI* and *respect for property rights* are the lowest-scoring sub-indicators, both at 50.

While Mongolia has the relevant policies and measures in place, there is potential for improvement. Attention should be given to easing the current restrictions on FDI and enhancing the respect for property rights.

### RISK LEVEL



### INDICATOR PERFORMANCE



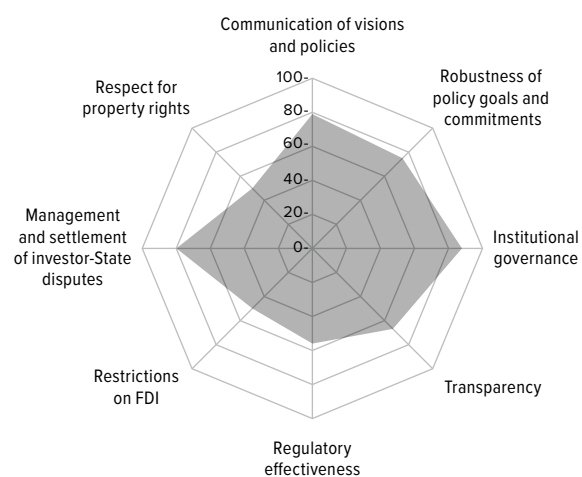
### YEAR-ON-YEAR COMPARISON

RISK AREAS	2018	2019	2020	2021
Unpredictable policy and regulatory change	29	29	-	27
Discrimination between domestic and foreign investors	36	36	-	35
Breach of State obligations	35	35	-	35

INDICATORS	2018	2019	2020	2021
Foresight of policy and regulatory change	75	75	-	77
Management of decision-making processes	73	73	-	77
Regulatory environment and investment conditions	53	53	-	53
Rule of law	65	65	-	65

### SUB-INDICATOR PERFORMANCE



## Foresight of policy and regulatory change

### QUICK FACTS

The main strategic documents on Mongolia's energy sector are the State Policy on Energy 2015-2030 and the Mid-term National Programme for Implementation of the State Energy Policy (2018-2023).

On 13 May 2020, the Parliament of Mongolia (State Great Khural) adopted the "Vision 2050" Long-term Development Policy of Mongolia (Vision 2050) and the Action Plan on Implementation of Vision 2050 in 2021-2030.

The Government of Mongolia approved the country's updated NDC through Decree no. 407/2019.

### STRENGTHS

Vision 2050 outlines the activities to be implemented by the Government for Mongolia's social and economic development. To ensure energy self-sufficiency, it mandates the Government to construct new energy infrastructure and expand the existing one between 2021 and 2030. From 2031 to 2040, it aims to increase the share of new energy sources in the total energy mix and make Mongolia an energy-exporting country. The final leg of Vision 2050, from 2041 to 2050, focuses on minimising GHG emissions, developing an independent and integrated energy system, transitioning to a smart system, increasing green energy production and ensuring sustainable energy supply. To achieve Vision 2050, the State Great Khural of Mongolia has adopted the cross-sectoral Action Plan of the Government of Mongolia from 2020-2024. The Action Plan contains energy-specific deliverables, such as constructing high-voltage transmission lines, installing new wind and solar power stations, introducing a smart grid, completing a feasibility study for a pipeline transporting natural gas from Russia to China, and increasing citizens' access to the centralised heating system.

The Government has created an online reporting platform, Glass Account, which publishes data on budgetary approvals, executions and programmes of State agencies. In addition, it records the reasons for savings and overspending by agencies and organisations funded through the State budget. It also disseminates data on capital expenditures, investment projects, and purchased goods and services over 5 million Mongolian Tugriks and information on agreements, procurement audits, bonds, loans, and guarantees. Moreover, the National Development Agency (NDA) has started publishing its monthly bulletin, from February 2021 onwards, with statistics on FDI and information on the Government's decisions related to FDI.

### AREAS FOR IMPROVEMENT

The National Energy Efficiency and Renewable Energy Programmes covered the period until 2020. The Government should approve new programmes, setting the priorities and targets for 2021-2030.

## Management of decision-making processes

### QUICK FACTS

The Ministry of Energy defines and implements the energy policies of the country.

The NDA is the central authority responsible for the investment policy formulation process.

### STRENGTHS

In 2020, the State Great Khural adopted the Five-Year Development Guidelines for 2021-2025 to optimise the separation of power between the branches of the Government. One of the key objectives of these Guidelines is to foster good governance by setting up a smart public administration structure with clearly defined functions, power limits and distinctions. In March 2021, the Prime Minister of Mongolia announced plans to establish an FDI promotion council under his Office to support initiatives for attracting investment, strengthening investor protection, and providing them with aftercare services. State agencies are also proactively facilitating public services for investors. For instance, since 2019, the Invest in Mongolia Centre has provided over 54,000 services to potential and current investors on taxation, incentives and registration procedures. On 1 October 2020, the Government launched the "E-Mongolia" platform which provides various services related to doing business, real estate, corporate income tax and registration of legal entities. The Government plans to integrate 492 additional services into the online platform by the end of 2021.

The Government of Mongolia is improving the accessibility and transparency of public services and increasing stakeholder engagement in the policy-making process. The revised Law "On Policy and Planning and its Management" 2020 requires the Government to engage with various stakeholders, such as public organisations, academia, the business community, professional associations, civil society and citizens, in drafting national development policies and plans. In June 2021, the Mongolian Independent Authority Against Corruption released the outcomes of a corruption risk assessment of 49 public institutions, conducted over the last three years in collaboration with civil society organisations. The study assessed the Government's efforts to reduce corruption risks in human resources, budget allocations and finance, procurement processes, services covered by State funds, integrity, and willingness to fight corruption. In addition, Mongolia released its 14th EITI Reconciliation Report in December 2020.

### AREAS FOR IMPROVEMENT

The Government may consider implementing mechanisms to institutionalise and intensify stakeholder engagement in the policy- and law-making processes. 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 rural areas to ensure inclusion.

## Regulatory environment and investment conditions

### QUICK FACTS

The Energy Regulatory Commission (ERC) issues licences for electricity and heat generation, transmission and distribution.

The Law “On Investment” 2013 protects investors’ legal rights and interests while operating in the country.

### STRENGTHS

Mongolia is making efforts to increase private investment in renewable energy sources and integrate higher shares of renewable energy in power generation. With support from the Asian Development Bank (ADB), the Ministry of Energy is implementing a project to install a 125 MW advanced battery energy storage system (BESS). The project also foresees the development of regulations in ancillary services for the sustainable operation and maintenance of the BESS system and future scaling up of renewable energy. Furthermore, the ERC makes information on electricity sector services and activities available to the public. For example, its website lists differentiated electricity tariffs by categories of users, consumption volumes and regional grids. It also runs an e-licence platform for electricity generators to submit compliance reports and apply for the issuance and renewal of licences.

In March 2020, the NDA released information on FDI inflow for the last 30 years, according to which 70% of investment (USD 20.2 billion) was in the mining and petroleum exploration sector. The country’s energy sector continues to attract financing from various sources. The Government is determined to realise the USD 66 million Uliastai Array initiative, which is part of the ADB-supported Upscaling Renewable Energy Sector Project involving the installation of 40.5 MW of solar and wind power generators. Moreover, in 2021, Desert Solar Power LLC, owned by the UK-based United Green and the German Tucher Group GmbH, installed a 30 MW solar power plant in the Gobi desert.

### AREAS FOR IMPROVEMENT

Mongolia should implement measures to ensure open, transparent and non-discriminatory network access. It should also give the ERC the mandate to develop a roadmap for a competitive electricity market. In addition, it should consider policy options for gradual adjustment of the current electricity tariffs based on a realistic assessment of production costs.

Mongolia’s announced targets for renewable energy in total installed capacity are 20% and 30% by 2023 and 2030, respectively. To reach these targets, the Government of Mongolia should develop a comprehensive renewable energy investment plan with measures to mobilise private and mixed financing.

## Rule of law

### QUICK FACTS

Mongolia ratified the ECT in 1999.

Mongolia is a contracting party to the Convention on the Settlement of Investment Disputes between States and Nationals of Other States since 1991.

Mongolia is a member of the World Intellectual Property Organization since 1979.

### STRENGTHS

Mongolia is currently undertaking reforms to strengthen the judicial system’s independence. On 15 January 2020, the State Great Khural of Mongolia adopted the revised Law “On Courts” 2021 to ensure the justice system’s effectiveness and the accountability of judges. With support from GIZ, the Ministry of Justice and Internal Affairs is implementing reforms to increase the judiciary’s human resources and technical capacity by training intermediate judiciary level clerks and introducing digital judicial services. The Investment Protection Council (IPC), established in 2016, acts as an investment ombudsman and is the leading institution for protecting investors’ legitimate rights and interests. In July 2020, the IPC and the International Finance Corporation launched the Systemic Investor Response Mechanism (SIRM), an investor grievance registration and monitoring platform that aims to streamline conflict resolution processes for investors and public authorities.

The Action Plan on Implementation of Vision 2050 in 2021-2030 reaffirms the Government’s commitment to upholding equality, justice, economic security, and sustainable development. The Action Plan implements smart and citizen-centred land governance and management systems. It contains measures to strengthen the legal basis of land rights and urban development and strengthen the policies and regulations protecting property rights. There is a legal and institutional framework in place to protect the IP rights of investors. The new Law “On Intellectual Property” which entered into force on 1 December 2020, establishes a dispute resolution centre to handle complaints against the Intellectual Property Office’s decisions. Mongolia has signed 42 BITs, of which 35 are in force, and ratified four treaties with investment protection provisions.

### AREAS FOR IMPROVEMENT

The Government may consider amending the Law “On Land” 2002 to define the powers and competencies of local, regional and national authorities in issuing land-use permits to avoid duplication or contradiction in decisions. It may also establish a central registry office that records land-use rights and identifies cases of conflicts.

# IMPLEMENTATION STATUS



## Mongolia

PROPOSED IN	EIRA AREAS FOR IMPROVEMENT	IMPLEMENTATION STATUS AS OF 1 APRIL 2021
<b>Indicator 1</b>		
2018	Ensure the policy implementation agencies are independent of the policy monitoring and evaluation authorities.	<b>Pending</b>
2019	Create incentives to ensure energy efficiency measures are implemented and renewable energy sources are made competitive.	<b>Pending</b>
2021	Expedite the preparation and approval of new energy efficiency and renewable energy programmes that will set the priorities and targets for 2021-2030 and contain realistic implementation measures, timelines, and policy monitoring and evaluation mechanisms.	<b>Improvement suggested in 2021.</b> Status will be updated in 2022.
<b>Indicator 2</b>		
2018	Create standing committees to increase coordination on cross-sectoral issues.	<b>Pending</b>
2019	Develop official translations of laws, policies, and regulations in foreign languages.	<b>Work ongoing.</b> Recently, several laws and resolutions of the Parliament of Mongolia have been translated into English and are available online.
2019	Codify the steps and timeframes for informing, consulting, and collaborating with stakeholders on proposed laws and policies.	<b>Work ongoing.</b> On 7 May 2020, the revised version of the Law "On Policy and Planning and its Management" was adopted. It requires the Government to engage with all categories of stakeholders in drafting the national development policies and plans.
2021	Give the public advance notice of debates on draft legislation, granting sufficient time to review the drafts, creating online and offline mechanisms to collect opinions, and conducting physical consultations in rural areas to ensure inclusion.	<b>Improvement suggested in 2021.</b> Status will be updated in 2022.
<b>Indicator 3</b>		
2018	Reduce State intervention in certain energy sub-sectors, by 1) removing the requirement of approval from the National Development Agency before investing in the mining sector, 2) limiting the Government's right to take an equity interest of up to 50% in "strategic mineral deposits" or to impose a special royalty in lieu of such interest and 3) relaxing discretionary legal provisions that do not allow investors to reclaim Value-Added Tax on certain capital equipment and some categories of exploration works and pre-mining activities.	<b>Pending</b>
2021	Implement measures to ensure open, transparent, and non-discriminatory network access and review electricity tariffs to make these cost-reflective.	<b>Improvement suggested in 2021.</b> Status will be updated in 2022.
2021	Develop a comprehensive investment plan to attract funding for renewable energy projects.	<b>Improvement suggested in 2021.</b> Status will be updated in 2022.
<b>Indicator 4</b>		
2018	Set a timeframe for national courts to deliver final judgements in disputes.	<b>Fully implemented.</b> The Civil Procedure Code and the Law "On Procedure of Administrative Court" 2016 sets a timeframe for courts to deliver a decision within 60 days from the receipt of the matter.
2021	Consider amending the Law "On Land" 2002 to define the powers and competencies of local, regional and national authorities in issuing land-use permits. Establish a central registry office that records land-use rights and identifies cases of conflicts.	<b>Improvement suggested in 2021.</b> Status will be updated in 2022.