



Uzbekistan

Population ¹	32,956,100
Area (km ²) ¹	448,924
GDP per capita (USD) ¹	1,529.08
TES (Mtoe) ²	46.39
Energy intensity (toe/10 ³ 2015 USD) ²	0.49
CO ₂ emissions - energy (MtCO ₂) ³	108.0

Data by Orbis Crossborder Investment on completed energy projects and deals from 2015-2021⁴

Target industry	Number of projects and deals	Project CapEx and deal value (million EUR) by source country
Extraction of natural gas and crude petroleum	2 co-location projects	Russian Federation: 2 projects of 2,000 mEUR
Support activities for petroleum and natural gas extraction	1 joint venture deal	Value of 1 deal (Russian Federation) is N/A
Transport via pipeline	1 co-location project	Russian Federation: 1 project of 40 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), CO₂ Emissions from Fuel Combustion (<https://www.iea.org/data-and-statistics>). All rights reserved.
4. Orbis Crossborder Investment (2021), Bureau Van Dijk. Uzbekistan 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.

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

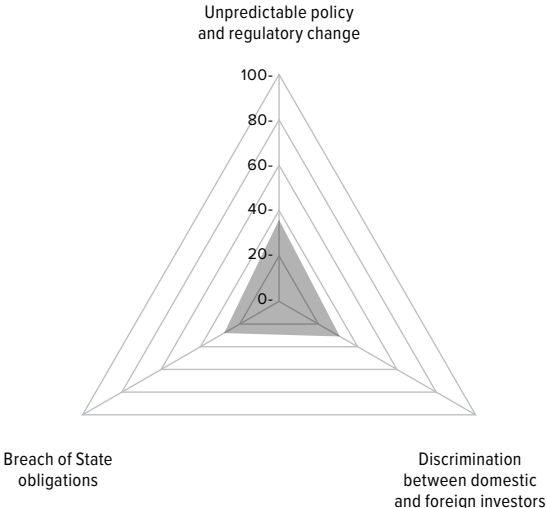
Of the three risks assessed in EIRA, *breach of State obligations* is lower compared to *discrimination between domestic and foreign investors* and *unpredictable policy and regulatory change*.

Uzbekistan’s performance is good on three indicators, and it is moderate on one indicator. It has a score of 72 on the indicator *rule of law*, 71 on the indicator *management of decision-making processes*, and 63 on the indicator *regulatory environment and investment conditions*. Its score on the indicator *foresight of policy and regulatory change* has gone up by three points, from 46 to 49.

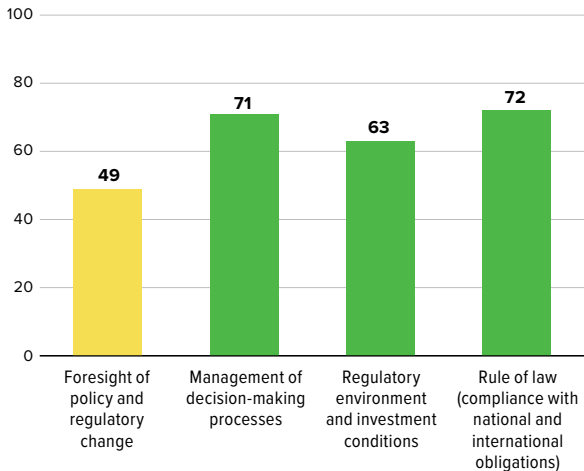
On a more detailed level, Uzbekistan’s overall sub-indicator performance is good. Its highest-scoring sub-indicator is *management and settlement of investor-State disputes* with a score of 85, followed by *transparency* at 74. Its score on the sub-indicator *communication of vision and policies* has improved by six points and stands at 73. On *restrictions on FDI* (70), *institutional governance* (69), *respect for property rights* (58), and *regulatory effectiveness* (56) it has received the same scores as in EIRA 2020. The lowest-scoring sub-indicator is *robustness of policy goals and commitments* 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 policy goals and commitments.

RISK LEVEL



INDICATOR PERFORMANCE

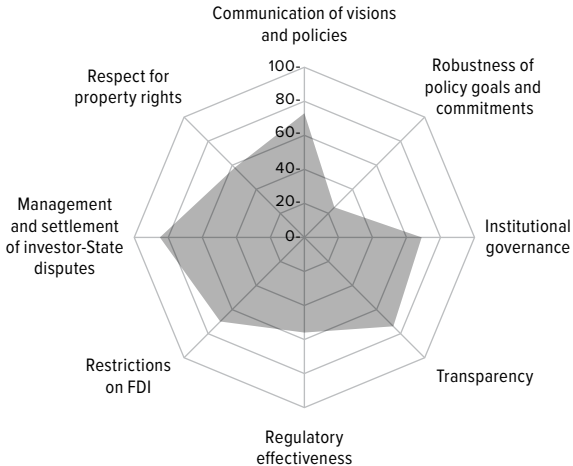


YEAR-ON-YEAR COMPARISON

RISK AREAS	2019	2020	2021
Unpredictable policy and regulatory change	45	37	36
Discrimination between domestic and foreign investors	34	32	31
Breach of State obligations	28	28	28

INDICATORS	2019	2020	2021
Foresight of policy and regulatory change	30	46	49
Management of decision-making processes	65	71	71
Regulatory environment and investment conditions	63	63	63
Rule of law	72	72	72

SUB-INDICATOR PERFORMANCE



Foresight of policy and regulatory change

QUICK FACTS

The Concept Note for Ensuring Electricity Supply in Uzbekistan in 2020-2030 (Concept Note), the Strategy for the Transition of the Republic of Uzbekistan to a Green Economy in the period of 2019-2030, and the Strategy for Further Development and Reform of the Electric Power Industry of the Republic of Uzbekistan are the main policy documents on the energy sector.

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

STRENGTHS

On 30 January 2021, the Ministry of Energy (MoE) published the Roadmap for the Transition to Low-Carbon Energy for Electrical Power of Uzbekistan. The Roadmap envisions a transition to carbon-neutral electricity generation by 2050 in three phases. It aims to modernise gas-fired generation capacity between 2021 to 2030, scale-up renewable energy from 2031 to 2040, and reach carbon neutrality between 2041 and 2050. In parallel, the Government is creating a regulatory framework on energy efficiency. In July 2020, the President of Uzbekistan promulgated Decree no. PD-4779/2020 "On additional measures to reduce the dependence of economic sectors on fuel and energy products by improving energy efficiency of the economy and using existing resources". The Decree sets fuel and energy savings goals for 2020-2022 and aims to reduce the consumption of electricity by 3.3 billion kWh, 2.6 billion m³ of natural gas and 16.5 tonnes of petroleum products. It also approves a roadmap to improve energy efficiency in large energy-intensive enterprises and a schedule of mandatory energy audits.

Presidential Decree no. PD-4938/2020 "On measures to ensure the implementation of the Law of the Republic of Uzbekistan 'On the State budget of the Republic of Uzbekistan 2021'" requires the Accounting Chamber of the Republic of Uzbekistan and the Ministry of Finance to control and monitor public expenditures. In 2020, Uzbekistan published the first Voluntary National Review Report on the country's SDG implementation. The report highlights the Government's recent achievements in various areas, including improvement in the business climate and investor rights' protection, increased transparency in the State budget, the ongoing restructuring of State-owned energy companies and promotion of innovation.

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 publicly available.

Management of decision-making processes

QUICK FACTS

The MoE leads the policy-making process for the energy sector.

The Ministry of Investments and Foreign Trade (MIFT) implements the country's investment policy.

STRENGTHS

Law no. LRU-628/2020 "On amendments and addendums to Law on Rational Use of Energy" empowers the MoE to implement a unified State policy on energy savings, use of energy-efficient technologies and development of renewable energy. It also requires the participation of local governments in implementing the State policy and developing State programmes and projects for rational use of energy. Additionally, Presidential Decree no. PD-4937/2020 "On measures to implement the Investment Programme of the Republic of Uzbekistan for 2021-2023" ensures the timely execution of investment projects. It establishes a procedure for post-investment monitoring and analysis and the submission of monthly progress reports with suggestions to overcome challenges. In addition, it streamlines public administration services by setting criteria to assess how effectively the State is supporting investment programmes and providing assistance in project implementation.

During 2020, State authorities conducted stakeholder engagement on various draft legislation. For instance, in October 2020, the State Tax Committee published its plan on cooperation with stakeholders as a part of the Tax Administration Reform Project in Uzbekistan. The Government is also digitalising public services. Law no. LRU-684/2021 "On Public Procurement" sets out the main principles for the public procurement process, including openness and transparency, competition and objectivity, proportionality, and intolerance to corruption. The Ministerial Orders no. 3015-2/2020 and no. 3016-3/2020 establish an electronic system for public procurement and tenders. Among other things, the system publishes all the relevant legislation, regulatory acts and procedures, recent legal and regulatory amendments, upcoming and current tenders and competitions. Presidential Decree no. PD-4779/2020 creates a unified automated information system for the MoE to publish data on electricity production and consumption volumes. The Government is also taking steps to eliminate corruption. In 2020, the new Anti-corruption Agency was established to develop and implement the State policy on preventing and combatting corruption and ensuring collaboration between State agencies, mass media and non-public organisations.

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.

Regulatory environment and investment conditions

QUICK FACTS

The MoE is responsible for regulating the energy sector. The Interagency Tariff Commission under the Cabinet of Ministers regulates the tariffs for electricity, heating and gas.

Resolution of the Cabinet of Ministers no. 310/2019 sets the main directions for the electricity tariff policy until 2030.

STRENGTHS

The Government continues to implement the power sector reforms. On 15 June 2021, the MoE finalised a draft concept note for transitioning to a competitive wholesale electricity market between 2021 and 2025. In September 2020, the Ministry of Finance started implementing the Power Sector Reform Programme to improve the management of power sector utilities, ensure 99% revenue collection by 2023, and increase the participation of private power producers. To promote renewable power generation, Presidential Decree no. PD-4779/2020 secures a guaranteed FiT for electricity produced from newly commissioned renewable power plants (solar, wind, biogas, micro and small hydro) with an installed capacity of less than 1 MW, including any surplus power produced for self-consumption. The tariff amount, which is effective from 1 August 2020, is at the level of tariff group II (non-household consumers paying for power at a flat-rate tariff). Apart from this, the Decree also establishes a protected trade platform to conduct online renewable auctions.

The MIFT reported USD 6.6 billion of FDI inflow in 2020. In May 2021, the Tutly Solar LLC secured a EUR 87.4 million loan to develop a 100 MW solar power plant near Samarkand. On 30 April 2020, the Cabinet of Ministers adopted Resolution no. 264/2020 to strengthen protection for investments exceeding USD 10 million. In particular, the Resolution sets out the conditions for an investor to approach the designated State bodies and request for “change in law” protection if its investment conditions have worsened due to legislative amendments. The Resolution also sets new procedures for the conclusion, amendment, termination and implementation of investment agreements for projects initiated after 30 April 2020. It contains a new model agreement between an investor and the Government that clearly outlines the rights, responsibilities and liabilities of parties and any additional guarantees provided to the investor.

AREAS FOR IMPROVEMENT

The Government is encouraged to continue its efforts towards enacting updated laws on electric energy and establishing an independent energy regulator. It must conduct technical studies to set 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 ECT in 1995.

Uzbekistan acceded to the Convention on Recognition and Enforcement of Foreign Arbitral Awards in 1996.

STRENGTHS

On 16 February 2021, the President of Uzbekistan signed Law no. LRU-674/2021 “On International Commercial Arbitration”, which is based on the UNCITRAL Model Law and entered into force on 16 August 2021. It determines the procedures and basis for recognising and enforcing foreign arbitral awards and identifies the grounds to refuse enforcement. Moreover, it outlines the composition of arbitral tribunals, the procedure to select and appoint arbitrators, and provisions on the application, amendment, suspension, and cancellation of interim measures during arbitration proceedings. It also establishes a legal framework for disputing parties to request interim measures awarded through arbitration before local economic courts. The Cabinet of Ministers Resolution no. 264/2020 lists the institutions eligible to resolve disputes between investors and the State if the investment exceeds USD 10 million. This list includes courts of the Republic of Uzbekistan, foreign courts, and international commercial arbitration bodies located in Uzbekistan or in a foreign country.

The Civil Code of the Republic of Uzbekistan and Law no. LRU-598/2019 “On Investment and Investment Activities” guarantee compensations in the case of expropriation of investment and other assets. Law no. LRU-598/2019 defines “investment” to include intellectual ownership. The country’s legislation does not contain provisions restricting the transfer of technology in the energy sector. Uzbekistan is a contracting party of the Convention on Establishment of the World Intellectual Property Organization and the Paris Convention for the Protection of Industrial Property since 1991. It has signed and ratified BITs with 49 countries, of which 45 are in force, and five treaties with investment protection provisions, of which four are in effect.

AREAS FOR IMPROVEMENT

Law no. LRU-598/2019 “On Investment and Investment Activities” addresses critical issues on the expropriation of investments and other assets. However, it is not the domestic laws but Power Purchase Agreements 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 national 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 2021
Indicator 1		
2019	Adopt a national energy strategy that will set the overarching framework for future actions.	Fully implemented. On 30 January 2021, the Ministry of Energy published the Roadmap for the Transition to Low-Carbon Energy for Electrical Power of Uzbekistan. The Roadmap envisions a transition to carbon-neutral electricity generation by 2050 in three phases: modernising gas-fired generation capacity between 2021 to 2030, scaling up renewable energy from 2031 to 2040, and reaching carbon neutrality between 2041 and 2050.
	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 institutional mechanisms and a legal framework to integrate stakeholders in regulatory decision-making.	Work ongoing. In October 2020, the State Tax Committee published its plan on cooperation with stakeholders as part of the Tax Administration Reform Project in Uzbekistan.
Indicator 3		
2019	Establish an independent energy regulator that has institutional, functional, and financial autonomy.	Work ongoing. The Concept Note for Ensuring Electricity Supply in Uzbekistan in 2020-2030 envisions the establishment of an independent energy regulator.
2020	Enact new versions of the laws on electric energy and the establishment of an independent energy regulator.	Work ongoing. The recently adopted Concept Note for Ensuring Electricity Supply in Uzbekistan in 2020-2030 envisions the establishment of an independent energy regulator.
	Approve the subsidiary rules on market operations and licensing of its participants, models of the wholesale electricity market, and the electricity balancing model.	Work ongoing. In June 2021, the Ministry of Energy concluded the process of drafting a concept note on a three-stage transition to a competitive wholesale electricity market from 2021 to 2025.
Indicator 4		
2019	Consider setting a legally binding timeframe to pay compensation in the case of expropriation.	Pending