

**ENERGY CHARTER  
SECRETARIAT**

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Brussels, 26 June 2003

Related documents: CC 241, CC 250
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**DECISION OF THE ENERGY CHARTER CONFERENCE**

**Subject: Conclusions on Investment Climate and Market Restructuring Reports on Georgia and Mongolia**

[The Energy Charter Conference at its 12<sup>th</sup> Meeting held on 26 June 2003] *approved* the conclusions circulated in document CC 241 with regard to the reports reviewed by the Investment Group on Investment Climate and Market Structure issues in the energy sectors of Georgia and Mongolia [Annex].

Keywords: ICMS, Georgia, Mongolia

**Conclusions on Investment Climate and Market Restructuring  
Reports on Georgia and Mongolia**

as adopted by the Energy Charter Conference  
at its 12<sup>th</sup> Meeting held on 26 June 2003

**The Charter Conference,**

Having heard the report from the Investment Group with respect to the Reports on Investment Climate and Market Structure from Georgia (ICMS-11) and Mongolia (ICMS-12).

**NOTED**

- a) That the reviews have shown some progress in the legislative framework, in particular by adopting a number of energy-related laws and regulations, enhanced transparency and further steps towards restructuring and privatisation of the energy sector in the reviewed countries.
- b) That the reviews have helped to clarify the existence and content of a number of non-conforming measures in accordance with Article 10 (5) of the Treaty, resulting in the modification of one existing exception (Mongolia), and the notification of one new exception (Georgia) in the “Blue Book”.
- c) In particular, with respect to:
  - (i) *Georgia*
    - Took note with satisfaction of the overall favourable climate for foreign investment in Georgia and its leading role among former Soviet Union countries in developing legal infrastructure for foreign investment;
    - Supported the Georgian authorities’ continuous efforts in improving its macroeconomic conditions in line with the IMF programme approved in January 2001 and promoting the privatization plan;
    - Took note of Georgia’s strategic role as a gateway for transportation of energy resources in the Caucasus region and noted that active investment in transportation infrastructures in this region could contribute to stabilize the flow of energy resources between producers in Central Asia and consumers;
    - Welcomed the progress in restructuring of electricity and natural gas markets and also supported the Georgian authorities’ efforts in improving the business environment with the assistance of management consultants;
    - Encouraged the government of Georgia to promote further transparency in its legislative environment in relation with the obligations of Energy Charter Treaty and related instruments;
    - Requested the government of Georgia to register the non-conformity measure, which was found in the course of the review, as an exception to the national treatment so that it could become public through listing in the Blue book.

(ii) *Mongolia*

- Welcomed the efforts of the Mongolian authorities to create a favourable investment climate for foreign investors in the energy sector;
- Welcomed the adoption of a new Energy Law in 2001 as the legal base for the restructuring of the energy sector, and the establishment of an independent Energy Regulatory Authority (ERA);
- Welcomed the launching of the process of unbundling electricity generation, transmission and distribution companies as a first step in the process of restructuring, and encouraged the Mongolian authorities to start the privatisation of power generation and distribution companies with a view to make the energy sector financially self-sustainable in the framework of the “Mongolia Sustainable Energy Sector Development Strategy (2002-2010)”;
- Encouraged the Mongolian authorities to take measures aimed at reducing the high energy intensity of the Mongolian economy;
- Encouraged the Mongolian authorities to resolve, in particular, the issue of inter-company arrears, to introduce tariff adjustments to the level of cost recovery, to reduce non-technical losses at distribution networks, and to improve the billing system;
- Encouraged the Mongolian authorities to further reduce and simplify procedures for registration and the issue of licenses;
- Agreed to the suggestion of the Mongolian authorities to modify its exception concerning the acquisition of real estate as reported in the “Blue Book” to reflect recent legislative changes, which, however, have not resulted in further investment liberalisation.