

**ENERGY CHARTER
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Related documents: CC 272, CC 278

DECISION OF THE ENERGY CHARTER CONFERENCE

Subject: Conclusions on Investment Climate and Market Structure Reports on Armenia and Romania

[The Energy Charter Conference at its 14th Meeting held on 15 June 2004] *approved* the conclusions circulated in document CC 272 with regard to the reports reviewed by the Investment Group on Investment Climate and Market Structure issues in the energy sectors of Armenia and Romania [Annex].

Keywords: ICMS, Armenia, Romania

Conclusions on the Reports on Investment Climate and Market Structure Issues from Armenia and from Romania

as adopted by the Energy Charter Conference
at its 14th Meeting on 15 June 2004

The Charter Conference,

Having heard the report from the Investment Group with respect to the Reports on Investment Climate and Market Structure from Armenia (ICMS-16 – in-depth review) and Romania (ICMS-17)

WELCOMED

The new procedure of in-depth ICMS-Reports prepared by the Secretariat, which can significantly contribute to further increase the quality of reviews, and which should therefore be conducted more frequently in the future;

NOTED

- a) That the reviews have shown 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 non-conforming measure in the “Blue Book”
- c) In particular, with respect to:
 - (i) *Armenia*
 - Took note with satisfaction that the Armenian economy has been growing strongly in recent years, that a very open trade regime has been put in place, and that a comprehensive stabilisation and structural reform programme has been successfully implemented;
 - Expressed its hope that the necessary conditions for economic development in the region be put in place, and encouraged all parties involved to take steps in this direction;
 - Welcomed that the Armenian government made important steps in creating an attractive and non-discriminatory investment climate, and encouraged the Armenian authorities to continue building up a track record of good governance and to implement the existing legislative framework effectively.
 - Took note with satisfaction that the energy sector of Armenia is now fully operational, and encouraged the Armenian authorities to complete the restructuring and privatisation of the electricity and natural gas sectors.

- Encouraged the Armenian authorities to establish a timetable for the privatisation of the remaining state enterprises in the electricity generation sector in order to increase efficiency, and to adopt and implement effective competition rules;
- Welcomed the establishment by the Armenian authorities of an independent regulator for the electricity, natural gas and district heating sectors, and in particular the role of the regulator in mitigating the effects of the current monopolistic structure in the gas transmission and distribution sectors, while at the same time recognising that the small size of the Armenian market makes it difficult to attract supplies from alternative sources.
- Acknowledged with satisfaction that significant progress has been made in streamlining the licensing process, eliminating cross-subsidies and establishing cost-reflective pricing and tariff structures, and encouraged the Armenian authorities to improve transparency and dealing at arm's length.

(ii) *Romania*

- Acknowledged the considerable progress of Romania towards a full-functioning market economy as reflected in its recent macroeconomic performance, and its increasing attractiveness for foreign investors;
- Welcomed the efforts of the Romanian authorities to establish an open and non-discriminatory legal framework for foreign investment, and the recent legislative changes facilitating the acquisition by foreigners of real estate, resulting in a narrowing of the only existing exception that Romania maintains in the “Blue Book”;
- Noted that further steps need to be taken to improve the investment climate, in particular with regard to reducing the high level of bureaucracy and other administrative barriers for foreign investors, the fight against corruption, and private sector development;
- Welcomed the “National Strategy for the Energy Development” and the “Energy Road Map” of the Romanian authorities aiming at the establishment of a more commercial, transparent and cost-reflective environment in the energy sector that is integrated into the European market, and where prices be formed in free competition between a diversity of suppliers and customers;
- Acknowledged that the “Energy Road Map” has set up a timetable for the liberalisation of the electricity and natural gas markets in conformity with the *acquis communautaire* of the European Union, and that the Romanian authorities intend to complete the privatisation of the electricity distribution sector by 2004, while encouraging the Romanian authorities to privatise the electricity production sector to a larger extent than currently intended (25–40%);
- Encouraged the Romanian authorities to accelerate the further opening of the internal natural gas market, and to move ahead with the privatisation of the existing state companies in the gas distribution and supply sector;
- Encouraged the Romanian authorities to complete the privatisation of the state-owned oil company “Petrom S.A.” without delay.