

**ENERGY CHARTER  
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Brussels, 20 November 2006

Related documents: CC 319, CC 326
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**DECISION OF THE ENERGY CHARTER CONFERENCE**

**Subject: Conclusions of the In-Depth Reports on Investment Climate and Market Structure (ICMS) for the Republic of Turkey and the former Yugoslav Republic of Macedonia**

[The Energy Charter Conference at its 17<sup>th</sup> Meeting held on 20 November 2006 approved conclusions with regard to the reports on the Investment Climate and Market Structure of FYROM and of Turkey, on the basis of the proposals circulated in document CC 319.

There was one change introduced to the policy conclusions in relation to the report on the Republic of Turkey; the final conclusions as adopted by the Conference are attached in Annex.]

Keywords: ICMS, Turkey, FYROM, Macedonia

## **Policy Conclusions to the In-Depth Report on the Investment Climate and Market Structure in the Republic of Turkey**

as adopted by the Energy Charter Conference  
at its 17<sup>th</sup> Meeting held on 20 November 2006

### **The Charter Conference,**

Having regard to the Report from the Investment Group with respect to the In-depth Review on Investment Climate and Market Structure of the Republic of Turkey

### **NOTED**

a) That the Republic of Turkey has recently gone through a profound reform program and has been establishing a promising investment climate complemented by advanced level in market creation in its energy sector; and that the improved legal framework for foreign investors has boosted the investor confidence, and the legislative changes have constituted an adequate legal and regulatory basis for a competitive market structure in the energy sector,

b) In particular:

- Welcomed the achievement of the reform programs of the Republic of Turkey in the energy sector which already complies with the minimum standards of EU's *aquis communautaire* regarding restructuring and liberalisation, even exceeding them in many instances;
- Took note with satisfaction that serious steps have been taken in the energy sector towards a regulatory system that is less prone to political interference, is more transparent, and is directed at the implementation of measures needed for the creation and effective regulation of a fully competitive energy market;
- Appreciated the fact that reform programs have assured the attraction of local and foreign investors for new investments, and noted that Turkey has been one of the major supporters of the Athens Process, which has led to the establishment of an energy community in Southeast Europe;
- Encouraged the Turkish authorities to make further efforts to add to and achieve the effective implementation of the legislation in place, while addressing the room for furthering the reform activities towards good corporate governance and improved bureaucracy, which would help boost investor confidence;
- Noted with satisfaction that the privatisation process in the oil sector is complete and there is currently a liberal market regime already fully in place, and also that an ambitious restructuring and privatisation program is pursued in the electricity sector, and that the privatization of the natural gas sector is already established in certain segments and is continuing; encouraged the authorities to assure that delays in the privatization of electricity distribution do not block the effective implementation of the reform program and hamper investor confidence and the required new private investments under the market regime;

- Took note of the geographical importance of Turkey and its role in bridging the east and west in the energy sector, and in this respect acknowledged the role of the country as an energy corridor and a trading partner between the energy rich countries and the markets by referring to the projects already in service and the ones that are currently being developed, noting the importance of greater transparency and non-discrimination in such projects, including for transit-related issues;
- Acknowledged that it is a difficult task to strike a balance between competitiveness and supply security, and to make sure that an acceptable supply-demand balance is guaranteed on the emerging national liberalised and competitive markets, welcomed the efforts to address the potential energy supply-demand balance difficulties and appreciated the drive to realize new investments under the new liberal regime, while trying not to undermine supply security.
- Noted that demand-side measures regarding energy savings and efficiency should strongly be addressed in the energy policies, and welcomed the recent legislative efforts in this context.

## **Policy Conclusions to the In-Depth Report on the Investment Climate and Market Structure in the former Yugoslav Republic of Macedonia**

as adopted by the Energy Charter Conference  
at its 17<sup>th</sup> Meeting held on 20 November 2006

### **The Charter Conference,**

Having regard to the Report from the Investment Group with respect to the In-depth Review on Investment Climate and Market Structure of the former Yugoslav Republic of Macedonia (hereinafter “Macedonia”<sup>1</sup>)

### **NOTED**

a) That the Review of Macedonia has shown great progress in many important areas in line with the Charter Conference’s policy conclusions adopted in 2000 to Document IC-2 (Investment Climate Report). The legal framework for foreign investors has been improved and there is now an established legal and regulatory basis for a competitive market structure in the energy sector,

b) In particular:

- Welcomed the emphasis of Macedonia’s energy policy on the adoption of EU’s *aquis communautaire* regarding restructuring and liberalisation, while assuring the attraction of foreign investors for new investments, and noted with appreciation that Macedonia is also a member of the Athens Process, which has led to the establishment of an energy community in Southeast Europe;

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<sup>1</sup> The State to which this report relates has been admitted to membership of the United Nations under General Assembly Resolution 47/225 as the former Yugoslav Republic of Macedonia.

- Encouraged the Macedonian authorities to make further efforts to add to and achieve the effective implementation of the new legislation in place, and to assure the full protection of investors' rights, good governance and corporate management, which are needed to improve investor confidence. The authorities are also encouraged to reduce bureaucracy, improve SME access to finance, secure better transparency, and implement further regulatory reforms;
- Noted with satisfaction that the privatisation process in the oil sector is complete, and also that the privatisation of the electricity sector has started and the privatization of the natural gas sector is to follow;
- Took note with satisfaction that serious steps have been taken in the energy sector towards a regulatory system that is less prone to political interference, is more transparent, and is directed at the implementation of measures needed for the creation of a competitive market, but also noted that further consistent action is needed, including the improvement of the collection rate;
- Welcomed the effort to make sure that an acceptable supply-demand balance is maintained on the emerging national liberalised and competitive markets, and noted that fuel diversification and reducing dependence on external resources are strong reasons for promoting energy savings and usage of renewable energy resources; priorities would also include increasing the penetration of natural gas;
- Took note of the intention of the Macedonian authorities to accelerate the process of definition of a new Energy Strategy in cooperation with the international community.