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Related documents: CC 397, CC 407
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**DECISION OF THE ENERGY CHARTER CONFERENCE**

**Subject: Conclusions on Follow up Investment Climate and Market Restructuring Reports on Bulgaria and Bosnia & Herzegovina**

[The Energy Charter Conference at its 21<sup>st</sup> Meeting held on 24<sup>th</sup> November 2010] *adopted* the conclusions proposed by the Investment Group with regard to the Investment Climate and Market Structure Reports of Bulgaria and Bosnia and Herzegovina, as contained in document CC 397 (*Annex*).]

Keywords: ICMS, Bosnia and Herzegovina, Bulgaria

## **Conclusions on Follow up Investment Climate and Market Restructuring Reports on Bulgaria and Bosnia & Herzegovina**

as adopted by the Energy Charter Conference  
at its 21<sup>st</sup> Meeting on 24<sup>th</sup> November 2010

### **The Charter Conference,**

Having heard the report from the Investment Group with respect to the Reports on Investment Climate and Market Structure from Bulgaria (ICMS-47) and Bosnia & Herzegovina (ICMS-49).

### **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 and further steps towards restructuring and privatisation of the energy sector in the reviewed countries.

b) In particular, with respect to:

#### *(i) Bulgaria*

- Took note with satisfaction of the overall favourable climate for foreign investors in Bulgaria, and the considerable progress achieved in the restructuring and privatisation of its energy sector in recent years;
- Encouraged to continue liberalization of the electricity sector with introducing greater competition among all supply chain & allowing consumers to choose supplier in practice;
- Encouraged to continue liberalization of the gas sector with introducing greater competition & addressing high concentration of market power (monopolies);
- Welcomed measures taken to facilitate greater inter-connectivity of state gas transmission pipelines to ensure that Bulgaria has access to multiple gas supplies at competitive prices;
- Welcomed efforts aimed at greater integration within the regional energy market. New supply sources and interconnections will help diversify supply, enhance market performance, efficiency and transparency;
- Welcomed plans to facilitate improvements in fuel supply chain and storage facilities to ensure sufficient capacity to meet demand for fuel & greater use of natural gas at a household level;
- Noted efforts of Bulgaria in establishing conditions for competition in the energy sector of the country, improving the pricing mechanisms and the market structure, and introducing advanced regulatory practices;
- Welcomed steps to improve the investment climate but noted that more efforts are required, particular in streamlining issue of construction and environmental permits;
- Took note with satisfaction of introduced amendment of the existing non-conforming measure in the “Blue Book” relating to the acquisition of real estate which represents certain liberalisation measures in connection with accession of Bulgaria to the European Union;
- Noted that the level of private capital in the Bulgarian energy sector is significant & might increase even further through privatization in the future;

- Encouraged more consistent measures in the creation and the assurance of stable conditions that facilitate investment, in particular improving governance and the actual implementation of the rule of law;
- Encouraged to promote the adoption of demand-side measures that contribute to more efficient energy use and improved use of existing infrastructure;
- Took note of the efforts to continue balancing regulated electricity prices to ensure public interest and provide a solid basis for return on investments & implementation of mandatory investment programs;
- Encouraged to ensure energy affordability through a targeted support to the poor segments of population;
- Encouraged further development of the energy market and the regulatory arrangements that encourage energy industry developments that minimise growth in greenhouse gas emissions.

(ii) *Bosnia & Herzegovina*

- Took note with satisfaction of the significant improvement in the investment climate of the country and underlined the importance of continued efforts towards decisive implementation of existing reform programs while in pursuit of further reforms;
- Paid special attention to the increased investor confidence in the country thanks to stability brought into the country in recent years; and acknowledged the importance of providing investors positive signals through continued stability in the country which may be enhanced further by the new political climate following the elections this year;
- Underlined the huge potential for an important role by international community in contributing to investment climate through entering into dialog with all stakeholders and cooperation in the energy sector, together with a perspective in ensuring better integration toward regional energy market;
- Welcomed the extensive efforts to ensure an efficient energy market in the country while trying to cope with practical and structural difficulties resulting out of the constitutional framework and the features of multi-polar dimensions in daily management of energy sector activities;
- Encouraged taking further steps toward achieving a more cohesive governance structure accompanied with confidence building measures that may be realized through effective contributions by the international community;
- Emphasised the huge hydro potential in the country that remains untapped which presents an important and sizeable export potential for transboundary energy trade in the region and EU;
- Drew attention to introducing a more efficient system towards ensuring effective public expenditures and more streamlined efforts for maintaining an effective regime of social contributions;
- Supported the promotion of market economy driven reforms and speeding up of efforts to alleviate bureaucratic obstacles and to continue reforming of the judiciary;
- Encouraged to continue endeavors aimed at integration within the regional energy market, while acknowledging further the active role of the country toward integration of regional markets especially in the north-south electricity networks, and appreciated that it has actively participated in trans-boundary electricity cooperation initiatives;

- Took note that new supply sources could help diversify supply, enhance market performance, efficiency and transparency;
- Encouraged to promote the adoption of demand-side measures that contribute to more efficient energy use and improved use of existing infrastructure, and to support use of the renewable potential;
- Encouraged to establish cost-reflective tariffs and to implement phasing-out of cross-subsidies;
- Encouraged enactment of the natural gas law to realise the potential in increased use of natural gas, together with attaching priority to develop further the gas distribution and transmission networks.