

**ENERGY CHARTER
SECRETARIAT**

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Brussels, 20 November 2014

Related documents: CC 508

DECISION OF THE ENERGY CHARTER CONFERENCE

Subject: Adoption by written procedure of the Policy Conclusions and Recommendations of the In-depth Review on Investment Climate and Market Structure (ICMS) in the Energy Sector of Armenia

By CC document 508, dated 30 October 2013, delegations were invited to approve the Policy Conclusions and Recommendations of the In-depth Review on Investment Climate and Market Structure (ICMS) in the Energy Sector of Armenia. As specified by Rule 20 of the Rules of Procedure (CC 53 corr. 2) concerning the adoption of decisions by correspondence, members of the Energy Charter Conference were informed that any delegation that wished to object to this proposal should notify the Secretariat of its position in writing not later than 20 November 2014.

Having received no objections within the specified time limit **on 20 November 2014** the Energy Charter Conference

Taking into account the decision by the Investment Group that convened on 14 October 2014 in Brussels regarding the Policy Conclusions and Recommendations arising from the In-depth Review on Investment Climate and Market Structure in the Energy Sector of Armenia (ICMS 66 and ICMS 67),

NOTED

- a) that Armenia has been successfully progressing with institutional and structural reforms aimed at liberalising the energy sector which has led to a better investment climate for investors. Armenia has a well established and functioning energy sector

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with stable energy supply and services extended to all local population and economy sectors;

- b) that the In-depth Review has shown that Armenia honours its commitments under the Energy Charter Treaty (ECT). The Review has confirmed the existence of only one exception, under Article 10 (5) of the Treaty, that limits access to land to foreign investors. The confirmed exception will be updated in the “Blue Book” of the Energy Charter;
- c) and, in particular,
- welcomed steadily improving investment climate in Armenia which recently included establishment of one-stop-shop system for business registration and other reforms. The Government is advised to continue targeted reforms aimed at creating a better environment for private and foreign direct investment by strengthening institutions, simplify procedure of paying taxes, enforcing contracts and improving trading across borders.
 - took note with satisfaction that the legal system of Armenia provides a National Treatment regime based on non-discrimination to foreign investors. It is noted that foreign nationals cannot own land with legal registration the country. The Foreign Investment Law of Armenia is currently under revision which should be implemented under transparent consultation procedures involving broad public and investors.
 - noted that Armenia has developed a comprehensive legislation for investors in the energy sector and currently revising the National Energy Strategy. Taking into account strong energy dependency o Armenia, the Government is invited to consider various policy measures to reduce energy dependency and increase security of supply through development of local energy sources.
 - noted that Armenia is planning to shut down the existing nuclear power station by 2026. The Government plans to construct a new nuclear station with participation of foreign investors. There are also needs for investments to upgrade aging infrastructure in the generation sector and transmission networks to keep security of supply.
 - drew attention that Armenia has partially liberalised its electricity sector through unbundling of production, transportation and distribution. Foreign investors are present on generation and distribution sectors. The Government is invited to further improve competition to allow more secure national supply and adequately promote exports by taking advantage of unused cross-border transmission capacity and spare generation capacity.
 - emphasised that the potential of Armenia in the electricity sector could be further facilitated by improved interconnections with countries in the region. The Government is advised to consider participation in a regional task force on a technical level to address issues of electricity interconnections among countries in the region of Caucasus with a view to the creation of a regional electricity market in a long term future.

- encouraged the Armenia Renewable Energy and Energy Efficiency Fund to prepare Energy Efficiency Action Plan in accordance with the best practice of the Energy Community countries. It is advised to consider introduction of energy efficiency standards in the construction sector and promote financing schemes to allow more rapid improvements in existing and new buildings.
- took note with satisfaction that over the last years the Government has successfully supported the development of small hydro power energy. Based on the experiences the Government is advised to extend similar support and regulatory framework for development of other renewable energy sources (RES) and in particular wind, geothermal and solar energy sources. It is recommended to take a stepwise approach in to introducing a transparent auction system for additional RES capacity in a short term and expand feed-in tariffs system for long term.
- recommended that new RES projects to be connected to the grid on a priority basis by the system operator and to eliminate the requirement of constructing transmission lines up to existing grid infrastructure by RES investors. Furthermore it is advised to increase capacities of the local financial institutions in providing innovative financial products for small scale RES projects. There is need to increase knowledge among renewable energy project developers on application of modern technologies and improve awareness on RES through a broad public education campaign.
- underlined that the economy sectors and electricity generation in Armenia are strongly dependent on the supply of natural gas. The affordability of gas prices will remain a challenge in the mid and long term future. It is advised to introduce energy saving programme in the gas sector through a modernisation program and more wide use of new energy saving technologies. The natural gas transportation network is not fully utilised. There are space capacities in the transportation system that could be used which is subject to improved regional cooperation.
- invited the Government to promote individual use of solar water heaters and energy efficiency measures in the building sector that would result in gas savings. The Government is also advised to investigate possibilities to use geothermal energy for electricity production and the heating sector where it is economically and technically feasible.