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Speech Urban Rusnák
Secretary General of the Energy Charter Secretariat

Your Excellencies, ladies and gentlemen,

I warmly welcome all of you to the launch of the Energy Investment Risk Assessment Report 2018, or in short: EIRA 2018. I would like to thank Vice-President Maroš Šefčovič and Director General Michael Losch, representing the EU, for their encouraging words. We are grateful that you have found time to join us at this event. We appreciate the support received from the European Union and the whole Energy Charter constituency throughout the preparation of the EIRA Report.

Your Excellencies, ladies and gentlemen,

Before I say something about #EIRA2018, I would talk about the modernisation of the Energy Charter Treaty. As I am presenting EIRA today, I will keep this limited. But unlike only one year ago, when this topic of Treaty modernisation was still a taboo, currently first talks
are going on between our Member countries exploring this option. You can imagine that in these times with challenges for multilateralism and with so many countries and opinions, we need to take a step-by-step approach for this. It is my personal wish that by the end of 2019 I can announce to you that negotiations on modernisation of the Treaty will officially start.

As you may know, the Energy Charter Treaty of 1994 establishes a multilateral framework for energy cooperation. It also covers issues of investment protection, free flow of energy and a dispute settlement mechanism in a comprehensive manner.

The Energy Charter Secretariat was established in the nineties, to monitor the application of the Energy Charter Treaty, and serve its 53 Contracting Parties and more than 40 observer countries. Over the years, the Secretariat has sought ways to actively assist its Members and Observers in ways that are meaningful to them. In this context, it is my honor to present the first edition of our publication, the Energy Investment Risk Assessment, designed by the Secretariat for the benefit of governments, policy-makers and investors.
Your Excellencies, ladies and gentlemen,

What is EIRA?

EIRA is a publication aimed at helping countries develop effective strategies to ensure investors’ confidence is established and retained over time. EIRA contains individual country profiles which highlight specific policy, legal and regulatory risks related to energy investment, and how these risks can be mitigated through government action.

EIRA is based on the core values of the Energy Charter Process: building confidence, promoting open markets, and strengthening the rule of law.

What is it not?

EIRA is not an economic analysis; nor does it assess geopolitical or technological issues, or natural hazards. One cannot assess country risk by using EIRA only. EIRA provides a specific perspective, which complements other perspectives like other economic and political publications do.

While the scope of EIRA is quite specific, its application is very comprehensive covering investment across the entire spectrum of the energy sector. The key benefits EIRA aims to deliver include:
• Helping governments to diagnose key strengths and weaknesses in their policies, laws and regulations, and develop strategies that will reduce the examined risks;
• Reviewing the performance of the assessed countries periodically and, over time, tracking progress in the regulatory environment and reduction of the associated risks;
• Promoting a robust and resilient investment environment, including a level playing field for domestic and foreign investors in the energy sector;
• Providing potential investors with an overview of the regulatory risk level in the participating countries.

EIRA provides a snapshot of the countries’ policy and regulatory framework. Therefore it evaluates the situation in the country on the 1st of April of the year. When new policies or regulations enter into force later in the year, it will be counted in the next edition.

Your Excellencies, ladies and gentlemen,

The three risk areas assessed by EIRA are:

1. Unpredictable policy and regulatory change,
2. Discrimination between domestic and foreign investors,
These are the risks we identified to investment in energy and which are related to the policy and regulatory framework. These are risks which can be lowered by government action.

As you can see on the slide, four indicators were selected to assess the risks I mentioned. These four indicators are the pillars of the methodology. The indicators reward countries for taking positive measures for sound regulation and efficient processes. They capture the ability to cope with the risks through various positive measures such as the adoption of predictable policy objectives, transparent decision-making, the establishment of strong public institutions, and the successful resolution of disputes with foreign investors.

Your Excellencies, ladies and gentlemen,

The foundation for EIRA 2018 was laid in 2016 and 2017. In 2017, the Secretariat prepared the first non-public version of EIRA with 9 countries that volunteered to participate in it. This pilot was useful in testing the EIRA methodology, which was discussed extensively with government representatives of our Members and Observers, and was reviewed by international organisations and industry. It was well-received by the Energy Charter Conference and the work was welcomed by our Industry Advisory Panel.
Following this, the Conference requested the Secretariat to develop the first public edition of this Energy Investment Risk Assessment, which we are releasing today.

EIRA 2018 contains 30 profiles of countries from our broader constituency that span three continents: Europe, Africa and Asia. These profiles can be further broken down in 20 Members and 10 of our Observers. In addition to thanking the participating governments, I would like to thank the little army of external contributors – more than 230 in number – for their willingness to be part of this project on a pro-bono basis.

Your Excellencies, ladies and gentlemen,

At this point, I would like to highlight some key reflections that we can derive from EIRA 2018:

1. Firstly, energy transition is an inevitable reality. EIRA aims to help governments accept this reality and encourages them to deal with the uncertainties linked to such a transition. Through the report we could observe that countries across the globe are already taking steps in this direction by integrating energy transition in their long-term policy planning. For instance,
Eswatini and Mongolia have set energy sector targets and action plans which take this factor into account.

2. Secondly, it is important to acknowledge that investments take place in resource rich countries even when they do not have adequate legal and regulatory frameworks in place. For this reason, we sometimes find that resource rich countries are less motivated to improve their regulatory environment. Conversely, countries which lack resources strive hard to create robust regulatory structures which will attract the needed investment. A country which follows a uniquely balanced approach in this regard is Norway. Along with the wealth of its resources, it also has a legal and regulatory regime which is exemplary.

3. Finally, I would like to highlight the positive role of the basic principles of the Energy Charter Treaty, which are also reflected in EU practices, in shaping energy sector policies across various countries. For instance, various EU neighbouring states are espousing these principles to improve their respective investment climates. Indeed, some principles, such as granting energy regulators financial and operational independence, have also been subscribed to by countries in other corners of the world. Rwanda, for example, is already making efforts in this regard.
Your Excellencies, ladies and gentlemen,

I hope that countries will utilise the findings of our report, so next year we can see progress and identify trends based on our continued cooperation with governments already taking part and new countries joining the publication.

What are the next steps?

EIRA is intended to be an annually recurring publication. By continuing their participation countries can track their individual progress over time.

It is my personal intention to also grow the number of countries participating. Countries participate in EIRA on a voluntary basis, thereby showing their intention to enhance their investment climate for the energy sector.

Currently we are facing a risk of under-investment in the energy sector. As countries are transitioning to sustainable energy systems, new demands are being placed upon regulatory structures. Policies have to be well-communicated and predictable enough to deal with the uncertainties and risks. We all know that Government policies play a big role not only for public, but also in private spending. I do not claim that EIRA offers a panacea to the problem of under-
investment in the energy sector. But I would like to believe it helps governments to work in the right direction, in particular as the publication will develop over time.

I am looking forward to the discussions today and to receiving your reactions on EIRA 2018.

A word of thanks to the EIRA-team of the Secretariat and the Assistant Secretary-General Masami Nakata. And once again, thank you to the participating governments and all external parties involved.

I thank you for your attention and wish you joyful discussions. I am happy to answer some first questions.