ENERGY INVESTMENT RISK ASSESSMENT OF ARMENIA
Double Tree Hilton Hotel, Yerevan
7 November 2017

CONCLUSIONS OF THE HIGH-LEVEL ROUND TABLE ON
MITIGATING INVESTMENT RISKS IN THE ENERGY SECTOR OF ARMENIA

On 7 November 2017, the Deputy Minister of Energy Infrastructure and Natural Resources, Mr. Hayk Harutyunyan convened a high-level round table on "Mitigating Investment Risks in the Energy Sector of Armenia". High-level representatives from the government, industry, international financial institutions, international organisations and the business community participated in the round-table and discussed potential improvements in Armenia's investment climate in the energy sector.

Investment has been a vital ingredient of Armenia's energy policy, which includes among others the development of indigenous energy resources, especially renewable energy, and energy diversification. To this end, Armenia has undertaken liberalisation and reform efforts in order to further reinforce its policy and legal framework, and attract thereby additional foreign investments.

Armenia takes part in the European Union’s EU4Energy initiative. EU4Energy is a technical assistance programme designed to support EU Eastern Partnership countries to improve energy supply, security and connectivity, as well as to promote energy efficiency and the use of renewables in the region. The Energy Charter Secretariat is EU4Energy implementing partner for Armenia, Belarus and Azerbaijan. Current activities for Armenia include unlocking its energy efficiency potential and assessing investment risk for the energy sector.

On the latter the Energy Charter Secretariat has been working closely with the Ministry of Energy Infrastructures and Natural Resources in assessing the legal and regulatory barriers and risks hindering investments in the energy sector. The overall assessment of Armenia's strengths and weaknesses has been conducted with the purpose of assisting Armenia to remove remaining policy, regulatory and legal bottlenecks and attract foreign investment.

During the roundtable the Energy Charter Secretariat presented the findings of the assessment and put forward the following key recommendations:

1. The creation of a standing (permanent) inter-ministerial body on investment in Armenia’s energy sector.
2. The establishment of a permanent forum for frequent communication with investors.
3. The reinforcement of the energy regulatory body, including clear terms for its commissioners and less restrictive rules for import and export transactions.
4. Finally, the establishment of an ombudsman to be in charge of investigating and handling complaints from foreign investors may prove to be crucial in terms of both pre-empting disputes as well as settling grievances in an objective and timely fashion.
These recommendations were discussed, in addition to key strengths and areas of improvement of Armenia’s energy sector, and an inventory was made of potential improvements to stimulate investments in renewable energy. The participants of the round table welcomed the recommendations and concluded that:

- there was a general pessimism on a new formal inter-ministerial committee. However, the need for improved interagency coordination could be achieved through a permanent group which is to be established as a consultative body to address energy investments. This would need to be an informal and inclusive body, composed of government, investors and international financial institutions. In order to further improve Internet consultations, translation of draft laws relevant to foreign investors has to be seriously considered.

- following recent adoption of the amendments to the Law on the PSRC (Public Services Regulatory Commission) these will be in effect by early 2018, which regulates fixed terms for the PSRC’s commissioners.

- the electricity market liberalisation process which is accompanied by a number of legal amendments to multiple laws, is expected to significantly simplify the trading activities, making the licensing and trading procedures faster, more flexible and with license costs decreased by 5 times. These amendments will take effect in 2018.

- investments in renewable energy can be further stimulated by a new model agreement for power-purchases, which is to be published by the PSRC. Moreover, the PSRC is considering different options to improve the tariff setting methodology and reassure investors that there would not be changes in tariffs which would have a negative impact on existing licenses.

- the establishment of an ombudsman or a similar clearly visible body (outside of government executive powers), which can act as a central body for collecting and dealing with grievances, is considered as beneficial for dispute prevention and settling grievances.

Deputy Minister Hayk Harutyunyan embraced the outcomes of the round table discussions and concluded that the implementation of recommendations and the actions which were agreed by the participants may be considered for inclusion to the EU4Energy Programme of Work for Armenia in 2018.