

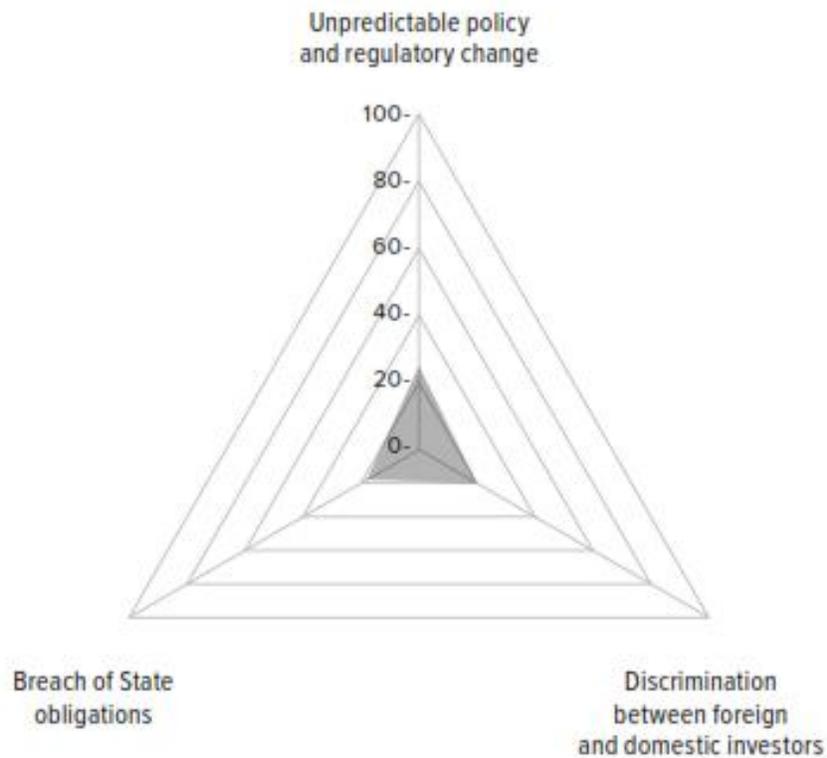
## Armenia and the Energy Charter - cooperation within the Chairmanship

As a follow-up to the [Yerevan International Energy Charter Forum "Facilitating Energy Infrastructure for Sustainable Development"](#) that took place on 16 June 2021, the Armenian Government and the Energy Charter Secretariat attempted to evaluate and quantify some preliminary results of the joint work over the last years and the ongoing cooperation within the Armenian Chairmanship in 2021.



Source: r2e2.am

Armenia has recently demonstrated progress in strengthening the energy and investment legal and regulatory frameworks and mitigating investment risks in the energy sector. For example, the Government of Armenia actively participated in the flagship project of the Energy Charter Secretariat, [the Energy Investment Risk Assessment \(EIRA\)](#). EIRA evaluates risks to energy investment that can be mitigated through adjustments to policy, legal and regulatory frameworks. It aims to identify policy gaps, provide learning opportunities, and stimulate reforms that make countries' investment climate more robust and reduce the risk of investor-State disputes. EIRA focuses on three risks: (1) unpredictable policy/regulatory change, (2) discrimination between domestic and foreign investors, and (3) breach of state obligations and identifies four indicators to measure these risks, e.g. the Figure below illustrates EIRA's assessment of risk level in Armenia in 2020.



Source: EIRA 2020

Between 2018-2020, Armenia participated in three successive publications of EIRA. For the third consecutive year, unpredictable policy and regulatory change have been assessed as the highest risk for the country. However, the risk level dropped by 3 points between 2018 and 2020, in particular, thanks to the 5-year Government plan for 2019-2023. The plan outlined the timeline for the development and adoption of several important policy documents. In January 2021, the Armenian government approved the Energy Sector Development Programme (the Strategic Programme) and the Action Plan until 2040. Notably, the programme envisions the full liberalisation of the electricity market based on the best international practice, and this process has already started.

The next important step for further enhancement of the regulatory framework is the development of an Energy Saving and Renewable Energy National Program for 2021-2030, and the 3<sup>rd</sup> National Energy Efficiency Action Plan stemmed from the Government plan.

Being a country with low energy access and having limited conventional resources, Armenia prioritises electricity generation from domestic renewable sources. By expanding both on- and off-grid renewable power generation, the country tackles energy dependency and creates conditions for a well-planned transition to a clean energy system. The Strategic Programme envisions a rapid

expansion of the share of renewables in the country's energy mix. One of the targets is that 15% of electricity production should come from solar by 2030.

The EIRA reports highlights that thanks to specific actions, the level of the risk of discrimination between foreign and domestic investors has lowered. Several factors have affected this; however, one of those was the increased score of the "management of decision-making process" indicator due to establishing a new Investment Support Center which also acts as a single window for potential investors. In addition, the newly established Armenian National Interest Fund's objective is to attract foreign investments in various sectors and crucial infrastructure for projects worth 10 million USD and above.

For three consecutive years, the risk for Breach of State obligations remains flat. The Armenian legislation outlines the framework for resolving disputes between the State and foreign investors and guarantees a well-defined mechanism for appealing against regulatory decisions.

Within the [EU4Energy Governance project](#), specific support was provided to Armenia, aimed to strengthen legislative and regulatory frameworks on energy and energy efficiency, improving government ministries and agencies' administrative and technical capacity and the stakeholders' communication and consultation processes. With the help of the Energy Charter Secretariat, the Armenian government enhanced policymaking and legislation, which would become the groundwork for Armenia's energy security, sustainable energy and energy markets in the years to come.

Together with the Ministry of Territorial Administration and Infrastructure, EU4Energy developed numerous guidelines, action plans and roadmaps to support the swift adoption of international best practice to enhance energy efficiency. In particular, EU4Energy project prepared and followed up on seven different proposals for the necessary legal and regulatory amendments related to energy efficiency in buildings, including enforcement and compliance procedures, energy auditing guidelines, nearly-zero energy buildings, eco-labelling requirements, buildings calculation methodology and related standards. When enacted, these documents will help improve living and working conditions in buildings as well as reduce domestic energy bills and GHG emissions.

EU4Energy also provided the Ministry of Territorial Administration and Infrastructure with an Action Plan focusing on developing a calculation methodology for the energy performance of buildings, guidance on practical steps needed to approximate the EU Eco-design and labelling directives and implementing regulations. The latter also includes recommendations on necessary changes in the legal, regulatory and institutional framework. Growing domestic electricity demand puts pressure on existing grid infrastructures and electricity supply in

Armenia. Nevertheless, this burden can be partially offset by demand-side energy efficient measures like adopting and enforcing minimum energy performance standards (MEPS) for certain electrical appliances. Estimates have shown that **by 2030** Armenia could save **8.5%** of its future national electricity use or **over 609 GWh** and the equivalent of **30 million USD** if it adopts international MEPS for five key energy-using products. To this end, EU4Energy has been working with Armenia to introduce regulations for labelling products' energy consumption and having them comply with MEPS.

The EIRA 2020 report introduced a new annexe that summarises actions taken by governments to address the improvements suggested in the previous editions of EIRA. It also contains recent statistics from the Orbis Crossborder Investment database on energy projects and deals completed between 2015-2020 providing background information on the investment trends, the target industries, the number of projects and deals completed in this timeframe, and their value. The efforts of the Government of Armenia are already visible - **646 mln EUR of new** investment in energy projects and deals completed in **2015-2020**.

Continuing the trend, recently, Abu Dhabi-based group Masdar sealed a deal with ANIF on developing a **400 MW** PV project with an estimated investment of around **320 million USD**. The efforts of Armenia to improve its legislative and regulatory frameworks have already yielded the first results, and the International Energy Charter stands ready to support the country's new initiatives. However, the overall success of Armenia in attracting foreign investments in the energy sector will also depend on the willingness to reform the energy sector and further implement the best international practice on energy governance.