INTERNATIONAL ENERGY CHARTER

EIRA

ENERGY INVESTMENT RISK ASSESSMENT

2024

COMMON RULES FOR **GLOBAL ENERGY SECURITY**

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ABOUT THE INTERNATIONAL ENERGY CHARTER

The Energy Charter Treaty (ECT) was signed in December 1994 at Lisbon and entered into force in April 1998. It establishes a unique multilateral legal framework to facilitate international energy cooperation. Its key principles, namely, openness of energy markets, investment protection and non-discrimination stimulate foreign direct investment and cross-border trade. As of 1 December 2024, the ECT has 47 Contracting Parties (including the European Union and Euratom).

The *International Energy Charter* is the informal working name of the Energy Charter Conference, its subsidiary bodies and the Energy Charter Secretariat. It was adopted in 2016 to reflect the global nature of the Organisation better.

The Energy Charter Conference is the governing and decision-making body of the Organisation. Each year its Chairmanship is entrusted to a different Contracting Party of the ECT. In 2024, the Hashemite Kingdom of Jordan holds the Chairmanship. The Members and Observers of the Energy Charter Conference represent governments and regional intergovernmental organisations from six continents, including all significant energy producing, transit and consuming regions.

The Energy Charter Secretariat is based in Brussels, Belgium. It is headed by the Acting Secretary-General, Atsuko Hirose. The main functions of the Energy Charter Secretariat include:

Providing administrative support and facilitating the work of the Energy Charter Conference and its subsidiary bodies;

Monitoring the implementation of the ECT;

Assisting governments in enhancing their investment climate through various instruments;

Offering support for dispute settlement and conflict resolution;

Developing regulation and model agreements for cross-border energy projects;

Organising capacity building and training sessions related to the ECT;

Assisting Observer countries with ECT accession.

FOREWORD

Mobilising financing to advance the global energy transition for the sake of climate change mitigation and adaptation, energy security, and economic development is not a matter of choice anymore but an urgent necessity.

In 2018, the Energy Charter Conference, the highest decision-making body under the Energy Charter Treaty, recognised the vital need for combating energy poverty and addressing climate change in the Bucharest Declaration while considering that investments in energy efficiency are one the most effective measures in alleviating energy poverty.

While it is encouraging to see the significant progress we have made in the last few years, the road ahead is long, and time is running out. During the 2024 UN Climate Change Conference (UNFCCC COP 29), countries updated the New Collective Quantified Goal on Climate Finance. The target now is to triple finance to developing countries, up from the previous goal of USD 100 billion annually to USD 300 billion annually by 2035. All actors are required to work together to scale up finance to developing countries, from public and private sources, to the amount of USD 1.3 trillion per year by 2035.

Given the daunting challenge ahead, adjustments to legal and regulatory frameworks and policy planning approaches are essential to ensure climate-compatible development, decarbonisation of hard-to-abate sectors, and mobilise financing to triple renewable energy and double energy efficiency by 2030.

Foreign direct investment in SDG-relevant sectors has – and will continue – to be critical to bridging the existing financing gap and facilitating knowledge and technology transfer. A stable and reliable legal framework is, therefore, crucial to encouraging and de-risking foreign direct investment in capital-intensive ventures that will advance the achievement of renewable energy and energy efficiency targets.

In this regard, the ongoing amendments to the Energy Charter Treaty deserve mention. These amendments aim to make the Treaty one of the most advanced international investment agreements by including in its scope new energy materials and activities, such as hydrogen, green ammonia, biomass and biofuels, and carbon capture, utilisation, and storage. The proposed addition of these energy materials aims to help countries mobilise private finance for energy storage systems and sustainable sources of renewable energy. It could also aid them in reducing emissions in key sectors and removing CO_2 to balance difficult-to-avoid emissions.

At the same time, providing countries with practical tools for risk analysis and mitigation is essential for proper investment planning. With this element of risk identification and mitigation in mind, the Energy Charter Secretariat has developed its flagship publication – the Energy Investment Risk Assessment (EIRA) – to assist governments by identifying legal and regulatory risks to energy investments and providing them with policy recommendations to mitigate them.

EIRA guides governments in adopting best practices, designing an enabling environment for investment inflows, and calibrating policy and regulatory decisions in a timely manner to ensure a smooth transition to clean and sustainable energy systems. At the same time, it informs the investor community about the most recent legal and regulatory changes made by governments in the energy sector so they can adapt their business models and approaches to these changes.

We hope that the recommendations provided to the countries participating in EIRA this year will allow them to implement practical policy measures to strengthen their legal and regulatory environment and, in turn, mobilise investments in clean energy technologies.

Through this report, the Energy Charter Secretariat hopes to support governments and the investor community in their efforts to find sustainable solutions for a faster, affordable, and just energy transition for all.

Finally, I would like to express my sincere gratitude to the countries and external parties participating in EIRA 2024. I hope that EIRA will pave the way for the growth of the Energy Charter constituency in the coming years and bring benefits to its members and observers.

Atsuko Hirose
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Energy Charter Secretariat
Brussels

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The Secretariat expresses its appreciation to the countries that volunteered for EIRA 2024. We thank the government-appointed focal agencies and other participating government institutions for their intensive engagement with us and valuable contribution to this year's report.

EIRA 2024 is made possible through the expertise and generous input of external partners who have contributed to the report pro bono. Intergovernmental organisations, legal and energy experts, members of the academia, financial institutions, think tanks, business consultants, accountants, and other professionals actively engaged in the participating countries provided the Secretariat with in-depth on-the-ground information and data.

The Secretariat is grateful to the Energy Charter Stretegy and Implementation Group delegates, peer reviewers, and the Energy Charter Industry Advisory Panel for their guidance and constructive feedback on enhancing EIRA's scope to cover new and emerging global energy issues. We hope that EIRA's comprehensive coverage will support governments in reducing risks to achieving the clean energy transition and help them meet their commitments under the Paris Agreement.

ABBREVIATIONS

BAU	Business As Usual
BIT	Bilateral Investment Treaty
CO_2e	Carbon Dioxide Equivalent
ECT	Energy Charter Treaty
EIRA	Energy Investment Risk Assessment
EU	European Union
EUR	Euro
FDI	Foreign Direct Investment
FiT	Feed in Tariff
GDP	Gross Domestic Product
GHG	Greenhouse Gas
ICSID	International Centre for Settlement of Investment Disputes
IEA	International Energy Agency
IIA	International Investment Agreement
kV	Kilovolt
KW	Kilowatt
LT-LEDS	Long-Term Low Emissions Development Strategy
MDA	Ministries, Departments and Agencies
MFN	Most Favoured Nation
MIGA	Multilateral Investment Guarantee Agency
MoU	Memorandum of Understanding
Mt	Million tonnes
MW	Megawatt
MWh	Megawatt-hour
NDC	Nationally Determined Contributions
NT	National Treatment
PPP	Public Private Partnership
PV	Photovoltaic
SDG	Sustainable Development Goals
UNFCCC	United Nations Framework Convention on Climate Change
UNDP	United Nations Development Programme
USD	United States Dollar
VAT	Value-Added Tax
Wh	Watt-hour
WTO	World Trade Organization

TABLE OF CONTENTS

ABOUT THE INTERNATIONAL ENERGY CHARTER i

FOREWORD ii

ACKNOWLEDGEMENTS iv

ABBREVIATIONS v

INTRODUCTION TO EIRA 1

RISK AREAS AND INDICATORS FOR EIRA 4

What are the risks assessed by EIRA? 4

How are the EIRA indicators selected? 4

What are the EIRA indicators? 5

Indicator 1: Framework for a sustainable energy system 6

Sub-indicator 1: Policy planning on clean energy transition 6

Sub-indicator 2: Enabling measures to support clean energy transition 6

Sub-indicator 3: Environmental protection, human rights and gender 7

Sub-indicator 4: Energy resilience 7

Indicator 2: Foresight of policy and regulatory change 8

Sub-indicator 1: Communication of vision and policies 8

Sub-indicator 2: Robustness of policy goals and commitments 8

Indicator 3: Management of decision-making processes 9

Sub-indicator 1: Institutional governance 9

Sub-indicator 2: Transparency and anti-corruption measures 9

Indicator 4: Rule of law (compliance with national and international obligations) 10

Sub-indicator 1: Management and settlement of investor-State disputes 10

Sub-indicator 2: Respect for property rights 10

Indicator 5: Regulatory environment and investment conditions 11

Sub-indicator 1: Regulatory independence 11

Sub-indicator 2: Electricity industry market structure and competition 11

Sub-indicator 3: Restrictions on FDI 11

EIRA METHODOLOGY 12

How are the respondents for EIRA selected? 13

What is the data collection and validation process for EIRA? 14

How are risks assessed in EIRA? 15

Scoring system 15

Country profile outline 16

COUNTRY PROFILES 19

Bosnia and Herzegovina 20

Nigeria 28

Rwanda 36

Vietnam 44

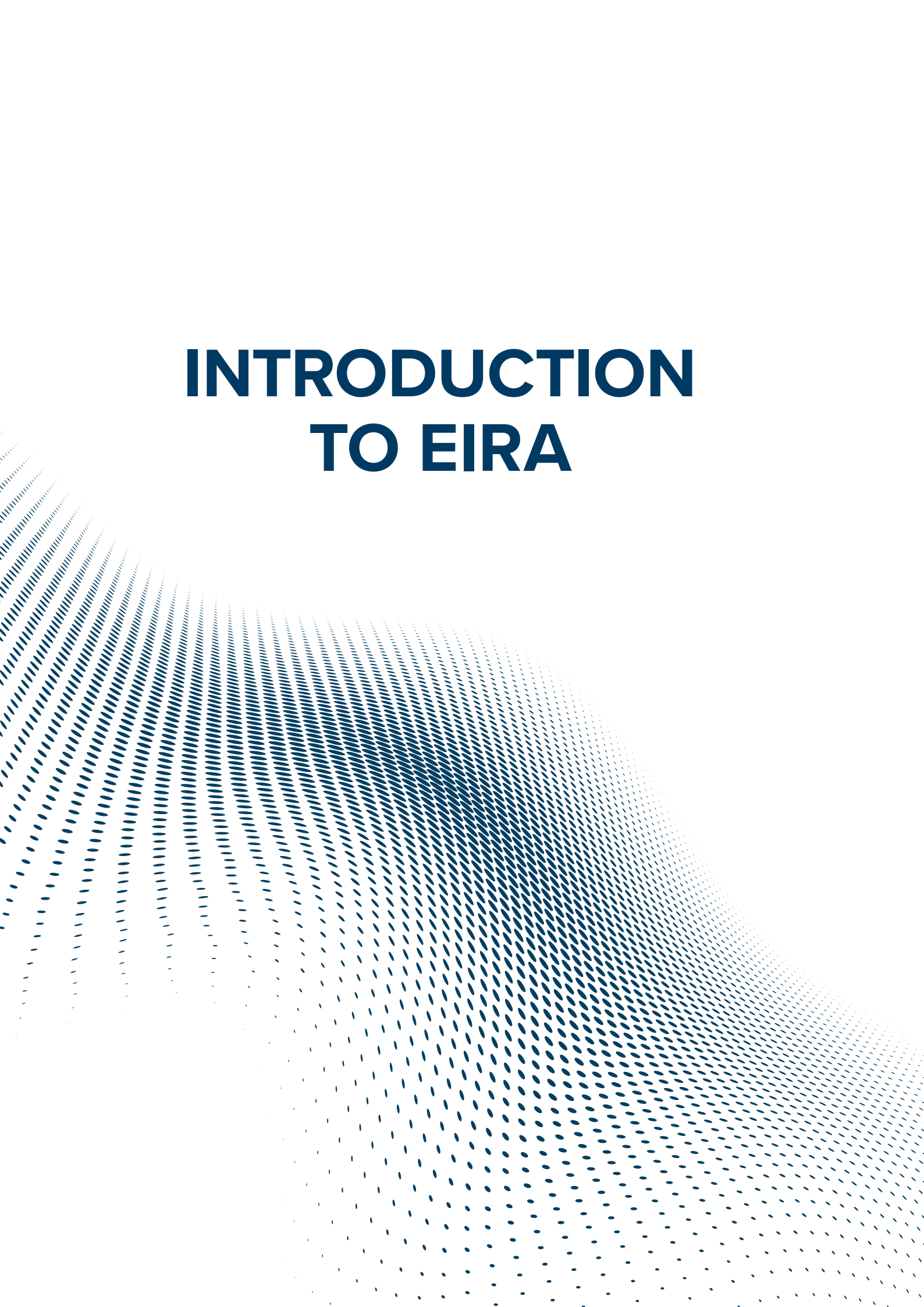
ANNEX I: EIRA QUESTIONNAIRE 52

ANNEX II: EIRA SCORING GUIDE 62

ANNEX III: ORBIS CROSSBORDER INVESTMENT GLOSSARY AND INDUSTRY CLASSIFICATION 66

CONTRIBUTORS 69

INTRODUCTION TO EIRA



Adjustments to legal and regulatory frameworks and policy planning approaches are inevitable – and even necessary – for countries to successfully achieve a clean energy transition. As a result, governments worldwide are dramatically revising their public policy goals to ensure climate-compatible development, decarbonise high-emission sectors, and achieve net-zero emissions by mid-century.

Undoubtedly, the current energy transition will create new dependencies and energy security concerns, which will cause further changes to long-term policy trajectories. Countries will consider and apply the most appropriate policy, legal, and regulatory measures to reduce dependency on imported fossil fuels, promote resource diversification, and secure critical raw materials to support renewable energy technologies.

EIRA assesses legal and regulatory risks that can be managed and mitigated through government action.

Due to these various considerations and resulting course corrections, financial flows into renewable energy sources and energy-efficient technologies have steadily increased in the last decade. While this is encouraging, it is relevant to note that attracting investments for renewable energy remains challenging, particularly in developing and least-developed countries. UNCTAD's World Investment Report 2024 (WIR), reiterates that its last year's "review of investment needs at the midpoint of the 2030 Agenda for Sustainable Development shows that the investment gap in developing countries across all SDG-relevant sectors has increased from USD 2.5 trillion in 2015 to more than USD 4 trillion per year today. The largest gaps are in energy, water and transport infrastructure. The increase is the result of both underinvestment and additional needs." Notably, WIR 2024 highlights that international project finance deals in SDG-relevant sectors in developing economies fell by 36% in value and 28% in number. The sectors that contributed most to this decline were renewable energy, power generation and transport infrastructure. In 2023, the cumulative value of project finance deals in these sectors fell by almost $100 billion compared with 2022, marking the second consecutive year of declines.

While international financial institutions, donor agencies, and State funding will contribute to financing the clean energy transition, the lion's share will come from private sector investments. These investments, particularly in innovative and new technologies, will be made by small and medium-sized enterprises needing certainty that legal and regulatory conditions under which investments were made will not be subject to sudden and unilateral changes. Moreover, the global fuel and financial crisis resulting from the war in Ukraine has significantly diminished risk appetite, and it is unlikely that emerging markets will be able to attract the required investments without a reliable regulatory framework.

EIRA is based on the understanding that countries must establish open and competitive energy markets that promote sustainable development while preserving governments' right to regulate.

As a treaty-based organisation, the International Energy Charter recognises the need for countries to strengthen the rule of law and promote energy security through open and competitive energy markets while respecting the principles of sustainable development and sovereignty over energy resources. Its mandate, unique under international law, encourages countries to implement well-designed legal and regulatory frameworks to considerably reduce the risk of lost investments and disputes between investors and States.

In this context, EIRA is an effort of the International Energy Charter to guide governments in making their legal and regulatory frameworks resilient and increase their preparedness for the energy transition. At the same time, the report aims to offer the investor community insights into countries' policy planning, their ability to mitigate legal and regulatory risks to energy investments and recent efforts to offer the private sector certainty on investment conditions.

In 2022, the Energy Charter Conference approved changes to EIRA's scope after more than three years of intensive analysis and discussions. The updated scope reflects the commitments made by countries under the Paris Agreement and the global efforts to combat climate change. It assesses whether countries have taken

– or are taking – policy, legal and regulatory measures to build resilient energy systems and achieve a clean energy transition considering environmental, gender and corporate social responsibility issues. The report also examines measures to decarbonise high-emission sectors, reduce macroeconomic GHG emissions, adapt to climate-neutral energy systems, and coordinate clean energy generation with grid infrastructure development. It includes more detailed information on policy monitoring and evaluation mechanisms to assess whether countries are on track to achieving their policy objectives in the energy sector.

Given the critical importance of public accountability in policy implementation, EIRA now covers anti-corruption issues and transparency in public procurement processes. Through a new sub-indicator, there is added emphasis on steps being taken to liberalise electricity markets, promote competition, and make the power sector financially attractive for potential investors.

Various international and multinational organisations examine different aspects of foreign investment and energy, such as energy economics, technologies and resources, and the macroeconomic investment climate. EIRA adds to this literature by exclusively assessing countries' legal and regulatory environments in line with the International Energy Charter's core mandate and area of competence.

Finally, EIRA has expanded its scope in evaluating the rule of law. It now also examines governmental efforts to establish dispute prevention policies and early warning mechanisms and address investor grievances before they precipitate into full-scale disputes. On property rights, the report covers in more detail issues of indirect expropriation, evaluation of compensation and interest in the case of compulsory expropriation of property, and access to political risk insurance, among others.

With its comprehensive coverage, EIRA intends to help countries make smart regulatory choices and develop effective strategies that ensure investor confidence is established and retained over time. It aspires to deliver a range of practical benefits for countries and the international investment community by:

- **Informing national and international stakeholders of the most recent legal and regulatory measures taken by countries to improve the investment climate in the energy sector;**
- **Providing support in identifying policy, legal and regulatory gaps and developing strategies to close these gaps;**
- **Tracking the progress made by countries in implementing the EIRA recommendations on mitigating legal and regulatory risks.**

The EIRA report's eventual goal is to aid global efforts to accelerate clean energy access, stimulate progressive reforms to facilitate the clean energy transition, and systemically reduce legal and regulatory risks in countries that hope to attract much-needed investments.

EIRA has been tailored to serve the needs of the International Energy Charter constituency and help its Members and Observers identify measures to improve their investment environment.

RISK AREAS AND INDICATORS FOR EIRA

EIRA evaluates risks to energy investment that can be mitigated through adjustments to legal and regulatory frameworks. The risk level in each country is assessed through five indicators. The indicators reward countries for effectively mitigating and managing these risks through long-term policy planning, transparent decision-making processes, competent market oversight, and dispute prevention policies.

What are the risks assessed in EIRA?

EIRA analyses the following risks:

Unpredictable policy and regulatory change
Governments have the prerogative to adopt legislative and regulatory measures necessary to pursue legitimate public policy objectives. Nevertheless, a sudden and arbitrary change to established rules can detrimentally affect the interests of foreign investors. It can lead to increased or stranded costs for operating a business, reduce the attractiveness of investments, and distort competition. As a result of unpredictable legal and regulatory changes, foreign investors may reconsider investing in the country or relocate the investment. Therefore, governments must ensure consistency in policy planning and implementation and engage with investors before effecting legal and regulatory changes.

Discrimination between domestic and foreign investors
Foreign investors need clarity on whether markets are competitive and offer a level playing field to all investors. This risk area assesses the likelihood of an unfair advantage to domestic investors, as recipients of rights and privileges, and of protectionist practices that give rise to foregone investment gains for domestic investors. It should be noted that while discrimination can take various forms, such as between energy resources, technologies and types of investors, EIRA only focuses on discrimination between domestic and foreign investors.

Breach of State obligations
Disputes brought by investors against a State can disrupt the relations between the parties and even damage the country's overall investment climate. Investors must be confident that they will have recourse to robust grievance redressal and dispute resolution mechanisms and can enforce their rights if governments default on their obligations. Such obligations include protection against discrimination, expropriation and nationalisation, breach of investment treaties, and access to alternative dispute settlement avenues.

How are the EIRA indicators selected?

The indicators are constructed from a wide range of variables. They are based on the key principles of the ECT and the objective of governments to guarantee investors a secure, predictable, and transparent investment environment.

Five criteria are applied to determine the appropriate indicators:

Functionality/actionability – The indicators should be 'reform-oriented'. They should reflect best practices through which countries can manage legal and regulatory risks, capturing aspects of policy-making and regulation under the control of governments.

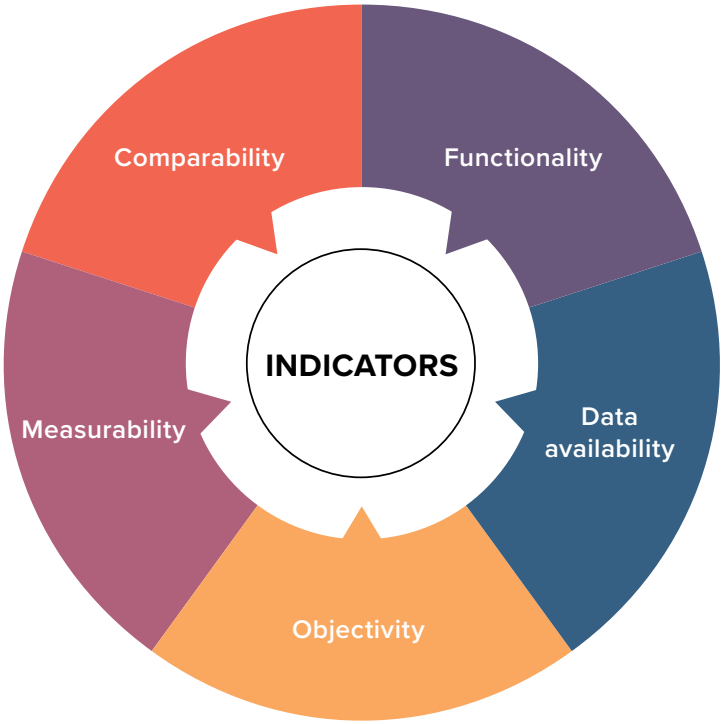
Data availability – Data for the indicators should be available from reputable and reliable sources. The indicators should be based on data that is relevant, readily accessible and easy to collect.

Measurability – The indicators should provide a quantifiable assessment, be robust, and remain unaffected by minor changes to their methodology.

Comparability – The indicators should be comparable over time and across countries, energy sub-sectors, and the energy value chain.

Objectivity – The indicators should accurately reflect the countries' policy, legal, and regulatory realities.

Figure I.1 – Criteria for the selection of indicators



What are the EIRA indicators?

Based on the above criteria, the following five indicators have been developed to assess countries:

- Framework for a sustainable energy system
- Foresight of policy and regulatory change
- Management of decision-making processes
- Rule of law (compliance with national and international obligations)
- Regulatory environment and investment conditions

Table I.1 – Correlation between the EIRA risk areas and indicators

RISK AREAS	INDICATORS				
	Framework for a sustainable energy system	Foresight of policy and regulatory change	Management of decision-making processes	Rule of law	Regulatory environment and investment conditions
Unpredictable policy and regulatory change	✓	✓	✓	✓	✓
Discrimination between domestic and foreign investors			✓	✓	✓
Breach of State obligations	✓			✓	✓

INDICATOR 1
Framework for a sustainable energy system

While the world has witnessed energy transitions in the past, a complete shift from fossil fuel to sustainable energy systems is unprecedented. Given its scale, the ongoing energy transition will undoubtedly play a dominant role in shaping countries' short- and long-term social, economic and environmental priorities. It will place new demands on the existing legal and regulatory frameworks and decision-making structures. As a result, countries will need to plan well in advance and communicate clearly to investors legal and regulatory changes needed to achieve the clean energy transition successfully. Governments will need to develop and implement concrete policy and regulatory measures, enabling legislation, programmes and actions to facilitate a smooth transition and mitigate the risk of unpredictable changes.

SUB-INDICATOR:
POLICY PLANNING ON CLEAN ENERGY TRANSITION

Energy planning poses more complex challenges than before. The energy transition requires changes to policy-making approaches, new legal and regulatory frameworks to develop and deploy green technologies, re-distribution of investment flows, and new energy infrastructure. As a result, governments and investors will need to make strategic, forward-looking energy decisions aligned with the global efforts to decarbonise economies and account for new trends and uncertainties in technologies and markets. Consistency – with a degree of flexibility – in policy planning will be critical to building sustainable energy systems, accessing finance, de-risking clean energy investment, and structuring market-based instruments that lower the transition cost.

This sub-indicator examines whether governments are setting well-defined long-term policies to ensure climate-compatible development. It evaluates the robustness of their ambition and pathway to climate neutrality by examining policy measures in place, including concrete actions and strategies for grid infrastructure development, scaling up renewable power generation, reducing GHG emissions across sectors, promoting low-emission transportation modes, improving efficiency in the heating and cooling sector, and deploying energy storage solutions.

SUB-INDICATOR:
ENABLING MEASURES TO SUPPORT CLEAN ENERGY TRANSITION

While accuracy and consistency in policy planning are key to a successful energy transition, the effective implementation of these policies is as much – if not more – of a determining factor for their success. Appropriate market incentives, realistic short-, medium- and long-term policy targets and a coordinated approach to integrating higher shares of clean energy into the existing energy mix will reduce legal and regulatory risks and make the transition process smoother and efficient.

This sub-indicator assesses whether countries have introduced market instruments and set high-level, legally binding targets to accelerate the clean energy transition, phase out the use of hydrocarbons for power generation and promote renewable fuels and sustainable renewable electricity production. It also identifies GHG measurement, monitoring mechanisms, and penalty systems if specific targets are not met.

SUB-INDICATOR:

ENVIRONMENTAL PROTECTION, HUMAN RIGHTS AND GENDER

A just and inclusive energy transition will be critical to empowering people, protecting ecosystems, and driving innovation that supports sustainable business models. As a result, legal and regulatory frameworks to support the transition will have to be cross-cutting, going beyond the energy sector to include environmental protection, human rights, corporate social responsibility and gender mainstreaming.

This sub-indicator examines whether countries are developing long-term policy and legal frameworks to achieve a holistic energy transition. It analyses the measures and strategies governments employ to close gender gaps in the energy sector, including capacity-building and national-level initiatives to increase the participation of women in renewable energy jobs. It also assesses if governments are integrating environmental concerns in energy policy planning, such as by setting mid-century net-zero emissions targets, reducing methane emissions and undertaking inclusive environmental impact assessments.

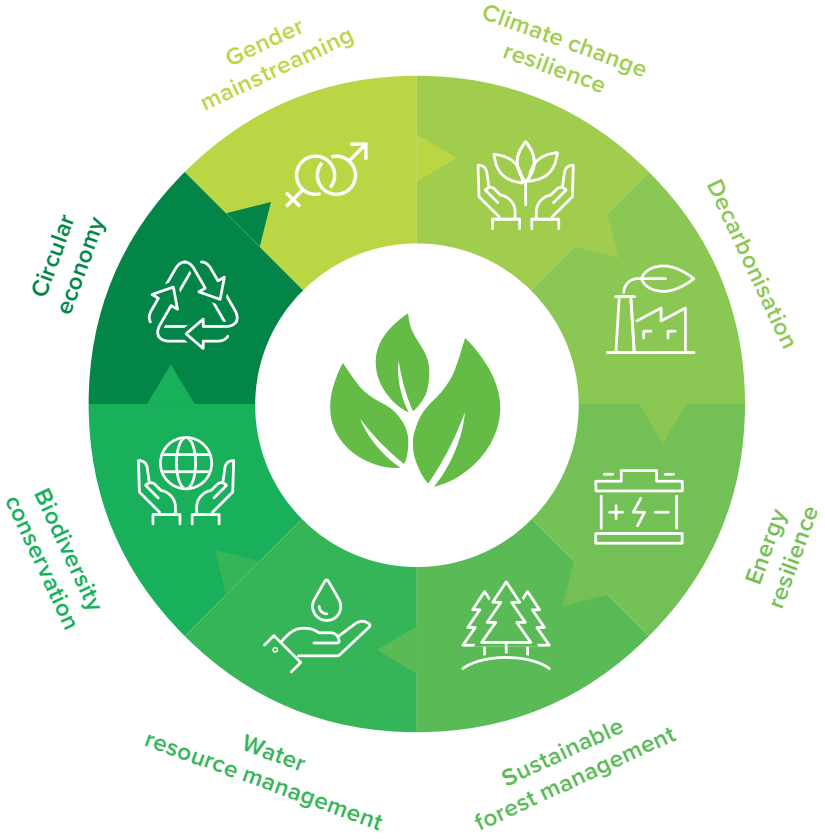
SUB-INDICATOR:

ENERGY RESILIENCE

With the introduction of modern energy systems, policy-makers and investors are prioritising energy resilience to address supply disruptions. Concerted efforts are being made to reduce energy dependence and absorb supply shocks by diversifying the energy production and supply sources. In addition, measures are also being taken to secure a steady supply of critical materials needed for clean energy technologies and encourage circular economy activities.

This sub-indicator assesses actions of governments to ensure the security of energy supply and lower energy consumption through energy efficiency policies and programmes. Moreover, it examines whether governments are taking adequate measures to ensure the supply of critical materials, promoting the reuse and recycling of these materials, and addressing the effects of mining activities on biodiversity, water resources and affected communities.

Figure I.2 – Framework for a sustainable energy system



INDICATOR 2
Foresight of policy and regulatory change

Policy priorities and investment patterns will substantially evolve as countries decarbonise their economies. Meeting new objectives will result in policy, legal and regulatory revisions and governments will need to communicate these revisions to investors in time so they can hedge long-term investments and modify their business portfolios as needed. Any adjustments to energy policy objectives must be consulted with affected investors and conveyed well in advance. Investors and governments will need realistic plans and benchmarks to cope with these changes while creating minimal impact on the country's investment climate.

SUB-INDICATOR:
COMMUNICATION OF VISION AND POLICIES

This sub-indicator evaluates how effectively governments communicate their short- and long-term energy sector vision to investors. It examines the progress toward achieving the immediate and future energy sector targets and implementing the supporting policy, legal and regulatory frameworks.

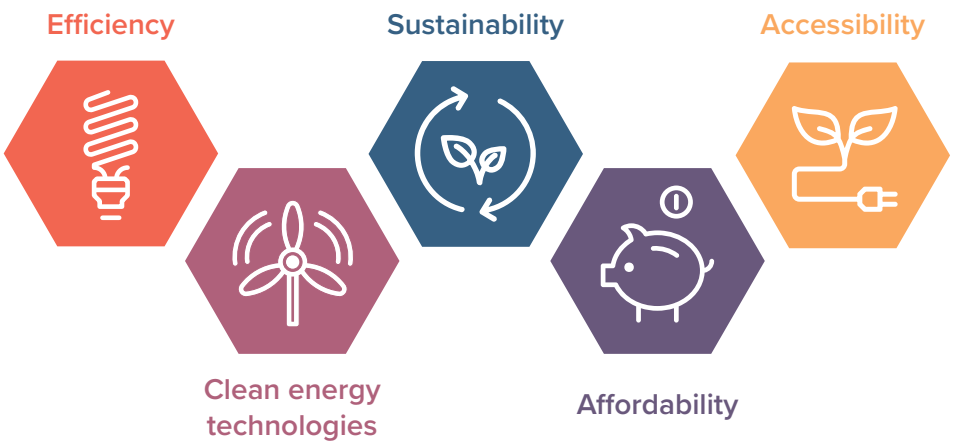
Risk management requires a view of the future. Understanding the energy landscape and how it is evolving is a central element of investment planning. National policies are the most relevant documents for informing investors about the goals governments intend to pursue and their timeframes for achieving these goals. Accordingly, governments must make investors aware of their current and future national energy priorities and any course corrections in these priorities by adopting clear and timely energy policies. By doing so, they will be able to better retain investors' confidence, keep them updated on the need, pace, and nature of policy changes, and avert risk.

SUB-INDICATOR:
ROBUSTNESS OF POLICY GOALS AND COMMITMENTS

The impact of a policy, legal or regulatory measure remains uncertain before its implementation. However, by conducting rigorous cost-benefit analyses and stakeholder consultations, policy-makers can effectively quantify the likely impact of the proposed measure. Effective and continual monitoring mechanisms help citizens and investors assess how far governments have progressed in achieving their policy goals. It is equally essential to establish a financially and institutionally independent authority to objectively assess the government's performance and give investors confidence that policy revisions will be proportionate to the situation and backed by evidence-based evaluations.

This sub-indicator evaluates policy monitoring and evaluation processes and their implementation. It analyses whether governments have created independent and inclusive policy monitoring processes to give investors confidence that policy revisions will be proportionate to the situation, subject to evidence-based evaluations, and not due to arbitrary and unsupported reasons.

Figure I.3 – Energy priorities under the UN Sustainable Development Goal 7



INDICATOR 3
Management of decision-making processes

The third indicator addresses the importance of coordinated and transparent policy planning and decision-making phases. The roles and responsibilities of the national and sub-national government levels must be defined in law to ensure structured decision-making processes. Investors must also be well informed and consulted whenever governments intend to revise laws or regulations. Stakeholder engagement will increase public accountability and allow foreign investors to actively participate in decision-making processes and take well-informed and timely decisions.

SUB-INDICATOR:
INSTITUTIONAL GOVERNANCE

Formulating investment and energy policies requires the engagement of multiple government levels. Provinces, municipalities, and regional and local authorities participate in framing and implementing these policies. Multi-level governance can make the decision-making process complex and result in the risk of overlapping or contradictory decisions.

This sub-indicator measures how well governments coordinate the decision-making process in their respective countries. While the degree of centralisation in each country may differ significantly, one central body should ultimately be responsible for coordinating different government levels and reconciling the diverging perspectives of public agencies. Therefore, effective intra-governmental coordination in policy design and implementation is essential for minimising unpredictability and maintaining an investment-friendly climate.

Figure I.4 – Key aspects of effective decision-making processes

SUB-INDICATOR:
TRANSPARENCY AND ANTI-CORRUPTION MEASURES

Policy and regulatory changes that are systematised and transparent give investors time to plan and align their business models, operations, and finances according to the changing circumstances. While transparency benefits all types of investors, it is particularly crucial for foreign investors who have to cope with regulatory systems and administrative frameworks that may be unfamiliar to them. This sub-indicator measures the inclusiveness exercised by governments in designing and implementing their laws and policies.

Governments can enhance the quality and predictability of their regulatory framework by reviewing and publishing administrative decisions, codifying legislation, disseminating regulatory materials, and developing registers of the existing and proposed regulations. These measures will ensure that investors are aware of the policies affecting them. Prior consultation on investment- and energy-related governmental actions can provide investors with foresight on the conditions in the host countries. For instance, it may reveal indirect discrimination in secondary measures, even though the enabling legislation does not intend it. Moreover, affording interested parties the right to comment on policy options and regulatory decisions will allow policy-makers, legislators and regulators to take stock of different opinions, parameters and considerations before modifying the existing framework.

INDICATOR 4
Rule of law (compliance with national and international obligations)

EIRA relies on the definition of 'rule of law' presented in the UN Report 'The rule of law and transitional justice in conflict and post-conflict societies'.[1] It focuses on three aspects of this definition. First, fair and effective implementation of national laws and international commitments arising from treaties and international agreements; second, settlement of investor-State disputes promptly and according to due process; and third, respect for the property rights of foreign investors. Peace, security and human rights are outside the purview of EIRA.

SUB-INDICATOR:
MANAGEMENT AND SETTLEMENT OF INVESTOR-STATE DISPUTES

This sub-indicator examines the efficiency of case management and dispute settlement procedures. International companies tend to invest in low-risk host countries that provide transparent and predictable legislation and avoid retrospective changes to laws. Moreover, investors will also consider whether countries have established early warning and grievance redressal mechanisms to de-escalate conflicts before they precipitate into disputes and have granted access to alternative dispute resolution mechanisms to settle matters without unnecessary cost or delay.

Well-organised judicial procedures help foster trust between investors and the State. Timely and cost-effective enforcement of foreign judgements and awards assure investors that the domestic courts of host countries will safeguard and uphold their rights. Similarly, the existence of appeal mechanisms and domestic dispute mitigation instruments, such as an investment ombudsperson and mediation, provide additional avenues for resolving conflicts between investors and States. Beyond the national legal system, governments must provide an extra layer of protection to investors by granting them recourse to dispute settlement mechanisms under international law. They may give foreign investors this benefit either through BITs or on a case-by-case basis.

SUB-INDICATOR:
RESPECT FOR PROPERTY RIGHTS

This sub-indicator assesses the risk of companies losing ownership or control of their investment due to government action. Arbitrary property acquisition by the State can also lead to the risk of discrimination when foreign investors suffer a loss.

In this sub-indicator, 'investment' refers to tangible and intangible assets, including IP rights. It assesses whether direct and/or indirect expropriation, nationalisation or confiscation (or any action equivalent to these) was undertaken for a legitimate public purpose, following the due process of law, in a non-discriminatory manner and with adequate compensation.

There are some steps governments may take to reduce the risk of perceived arbitrariness. For instance, they should define in the national laws (1) activities and areas of 'public interest' that are grounds for expropriation, (2) the process for determining expropriation compensation, and (3) a timeframe for paying the compensation. Such legal provisions will increase security for foreign investors operating under BITs and, at the same time, protect investors not covered by international investment agreements. Investors will also be able to better assess whether the host country's laws, mechanisms and guarantees align with international practice and investment agreements.

Figure I.5 – Rule of law elements covered by EIRA

1 EIRA interprets 'rule of law' as "a principle of governance in which all persons, institutions and entities, public and private, including the State itself, are accountable to laws that are publicly promulgated, equally enforced and independently adjudicated, and which are consistent with international human rights norms and standards. It requires, as well, measures to ensure adherence to the principles of supremacy of law, equality before the law, accountability to the law, fairness in the application of law, separation of powers, participation in decision-making, legal certainty, avoidance of arbitrariness and procedural and legal transparency". United Nations, Report of the Secretary-General, The rule of law and transitional justice in conflict and post-conflict societies (2004). UN Member States reaffirmed their commitment to uphold 'rule of law' in the United Nations, Declaration of the High-level Meeting of the UN General Assembly on the Rule of Law at the National and International Levels, A/RES/67/1 (30 November 2012).

INDICATOR 5
Regulatory environment and investment conditions

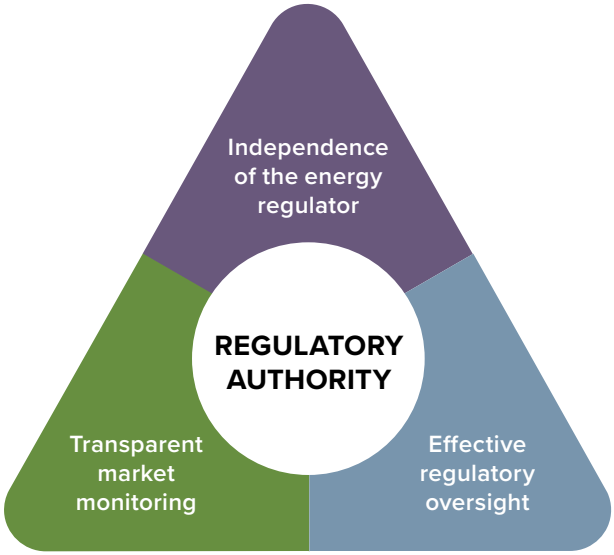
This indicator evaluates the independence energy regulators exercise in taking decisions, setting tariffs, and performing their functions. Regulatory independence guarantees neutrality and helps avoid situations where decisions are continuously revised to the detriment of some market actors and investors. The indicator further examines the restrictions faced by foreign investors in the energy sector. Despite the increasing realisation that international capital flows are crucial for developing the energy sector, persisting restrictions deter foreign investors. Key FDI restrictions include investment screening, local content and other performance requirements, and currency- and investment-related capital transfer limitations.

SUB-INDICATOR:
REGULATORY INDEPENDENCE

When an independent and specialised institution monitors the market, there is a lower risk of biased decision-making, discriminatory rules, and anti-competitive behaviour. Political distance gives regulatory authorities credibility because it limits governmental influence and guarantees to investors that political events will not interfere with regulatory decision-making.

This sub-indicator examines the autonomy of energy regulators through various parameters, such as their legal basis, funding sources, financial accountability to independent institutions, and their relationship with ministries and other public authorities. It also assesses the level of transparency exercised in selecting regulatory staff.

Figure I.6 – Regulatory environment and investment conditions



SUB-INDICATOR:
ELECTRICITY INDUSTRY MARKET STRUCTURE AND COMPETITION

Regulatory uncertainty is a critical barrier to investment and is considered one of the most prominent risks by energy project developers/ investors worldwide. For example, the inability to recover the cost of new generation via electricity tariffs is a critical constraint to investing in new large-scale power generation and transmission projects. Without a cost-reflective tariff, utility providers will find it difficult to enter any market, however large the market.

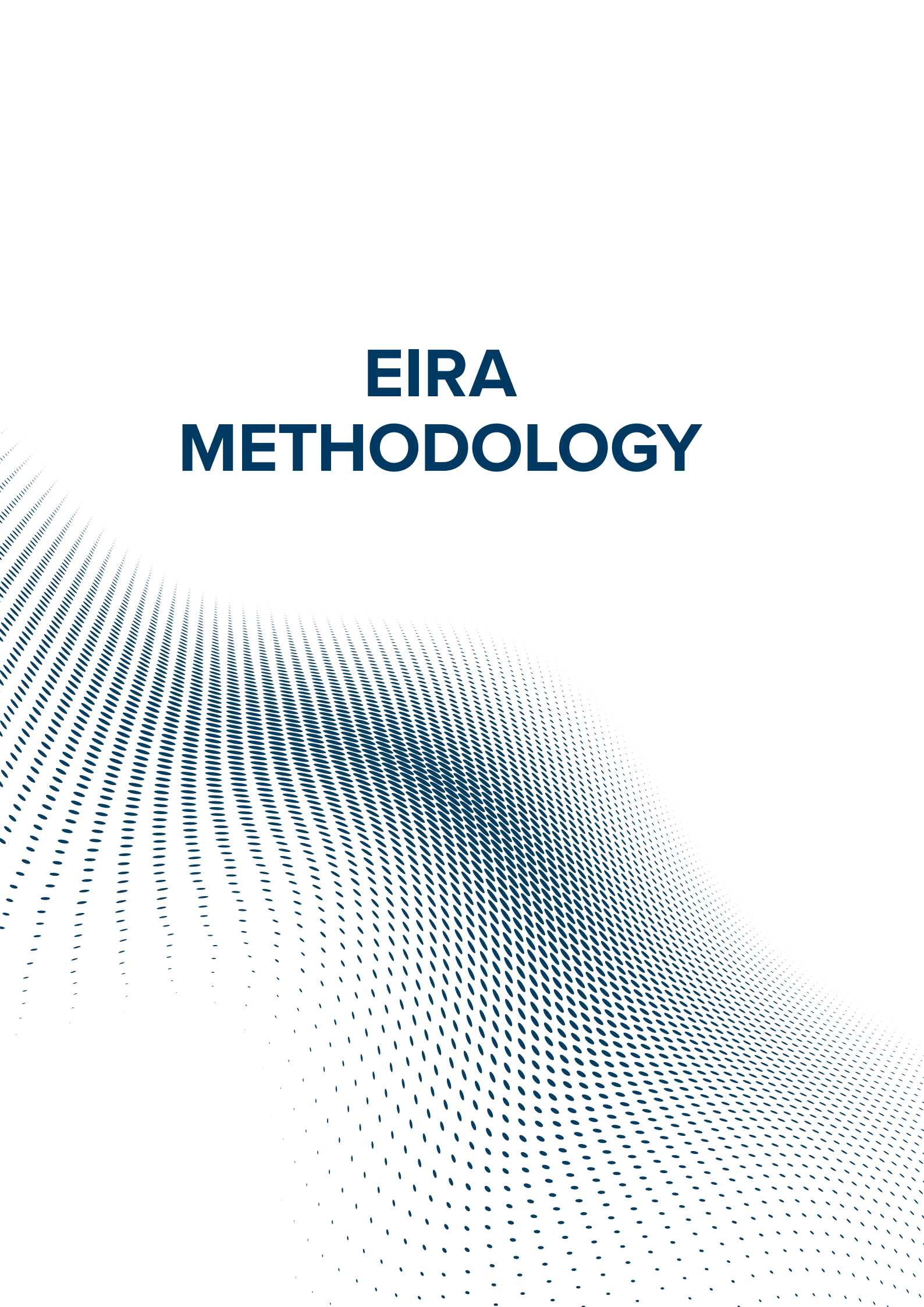
This sub-indicator examines the measures taken by policy-makers and regulators to ensure healthy competition in the power sector, boost its financial viability, and avoid sudden regulatory changes. The establishment of financially and functionally independent regulatory entities, the vertical and horizontal unbundling of integrated national monopoly utilities, the introduction of cost-reflective network tariffs, and the deregulation of retail electricity prices are some of the issues assessed by this sub-indicator.

SUB-INDICATOR:
RESTRICTIONS ON FOREIGN DIRECT INVESTMENT

Policy and regulatory measures that discriminate between domestic and foreign firms restrict inward investment flows. They can obstruct foreign investments or make the cost of operations financially unviable. Foreign investors commonly face restrictive measures such as lengthy investment screening and approval procedures, regional investment restrictions, and operational controls.

This sub-indicator assesses the commitment of countries to accord non-discriminatory treatment to foreign investors. It evaluates whether domestic and foreign investors receive equal treatment in applying domestic laws and regulations. It also gives attention to sectoral restrictions, limits on the transfer of profit and repatriation of capital abroad, and onerous local content requirements.

EIRA METHODOLOGY



EIRA assesses three types of risk to energy investment. It applies five indicators to (1) identify the actions needed to address these risks and (2) define the corrective measures countries must take to mitigate them.

The implementation of legal and regulatory frameworks is critical to ensure that governments can successfully achieve their policy goals and objectives. EIRA 2024 recognises this and tries to give a clear picture regarding the enforcement of laws and regulations in the participating countries. The profile of each country shows the implementation of the existing policies, laws and regulations and highlights its progress in translating commitments into actions. The profiles of countries that have participated in EIRA previously include a 'status of recommendations' page with detailed information on the actions governments are taking to implement the improvements suggested through EIRA. Depending on the work undertaken, the progress is categorised as fully implemented, partially implemented, ongoing, or pending.

In 2022, the Energy Charter Conference approved a new questionnaire for EIRA to reflect the additions made to the report's scope. The indicator scores are derived from the new questionnaire developed after four years of intensive discussion within the subsidiary working groups of the Energy Charter Conference. The new questionnaire allows comparability across energy sub-sectors and captures trends over time. The questions are user-friendly and ensure that the responses can be easily verified. While most are binary, requiring simple 'yes' or 'no' answers, some are cascading and multiple-choice.

How are the respondents for EIRA selected?

The EIRA questionnaire is provided to the national governments in the participating countries. It is also sent to selected external parties to secure an objective viewpoint.

The unit of analysis for EIRA is a country. The policies taken into consideration are those framed and implemented at national level. In federal arrangements, the central government is designated as a single point of contact responsible for collecting and processing inputs from relevant ministries/departments at State and municipal level.

External parties are chosen from a pool of experts comprising local and international law firms, legal practitioners, business councils, accounting and consulting firms, think-tanks, energy associations, chambers of commerce, international institutions and non-governmental organisations operating in the assessed countries. The ECS conducts extensive research on various aspects, such as their expertise, renown, and previous participation in other international reports. All the external parties contribute to the project pro-bono.

The main parameters for selecting the external parties are:

> **Expertise in the energy sector:** Active involvement in different stages of energy projects, and experience of providing consulting services in multiple energy sub-sectors and on regulatory issues.

> **Diversity and neutrality:** Vast experience working with governmental entities as well as private investors. This ensures the external party has a holistic understanding of issues in the energy sector and contributes to a more balanced approach.

> **Reputation:** Parties with extensive global reach or local partner groups. For law firms, international guides identifying leading providers of legal services (local and global) in each country are consulted.

What is the data collection and validation process for EIRA?

In 2024, data was collected in a standardised manner through the EIRA questionnaire. The ECS received responses from the national government focal points and the external parties over five months. The respondents provided copies of the source documentation to support their responses.

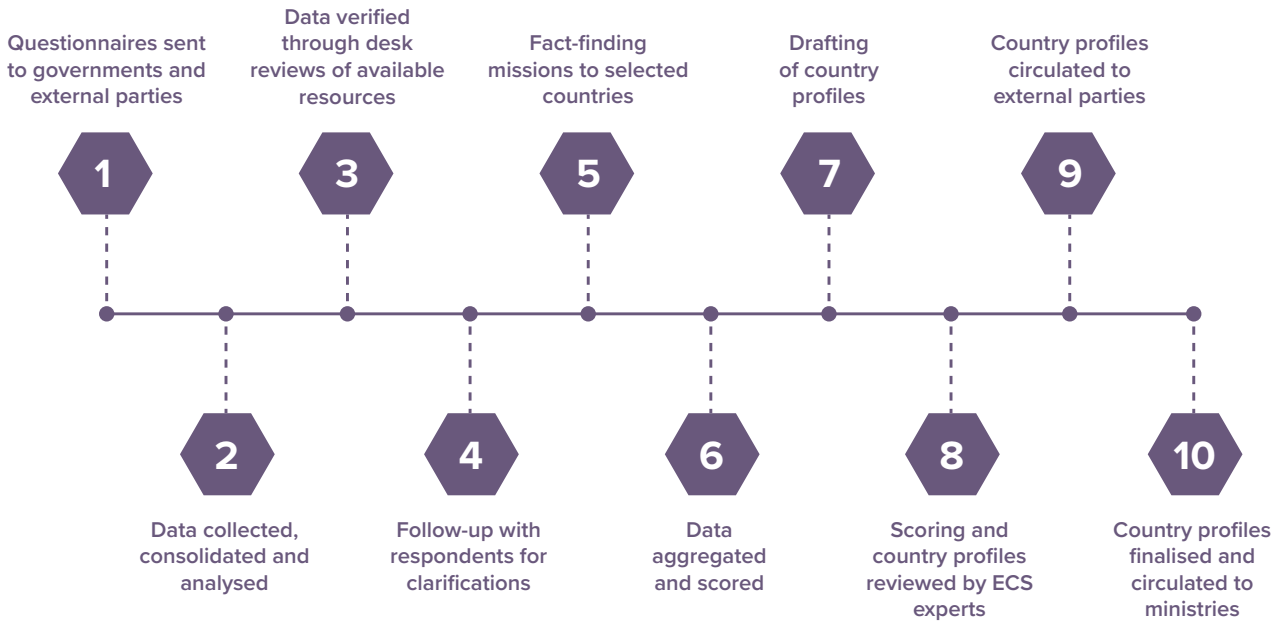
The answers provided by the respondents were accepted only to the extent that they relied on laws, regulations, national plans, and strategies that are currently in force. The cut-off date was 1 April 2024. Accordingly, countries have been scored only on legislation, regulation, policies, legislative initiatives and regulatory reforms that came into force before this date.

Upon receiving responses to the questionnaire, the ECS in-house experts engaged in an extensive data-validation process. They confirmed that the respondents correctly understood each question, and that the submitted documents supported the responses. In the absence of supporting documents, or if respondents gave conflicting answers, the ECS experts sought clarifications from government officials and external parties through correspondence and phone interviews.

The ECS took steps to address the issue of low data availability in certain countries. While there were no EIRA fact-finding missions organised in the participating countries this year, the national government focal points and external parties provided ECS with exhaustive information and documents, and continual updates. Where it was not possible to identify external partners, the profiles were based on the information provided by the government and the desk research conducted by the ECS in-house experts.

Overall, the process of data collection and validation lasted seven months, from April 2024 to October 2024.

Figure I.6 – Data collection and validation process



How are risks assessed in EIRA?

EIRA assesses countries through a quantitative and qualitative analysis. The quantitative assessment is by a scoring system that shows the performance of the countries on the EIRA indicators. The qualitative evaluation is through 'country profiles' that describe their strengths and identify areas for improvement.

Scoring system

All indicators carry equal weight. The score of each indicator is the average of its component sub-indicators. The score of each sub-indicator is calculated through a set of questions. The questions are scored between 0 and 100 and are equally weighted. The highest possible score for each question is 100. All the scores are rounded off for the risk areas and the indicators. A country's total indicator score is the average of (1) the score received on the government questionnaire, and (2) the combined average of the external party scores.

Figure I.7 – Scoring an indicator for individual respondents

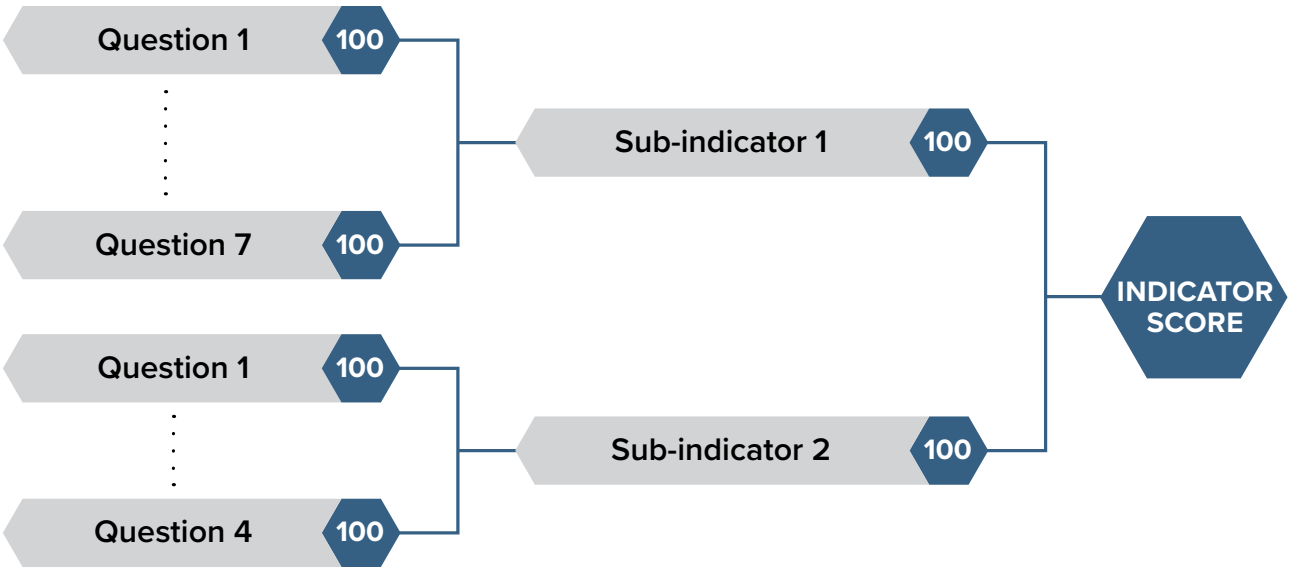
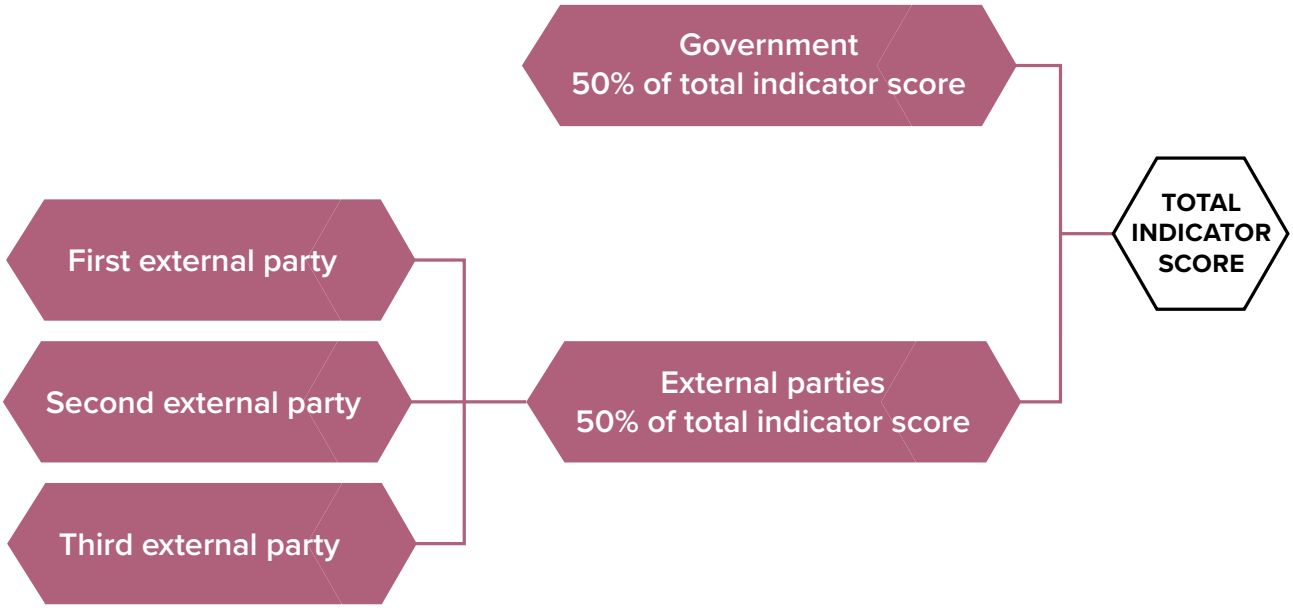
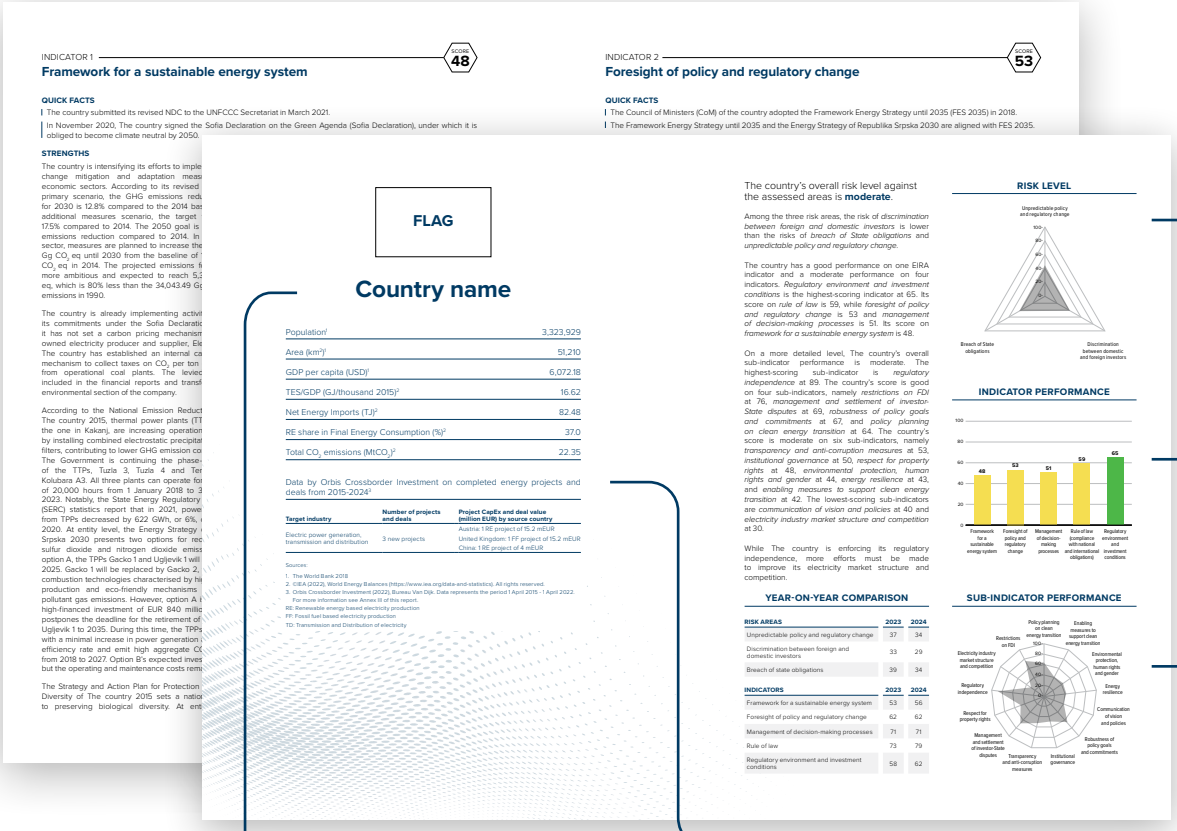


Figure I.8 – Total score of an indicator



Country profile outline

The qualitative assessment for each country is through an eight-page profile. The first page gives background information on the assessed country. It features a table of key metrics on area, population, GDP per capita, total energy supply, net energy imports, the share of renewables in total energy supply, and CO_2 emissions. It also includes information from Orbis Crossborder Investment on energy projects and deals completed between 2015-2024 in the participating countries. Profiles of the recurrent countries have a table that reflects changes to their performance, vis-à-vis the last assessment year.



KEY METRICS

Population and surface area: Data refer to year 2023. *The World Bank 2023, World Development Indicators, World Bank national accounts data and OECD National Accounts data files, https://data.worldbank.org/ (accessed on 15 November 2024).*

GDP per capita (current USD): Data refer to year 2023. *The World Bank 2023, World Development Indicators, World Bank national accounts data and OECD National Accounts data files, https://data.worldbank.org/ (accessed on 15 November 2024).*

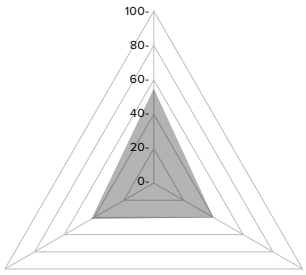
Total Energy Supply (TES) in millions of tonnes of oil equivalent (Mtoe): TES is made up of production + imports - exports ± stock changes. Note, exports, bunkers and stock changes incorporate the algebraic sign directly in the number. *IEA (2024), World Energy Balances (https://www.iea.org/data-and-statistics). All rights reserved.*

Net Energy Imports ((Mtoe): Imports minus exports for total energy, expressed in Mtoe. *IEA (2024), World Energy Balances (https://www.iea.org/data-and-statistics). All rights reserved.*

Share of renewable sources in TES: Renewable sources TES divided by total TES, expressed as a ratio. Renewable sources include hydro, geothermal, solar, wind, tide, wave, biofuels and the renewable fraction of municipal waste. *IEA (2024), World Energy Balances (https://www.iea.org/data-and-statistics). All rights reserved.*

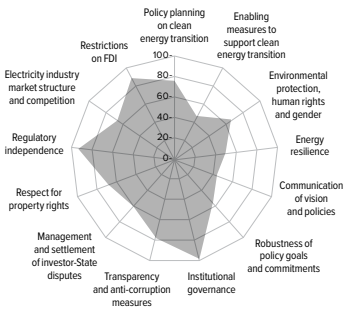
CO_2/TES (tCO_2 per TJ): This ratio is expressed in tonnes of CO_2 per terajoule. It has been calculated using the total CO_2 fuel combustion emissions (CO_2FCOMB) and total energy supply (including biofuels and other non-fossil forms of energy). *IEA (2024), IEA Greenhouse Gas Emissions from Energy (https://www.iea.org/data-and-statistics/data-product/greenhouse-gas-emissions-from-energy). All rights reserved.*

The second page of the profile contains three charts showing the risk level across the assessed areas, the performance of the country on the five indicators, and the score on the sub-indicators. A five-colour-coded bar chart depicts the indicator scores. Dark green represents the highest band of scores, while the colour red represents the lowest. In the radial chart, representing the sub-indicator scores, 0 denotes the weakest performance, and 100 is the strongest. The following five pages of the profile describe the country's strengths on the EIRA indicators and the main areas for improvement. The final page reflects the implementation status of the recommendations provided to governments through EIRA between 2018 to 2024. There is no status of recommendations page for the countries participating in EIRA for the first time this year.



RISK LEVEL

The risk level is displayed by the grey triangle. Each axis represents a risk area. The smaller the size of the grey triangle, the lower the level of risk.

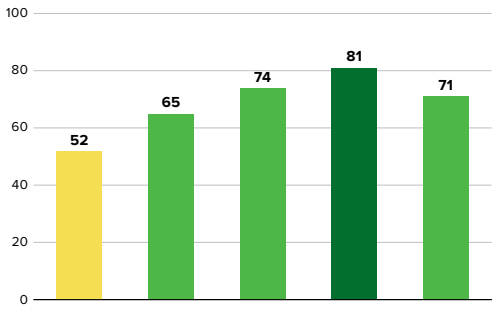


SUB-INDICATOR PERFORMANCE

Each axis represents a sub-indicator. The larger the size of the grey area, the better the country's performance.

DATA FROM ORBIS CROSSBORDER INVESTMENT

Energy projects and deals completed between 2015-2024.



INDICATOR PERFORMANCE

The indicators affect the risk areas differently. For example, the indicators *rule of law* and *regulatory environment and investment conditions* have the highest impact since they influence all three risk areas. For details on the correlation between the indicators and the risk areas, see Table I.1.

The bars are colour-coded. Each colour corresponds to a performance level.

81-100 — VERY GOOD
The performance against the assessed indicators is very good and the risk level is very low. The country provides attractive conditions for investors and is working in the right direction.

61-80 — GOOD
The performance against the assessed indicators is good and the risk level is low. While the country has relevant policies and measures in place, there is some potential for improvement.

41-60 — MODERATE
The performance against the assessed indicators is moderate and the risk level is moderate. There are some policies and measures in place but more concrete steps must be taken to further strengthen the performance.

21-40 — LOW
The performance against the assessed indicators is low and the risk level is high. Considerable steps need to be taken to improve the performance.

0-20 — VERY LOW
The performance against the assessed indicators is very low and the risk level is very high. Significant and immediate steps need to be taken to improve the performance.

COUNTRY PROFILES

Bosnia and Herzegovina

Population[1]	3,210,847
Area (km^2)[1]	51,210
GDP per capita (USD)[1]	8,426.1
TES (Mtoe)[2]	7.28
Net energy imports (Mtoe)[2]	1.92
Share of renewable sources in TES[2]	0.25
CO_2/TES (tCO_2 per TJ)[2]	67.61

Data by Orbis Crossborder Investment on completed energy projects and deals from 2015-2024[3]

Target industry	Number of projects and deals	Project CapEx and deal value (million EUR) by source country
Electric power generation, transmission and distribution	3 new projects	Austria: 1 RE project of 14.94 mEUR United Kingdom: 1 FF project of 14.94 mEUR China: 1 RE project of 4 mEUR
Support activities for other mining and quarrying	1 acquisition deal	Australia: 1 deal of 5.22 mEUR

Sources:

1. The World Bank 2023.
2. ©IEA (2024), World Energy Balances (https://www.iea.org/data-and-statistics). All rights reserved. Data refer to the year 2022.
3. Orbis Crossborder Investment (2024), Bureau Van Dijk. Data represents the period 1 April 2015 - 1 April 2024. For more information see Annex III of this report.

RE: Renewable energy based electricity production

FF: Fossil fuel based electricity production

Bosnia and Herzegovina's (BiH) overall risk level against the assessed areas is **low**.

Among the three risk areas, *breach of State obligations* has the lowest risk level, followed by *discrimination between domestic and foreign investors* and *unpredictable policy and regulatory change*.

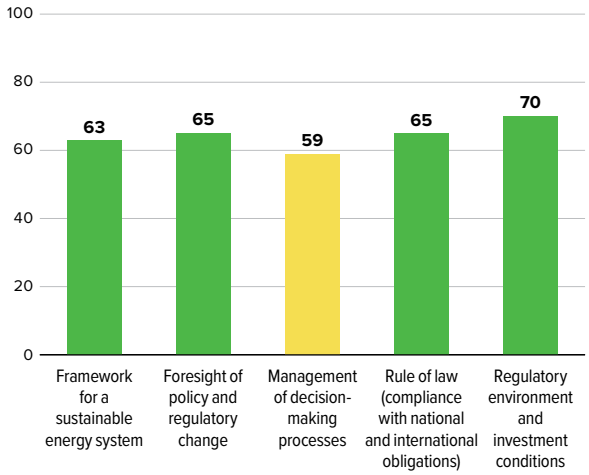
BiH has a good performance on four EIRA indicators and a moderate performance on one indicator. *Regulatory environment and investment conditions* is the highest-scoring indicator at 70. BiH's score on the indicators *rule of law* and *foresight of policy and regulatory change* is 65. Its score is 63 on the indicator *framework for a sustainable energy system* and 59 on *management of decision-making processes*.

BiH's sub-indicator performance is good. The highest-scoring sub-indicator is *regulatory independence* at 89, followed by *energy resilience* at 83, *restrictions on FDI* at 76, *robustness of policy goals and commitments* at 72, *management and settlement of investor-State disputes* at 70, *transparency and anti-corruption measures* at 68, and *policy planning on clean energy transition* at 64. BiH's score is moderate on six sub-indicators, namely, *respect for property rights* at 59, *communication of vision and policies* at 58, *enabling measures to support clean energy transition* at 54, *environmental protection, human rights and gender* at 52, and *institutional governance* at 50. The lowest-scoring sub-indicator is *electricity industry market structure and competition* at 44.

The legal and regulatory risks associated with energy investments in BiH are low. At the same time, it should strengthen its institutional governance and take measures to make the electricity market competitive.

RISK LEVEL

INDICATOR PERFORMANCE

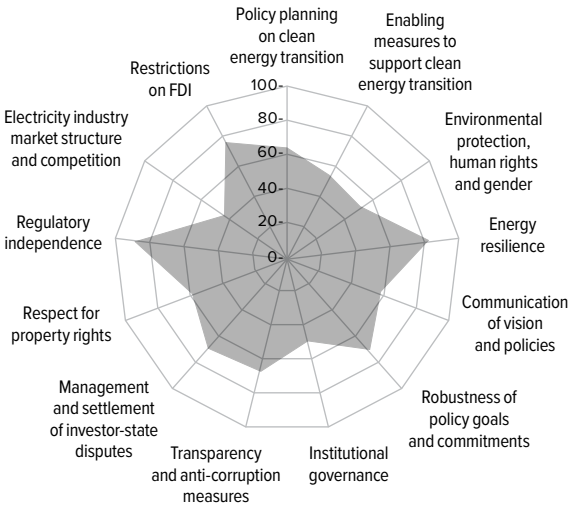


YEAR-ON-YEAR COMPARISON

RISK AREAS	2023	2024
Unpredictable policy and regulatory change	40	37
Discrimination between foreign and domestic investors	37	37
Breach of state obligations	37	34

INDICATORS	2023	2024
Framework for a sustainable energy system	54	63
Foresight of policy and regulatory change	56	65
Management of decision-making processes	54	59
Rule of law	65	65
Regulatory environment and investment conditions	70	70

SUB-INDICATOR PERFORMANCE



INDICATOR 1

SCORE 63

Framework for a sustainable energy system

QUICK FACTS

BiH submitted its revised NDC to the UNFCCC Secretariat in March 2021.

In December 2020, the government released the 2020-2030 Climate Change Adaptation and Low Emission Development Strategy for Bosnia and Herzegovina.

STRENGTHS

The updated NDC sets a conditional target to reduce GHG emissions to 36.8% below 1990 levels by 2030. It increases the country's unconditional emissions reduction target to 33.2% by 2030 compared to 1990 levels, 18% more than the previous NDC. The long-term GHG emissions reduction target for 2050 is 61.7% (unconditional) and 65.6% (conditional) below 1990 levels.

BiH is taking policy measures to create a climate-compatible and sustainable energy sector. The share of renewable energy sources in the country's power generation mix increased significantly in 2023 compared to previous years. Due to better hydrological conditions than in 2022, power generation from hydropower plants reached 6,284 GWh in 2023, rising by 1,825 GWh (40.9%). The Petnjik solar photovoltaic plant (PV), with an installed capacity of 29.9 MW, was put into trial operation. This is the first PV plant in BiH to be connected to the transmission network. In 2023, the Petnjik power plant produced 14.4 GWh of electricity, while power generation from small-scale renewable plants (small hydro, wind, solar, and biofuel plants connected to the distribution network) reached 742.87 GWh, an increase of 38.4% compared to the previous year. Wind power plants connected to the transmission system produced 356 GWh, which was 34 GWh, or 8.8% less than the previous year. Industrial power plants accounted for about 19.22 GWh of power production. Notably, electricity generated by thermal power plants was reduced by 1,224 GWh, or 12.7%, amounting to 8,405 GWh.

Following the trial operation of the Petnjik power plant in 2024, more PV plants have been connected to the transmission network. In the second quarter of 2024, the Zvizdan project (28.5 MW), SE Bileća (55 MW) and ECO-WAT Phase I project (57 MW) were connected to the grid, while the Ivan Sedlo wind farm (25 MW), the Ivovik wind farm (84 MW), as well as the PV power plants of Deling (29.75 MW), Polog 1-8 (7.99 MW) and Plavo Sunce (20 MW) will be connected by the end of 2024.

The performance of the transmission and distribution system also showed improvement, indicating higher system efficiency. The maximum hourly load of the power system in 2022 was 1,851 MW, as reported on 9 February 2023 at the 19th hour. This amount was significantly less than the historic maximum of 2,207 MW recorded at the 18th hour on 31 December 2014. The minimum hourly load was 597 MW, as reported on 12 June 2023 at the 4th hour, which is the lowest load in the past several decades. The total electricity in the transmission network was 18,695.2 GWh, 2% higher than in 2022. The transmission losses were 334 GWh or 1.79% of the total energy in the transmission system. Distribution losses for 2023 were 909.7 GWh, or 8.62% of the total consumption by customers connected to the distribution network, which is the lowest level in the history of the power sector of BiH.

BiH is exploring pathways to deploy energy storage solutions that will allow it to integrate higher shares of renewable energy sources into the electricity system. In the second quarter of 2024, BiH's independent system operator (NOSBiH), in partnership with the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), developed a technical and economic feasibility study of the potential of battery systems for electric energy storage (BBS) in BiH to optimally balance the electricity system while adding new wind and solar capacity. The study also examined the additional need for balancing by using the hourly profiles of wind and solar power generation in BiH for prospectively installed 1500 MW of solar and 1000 MW of wind energy. Moreover, it assessed the revenue generation opportunities for BSS through participation in the ancillary services market and offered recommendations to optimise the utilisation of BSS in BiH and potential integration models.

While the penetration of electric vehicles (EVs) remains low, the State and entities are making efforts to accelerate deployment. Notably, the Law on Electricity of the Federation of Bosnia and Herzegovina (FBiH), which entered into force on 17 August 2023, sets out the conditions for installing public and private charging stations for EVs and providing related charging services. It creates a legal obligation on the grid operator to facilitate the installation and management of publicly available charging stations, as well as ensure market access for charging services at non-discriminatory prices.

As a signatory to the Global Methane Pledge, BiH is taking steps to reach the parties' collective goal of reducing methane emissions by 30% from the 2020 levels by 2030. To this end, in 2024, the Ministry of Foreign Trade and Economic Relations (MoFTER) launched the project to develop the country's National Short-Lived Climate Pollutants Plan, the National Methane Roadmap, and the Monitoring, Reporting, and Verification Framework. The Climate and Clean Air Coalition, convened by the UN Environment Programme (UNEP), will fund the project and provide it with technical support.

AREAS FOR IMPROVEMENT

The government should introduce financial incentives for purchasing EVs and public-private partnership models to expand the requisite infrastructure.

BiH should introduce initiatives to increase the number of women employed in the renewable energy sector. These initiatives should be supported through adequate budget allocations and institutional capacity-building programmes in cooperation with international organisations and civil society. The government should also systematise the collection of gender-disaggregated data in public institutions operating in the renewable energy sector.

INDICATOR 2

SCORE 65

Foresight of policy and regulatory change

QUICK FACTS

BiH adopted its Framework Energy Strategy until 2035 (FES 2035) in 2018. The FBiH Framework Energy Strategy until 2035 and the Energy Strategy of Republika Srpska 2030 are aligned with FES 2035.

NOSBiH regulates the transmission network of BiH above 110 kV, develops the Indicative Production Development Plan (IPDP), and updates the country's Long-Term Transmission System Development Plan.

STRENGTHS

BiH is creating a policy framework that provides clarity on its future energy strategy, particularly its goal to increase the share of renewable energy sources and combat climate change. In June 2023, BiH submitted its draft National Energy and Climate Plan (draft NECP) covering the period from 2025 to 2030 to the Energy Community Secretariat. The draft NECP of BiH aims to replace the country's existing renewable energy and energy efficiency action plans and create a long-term and comprehensive approach to advance climate action across economic sectors. Based on the recommendations of the Energy Community Secretariat, issued in December 2023, BiH can revise the document to reflect quantifiable targets, policies and actionable measures that will set it on a sustainable development trajectory.

According to the most ambitious scenario of the draft NECP, BiH seeks to reduce GHG emissions by 41.2% (15.65 $MtCO_2e$ of total emissions) compared to 1990 levels. It foresees the share of renewable energy in gross final energy consumption to be 43.6%, which is in line with the Energy Community Secretariat's target for BiH for 2030. This is an increase from the target of 40% set for 2020 under the National Renewable Energy Action Plan of 2016. Moreover, the draft NECP sets a target of increasing wind power capacity from 135 MW in 2022 to 600 MW by 2030, as well as raising the solar PV capacity from 102 MW to 1,492 MW. According to the document containing the Energy Community Secretariat's recommendations, this represents a 4.4-fold increase in wind power and a 14.6-fold increase in solar power, requiring suitable areas that can accommodate the deployment of renewable energy projects. The draft NECP also refers to the need for policies and measures towards establishing a functional national CO_2 emissions trading scheme by 2026.

NOSBiH has prepared the IPDP covering the period from 2025 to 2034. The IPDP indicates that although the electricity prices on the wholesale market reduced substantially in the second half of 2023 and the first half of 2024, the interest of investors in solar and wind power projects remains steady. According to the register prepared by Elektroprenos BiH of requests submitted by users for a connection to the transmission network, there are wind power and solar PV plants of about 2500 MW installed capacity in varying stages of development. To address challenges related to system regulation and congestion, the IPDP foresees the integration of BSS.

BiH has introduced policy initiatives to enhance the policy framework on energy efficiency. The national and entity-level governments are developing the Building Retrofit Strategy in BiH 2050, the Building Retrofit Strategy 2050 in the Republika Srpska, and the Long-Term Building Retrofit Strategy 2050 in the FBiH. The FBiH is also in the early stages of drafting amendments to the Law on Energy Efficiency, which will set incentive mechanisms, such as the Energy Service Company (ESCO) model of energy efficiency financing and the implementation of energy audits in utilities and large companies. Moreover, the FBiH has launched several energy efficiency support programmes for residential buildings and micro, small and medium-sized enterprises.

The entities are taking measures to diversify energy supply sources and routes to enhance the country's energy security. Notably, the parliamentary procedure has commenced for enacting the Law on the Gas Pipeline "Southern Interconnection of BiH and the Republic of Croatia" in 2024, which sets out the legal framework for diversifying gas supply and ensuring compliance with EU regulations in this area. The adoption of this Law is coupled with the signing of international agreements on new gas supply routes for the eastern and southern interconnections in BiH. At the same time, Republika Srpska has adopted its Law on Gas, and the entity's government has approved the implementation of the project for constructing a gas pipeline from the border with the Republic of Serbia and the main gas pipeline Bijeljina - Banja Luka - Prijedor - Novi Grad. It is foreseen that all existing large industrial consumers and city heating plants along the pipeline's route within the Republika Srpska will be connected to it.

BiH is making efforts to ensure the accountability of State agencies, State-owned enterprises, and regulatory bodies. In December 2023, the BiH State Electricity Regulatory Commission published the Report on Activities for 2023, which was in line with the EU and the Energy Community requirements. State-owned companies and public enterprises made their performance statements publicly available. Elektroprivreda Bosne i Hercegovine (EPBiH), owned by FBiH, published its financial statements for the year ending 31 December 2023. Moreover, Elektroprivreda Hrvatske Zajednice Herceg Bosne (EPHZHB) published its annual report for 2023 as well as a report on its operations for the first half of 2024.

AREAS FOR IMPROVEMENT

BiH must develop a long-term strategy for large-scale green energy storage and introduce fiscal schemes, such as cash rebates and tax incentives, to promote eco-friendly technologies like flywheels, batteries, compressed air, and pumped hydro storage.

INDICATOR 3

SCORE 59

Management of decision-making processes

QUICK FACTS

- MoFTER leads national policy-making on energy and environmental protection.
- The Ministry of Energy and Mining (MEM) plans and manages the power sector strategy in Republika Srpska.
- The Federal Ministry of Energy, Mining and Industry (FMERI) develops and implements energy policies for the FBiH.
- In August 2023, the Parliamentary Assembly of BiH adopted the new Freedom of Access to Information Act.

STRENGTHS

In June 2024, BiH published the Tenth Economic Reform Programme for 2024-2026 (ERP). The measures and activities mentioned in the ERP are based on the recommendations made in the Joint Conclusions of the Economic and Financial Dialogue between the EU and the countries of the Western Balkans and Türkiye on 16 May 2023.

The ERP reports that in 2023, working groups were formed to draft the laws on the electricity sector, the national gas regulator, the transmission and electricity market of BiH, and to propose the draft amendments to the Law on Transmission, Regulator and Operator of the Electricity System in BiH. The ERP also outlines reforms and activities that are expected from 2024 to 2026, including a restructuring of Republika Srpska's power management company, Elektroprivreda Republike Srpske (ERS). The restructuring will involve a personnel and corporate reorganisation of the company as well as the reconstruction, modernisation, overhaul, and installation of ecological purification systems in thermal power plants. Moreover, between 2024 and 2026, Republika Srpska plans to enact the Law on Climate Change, which will transpose the climate dimension related to the EU Emissions Trading System (EU ETS) and the carbon border adjustment mechanism (CBAM). At the same time, FBiH will adopt the Strategy of Just Transition of the Energy Sector.

In 2023 and 2024, State agencies, at the national and entity level, made legal and regulatory documents available for public consultation in a timely manner. The State Electricity Regulatory Commission of BiH (SERC) reported in its annual report that in 2023, it held 17 regular stakeholder sessions, 29 internal meetings, and eight public hearings, of which six were general and two formal. Moreover, in 2024, the SERC invited interested persons to provide their written comments and attend public hearings on the draft rulebook on issuing work permits for energy activities, as well as draft licences to be issued to individual energy companies for the production, supply, and trade of electricity.

The SERC also provided information to investors and interested parties on the performance of the energy sector. According to it, the total electricity generated in 2023 was 15,822 GWh, about 5.2% or 786 GWh higher than in 2022. The electricity exported by BiH in 2023 was 5,148 GWh, which was 30.4% more than in the previous year. Additionally, in 2023, electricity consumption was 3.5% less than in 2022, amounting to 11,635 GWh. Consumption of customers connected to the transmission system amounted to 718 GWh, a reduction of 36.2% compared to 2022.

The Ministry of Finance and Treasury of BiH (MoFT) made information available to the public on the government's financial performance and budget execution for 2023 and 2024, including sources of government revenue, budget allocation and government spending. The MoFTER also published data on its financial performance and budget execution. Notably, it has made its annual financial reports for 2022 and 2023 available on its website, along with its budget for 2024, 2023, and 2022. The Audit Office of the Institutions in the FBiH and the Supreme Audit Office of Republika Srpska made financial, performance, and monitoring audit reports available on their websites for each municipality within their respective jurisdiction. In 2024, the Audit Office of the Institutions in the FBiH also published progress reports on the implementation of the SDGs and the efficiency of local authorities in addressing complaints of citizens and other stakeholders.

The Central Bank of BiH published the results of a survey on the country's FDI inflow in 2023. According to the data, FDI in BiH in 2023 amounted to 1.89 billion convertible marks (BAM), increasing by 378 million compared to 2022. Activities that recorded the highest investments in 2023 were the production of coke and refined petroleum products (BAM 362.4 million), financial services (BAM 304.3 million), and telecommunications (BAM 288.9 million). The country's total FDI at the end of 2023 amounted to BAM 19.42 billion. Investment inflow from Croatia is the highest (BAM 2.80 billion or 14.4% of the total FDI), followed by Serbia (BAM 2.68 billion or 13.8%) and Austria (BAM 2.67 billion or 13.7%). The highest FDI was observed in financial services (BAM 3.73 billion), telecommunications (BAM 2.02 billion) and wholesale trade (BAM 1.84 billion).

AREAS FOR IMPROVEMENT

BiH may consider setting up a one-stop shop to streamline licensing processes for renewable energy projects. It may also establish a single window point for enquiries concerning investment policies and applications for renewable energy projects.

BiH should consider establishing a beneficial ownership register that provides the public access to data on the owners, shareholders, and benefactors of companies operating in the country and their respective profits.

A new public procurement strategy should be adopted for 2024-2028, proposing measures to digitise the procurement process and introducing efficient oversight procedures. The Strategy must be accompanied by an action plan supporting the implementation process.

INDICATOR 4

Rule of law

SCORE 65

QUICK FACTS

- BiH ratified the ECT on 10 January 2001.
- BiH ratified the Convention on the Recognition and Enforcement of Foreign Arbitral Awards in 1993.
- BiH joined MIGA in 1993.

STRENGTHS

BiH is making progress with its justice sector reforms. In January 2024, the Working Group for the Security of Judicial Institutions and Judicial Office Holders of the High Judicial and Prosecutorial Council (HJPC) of Bosnia and Herzegovina held a meeting on the development of the Justice Security Strategy in Bosnia and Herzegovina, which the EU4Justice Project team will guide. BiH has also formed a working group to draft a new Law on the HJPC of BiH, and it is finalising the draft Law on the Courts of BiH.

Efforts are being made to increase transparency and public accountability in the justice sector. In February 2023, the Ministry of Justice of BiH adopted its Integrity Plan. To ensure accountability, the Plan designates a person in charge of its implementation, monitoring the progress made, and proposing measures to improve performance. All employees of the Ministry of Justice are required to report to the person in charge about situations, occurrences or actions that may violate the integrity of the institution. The person in charge of supervising the implementation of the Plan must submit a report to the head of the institution annually and more often if necessary.

In February 2024, the Parliament of BiH adopted the Law on Anti-Money Laundering and Counter-Terrorism Financing (AML Law). The AML Law has a broad scope, covering various financial institutions and businesses, including platforms dealing with crypto assets and e-money entities. It also contains comprehensive provisions to regulate anti-money laundering and counter-terrorism financing in specific professions, such as notaries and attorneys, who benefitted from ambiguities in the previous legislation.

In March 2024, the Parliament of BiH passed a new law on the prevention of conflict of interest. The new law seeks to prevent conflict of interest among public officials, prevent private influence on decision-making in the exercise of a public office, enhance the integrity and independence of public offices, and counter corruption. It applies more stringent checks of assets and activities of public office holders and their families compared to the previous one enacted in 2022. According to the new law, office-holders must report all movable property of more than EUR 2,500 as well as real estate. It also bars public officials and their family members from receiving gifts worth more than EUR 100.

The judiciary of BiH complies with its domestic and international obligations related to the recognition and enforcement of foreign decisions in BiH. In disputes with a foreign element, the parties may choose the foreign court's jurisdiction. However, to have the judgment of the foreign court executed in BiH, it has to be recognised by domestic courts using a specific, individual procedure. After recognition, the foreign court decision will have the force of the domestic court decision, which will be enforceable.

The entities, as well as the Brčko District, have legislation in place to regulate the expropriation of property. These laws contain provisions on activities that may be considered as being in the 'public interest', such as the construction of transport infrastructure, economic, communal, health, educational and cultural objects, objects of defence, administration and other objects of public interest. Property may be expropriated when it is necessary to perform public works of general interest. However, land cannot be expropriated for agricultural purposes. The laws also designate authorities which shall be responsible for determining whether an activity qualifies as that of 'general interest' and whether it may be considered an acceptable ground for expropriation. According to the respective entity laws, after the decision on expropriation is made, the municipal body shall be obliged to schedule a hearing to agree on the compensation. If there is no agreement on the amount of compensation within a stipulated period, the decision shall become valid. After that, the municipal body is required to submit the decision to the court so it may determine the compensation amount.

At the national level, the Law on the Policy of Foreign Direct Investment in BiH states that foreign investment shall not be subject to any act of nationalisation, expropriation, requisition or measures which have similar effects, except in the public interest according to applicable laws and regulations, without any discrimination and against the payment of appropriate compensation. Such compensation will be deemed appropriate if it is adequate, effective and prompt. The expropriation of real estate is regulated at the entity level.

AREAS FOR IMPROVEMENT

The government should appoint a central authority to maintain a database of investment treaties, contracts, and special undertakings with foreign investors. Moreover, it should record real-time information on foreign investors operating in the country and historical data on investor grievances. The database could help identify the sectors most prone to investor conflicts, recurrent issues arising between investors and public agencies, and patterns of investor non-compliance. Such an approach would act as an early warning mechanism, allowing the government to address investor grievances in a timely manner and limiting potential investor-State arbitration claims.

INDICATOR 5

SCORE 70

Regulatory environment and investment conditions

QUICK FACTS

- The SERC regulates the transmission of electricity, the transmission system operation, and the international electricity trade.
- The Federal Commission for Electricity Regulation (FERK) is the regulatory authority in the FBiH, while the Regulatory Commission for Electricity of Republika Srpska (RERS) regulates Republika Srpska's electricity market.
- EPHZHB, EPBiH and ERS are publicly owned power generation, distribution, and retail companies.

STRENGTHS

According to the SERC, in 2023, BiH's power system operated optimally and in line with established quality standards. All construction, reconstruction and rehabilitation works planned for 2023 on the transmission network were completed in a timely manner, ensuring greater security of supply for customers. Notably, new substations, SS 110/x kV Jelah and SS 110/20 kV Petnjik, were operationalised. The SERC also successfully finalised the activities related to the transposition and implementation of the adapted REMIT Regulation in the electricity sector. Specifically, it has established the register of participants in the wholesale electricity market, which is updated regularly. At the end of 2023, the register included data on 28 participants.

BiH's electricity regulatory authorities are coordinating activities at the national and entity levels to establish a robust cybersecurity framework that offers adequate protection to the regulators' information and communication systems. To this end, in November 2023, the National Association of Regulatory Utility Commissioners (NARUC), in partnership with the USAID Energy Policy Activity in BiH, organised an information session for officials of the electricity regulatory commissions in the country as well as other stakeholders in the sector on ensuring readiness for cybersecurity threats and attacks. NARUC also prepared a Cyber Incidence Coordination Protocol containing detailed instructions on measures to be taken in response to such incidents and guidelines for disseminating information to other commissions and stakeholders in the energy sector.

In 2022, Republika Srpska and the Brčko District adopted new laws on renewable energy and energy efficiency. Keeping up the momentum of these reforms, on 31 July 2023, the FBiH adopted the Law on Electricity of the FBiH, which aims to streamline procedures for the construction of power plants and for procuring a grid connection. The new Law on Electricity bans the construction of small hydropower plants with a capacity of up to 10 MW (except for hydropower plants on water infrastructure) due to their negative environmental impact. Moreover, it exempts renewable energy facilities with an installed capacity of less than 1 MW from the requirement to obtain an energy permit or a licence for undertaking energy production activities. The Law on Electricity also establishes a certification mechanism for solar and wind power plants with an installed capacity of 23 MW or less. This system allows investors to appoint a certified individual for the installation and commissioning of an energy facility to ensure there is one contact point responsible for the project's implementation instead of multiple bodies.

FBiH also enacted the Law on the Use of Renewable Energy Sources and Efficient Cogeneration, which offers greater clarity on the legal framework governing the renewable energy sector, particularly on the duties and rights of the market participants and the incentive regimes applicable to different projects. It establishes a feed-in tariff (FiT) auction mechanism for solar power projects with an installed capacity of up to 150 kW, wind plants of up to 250 kW, and biomass power plants of up to 500 kW. All projects from these renewable energy sources with an installed capacity exceeding these limits are eligible for feed-in premium (FiP) auctions. The Operator for Renewable Energy Sources and Efficient Cogeneration (Operator za OIEiEK) is responsible for implementing both types of auctions. Projects that wish to participate in FiT auctions must possess a construction permit, while those intending to participate in FiP auctions should have a location permit or a certificate from a competent authority granting an exemption from such a permit. Additionally, the Law introduces new categories of market participants, such as prosumers and renewable energy communities, enabling consumers to produce electricity for self-consumption and in cooperation with one another.

The Law on Energy and Regulation of Energy Activities in the FBiH, also adopted in 2023, outlines the manner for developing the energy sector policy and ensuring its implementation, with an emphasis on promoting the use of renewable energy and achieving higher energy efficiency. Besides renewable energy sources, the Law supports the regulation of other energy sources, including electricity, natural gas, thermal energy, and oil derivatives within the entity. It also introduces mechanisms for the protection of vulnerable consumers, pursuant to EU Directive 2009/72/EC. The Law further obliges the Federal Ministry of Energy, Mining and Industry (FMEMI) to ensure that the construction of energy facilities complies with FBiH's energy strategy and action plans. It empowers the FMEMI to deny permits to facilities that are discouraged, restricted or forbidden by the entity's strategic documents.

AREAS FOR IMPROVEMENT

- FBiH should take steps to initiate and complete the legal unbundling of the electricity distribution system operators EPHZHB and EPBiH.
- Federal and entity-level governments must harmonise the diverging rules for unbundling, market liberalisation, and third-party access to gas networks. This approach will support investment in gas infrastructure development, expansion, and refurbishment, diversify gas routes, make the wholesale gas market competitive, and support the eventual phase out of coal consumption.

INDICATOR 1

Improvements proposed in 2022

Develop an action plan to implement the Strategy for the Development of Science 2017 – 2022; set fiscal incentives to support innovation in energy storage solutions.

Work ongoing. In 2024, NOSBiH, in partnership with GIZ, developed a feasibility study on the potential of BBS in BiH to optimally balance the electricity system while adding new wind and solar capacity.

Develop a policy framework to track the implementation of the NDCs; establish a comprehensive MRV system for national GHG emissions.

Work ongoing. In June 2023, BiH submitted its draft NECP to the Energy Community Secretariat. In 2024, MoFTER launched the project to develop the country's National Short-Lived Climate Pollutants Plan, the National Methane Roadmap, and the MRV Framework.

Organise capacity-building programmes to increase the employment of women in the renewable energy sector.

Work ongoing. In December 2022, BiH and the UNDP launched the 'Gender Equality Seal for Public Institutions' project.

Improvements proposed in 2023

Communicate to the UNFCCC Secretariat the country's LT-LEDS.

Fully implemented. On 20 July 2023, the UNFCCC Secretariat published the LLT-LEDS submitted by BiH, covering the period from 2020 to 2030.

INDICATOR 2

Improvements proposed in 2018

Adopt the Framework Energy Strategy of BiH until 2035 at State level.

Fully implemented. The Framework Energy Strategy of BiH until 2035 was adopted in 2018.

Adopt the draft legislation for the electricity and gas sub-sectors at the state level.

Work ongoing. On 31 July 2023, the FBiH adopted the Law on Electricity of the FBiH, the Law on the Use of Renewable Energy Sources and Efficient Cogeneration, and the Law on Energy and Regulation of Energy Activities in the FBiH. The draft Law on the Regulator of Electricity and Natural Gas, Transmission and Electricity Market in BiH has been published for e-consultations. It includes the necessary elements of market integration, security of supply, and issues related to the latest EU and Energy Community acquis.

Improvements proposed in 2019

Adopt an updated action plan for energy efficiency.

Work ongoing. In June 2023, BiH submitted its draft NECP covering the period from 2025 to 2030 to the Energy Community Secretariat.

Improvements proposed in 2020

Harmonise policy monitoring and evaluation mechanisms at State and entity levels.

Pending

Improvements proposed in 2022

Intensify efforts to increase the share of renewable energy fuels in the transport sector.

Work ongoing. The Law on Electricity of FBiH 2023, sets out the conditions for installing public and private charging stations for EVs and providing charging services.

Improvements proposed in 2023

Establish an institutional framework to monitor and evaluate the progress of the 2020-2030 Climate Change Adaptation and Low Emission Development Strategy implementation.

Pending

INDICATOR 3

Improvements proposed in 2018

Grant free public access to laws and regulations in foreign languages; set up one-stop investment shops in the entities and the FBiH cantons.

Work ongoing. In 2024, the SERC held 17 regular stakeholder sessions, 29 internal meetings, and eight public hearings.

Improvements proposed in 2021

Ensure NOSBiH publishes data about congestion management and electricity month-ahead forecasted capacities on the European Network Transmission System Operators (ENTSO-E) transparency platform.

Fully implemented. NOSBiH has made data available on the ENTSO-E transparency platform.

Improvements proposed in 2022

Establish a beneficial ownership register.

Pending

Improvements proposed in 2023

Adopt a new public procurement strategy and its implementing plan.

Fully implemented. At the end of March 2024, the Council of Ministers of BiH adopted the Strategy for Public Procurement in Bosnia and Herzegovina for the period 2024-2028 and the Action Plan for its implementation.

INDICATOR 4

Improvements proposed in 2018

Establish a foreign investment ombudsperson; update the expropriation laws of the entities and the Brčko District.

Pending

Update the Alternative Dispute Resolution Strategy of 2008.

Pending

Appoint a central authority to maintain a database of investment treaties, contracts, and special undertakings with foreign investors.

Improvement suggested in 2024. Status will be updated in 2025.

INDICATOR 5

Improvements proposed in 2021

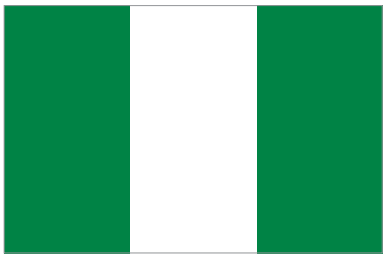
Regularly publish the decisions of RERS on gas and electricity tariffs.

Work ongoing. The website of RERS contains all the decisions on tariff methodologies and on current gas and electricity tariffs.

Improvements proposed in 2022

Finalise the legal unbundling of EPHZHB and EPBiH; establish a national-level legal framework to regulate unbundling, market liberalisation and third-party access in the natural gas sector.

Work ongoing. In 2023, working groups were formed to draft the laws on the electricity sector, the national gas regulator, and the transmission and electricity market of BiH.



Nigeria

Population[1]	223,804,632
Area (km^2)[1]	923,770
GDP per capita (USD)[1]	1,621.10
TES (Mtoe)[2]	74.32
Net energy imports (Mtoe)[2]	-49.27
Share of renewable sources in TES[2]	0.45
CO_2/TES (tCO_2 per TJ)[2]	32.26

Data by Orbis Crossborder Investment on completed energy projects and deals from 2015-2024[3]

Target industry	Number of projects and deals	Project CapEx and deal value (million EUR) by source country
Electric power generation, transmission and distribution	2 new projects 2 acquisition deal 1 joint venture deal	United Arab Emirates: 1 RE project of 90.86 mEUR United Kingdom: 1 TD project of 1.75 mEUR United States of America: 1 FF deal of 234.58 mEUR Value of 1 RE deal (Germany) is n.a Value of 1 TD deal (South Africa) is n.a
Extraction of crude petroleum	2 new projects 1 acquisition deal	United States of America: 1 project of 1,000 mEUR The Netherlands: 1 project of 4 mEUR Canada: 1 deal of 2.45 mEUR
Manufacture of refined petroleum products	2 acquisition deals	Singapore: 1 deal of 3.8 mEUR Value of 1 deal (United Arab Emirates) is N/A
Transport by pipeline	1 minority stake deal	South Africa: 1 deal of 49.05 mEUR
Support activities for petroleum and natural gas extraction	1 joint venture deal	Value of 1 deal (United Arab Emirates) is N/A
Mining of uranium and thorium ores	1 acquisition deal	Australia: 1 deal of 22.56 mEUR

Sources:

1. The World Bank 2023.
2. ©IEA (2024), World Energy Balances (https://www.iea.org/data-and-statistics). All rights reserved. Data refer to the year 2022.
3. Orbis Crossborder Investment (2024), Bureau Van Dijk. Data represents the period 1 April 2015 - 1 April 2024. For more information see Annex III of this report.

RE: Renewable energy based electricity production
FF: Fossil fuel based electricity production
TD: Transmission and Distribution of electricity

Nigeria's overall risk level against the assessed areas is **low**.

Among the three risk areas, *discrimination between domestic and foreign investors* has the lowest risk level, followed by *unpredictable policy and regulatory change* and *breach of State obligations*.

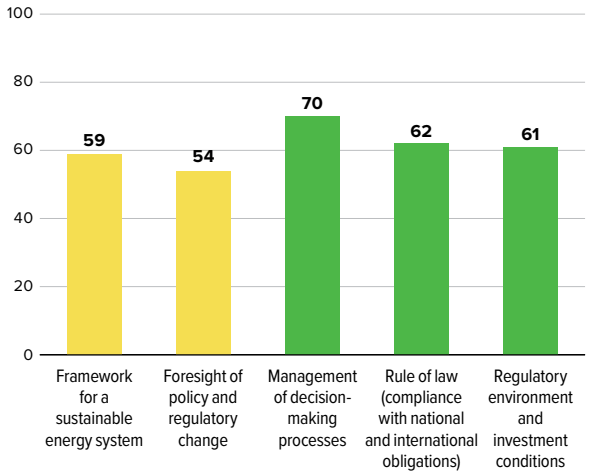
Nigeria has a good performance on three EIRA indicators and a moderate performance on two. The highest-scoring indicator is *management of decision-making processes* at 70, followed by the indicator *rule of law* at 62 and *regulatory environment and investment conditions* at 61. Its score on the indicator *framework for a sustainable energy system* is 59, and on *foresight of policy and regulatory change*, it scores 54.

Nigeria's overall sub-indicator performance is good. The highest-scoring sub-indicators are *policy planning on clean energy transition* at 76, *institutional governance* at 75 and *respect for property rights* at 70. Following these sub-indicators are *communication of vision and policies* at 66, *electricity industry market structure and competition* at 65, *transparency and anti-corruption measures* at 64, *regulatory independence* at 63, and *environmental protection, human rights and gender* at 61. Nigeria's score is moderate on four sub-indicators: *energy resilience* at 57, *restrictions on FDI* at 56 and *management and settlement of investor-State disputes* at 53. The lowest-scoring sub-indicators are *enabling measures to support clean energy transition* at 44 and *robustness of policy goals and commitments* at 42.

The legal and regulatory risks associated with energy investments in Nigeria are low. At the same time, it should accelerate the implementation of its policy framework to achieve its energy and climate goals.

RISK LEVEL

INDICATOR PERFORMANCE

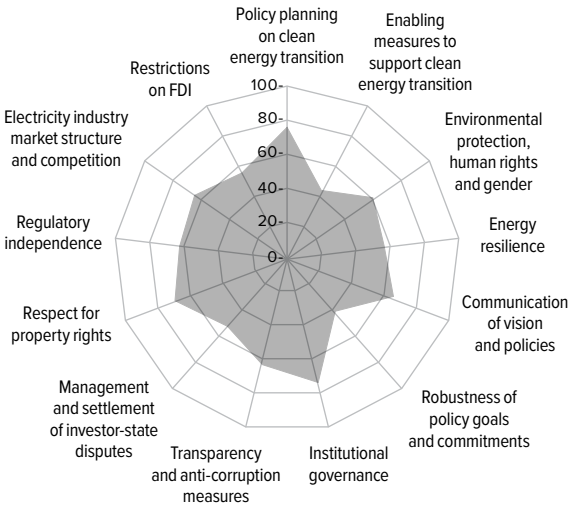


YEAR-ON-YEAR COMPARISON

RISK AREAS	2022	2024
Unpredictable policy and regulatory change	43	39
Discrimination between foreign and domestic investors	40	36
Breach of State obligations	44	39

INDICATORS	2022	2024
Framework for a sustainable energy system	57	59
Foresight of policy and regulatory change	48	54
Management of decision-making processes	70	70
Rule of law	62	62
Regulatory environment and investment conditions	49	61

SUB-INDICATOR PERFORMANCE



INDICATOR 1

SCORE 59

Framework for a sustainable energy system

QUICK FACTS

- On 30 July 2021, Nigeria submitted its updated NDC to the UNFCCC Secretariat.
- The Federal Government of Nigeria (FGN) enacted the Climate Change Act in 2021. It is the first stand-alone climate change law in West Africa.
- In 2022, the National Council on Climate Change (NCCC) became operational, and its work plan was approved in 2023.

STRENGTHS

Nigeria has taken commendable initiatives to advance its climate goals while enhancing the sustainability of its energy sector. Following its establishment, the NCCC launched Nigeria's NDC Implementation Framework (NDC-IF), which covers the period 2023-2030. The NDC-IF seeks to streamline all existing national climate and development policies, targets, and plans while making clear interlinkages with the SDGs.

The NDC-IF focuses on six sectors and comprises cross-cutting components with 19 outcomes, 151 outputs, and 301 key performance indicators. The expected outcomes for the energy sector include an increase in the country's renewable energy capacity, the implementation of smart street lighting solutions in urban and rural areas, reduction in GHG emissions and increased energy savings, optimisation of gas utilisation with a focus on mitigating gas flaring and leakages, and the promotion of innovation and sustainability within the energy industry. The cost of implementing the NDC-IF is approximately USD 268.4 billion for the first seven years. Of this, about 76% is earmarked for adaptation measures, 22% for mitigation measures, and about 2% for cross-cutting measures. Energy, agriculture, and water are the primary cost drivers of the NDC-IF.

Building on the 2050 Long-term Vision for Nigeria (LTV-2050), on 25 April 2024, Nigeria submitted its Long-Term Low-Emission Development Strategy – 2060 (LT-LEDS) to the UNFCCC Secretariat. The LT-LEDS sets an unqualified vision to make Nigeria a net-zero economy by 2060 as opposed to the LTV-2050, which aimed for the country to become a low-carbon economy that reduces its current level of emission by 50%, moving towards having net-zero emissions. Both documents commit to ensuring that Nigeria becomes climate-resilient with a high-growth circular economy in a gender-responsive manner. The FGN plans to leverage the LT-LEDS to develop a detailed investment plan that is aligned with the country's revised NDC and the ongoing net-zero investment planning to allow for coordinated action by stakeholders.

The LT-LEDS sets out four scenarios for Nigeria to meet its net-zero commitment by 2060 while considering the country's economic development goals. The BAU Scenario foresees a significant increase in Nigeria's emissions from all sectors due to increasing socio-economic development and population without substantial mitigation efforts. The Current Policy Scenario (CPS) envisages that by 2060, renewable energy sources will provide over 90% of power generation, carbon capture and sequestration (CCS) will be deployed in industries, electric vehicles will account for 85% of the car and bus fleets, and gas flaring will end by 2030. The Gas Economy Scenario (GES) is based on aggressive exploitation and utilisation of gas resources, assuming that by 2060, 58% of power generation will be from natural gas with CCS. The Renewable Energy Scenario (RES) assumes that there will be about 98% zero-emission energy penetration in the power sector, which will comprise renewable energy and nuclear power, to align with the Nigerian Nuclear Power Programme. According to the updated LT-LEDS, while the GES and RES have better potential than CPS to support the LT-LEDS by 2060, only the RES points in the direction of net-zero emissions.

The GHG emissions from the power sector are expected to grow steadily from 15 to 118 MtCO2e by 2060 under the business-as-usual (BAU) scenario, while the emissions of the CPS will peak at 18 $MtCO_2e$ in 2040 and drop to 0.4 $MtCO_2e$ by 2060. Similarly, in the GES, emissions will peak at 14 $MtCO_2e$ in 2050 and lower to 0.1 $MtCO_2e$ in 2060. The low emissions in these scenarios are due to the integration of a higher share of renewable energy in the power generation mix and the deployment of CCS technologies, respectively. In the RES, emissions will peak at 23 $MtCO_2e$ in 2050 and drop to about 7 $MtCO_2e$ (emissions from the deployment of biomass) by 2060.

In 2023, the FGN adopted Guidelines for Management of Fugitive Methane and Greenhouse Gases Emissions in the Upstream Oil and Gas Operations in Nigeria outlining steps that must be taken by oil and gas companies, such as leak detection, to mitigate methane emissions. The FGN also launched the Nigeria Carbon Market and Electric Buses Rollout Programme, which seeks to reduce Nigeria's carbon footprint substantially while modernising the country's transportation systems. The FGN has committed to deploying a fleet of 100 electric buses as part of this Programme. Moreover, on 7 March 2024, it established the Intergovernmental Committee on Carbon Market Activation Plan that will create a blueprint for achieving an efficient and sustainable carbon market ecosystem. The objective of the blueprint will be to minimise carbon emissions, support the African Carbon Market Initiative, and allow Nigeria to leverage its carbon market with a potential of over USD 2.5 billion.

AREAS FOR IMPROVEMENT

- The carbon budget and its action plan, which was to be released by November 2022, should be operationalised by the Federal Executive Council to facilitate the implementation of the RES scenario of the LT-LEDS.
- The FGN should develop incentive schemes and bankable business models to attract investment in small and large-scale energy storage. This approach will facilitate the integration of variable renewable energy into the electricity grid and help commercial enterprises and households wean away from the extensive use of diesel generators that back up the unstable electricity supply from the grid.

INDICATOR 2

SCORE 54

Foresight of policy and regulatory change

QUICK FACTS

- In 2022, the FGN released the ETP, setting Nigeria's long-term vision towards becoming a net-zero economy by 2060 and lifting 100 million Nigerians out of poverty. The ETP has five focus areas, namely, power, cooking, oil and gas, transport, and industry.
- On 9 June 2023, the FGN adopted the Electricity Act 2023, repealing the Electricity and Power Sector Reform Act of 2005.
- In 2021, the FGN adopted the Medium-Term National Development Plan 2021-2025 (NDP).

STRENGTHS

The ETP outlines two scenarios, one guided by the NDC and another to meet the net-zero target. The net-zero scenario sets a target of ensuring that 80% of the vehicle fleet is electric and about 80% of households use clean cooking technologies. The ETP also offers a significant opportunity for gas commercialisation up to 2030 before a complete gas phase-out in 2060. Specifically, its goal is to increase gas production until 2030 so that it can provide the baseload capacity, achieve universal energy access, replace diesel generators with 6.3 GW off-grid and 42 GW on-grid capacity, and deploy 250 GW of solar photovoltaic and 112 GWh of storage by 2060.

The incremental funding required to implement the ETP is about USD 410 billion (USD 1.9 trillion in total) from 2021 to 2060, with an average requirement of USD 10 billion per annum in incremental funding. As a result, in 2022, the FGN released comprehensive information to attract private investments in the areas covered by the ETP. Specifically, it identified a USD 23 billion investment opportunity across a portfolio of projects and programmes covering power generation, transmission and distribution infrastructure upgrades and new distribution connections, metering, gas commercialisation, clean cooking, government buildings, e-mobility, healthcare, and technical assistance. The FGN also foresees a provision of about USD 2 billion in guarantees and de-risking instruments that will help to incentivise private sector activity at scale for the implementation of these projects and programmes, including up to USD 1 billion for generation, USD 300 million for transmission and distribution, USD 500 million for gas commercialisation, USD 150 million for clean cooking and USD 50 million for healthcare. Furthermore, Nigeria has also developed a unique integrated energy planning geospatial tool that is publicly accessible for partners to leverage.

The newly enacted Electricity Act 2023 aims to translate the policy framework to promote clean energy transition into reality. Section 3 of the Act mandates the Federal Ministry of Power to develop a National Integrated Electricity Policy and Strategic Implementation Plan (NIEPSIP) within one year from the commencement of the Act, encompassing several aspects of the power sector. Notably, the Federal Ministry of Power released the NIEPSIP in late August 2024 after extensive consultations with industry experts and stakeholders. The NIEPSIP sets out plans for the development of power based on optimal utilisation of resources, including renewables, natural gas and nuclear materials, captive generation or stand-alone systems in rural areas, public-private partnership projects for electricity access to all areas, waivers and subsidies to stimulate the development of renewable energy, and the coordinated expansion of power generation, and transmission, distribution and supply infrastructure.

The Electricity Act 2023 mandates the Nigerian Electricity Regulatory Commission (NERC) to prioritise embedded generation, hybridised generation, co-generation, and production from renewable energy sources in granting electricity generation licences. Adhering to this provision, in April and May 2024, the NERC issued Supplementary Orders to the Multi-Year Tariff Order 2024, obliging distribution companies (DisCos) to procure at least 10% of their load allocation for 2024 from embedded generation and half of their capacity from renewable energy sources. DisCos have been given until 1 April 2025 to fulfil this mandate. To give distributed renewable energy an impetus, in December 2023, the FGN launched the new Mini-Grid Regulations 2023. In compliance with Section 165(1)(m) of the Electricity Act 2023, the NERC must award mini-grid concession licences to renewable energy companies that will exclusively serve customers of a specific geographical location.

The Electricity Act 2023 requires the Federal Ministry of Finance to introduce tax incentives to encourage renewable power production and consumption in accordance with the applicable legal and policy framework. Additionally, the National Renewable Energy and Energy Efficiency Policy offers a two-year custom duty exemption on imported equipment and materials used in renewable energy projects. Manufacturers engaged in renewable energy production are eligible for a five-year tax holiday from the commencement of their operations. Moreover, investments in domestic renewable energy sources benefit from a five-year tax holiday on dividend incomes. At the same time, the Power Sector Development Fund offers soft loans and special low-interest loans to support renewable energy projects. The FGN has also exempted the sale of renewable energy equipment from the application of value-added tax in the VAT (Modification) Order 2021.

To promote the use of low-carbon fuels, the FGN has set up a committee to implement the Presidential CNG Initiative (Pi-CNG). This initiative aims to ameliorate transitional hardship occasioned by the removal of fuel subsidy and full deregulation of the petroleum products market. Pi-CNG is expected to mainstream alternative energy sources like Compressed Natural Gas (CNG) and electric vehicles for transportation.

AREAS FOR IMPROVEMENT

- Given the timeline set by NERC for the Discos to procure electricity from embedded generators, the NERC must ensure there are adequate renewable embedded generation suppliers for the DisCos to meet their obligations effectively within the stipulated timeframe.

INDICATOR 3

SCORE 70

Management of decision-making processes

QUICK FACTS

- The Energy Commission of Nigeria (ECN) is responsible for policy planning and coordination in the energy sector.
- In 2011, Nigeria enacted the Freedom of Information Act.

STRENGTHS

In 2023, the FGN took steps to streamline the legal and institutional framework of the power sector. On 17 March 2023, the Fifth Alteration Act No. 17 of 2023 was signed into law, introducing 16 new amendments to the 1999 Constitution of the Federal Republic of Nigeria. Notably, the Fifth Alteration Act No. 17 amplifies the scope of state legislative powers to include the generation, transmission, and distribution of electricity in areas covered by the national grid system. Before this Constitutional Amendment, states could only establish laws for the generation, transmission, and distribution of electricity in areas not covered by the national grid system. However, with this Amendment, states may now increase the pace of power sector development within their jurisdiction, and the public can hold state governments accountable for power supply and infrastructure improvements.

In cases where states do not have the applicable legal framework in place or are yet to take steps towards developing the necessary laws, the federal regime will continue to apply. However, in light of the Fifth Alteration Act No. 17, several states such as Lagos, Edo, Kaduna, Enugu, Ekiti, Imo, Kogi, Ondo and Oyo have already enacted electricity laws, following which the NERC has transferred oversight of the electricity market to these states.

The Electricity Act 2023 supports the implementation of the Fifth Alteration Act No. 17. It encourages partnerships between the state governments and power utilities to accelerate the sector's growth and improve service delivery to consumers. For instance, Ekiti State has recently issued operational licenses to three DisCos, four generation companies, and two mini-grid generation companies as part of the state's plan to implement an off-grid electricity supply system.

The FGN is also taking steps to streamline decision-making in the oil and gas sector and ensure adequate energy supply across the country. It has established a committee comprising representatives of the Nigerian Upstream Petroleum Regulatory Commission (NUPRC), the Nigerian National Petroleum Corporation Ltd (NNPC), the Oil Producers Trade Section, the Independent Petroleum Producers Group, the Crude Oil Refiners-Owners Association of Nigeria, and the Dangote Refinery to address challenges related to the implementation of the domestic crude oil supply. Specifically, the committee has developed a Framework for Seamless Operationalisation of the Domestic Crude Oil Supply Obligations for the efficient management of crude oil supply and limit shortages of crude oil supply to domestic refineries.

In 2023 and 2024, MDAs engaged in energy activities made the data on their operational and financial performance publicly available. The Federal Ministry of Budget and Planning has made the 2024 - 2026 Medium-Term Fiscal Framework publicly available along with the annual national budget for 2024, 2023, and 2022, as well as the quarterly and annual budget performance reports for 2023 and 2022 which include aggregated data on oil and non-oil revenues. Moreover, the NUPRC has published its annual reports for 2023 with detailed information on its financial and operational performance, the statistics for 2022 and 2023 on the country's oil production by types of hydrocarbon, and the status of oil prospecting licences with subsisting tenures. The Transmission Company of Nigeria (TCN) has published comprehensive data for 2024 on the load capacities of DisCos, as well as on the country's available power generation capacity, total transmission losses and the system collapses.

The FGN is making efforts to disclose information on beneficial ownership of companies in Nigeria. In 2022, the Minister of Industry, Trade and Investment adopted the Persons of Significant Control (PSC) Regulations, which establish the framework and procedures for obtaining relevant information on persons with significant control/ beneficial owners of a company, limited liability partnership (LLP) and any other relevant entity. Per these Regulations, a PSC is any individual who (a) owns or possesses at least 5% of the issued shares in the company or interest in an LLP, (b) holds at least 5% of the voting rights in a company or LLP; or (c) holds the right to appoint or remove the majority of directors in a company or partners in an LLP. An individual must inform the company or LLP of their control within seven days of becoming a PSC. In turn, the affected company or LLP must notify the Corporate Affairs Commission (CAC) and submit the details of the PSC within one month. Non-compliance with the PSC Regulations can result in penalties of up to NGN 200,000 in fines and imprisonment of up to two years for the PSC and the concerned company or LLP. It may also lead to the CAC classifying the concerned company or LLP as 'inactive' on the PSC Register, as well as a refusal to approve company or LLP registrations, annual return filings, or non-issuance of a 'Letter of Good Standing' to the company. Following the adoption of the PSC Regulations, on 25 May 2023, Nigeria launched its Open Central Register of Beneficial Ownership (PSC Register), which is accessible to the public at no cost.

AREAS FOR IMPROVEMENT

The Electricity Act 2023 re-establishes the authority of state governments in the power sector. While this is commendable, with each state enacting its separate electricity law, the states and the FGN should ensure consistency in legal frameworks and coordinate their implementation to prevent market distortions, confusion among citizens and potential investors on the applicable regime, and non-competitive practices. At the same time, stakeholders must be ready to address pricing and tariff related matters, electricity theft, infrastructural deficits, and the creation of a decentralized transmission grid.

INDICATOR 4

Rule of law

SCORE 62

QUICK FACTS

- On 17 March 1970, Nigeria acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards.
- The Convention on the Settlement of Investment Disputes between States and Nationals of Other States came into force in Nigeria on 14 October 1966.
- Nigeria joined MIGA on 30 March 1961.

STRENGTHS

In May 2023, the Arbitration and Mediation Act (AMA) was enacted, repealing the Arbitration and Conciliation Act 1988. The AMA introduced several changes to address the shortcomings of its predecessor as well as align domestic law with international best practices in the field of arbitration and mediation.

Nigeria recognises the role of mediation as an effective tool for formal dispute resolution. As a result, the AMA 2023 establishes a robust legal framework for international commercial mediation in line with the United Nations Convention on International Settlement Agreements Resulting from Mediation. Moreover, it provides clarity on the application of Third Party Funding (TPF), which was unclear due to its conflict with the common law tort of maintenance and champerty prohibiting third parties from financing disputing parties in Nigerian litigation. Article 61 of the AMA 2023 establishes that these doctrines will not apply to TPF in domestic arbitration, provided that a party receiving such funding discloses the arrangement to the other parties, the tribunal, and the arbitral institution at the commencement of the proceedings or after a funding agreement is signed during proceedings. This provision makes Nigeria the third jurisdiction to expressly recognise TPF in a law, after Hong Kong and Singapore.

The AMA 2023 includes a procedure for appointing emergency arbitrators by the parties so they may seek interim relief, as well as a process for challenging such an appointment. This is a significant improvement on the 1988 Act, which was silent on the issue of emergency arbitrators and the enforceability of emergency arbitrators' orders. According to the AMA 2023, unless the parties agree otherwise, a party may appoint an emergency arbitrator from a designated arbitration institution or the Nigerian courts within two business days. The other party may challenge the appointment within three business days of the notification of the appointment or from the date the other party was informed of the facts and circumstances on which the challenge is based, where the date is after the receipt of the notification. The emergency arbitrator must make a final and binding decision within 14 days of receiving the matter. In cases where a party does not comply with the decision, the aggrieved party may approach the Nigerian courts for enforcement. The AMA 2023 allows parties to submit an enforcement application irrespective of the country in which it was issued. However, the arbitral tribunal may decide to modify or terminate the emergency arbitrator's decision in part or wholly.

The 1988 Act did not offer guidance on the consolidation of proceedings, which resulted in duplication of proceedings, as well as increased time and cost inefficiency. The AMA 2023 does away with this problem by allowing parties to consolidate arbitral proceedings or hold concurrent hearings with their express consent. It also allows the joinder of new additional parties, provided the underlying arbitration agreement binds them.

The AMA 2023 provides for an optional recourse to an Award Review Tribunal (ART) for those awards rendered in arbitrations seated in Nigeria. By opting in for the ART, parties may challenge an award before a second arbitral tribunal. The AMA 2023 sets out nine grounds for referring a matter to the ART similar to those stipulated in the UNCITRAL Model Law 2006 and the grounds for refusing enforcement under the New York Convention. Moreover, under the AMA 2023, awards set aside by the ART may only be reinstated by the Nigerian courts if they are considered 'unsupportable' with regards to the ground on which the ART set aside the award. While the practical application and effectiveness of the ART mechanism will only become clear later, it may prove to be a helpful tool in the case of highly contentious awards by limiting the grounds on which Nigerian courts may set aside awards, saving parties additional costs.

Besides the enactment of the AMA 2023, the FGN has also taken policy measures recognising the critical role of intellectual property (IP) rights as a key driver of innovation, economic growth, societal progress, and the need for its effective protection. In May 2024, the FGN established an Inter-Ministerial Steering Committee to review the draft Intellectual Property Policy and Strategy for Nigeria. The Committee's objective is to ensure that the Strategy addresses the specific needs of Nigeria while being aligned with the best international practices. The draft, once approved, will pave the way for revisions to laws governing IP rights to ensure their consistency with the Strategy, simplify registration procedures for IP rights, encourage innovation, and mobilise investment in IP in Nigeria.

AREAS FOR IMPROVEMENT

The FGN should create, on the national level, a real-time record of foreign investors operating in the country and historical data on investor grievances. Such a database could help identify the sectors most prone to investor conflicts, recurrent issues arising between investors and public agencies, and patterns of investor non-compliance. The main findings could be shared with the relevant public agencies to recognise similar problems and address them early on. The FGN could designate a lead agency, such as the ECN or the Nigerian Investment Promotion Commission, to create and periodically update this database for the energy sector (renewables and hydrocarbon). The ECN could act as the main point of contact for energy investors to convey their grievances and contact the public agency involved in the conflict.

INDICATOR 5

SCORE 61

Regulatory environment and investment conditions

QUICK FACTS

The NERC regulates the generation, transmission, distribution and trade of electricity.

The Nigerian Bulk Electricity Trading Company Plc (NBET) is a bulk trader licensed by the NERC to procure and sell bulk electricity and ancillary services to DisCos.

STRENGTHS

The landmark Electricity Law 2023 mandates the NERC to advance the development of the Nigeria Electricity Supply Industry (NESI) from its current transitional electricity market stage. It aims to integrate renewable energy into Nigeria's energy mix, operationalise cost- and service-reflective electricity tariffs, ensure rule-based competition, and mobilise private investments in the sector.

The Electricity Act 2023 unbundles the TCN and mandates the Bureau of Public Enterprise (BPE) to establish a private company limited by shares to act as an independent system operator. On 30 April 2024, the NERC issued an order on the establishment of the Nigerian Independent System Operator Limited (NISO) for the NESI (the "Order") with clear directives on the timeline and procedures for incorporating the NISO. In addition, the TCN is required to transfer all the assets and liabilities relating to its market and system operations portion of the business to NISO after incorporation and licensing while retaining its transmission license and all transmission assets and liabilities. Following this, NISO was incorporated on 29 May 2024, with the BPE and the Ministry of Finance Incorporated (MOFI) as its initial subscribers.

The Electricity Act 2023 allows private investors to invest in the transmission network through a variety of legal arrangements, such as the grant of concessions or other commercial arrangements for the financing, construction, ownership and maintenance of a transmission network, as well as public private partnerships to facilitate transmission of electricity. The NERC may also grant an Independent Electricity Transmission Network (IETN) licence to independent operators where there is no existing transmission facility or existing facilities require reinforcement to increase access or connect new power-generating facilities. At the same time, users of the transmission grid have the right to non-discriminatory open access to the transmission grid upon the payment of the applicable charges set through the Multi-Year Tariff Order for the TCN.

Following the adoption of the Electricity Act 2023, the NERC issued Order No. NERC/2024/058 on the transition to bilateral trading in the NESI (the "Order"), effective from 25 July 2024, directing NBET to cease entering into contracts for the purchase and resale of electricity and ancillary services and novate its existing contractual rights and obligations to other licensees. The Order is commendable since it incentivises the transition to bilateral contracting between DisCos and generation companies (GenCos), thus reducing the FGN's exposure to the risk of revenue shortfalls beyond tariff support through subsidies. During the transitional phase, NBET shall continue to administer fully effective contracts with five GenCos based on the minimum 'take or pay' capacities contained in their respective Power Purchase Agreements or the average available capacity of the plants in 2023. Any contract executed by NBET in violation of this Order will not be approved by the NERC and shall be treated as an infraction that is subject to regulatory sanction.

Notably, since 2022, the NERC has issued trading licences to 10 private companies that have indicated interest in trading electricity bilaterally with DisCos and eligible customers, demonstrating the potential in the wholesale trade of electricity outside the NBET single buyer pool. This move will have significant positive impacts since GenCos that enter into bilateral contracts with DisCos will be able to secure satisfactory off-take commitments backed by payment guarantees, enabling predictability in power generation.

The Electricity Act 2023 establishes tariff methodologies to regulate electricity prices for the different activities in the NESI, including power generation and trading, transmission, distribution, supply and system operation, and electricity distribution franchising. The tariff methodologies aim to allow a licensee to recover the total costs of its business activities, offer incentives to improve the quality of services, give consumers accurate signals regarding actual prices and their consumption, phase out or substantially reduce cross-subsidies within a definitive period, and promote co-generation and generation of electricity from renewable sources.

The Electricity Act 2023 allows the NERC to set differentiated tariff methodologies for consumers based on total electricity consumption, the timeframe of electricity consumption, load factors, power factors, voltage levels, location and other criteria that may impact consumers relying on the lifeline tariffs. To avoid discrimination, before approving a tariff methodology, the NERC must publish it in the Federal Government Gazette or one or more newspapers in wide circulation, indicating the period within which the public may submit objections. The same process must also be applied at any time the NERC intends to update tariff methodologies.

AREAS FOR IMPROVEMENT

The FGN should continue with the power sector reforms that will help achieve fully cost-reflective electricity tariffs. It must also create public awareness of energy-saving measures and technologies that will help to reduce consumption.

In 2023, the FGN announced the removal of subsidies for imported petrol and introduced a market-based pricing regime. While this decision is commendable, the FGN is urged to remove any existing implicit subsidies. Moreover, it should create an effective and transparent framework for managing the Power Consumer Assistance Fund (PCAF), which has been established under the Electricity Act 2023 to subsidise tariffs for vulnerable consumers.

INDICATOR 1

Improvements proposed in 2022

Operationalise the 12 solar power purchase agreements pending since 2016.

Work ongoing. The Supplementary Orders to the Multi-Year Tariff Order 2024 oblige DisCos to procure at least 10% of their load allocation for 2024 from embedded generation and half of their capacity from renewable energy sources. DisCos have been given until 1 April 2025 to fulfil this mandate.

Establish the necessary legal and regulatory conditions to phase-out the single-buyer model in the electricity sector.

Partially implemented. The Electricity Law 2023 unbundles the transmission segment of the power sector and mandates the establishment of an independent system operator. In July 2024, NERC directed NBET to cease entering into contracts for the purchase and resale of electricity and ancillary services.

Develop an action plan to decarbonise the transport sector and enact the National Automotive Industry Development Plan Bill.

Partially implemented. In 2023, the FGN released the National Automotive Industry Development Plan.

Develop policies, incentive schemes, and business models to attract investment in energy storage.

Pending

INDICATOR 2

Improvements proposed in 2018

Set key performance indicators for the energy sector.

Fully implemented. Nigeria's ETP, released in 2022, sets a long-term vision towards becoming a net-zero economy by 2060.

Improvements proposed in 2020

Regularly publish the policy monitoring and evaluation reports.

Work ongoing. MDAs published annual reports for 2023 with detailed information on their financial and operational performance.

Revise the policy targets that expired in 2020 for the oil and electricity sectors.

Fully implemented. In 2022, the FGN released the ETP, setting Nigeria's vision towards becoming a net-zero economy by 2060.

Improvements proposed in 2022

Update the National Renewable Energy Action Plan 2015-2030 and the National Energy Efficiency Action Plan 2015-2030.

Partially implemented. In 2022, the FGN released the ETP, setting the long-term vision towards becoming a net-zero economy by 2060.

Establish the institutional framework for (1) monitoring of the LVT 2050 and the National Action Plan on Gender and Climate Change 2020, and (2) implementing a GHG emission measurement reporting and verification system in the waste and energy sectors.

Partially implemented. Building on the LTV-2050, on 25 April 2024, Nigeria submitted its LT-LEDS to the UNFCCC Secretariat.

Increase the penalties for flaring gas; ensure that licensees producing natural gas submit a gas flare elimination and monetisation plan before the end of 2022.

Work ongoing. In 2023, the Gas Flaring, Venting and Methane Emissions (Prevention of Waste and Pollution) Regulations were issued, under which a failure to submit accurate gas data within the prescribed time and in the required form and manner is subject to an administrative fine of USD 10,000 or the Naira equivalent.

INDICATOR 3

Improvements proposed in 2018

Introduce legal provisions that require public consultation by MDAs on draft laws and regulations.

Work ongoing. NERC has democratised the newly implemented service-based tariff structure to ensure that DisCos can only review tariff rates after consultations with the affected customers.

Improvements proposed in 2022

Approve the carbon budget by November 2022 and ensure that private companies with more than 50 employees have assigned a climate change officer.

Work ongoing. On 7 March 2024, the FGN established the Intergovernmental Committee on Carbon Market Activation Plan that will create a blueprint for a sustainable carbon market ecosystem.

INDICATOR 4

Improvements proposed in 2018

Establish a foreign investment ombudsperson to settle conflicts arising during energy projects.

Pending

Grant broader protection against expropriation to IP rights.

Work ongoing. In 2024, the FGN established an Inter-Ministerial Steering Committee to review the draft Intellectual Property Policy and Strategy of Nigeria.

Improvements proposed in 2020

Define rules to regulate the use and enforcement of Third-Party Funding agreements.

Work ongoing. The Arbitration and Mediation Act 2023 allows for Third-Party Funding and defines the rules for its application.

Improvements proposed in 2022

Create a real-time record of foreign investors operating in the country and historical data on investor grievances.

Pending

INDICATOR 5

Improvements proposed in 2018

Define the roles and responsibilities of the different regulatory authorities.

Partially implemented. In 2021, the FGN published the Petroleum Industry Act (PIA) to set a legal and fiscal framework for the sector.

Create a legal framework on local content across sectors.

Pending

Improvements proposed in 2020

Apply cost-reflective electricity tariffs and ensure metering of all electricity customers.

Work ongoing. The Electricity Law 2023 allows the NERC to set differentiated tariff methodologies for consumers.

Reconsider any additional price-based royalty and increased water depth-based royalties in the oil and gas sector.

Partially implemented. The PIA establishes a new fiscal regime to promote investment in the petroleum industry while maximising governmental revenues.

Improvements proposed in 2022

Deregulate the downstream oil sector and eliminate subsidies granted for imported petrol in a phased manner.

Work ongoing. In 2023, the FGN announced the removal of subsidies for imported petrol and introduced a market-based pricing regime.

Take a whole-of-government approach to close the gap between announced investments and actual FDI inflow.

Pending

Rwanda

Population[1]	14,094,683
Area (km^2)[1]	26,340
GDP per capita (USD)[1]	1000.2
TES (Mtoe)[2]	5.09
Net energy imports (Mtoe)[2]	0.54
Share of renewable sources in TES[2]	0.88
CO_2/TES (tCO_2 per TJ)[2]	8.48

Data by Orbis Crossborder Investment on completed energy projects and deals from 2015-2024[3]

Target industry	Number of projects and deals	Project CapEx and deal value (million EUR) by source country
Electric power generation, transmission and distribution	1 acquisition deal 1 institutional buy-out	Value of 1 RE deal (Mauritius) is n.a Value of 1 RE deal (United States of America) is n.a

Sources:

1. The World Bank 2023.
2. ©IEA (2024), World Energy Balances (https://www.iea.org/data-and-statistics). All rights reserved. Data refer to the year 2022.
3. Orbis Crossborder Investment (2024), Bureau Van Dijk. Data represents the period 1 April 2015 - 1 April 2024. For more information see Annex III of this report.

RE: Renewable energy based electricity production

Rwanda's overall risk level against the assessed areas is **low**.

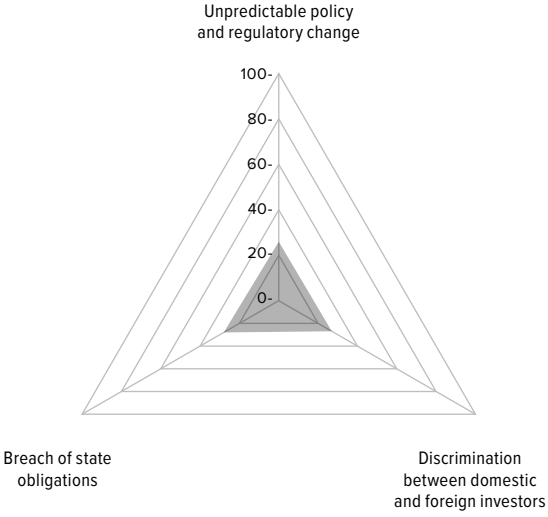
Among the three risk areas, *unpredictable policy and regulatory change* and *discrimination between domestic and foreign investors* have a low risk level, followed by the risk of *breach of State obligations*.

Rwanda has a very good performance on one indicator and a good performance on four indicators. The highest-scoring indicator is *rule of law* at 85, followed by *foresight of policy and regulatory change* at 78 and *management of decision-making processes* at 72. Its score is 69 on *framework for a sustainable energy system* and 61 on *regulatory environment and investment conditions*.

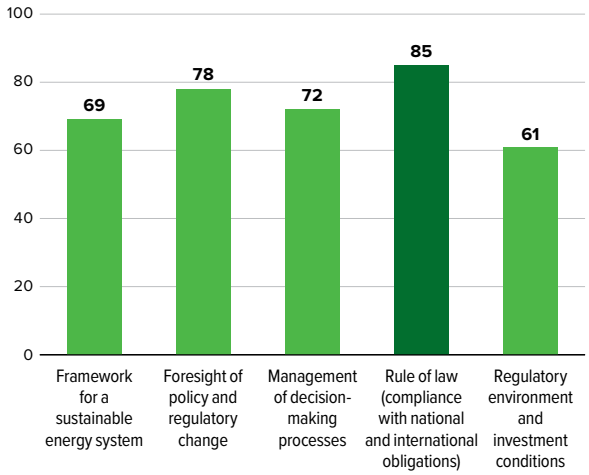
Rwanda's sub-indicator performance is good. The highest-scoring sub-indicators are *respect for property rights* at 85 and *management and settlement of investor-State disputes* at 78. These sub-indicators are followed by *policy planning on clean energy transition* at 77, *institutional governance* at 75, *regulatory independence* at 72, *robustness of policy goals and commitments* at 72, *transparency and anti-corruption measures* at 69, *communication of vision and policies* at 67, *restrictions on FDI* at 67, *energy resilience* at 62, and *environmental protection, human rights and gender* at 61. It has a moderate score on two subindicators, namely *enabling measures to support clean energy transition* at 51 and *electricity industry market structure and competition* at 46.

The legal and regulatory risks associated with energy investments are low in Rwanda. At the same time, it should implement further measures to accelerate the transition to clean energy and strengthen the electricity sector's market structure.

RISK LEVEL



INDICATOR PERFORMANCE

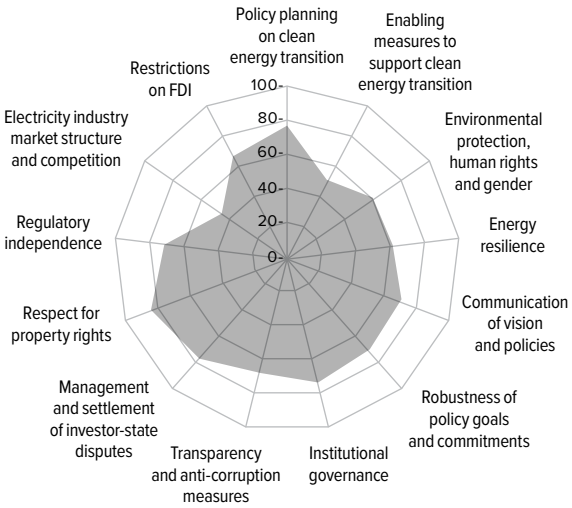


YEAR-ON-YEAR COMPARISON

RISK AREAS	2023	2024
Unpredictable policy and regulatory change	28	27
Discrimination between foreign and domestic investors	28	27
Breach of State obligations	30	28

INDICATORS	2023	2024
Framework for a sustainable energy system	57	69
Foresight of policy and regulatory change	48	78
Management of decision-making processes	70	72
Rule of law	62	85
Regulatory environment and investment conditions	49	61

SUB-INDICATOR PERFORMANCE



INDICATOR 1

SCORE 69

Framework for a sustainable energy system

QUICK FACTS

Rwanda ratified the Paris Agreement on 6 October 2016 and submitted its updated NDC in 2020.

In December 2020, the government published Rwanda's Vision 2050, establishing the development framework for 2020-2050.

The Green Growth and Climate Resilience Strategy (GGCRS), initially adopted in 2011, was revised recently to facilitate the creation of a climate-resilient and low-carbon economy.

STRENGTHS

Rwanda's vision for 2050 is to be a carbon-neutral and climate-resilient economy. The country's NDC sets an unconditional target to mitigate 1.9 $MtCO_2e$ by 2030 (baseline year 2015), amounting to a reduction of 16% relative to business-as-usual (BAU) in 2030. Conditional upon international support, it aims to make an additional reduction of 22% relative to BAU in 2030, equivalent to an estimated mitigation level of 2.7 $MtCO_2e$. The combined unconditional and conditional contribution amounts to a 38% reduction in GHG emissions compared to BAU in 2030, equivalent to an estimated mitigation level of up to 4.6 $MtCO_2e$ in 2030. Specifically, the government will implement climate actions to achieve 34% of the targeted reductions from the energy sector, 3% from the industrial sector, 14% from waste, and 49% from agriculture.

To meet these ambitious commitments, in 2023, the government launched the Intego-Rwanda NDC Facility. The Facility, which has received an initial capital of EUR 46 million through KfW Development Bank, will be managed by the Rwanda Green Fund. In 2024, the Rwanda Green Fund Board of Directors approved ten investments under the Facility, committing 43.6 billion Rwandese francs (RWF) from the initial funding. Two of the approved projects are in the area of renewable energy and energy efficiency, while the others seek to promote wetland rehabilitation and biodiversity conservation, climate-resilient infrastructure, and landscape restoration and forestry.

The revised GGCRS aims to ensure Rwanda achieves energy security and low carbon energy supply, sustainable land use and water resource management, social protection, and disaster risk reduction. It seeks to guide the integration of climate change in all economic sectors and facilitate Rwanda's access to international climate funding and investment. The main areas revised in the GGCRS include the addition of relevant thematic programme areas, enabling pillars, and an implementation roadmap.

Under the revised GGCRS, Rwanda will increase the contribution of green industry to the GDP from 18% to 35% between 2020 and 2050. Underpinning this goal are the government's plans to grow and maintain the share of renewables in the energy generation mix at or above 60% from 2025 onwards. The revised GGCRS has been aligned with the National Land Use and Development Master Plan 2020-2050 to ensure coherent and optimal land and natural resource development while ensuring the sustainable development of Rwanda's economy.

The government is collaborating with international partners to accelerate the deployment of electric vehicles in Rwanda. In June 2023, the government entered into an agreement with the private company Vivo Energy and the Rwanda Social Security Board (RSSB) for the supply of 200 electric buses in Kigali. The project has already undergone a feasibility study by Vivo Energy, the Ministry of Infrastructure (MININFRA) and the City of Kigali, and work has started on the project's implementation. In July 2023, the government also announced an initiative to expand Kigali's public fleet while ensuring that 20% of it is electric by 2050. The initiative is being launched through BasicGo and AC Mobility on the 'pay-as-you-go' model to make these buses affordable and accessible to bus companies operating in Rwanda.

The Clean Development Mechanism (CDM) and Voluntary Carbon Market (VCM) are operational mechanisms in Rwanda. According to the Rwanda Environment Management Authority (REMA), as of December 2020, more than 2,250,000 carbon credits had been issued to Rwanda through the CDM and VCM mechanisms. The total Certificate Emission Reductions (CERs) for all CDM activities are 724,320, while the certificates issued for Voluntary Emission Reductions (VERs) are 1,525,680. Improved cookstove projects account for 87% of the total CERs issued, while lighting and solar represent 9% and 4%, respectively.

In September 2023, REMA released the National Carbon Market Framework (NCMF) as required by Article 6 of the Paris Agreement. The NCMF defines rules for trading carbon credits, supporting businesses and industries in adopting sustainable practices and investing in clean technologies. Projects that intend to generate carbon credits will be subject to thorough validation and certification processes to guarantee that they meet internationally recognised standards and ensure the credibility and environmental integrity of the carbon credits traded on the market. Moreover, Rwanda has operationalised a carbon registry to track and maintain records and accounts for internationally transferred mitigation outcomes.

AREAS FOR IMPROVEMENT

Rwanda should develop comprehensive climate mitigation legislation and update its existing laws to include its emissions targets and actions. Moreover, public and private companies must be legally required to set net-zero targets covering direct, indirect, and value-chain emissions, be required to undertake corporate social responsibility in climate change mitigation and adaptation, and submit a roadmap to the Ministry of Environment (MOE) outlining their plan to achieve net-zero emissions and specifying the mechanisms, such as carbon offset or removal.

INDICATOR 2

SCORE 78

Foresight of policy and regulatory change

QUICK FACTS

The government adopted the Energy Sector Strategic Plan 2018/19-2023/24 (ESSP) and the Energy Sector Capacity Development Strategy 2019-2024.

Rwanda's National Strategy for Transformation 1 (NST1) aims for the country to achieve middle-income status by 2035 and high-income status by 2050.

STRENGTHS

Rwanda offers clear guidance to potential investors on the current status of its energy sector, as well as future plans, allowing them to make informed decisions. In October 2023, MININFRA published the Backward Looking Joint Sector Review for 2022/2023 (BL-JSR) for energy, which offers comprehensive information on the implementation of policy targets in the areas of power generation, transmission and distribution, electricity access, energy efficiency, clean cooking, and achieving SDG 7.

On 5 June 2024, the Prime Minister of the Republic of Rwanda reported to the joint Plenary Sitting of both parliamentary chambers on the implementation of the NST1. Notably, of the 75 planned activities under NST 1, 43 were achieved at the rate of 100%, 15 above 70% and 17 at 50%. In November 2024, MININFRA also released detailed information on Rwanda's progress against NST1 for FY 2023/24. It reported that the total electricity generated in Rwanda increased from 1199.33 GWh in 2022/2023 to 1,366.39 GWh in 2023/2024. Between 2022/2023 and 2023/2024, the share of renewables in the country's generation mix increased from 48.96% to 50%, while the share of non-renewable energy sources reduced from 51.04% to 40%. The contribution of hydropower continued to be the highest (37.95%), increasing from 494.02 GWh in 2022/2023 to 518.48 GWh in 2023/2024. The share of methane was 31.77%, rising from 225.04 GWh in 2022/2023 to 434.17 GWh in 2023/2024, while that of peat was 7.83%, reducing from 174.85 GWh to 107.05 GWh during the same period. The contribution of thermal power (0.87%) lowered dramatically from 174.43 GWh in 2022/2023 to 11.83 GWh in 2023/2024. At the same time, the share of solar power (1.30%) remained stable at 17.83 GWh.

The government set a target of increasing access to electricity through 120,000 on-grid and off-grid connections by 2022/2023. It made significant progress and even overachieved this target. By June 2024, on-grid access to electricity cumulatively increased from 1,809,279 connections to 1,946,781, while new connections through off-grid solutions rose from 618,221 (18.3%) to 800,080 (23%). The government also ensured electricity connections for 547 productive use areas, exceeding its target for 2023/2024 by 47.

MININFRA reported to the public on the progress made towards the completion of critical energy projects. As of June 2024, the feasibility and environmental studies for the 206 MW Rusizi III HPP have been completed and approved, and a Request for Proposal to mobilise fund project funds is ongoing. Expropriation for phases 1 and 2 for the 43.5MW Nyabarongo II hydropower plant was at 10% by the end of June 2023. The overall design of the project has reached 73% completion, up from 30% in June 2022. Some progress was also observed in the upgrade and refurbishment of the energy infrastructure. In 2023/2024, civil works, designs, and procurement reached an advanced stage for the Rubavu and Bwishyura substations, while work continued on the site mobilisation for the Kibuye substation.

The government has outlined quantifiable outcomes and targets for the Financial Year 2025/2026, informing citizens and investors of its main priorities and expenditure framework in the short term. Specifically, it aims to grant electricity connections to 318 more productive users, increase the access rate to 86.8% by connecting an additional 270,000 customers to the grid, and disseminate 44,288 standalone solar systems to electrify households through off-grid systems. At the same time, it will increase energy generation capacity to meet demand projection and maintain the spinning reserve (15% reserve margin), scale up the share of renewable energy in the power generation mix from 51% in 2023/2024 to 60% by 2028/2029, and undertake studies to evaluate the possibility of integrating nuclear technology into the power generation mix. It has also set targets for expanding medium and low voltage networks and extending the high voltage network by constructing transmission lines. The government plans to commission three substations that will enable the evacuation of power from different sources and also improve network performance to reduce lengthy lines and old network infrastructure to accommodate growing demand. Finally, it will increase the network of street lights on new and existing national and urban roads from 2,227.62 km in 2023/2024 to 3,189.02 km by 2028/2029.

AREAS FOR IMPROVEMENT

To ensure grid stability, increase generation during peak electricity consumption hours, and scale up investment in solar energy, the government should develop a long-term energy storage strategy factoring in the existing policy framework, estimated future demand forecast, and energy mix. While coupling solar power generation with energy storage solutions should be emphasised, the strategy should also explore developing and deploying other small and large-scale energy storage solutions such as reservoirs, pumped storage, and batteries. Along with setting progressive targets to scale up energy storage, the strategy could outline financial incentives for projects coupling power generation with storage solutions and possible project models.

INDICATOR 3

SCORE 72

Management of decision-making processes

QUICK FACTS

MININFRA is responsible for developing energy policies and strategies and monitoring and evaluating projects and programme implementation, while the Ministry of Environment (MOE) coordinates Rwanda's environmental and natural resources sector.

Rwanda Development Board (RDB) leads investment mobilisation and promotes private investor participation in the energy sector.

STRENGTHS

The government is taking several measures to enhance public accountability and ensure inclusive decision-making. In June 2024, the Ministry of Finance and Economic Planning (MINECOFIN) released the Public Financial Management Sector Strategic Plan 2024-2029 (PFM) to accelerate Rwanda's socio-economic transformation through effective fiscal policy and accountable public financial management and to enhance policy coordination on cross-sectoral challenges, particularly climate change and gender. The MINECOFIN will coordinate the PFM's delivery with support from a large number of public entities, including key ministries, departments, agencies, districts, service delivery units and governmental business enterprises. The PFM is, therefore, structured to maintain partnerships needed to fulfil its objectives, both within the government and between the government and its external stakeholders and development partners.

The NST2 is another strategic document that underscores the critical need for a whole-of-government approach, particularly in the context of implementing Rwanda's NDC and the targets set in the GGCRS. The MINECOFIN plays the lead role in delivering these agendas, including through the first Climate and Nature Finance Strategy (CNFS). The MINECOFIN is required to implement the CNFS in close coordination with MDAs to attract investments for Rwanda's green economic transition and enhance the resilience of the private sector and households. Similarly, it will coordinate fiscal and economic policies that affect gender equality and lead the government's policy on fiscal and financial decentralisation in coordination with the Ministry of Local Government (MINALOC).

Rwanda is working with the private sector and development partners to mobilise financing for clean energy technologies. In August 2022, Rwanda hosted the 9th Power Africa conference that brought together policymakers, academia, energy practitioners, and representatives of the private sector to discuss off-grid and on-grid solutions to meet the country's increasing energy demand and the need to foster partnerships to accelerate energy transition. Moreover, in June 2023, RDB hosted the first-ever EU-Rwanda Business Forum in collaboration with the EU Delegation to Rwanda. Notably, the EU is the biggest source of foreign direct investment in Rwanda, with investments worth USD 210 million registered in 2022. The two-day event saw the participation of over 100 business leaders in plenary sessions on Rwanda's business environment and investment opportunities in different economic sectors, including agribusiness, mining, health and pharmaceuticals, financial and digital services, and the green economy.

The government is also working with international partners to advance climate dialogue and action. For instance, in May 2024, the MOE launched the Kigali Climate Talks in partnership with Germany. The event was instrumental in facilitating discussions between the two nations on Rwanda's NDC implementation, its plans to raise ambition in line with the Global Stocktake, and the role of the private sector, youth and the NDC Partnership in achieving Rwanda's vision of carbon neutrality by 2050.

MDAs ensure that all financial and operational performance information is regularly available to citizens. For instance, in July 2022, the Rwanda Energy Group (REG) published its annual report for 2022-2023, highlighting key achievements in its strategic objectives, including, among others, electricity generation, transmission and distribution, electricity access, operation and maintenance, and others. Moreover, it has published its Consolidated Annual Report and Audited Financial Statements for the year ended 30 June 2023. The MINECOFIN has uploaded the Consolidated Financial Statements of the Government of Rwanda for the Fiscal Year Ended 30 June 2022 on its website. In March 2022, the Rwanda Utilities Regulatory Authority (RURA) published its annual report for 2021-2022 and its Strategic Plan for 2022-2024, which sets out a performance management framework.

The government is working towards meeting global transparency standards for deterring financial crimes. Law No. 007/2021 Governing Companies establishes the legal framework for the disclosure of beneficial ownership information by companies operating in Rwanda. In line with this Law, Rwanda has established an online beneficial ownership register. To ensure the implementation of Law No. 007/2021, the government mandated all business entities incorporated or registered in Rwanda to submit their beneficial ownership information to the Office of the Registrar General by 31 October 2023, failing which it would impose fines ranging from RWF 500,000 (approximately USD 500) to RWF 1,000,000 (USD 1,000 USD) against the defaulters under the applicable laws.

AREAS FOR IMPROVEMENT

To support the policy framework on climate change mitigation and adaptation, Rwanda may consider establishing a climate-oriented inter-ministerial coordination body to lead and coordinate policy development and action in this area.

INDICATOR 4

Rule of law

SCORE 85

QUICK FACTS

- Rwanda signed the International Energy Charter political declaration on 21 September 2016.
- The Convention on the Settlement of Investment Disputes Between States and Nationals of Other States entered into force for Rwanda on 14 November 1979.
- Rwanda acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards on 31 October 2008.

STRENGTHS

Rwanda remains committed to strengthening the rule of law and is actively promoting the utilisation of alternative dispute resolution (ADR) mechanisms. Demonstrably, on 10 January 2023, the Ministry of Justice (MINIJUST) formally launched the new policy on ADR which was approved by the government in September 2022. The policy seeks to establish, maintain and continuously improve a coordinated, resourced, effective and accessible ADR system that is integrated into the existing court system. Moreover, on 28 August 2024, the Rwanda Justice Sector, in collaboration with the UNDP and Legal Aid Forum, launched a newly renovated Alternative Dispute Resolution Center in Nyamirambo. The Centre aims to provide accessible, efficient and community-focused mechanisms for resolving disputes, including mediation, conciliation, negotiation, plea-bargaining, and arbitration for civil, commercial, labour, and administrative cases.

On 29 January 2024, the MINIJUST, the EU Delegation to Rwanda and some critical actors in the justice sector inaugurated the Justice and Accountability Programme (JAP), which seeks to empower Rwanda's justice and reconciliation efforts as a milestone towards sustainable development. The JAP will be implemented over four years through three components. The first component will focus on improving the professionalism and skills of the Justice main actors, namely the MINIJUST, the judiciary, the National Prosecution Authority, the Rwanda Investigation Bureau, the Rwanda National Police and the National Commission for Human Rights. The second component will concentrate on Reconciliation, Rehabilitation, and Unity, offering support to the Rwanda Correctional Service and civil society. The third component will aim to strengthen the accountability and empowerment of civil society.

The MINIJUST is working actively to enhance the quality and performance of the justice system. On 17 March 2023, it hosted, together with the Rwanda Law Reform Commission, an annual coordination meeting with government legal advisors and officers to discuss the recently gazetted legislative drafting guidelines. The purpose of the meeting was to intensify the engagement of legal professionals in the legislative drafting process and the process for ensuring a harmonised method of drafting laws. Additionally, from 8 to 11 May 2023, the MINIJUST organised a workshop on ways to upgrade the Integrated Electronic Case Management System (IECMS) and incorporate new functionalities into it. The IECMS is a significant achievement for Rwanda that has greatly facilitated the interface between the judiciary and litigants by allowing for electronic filing and follow-up of cases.

Efforts are also being made to strengthen and advance the protection of property rights. On 31 July 2024, the new Intellectual Property Law No. 055/2024 came into force, replacing Law No. 31/2009 (Repealed IP Law). The new IP Law modernises the legal framework to make it on par with international standards. Among other things, it established a dedicated office for the management of intellectual property matters, which was not the case under the Repealed IP Law. The creation of a single authority will help avoid overlapping functions and mandates and ensure the effective administration of intellectual property.

In addition to enhancing the regulation of intellectual property rights, Rwanda also launched a new electronic certificate system for land registration known as e-Title. The new certificate system aims to improve service delivery, tackle the issue of lost and damaged land titles, and make the entire administration of land titles digital. Under the new system, a landowner will receive a digital copy of a land title immediately after the approval of the Land Registrar is received.

AREAS FOR IMPROVEMENT

An ombudsperson can significantly contribute to addressing foreign investors' grievances and providing them with advisory services. Alternatively, the RDB's mandate can be expanded to include representation of foreign investors before the government. The government may seek guidance from the Energy Charter Model Instrument on Management of Investment Disputes, which aims to assist States in handling investment disputes while considering their needs.

INDICATOR 5

SCORE 61

Regulatory environment and investment conditions

QUICK FACTS

Law no. 09/2013 confers on RURA the responsibility of regulating multiple public utilities, including renewable and non-renewable energy, industrial gases, pipelines and storage facilities.

Rwanda's power sector is operated by the national utility, which is State-owned and vertically integrated, and some independent power producers participate in the electricity generation market.

In June 2023, the REG released the Rwanda Least Cost Development Plan 2023-2050 (LCDP), the Transmission Development Plan 2023-2030 (TDP) and the Revised Electricity Distribution Master Plan (EDMP).

STRENGTHS

RURA continues to play a pivotal role in the energy market between policymakers, licensed service providers, and consumers. It reports to the Office of the Prime Minister and coordinates with line ministries responsible for each regulated sector in executing its functions.

RURA has published comprehensive information on the performance of the energy sector, including the latest statistics on the sector's performance for every quarter of the last three years. In the second quarter of 2024, Rwanda produced 365.934 GWh of electricity from different energy sources. Domestic power plants contributed to 81.3% of this power generation, while 11.6% came from regional shared plants and 7.1% from imports. Hydropower dominated power generation with a large share of 49.44%, followed by methane gas at 38.45%. Solar energy accounted for 1.26%, peat 3.03%, and thermal sources 0.69%. The total electricity generation increased by 16.4% compared to the same period in 2023. Renewable energy sources contributed to about 50.7% of the produced electricity, while non-renewable sources accounted for 42.17%.

In the second quarter of 2024, the service provider supplied 359,368,274 kWh of electricity to the national grid. This figure represents a 15.3% increase compared to the same period in 2023. Moreover, the total amount of electricity supplied to the national grid over the last five quarters was 1,663,403,179 kWh, demonstrating a progressively higher level of supply during the period. Rwanda's energy exports to neighbouring countries increased by 2.4 times to reach 6,566,586 kWh in the second quarter of 2024, up from 2,728,871 kWh in the same period of 2023. Electricity exports in the second quarter of 2024 were the highest in the past five quarters, at 6,566,586 kWh. The total exports over the last five years were 17,381,717 kWh.

Rwanda is committed to achieving green growth and attracting private investments to meet its USD 11 billion financing requirements. To this end, in April 2023, Rwanda released its revised National Investment Policy (NIP) which provides a framework for effective and efficient public investment management based on the consistent application of measures for the proper identification, selection, appraisal, implementation, monitoring and evaluation of projects. It sets the pathway for encouraging public-private investments to ensure the country's sustainable development.

Moreover, during COP28, Rwanda launched its Green Taxonomy. This framework aims to establish uniform standards for sustainability in the financial sector and ensure transparency and comparability of sustainable investments to curb greenwashing and channel capital into sustainable economic activities. The Green Taxonomy is a substantial achievement in that it is the second taxonomy in Africa and the first in Africa to include the agricultural sector. It supports policymakers in updating policies as needed and in utilising government or central bank-led measures. At the same time, it benefits investors by allowing them to receive transparent and standardised investment information, reducing discrepancies, and enabling better decision-making. Regulators can also use the taxonomy to ensure compliance with financial and environmental regulations and measure progress towards sustainability goals. The taxonomy is being developed in phases, with the first phase including four economic sectors that can make the maximum contribution to climate change mitigation and adaptation, namely agriculture, construction, transport and energy.

The government has significantly revised the taxation regime to facilitate investment in and deployment of clean energy solutions within the country. In September 2023, Rwanda amended several laws that resulted in a decrease in the corporate income tax from 30% to 28%. The list of supplies exempt from VAT was revised to include imported electric automotive vehicles, hybrid automotive vehicles, relevant batteries, and their electric charging station equipment. The government has also removed the additional property tax of 100% applied to undeveloped land and reduced the land tax brackets from RWF 0-300 to RWF 0-80 per square metre of land surface area. It has also lowered property tax from 1% to 0.5% for residential buildings and from 0.5% to 0.3% for commercial buildings. Developed land will now be taxed based on the value of the land instead of the amount specified per square metre.

AREAS FOR IMPROVEMENT

To ensure the REG's financial viability and optimal cost recovery, the government should accelerate its efforts to implement cost-reflective electricity tariffs and gradually remove cross-subsidies for industrial and residential consumers (subsidies based on different consumption levels). Achieving cost-reflective consumer tariffs will also allow for a more competitive market and support further private investment.

INDICATOR 1

Improvements proposed in 2023

Develop comprehensive climate mitigation legislation and update the current laws to include Rwanda's emissions targets and actions to meet these targets.

Pending

Introduce legally mandatory requirements for public and private companies to set net-zero targets covering direct, indirect and value-chain emissions, undertake corporate social responsibility in climate change mitigation and adaptation, and submit to the Ministry of Environment a roadmap for achieving net-zero emissions and outline the mechanisms, such as carbon offset or removal.

Pending

INDICATOR 2

Improvements proposed in 2018

Allow all interested individuals and organisations to review the government's performance and provide feedback on how to improve policy implementation.

Partially implemented. The Monitoring & Evaluation Unit in the MINIFRA receives external expertise and support in internal evaluation projects. Imihigo and Joint Sector Review Reports are publicly available. In September 2022, the NISR published the General Report of Imihigo 2021/2022 Evaluation. The final evaluation of Imihigo 2021/2022 revealed that ministries and state institutions implemented their Imihigo at 78.70% in Economic Transformation, 73.64% in the Transformational Governance Cluster and 73.25% in the Social Transformational Cluster.

Improvements proposed in 2023

Develop a long-term energy storage strategy factoring in the existing policy framework, estimated future demand forecast, and energy mix.

Pending

INDICATOR 3

Improvements proposed in 2018

Establish the Technical Coordinating Committee and the Centre for Climate Knowledge for Development.

Work ongoing. According to the updated NDC, an Environment and Climate Change Thematic Working Group (E&CC TWG) will be created to host a technical working committee that will implement Rwanda's NDC. The E&CC TWG will act as the national coordinator for all public authorities that implement sector-specific climate change mitigation, adaptation, and financial and capacity-building measures. The Rwanda Environment Management Authority (REMA) organises the Environment and Climate Change Thematic Working Group Meeting REMA twice a year to discuss with stakeholders the progress of the country's environment sector targets and pave the way forward for effective implementation of the targets.

Improvements proposed in 2020

Produce and collect timely, reliable, and accurate data on green investment monitoring mechanisms, and on the implementation of Rwanda's Paris Agreement targets.

Work ongoing. Rwanda submitted its Biennial Update Report on 9 August 2022.

INDICATOR 4

Improvements proposed in 2018

Establish a foreign investment ombudsperson or expand the mandate of the Ombudsman Office to include representation of foreign investors before the government.

Pending

Improvements proposed in 2020

Consider imposing penalties in cases where timelines set for paying compensation in the case of expropriation are not respected.

Pending

Improvements proposed in 2023

Consider developing dedicated mechanisms for dispute prevention in the renewable power generation sector; designate a unit within the MoI that (1) centralises and maintains a database of investment treaties, contracts, and special undertakings with foreign investors and (2) provides real-time information on the foreign investors operating in the country and historical data on investor grievances.

Improvement suggested in 2023. Status will be updated in 2024.

INDICATOR 5

Improvements proposed in 2018

Define the roles of the Rwanda Energy Group, the Rwanda Utilities and Regulatory Authority, the MININFRA, and the Rwanda Mining and Petroleum and Gas Board in the petroleum sub-sector.

Pending

Improvements proposed in 2020

Define the role of the Rwanda Energy Group in a legal instrument.

Pending

Revise the New Investment Code to specify that investors have the right to (1) engage in economic activities of their choice, (2) recruit or dismiss employees, (3) market goods and services, (4) freely establish business management methods, and (5) choose sources of supplies. Such a provision will ensure parity with the treatment offered by Article 4 of the previous Investment Code.

Pending

Take a case-by-case and flexible approach in granting renewals for long-term and capital intensive energy projects. This is in light of the five-year limit on an investment certificate's validity introduced by the New Investment Code.

Pending

Set a time limit on the number of tenure renewals for the Board Members of the newly established Rwanda Atomic Energy Board to strengthen its institutional and functional independence.

Pending

Improvements proposed in 2023

Accelerate its efforts to implement cost-reflective electricity tariffs and gradually remove cross-subsidies for industrial and residential consumers (subsidies based on different consumption levels).

Pending

Undertake technical studies to gradually phase out the vertically integrated single-buyer model in the power sector, unbundle electricity transmission and distribution, and separate the transmission asset management from the system operator.

Pending

Vietnam

Population[1]	98,858,950
Area (km^2)[1]	331,340
GDP per capita (USD)[1]	4,346.8
TES (Mtoe)[2]	101.98
Net energy imports (Mtoe)[2]	34.67
Share of renewable sources in TES[2]	0.20
CO_2/TES (tCO_2 per TJ)[2]	67.14

Data by Orbis Crossborder Investment on completed energy projects and deals from 2015-2024[3]

Target industry	Number of projects and deals	Project CapEx and deal value (million EUR) by source country
Electric power generation, transmission and distribution	12 new projects 1 co-location project 13 acquisition deals 8 majority stake deals 1 joint venture deal	Republic of Korea: 3 RE projects of 1175.85 mEUR Philippines: 2 RE projects of 489.09 mEUR Japan: 3 RE projects of 469.18 mEUR Taiwan, China: 1 RE project of 414.74 mEUR Saudi Arabia: 1 RE project of 51.39 mEUR Singapore: 9 RE deals of 335.87 mEUR Thailand: 2 RE deals of 39.77 mEUR Republic of Korea: 1 RE deal of 36.77 mEUR Japan: 2 RE deals of 17.73 mEUR Malaysia: 1 RE deal of 0.13 mEUR Taiwan: 2 TD deals of 9.50 mEUR Thailand: 2 FF projects of 102.01 mEUR Singapore: 1 FF deal of 43.33 mEUR
Extraction of crude petroleum	2 new projects	Russian Federation: 1 project of 1000 mEUR Norway: 1 project of 4 mEUR
Extraction of natural gas	1 new project	Japan: 1 project of 1,000 mEUR
Support activities for petroleum and natural gas extraction	1 new project	Denmark: 1 project of 4 mEUR
Manufacture of refined petroleum products	1 new project	Germany: 1 project of 9 mEUR

Sources:

1. The World Bank 2023.
2. ©IEA (2024), World Energy Balances (https://www.iea.org/data-and-statistics). All rights reserved. Data refer to the year 2022.
3. Orbis Crossborder Investment (2024), Bureau Van Dijk. Data represents the period 1 April 2015 - 1 April 2024. For more information see Annex III of this report.

RE: Renewable energy based electricity production
FF: Fossil fuel based electricity production
TD: Transmission and Distribution of electricity

Vietnam's overall risk level against the assessed areas is **low**.

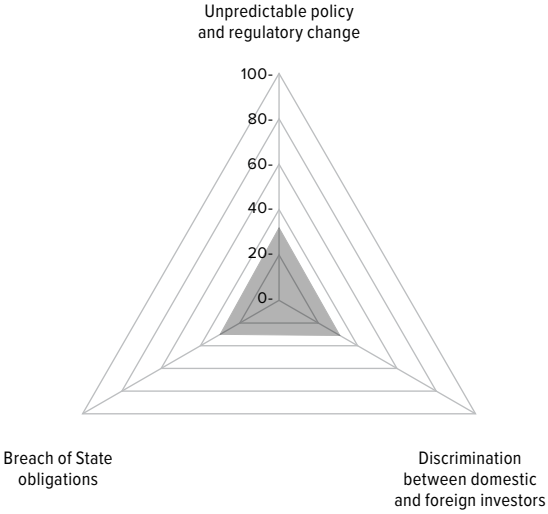
Among the three risk areas, *breach of State obligations* has the lowest risk level, followed by *discrimination between domestic and foreign investors* and *unpredictable policy and regulatory change*.

Vietnam has a good performance on five EIRA indicators. *Rule of law* is the highest-scoring indicator at 79, followed by the indicators *framework for a sustainable energy system* and *management of decision-making processes*, with 70 and 67 points, respectively. It has a score of 62 on the indicator *regulatory environment and investment conditions*. The lowest-scoring indicator is *foresight of policy and regulatory change* at 61.

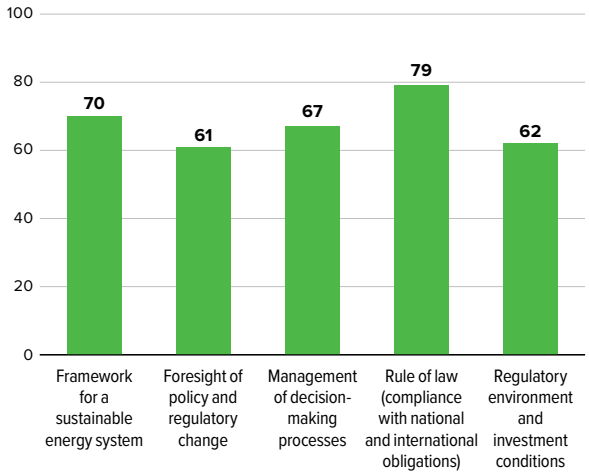
Vietnam's overall sub-indicator performance is good. The highest-scoring sub-indicators are *policy planning on clean energy transition* at 85 and *respect for property rights* at 83. It has received a good score on seven sub-indicators, namely, *management and settlement of investor-State disputes* (75), *communication of vision and policies* (73), *energy resilience* (73), *enabling measures to support clean energy transition* (72), *restrictions on FDI* (72), *institutional governance* (67), *transparency and anti-corruption measures* (67), and *regulatory independence* (64). It has a moderate score on the sub-indicators *environmental protection, human rights and gender* (52), *electricity industry market structure and competition* (49), and *robustness of policy goals and commitments* (49).

The legal and regulatory risks associated with energy investments in Vietnam are low. At the same time, it should accelerate its electricity market reforms and strengthen the policy framework supporting the achievement of its energy goals and commitments.

RISK LEVEL



INDICATOR PERFORMANCE

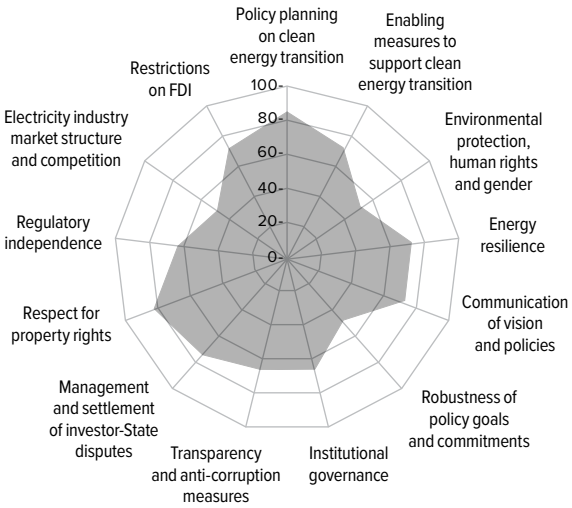


YEAR-ON-YEAR COMPARISON

RISK AREAS	2022	2024
Unpredictable policy and regulatory change	36	32
Discrimination between foreign and domestic investors	32	31
Breach of State obligations	34	30

INDICATORS	2023	2024
Framework for a sustainable energy system	62	70
Foresight of policy and regulatory change	55	61
Management of decision-making processes	67	67
Rule of law	79	79
Regulatory environment and investment conditions	58	62

SUB-INDICATOR PERFORMANCE



INDICATOR 1

SCORE 70

Framework for a sustainable energy system

QUICK FACTS

- Vietnam submitted its updated NDC to the UNFCCC Secretariat on 8 November 2022.
- Prime Minister Decision 896/QD-TTg on Approval of the National Climate Change Strategy for the period up to 2050 of 26 July 2022 (NCCS) aims to reduce GHG emissions and reach net-zero emissions by 2050.
- The amended Law on Environmental Protection No. 72/2020/QH14 and its implementing Decree No. 08/2022/ND-CP took effect in January 2022.
- The National Green Growth Strategy (NGGS) 2021-2030 was approved by Decision No. 1658/QD-TTg of the Deputy Prime Minister in October 2021.

STRENGTHS

Vietnam's updated NDC, a significant step in the country's commitment to combat climate change, sets enhanced emission reduction targets compared to the previous 2020 NDC. The unconditional contribution has increased from 9% to 15.8% (equivalent to 146.3 $MtCO_2e$), and the conditional contribution has risen from 27% to 43.5%. The updated NDC sets specific reduction targets for the agricultural, energy, LULUCF, waste, and industrial processes sectors. The energy sector is expected to account for 73.1% of the total reduction, including a 7% reduction compared to the BAU scenario, equivalent to 64.8 $MtCO_2e$, with a financing need of USD 14.5 billion.

The NCCS supports the updated NDC and aims to ensure that 2050 emissions are limited to 101 and 56 $MtCO_2e$ in the energy and agricultural sectors, respectively. It also foresees that forestry and land use will have increased carbon sequestration by 185 $MtCO_2e$, waste emissions will not exceed 8 $MtCO_2e$, and those from industrial processes will be limited to 20 $MtCO_2e$.

Vietnam has committed to ensuring net-zero emissions by 2050. In December 2022, Vietnam and the International Partners Group (IPG) launched the Joint Environmental Transition Partnership (JETP) at the EU-ASEAN summit. The JETP aims to secure funding of USD 15.5 billion from public and private sources over three to five years to support Vietnam's transition to a green economy and achieve its net-zero emissions goal by 2050. The key objectives of the JETP include peaking of power sector emissions in Vietnam at 170 $MtCO_2e$ by 2030, ensuring 47% of renewable energy generation, and peaking of coal-fired plants capacity at 30.2 GW. At the UNFCCC COP28, Vietnam unveiled the Resource Mobilization Plan, setting out detailed action plans to guide the use of the USD 15.5 billion funds pledged for Vietnam's JETP.

The government is also taking responsibility for controlling GHG emissions from power generation, seeking to reduce emissions to about 204-254 million tons in 2030 and about 27-31 million tons by 2050. It aims to peak the emission levels at no more than 170 million tons in 2030, subject to international partners implementing financial commitments under the JETP. Additionally, the government is targeting the development of a smart grid system capable of integrating and safely operating large-scale renewable energy sources. It also seeks to establish two inter-regional renewable energy industrial and service centres, expand the renewable energy equipment manufacturing industry, as well as the construction, installation and allied services industries, and build a renewable energy industrial ecosystem in the North, South Central, and Southern regions which have favourable conditions for renewable energy.

Vietnam is actively implementing its climate commitments, including the Plan for Implementation of the Paris Agreement (PIPA) launched in 2016. This plan comprises 68 objectives related to mitigation, adaptation, and resource management. The NCCS outlines tasks and activities for reducing greenhouse gas emissions across sectors, including energy. Furthermore, the National Steering Committee for Implementing Vietnam's Commitments at COP26, established in 2021, oversees the development and implementation of strategies and action plans to fulfil Vietnam's COP26 commitments.

The government of Vietnam has introduced several policy measures and initiatives to promote energy-efficient technologies and energy-saving solutions across sectors. The National Program on Energy Efficiency and Conservation for the 2019-2030 period (VNEEP3 Program), approved in Decision No. 280/QD-TTg dated 13 March 2019, sets out the goal of achieving savings of 5-7% of total national energy consumption in the 2019-2025 period and 8-10% of total national energy consumption in the 2019-2030 period.

AREAS FOR IMPROVEMENT

Private and State-owned energy companies should set net-zero targets covering direct, indirect and value-chain emissions. To this end, Vietnam may follow the example of other countries and make corporate social responsibility in climate change mitigation and adaptation a legal requirement. Energy companies should prepare a roadmap for achieving net-zero emissions and the mechanisms, such as carbon offset or removal, that will be utilised to achieve this target. At the same time, public and private sector banks should also set net-zero targets and develop individual long-term plans to limit and eventually end financing for fossil-based power generation projects. They should also be legally required to progressively increase funding for clean energy technologies and report annually to the government.

INDICATOR 2

SCORE 61

Foresight of policy and regulatory change

QUICK FACTS

National Power Development Plans (PDP), drafted every five years, provide detailed planning and provisional forecasts of sectoral development for ten years. Decision No. 500/QD-TTg was adopted in May 2023, approving the National Power Development Plan for the 2021-2030 period, with a vision to 2050 (PDP VIII).

On 1 April 2024, the Prime Minister issued Decision No. 262/QD-TTg, approving the Implementation Plan for PDP VIII (Implementation Plan).

STRENGTHS

PDP VIII aims to ensure greater energy security and independence while achieving a just energy transition. It sets ambitious targets to achieve a renewable electricity rate of about 30.9-39.2% by 2030 or 47% if commitments under the JETP are met. By 2050, the renewable energy rate is expected to reach 67.5-71.5%.

PDP VIII gives businesses and citizens a comprehensive overview of Vietnam's mid- and long-term energy targets and strategy. By 2030, Vietnam's total capacity serving domestic demand is expected to be 150,489 MW, excluding exports and existing rooftop solar power. Of this, onshore wind power will contribute about 21,880 MW (14.5% of the total capacity), offshore wind power 6,000 MW (4.0%), and solar power 12,836 MW (8.5%). Biomass electricity will contribute approximately 2,270 MW (1.5%), hydropower 29,346 MW (19.5%), pumped storage hydropower 2,400 MW (1.6%), battery storage 300 MW (0.2%), cogeneration electricity 2,700 MW (1.8%), coal-fired power (30,127 MW) domestic gas-fired thermal power 14,930 MW (9.9%), LNG thermal power 22,400 MW (14.9%), and flexible power sources 300 MW (0.2%). Imports will account for 5,000 MW (3.3%).

The orientation for 2050 aims to have a total capacity of 490,529 to 573,129 MW, of which onshore wind power will account for 60,050 to 77,050 MW (12.2-13.4%), offshore wind power 70,000 to 91,500 MW (14.3-16%), solar power 168,594 to 189,294 MW (33.0-34.4%), biomass 6,015 MW (1.0-1.2%), hydropower 36,016 MW (6.3-7.3%), storage 30,650 to 45,550 MW (6.2-7.9%), cogeneration electricity 4,500 MW (0.8-0.9%), thermal power using biomass and ammonia 25,632 to 32,432 MW (4.5-6.6%), domestic gas-fired thermal power and switching to LNG 7,900 MW (1.4-1.6%), domestic gas-fired thermal power switched to run entirely on hydrogen 7,030 MW (1.2-1.4%), LNG thermal power plant with hydrogen combustion 4,500 to 9,000 MW (0.8-1.8%), LNG thermal power converted to run entirely on hydrogen 16,400 to 20,900 MW (3.3-3.6%), flexible power sources 30,900 to 46,200 MW (6.3-8.1%), and electricity imports 11,042 MW (1.9-2.3%). Critically, PDP VIII foresees that by 2050, coal power plants will not be operational or contributing to the country's total electricity capacity.

The Implementation Plan lists the power generation sources to be prioritised through 2030 in line with the capacities mentioned in PDP VIII: domestic gas-fired power, LNG-fired power, coal-fired power, cogeneration power, hydropower and pumped storage hydropower. Schedule III of the Implementation Plan offers details of prioritised projects by location and their operational progress. The Implementation Plan also contains a list of specific renewable energy projects through 2030 and defines the expected life cycle of the projects and the capacity allocated to different localities/regions.

In 2024, Vietnam adopted Decision No. 165/QD-TTg on the Approval of Vietnam's Hydrogen Energy Development Strategy for 2030 and Vision for 2050. The strategy provides a policy framework for the production, storage, transportation, distribution, domestic use, and export of hydrogen. It seeks to ensure that the production capacity of hydrogen from renewable energy utilisation and other processes with carbon capture will reach around 100,000 to 500,000 tons per year by 2030 and around 10 to 20 million tons per year by 2050.

In line with its energy targets and strategic direction, Vietnam has successfully ensured a safe and stable power supply of electricity to citizens and enterprises operating within the country. According to Vietnam Electricity (EVN), in the first seven months of 2024, the electricity system's total output was 179.44 billion kWh, about 11.5% more than in 2023. Hydropower contributed about 40.9 billion kWh (22.8%) to the total production, coal thermal power 96.4 billion kWh (53.7%), gas turbines 14.65 billion kWh (8.2%), renewable energy 24.02 billion kWh (13.4%) with solar power reaching 16 billion kWh and wind power 7.3 billion kWh. Imported electricity accounted for 3.07 billion kWh (1.7%). Power transmission in the first semester of 2024 was 121.47 billion kWh, increasing by 13.1% over the same period in 2023. Notably, the Central and Southern regions maintained high levels of power transmission output to ensure continued power supply to the North. Electricity for households increased by 16.07%, construction by 12.8%, commerce and services by 16.58%, and agriculture by 14.02%. Water discharged from hydropower reservoirs was 2.78 billion m^3, saving 0.72 billion m^3 of water compared to the expected plan.

AREAS FOR IMPROVEMENT

The government should incentivise State-owned and regional development banks to offer attractive financial schemes, such as low-interest rates and soft loans, to businesses investing in renewable technologies and households installing solar home systems. Incentives, such as discounts on vehicle registration and differentiated parking rates, may also be introduced to encourage citizens' adoption of electric four- and two-wheelers. Quantifiable targets should be set in collaboration with local governments to progressively replace fossil fuel-based public transport fleets in circulation with electric and hybrid vehicles.

INDICATOR 3

SCORE 67

Management of decision-making processes

QUICK FACTS

The Ministry of Industry and Trade (MOIT) is responsible for developing the country's energy policy. The General Directorate of Energy advises the Minister of MOIT in drafting legislation and assists in preparing development strategies and national master plans for the power, coal, gas and petroleum sub-sectors.

The amended Anti-Corruption Law No. 36/2018/QH14 came into force in 2019.

STRENGTHS

The government maintains an inclusive approach to law-making by seeking inputs from concerned citizens and enterprises on draft laws and regulations. Notably, to encourage energy efficiency across various industries, in August 2024, the MOIT released the Draft Circular on Regulations on Energy Use Norms in the Beer and Non-Alcoholic Beverage Industry for 2025-2030 and the Draft Circular on Regulations on Energy Use Norms in the Plastics Industry for 2025-2030 inviting feedback from agencies, organisations, and individuals. In early 2024, the Ministry of Planning and Investment (MOPI) put forward for consultation a draft decree on establishing, managing and using the Investment Support Fund from additional corporate income tax revenue. The draft decree aims to prevent tax erosion, promote a conducive business environment, attract strategic investors, and support domestic enterprises in several areas.

Vietnam is proactively engaging with international organisations, citizens and civil society organisations to advance its energy transition agenda. In this context, the Ministry of Science and Technology (MOST), along with the Department of Industry and Trade of Hanoi City and the GIZ Energy Support Programme, organised the Vietnam Energy Transition Forum 2024 under the framework of the International Exhibition of Energy and Environment Technology in Hanoi 2024 (ENTECH HANOI 2024). The Forum offered stakeholders comprehensive information on the national laws, policies and programmes guiding the country's energy transition, as well as created awareness of the global energy transition trends, technology solutions for renewable energy development, energy saving, and the implementation of Vietnam's national energy development to 2030, with a vision to 2045.

To promote higher transparency and public accountability, the National Assembly of Vietnam passed a new Anti-Money Laundering Law (AML Law) on 15 November 2022, replacing its 2012 version. The AML Law applies to all domestic and foreign financial institutions, businesses and individuals. The enforcement of the AML Law is the responsibility of the Anti-Money Laundering Department within the State Bank of Vietnam. Failure to comply with reporting requirements under the AML Law can result in monetary fines and sanctions under Decree No. 88/2019/ND-CP of 14 November 2019, and, in some circumstances, failure to report breaches can lead to criminal liability under the Penal Code. In April 2023, the government issued Decree No. 19/2023/ND-CP to guide the implementation of the AML law. Among other things, Decree 19 defines the criteria for determining beneficial owners in the context of anti-money laundering.

Other legal and regulatory measures to curb corruption include Decision No. 941/QD-TTg of 5 August 2022, which outlines a comprehensive action plan to combat money laundering, terrorist financing and financing the proliferation of weapons of mass destruction for the 2021-2025 period, and Decision No. 194/QD-TTg of 23 February 2024, which sets out 17 actions for the international Financial Action Task Force to delist Vietnam as a country requiring special monitoring.

State entities continue to support citizens and enterprises by utilising digital platforms to provide services. The EVN's customer service is especially commendable. In the first semester of 2024, it was the leading unit among 21 ministries and branches, providing 12 online services to citizens and enterprises on the National Public Service Portal, including an electricity bill payment service. To improve the performance of State entities and enhance the ease of doing business, the MOPI has issued a draft decree on business registration. The draft decree aims to replace Decree No. 01/2021/ND-CP and introduce changes to modernise business registration procedures, enhance transparency and reduce bureaucracy. Among other things, the draft law standardises the forms used for business registration, introduces personal identification numbers, and limits the amount of personal information required for registration. It also outlines new regulations on the legal status of branches, local offices and business locations. Moreover, on 15 May 2024, Vietnam issued Decree No. 52/2024/ND-CP, formally introducing a legal framework defining electronic money for the first time.

To ensure high levels of public accountability, the government makes budgetary information available to the public, including allocations across sectors and agencies as well as expenditures under the Ministry of Finance's Circular No. 61/2017/TT-BTC of 15 June 2017 guiding budget disclosure for units and organisations supported by the State budget. The Foreign Investment Agency regularly publishes reports on the implementation of the State budget. Its most recent reports detailed the budget estimates for 2022 and 2023 and the first quarter of 2024.

AREAS FOR IMPROVEMENT

The government should continue with the positive reforms in public administration. Further initiatives to improve the quality of services may include enhancing the cooperation between the one-stop shops operating at various levels of public administration and the National Single Window.

The government should introduce a legal framework that requires companies operating in the oil, gas and mining industry to report on their legal and beneficial owners when registering in the country. Subsequently, it should collect, maintain and publish a beneficial ownership register that records this data in a comprehensive and accessible manner.

INDICATOR 4

Rule of law

SCORE 79

QUICK FACTS

- Vietnam became a signatory to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards in 1995.
- In January 2024, Vietnam's National Assembly ratified the amended Land Law 2024 No. 31/2024/QH15 (Land Law 2024), effective 1 January 2025.
- Vietnam became a member of the WTO in 2007.
- Vietnam has officially been a member of the Multilateral Investment Guarantee Agency since 1994.

STRENGTHS

Vietnam is steadily enhancing the effectiveness of the recognition and enforcement of foreign awards by its domestic courts and safeguarding the interests of concerned parties. As of 2020, Vietnam has recognised the enforcement of almost two thirds of the foreign arbitral awards within the country. Notably, in 2024, the Supreme People's Court of Vietnam recognised and enforced a foreign arbitral award issued under the 2017 Rules of Arbitration of the International Chamber of Commerce (ICC), establishing the precedence of the ICC rules over the provisions of the Law on Commercial Arbitration of 2010 in such cases. The pro-arbitration position of the country's highest court offers foreign investors clarity and certainty regarding the recognition and enforcement of foreign awards by domestic courts and the interplay of national laws with international arbitration.

Land Law 2024 introduced several significant changes to modernise land management, valuation, rent payments, land use terms, and dispute resolution mechanisms. The aim of these changes is to encourage transparency and fairness in the real estate market as well as ensure the country's sustainable socio-economic development. The Land Law 2024 is also expected to impact energy projects in the country. Investors can be offered land through a lease, auction, or bidding process, depending on the type of project and land parcel. Publicly funded energy projects and public-private partnership projects may lease land from the State without going through an auction or bidding process, subject to conditions established by the government. Energy projects that obtain land from funds managed by the State must go through an auction process provided the clean land site is included in the annual land-use plans approved for auction and the competent authorities have approved an auction plan.

The bidding process is a new land acquisition method introduced by the Land Law 2024. Its purpose is to promote greater competition and fairness for investors. It applies to the selection of investors for projects that fall under specialised laws, such as the law on electricity. For the bidding process to apply, the land in question must be listed by the provincial People's Council as being subject to bidding for the selection of investors. The competent authorities must approve a detailed plan or a 1/2000 zoning plan, and other conditions under the laws on bidding must be met.

In cases where the land allocated for an energy project is occupied, the owner must be compensated following a resettlement process. A key positive aspect of Land Law 2024 is that it formally recognises commercial arbitration as a dispute resolution mechanism for land-related disputes.

National Treatment and Most-Favoured-Nation principles are enshrined in all FTAs and BITs to which Vietnam is a party and extend to real and intellectual property (IP) rights. Exemptions from this obligation must be per the provisions of the TRIPS Agreement, in particular Articles 4 and 5. The National Office of Intellectual Property, under the aegis of the MOST, administrates the registration of industrial designs, trademarks, brand names, and other industrial property rights and conducts legal appraisals to settle IP disputes.

The government is strengthening protection guaranteed to IP rights and ensuring swift access to redressal mechanisms. On 24 June 2024, Vietnam's National Assembly adopted an amended Law on Organization of People's Courts (Amended LOPC), which will become effective on 1 January 2025 and replace the law's 2014 version. The Amended LOPC establishes a specialised court of first instance for intellectual property to improve the quality and enforcement of IP rights under civil proceedings. The National Assembly Standing Committee will define the establishment, dissolution, and territorial jurisdiction of the Specialized IP Court. Judges appointed to the specialised IP court must possess knowledge and professional expertise in handling complex intellectual property matters.

AREAS FOR IMPROVEMENT

Domestic law should define 'public interest' as grounds for legitimate expropriation to offer investors more legal certainty.

The government has taken positive measures to address challenges related to domestic courts' enforcement of foreign arbitral awards. Future initiatives should reduce the procedural steps required to recognise and enforce foreign arbitral awards.

INDICATOR 5

SCORE 62

Regulatory environment and investment conditions

QUICK FACTS

Per Law No. 28/2004/QH11 of 3 December 2004 on Electricity, as amended in 2012, the Electricity Regulatory Authority of Vietnam (ERAV) was established under the MOIT to promote a competitive power market, handle inspections and resolve disputes in electricity activities.

Law No. 61/2020/QH14 on Investment, Law No. 59/2020/QH14 on Enterprises, and Law No. 64/2020/QH14 on PPP Investment took effect on 1 January 2021.

STRENGTHS

The government of Vietnam has taken several significant measures to promote private sector participation in renewable power generation and accelerate its clean energy transition. On 3 July 2024, the Prime Minister issued Decree 80/2024/ND-CP on Direct Power Purchase Agreements (DPPA), advancing the country's commitment to achieving decarbonisation across sectors by 2050. The Decree establishes a direct electricity purchase and sale mechanism between renewable energy generators and large electricity consumers via private transmission lines and the national grid. This mechanism is intended to attract investments in renewable energy sources while reducing reliance on traditional fossil fuels.

On 1 August 2024, the Prime Minister issued Decision No. 753/QD-TTg to decentralise EVN and allow for a competitive and transparent electricity market. Specifically, Decision No. 753 transfers the right to represent State ownership in the National Power System Operation Center (A0) from the Committee for Management of State Capital in Enterprises to the MOIT. As per this decision, the separation of A0 from EVN will be followed by the establishment of the National Power System and Market Operation (NSMO) by Decision No. 752/QD-TTg of the Prime Minister dated 1 August 2024, and the ownership rights of NMSO will be shifted from EVN to the MOIT. The restructured market will support reduced electricity prices, allow the retail sector to choose electricity service providers, and increase productivity and competition.

In 2024, EVN increased investment volume by 35% compared to the same period in 2023. In line with its 2024 plan, EVN is supporting the construction of key power generation projects, including the laly hydropower expansion project. The completion of the Phuoc Thai 2 and 3 solar power projects is foreseen in the third quarter of 2024. Simultaneously, EVN has taken steps to develop the power transmission infrastructure. In the first six months of 2024, it commenced 47 projects and completed or operationalised 57 power grid works within the range of 110 kV to 500 kV. In particular, it has focused on launching the construction of the Quang Trach - Pho Noi 500 kV Circuit-3 power transmission line project. Additionally, EVN and its units operationalised the Nha Trang - Thap Cham 220 kV power line (2 circuits) and the 220 kV substations of Vinh Hao, Vinh Chau, and Pho Cao, and increased the capacity of the Thai Thuy 220 kV substation.

Over the last few years, Vietnam has substantially increased its investment activities. As of 20 December 2023, foreign investors' total newly registered, adjusted, and contributed capital reached nearly USD 36.61 billion, rising by 32.1% over the same period in 2022. The realised capital of foreign investment projects is estimated at USD 23.18 billion, up 3.5% compared to 2022. In 2023, 3,188 projects received Investment Registration Certificates, representing a 56.6% increase since 2022, while the total registered capital reached approximately USD 20.19 billion (up 62.2% over the same period in 2022). Of a total of 21 sectors, 18 attracted foreign investments. The total registered capital of the electricity production and distribution industries was more than USD 2.37 billion (up 4.9%). A total of 110 countries and territories invested in Vietnam in 2023. Singapore accounted for a total investment capital of more than USD 6.8 billion, representing 18.6% of the total investment capital in Vietnam, up 5.4% over the same period in 2022. In second position was Japan, with approximately USD 6.57 billion, representing more than 17.9% of the total investment capital, up 37.3% over the same period in 2022.

To align the country's tax policies with global standards and attract more FDI in industries such as research and development and renewable energy, the government adopted Resolution No. 107/2023/QH15, introducing the Qualified Additional Domestic Minimum Tax (QDMTT) and the Income Inclusion Rule (IIR), effective from 1 January 2024. The QDMTT and IIR are in line with the Global Anti-Base Erosion (GloBE) rules under the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) and aim to ensure tax fairness and equity by multinational enterprises operating in Vietnam as well as advance Vietnam's commitment to curb tax avoidance.

AREAS FOR IMPROVEMENT

The government has introduced significant reforms to make the electricity market competitive and attractive to investors. It is encouraged to advance these reforms and, in particular, take measures to deregulate retail electricity prices and make them cost-reflective. Such a tariff reform should be carried out progressively so that the resulting price hikes do not disproportionately affect vulnerable households. Moreover, cross-subsidies imposed on industrial consumers must be eliminated to reduce costs for operating businesses in Vietnam and render the electricity sector viable.

INDICATOR 1

Improvements proposed in 2022

Develop a monitoring, reporting and verification system and systematic data collection to evaluate the implementation of GHG emission reduction measures.

Work ongoing. Circular No. 38/2023/TT-BCT of the MOIT provides methods for measuring, reporting, and verifying reductions in GHG emissions and GHG inventory development in the industry and trade sector. Circular No. 17/2022/TT-BTNMT of the Ministry of Natural Resources and Environment provides methods for measuring, reporting, and appraising the reduction of GHG emissions and GHG inventory in waste management.

Develop a comprehensive national strategy to ensure gender equality and inclusion across the different economic sectors, including energy.

Pending

Improvements proposed in 2024

Set legal requirements for private and State-owned energy companies to set net-zero targets covering direct, indirect and value-chain emissions, undertake corporate social responsibility in climate change mitigation and adaptation, prepare a roadmap for achieving net-zero emissions and the mechanisms, such as carbon offset or removal, that will be utilised to achieve this target.

Improvement suggested in 2024. Status will be updated in 2025.

Mandate public and private sector banks to set net-zero targets and develop individual long-term plans to limit and eventually end financing for fossil-based power generation projects.

Improvement suggested in 2024. Status will be updated in 2025.

INDICATOR 2

Improvements proposed in 2019

Adopt long-term strategy for renewable energy and revisit incentive schemes (FiT).

Work ongoing and partially implemented. On 3 July 2024, the Prime Minister of Vietnam issued Decree 80/2024/ND-CP on Direct Power Purchase Agreements (DPPA), advancing the country's commitment to achieving decarbonisation across sectors by 2050. The Decree establishes a direct electricity purchase and sale mechanism between renewable energy generators and large electricity consumers via private transmission lines and the national grid.

Ensure that the policy implementation authorities differ from those evaluating the progress made towards achieving the policy.

Work ongoing. A Steering Committee comprising representatives of relevant ministries and local authorities monitors the implementation of the National Energy Efficiency Program 2019-2030 and communicates the results to the Prime Minister.

Improvements proposed in 2021

Promote balanced growth between solar and wind power generation by providing the necessary incentives to investors in the wind sector.

Work ongoing. There are 70 ongoing wind-to-power projects with a total capacity of 3,987 MW.

INDICATOR 3

Improvements proposed in 2019

Introduce one-stop shop on national level and steamline administrative procedures.

Partially implemented. One-stop shops already operate at regional level. The National Single Window (NSW) is fully operational with 200 administrative procedures of 13 ministries and sectors connected to it by the end of 2020. Moreover, the country is now connected to nine ASEAN countries through the ASEAN Single Window.

Improvements proposed in 2022

Introduce a legal framework for the oil, gas and mining industry to report on their legal and beneficial owners when registering in the country and collect data on beneficial ownership.

Work ongoing. The revised Petroleum Law 2022, effective 01 July 2023, and Decree 45/2023/ND-CP detailing a number of articles of the Petroleum Law and Mineral Law (under amendment) provide the regulations on these issues.

INDICATOR 4

Improvements proposed in 2019

Provide a definition of the term "public interest" in relation to forceful purchase or requisition of property.

Pending

Improvements proposed in 2021

Introduce measures to expedite recognition of foreign arbitral awards and ensure their enforcement and consider membership to ICSID.

Work ongoing. As of 2020, Vietnam has recognised the enforcement of almost two-thirds of the foreign arbitral awards within the country. Notably, in 2024, the Supreme People's Court of Vietnam recognised and enforced a foreign arbitral award issued under the 2017 Rules of Arbitration of the International Chamber of Commerce, establishing the precedence of the ICC rules over the provisions of the Law on Commercial Arbitration of 2010 in such cases. The pro-arbitration position of the country's highest court offers foreign investors clarity and certainty regarding the recognition and enforcement of foreign awards by domestic courts and the interplay of national laws with international arbitration.

INDICATOR 5

Improvements proposed in 2019

Reinforce the Viet Nam Electricity Regulatory Authority's institutional independence and create a similar regulatory authority for the oil and gas sub-sectors.

Pending

Improvements proposed in 2021

Liberalise the energy sector and reduce the role of State entities, including Petrovietnam and Electricity Vietnam.

Work ongoing. On 1 August 2024, the Prime Minister issued Decision No. 753/QD-TTG transferring the right to represent State ownership in the National Power System Operation Center (A0) from the Committee for Management of State Capital in Enterprises to the MOIT. As per this decision, the separation of A0 from EVN will be followed by the establishment of the National Power System and Market Operation (NSMO) by Decision No. 752/QD-TTg of the Prime Minister dated 1 August 2024, and the ownership rights of NMSO will be shifted from EVN to the MOIT.

Provide a definition of the term "national defence and security" (2020 Law on Investment) as additional market condition and grounds for termination or suspension of investment activities.

Work ongoing. The Investment Law 2020 was issued along with Decree 31/2021/ND-CP detailing and guiding the implementation of a number of articles of the Investment Law, which has provided clear regulations to ensure "national defence and security" for investment projects. The areas that affect national defense and security according to investment law, include islands and border communes, wards, and towns; coastal communes, wards, and towns; other areas that affect national defense and security. The Investment Law 2020 has added provisions to explain how other areas affect national defense and security in Clause 8, Article 2 of Decree 31/2021/ND-CP.

Improvements proposed in 2022

Introduce cost-reflective tariffs in the electricity sector and eliminate cross-subsidisation.

Work ongoing. Resolution No. 55 of the Politburo provides guidance on the progressive phasing out of cross-subsidisation of the electricity prices between customer groups and regions. Currently, the Electricity Law is being supplemented and amended to this effect. The draft law amending and supplementing the regulations stipulates that (1) electricity prices need to ensure that they reflect the costs of electricity production and business activities of the power units and is implemented in public, transparent, equitable, and non-discrimination among electricity units, (2) develop an appropriate electricity price mechanism in importing electricity to foreign countries, (3) define an electricity price policy to implement a reasonable retail price structure, gradually reducing and eventually eliminating cross-subsidy of electricity prices between customer groups that do not participate in the competitive retail electricity market, between regions in accordance with the development level of the electricity market.

ANNEX I: EIRA QUESTIONNAIRE

Indicator 1: Framework for a sustainable energy system

QUESTIONS	SCORING
Sub-indicator 1.1: Policy planning on clean energy transition	
1.1.1 Has your country:	
a. become a party to the UNFCCC Paris Agreement [Y/N]	Yes- 33.33, No-0
b. communicated to the UNFCCC Secretariat the long-term low GHG emissions development strategy per the Paris Agreement [Y/N]	Yes- 33.33, No-0
c. submitted an updated NDC to the UNFCCC Secretariat [Y/N]	Yes- 33.33, No-0
1.1.2 Has your country:	
a. specified the energy sector CO_2 contribution in its NDC [Y/N]	Yes- 33.33, No-0
b. set an action plan to implement its NDC target [Y/N]	Yes- 33.33, No-0
c. appointed a national lead authority to implement the NDC [Y/N]	Yes- 33.33, No-0
1.1.3 Do national policies and plans include emissions reduction actions/measures for the energy sector? [Y/N]	Yes-100, No-0
1.1.4 Has your country committed to a date by which it will achieve net-zero emissions? [Y/N]	Yes-100, No-0
1.1.5 Has your country developed:	
a. policies and/or strategies to expand the use of electric power transport [Y/N]	Yes- 33.33, No-0
b. policies and/or strategies to promote sustainable renewable fuels in transport [Y/N]	Yes- 33.33, No-0
c. an action plan for the use of electric power transport [Y/N]	Yes- 33.33, No-0
1.1.6 Has your country developed:	
a. policies and/or strategies for renewable and energy-efficient technologies in heating and cooling [Y/N]	Yes-50, No-0
b. an action plan for renewable and energy-efficient technologies in heating and cooling [Y/N]	Yes-50, No-0
1.1.7 Has your country developed:	
a. policies and/or strategies on large-scale energy storage [Y/N]	Yes-50, No-0
b. an action plan for large-scale energy storage deployment [Y/N]	Yes-50, No-0
1.1.8 Is there a policy framework to monitor the implementation of renewable energy	
a. targets [Y/N]	Yes-50, No-0
b. programmes [Y/N]	Yes-50, No-0
1.1.9 Is there a policy framework to monitor the implementation of energy efficiency and energy use	
a. targets [Y/N]	Yes-50, No-0
b. programmes [Y/N]	Yes-50, No-0
1.1.10 Has your country developed:	
a. policies/strategies/action plans to increase energy security [Y/N]	Yes-50, No-0
b. policies/strategies/action plans to promote climate-neutral energy transition and ensure energy security [Y/N]	Yes-50, No-0
1.1.11 Is there a policy framework in place for tracking:	
a. the implementation of the country's NDC [Y/N]	Yes-50, No-0
b. progress towards the CO_2 emissions reduction targets [Y/N]	Yes-50, No-0
Sub-indicator 1.2: Enabling measures to support clean energy transition	
1.2.1 Has your country set a:	
a. carbon pricing mechanism (e.g. through a carbon tax, emissions trading scheme, etc.) covering its GHG emissions [Y/N]	Yes-50, No-0
b. measurement, reporting and verification system for GHG emissions [Y/N]	Yes-50, No-0
1.2.2 Has the government:	
a. set policy targets that are legally binding for renewable energy [Y/N]	Yes-25, No-0
b. set penalties for not meeting policy targets for renewables [Y/N]	Yes-25, No-0
c. set policy targets that are legally binding for energy efficiency and/or energy use [Y/N]	Yes-25, No-0
d. designated a body responsible for enforcing penalties in case policy targets are not met [Y/N]	Yes-25, No-0
1.2.3 Does your country offer instruments of at least ten years duration for renewable electricity production (e.g. via feed-in-tariffs, Power Purchase Agreements (PPAs) awarded through auctions, etc.) to:	
a. small-scale producers (10 MW or less) [Y/N]	Yes-50, No-0
b. large-scale producers (more than 10 MW) [Y/N]	Yes-50, No-0
1.2.4 Has the government taken measures to coordinate clean energy generation with the grid infrastructure development? [Y/N] **If yes, please provide some examples of these measures.**	Yes-100, No-0

QUESTIONS	SCORING
1.2.5 Has the government set a legally binding:	
a. date to retire domestic thermal power plants [Y/N]	Yes-50, No-0
b. date to phase out the domestic consumption of coal [Y/N]	Yes-50, No-0
c. the country does not have thermal power generation, coal mining operations, or use of coal [Y/N]	Yes-100, No-0
1.2.6 Has the government set a legally binding:	
a. requirement on public banks and national development agencies to divest from fossil-based investments [Y/N]	Yes-50, No-0
b. deadline for phasing out public spending on fossil fuels (such as fossil fuel subsidies/preferential programmes) [Y/N]	Yes-50, No-0
c. the country does not finance fossil operations or give fossil fuel subsidies [Y/N]	Yes-100, No-0
1.2.7 Has your country set short-/mid-term targets (or other policy measures) for the:	
a. integration of variable renewable energy in power generation [Y/N]	Yes-20, No-0
b. electrification of new end uses (such as transport and heating) [Y/N]	Yes-20, No-0
c. development of energy storage [Y/N]	Yes-20, No-0
d. setting of incentives to increase energy efficiency or to reduce energy consumption to energy producers and users [Y/N]	Yes-20, No-0
e. adaptation to climate-neutral energy systems in power generation and ensuring energy security [Y/N]	Yes-20, No-0
1.2.8 Has your country set long-term targets (or other policy measures) for the:	
a. integration of variable renewable energy in power generation [Y/N]	Yes-20, No-0
b. electrification of new end uses (such as transport and heating) [Y/N]	Yes-20, No-0
c. development of energy storage [Y/N]	Yes-20, No-0
d. setting of incentives to increase energy efficiency or to reduce energy consumption to energy producers and users [Y/N]	Yes-20, No-0
e. adaptation to climate-neutral energy systems in power generation and ensuring energy security [Y/N]	Yes-20, No-0
1.2.9 Has the government developed for facilitating clean energy transition as well as ensuring energy security:	
a. measures/plans for energy transition with a step-by-step approach [Y/N]	Yes-50, No-0
b. measures/mechanisms to phase out the operation of energy generators with fossil fuels [Y/N]	Yes-50, No-0
Sub-indicator 1.3: Environmental protection, human rights and gender	
1.3.1 Has your country developed national policies and/or strategies on:	
a. reducing methane emissions [Y/N]	Yes- 33.33, No-0
b. sustainable land use [Y/N]	Yes- 33.33, No-0
c. forestry [Y/N]	Yes- 33.33, No-0
1.3.2 Does your country have a legal or regulatory framework on:	
a. reducing methane emissions [Y/N]	Yes- 33.33, No-0
b. sustainable land use [Y/N]	Yes- 33.33, No-0
c. forestry [Y/N]	Yes- 33.33, No-0
1.3.3 Is your country a party to the Geneva Convention on Long-range Transboundary Air Pollution? [Y/N]	Yes-100, No-0
1.3.4 Is your country a party to: a. the Convention on Biological Diversity [Y/N] b. the Convention on Access to Information, Public Participation in Decision-Making and Access to Justice in Environmental Matters [Y/N] c. any other environment-related international conventions [Y/N]	Not scored
1.3.5.a Are energy projects, plans and programmes legally required to undergo an environmental impact assessment? [Y/N]	Yes-50, No-0
1.3.5.b If yes, are the findings consulted with stakeholders and made publicly available? [Y/N]	Yes-50, No-0
1.3.6 Does your country have a legal framework and reporting on corporate social responsibility? [Y/N]	Yes-100, No-0
1.3.7 Has the industry in your country created a framework for reporting on corporate social responsibility? [Y/N]	Yes-100, No-0
1.3.8 Does your country have a legal framework on:	
a. labour rights [Y/N]	Yes- 33.33, No-0
b. health and safety [Y/N]	Yes- 33.33, No-0
c. environmental protection [Y/N]	Yes- 33.33, No-0
1.3.9 Has your government created a policy framework for gender equality in energy and climate change? [Y/N]	Yes-100, No-0
1.3.10 Does the government collect disaggregated sex and gender data on energy jobs? [Y/N]	Yes-100, No-0
1.3.11 Is your government running capacity-building programmes/projects to increase the number of women employed in the renewable energy sector and programmes to promote gender equality in energy and climate? [Y/N]	Yes-100, No-0

QUESTIONS	SCORING
1.3.12 Does your country reflect gender dimensions and data in its most recent NDC? [Y/N]	Yes-100, No-0
Sub-indicator 1.4: Energy resilience	
1.4.1 Does your country have an energy security strategy to: a. diversify sources of energy supply [Y/N] b. scale-up domestic energy production in terms of energy efficiency measures and investments in renewable energy [Y/N]	 Yes-50, No-0 Yes-50, No-0
1.4.2 Has the government identified reforms and activities to support circular economy activities in the energy sector? [Y/N]	Yes-100, No-0
1.4.3.a Does your country have an industrial strategy in place? [Y/N] **1.4.3.b If yes, does it cover measures to ensure a sustainable supply of raw materials in the energy sector? [Y/N]**	Yes-50, No-0 Yes-50, No-0
1.4.4 Has the government introduced policies/plans/programmes to address the impact of mining activities on: a. biodiversity [Y/N] b. displacement of communities [Y/N] c. water resources [Y/N]	 Yes- 33.33, No-0 Yes- 33.33, No-0 Yes- 33.33, No-0
1.4.5 Does the relevant ministry/State agency conduct: a. periodic water stress tests [Y/N] b. emergency response exercises for water management in mining and mineral operations [Y/N]	 Yes-50, No-0 Yes-50, No-0

Indicator 2: Foresight of policy and regulatory change

QUESTIONS	SCORING
Sub-indicator 2.1: Communication of vision and policies	
2.1.1 What are the key energy priorities of your country? a. Energy security [Y/N] b. Power reliability [Y/N] c. Affordability – energy poverty – the alleviation of socio-economic costs (e.g. just transition) [Y/N] d. Access to energy [Y/N] e. Development of energy infrastructure [Y/N] f. Interconnection with neighbouring countries [Y/N] g. Research and innovation in the energy sector [Y/N] h. CO_2 reduction [Y/N] i. Digitalisation, cybersecurity [Y/N] j. Reduction of environmental impacts [Y/N] k. Other issues related to the energy sector. Please specify:	
2.1.2 Does your country have energy policies/roadmap/vision documents to address the priorities selected above? [Y/N]	Proportionate scores are allocated based on the priorities identified.
2.1.3 Has your country set measurable short-term or mid-term targets for the priorities selected above? [Y/N]	Proportionate scores are allocated based on the priorities identified.
2.1.4 Has your country set ultimate outcomes for the priority areas selected above? [Y/N] *Note: This may include final outcomes such as net-zero GHG emissions by 2050, universal energy access by a specific date, etc.*	Proportionate scores are allocated based on the priorities identified.
2.1.5 Has your government: a. set policy targets that are legally binding for the priorities selected above [Y/N] b. set penalties for not meeting policy targets [Y/N] c. designated a body responsible for enforcing penalties in case policy targets are not met [Y/N]	 Yes- 33.33, No-0 Yes- 33.33, No-0 Yes- 33.33, No-0
2.1.6 Does your country have a legally binding national action plan[s] to implement the energy policies? [Y/N]	Proportionate scores are allocated based on the priorities identified.
1.1.7 Is there a detailed list of measures defined (either in the action plan or elsewhere) to achieve the policy targets set for the energy sector? [Y/N]	Proportionate scores are allocated based on the priorities identified.

QUESTIONS	SCORING
Sub-indicator 2.2: Robustness of policy goals and commitments	
2.2.1 Is it a legal obligation for the government to conduct a:	
a. cost-benefit analysis of the energy policies [Y/N]	Yes-33.33, No-0
b. cost-benefit analysis of energy projects and programmes [Y/N]	Yes-33.33, No-0
c. policy implementation cost analysis [Y/N]	Yes-33.33, No-0
2.2.2 Is the legal framework for policy monitoring and evaluation set in the following:	
a. Primary laws (these are laws enacted by the Parliament) [Y/N]	Yes-100
b. Subsidiary laws (these are regulations that can be approved by the head of government, by an individual Minister or by the Cabinet) [Y/N]	Yes-50
c. There is no legal framework for policy monitoring and evaluation [Y/N]	Yes-0
2.2.3 Which of the following institutions, apart from the central government, have competencies in the budget implementation of policy evaluation? Please select the relevant options.	
a. Supreme audit institutions/State control office or similar [Y/N]	Yes-100
b. Budget offices of the legislature (or similar offices) [Y/N]	Yes-100
c. None [Y/N]	Yes-0
2.2.4 Does your country's policy monitoring and evaluation process require the participation of the following:	
a. Civil society [Y/N]	Yes- 16.67, No-0
b. Local governments [Y/N]	Yes- 16.67, No-0
c. International organisations (such as IEA, IRENA, OECD) and environmental organisations [Y/N]	Yes- 16.67, No-0
d. Existing energy investors [Y/N]	Yes- 16.67, No-0
e. Energy industry associations [Y/N]	Yes-16.67, No-0
f. Neighbouring countries [Y/N]	Yes-16.67, No-0
2.2.5 Does the country make available in the public domain:	
a. performance evaluation reports of its ministries [Y/N]	Yes-33.33, No-0
b. performance evaluation reports of utilities [Y/N]	Yes-33.33, No-0
c. performance evaluation reports of State agencies and State-owned utilities [Y/N]	Yes-33.33, No-0
2.2.6 How does your country make available in the public domain policy monitoring and evaluation reports:	
a. By default [Y/N]	Yes-100
b. Upon request [Y/N]	Yes-50
c. On an ad hoc basis for each evaluation [Y/N]	Yes-50
d. Only across government [Y/N]	Yes-25
e. Only for selected public officials [Y/N]	Yes-25
f. Not available in the public domain [Y/N]	Yes-0

Indicator 3: Management of decision-making processes

QUESTIONS	SCORING
Sub-indicator 3.1: Institutional governance	
3.1.1.a Is there a central-level government authority that leads policy-making on energy and natural resources? [Y/N]	Yes-50, No-0
3.1.1.b Is the mandate of this central-level government authority stated in a law? [Y/N]	Yes-50, No-0
3.1.2.a Is there a central-level government authority that leads policy-making on environmental protection and climate change issues? [Y/N]	Yes-50, No-0
3.1.2.b Is the mandate of this authority stated in a law? [Y/N]	Yes-50, No-0
3.1.3.a Is there a central-level government authority that leads policy-making on economy, trade and in-vestment? [Y/N]	Yes-50, No-0
3.1.3.b Is the mandate of this authority stated in a law? [Y/N]	Yes-50, No-0
3.1.4 Do the energy and investment authorities consult each other while formulating policies related to their respective sectors? [Y/N]	Yes-100, No-0
3.1.5 Has your country established an online one-stop-shop authority for registering and approving new energy projects? [Y/N]	Yes-100, No-0
3.1.6.a Is there a single window for all enquiries concerning investment policies and applications? [Y/N]	Yes-50, No-0
3.1.6.b If yes, does it also give information about the energy sector? [Y/N]	Yes-50, No-0

QUESTIONS	SCORING
Sub-indicator 3.2: Transparency and anti-corruption measures	
3.2.1.a Does your country have a law on the right of access to information? [Y/N] **3.2.1.b Are the exceptions to this right clearly defined in law or regulation? [Y/N]**	Yes-50, No-0 Yes-50, No-0
3.2.2 How are laws and regulations made accessible to the public? [Please select one option from below] a. Both electronically and in print b. Only electronically c. Only in print d. Available only upon request/payment of a fee e. Legal and regulatory information is not made available	 Yes-100 Yes-66.67 Yes-33.33 Yes-0 Yes-0
3.2.3 Does the national energy regulator make the decisions on tariffs and tariff methodology publicly available? [Please select one option from below] a. Yes, all the decisions are made available b. Only some decisions are made available c. No decisions are made available	 Yes-100 Yes-50 Yes-0
3.2.4 Are the following available in any of the UN languages? Please select the relevant options: a. Energy policies b. National action plans c. Enacted laws d. Regulatory information (e.g. tariff changes, tariff methodology, price statistics, consumption data, customer database, etc.)	 Yes-25 Yes-25 Yes-25 Yes-25
3.2.5 Has the country digitalised public procurement processes in the energy sector? [Y/N]	Yes-100, No-0
3.2.6 Is the standstill period provided during the public procurement process sufficient? [Y/N] *Note: The standstill period is a short time between the point when the contract award decision is notified to bidders, and the final contract conclusion, during which time competitors can challenge the decision.*	Yes-100, No-0
3.2.7 Do State-controlled utilities in the following segments make their financial statements publicly available: a. Generation [Y/N] b. Transmission [Y/N] c. Distribution [Y/N] d. Retail [Y/N]	 Yes-25 Yes-25 Yes-25 Yes-25
3.2.8 Are the financial statements of State-controlled utilities in the following segments audited by an independent body: a. Generation [Y/N] b. Transmission [Y/N] c. Distribution [Y/N] d. Retail [Y/N]	 Yes-25 Yes-25 Yes-25 Yes-25
3.2.9 Does your country provide publicly available data on existing investment flows, particularly on clean energy investment (incoming, outgoing, per country of investor/investment, per energy technology/sector) in the energy sector? [Y/N] If yes, please indicate the source.	Yes-100, No-0
3.2.10 What work is the government undertaking to improve the available data on energy investment flows, particularly clean energy investment in the near future?	Not scored
3.2.11 Is legal information centralised? [Please select one option from below] a. In a centralised electronic registry of laws and regulations b. Centralised registry/official gazette in print c. No centralisation of laws and regulations	 Yes-100 Yes-50 Yes-0
3.2.12 Is consultation between the government and the stakeholders required under any law/ regulation/rule? [Y/N]	Yes-100, No-0
3.2.13 Is consultation between the energy regulator and the stakeholders required under any law/ regulation/rule? [Y/N]	Yes-100, No-0
3.2.14 Are stakeholders notified and consulted in advance when new laws and regulations are enacted? [Please select one option from below] a. Notified and consulted in advance b. Notified but not consulted c. Not notified or consulted	 Yes-100 Yes-0 Yes-0

QUESTIONS	SCORING
3.2.15 Your country's score in the latest edition of the Corruption Perceptions Index lies between:	
a. 100-90	Yes-100
b. 89-80	Yes-88.89
c. 79-70	Yes-77.78
d. 69-60	Yes-66.67
e. 59-50	Yes-55.56
f. 49-40	Yes-44.45
g. 39-30	Yes-33.34
h. 29-20	Yes-22.23
i. 19-10	Yes-11.12
j. 9-0	Yes-0
3.2.16 Does your country have legislation and/or regulations that mandate the collection of beneficial ownership information? [Y/N]	Yes-100, No-0
3.2.17 Has your country established a beneficial ownership register? [Y/N]	Yes-100, No-0
3.2.18 Is the beneficial ownership register for the energy sector:	
a. Publicly available online [Y/N]	Yes-33.33, No-0
b. Free of charge [Y/N]	Yes-33.33, No-0
c. Updated regularly [Y/N]	Yes-33.33, No-0
3.2.19 Has your government established an online platform that makes public procurement contracts in the energy sector available to citizens? [Y/N]	Yes-100, No-0
3.2.20 Has your government established an online platform to make budget allocation and utilisation reports of ministries and State agencies available to citizens? [Y/N]	Yes-100, No-0
3.2.21 Does your country have a law enforcing public accountability and anti-corruption measures? [Y/N]	Yes-100, No-0
Please highlight any important issues related to the country's decision-making process or transparency measures that you consider relevant.	

Indicator 4: Rule of law (compliance with national and international obligations)

QUESTIONS	SCORING
Sub-indicator 4.1: Management and settlement of investor-State disputes	
4.1.1 Does your country have domestic dispute prevention policies that include the following measures:	
a. Early detection systems [Y/N]	Yes-33.33, No-0
b. Training for public servants [Y/N]	Yes-33.33, No-0
c. The creation of dedicated institutions in charge of preventing, managing and monitoring disputes [Y/N]	Yes-33.33, No-0
4.1.2 Is there a central government authority (e.g. agency, ministry, etc.) that maintains a database of investment treaties, contracts, and special undertakings with foreign investors? [Y/N]	Yes-100, No-0
4.1.3.a Is there an investment/business ombudsperson to whom foreign investors can refer disputes with the government? [Y/N]	Yes-50, No-0
4.1.3.b Is mediation with the State allowed under the national laws? [Y/N]	Yes-50, No-0
4.1.4.a Do national laws allow the recognition and enforcement of foreign arbitral awards? [Y/N]	Yes-50, No-0
4.1.4.b Do national laws allow the recognition and enforcement of foreign judgements? [Y/N]	Yes-50, No-0
4.1.5 Is the country a Contracting Party to:	
a. the Convention on the Settlement of Investment Disputes Between States and Nationals of Other States (the Washington Convention)? [Y/N]	Yes-50, No-0
b. the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the New York Convention)? [Y/N]	Yes-50, No-0
4.1.6 Does your country have bilateral investment protection agreements with ISDS, including the energy sector, with other countries? [Y/N] If yes, how many and with which countries?	Not scored
4.1.7 Does your country have regional trade agreements with ISDS, including the energy sector [Y/N]? If yes, which ones?	Not scored

QUESTIONS	SCORING
4.1.8 Are national courts and administrative tribunals required by law to:	
a. fix the first date of hearing within a time limit [Y/N]	Yes-25, No-0
b. deliver the final judgement within a time limit [Y/N]	Yes-25, No-0
c. allow parties to file an appeal within a time limit [Y/N]	Yes-25, No-0
d. fix the number of adjournments in a case [Y/N]	Yes-25, No-0
4.1.9 Is the following information on pending judicial cases available online:	
a. Status of the case [Y/N]	Yes-25, No-0
b. Hearing schedule of the case [Y/N]	Yes-25, No-0
c. All briefs and motions filed in the case [Y/N]	Yes-25, No-0
d. Latest orders and judgements passed in the case [Y/N]	Yes-25, No-0
4.1.10 Do national laws and/or IIAs require the exhaustion of local remedies (e.g. domestic courts) before recourse to international arbitration? [Y/N]	Yes-0, No-100
4.1.11 Has the country made retroactive changes to laws in the past five years? [Y/N]	Yes-0, No-100
Sub-indicator 4.2: Respect for property rights	
4.2.1 Do the national laws contain a list of activities that constitute public purpose/public interest in the case of expropriation? [Y/N]	Yes-100, No-0
4.2.2 Do the IIAs grant protection to activities that have an effect similar to expropriation? [Y/N]	Yes-100, No-0
4.2.3 Does the State provide in its laws and/or IIAs a process to determine compensation in the event of expropriation in the energy sector? [Y/N]	Yes-100, No-0
4.2.4 Does the State provide in its laws and/or IIAs a timeframe within which compensation needs to be paid? [Y/N]	
a. Entire amount is paid before expropriation is effected [Y/N]	Yes-100
b. Amount is paid in stages within defined deadlines [Y/N]	Yes-50
c. There is no definite date/deadline for payment of compensation [Y/N]	Yes-0
4.2.5 Do the national laws/IIAs specify the following in relation to the interest rate (for expropriation):	
a. Type of interest applicable (simple or compound) [Y/N]	Yes-33.33, No-0
b. The annual rate of interest (fixed rate applicable to the host country's sovereign debt or market rates) [Y/N]	Yes-33.33, No-0
c. The reference period for conversion into foreign currency [Y/N]	Yes-33.33, No-0
4.2.6 Are Most-Favoured-Nation and National Treatment obligations extended to intellectual property under the IIAs? [Y/N]	Yes-100, No-0
4.2.7 Are expropriation provisions extended to intellectual property under the IIAs? [Y/N]	Yes-100, No-0
4.2.8 Does the State have in its laws, contracts and/or IIAs any provisions requiring the mandatory transfer of technology in the energy sector? [Y/N]	Yes-0, No-100
4.2.9 Is the country a Member State/Contracting Party to:	
a. WTO [Y/N]	Yes-33.33
b. MIGA [Y/N]	Yes-33.33
c. ECT [Y/N]	Yes-33.33

Indicator 5: Regulatory environment and investment conditions

QUESTIONS	SCORING
Sub-indicator 5.1: Regulatory independence	
5.1.1 Which institution is responsible for regulating the energy sector:	
a. An independent energy regulatory body [Y/N]	100
b. An agency under the control of a ministry [Y/N]	50
c. A ministry [Y/N]	25
d. Multiple ministries/agencies regulating sub-sectors separately [Y/N]	0
5.1.2.a Does the energy regulator derive its authority from a law? [Y/N]	Yes-50, No-0
5.1.2.b Are the functions and obligations of the energy regulator stated in a law? [Y/N]	Yes-50, No-0
5.1.3 Is the energy regulatory authority subject to public control conducted by other institutions?	
a. Supreme audit office that is independent of the central government [Y/N]	Yes-100
b. National legislature [Y/N]	Yes-100
c. Central government (e.g. a ministry, the council of ministers or similar executive authority) [Y/N]	Yes-0
d. None of the above [Y/N]	No-0

QUESTIONS	SCORING
5.1.4 How is the energy regulator financed? [Please select one option from below]	
a. Exclusively by its income based on the fees for performing the regulation of energy activities [Y/N]	Yes-100
b. Combined from the government and its income based on the fees for performing the regulation of energy activities [Y/N]	Yes-50
c. Exclusively by the government [Y/N]	Yes-0
5.1.5 Does the energy regulator(s) have the right to allocate its budget? [Please select one option from below]	
a. Yes, it has full right to do so [Y/N]	Yes-100
b. Yes, but it needs approval from the governmental authority/ministry [Y/N]	Yes-50
c. No, it cannot allocate the budget on its own [Y/N]	Yes-0
5.1.6.a Is there a fixed-term appointment for the board of the energy regulator(s)? [Y/N]	Yes-33.33, No-0
5.1.6.b If so, is the fixed term renewable more than once? [Y/N]	Yes-33.33, No-0
5.1.6.c Is the selection procedure of the board and its finalisation publicly announced? [Y/N]	Yes-33.33, No-0
5.1.7 Are the directors/commissioners of the energy regulatory authority allowed to work in the regulated industry (public or private) after their tenure?	
a. They are not allowed to take positions in the regulated industry for at least two years after finishing their term [Y/N]	Yes-100
b. They are not allowed to take positions in the regulated industry for less than two years after finishing their term [Y/N]	Yes-50
c. There is no such requirement [Y/N]	Yes-0
5.1.8 The energy regulator:	
a. is required by law to make reasoned decisions [Y/N]	Yes-50, No-0
b. has the legal right to impose penalties and enforce regulatory obligations?[Y/N]	Yes-50, No-0
5.1.9 Does your country have:	
a. an authority that deals with competition in the energy sector [Y/N]	Yes-50, No-0
b. regulations aimed at protecting energy consumers [Y/N]	Yes-50, No-0
Sub-indicator 5.2: Electricity industry market structure and competition	
5.2.1 Which of the following best describes the power market structure of your country:	
a. Vertical integration – a vertically integrated monopolist [Y/N]	Yes-0
b. Vertical integration with independent power producers – a vertically integrated monopolist with independent power producers that sell power to it [Y/N]	Yes-25
c. Some extent of vertical and horizontal unbundling – a national generation, transmission, or distribution entity; a combined national generation and transmission entity; or a combined transmission and distribution entity acting as the only wholesale power trader (single buyer) with IPPs that sell power to it and regional distribution entities unbundled from the monopolist that buys power from it [Y/N]	Yes-50
d. Extensive vertical and horizontal unbundling – many distribution entities and generation entities and a transmission entity formed from unbundling the monopolist, in which the transmission entity acts as a single buyer of power from the generators and IPPs and sells power to the distribution entities and large users of power [Y/N]	Yes-75
e. Power market – an organised market of generation entities, distribution entities, and large users, in which power is traded competitively, supported by a transmission entity, a power system operator, and a power market administrator [Y/N]	Yes-100
5.2.2 To what degree has your country unbundled the power sector?	
a. Ownership unbundling [Y/N]	Yes-100
b. Legal unbundling [Y/N]	Yes-50
c. Accounting/functional unbundling [Y/N]	Yes-25
d. The power sector is not unbundled [Y/N]	Yes-0
5.2.3 Is your country's network tariff cost-reflective? [Y/N]	Yes-100, No-0
5.2.4 Are the end-user electricity tariffs regulated in your country? [Y/N]	Yes-0, No-100
If yes:	
a. is the regulated end-user tariff lower than wholesale energy prices [Y/N]	Yes-0, No-33.33
b. has the country set a roadmap/plan to phase out non-household regulated prices [Y/N]	Yes-33.33, No-0
c. has your country set a roadmap/plan to phase out household regulated prices (except for vulnerable customers) [Y/N]	Yes-33.33, No-0
5.2.5 Do the laws/regulations of your country require:	
a. licencing for electricity trading (internal or cross-border) [Y/N]	Yes-0, No-33.33
b. local representation for electricity trading (a local branch or a fully registered company is required) [Y/N]	Yes-0, No-33.33
c. licencing for electricity import and export activities [Y/N]	Yes-0, No-33.33
5.2.6 Has the country introduced time-variant pricing for electricity (real-time pricing, variable peak pricing and critical peak pricing or critical peak rebates, etc.)? [Y/N]	Yes-100, No-0
5.2.7 Does the network code (or any other regulation/law) guarantee non-discriminatory access to the electricity grids? [Y/N]	Yes-100, No-0

QUESTIONS	SCORING
Sub-indicator 5.3: Restrictions on FDI	
5.3.1.a Does the country give equal treatment to domestic and foreign investors? [Y/N]	Yes-50, No-0
5.3.1.b If yes, is this equal treatment established in law or IIAs of the country? [Y/N]	Yes-50, No-0
5.3.2.a Are investors in the energy sector allowed to invest in all energy sub-sectors within the country? [Y/N]	Yes-50, No-0
5.3.2.b If no, does this apply equally to domestic and foreign investors? [Y/N]	Yes-50, No-0
5.3.3.a Is there a screening or prior-authorisation requirement for foreign investors in the energy sector? [Y/N]	Yes-50, No-0
5.3.3.b If yes, is it only a notification requirement? [Y/N]	Yes-50, No-0
5.3.4.a Are foreign companies legally allowed to hold a majority stake in energy projects? [Y/N]	Yes-50, No-0
5.3.4.b Are foreign investors required by law to partner with the State/State-owned or local enterprises before undertaking projects in the energy sector? [Y/N]	Yes-0, No-50
5.3.5.a For public procurement, are bidders required to post bid security before the contract is signed? [Y/N]	Yes-50, No-0
5.3.5.b If yes, are the following conditions on bid security stated in the law:	
a. The maximum amount of the security [Y/N]	Yes-16.67, No-0
b. Payment terms [Y/N]	Yes-16.67, No-0
c. Return of security amount to bidders [Y/N]	Yes-16.67, No-0
5.3.6 Is there a limit on the employment of foreign personnel?	Yes-100
a. There are no limitations [Y/N]	Yes-0
b. Limitation by percentage [Y/N]	Yes-0
c. Limitation on the number of times work permit/visa can be renewed [Y/N]	Yes-0
d. Annual quotas of work permits for foreigners [Y/N]	Yes-0
5.3.7 Are foreign investors required to employ specific percentages of the local workforce?	
a. There are no such requirements [Y/N]	Yes-100, No-0
b. Yes, for managerial level (board of directors, etc.) [Y/N]	Yes-40, No-0
c. Yes, for unskilled labour and non/technical administrative staff [Y/N]	Yes-10, No-0
5.3.8 Are foreign investors required to purchase a certain percentage/value/quantity of products or services from local suppliers? [Y/N]	Yes-0, No-100
5.3.9.a Are there any currency restrictions and/or foreign exchange controls applied to foreign investors under a law or regulation? [Y/N]	Yes-0, No-100
5.3.9.b If yes, do these exchange controls include:	
a. banning the use of foreign currency [Y/N]	Yes-0
b. limiting currency exchange to government-approved exchangers [Y/N]	Yes-0
c. fixed exchange rates [Y/N]	Yes-0
5.3.10.a Do restrictions on the transfer of investment-related capital, payments and profits exist? [Y/N]	Yes-0, No-100
5.3.10.b If yes, do they apply equally to foreign and domestic investors? [Y/N]	Yes-50, No-0

ANNEX II: SCORING GUIDE

The score for each indicator is the average of its component sub-indicators. The score of each sub-indicator is the average of its underlying questions. The scoring rules for different types of questions are as follows:

1. Questions with proportionate scores

This category is scored based on the number of energy policy goals set by the country. In the example given below, the first sub-indicator of Indicator 1 allows the respondents to list the energy priorities of the country. Under the first question, there are nine identified options for respondents to select. Additionally, they are given the opportunity to specify other priorities considered relevant to their respective energy sectors. The response to the first question sets the premise on which the following questions will be answered and scored. For example, a country has set 5 goals. As a result, 20 points are attributed to each of the selected goals for the scoring of the next questions. Subsequently, the respondent identifies an energy strategy document for three out of the five selected goals, and the country receives 60 points on that question. The scores for the third and the fourth questions are calculated likewise. The final score of this sub-indicator is the average scores of its component questions, which in this case is 66.7.

Sample Question Type 1

INDICATOR 1: FORESIGHT OF POLICY AND REGULATORY CHANGE	SCORING	RESPONSE	SCORE
Sub-indicator 1: Communication of vision and policies			**66.7**
1. What are the key priorities or goals of the energy sector policy? **a. Energy security [Y/N]** **b. Power reliability [Y/N]** **c. Affordability – energy poverty [Y/N]** **d. Access to energy [Y/N]** **e. Investment in the energy sector [Y/N]** **f. CO_2 reduction [Y/N]** **g. Renewable energy [Y/N]** **h. Energy efficiency [Y/N]** **i. Innovation [Y/N]** **j. Others issues related to the energy sector (like air quality, water quality job creation etc). Please specify.**	Not Scored	5 goals selected: Energy security; power reliability; access to energy; CO_2 reduction; and Innovation (100/5=20 for each goal in the related questions)	–
2. Does the country have an energy strategy document for the key priority areas selected above (e.g. a Vision document/ Roadmap etc.)? [Y/N]	Based on the number of goals selected in the previous question proportionate scores are allocated	Energy strategy document for 3 goals: Energy security; CO_2 reduction; and innovation	3x20=60

2. Binary questions

These questions can be answered with a simple 'yes' or 'no'. In the example below, the respondent must answer 'yes' to all three questions to obtain the highest score. However, the respondent gives two positive answers and a negative one. As a result, the score for the sub-indicator is 66.7.

Sample Question Type 2a

INDICATOR 3: REGULATORY ENVIRONMENT AND INVESTMENT CONDITIONS	SCORING	RESPONSE	SCORE
Sub-indicator 1: Regulatory effectiveness			**66.7**
1. Does the energy regulator derive its authority from a law? [Y/N]	Yes-100 No-0	Yes	100
2. Are the functions and obligations of the energy regulator stated in a law? [Y/N]	Yes-100 No-0	No	0
3. Does the energy regulator have a budget that is separate from the government's budget? [Y/N]	Yes-100 No-0	Yes	100

In some cases, a negative response may yield a high score while a positive answer may be scored 0. In the following example, the respondent must answer 'no' to all the questions to obtain the highest score. However, the respondent gives one negative and one positive answer. As a result, the score for the sub-indicator is 50.

Sample Question Type 2b

INDICATOR 3: REGULATORY ENVIRONMENT AND INVESTMENT CONDITIONS	SCORING	RESPONSE	SCORE
Sub-indicator 2: Restrictions on FDI			**50**
1. Are foreign investors required by law to partner with State/ State-owned enterprises or local enterprises before undertaking projects in the energy sector? [Y/N]	Yes-0 No-100	No	100
2. Are foreign investors required to purchase a certain percentage/ value/quantity of products or services from local suppliers? [Y/N]	Yes-0 No-100	Yes	0

3. Questions with alternative responses and granulated scores

In some cases, the respondent is asked to select an answer from a group of alternatives. The answer reflecting best practice is scored 100, whereas the score for the rest of the options is granulated. In the table below, the respondent states that only some legal and regulatory information is made available. This alternative is not considered optimal and, thus, yields only 50 points. In the following question, the respondent states that laws and regulations are accessible both electronically and in print. This is considered best practice and gets a score of 100. Similarly, the respondent answers that the energy regulator makes available all its decision to the public, which again is considered best practice and gets 100. The overall score for this sub-indicator is 83.3.

Sample Question Type 3

INDICATOR 2: MANAGEMENT OF DECISION-MAKING PROCESSES	SCORING	RESPONSE	SCORE
Sub-indicator 1: Transparency			**83.3**
1. Does the country make available legal and regulatory information to the public?		1-b	50
a. Yes, all information is made available	100		
b. Only some information is available	50		
c. No information is available	0		
2. How are laws and regulations made accessible to public?		2-a	100
a. Both electronically and in print	100		
b. Only electronically	66.7		
c. Only in print	33.3		
d. Available only upon request/or payment of fee	0		
3. Does the energy regulator make available its decisions (on tariffs, tariff methodology, market access etc.) to the public?		3-a	100
a. Yes, all decisions are made available	100		
b. Only some decisions are made available	50		
c. No decisions are made available	0		

4. Questions with alternative sub-questions

This type of question provides alternatives to the respondents, in case a negative answer to the main question is compensated by other measures. In the example provided below, the respondent claims that investors need authorisation before investing in the energy sector. Since this imposes a restriction on investors, the answer to the main question gets a 0. Where the prior authorisation requirement results in restrictiveness but is not discriminatory in nature, 50 points are 'recovered' by answering 'yes' to question 1a.

Sample Question Type 4

INDICATOR 3: REGULATORY ENVIRONMENT AND INVESTMENT CONDITIONS	SCORING	RESPONSE	SCORE
Sub-indicator 2: Restrictions on FDI			**50**
1. Is there a pre-screening or prior-authorization requirement for investing in the energy sector? [Y/N]	Yes-0 No-100	Yes	0
If yes: **1a. Is pre-screening applicable to both domestic and foreign investors? [Y/N]**	Yes-50 No-0	Yes	50

5. Divided questions

For some sub-indicators the main question is bifurcated into sub-questions, which are awarded identical scores since they are equally important. The sub-questions develop a joint perfect score of 100, when answered positively. In the example below, the country scores 50 because it is a Contracting Party only to the Convention on the Settlement of Investment Disputes between States and Nationals of Other States.

Sample Question Type 5

INDICATOR 4: RULE OF LAW (COMPLIANCE WITH NATIONAL AND INTERNATIONAL OBLIGATIONS)	SCORING	RESPONSE	SCORE
Sub-indicator 1: Management and settlement of investor-State disputes			**50**
1. Is the country a Contracting Party to:			
1a. The Convention on the Settlement of Investment Disputes Between States and Nationals of Other States? [Y/N]	Yes-50 No-0	Yes	50
1b. The Convention on the Recognition and Enforcement of Foreign Arbitral Awards? [Y/N]	Yes-50 No-0	No	0

ANNEX III: ORBIS CROSSBORDER INVESTMENT GLOSSARY AND INDUSTRY CLASSIFICATION

Terms used in EIRA 2024 from Orbis Crossborder Investment*

Acquisition deal	A deal in which the acquiror ends up with a stake of 50% or more in the target's equity. Even deals involving the purchase of a very small stake will be defined as an acquisition if the final stake held by the acquiror is 50% or above.
Co-location project**	The same company (investor) investing into the same location (city) in a different business activity (for example, XYZ company could be setting up a regional distribution center as well as a manufacturing plant). Sometimes companies will create a new warehouse to complement an existing manufacturing plant.
Completed project status	If a company has opened a facility or a location is deemed to be operational, the project will be deemed to have been completed.
Completed deal status	This is the date when the deal has officially completed.
Institutional buyout (IBO) deal	A deal in which a private equity firm has purchased a stake of 50% or more in a company. As with acquisitions, even deals involving the purchase of a very small stake will be defined as an IBO if the final stake held by the acquiror is 50% or above. The only difference between a standard acquisition and an IBO is that the acquiror in an IBO is a private equity firm.
Joint venture deal	A deal in which two or more companies create a new, jointly-owned entity. The two or more companies that have established the new entity continue to exist.
Minority stake deal	A deal in which the acquiror has purchased a number of shares in the target and the resulting final stake is less than 50%. A deal involving the purchase of a 2% stake could be defined as an acquisition if the acquiror's overall final stake is 50% or more, such as if a buyer increases its stake from 49% to 51%.
New project	A new operation, whether it is a manufacturing plant, regional headquarters, sales office, and so on.

*The value of some deals and the CapEx of some projects may be unofficial or modelled by Orbis Crossborder Investment. For more information on the Orbis Crossborder Investment methodology, data collection and definitions please visit https://www.bvdinfo.com/orbis (data accessed on 23 November 2024).

Industry Classification used in EIRA 2024 from Orbis Crossborder Investment

The data for EIRA 2024 is compiled using the following NACE Rev. 2 classes. **

Electrical energy		
35.11	**Production of electricity**	This class includes the operation of generation facilities that produce electric energy; including thermal, nuclear, hydroelectric, gas turbine, diesel and renewable.
35.12	**Transmission of electricity**	This class includes operation of transmission systems that convey the electricity from the generation facility to the distribution system.
35.13	**Distribution of electricity**	This class includes operation of distribution systems (i.e., consisting of lines, poles, meters, and wiring) that convey electric power received from the generation facility or the transmission system to the final consumer.
35.14	**Trade of electricity**	This class includes the sale of electricity to the user; activities of electric power brokers or agents that arrange the sale of electricity via power distribution systems operated by others; operation of electricity and transmission capacity exchanges for electric power.
Petroleum and gas		
06.10	**Extraction of crude petroleum**	This class includes extraction of crude petroleum oils; extraction of bituminous or oil shale and tar sand; production of crude petroleum from bituminous shale and sand; processes to obtain crude oils: decantation, desalting, dehydration, stabilisation etc.

Petroleum and gas		
06.20	**Extraction of natural gas**	This class includes production of crude gaseous hydrocarbon (natural gas); extraction of condensates; draining and separation of liquid hydrocarbon fractions; gas desulphurization; mining of hydrocarbon liquids, obtained through liquefaction or pyrolysis.
09.10	**Support activities for petroleum and natural gas extraction**	This class includes oil and gas extraction service activities provided on a fee or contract basis: • In exploration services in connection with petroleum or gas extraction, e.g. traditional prospecting methods, such as making geological observations at prospective sites • In directional drilling and redrilling; 'spudding in'; derrick erection in situ, repairing and dismantling; cementing oil and gas well casings; pumping of wells; plugging and abandoning wells etc. • In liquefaction and regasification of natural gas for purpose of transport, done at the mine site • In draining and pumping services, on a fee or contract basis • In test drilling in connection with petroleum or gas extraction
19.20	**Manufacture of refined petroleum products**	This class includes production of motor fuel: gasoline, kerosene etc.; production of fuel: light, medium and heavy fuel oil, refinery gases such as ethane, propane, butane etc.; manufacture of oil-based lubricating oils or greases, including from waste oil; manufacture of petroleum briquettes; blending of biofuels, i.e. blending of alcohols with petroleum (e.g. gasohol); manufacture of peat briquettes; manufacture of hard-coal and lignite fuel briquettes.
49.50	**Transport via pipeline**	This class includes transport of gases via pipelines. It also includes the operation of pump stations.

Coal		
05.10	**Mining of hard coal**	This class includes the mining of hard coal: underground or surface mining, including mining through liquefaction methods; cleaning, sizing, grading, pulverising, compressing etc. of coal to classify, improve quality or facilitate transport or storage; recovery of hard coal from culm banks.
05.20	**Mining of lignite**	This class includes mining of lignite (brown coal): underground or surface mining, including mining through liquefaction methods; washing, dehydrating, pulverising, compressing of lignite to improve quality or facilitate transport or storage.
08.92	**Extraction of peat**	This class includes peat digging; preparation of peat to improve quality or facilitate transport or storage.
09.90	**Support activities for other mining and quarrying**	This class includes support services on a fee or contract basis, required for mining of coal and lignite, among other: • In exploration services, e.g. traditional prospecting methods, such as taking core samples and making geological observations at prospective sites • In draining and pumping services, on a fee or contract basis • In test drilling and test hole boring.

Nuclear energy		
24.46	**Processing of nuclear fuel**	This class includes the production of uranium metal from pitchblende or other ores; smelting and refining of uranium.
07.21	**Mining of uranium and thorium ores**	This class includes mining of ores chiefly valued for uranium and thorium content: pitchblende etc.; concentration of such ores; manufacture of yellowcake.

** For more information on the NACE Rev. 2 statistical classification of economic activities please visit https://ec.europa.eu/eurostat/web/nace-rev2.

Electrical energy, petroleum, gas, coal and nuclear energy are covered by Annex EM I 'Energy Materials and Products' of the ECT (as amended).

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