

Sustainable Energy in Central Asia:  
Business Opportunities and Technology  
Transfer

***Doing Energy-Related  
Business in Central Asia***

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# Outline



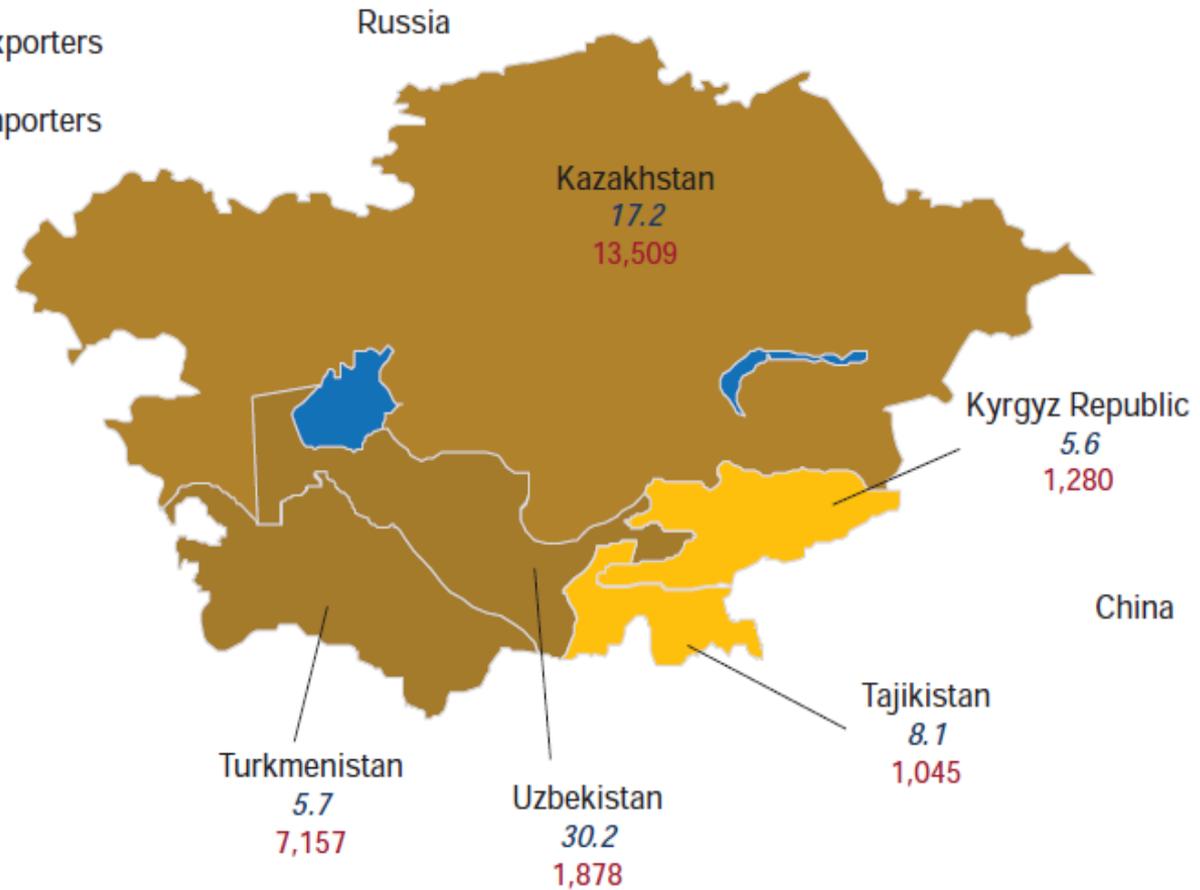
- Investment climate in Central Asia
- Commitment of Central Asian countries under the Energy Charter Treaty
- Conclusions and Recommendations on promoting sustainable energy in Central Asia

# Central Asia



Population, millions (2013)

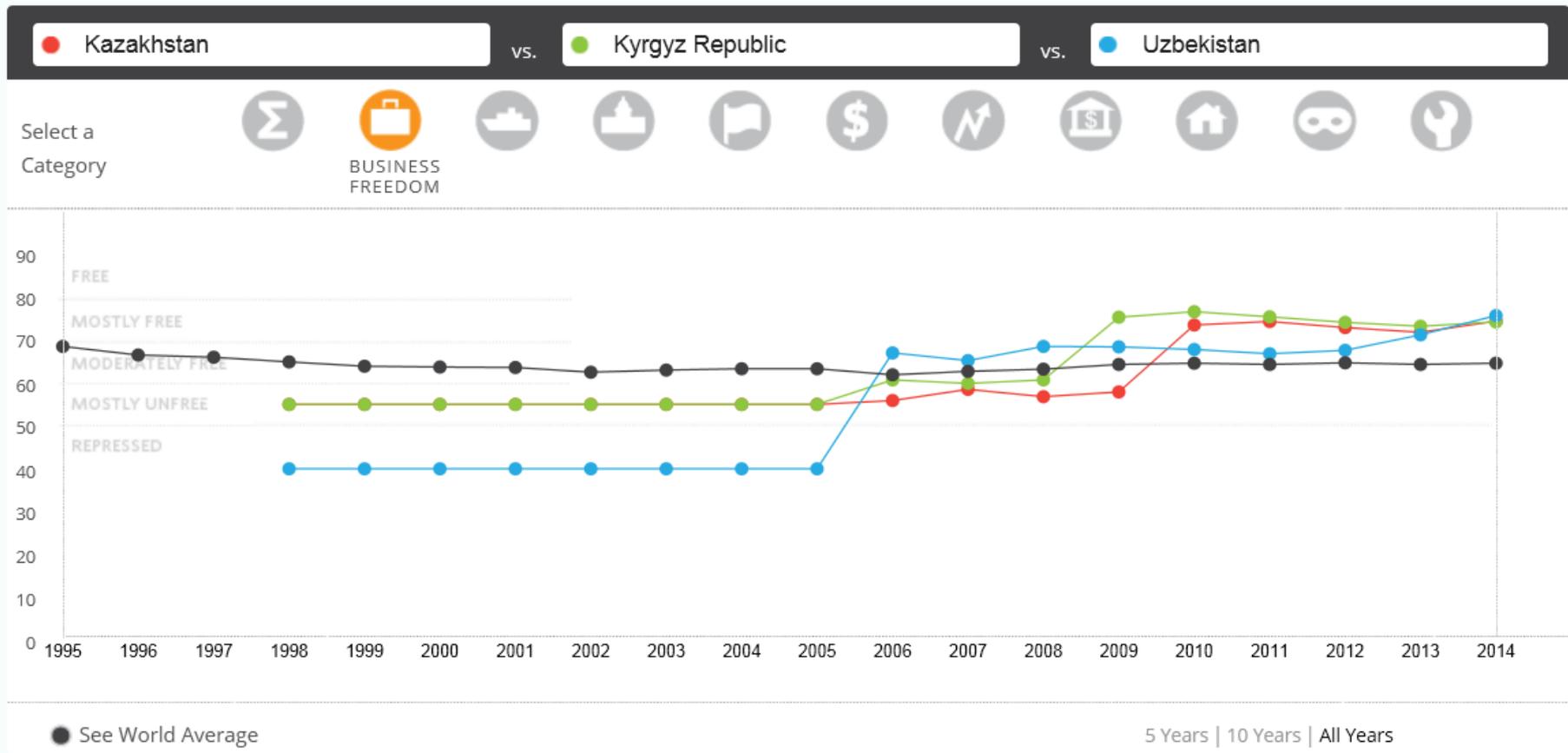
GDP per capita, U.S. dollars (2013)



Sources: Modified map by author. The original map is from IMF, *Regional Economic Outlook*, 2014

The map is without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any country.

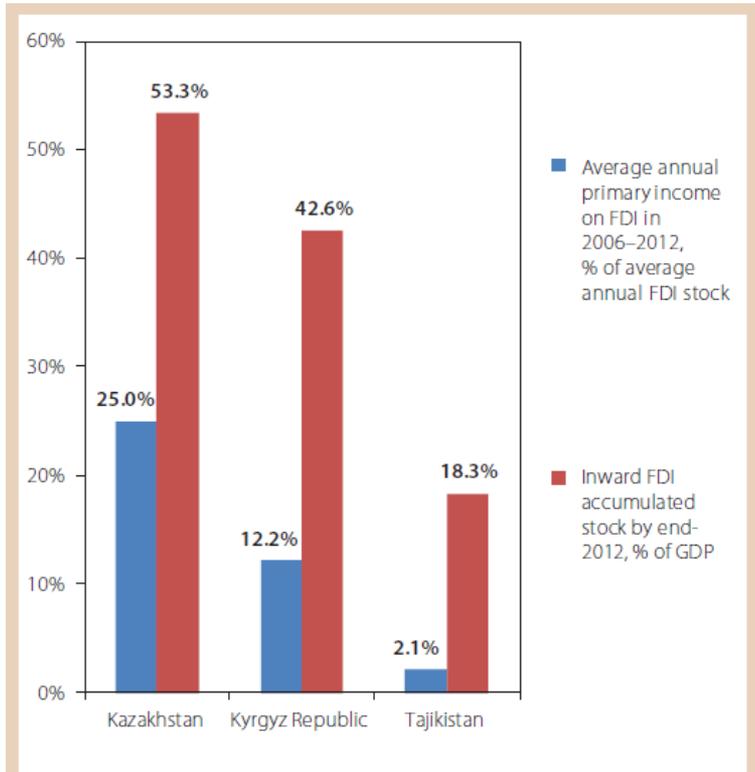
# Comparative Ranking of Business Freedom



Source: 2014 Index of Economic Freedom, [www.heritage.org](http://www.heritage.org)



# Rate of Return on Foreign Direct Investment, 2006–2012 average



FDI = foreign direct investment, GDP = gross domestic product.  
Sources: World Development Indicators, UNCTADstat, National Bank of Tajikistan.

## Ease of Doing Business in Central Asia

Country	Ranking	Getting electricity	Trading across borders
Kazakhstan	77	97	185
Kyrgyzstan	102	168	183
Uzbekistan	141	145	189
Tajikistan	166	178	188

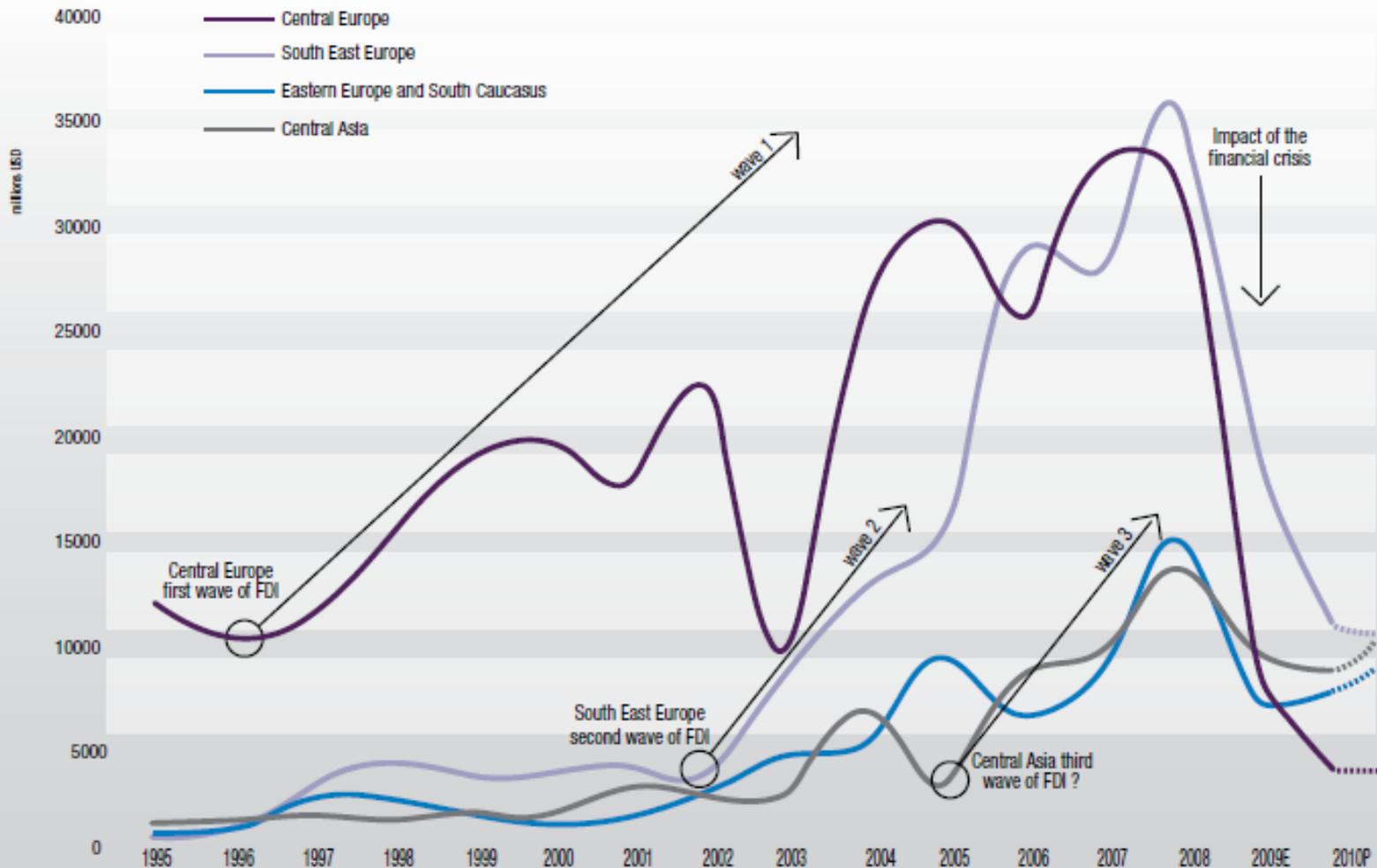
*Doing Business 2015: Going Beyond Efficiency*, measuring the regulations that enhance business activity and those that constrain in 189 economies.

World Bank, [www.doingbusiness.org](http://www.doingbusiness.org)



## A NEW WAVE OF INVESTMENT FLOWING TOWARD CENTRAL ASIA

### FDI net inflows, selected regions, 1995-2010



Source: OECD analysis based on data from IMF, EBRD.

Sources: IMF, Regional Economic Outlook, 2014

# Stock of Inward Foreign Direct Investment in Central Asia



Country	2005	2006	2007	2008	2009	2010	2011	2012
<b>US\$ billion</b>								
Kazakhstan	25.6	32.9	44.6	59.0	71.8	82.6	95.4	106.9
Kyrgyz Republic	0.6	1.3	1.0	1.4	1.4	1.7	2.4	2.8
Tajikistan	0.3	0.6	1.0	0.9	1.0	1.0	1.0	1.3
Turkmenistan	2.4	3.1	4.0	5.3	9.8	13.4	16.8	20.0
Uzbekistan	1.3	1.5	2.2	2.9	3.7	5.4	6.8	7.9
<b>% of GDP</b>								
Kazakhstan	44.8	40.6	42.5	44.2	62.3	55.8	51.2	53.3
Kyrgyz Republic	25.5	44.3	25.9	26.8	30.5	35.4	38.9	42.6
Tajikistan	13.2	22.8	27.2	16.7	19.9	18.0	15.2	18.3
Turkmenistan	29.5	30.4	31.4	27.3	48.5	59.5	60.0	59.4
Uzbekistan	9.1	8.6	9.8	10.3	11.4	13.7	14.9	15.4

GDP = gross domestic product.

Sources: World Development Indicators, UNCTADstat.

# Context of FDI in Central Asia



- More than 75% of FDI into Kazakhstan and Turkmenistan goes into the extractive industries, mainly oil/gas and pipeline infrastructure
- Relatively moderate FDI has gone into power sector; very small investments in RES; almost no investment in energy efficiency
- More than two-thirds of historic FDI has come from the developed market countries
- Over the last years Russia and China are significantly increasing investments in Central Asia
- Policy of China as rising source of investments in Central Asia & its new initiative Economic Belt along the Silk Road

# Commitment of Central Asian countries under Energy Charter Treaty (ECT)



- ECT has more than 50 members; open to any exporting, transit or importing country
- WTO based trade provisions, including freedom of transit
- Investment protection based on non-discrimination
- Investor-to-state and state-to-state dispute settlement procedures
- National sovereignty over energy resources
- Protocol on Energy Efficiency and Related Environmental Aspects



# Trade in Energy Under ECT

- Applies WTO rules by reference, to all trade of energy materials, products and equipment
- Applies MFN to energy trade – also between Contracting Parties and non-WTO Members
- National Treatment once energy goods crossed border
- Elimination of quantitative restrictions (GATT XI)
- Possibility to move to binding tariffs regime

## World Trade Organization Status: Central Asian Countries

Country	Date of Application	Date of Accession
Kazakhstan	1996	--
Kyrgyz Republic	1996	1998
Tajikistan	2001	2013
Turkmenistan	No	--
Uzbekistan	1994	--

Source: World Trade Organization website [www.wto.org](http://www.wto.org)

# ECT Investment Protection

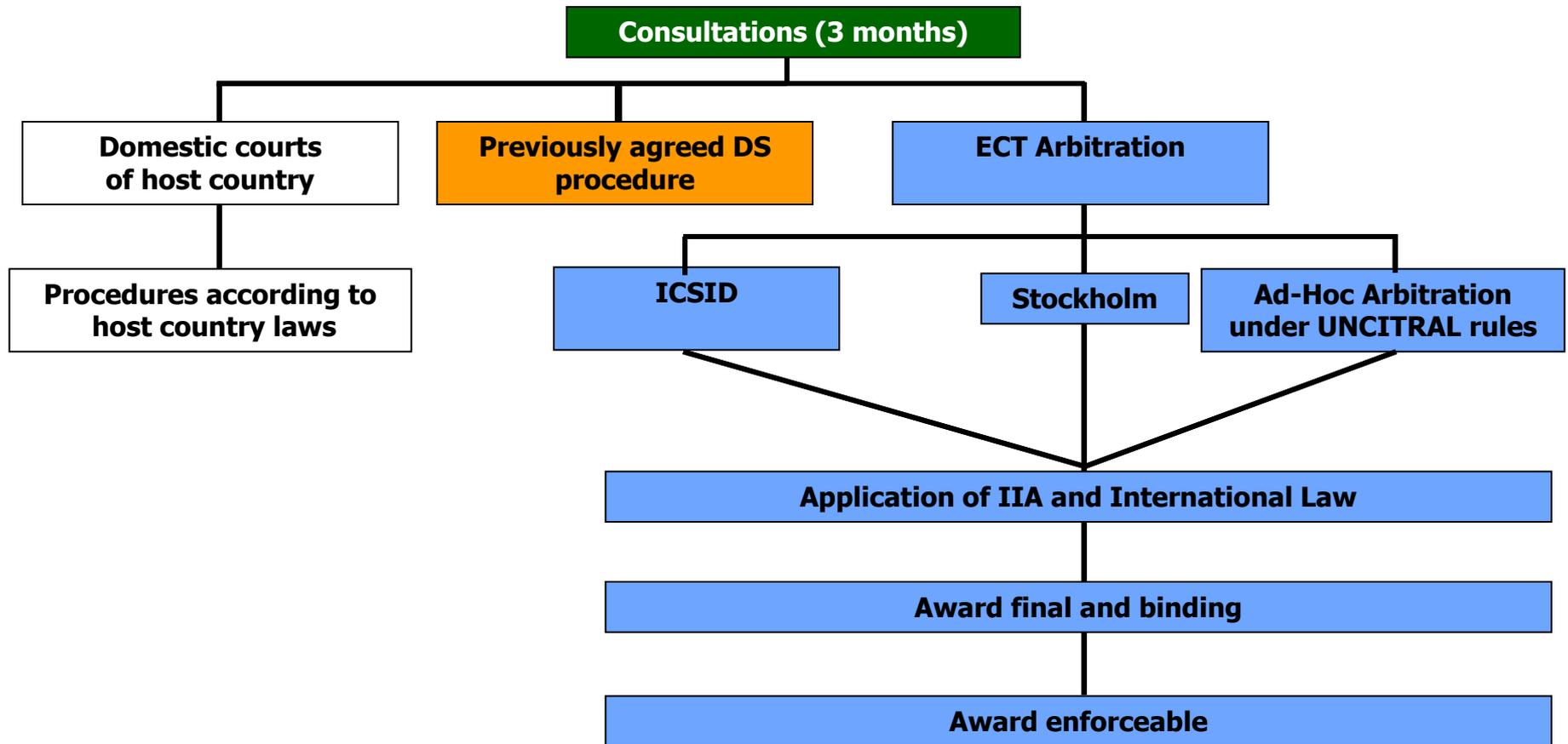


*Protection Against Political Risks & Strong Protection for Foreign Investment*

- Binding NT/MFN obligation for post-establishment phase
- Best-efforts to promote NT/MFN for pre-investment phase
- Freedom of investment-related capital transfers
- Protection of individual investment contracts
- Freedom of employment of key personnel
- Protection against expropriation and nationalization
- Prohibits unjustified restrictions on the transfer of funds

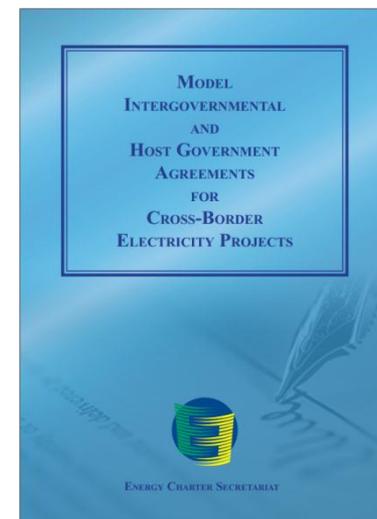
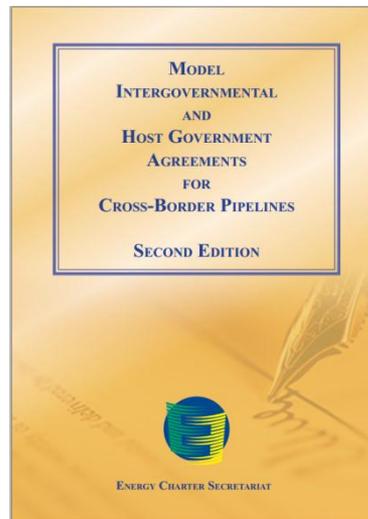
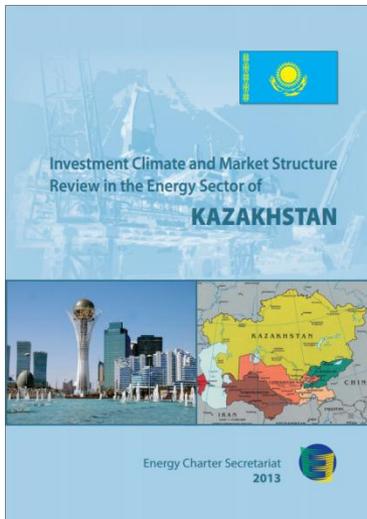
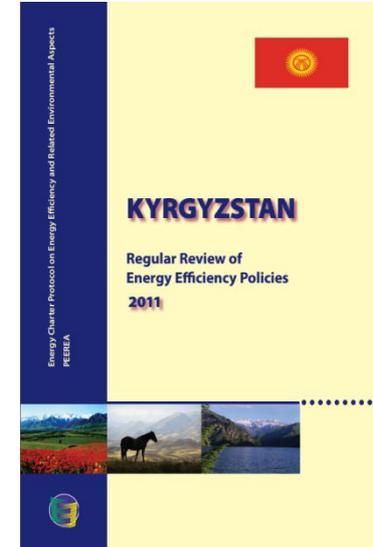
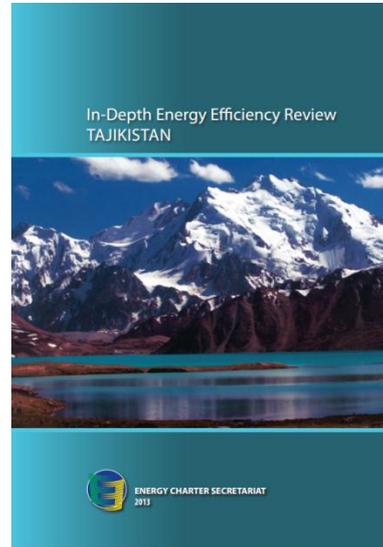
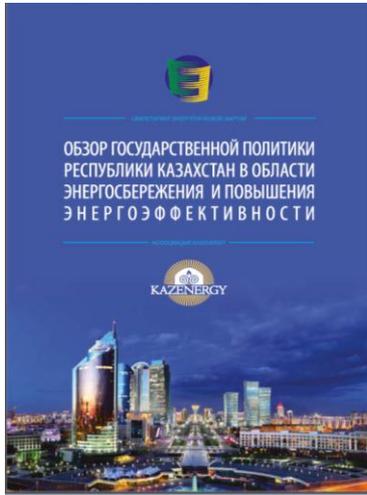


# Investor-State Dispute Settlement

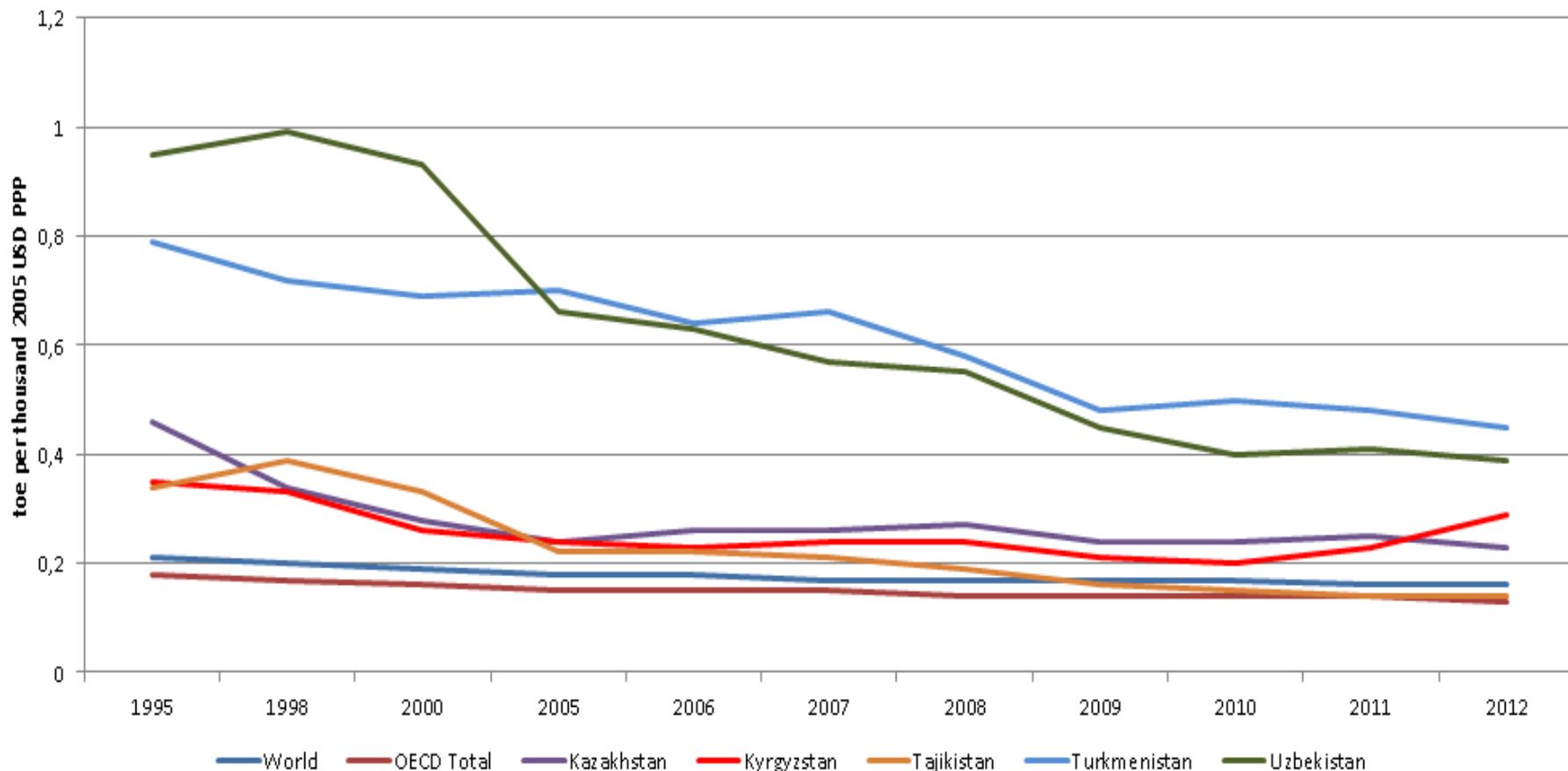




# Reviews & Model Agreements



# Primary energy intensity



Source: IEA statistical data



# Sustainable Energy in Central Asia

- Central Asian countries have made strong but varied progress on improving business climate. More reforms are needed on improving getting electricity and trading across borders in all countries of the region
- Some countries in the region have managed to attract significant FDI in oil/gas industry
- Countries of Central Asia shall create favorable and stable regulatory framework to attract investments in energy efficiency and renewable energy
- Continue efforts in cutting energy subsidies while protecting affordability of supply for local population



# Thank you for attention!

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*Common rules for global energy security*