TAJIKISTAN COUNTRY PROFILE[94]

Overview

Tajikistan has a population of approximately 6.74 million, with a GDP of USD 5,134 million.[lxx] The total primary energy supply in 2007 was 3.90 Mtoe (million tons of oil equivalent). Consumption structure is as follows: 37.8% is hydro power, 2.0% is coal/peat, 13.9% is natural gas, and 46.3% is oil. The country's net imports of energy resources are about 2.32Mtoe. CO_2 emissions are 6.90 Mt. [lxxi]

1. Institutional structure

The Ministry of Energy and Industry (MEI) is the public authority managing the fuel and energy sector. It is the primary government body responsible for the development and implementation of energy policy. The Minister of Energy and Industry is appointed and dismissed by the President of the Republic, also acting as Chairperson of the Government.

The Law on natural monopolies, in force since 6 October 2008, establishes that regulation in the sphere of natural monopolies is carried out by authorised state bodies, which are identified by legislative acts (laws or decrees).

With respect to the energy sector, regulation is the responsibility of the Ministry of Economic Development and Trade (MEDT), which includes a dedicated department to which energy functions were transferred from the State Agency on Antimonopoly Policy and Entrepreneurship Support pursuant to the President's Decree of 30 November 2006. The State Agency has maintained responsibility on issues related to entrepreneurship support.

The Government's Resolution of 28 December 2006 established a staff of 280 persons for the MEDT (without maintenance personnel), including 200 employees for its central office. The Civil Servant Code and the Law on Civil Service envisage that, during staff selection and deployment in public authorities, a civil servant occupying an executive position must carry out his duties without display of regionalism and without appointment of staff on the basis of personal devotion. MEDT is fully financed from the state budget within the statutory defined budget process framework. The budget for public authorities is formed by the government and approved by the Parliament.

The MEDT is responsible for the following in the energy sector: tariff methodology, tariff level proposals, service quality, consumer complaints and anti-competitive behaviour. MEI is responsible for: licensing, approval of investment plans and technical and safety standards. Final approval and amendment of tariffs for end-users is within the competency of the President.

To investigate cases of antimonopoly law violations, the Minister appoints a working group consisting of MEDT employees and, if necessary, external experts. Inspections of economic entities are carried out on the basis of the Minister's orders.

[94] Information provided below is drawn primarily from the sources listed at the end of this document.

2. Electricity sector

a. Market framework

The electricity sector is managed by Barki Tojik OJSHC, a 100% state vertically-integrated energy company, responsible for all state-owned assets in the electricity sector (all electric power plants (mainly hydro power plants), transmission networks, and three regional distribution companies).

In 2004, Barki Tojik was included in the structure of the then Ministry of Energy but it was later separated by a decree of the President of Tajikistan of 28 March 2006. Officials have repeatedly stated their intention to create a competitive wholesale electricity market but, so far, no practical step has been made in this direction.

The only exception to the system of full state ownership is a concession for the management of a small and isolated autonomous vertically-integrated energy company (Pamir) located in the remote Pamir Mountains, in the southeast region of the country. A commercial department of Agha Khan Foundation undertook this initiative, due to the lack of funds to improve the worsening electricity conditions in the region.

b. Network access and tariffs

The legislation does not envisage third party access rules. Due to the *de facto* monopoly of Barki Tojik, except for the isolated region of Pamir, the third-party access to a network is not currently an issue in Tajikistan. All activities related to electricity production, transmission and distribution, with the exception of self-generation are subject to licensing. Electricity tariffs are differentiated for the following major end-consumer groups:

- industrial consumers
- agricultural producers
- budget-funded organisations
- pumping stations and electric transport
- electric boilers for building heating
- households

Tariffs for end-consumers (except for the Tajik Aluminium Plant – the country's largest electricity consumer and which provides around 70% of Tajikistan's foreign currency flow) are also divided into summer and winter tariffs. In summer, when there is abundant water in mountain rivers and HPPs (hydro power plants) produce more electricity, the electricity tariff is substantially lower than in winter.

Socially vulnerable population categories are provided budget subsidies to pay for electricity, to an amount of up to 150 kWh per family.

Collection of payments from electricity customers is low. The President highlighted the seriousness of the problem in a speech in 2008, noting that in 2007 Barki Tojik closed with a financial loss of 39 million somonis as a result of non-payments, which is about 11% of its expenses.

c. Operational environment

Foreign investments in the sector are permitted and supported by law. Construction of new generating capacities in the energy sector requires governmental permission and a tender process. Foreign investors may be granted tax discounts and other benefits.

A number of energy facilities have been built with involvement of foreign state capital (Russia, China, Iran), including three units of Sangutda HPP, 167.5 MW each, North-South 500 kV power transmission line, etc. MEI and Barki Tojik are responsible for promoting investment in new generating capacities, transmission lines and/or rehabilitation of existing assets, supplies from adjacent countries, etc.

MEDT reports to the Parliament at least once a year. The President may seek a report at any time. Barki Tojik is required to submit its budget and plans for approval to the Ministry of Finance and the MEDT. Legislation requires the MEDT in its regulatory capacity to publish its decisions. The MEDT is required by law to hold public hearings. It must publish information about the hearing date and venue in the press, at least three days prior to the hearing. Public hearings are held no later than 10 days prior to making a decision on approval of tariffs. In practice, information on such publications and public hearings is not readily accessible.

MEI develops electric power engineering development programmes and national fuel and energy balances for a medium- and long-term outlook. It also monitors expected future demand for electricity, and submits, if necessary, proposals to the Government. MEDT's duties include quality control of services provided by monopolies. For this purpose, MEDT inspects enterprises both on its own initiative and on the clients' requests, and issues, if necessary, binding injunctions.

Network service quality is monitored by Energonadzor State Enterprise.

3. Gas sector

a. Market framework

Gas demand, which amounts to less than 1 bcm per year, is covered predominantly (98%) by imports from Uzbekistan. Imported gas transportation and distribution are handled by the state-owned monopoly, Tajiktransgaz OJSC. The remaining 2% of gas demand is met by Tajikistan's own resources.

b. Network access and tariffs

Due to the monopolistic nature of the sector, the question of third-party network access has yet to arise in Tajikistan.

Tariffs for transportation of natural gas through main distribution gas pipelines for consumers are set by MEDT. A postage stamp tariff methodology is used, taking into account transportation volumes and cost reimbursement regardless of distance.

Tariffs for imported gas sale are uniform for all consumer categories including households, budget-funded and commercial organisations, and industrial enterprises (reduced tariffs may be set for large enterprises). Tariffs take into account the purchase price of gas, as well as costs of its transportation and distribution.

c. Operational environment

MEI is responsible for developing the fuel and energy sector as a whole, including planning of gas transportation and sale. One of its functions consists of planning and forecasting the dynamics of demand for and supply of, all types of energy resources for considering and amending, plans and programmes under implementation (these plans and programmes have not been found in open sources).

MEDT's duties include quality control of services provided by monopolies. For this purpose, MEDT inspects enterprises, both on its own initiative and on the clients' requests, and issues, if necessary, binding injunctions.

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4. Renewable energy sources/energy efficiency

Tajikistan's policy on energy efficiency and renewable energy is defined by the National Strategy and the National Development Programme for the period until 2015, as well as the Law on Energy Saving of 10 May 2002 (energy efficiency) and the Law on Energy of 30 July 2007 (on combined heat and electric energy).

To date, there is no separate law on renewable energy. However, work is carried out on the use of renewable energy. For example, the President stated in April 2009 that 15 mini-HPPs had been put into operation in January-March 2009 and that construction of 15 more would be completed by the end of the year. To improve legislation in the above-mentioned fields, the President commissioned a plan for the following in his Decree on 24 April 2009, which included:

- Energy Saving Programme for 2010-2015 ; and
- measures for large-scale use of non conventional and renewable energy

In the last few years, Tajikistan has prioritised energy efficiency. For example, a Presidential decree in 2009 ordered the replacement of energy saving lamps in the public buildings and streets, as well as 240,000+ to lower income families. In addition, two plants for production of such lamps are to be built.

Tajikistan ratified the Kyoto Protocol to the United Nations Framework Convention on Climate Change in October 2008 within the Clean Development Mechanism framework.

5. Conclusion

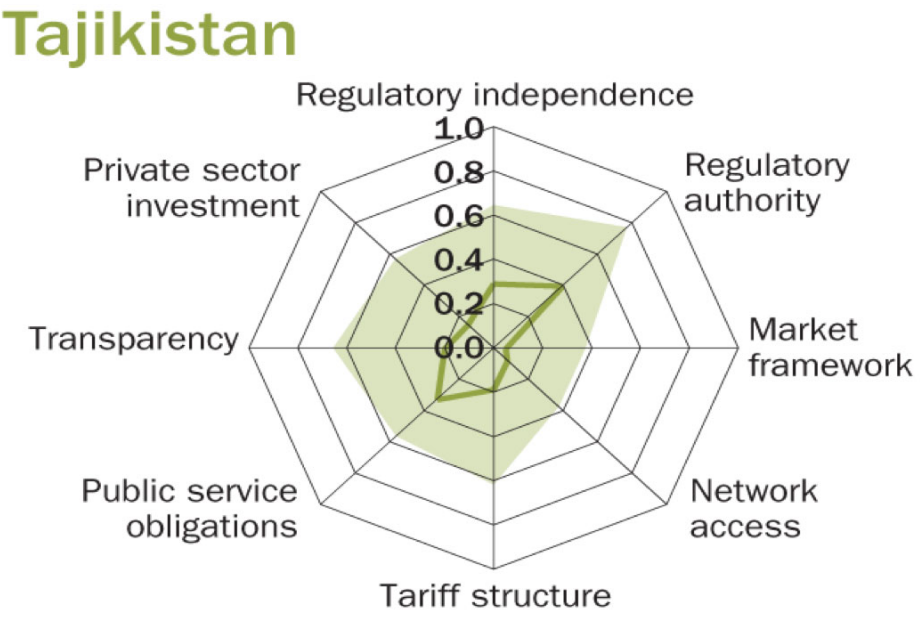
Tajikistan performs poorly with respect to its grouping (Group C) and well below average for electricity. Within its Group, Tajikistan has an electricity sector score of 0.214 relative to a Group C average score of 0.461.

The absence of an independent regulatory authority contributes largely to reduce the overall score given to the country. In fact, one of the priorities of Tajikistan's energy sector is the establishment of an independent regulatory body capable of effectively intervening in the planned restructuring of the sector. Moreover, the energy sector is increasing its focus on the development of regional cooperation and regional energy exchanges by strengthening regional energy trade.

Hydro power is one of the promising export potentials of Tajikistan and it has a hydro power potential equal to an annual production of 527 billion kWh.

At present, due to outdated infrastructure, low tariffs and inadequate billing systems, energy utilities struggle to cover their costs and, as a consequence, investment in improving the quality of service is limited. Tackling these issues appears to be a pre-requisite to attracting foreign investment necessary in the energy system.

Electricity spider graph –Tajikistan



Note: The diagram presents the electricity sector results of Tajikistan, in accordance with the benchmarks and indicators identified in the assessment model. The extremity of each axis represents an optimum score of 1.0, that is, full compliance with international best practices. The fuller the "web", the closer the overall electricity regulatory framework approximates international best practices. The results for Tajikistan are represented by the thick bold line. For comparison purposes, the shaded area presents the electricity sector average of the Group C countries.

Electricity Sector - Comparative view of Group C countries