THE RESOLUTION OF THE GRAND STATE ASSEMBLY OF MONGOLIA

Date: December 9th, 2010 no. 72 Ulaanbaatar

On the certain actions in the fuel and energy sector

The Grand State Assembly of Mongolia resolves the following based upon the report and proposal of the working group established by the ordinance no. 204 (2009) of the Speaker of the Grand State Assembly with the task to produce a relevant policy paper aimed at improving the financial and economic capacity and enhancing the legal framework of the fuel and energy sector and upon 43.1 of the Law on the Grand State Assembly:

1. Assign the Government of Mongolia (S. Batbold) the implementation of the following actions to improve the financial and economic capacity of the fuel and energy sector and ensure its reliable operation:

1) converting into MNT the long terms loans of Baganuur and Shiwee-Owoo coal mines and of state owned energy companies by the rate at the period of the loan obtainment, taking the full Government responsibility for losses occurring due to the rate difference, calculating them as investments into the said sector and researching the matter of further administering the principal and interest payments of the aforementioned long term loans;

2) closing fully the old debts and receivables between the companies of the specific sector and coal mines by the amount of subsidies provided from the state budget to the energy companies of the central region;

3) avoiding the decrease of subsidies provided from the state budget to the Baganuur and Shiwee-Owoo coal mines and state owned energy companies within the period of three years for the purpose of alleviating the coming pressure on consumers and financing from the state budget the large and costly renovation works that are impossible to be financed by the tariff revenues;

4) devising and implementing the policy to intensify the process of shifting the energy sector into the market relations, improve the management, increase the productivity of generation, transmission and distribution, decrease the costs and expenditures and use processed coal;

5) researching the options of providing the state support or attracting the private investments within the scope of the Law on Concessions for the purpose of improving the operations of the power stations and heating grids in provincial capitals including as a top priority those in Howd, Uws, Dornogowi and Selenge provinces and Hötöl village, administering the technical and technological renovation by either option and resolving the issue of managing the consolidated policy on human resources, salaries, remuneration, prices and tariffs;

6) building a new energy generator supported by the coal mines in Baganuur and other areas for the purpose of increasing the power generation, reducing the costs and expenditures and lessening the negative impact on the environment and resolving the matter of the growing electricity and heating need in the city of Ulaanbaatar by expanding, renovating and increasing the capacity of the third and fourth power stations;

7) launching a scaled price and tariff system for the household electricity during the period of providing the subsidies from the state budget, indexing the monthly household consumption of 150 kWt/h in the currently applied price tariff, calculating the consumption above it and the price tariff for energy in factories, business entities and organizations by the actual expenditure and introducing a capacitive tariff in factories, business entities and organizations;

8) implementing in cooperation with the relevant institutions the policies and organizational actions to shift the companies in the energy sector into the market principles starting from 2014 as specified in 26.2.1 and 26.2.5 of the Law on Energy;

9) renovating completely the electricity distribution network in slum areas of Ulaanbaatar and devising a policy to charge 0 MNT in the price tariff for the household electricity consumption at nighttime during the winter season.

2. Assign the Government of Mongolia (S. Batbold) the task of reporting to the Grand State Assembly the progress of implementing this resolution within the fourth quarter of every year and the economic standing committee of the Grand State Assembly (C. Bayarsayhan) the task of imposing supervision on the implementation.

SPEAKER OF THE GRAND STATE ASSEMBLY D. DEMBEREL