



Cambodia: Five Actions to Improve the Business Climate for Renewable Energy Investment

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Action plan to attract investment in renewable energy in Cambodia

- Prioritise renewables in the energy governance system
- Request support from IRENA for capacity building
- Adopt targets and develop a regulatory framework
- Enhance project bankability
- Improve market entry for foreign investors

Cambodia has not attracted significant investment in renewable energy until mid-2020 and, unlike other ASEAN countries, has not set exact renewable energy targets. Despite this, the country is viewed as a model to learn from for other ASEAN countries implementing solar power auctions. Cambodia successfully launched its auction system in 2019 and has received positive feedback from investors and international donors. When adopting the auction system, Cambodia introduced measures such as the provision of land, infrastructure and financial mechanisms for investors [1]. One of the auctions resulted in the lowest photovoltaic power purchase tariff in Southeast Asia in 2019 (USD 38.77 per MWh) [2]. This should send an encouraging message to other ASEAN countries to adopt auction mechanisms for renewable energy development [3].

In order to keep up this momentum and attract more investment, Cambodia needs to address a number of persistent gaps in its investment climate. Among the major issues it needs to address are governance capacity gaps and the lack of an advanced regulatory framework for renewable energy. Cambodia is ranked no 60 out of 156 countries in the Index of Geopolitical Gains and Losses after energy transition (*GeGaLo Index*) and thus needs to improve its capacity for renewable energy governance [4].

With this in mind, we propose five actions that may have strong immediate benefits and make Cambodia's business climate for renewable energy more attractive.

Action 1: Prioritise renewables in the energy governance system

If Cambodia seeks to attract more investment in its renewable energy sector, it could start with prioritising renewable energy in its governance system. There are two options for doing this. First, the Ministry of Mines and Energy could expand the scope of regulatory and enforcement responsibilities of its Department of Renewable Energy and Other Energy, the only government body responsible for renewable energy in the country. Currently, it has limited human and institutional resources. Second, the government could establish a separate and autonomous institution assigned to govern the renewable energy sector. Some countries have set up dedicated institutions (e.g. Malaysia) and even separate ministries of renewable energy (e.g. India). This helps build governance capacity and attract more investment in the long term [5].

Action 2: Request support from IRENA for capacity building

In 2009, Cambodia joined the International Renewable Energy Agency (IRENA), the main international organisation for developing renewable energy technical and regulatory capacity. If Cambodia decides to establish a dedicated and autonomous institution to govern renewable energy, as outlined in Action 1, it could prepare a proposal and apply to IRENA for technical support and assistance in designing and setting up such an institution as well as implementing Actions 3–5.

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Table 1. Cambodia's regulatory framework compared to other ASEAN countries (2020)

Type of policy		Philippines	Vietnam	Indonesia	Malaysia	Thailand	Singapore	Myanmar	Lao PDR	Cambodia	Brunei Darussalam
Regulatory policies	Renewable energy in INDC or NDC	•	•	•	•	•	•	•	•	•	•
	Renewable energy targets	•	•	•	•	•	•	•	•		•
	Feed-in tariff/auctions/premium payment	•	•	•	•	•				•	
	Net metering/billing/direct consumption-supply	•	•	•	•		•				
	Biofuel blend obligation/mandate/target	•	•	•	•	•					
	Electric utility quota obligation/RPS	•	•	•	•						
	Tradable REC		•								
	Renewable heat obligation/mandate										
Fiscal incentives and public financing	Tax incentives	•	•	•	•	•		•	•	•	
	Public investment/loans/grants/subsidies/rebates	•	•	•	•	•	•		•		
	Reductions in sales, CO ₂ , VAT or taxes	•	•	•	•	•		•			
	Tendering	•		•	•		•				
	Investment or production tax credits	•	•	•							
	Energy production payment	•				•					

Sources: [8,9].

Action 3: Adopt targets and develop a regulatory framework

Cambodia could adopt quantitative renewable energy targets and prioritise the development of a robust regulatory framework drawing on international best practices (see Table 1). It mentions renewable energy in its Nationally Determined Contribution (NDC) but has not set concrete targets yet [6,7].

Thus, Cambodia could stick to the following sequence of policy reforms: (a) set solar, wind and hydro energy targets; (b) adopt and promote feed-in tariff mechanisms, along with already functioning auctions and tax incentives; (c) introduce support mechanisms such as loans, grants or subsidies for electricity producers. In developing the regulatory framework for renewables, Cambodia could draw on the successful experiences of Malaysia, Thailand and Vietnam.

Action 4: Enhance project bankability

Cambodia could focus more on improving the bankability of renewable energy projects, encouraging investors to expand their portfolios. One of the challenges for bankability is weakly developed power purchase agreements. This could be one of the priority areas for the work of the Department of Renewable Energy and Other Energy under the Ministry of Mines and Energy. Moreover, Cambodia could request support from the

Asian Development Bank, the International Energy Agency, IRENA and other donors for building local capacity on project bankability arrangements. One of the freely available tools for improving project bankability is the IRENA Project Navigator online platform (irena.org/navigator). It can be used to design renewable energy projects and optimise their bankability [10]. Cambodia could use the platform more actively in cooperation with investors and donors.

Action 5: Improve market entry for foreign investors

Even though foreign investors can enjoy single-entry access to the renewable energy sector in Cambodia, the process of company registration and obtaining licences is complicated and requires dealing with six government bodies (see Table 2). To improve the attractiveness of the investment climate, Cambodia could streamline and simplify the business entry procedures. One of the possible measures could be to organise priority entry for renewable energy investors.

Table 2. Current market entry for foreign investors

Task	Government body
Company registration and investment licences	<ul style="list-style-type: none"> • Council for the Development of Cambodia • Department of Business Registration – Ministry of Commerce • Cambodia Investment Board • Cambodia Special Economic Zone Board – for special economic zones
Off-taker and issuing power sector licences	<ul style="list-style-type: none"> • Electricité du Cambodge
Issuing other power sector licences	<ul style="list-style-type: none"> • Ministry of Mines and Energy

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