

A large, dark silhouette of a high-voltage power line tower stands against a vibrant sunset sky. The sky transitions from a deep blue at the top to a warm orange and red at the bottom. Several power lines stretch across the frame, supported by smaller towers in the distance. The entire scene is framed by large, dark blue geometric shapes on the left and right sides.

AMCHAM POSITION PAPER

ENERGY

September 2025

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INTRODUCTION

Energy demand in Mongolia is rising sharply due to mining expansion and population growth. However, the energy system remains challenged in meeting this growing demand.

So far, energy sector investment has relied heavily on public and concessional financing, technical assistance, and project financing provided by multilateral development partners. To achieve long-term stability and efficiency, it is crucial to transition the market-driven sector, laying the foundation for Mongolia's energy independence and enabling domestic production to supply most of its energy needs.

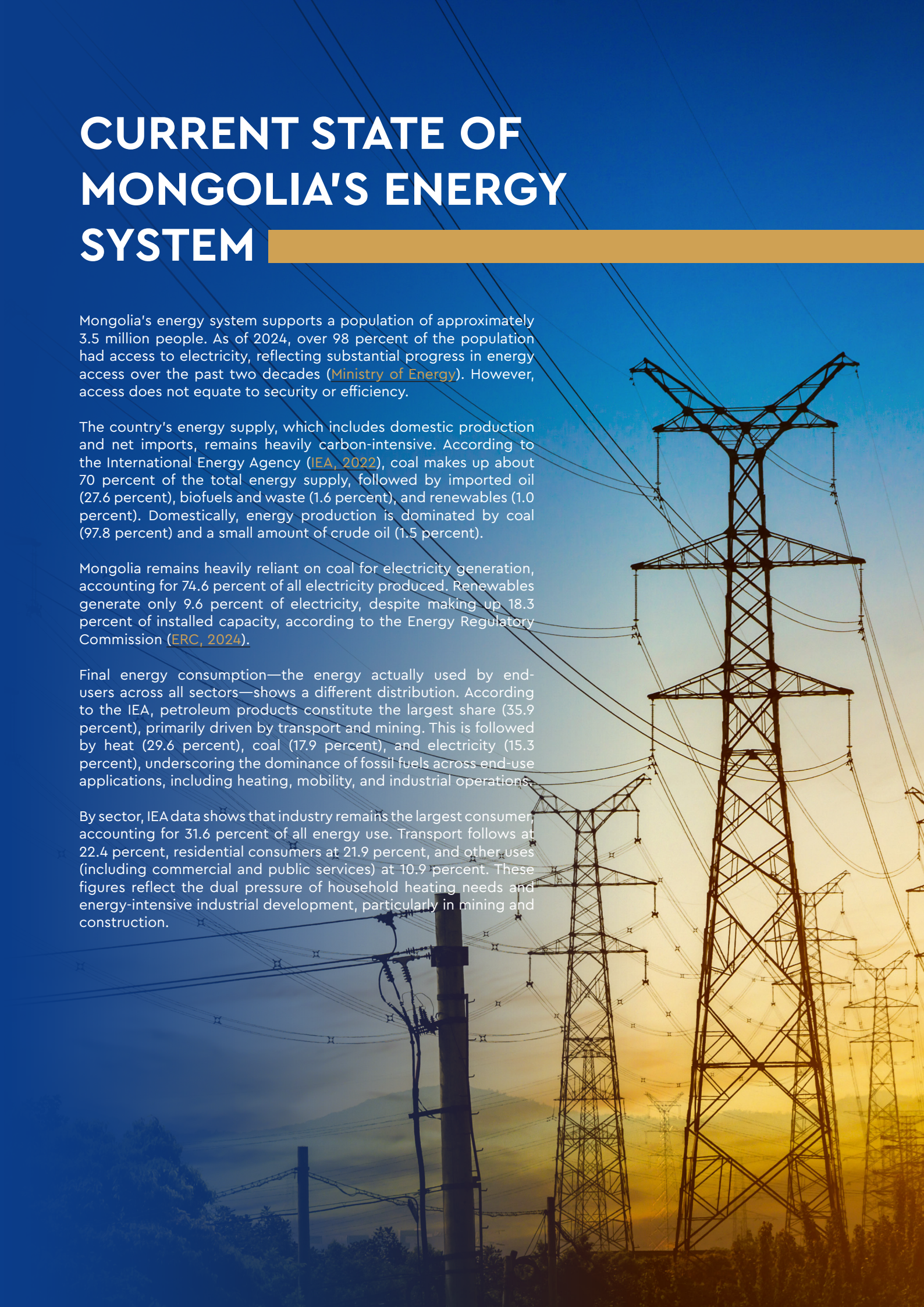
The private sector must play a central role in this transition. It should pursue conventional energy sources and emerging alternatives, such as clean renewables and hydrogen. However, private investment will only be viable if the government enacts supportive policies and implements comprehensive legal, tariff, and structural reforms. With the right framework in place, the private sector can commit to stable, long-term investments in Mongolia's energy sector.

This position paper provides:

- An in-depth overview of Mongolia's current energy system and its legal and policy framework;
- An assessment of the key challenges and emerging opportunities;
- A summary of government-led reforms in the energy sector; and
- Recommendations developed in collaboration with the AmCham Energy Working Group to systematically enhance private sector engagement in energy.



CURRENT STATE OF MONGOLIA'S ENERGY SYSTEM



Mongolia's energy system supports a population of approximately 3.5 million people. As of 2024, over 98 percent of the population had access to electricity, reflecting substantial progress in energy access over the past two decades ([Ministry of Energy](#)). However, access does not equate to security or efficiency.

The country's energy supply, which includes domestic production and net imports, remains heavily carbon-intensive. According to the International Energy Agency ([IEA, 2022](#)), coal makes up about 70 percent of the total energy supply, followed by imported oil (27.6 percent), biofuels and waste (1.6 percent), and renewables (1.0 percent). Domestically, energy production is dominated by coal (97.8 percent) and a small amount of crude oil (1.5 percent).

Mongolia remains heavily reliant on coal for electricity generation, accounting for 74.6 percent of all electricity produced. Renewables generate only 9.6 percent of electricity, despite making up 18.3 percent of installed capacity, according to the Energy Regulatory Commission ([ERC, 2024](#)).

Final energy consumption—the energy actually used by end-users across all sectors—shows a different distribution. According to the IEA, petroleum products constitute the largest share (35.9 percent), primarily driven by transport and mining. This is followed by heat (29.6 percent), coal (17.9 percent), and electricity (15.3 percent), underscoring the dominance of fossil fuels across end-use applications, including heating, mobility, and industrial operations.

By sector, IEA data shows that industry remains the largest consumer, accounting for 31.6 percent of all energy use. Transport follows at 22.4 percent, residential consumers at 21.9 percent, and other uses (including commercial and public services) at 10.9 percent. These figures reflect the dual pressure of household heating needs and energy-intensive industrial development, particularly in mining and construction.

AGING INFRASTRUCTURE

Mongolia's electricity system is segmented into five regional grids: the Central Energy System (CES) and the Western, Eastern, Altai-Uliastai, and Southern systems (*Figure 1*). The CES, by far the most critical, serves Ulaanbaatar and accounts for roughly 90 percent of electricity production and consumption ([ADB, 2024](#)). Much of the power infrastructure, particularly in the CES, is rooted in Soviet-era technology. Key plants such as CHP-3 and CHP-4 in Ulaanbaatar suffer from chronic maintenance issues, low efficiency, and frequent breakdowns. National transmission and distribution losses exceed 13 percent, reflecting outdated grid design, minimal digital automation, and other challenges. Regional grids suffer from even greater inefficiencies and power quality issues. The absence of a unified national grid even increases the difficulty of balancing supply and demand across regions.

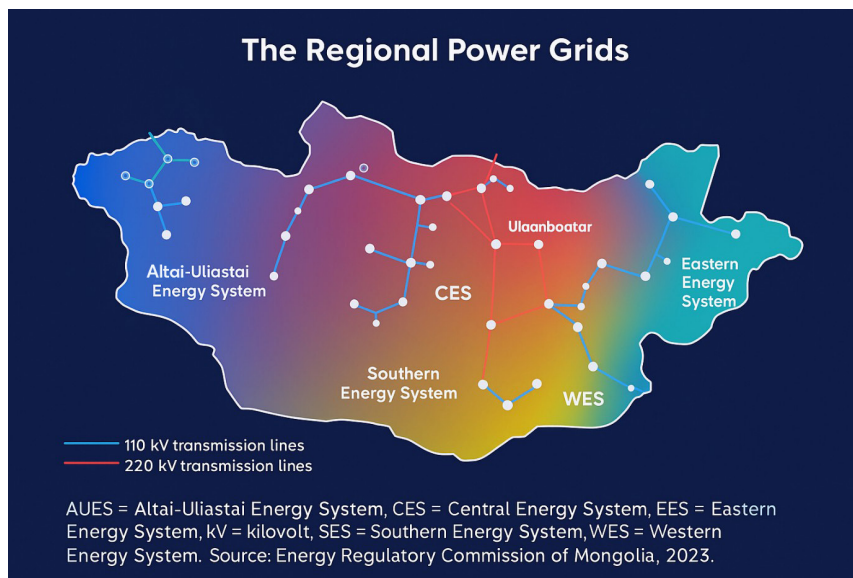


Figure 1. Regional Power Grids

INCREASING DEMAND

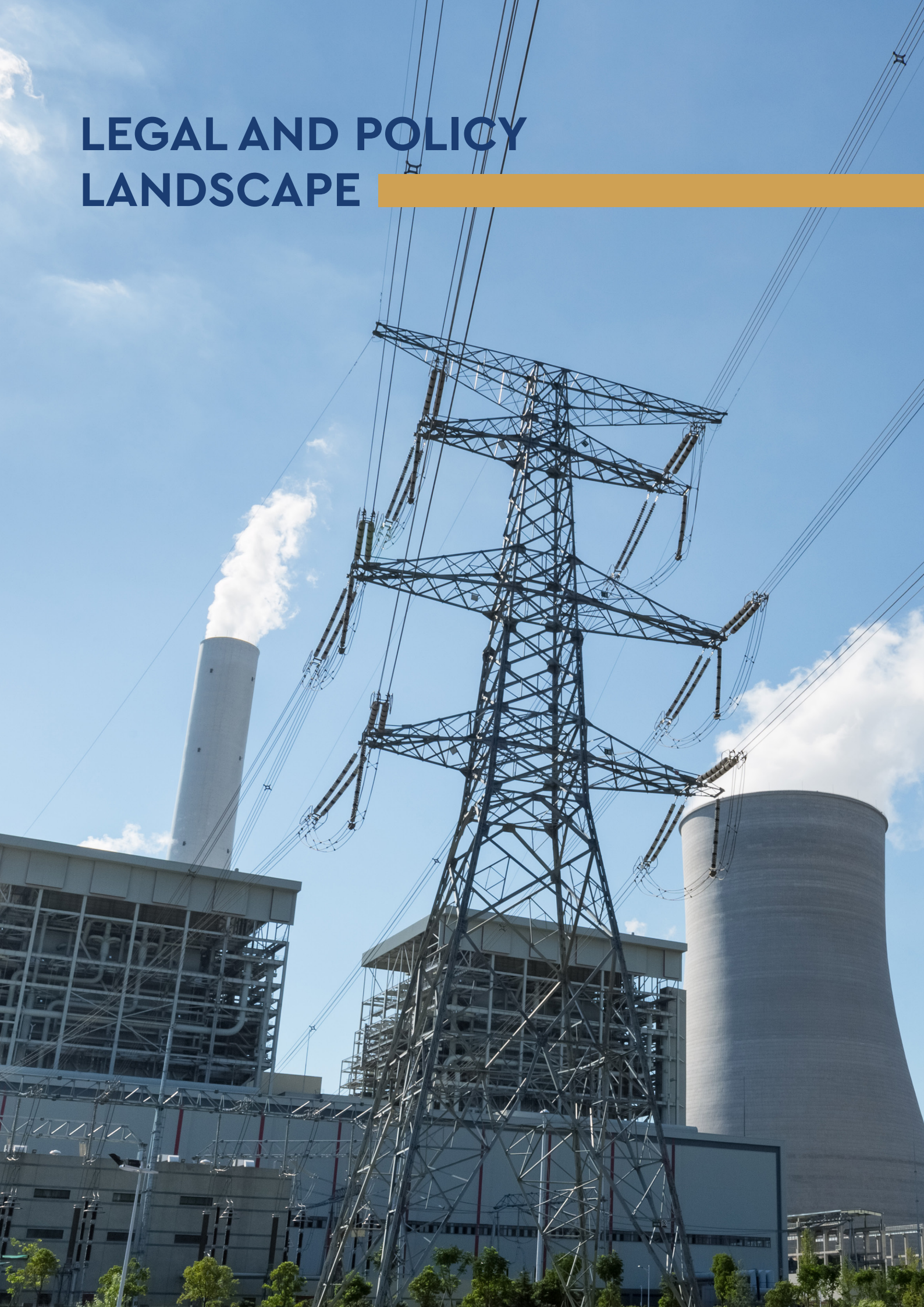
On top of ageing infrastructure and transmission losses, Mongolia's harsh winter climate creates a substantial demand for heating. The heating season lasts from September to May. This demand is further amplified by rapid urbanization and the expansion of energy-intensive industries, particularly mining. Large-scale projects such as the Oyu Tolgoi and Tavan Tolgoi mines continue to increase electricity demand beyond what domestic generation can supply.

A Coal Giant that Imports Electricity

Despite abundant coal resources, Mongolia remains a net importer of electricity. As of 2024, domestic generation meets around 75.4 percent of national demand. The remaining 24.6 percent is imported, primarily from Russia via the Northern Grid and China via the Southern Grid ([ERC, 2024](#)).

Although Mongolia exports high-grade coking coal, domestic electricity generation relies on lower-grade thermal coal. Building new power plants requires significant investment, which has been slow due to financial and bureaucratic hurdles. Imports are necessitated by domestic generation shortfalls and regional imbalances between demand centers and existing power plants. This dependence on external supply creates critical vulnerabilities, particularly given Mongolia's geopolitical positioning between two major powers and the recent instability affecting Russia's grid networks.

LEGAL AND POLICY LANDSCAPE



The legal foundation of Mongolia's energy sector is anchored in the 2001 [Energy Law](#), which governs electricity and thermal energy generation, transmission, distribution, and supply. Other critical legislation includes the [Renewable Energy Law](#) (2007, amended in 2015 and 2019), which transitioned Mongolia from fixed feed-in tariffs to competitive auctions to attract cost-effective

private investment, and the [Energy Conservation Law](#) (2015), which promotes energy efficiency through mandatory audits, performance standards, and incentive mechanisms. However, the regulatory landscape remains fragmented, with reportedly over 800 overlapping rules contributing to institutional inefficiencies.

ENERGY POLICY FRAMEWORK

The State Policy on Energy 2015–2030, adopted by Parliament Resolution No. 63 in 2015, aimed to modernize Mongolia's energy sector through legal and structural improvements, increasing energy production, ensuring supply, and promoting public-private partnerships. However, it was later [revoked in 2021](#) under the Law on Development Policy and Planning to eliminate inconsistencies and align energy policies with the country's broader development strategies.

The sector is now primarily guided by Mongolia's long-term development roadmap, [Vision 2050](#), the [New Revival Policy](#), the [Regional Development Policy](#), and the [Government Action Plan 2024–2028](#), all of which prioritize energy security and diversification. Under Vision 2050, Mongolia is pursuing a phased vision:

- **2025–2030:** Fully meet domestic demand
- **2030–2040:** Become a net energy exporter
- **2040–2050:** Become a net-zero energy producer

The *New Revival Policy* targets a 30 percent renewable share in installed capacity by 2030 and commits to reducing energy sector emissions by 8.34 million tons, consistent with Mongolia's Paris Agreement obligations. As of 2023, Mongolia operates three wind farms, nine solar farms, and several small hydropower plants, which together make up 18.3 percent of the country's installed capacity but contribute only 9.6 percent of electricity generation ([UNDP, 2024](#)). This shows the need to accelerate efforts if the target of reaching a 30 percent renewable energy share within the next six years to be achieved.

In parallel to the country's long-term objectives, the Regional Development Policy introduces a zoned approach to energy development. The Western region is designated as an "energy-specialized and eco-tourism sub-zone", with the goal of full energy self-sufficiency by 2027. Meanwhile, the Gobi region is envisioned as an "industrial and green energy hub", targeted for large-scale renewables, hydrogen

production, gas-based generation, and potential energy exports.

Meanwhile, the *Government Action Plan 2024–2028* outlines around 35 priority energy projects, targeting 5,325 MW of new electricity capacity, 1,778 MW of thermal power, and 5,000 MW of export-oriented generation. Several key projects are already underway, including the Buuruljuut 300 MW Power Plant (first phase, 150 MW), the Bayan 660 MW Thermal Power Plant (first phase, 330 MW), and the 10 MW Murun Solar Power Plant in Khuvsgul.

ENERGY REFORM AGENDA: LEGAL, TARIFF, AND STRUCTURAL SHIFTS

In parallel with Mongolia's mid- and long-term national strategies, the coalition government has declared an energy reform agenda encompassing legal, tariff, and structural reforms.



LEGISLATIVE REFORM

Despite more than 15 amendments to the Energy Law since 2001, revisions have been incremental and have not led to structural changes. Under Parliamentary Resolution No. 80, a working group was formed to draft comprehensive legal reform. In June 2025, the cabinet submitted a long-anticipated draft of comprehensive amendments to the Energy Law. The amendments aim to modernize the legal framework by clarifying project selection criteria, pricing mechanisms, energy delivery arrangements, and ownership transfer rules. These changes are intended to establish a legal basis for introducing market-based mechanisms and enabling large-scale private investment. Associated amendments to the Law on Public-Private Partnerships and the Law on Debt Management were also submitted to Parliament and are under Economic Standing Committee review.

On June 23, 2025, MP S. Tsenguun publicly outlined key elements of the proposed legislation. She noted that the Ministry of Energy had moved forward without conducting broad public consultations or incorporating feedback from key stakeholders. According to her statement, the draft includes 30 new provisions across three articles and introduces a new legal concept, an "energy project", defined

as non-renewable energy developments connected to the central grid. MP Tsenguun further noted that the amendments exclude renewable energy and introduce a provision for project-specific partnership agreements that would operate outside the Public-Private Partnership (PPP) Law. According to her, this could potentially create inconsistencies or conflicts with the broader PPP legal framework.

Another significant provision would shift licensing authority from the Energy Regulatory Commission (ERC) to the Ministry of Energy. A new five-member working group, chaired by the Minister and composed of two representatives from the ministry and three from the energy sector, would be responsible for selecting project developers and determining key implementation conditions, including tariffs, timelines, financing arrangements, and transfer terms.

TARIFF REFORM

The electricity sector continues to operate at a significant financial loss. In 2024, the [ERC reported](#) that the cost of generating electricity averaged 285 MNT per kWh, while the average end-user tariff was just 216 MNT. As of 2024, this gap has resulted in short-term debt of 540 billion MNT and total accumulated debt of approximately 1.8 trillion MNT.

To address the deficit and reduce the risk of widespread power outages during winter, the ERC introduced a three-tiered residential tariff structure based on consumption levels, with increases of 30 percent on average, effective November 2024. The average household tariff increased to 280 MNT per kWh, bringing it closer to actual generation costs (Figure 2).

As for heating, although the ERC decided on a tariff adjustment for heating and electricity, the residential heating price increase was postponed to January 2026.

Currently, households in Ulaanbaatar pay 506 MNT per square meter monthly, covering only 40 percent of actual costs. A typical 50 m² apartment incurs a monthly heating bill of 27,000 MNT (VAT included),

whereas cost-recovery levels are estimated at 2,505 MNT per m², five times the current rate. New plants like the Selbe Thermal Plant are projected to operate at this higher cost level. Meanwhile, costs for industrial and commercial entities are set to double, rising from 604 MNT to 1,208 MNT per m².

[Additional adjustments](#) to water tariffs—both hot and cold—are scheduled from September 16, 2025, although the exact percentage is yet to be confirmed. While these reforms are fiscally necessary, their aggregated impact could significantly affect household budgets in the short term.



Figure 2. Electricity Tariff Adjustments

STRUCTURAL REFORM

Institutionally, the energy sector remains governed by multiple entities with overlapping mandates. The Ministry of Energy leads national strategy; the ERC regulates pricing, licensing, and compliance; and the National Dispatching Center manages system operations.

To improve coordination, the government also formed the *National Committee on Energy Reform* to oversee the sector-wide reform agenda in 2024. However, following the collapse of the coalition government in June 2025, the committee was dissolved. In 2025, the government also established Erchist Mongol SOE LLC as a centralized holding entity to consolidate the oversight of 44 non-mining state-owned enterprises, including Mongolia's major energy producers, distributors, and grid operators, such as the National Dispatching Center, Ulaanbaatar Heat Network, Thermal Power Plants II, III, and IV, and the National Power Transmission Grid Company.

In July 2025, a [resolution was issued](#) to implement a structural shift in the energy sector as part of the government's ongoing reform efforts. These reforms aim to ensure continuous, safe, and reliable operations, reduce operational costs, eliminate functional overlaps and gaps, and enhance overall efficiency.

Under the resolution, Western Region Energy System SOE and Altai-Uliastai Energy System SOE have been merged into National Power Transmission Grid SOE. Several regional distribution and generation entities have also been consolidated:

- Uvs Electricity Distribution Network LLC, Khovd Electricity Distribution Network LLC, Durgun Hydropower Plant LLC, and the Myangad Solar Power Plant merged to form the new Western Region Electricity Distribution Network SOE.
- The distribution branches of the former Altai-Uliastai Energy System merged to establish Altai-Uliastai Electricity Distribution Network SOE.
- Taishir-Guulin Hydropower Plant LLC, Bogd River Hydropower Plant LLC, Tosontsengel Hydropower Plant LLC, the Serven, Murun, and Borkhon solar power plants, and the Khungui-Galuutai Hydropower Plant were consolidated into the new entity Taishir Green Energy SOE.

As a result, nine previously independent state-owned companies and their eight branch operations were consolidated into four streamlined entities.

While the intent is to eliminate redundancy, improve

coordination, and separate commercial and policy functions, institutional fragmentation remains a barrier, particularly in tariff setting, regulatory instability, and SOE accountability. Overlapping mandates and slow execution continue to affect tariff setting, renewable energy contracting, and SOE performance.

ENERGY TRANSITION: RENEWABLES AND CLEAN ENERGY

Mongolia's energy transition is entering a critical phase. While coal continues to dominate the energy mix, the government has set increasingly ambitious climate and energy goals under *Vision 2050* and the *New Revival Policy*, including a 30 percent renewable energy share in installed capacity by 2030 and sector-wide emissions reductions aligned with its [Paris Agreement commitments](#). Renewable energy accounts for less than 18.3 percent of electricity generation, underscoring deep infrastructure, regulatory, and investment barriers.

In this context, clean energy—including hydrogen, renewables, storage, and grid modernization—is rising to the forefront of national priorities.



EMERGING HYDROGEN STRATEGY

As part of this broader energy transition agenda, Mongolia is in the process of developing and adopting its first national hydrogen strategy with the initiative of a working group established by a decree from the Head of the Office of the President of Mongolia, which is responsible for promoting the development of Mongolia's chemical industry. The rationale for pursuing a hydrogen pathway is twofold.

Domestically, the strategy is closely aligned with *Vision 2050*, which identifies green development as a foundation for sustainable growth. While Mongolia's greenhouse gas emissions account for only 0.06 percent of the global share, its per capita emissions remain significantly above global and regional averages, highlighting the need to diversify toward cleaner, low-emission energy sources.

Externally, the strategy reflects Mongolia's commitment to international climate objectives,

including its obligations under the Paris Agreement, and its intent to contribute to broader global efforts to achieve net-zero emissions. Hydrogen is increasingly seen as a potential bridge between Mongolia's renewable resource potential and the emerging regional demand for clean energy.

The hydrogen strategy was developed through a series of consultative processes with a broad range of stakeholders, including the Office of the President, Cabinet ministries, regulatory agencies, development partners, the private sector, research institutions, business associations, and civil society. Multi-stakeholder consultations were held in October and December 2024, and then several focus group discussions and reviews were held from February to May 2025. The draft of the national hydrogen strategy will be discussed at the executive and policy level of the government before it is finalized and adopted.

CLEAN INFRASTRUCTURE FINANCE

In the context of energy transition, multilateral development partners have played an important role in Mongolia's energy sector over the past two decades, offering concessional financing, technical assistance, and targeted project support. In 2025, the International Finance Corporation (IFC) supported the Municipality of Ulaanbaatar in issuing the country's first non-sovereign municipal green bond. The proceeds will be directed toward constructing

a 50-MW battery energy storage system (BESS) in Baganuur District. Beyond storage, the IFC supports PPP in power generation, supporting a competitive auction process for a 100-MW wind project in Mandalgobi. According to IFC estimates, Mongolia will require over 10 billion USD in additional energy investment over the next 25 years to meet its climate and development goals ([IFC, direct correspondence with AmCham Mongolia, June 2025](#)).

SCALING UP RENEWABLE ENERGY

In January 2025, the Government of Mongolia and the EBRD [signed a memorandum of understanding](#) outlining up to 1.0 billion USD in financing by 2028 to support the country's green energy transition. The agreement includes potential co-financing for up to 300 MW of solar and 200 MW of wind capacity,

with integrated storage and enabling transmission infrastructure. The EBRD has supported Mongolia's renewable energy development since the early stages, including co-financing the country's first wind farm (Salkhit) and subsequent projects.

GRID MODERNIZATION & BEYOND

The ADB supports Mongolia's clean energy transition through targeted investments in renewable energy development, grid modernization, and the overall decarbonization of the energy sector, providing over 450 million USD across more than 40 energy projects since 1993. Current efforts focus on two major initiatives, the Upscaling Renewable Energy Project (UREP) and the BESS project. As of May

2025, the UREP has generated 65,327 MWh of net electricity and achieved a reduction of approximately 58,337 tons of carbon dioxide emissions. Meanwhile, the BESS project has supplied an estimated ~94,500 MWh net energy, avoiding roughly 80,000 tons of CO₂ emissions ([ADB, direct correspondence with AmCham Mongolia, June 2025](#)).

MOBILIZING PRIVATE SECTOR INVESTMENT



While Mongolia's energy system has historically relied on public investment and development financing, the private sector is beginning to play a more catalytic role in expanding clean energy capacity, introducing new technologies, and mobilizing capital for large-scale infrastructure.

Private investors face a complex landscape. Tariff structures remain under reform, grid integration presents technical challenges, and long-term bankable power purchase agreements (PPAs) are limited. Yet, as legal and regulatory frameworks evolve, select actors demonstrate how private-led initiatives can contribute meaningfully to Mongolia's energy transition.

CASE STUDY: UPC RENEWABLES MONGOLIA

UPC Renewables, an international clean energy developer, is active in 16 countries and has initiated multiple utility-scale wind and battery projects in Mongolia.

Choir Wind Farm + BESS

A 50-MW wind farm coupled with a 20-MW battery storage system near Choir, aimed at improving grid reliability and peak load management.

Gobi I Wind Megaproject

A proposed 2,000-MW wind project in the Gobi region, positioned to supply domestic and potential export markets.

Dundgovi Wind Megaproject

In April 2025, UPC signed a memorandum of understanding with the National Committee on Energy Reform to develop a 2,400-MW wind farm in Dundgovi Province. With an estimated value of 2.0 billion USD, this marks one of the largest private clean energy investments in the country's history.

IMPLICATIONS FOR BROADER PRIVATE SECTOR PARTICIPATION

While UPC provides a successful model, replicability depends on systemic improvements. Regulatory clarity, streamlined permitting processes, and transparent competitive bidding are essential to attract more private investors. Grid upgrades and long-term energy planning are also prerequisites for sustaining private sector momentum.

As Mongolia seeks to shift from donor-driven to market-driven energy development, enabling frameworks that align private incentives with public goals will be vital. UPC's example illustrates that, with the right conditions, private sector engagement can scale innovation, accelerate decarbonization, and unlock new pathways for economic growth.

LESSONS FROM KAZAKHSTAN: REFORMING COAL-HEAVY SYSTEMS



Kazakhstan, like Mongolia, is landlocked in Central Asia and faces coal dependence challenges, with coal fueling 66.7 percent of electricity generation, ageing Soviet-era infrastructure, and reliance on electricity imports from Russia to make up energy shortfalls ([UNCTAD, 2025](#)). Beginning in 2016, the country focused on reforming its energy sector, passing legislation to develop its renewable energy sector and modernize its electrical grid.

In 2023, President Kassym-Jomart Tokayev approved Kazakhstan's Strategy on Achieving Carbon Neutrality by 2060, signifying a nationwide shift toward green energy ([ODI Global, 2024](#)). The country is endowed with enough solar, wind, and hydro resources to supply energy to meet consumption. It is estimated that the country has an annual potential 920 billion kWh of renewable energy, while the population only consumes 828 billion kWh per year. In 2018, the government implemented a competitive bidding system for wind and solar energy supplied by private firms to help finance a transition from fossil fuels to renewables. This allowed the country to deploy a total of 5 GW of electricity at 0.05 USD per kW, helping to significantly reduce the price of electricity sourced from renewables in Kazakhstan while simultaneously increasing participation from foreign and domestic firms in the energy sector.

Kazakhstan's energy grid is a relic from its Soviet past, continuing to rely heavily on Russia to fill the gaps in its energy production. To help facilitate a green future, the country will need to upgrade its electricity grid to allow for the integration of hydroelectric, solar, and wind power. Furthermore, the current infrastructure does not support Kazakhstan's more rural parts, like its Western regions. To protect the energy security of citizens living outside major urban centers in the center and east of the country, Kazakhstan will need to upgrade its existing grid. Upgrading the system will also reduce the amount of electricity lost during transmission and distribution, equating to 15 percent of the country's electricity. Modernizing the energy grid will have the benefit of making a renewable energy transition easier and maximizing the electricity produced domestically ([USDOC, 2022](#)).

Mongolia and Kazakhstan are resource-rich countries in the midst of transitioning their sources of energy and electricity from coal to renewables. Aligning with future green energy ambitions, the two countries have introduced similar legislation to encourage private investment in domestic solar, hydro, and wind power generation. Moreover, both governments are taking steps to upgrade and expand their energy grids to diminish electricity waste and provide power for underserved communities. The two nations share many similarities in their future strategies and present circumstances, presenting similar challenges in adapting to their changing geopolitical and economic environments.

Kazakhstan and Mongolia must prioritize greater private sector engagement in power distribution, production, and modernizing existing energy infrastructure. Both countries have utilized auctions as a vehicle for competitive international private sector investment in green energy projects or upgrades to outdated facilities. The two nations' success in achieving their goals for energy independence, efficiency, and renewables depends on strengthening regulatory frameworks, increasing transparency, and expanding electricity access.

RECOMMENDATIONS

To achieve energy security, sustainability, and economic growth aligned with *long-term visions*, the government must prioritize bold reforms and strategic investments that catalyze private sector participation, modernize infrastructure, and ensure an inclusive and just transition.

1

Modernize and clarify the legal framework to enable private investment and sector transformation.

The Energy Law, enacted in 2001, has not undergone structural revision despite the evolving complexity of the energy landscape. Clear legal provisions must define project eligibility, competitive selection criteria, tariff-setting mechanisms, and implementation oversight. A rule-based framework is essential to reduce reliance on bilateral deals and ad hoc decisions. Renewable energy should also be explicitly included in the legal definition of energy projects to prevent policy backsliding. Legal safeguards must also clarify how future regulatory changes may impact project costs, including capping investor liabilities for unexpected compliance burdens.

2

Strengthen governance by removing institutional overlaps and clarifying regulatory roles.

The current governance structure, spanning the Ministry of Energy, the Energy Regulatory Commission, and numerous authorities, creates redundancy and investor uncertainty. Reform efforts must streamline mandates, enhance accountability, and avoid redundant functions while preserving operational independence. A unified, transparent, and coherent regulatory environment is essential for long-term sector credibility.

3

Institutionalize long-term, integrated energy planning with active private sector participation.

Energy policy must shift from reactive approvals to proactive, data-driven planning. This includes periodic demand forecasts, investment roadmaps, and grid planning aligned with *Vision 2050*, mid-term strategic policies, and development goals. The private sector must be involved early in shaping national energy strategies as project developers and strategic partners in policy design, investment prioritization, and implementation.

4

Expand private sector participation through de-risking instruments and blended finance.

Mongolia must attract private capital at scale to move from donor dependence to a market-based system. This requires sovereign-backed guarantees, green bonds, carbon credit monetization, and blended finance instruments that combine grants, concessional loans, and risk guarantees. In partnership with development partners, the government may create enabling conditions for bankable investments across generation, storage, and grid infrastructure.

5

Scale decentralized renewable energy solutions through local financial systems.

Expanding successful solar PV and battery storage pilots, particularly in off-grid and ger district areas, will reduce household energy costs, improve air quality, and broaden energy access. Partnerships with domestic financial institutions and SMEs are critical to scale affordable clean energy through locally adapted lending and delivery models.

6

Prioritize grid modernization to reduce losses and integrate renewables.

Transmission losses of over 13 percent reflect outdated grid infrastructure and hinder renewable energy integration. A national grid modernization program should include digitalization, redundancy prevention systems, cross-regional interconnection, and completing a unified national grid. These upgrades are a prerequisite for enabling reliable, low-carbon growth.

7

Streamline the permitting and licensing process through a one-stop mechanism.

Lengthy and fragmented permitting processes remain a challenge. A consolidated permitting mechanism may reduce delays, lower transaction costs, and improve project bankability for domestic and foreign investors.

8

Establish a transitional tariff roadmap linked to performance and social protection.

Tariff adjustments initiated in 2024 were more than necessary in the energy sector, but politically fragile. Mongolia may need to adopt a multi-year, transparent tariff roadmap that gradually aligns retail prices with cost recovery, while protecting vulnerable households through targeted subsidies. Utilities should receive performance-based compensation to incentivize service quality and reduce losses. In the meantime, public communication and consumer trust will be critical to continue reforms.

9

Build political continuity and bipartisan consensus for energy reforms.

Mongolia's energy strategy must be insulated from political cycles. Cross-party support is needed to uphold legal reforms, SOE restructuring, and clean energy development through future administrations. A stable, predictable policy environment is essential to attract long-term investment and sustain reform momentum beyond electoral timelines.

CONCLUSION

Mongolia stands at a critical point in its energy transition. The sector remains heavily dependent on coal, vulnerable to external supply shocks, and challenged by outdated infrastructure. Over 98 percent of the population has access to electricity, yet reliability, affordability, and sustainability remain persistent challenges. With coal still comprising 70 percent of the energy supply and over 85 percent of electricity generation, Mongolia is seeking to diversify its energy mix, modernize its grid, and expand renewable and clean energy solutions.

Key legislative and strategic frameworks, including Vision 2050, the New Revival Policy, and the Government Action Plan 2024–2028, set ambitious targets: achieving energy self-sufficiency by 2030, raising renewable energy to 30 percent of installed capacity, and aligning with the country's Paris Agreement commitments. However, implementation has been constrained by regulatory fragmentation, weak institutional coordination, and delayed infrastructure upgrades.

The government has prioritized a reform agenda. Critical legal reforms are underway, including proposed amendments to the Energy Law. Electricity and heating tariff reforms initiated in 2024 have attempted to reduce fiscal losses and close the gap between generation costs and consumer prices. Structural reform is progressing through the consolidation of state-owned energy enterprises under a new holding company, Erchist Mongol SOE LLC. However, the future of structural reform is still in question, following the fall of the coalition government and more political instability.

The renewable energy and clean infrastructure agenda is advancing, supported by strong development partner engagement. A national hydrogen strategy is in development, and multilateral institutions, including the ADB, IFC, and EBRD, are providing financing, storage systems, grid upgrades, and more. Still, renewable energy accounts for less than 10 percent of electricity generation, despite making up 18.3 percent of installed capacity, highlighting the need for accelerated private sector participation. Private investors like UPC Renewables have begun developing large-scale wind and battery storage projects. However, greater regulatory clarity, long-term power purchase agreements, and grid modernization will be essential to unlock broader investment and enable scalable clean energy deployment.

Looking ahead, Mongolia must prioritize regulatory streamlining, modern grid infrastructure, and investor-aligned energy planning. Peer experiences from countries like Kazakhstan offer relevant lessons on how to shift from donor-led development to competitive, market-driven energy transitions.

