

## **Legal challenges at the end of the fossil fuel era: Shaping energy futures through legal intervention**

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### **PANEL 1. Diagnosis of the current energy crisis**

## **Energy Transition and Foreign Investments: Legal Pitfalls to be Wary Of**

**Rahmi Kopar**  
**(University of Dundee, Scotland)**

Achieving the desired energy transition to meet the global climate change targets hinges largely upon private sector investments. IEA estimates that around 70% clean energy investment will have to be funded by private sector. Again, a large portion of this will be in the form of international investments. While funding comes from private sector, states are the main driving and regulatory forces behind the energy transition. This surely means that there will be a tension between these two key players since they will have differing motivations. If not managed well, this tension might grow into investment disputes, as already did in certain countries. Energy transition brings along two lines of investment disputes: first, the ones that arise from new investments in renewable energy field and second, the ones that arise from already existing investments in conventional energy field. What both types of disputes have in common is that they mostly emerge as a result of legal and regulatory actions taken by host states. The main underlying reason why host states tend to take certain measures that affect the investment relationship is the changing economic or political circumstances. When the states do not have the required tools to adapt to the changing conditions, they opt for outright interference with the legal and regulatory framework which in turn results in an investment dispute. This study will analyse potential investment dispute types that might arise as a direct result of the steps taken by host states during the transition process. The legal risks that both parties might face will be reviewed. It will be argued that integrating already existing -albeit mostly in the oil and gas sector- renegotiation and rebalancing mechanisms into renewable energy investment frameworks can provide both the regulatory stability pursued by foreign investors and the flexibility required by host states.