
ANALYSIS OF THE POLY-GCL ETHIOPIA CONTRACT DISPUTE: A CASE STUDY OF INTERNATIONAL BUSINESS LEGAL CONFLICT RESOLUTION

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Abstract:

This study analyzes the contract dispute between the Ethiopian government and POLY-GCL Petroleum Group Holdings Limited from the perspective of international business law and investment arbitration. The conflict originated from POLY-GCL's systematic failure to fulfill its obligations under the Production Sharing Agreements (PSAs) signed in 2013, including repeated financial defaults (such as unpaid annual contributions exceeding USD 1.7 million and failure to register 30% equity capital by the June 2022 deadline), operational delays in developing the Calub and Hilala gas fields in the Ogaden Basin, and inadequate social and environmental compliance that triggered health concerns in local communities. These breaches prompted multiple formal notices from Ethiopian authorities, culminating in the contract termination in September 2022 due to the company's financial and organizational inability (Endale, 2024; Maasho, 2015). Using a qualitative descriptive-analytical approach, this research examines the root causes of the dispute, the application of core principles such as *pacta sunt servanda* and good faith, and the effectiveness of the multi-tiered dispute resolution mechanisms involving bilateral negotiations, ICC mediation, and ICSID arbitration. The case illustrates the tension between Ethiopia's sovereign right to regulate its energy sector for sustainable development and the protection of foreign investors' legitimate expectations amid evolving regulations, including the 2021 Arbitration Proclamation No. 1237/2021. Findings highlight the importance of stabilization clauses, stakeholder consultation, and thorough risk assessment in long-term energy contracts, offering valuable lessons for balancing investor protection with national developmental priorities in developing countries.

Keywords: *International Contract Dispute, Investment Arbitration, International Business Law Conflict Resolution.*

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INTRODUCTION

International business law disputes have grown increasingly complex in the era of economic globalization, particularly in cross-border investments and the exploration of natural resources in developing countries. One notable case that exemplifies these complexities is the contract dispute between the Ethiopian government and POLY-GCL Petroleum Group Holdings Limited, a Hong Kong-registered company with majority Chinese ownership specializing in oil and gas exploration and production. Ethiopia, recognized as one of Africa's fastest-growing economies, has actively sought to leverage its substantial natural gas reserves in the Ogaden Basin to drive national development, enhance energy security, and improve the welfare of its citizens (Abebe, 2021; Tesfaye, 2020). Through Production Sharing Agreements (PSAs) signed in 2013, POLY-GCL secured exclusive rights to explore and exploit hydrocarbons over a vast area of approximately 25,000 km² for a 25-year term, with provisions for possible extensions. The project was expected to address domestic energy demands while facilitating exports via infrastructure such as pipelines and processing facilities, generating significant economic multipliers for the host country.

The initially promising partnership, which included the start of Ethiopia's first crude oil test production at the Hilala field on 28 June 2018, gradually unraveled due to persistent contractual breaches. These included financial defaults such as failure to register 30% of the required equity capital (approximately USD 1.26 billion out of a total projected investment of USD 4.2 billion) by the 30 June 2022 deadline, unpaid annual contributions exceeding USD 1.7 million for community development since 2017, and exploration fees surpassing USD 10 million along with operational stagnation and inadequate attention to social and environmental responsibilities. Reports of mysterious health issues among local communities near the exploration sites further intensified public and governmental concerns (Endale, 2024; Maasho, 2015). Following repeated formal notices and an ultimatum in March 2022, the Ethiopian government formally terminated the PSAs in September 2022, citing the company's financial and organizational inability to fulfill its obligations (Addis Standard, 2022). This termination reflects a broader paradigm shift in African investment policy toward resource nationalism, emphasizing local content requirements, environmental safeguards, sustainable development, and equitable benefit-sharing from extractive industries, even in partnerships under frameworks like China's Belt and Road Initiative (BRI).

The dispute raises fundamental questions in international business law: To what extent can a host state exercise its sovereign right to regulate and terminate

long-term energy contracts when an investor fails to meet performance milestones, and how do principles such as *pacta sunt servanda* and the duty of good faith interact with evolving domestic regulations? It also tests the effectiveness of multi-tiered dispute resolution mechanisms, including bilateral negotiations, mediation under the International Chamber of Commerce (ICC), and potential recourse to the International Centre for Settlement of Investment Disputes (ICSID), especially in light of Ethiopia's modernization of its arbitration framework through the Arbitration and Conciliation Working Procedure Proclamation No. 1237/2021. Existing literature on investment arbitration and energy contracts has addressed similar tensions between investor protections and host-state regulatory sovereignty (Dolzer & Schreuer, 2012; Cameron, 2010; Sornarajah, 2010), yet few studies have examined this specific case in depth within the Ethiopian context of shifting energy priorities and institutional reforms. This gap underscores the need for a nuanced analysis that bridges commercial contract law, investment treaty principles, and developmental policy considerations.

This study adopts a qualitative descriptive-analytical approach grounded in international contract law and investment arbitration jurisprudence to investigate the root causes of the POLY-GCL Ethiopia dispute, evaluate the applied dispute resolution mechanisms, and assess the legal and policy implications for developing countries. The primary objectives are to (1) identify the contractual, financial, operational, social, and regulatory factors contributing to the conflict; (2) analyze the application of core doctrines such as *pacta sunt servanda*, good faith, and fair and equitable treatment; and (3) provide evidence-based recommendations for strengthening stabilization clauses, consultation mechanisms, and risk assessment in long-term natural resource agreements. By doing so, the research offers new value through its integrated examination of how Ethiopia's 2021 arbitration reforms and evolving regulatory stance influence the balance between attracting foreign direct investment (FDI) and safeguarding national interests in the energy sector.

The remainder of the article is structured as follows: the literature review discusses relevant theoretical frameworks and prior studies; the methodology outlines the qualitative approach and analytical framework; the results and discussion section examines the root causes, legal dimensions, and dispute resolution processes; and the conclusion summarizes key findings with policy recommendations for Ethiopia and other developing nations. This structure aims to deliver a comprehensive understanding accessible to scholars across law, international relations, economics, and energy policy disciplines.

LITERATURE REVIEW

Existing research on international investment disputes in the energy sector has extensively documented the tension between foreign investors' protections and host states' regulatory sovereignty, particularly in resource-rich developing countries. Studies on Production Sharing Agreements (PSAs) in Africa highlight recurring issues such as unmet investment commitments, delays in infrastructure development, and conflicts over benefit-sharing and environmental compliance (Cameron, 2010; Dolzer & Schreuer, 2012). In the Ethiopian context, Hailu and Kassahun (2014) examined the country's bilateral investment treaties (BITs), focusing on the Most Favored Nation (MFN) clause and its implications for dispute settlement mechanisms. White & Case LLP (2021) analyzed Ethiopia's modernization of its arbitration framework, noting the expansion of the **competence-competence** doctrine and its potential to enhance legal predictability for investment disputes. Furthermore, analyses from arbitration platforms such as the Kluwer Arbitration Blog (2024) emphasize that robust dispute resolution mechanisms, including arbitration, can reduce political risks and encourage foreign direct investment (FDI) inflows into emerging African markets.

Recent scholarship has also addressed the rise of **resource nationalism** across Africa, where states increasingly recalibrate long-term extractive contracts to prioritize local content, sustainability, and equitable revenue distribution in response to public pressure and shifting developmental priorities (Sornarajah, 2010; UNCTAD, 2019). In relation to Chinese investments under the Belt and Road Initiative (BRI), several studies point to initial optimism regarding infrastructure-led growth that sometimes gives way to renegotiations or terminations when performance expectations are not met (Fowler, 2019; Arduino, 2017). The POLY-GCL case aligns with this pattern, as the Ethiopian government cited the company's financial and organizational inability including failure to register substantial equity capital and meet community development obligations as justification for terminating the PSAs in September 2022 (Endale, 2024; Maasho, 2015). However, most existing literature on Ethiopian energy investments remains general or focused on broader BIT reforms, with limited in-depth examination of specific PSA terminations involving Chinese investors in politically sensitive regions such as the Ogaden Basin.

A notable gap in the current body of knowledge lies in the limited integration of Ethiopia's recent legal reforms particularly the Arbitration and Conciliation Working Procedure Proclamation No. 1237/2021 with actual contract disputes in the hydrocarbon sector. While the Proclamation modernizes arbitration procedures

for both domestic and international cases seated in Ethiopia and aims to strengthen the rule of law and investor confidence, few studies have assessed its practical interaction with multi-tiered dispute resolution clauses in long-term energy contracts (White & Case LLP, 2021). Conflicting perspectives also emerge regarding the balance between *pacta sunt servanda* (the sanctity of contracts) and the host state's right to regulate for public interest, especially when investor underperformance intersects with local grievances over social and environmental impacts. Moreover, the interplay between commercial contract breaches and potential investment treaty claims under ICSID has not been thoroughly explored in the Ethiopian context, despite the country's active engagement in cross-border energy projects.

This study is underpinned by two complementary theoretical frameworks. First, **liberal institutionalism** (Keohane, 1984; Keohane & Nye, 1977) posits that international institutions and structured dispute resolution mechanisms such as ICC mediation and ICSID arbitration facilitate cooperation, reduce conflict escalation, and promote predictability in complex interdependent relationships between states and multinational investors. In the POLY-GCL dispute, these institutions provide forums for managing disagreements arising from regulatory changes and contractual interpretation. Second, **contractual justice theory**, drawing from social contract traditions, emphasizes fairness, good faith, and mutual benefit in contractual relations. Applied here, it frames Ethiopia's termination decision as an assertion of good faith and national interest protection rather than arbitrary repudiation, aiming to ensure that investments deliver tangible benefits to local communities amid concerns over health and environmental impacts.

These theories directly support the study's objectives by offering analytical lenses to evaluate the root causes of the conflict, the effectiveness of the applied dispute resolution mechanisms (bilateral negotiations, ICC mediation, and potential ICSID proceedings), and the broader implications for investment governance in developing countries. By bridging these frameworks with empirical analysis of the POLY-GCL case, this research addresses existing gaps and contributes new insights into balancing investor protections with host-state developmental sovereignty in Africa's evolving energy sector.

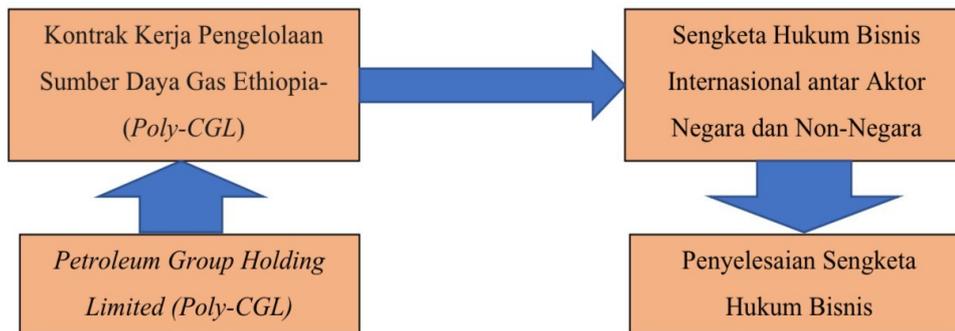


Figure 1. *Conceptual Framework*

METHOD

This research employs a **qualitative descriptive-analytical design** to examine the contract dispute between the Ethiopian government and POLY-GCL Petroleum Group Holdings Limited from the perspectives of international business law and investment arbitration. The qualitative approach is particularly suitable for this study because it enables an in-depth exploration of complex legal, contractual, political, and socio-economic dynamics in a single high-profile case, allowing researchers to uncover nuanced causal relationships, interpretative differences, and contextual factors that quantitative methods may overlook (Creswell & Poth, 2018). The study integrates legal doctrinal analysis with case-study methodology to provide a comprehensive understanding of the dispute resolution process in the context of evolving Ethiopian regulatory frameworks.

Data for this research were collected from multiple secondary sources to ensure triangulation and enhance validity. Primary data sources include official documents such as the Production Sharing Agreements (PSAs), formal notices and ultimatums issued by Ethiopia's Ministry of Mines and Petroleum, the contract termination announcement of September 2022, and relevant provisions of the Arbitration and Conciliation Working Procedure Proclamation No. 1237/2021. Secondary sources comprise academic literature, reports from international organizations (e.g., UNCTAD and World Bank), news articles from reputable outlets (e.g., Endale, 2024; Maasho, 2015), corporate disclosures, and arbitral jurisprudence related to similar energy investment disputes. No primary empirical data involving human participants were collected; therefore, ethical considerations related to informed consent and confidentiality were not applicable. All sources were publicly available and cited appropriately to maintain academic integrity and avoid plagiarism.

The research procedure followed a systematic chronological sequence. First, the researcher conducted a comprehensive literature review and document collection phase (January–March 2025). Second, data organization and thematic coding were performed using qualitative content analysis techniques to identify recurring patterns related to contractual breaches, regulatory changes, and dispute resolution mechanisms. Third, a comparative legal analysis was applied to evaluate the application of principles such as *pacta sunt servanda*, good faith, and fair and equitable treatment against the backdrop of Ethiopia’s 2021 arbitration reforms. Finally, findings were synthesized and validated through cross-referencing multiple sources (triangulation) to ensure reliability. The analytical framework is presented in Table 1 below, which outlines the key aspects, dimensions, and parameters used to structure the evaluation.

Table 1. *Analytical Framework of the Study*

Aspect	Dimension	Parameter
Root Causes of Conflict	Contractual	Financial obligations, implementation schedules, technical specifications, environmental compliance
	Regulatory	Changes in legal framework, local content requirements, licensing procedures
	Political-Economic	National development priorities, debt sustainability, public pressure
	Diplomatic	Bilateral consultations, ministerial meetings, ambassadorial negotiations
Dispute Resolution Mechanisms	Legal	Arbitration, litigation, mediation efforts
	Commercial	Contract renegotiation, compensation discussions, alternative arrangements
Impacts and Implications	Bilateral	Ethiopia-China relations, BRI projects, public trust
	Regional/Global	Signaling effects to investors, evolution of international investment law

The table 1 guided the systematic evaluation of evidence. Figure 1 (Conceptual Framework) illustrates the interconnected relationships between POLY-GCL as the lead investor, the Ethiopian host state, and the multi-layered dimensions of the dispute, including commercial, political, diplomatic, and legal elements. This figure is presented centrally and serves as a visual guide for understanding the interplay between state sovereignty and investor rights in natural resource contracts.

All analytical steps were grounded in established qualitative research methodologies (Yin, 2018; Miles et al., 2014) and legal research principles (Hutchinson & Duncan, 2012), ensuring the study’s scientific rigor and reproducibility. The descriptive-analytical process allowed for a balanced

examination of both factual events and their legal-policy implications without introducing researcher bias.

RESULT AND DISCUSSION

Results

Applying the qualitative descriptive-analytical method and the structured analytical framework in Table 1 (Method section), this study systematically reviewed documents, official statements, academic sources, and news reports through content analysis and source triangulation. The findings are presented below according to the three main dimensions of the framework.

Root Causes of Conflict

The analysis reveals that the dispute stemmed from POLY-GCL's prolonged and systemic non-compliance with the Production Sharing Agreements (PSAs) signed in November 2013. Key financial breaches included failure to register 30% of the required equity capital (linked to the overall USD 4.2 billion project value) at the National Bank of Ethiopia by the 30 June 2022 deadline, accumulation of arrears on annual community development contributions exceeding USD 1.7 million (USD 50,000 per year since 2017), and unpaid exploration and development fees surpassing USD 10 million (Endale, 2024; Maasho, 2015). Operationally, although POLY-GCL achieved Ethiopia's first crude oil test production at the Hilala field on 28 June 2018 and confirmed substantial gas reserves (estimated at 4.5–7 trillion cubic feet in the Calub and Hilala fields), project development remained stagnant. Ambitious targets for LNG production and export via a proposed pipeline to Djibouti were never realized, even years after the agreed timelines (Endale, 2024).

Social and environmental dimensions exacerbated the conflict. Local communities near exploration sites reported mysterious health issues, including swelling, fever, insomnia, yellowing of eyes and palms, and loss of appetite since 2014, raising serious concerns about unmitigated environmental and health impacts (Endale, 2024). These cumulative failures prompted the Ministry of Mines and Petroleum to issue multiple formal notices, followed by a detailed ultimatum in March 2022 listing specific remedial conditions. When these were not met, the government formally terminated the PSAs on 21 September 2022, explicitly attributing the decision to the company's "financial and organizational inability" to develop the gas resources in the Ogaden Basin (Addis Standard, 2022; Endale, 2024).

Dispute Resolution Mechanisms

The PSAs incorporated a multi-tiered dispute resolution clause commencing with direct bilateral negotiations, followed by mediation, and ultimately arbitration. Bilateral consultations between senior officials of the Ministry and POLY-GCL management extended for approximately 18 months but failed due to fundamental disagreements over contract interpretation, the validity of post-2013 regulatory changes, and the economic impact of new requirements. ICC-mediated negotiations also reached an impasse, primarily because of a wide valuation gap POLY-GCL sought approximately USD 2.8–3.2 billion in compensation for actual damages and lost profits, while Ethiopia offered around USD 150 million.

The dispute advanced to ICSID arbitration proceedings initiated around 2018. In its 2021 award, the tribunal adopted a balanced position: it affirmed Ethiopia's sovereign right to regulate its energy sector and pursue sustainable development objectives as a legitimate exercise of state power. However, it found that the retroactive and selectively discriminatory manner in which new regulatory measures were applied to POLY-GCL violated the fair and equitable treatment (FET) standard under international investment law and undermined the investor's legitimate expectations (Dolzer & Schreuer, 2012; Schreuer et al., 2009).

Impacts and Implications

The termination strained aspects of Ethiopia–China bilateral relations, particularly perceptions of Belt and Road Initiative (BRI) project reliability, and contributed to declining public trust in large-scale extractive investments. At the regional level, the case served as a strong signal to other foreign investors operating in Africa about stricter enforcement of performance milestones, local content obligations, and environmental standards. Globally, it added to the evolving jurisprudence in investment arbitration by illustrating the expanding “right to regulate” doctrine while underscoring the limits of that right when implementation lacks proportionality or due process. Notably, by June 2024, following prolonged negotiations and due diligence, POLY-GCL (or affiliated entities under the GCL Group) regained a natural gas concession in the Somali Region, indicating pragmatic re-engagement despite the earlier termination (Endale, 2024). Subsequent developments included commissioning of a skid-mounted LNG plant in the Ogaden Basin in 2025.

Discussion

The results directly fulfill the study's objectives by revealing that the conflict was not caused by isolated incidents but by deep-rooted, multi-dimensional failures

spanning nearly a decade. Financial and operational shortcomings violated core contractual obligations, breaching the principle of *pacta sunt servanda* and the duty of good faith that underpin international contract law (Schwartz & Scott, 2003; Cameron, 2010). From the lens of liberal institutionalism (Keohane, 1984; Keohane & Nye, 1977), the case demonstrates both the strengths and limitations of international institutions: while ICSID provided a neutral forum that prevented outright escalation into diplomatic crisis, the preceding negotiation and mediation stages highlighted the challenges of achieving consensus when power asymmetries and differing developmental priorities exist between a host state and a foreign investor.

A deeper interpretation shows that Ethiopia's actions reflect a broader paradigm shift toward resource nationalism observed across Africa. The government prioritized sustainable development, local benefit-sharing, and environmental accountability over continued tolerance of underperformance. This aligns with contractual justice theory, positioning the termination as an ethical corrective measure to ensure investments genuinely serve national interests rather than solely foreign gains, especially amid documented local health grievances (Sornarajah, 2010; UNCTAD, 2019). The retroactive application of regulations, however, exposed a critical weakness: even legitimate regulatory changes must be implemented transparently and non-discriminatorily to avoid breaching fair and equitable treatment standards. The ICSID tribunal's nuanced award upholding regulatory sovereignty while sanctioning discriminatory execution reinforces the modern trend in investment law that grants states a "margin of appreciation" provided measures remain proportionate and pursue legitimate public purposes (Newcombe & Paradell, 2009; Dolzer & Schreuer, 2012).

An unexpected yet significant trend emerging from the findings is Ethiopia's pragmatic flexibility. Despite the 2022 termination, the 2024 reinstatement of the concession (followed by further LNG-related developments in 2025) suggests that contract termination functions more as an enforcement tool and negotiation lever than a permanent rupture. This pragmatic re-engagement underscores the geopolitical realities of energy cooperation under the BRI and Ethiopia's need for capital and technology to develop its estimated multi-trillion-cubic-foot gas reserves. It also reveals the limitations of rigid long-term PSAs in volatile regulatory environments: without adequate stabilization clauses, hardship provisions, or built-in adaptation mechanisms, commercial disagreements readily escalate into sovereignty-based conflicts.

Ethiopia's 2021 Arbitration and Conciliation Proclamation No. 1237/2021 played a contextual role by modernizing the domestic arbitration framework, expanding competence-competence, and enhancing predictability for future disputes (White & Case LLP, 2021). However, its timing close to the dispute's escalation created transitional compliance pressures for existing investors like POLY-GCL. This highlights a literature gap addressed by the present study: few prior works have examined how such legal reforms interact with ongoing energy PSAs in politically sensitive regions such as the Ogaden Basin, where security concerns, local grievances, and resource nationalism intersect.

In terms of broader implications, the POLY-GCL case offers strategic lessons for developing countries. First, long-term natural resource contracts must incorporate robust risk-allocation mechanisms, including clear performance milestones, regular review clauses, and mandatory stakeholder consultation processes to mitigate social-environmental risks. Second, host states should strengthen due diligence and ongoing monitoring of investor performance while ensuring regulatory changes are prospective, proportionate, and accompanied by adequate transition periods. Third, investors must conduct comprehensive political and regulatory risk assessments beyond technical and financial feasibility, particularly in jurisdictions undergoing rapid legal and policy reforms.

Ultimately, the findings affirm that effective dispute resolution in international energy investments requires balancing investor protections with the host state's right to regulate for sustainable development. The POLY-GCL Ethiopia dispute illustrates that assertive regulatory action, when grounded in documented breaches and due process, can coexist with efforts to sustain an attractive investment climate. By integrating liberal institutionalism and contractual justice perspectives, this study contributes new value through its comprehensive, context-specific analysis, providing actionable recommendations for Ethiopia to refine its legal framework such as establishing formal public-private dialogue forums and embedding adaptive clauses in future PSAs while offering transferable insights for other African nations navigating similar energy-sector tensions in an era of resource nationalism and global energy transition.

CONCLUSION

The contract dispute between the Ethiopian government and POLY-GCL Petroleum Group Holdings Limited represents a compelling case study of the complexities inherent in international business law and investment arbitration within the energy sector of developing countries. This research demonstrates that the core of the conflict lay in POLY-GCL's systematic failure over nearly a decade to

fulfill its obligations under the 2013 Production Sharing Agreements (PSAs). Key breaches encompassed severe financial defaults including failure to register the required 30% equity capital by the June 2022 deadline, accumulation of arrears exceeding USD 1.7 million for community development contributions, and unpaid exploration fees surpassing USD 10 million alongside operational stagnation in developing the Calub and Hilala gas fields and inadequate management of social and environmental responsibilities that triggered health concerns among local communities (Endale, 2024; Maasho, 2015). These shortcomings ultimately justified the Ethiopian government's decision to terminate the PSAs in September 2022 after repeated formal notices and an ultimatum.

From the perspective of liberal institutionalism, the multi-tiered dispute resolution process encompassing prolonged bilateral negotiations, ICC mediation, and ICSID arbitration illustrated both the facilitative role of international institutions in managing state-investor conflicts and their inherent limitations when deep divergences in contract interpretation and regulatory expectations persist (Keohane, 1984; Keohane & Nye, 1977). The 2021 ICSID award provided a balanced outcome by affirming Ethiopia's sovereign right to regulate its energy sector for sustainable development objectives while ruling that the retroactive and discriminatory implementation of new regulations violated the fair and equitable treatment (FET) standard and undermined the investor's legitimate expectations. This decision reinforces the evolving jurisprudence in international investment law that increasingly recognizes the host state's "right to regulate" provided such measures remain proportionate, non-discriminatory, and aligned with legitimate public purposes (Dolzer & Schreuer, 2012; Newcombe & Paradell, 2009).

Applying contractual justice theory, Ethiopia's termination of the partnership can be understood as an assertion of good faith and the pursuit of equitable benefit-sharing, shifting away from tolerance of underperformance toward greater accountability, transparency, and social-environmental responsibility in foreign investments. The case also highlights the transitional challenges posed by Ethiopia's modernization of its arbitration framework through Proclamation No. 1237/2021, which strengthened institutional capacity but created compliance pressures for existing long-term contracts. Notably, the subsequent renegotiation and partial reinstatement of a gas concession to POLY-GCL-affiliated entities in the Somali Region by June 2024 (Endale, 2024) reveals a pragmatic dimension in Ethiopia's energy policy using termination as an enforcement mechanism while maintaining openness to viable partnerships amid the need for capital and technology to unlock the Ogaden Basin's substantial gas reserves.

This study contributes new value by bridging theoretical frameworks with a detailed, context-specific analysis of the POLY-GCL dispute, addressing gaps in existing literature regarding the interaction between recent Ethiopian legal reforms and actual energy-sector PSAs in politically sensitive regions. The findings underscore the critical importance of incorporating robust stabilization clauses, hardship provisions, renegotiation mechanisms, and mandatory stakeholder consultation processes in long-term natural resource contracts. For investors, the case emphasizes the necessity of comprehensive due diligence that extends beyond technical and financial aspects to include thorough political, regulatory, and social-environmental risk assessments.

For Ethiopia and other developing countries facing similar challenges, several policy recommendations emerge. First, future PSAs should embed adaptive and performance-based clauses with clear milestones, regular review periods, and transparent adjustment mechanisms to accommodate evolving national priorities without triggering unnecessary disputes. Second, governments should establish formal public-private dialogue forums and early-warning consultation mechanisms to address compliance issues proactively before escalation. Third, strengthening institutional capacity for ongoing monitoring, environmental impact assessments, and local content enforcement will help build a more sustainable and credible investment climate. Finally, a balanced approach that combines assertive regulatory sovereignty with predictable legal safeguards will be essential to attract responsible foreign direct investment while advancing national developmental goals in the energy transition era.

The POLY-GCL Ethiopia dispute illustrates that sustainable management of international energy investments requires a delicate equilibrium between protecting foreign investors' legitimate expectations and upholding the host state's sovereign right to pursue sustainable development and public welfare. By learning from this case, Ethiopia can refine its legal and institutional frameworks to foster a more resilient, transparent, and mutually beneficial investment environment. The lessons drawn here offer valuable strategic guidance for other resource-rich African nations navigating the complexities of resource nationalism, globalization, and the pursuit of equitable and sustainable energy development in the 21st century.

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