

OFFICIAL INSTITUTIONAL WHITE PAPER • POLICY BRIEFING

SHORT VERSION

MONGOLIA THE ECONOMIC CASE FOR DATA CENTER INVESTMENT

Sub-zero cooling economics, 2,600 GW of renewable resources, statutory data sovereignty — and 8.5 points of policy-driven equity return.

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Mongolia · The economic case for data center investment

Mongolia holds what data centers compete for. The climate, with more than 200 days a year at sub-zero temperatures, supports a design power usage effectiveness below 1.2 against a global average of 1.54, cutting the largest controllable cost in a facility by roughly 40%. Renewable potential stands at 2,600 GW, equivalent to 5,457 TWh a year, against a national system of just under 2 GW. Land is effectively unconstrained, at two people per square kilometer and only about 2% of the territory privately held, so a site can be allocated direct government decision rather than assembled from private titles. Last but not least, Mongolia sits on a direct land border with the largest compute market in Asia as an independent parliamentary democracy with no bloc alignment on compute or on data.

Building on these strong fundamentals, Mongolia already has a legislative base that makes projects bankable. Investment agreements can stabilize the tax environment at prevailing rates for a fixed term. High technology processing and renewable energy equipment enter free of customs duty anywhere in the country. Equipment entering an economic free zone is further exempt from all customs duty, value added tax and excise, buildings in a zone are exempt from property tax, and there are no land fees for the first ten years of operations. Long-term power purchase agreements and independent generation are provided for in law, the permit set has been consolidated onto a single statutory basis, and the cyber security framework sets a defined compliance baseline. The European Investment Bank and the European Bank for Reconstruction and Development have committed a \$2Bn facility for green, renewable infrastructure at a low interest rate of SOFR plus 1 to 3%.

The Government now proposes to further enhance the package to make Mongolia at the forefront of destinations for data centers. The draft Law on Data guarantees that foreign data hosted in a foreign-operated facility on Mongolian territory is inviolable, with no state access except under ratified treaty; protects transit traffic and requires independent backup routing; and creates a single window for approvals with deadlines set in law. A tax package adds a corporate income tax holiday, relief from withholding tax on distributions and property tax relief, regardless of location. A cooperation framework with local communities is to be settled at the outset rather than negotiated after commitment. Most consequential of all, and delivered commercially rather than legislatively, dedicated private suppliers can guarantee hybrid power supply within 24 months of a project decision.

Benchmarked against 26 competing jurisdictions across 11 policy levers, Mongolia's proposed package is highly competitive. On tax and customs relief every jurisdiction offers something, and Mongolia does not claim it as a differentiator. The field is weak precisely where commitments are hard, because they require a

state to bind itself in a way it cannot quietly reverse: a firm date for grid connection, sovereignty guaranteed by statute, development finance that actually reaches a project, and determination deadlines that bind the government. Mongolia commits on all four, and no other jurisdiction in the benchmark does. Set against connection queues of four to ten years in the established markets, several of which have restricted new connections outright, a guarantee of 24 months is the scarcest thing on offer.

This paper values the potential investment case through a reference project of 100 MW, costed from published international benchmarks at approximately \$33Mn per MW, returns 9.6% to equity on Mongolia's physical advantages alone, with power at the commercial tariff, debt at commercial rates and no fiscal support of any kind. The measures already in force carry that return to 13.5%. The measures proposed carry it to 18.1%. Policy, rather than geography or climate, creates 8.5 percentage points of equity return, and 3.9 of those points are already law.

There also exist two underlying assumptions, that should be highlighted at the outset for a campus in Mongolia, the existing electricity system cannot absorb demand of this scale, which is why any credible project must arrive with its own generation contracted alongside it rather than drawn from the national grid. And the policy framework is not yet finalized, the proposed measures described here require approval by the State Great Khural, and several specific parameters have still to be set. That is a deliberate choice in timing, Mongolia is early enough that investors engaging now can still work with policy-makers to shape the environment they will operate in. If an investor brings the compute, and Mongolia will provide the land, a supportive policy environment and the law that protects what is built here.



TWO

MONGOLIA'S SITE PROPOSITION

Mongolia already has an array of natural advantages before any policy is written, the most impactful being: the climate, the renewable resource, the abundance of land and the country's position between two large markets. This chapter looks at each in turn, quantifying where the evidence allows and then looking at the tangible impact it might have on a prospective project. Legal and regulatory conditions have intentionally been excluded as they are not natural endowments and will be discussed in Chapter 3.

As discussed in previous chapters, siting decisions for data centers have narrowed considerably. A decade ago locations were chosen against a long list of soft criteria: market proximity, tax treatment, labor, political familiarity. Today the list is short, physical and largely non-negotiable. Can the site obtain power at scale, can it reject heat cheaply, can it be connected, and can an investor be confident that the rules will hold across a twenty-year asset life?

The case for Mongolia is not that it is an obvious location. It is that the country holds two physical endowments that cannot be manufactured elsewhere, a third that removes a constraint now binding in the established hubs, and a fourth that is a matter of standing rather than of geography. None of them carries an investment case on its own. These fundamentals make a data center possible in Mongolia; they do not make one happen, and Chapter 3 lays out the measures that move the needle for investors.

2.1 Climate

Mongolia has more than 200 days a year at sub-zero temperatures, with an average annual temperature of approximately 2°C and mean temperatures remaining below freezing from November through March. The practical consequence is free cooling for most of the year, and cooling is the largest controllable cost in a data center. It is also the one advantage in this chapter that no competing jurisdiction can legislate away.

Ambient temperature translates into power usage effectiveness, the ratio of total facility energy to IT energy. The industry weighted average has been effectively flat at 1.54 for six consecutive years, constrained by legacy plant and by regional limits on efficient cooling, while the best-run hyperscale fleets operate between 1.09 and 1.15. The reference project discussed in Chapter 5 assumes a PUE of 1.2 as a conservative benchmark per similar colder climates.

The benefits of a cold climate are not infinite. First, sub-arctic siting imposes its own costs: glycol loops and freeze protection, winterized outdoor plant, heated access and maintenance provisions, and a construction season materially shorter than in temperate markets.

Second, the advantage is narrowing, and it is an advantage of design rather than of geography alone. Direct liquid cooling substantially decouples PUE from ambient temperature, which is precisely why hyperscale operators already achieve 1.10 to 1.15 in temperate locations. Mongolia's thermal advantage is real against the industry average and a well-designed liquid-cooled facility here can be even more competitive.

Third, the advantage really manifests as operating cost saving, not as a capital saving. Lower ambient temperature reduces chiller sizing and run hours, but the AI-optimized shell and core still carries a premium of roughly 7 to 10% over a standard build, and liquid-cooling provisioning adds a further premium of similar magnitude.

2.2 The renewable resource

Mongolia's theoretical energy position is extraordinary. Total renewable potential is estimated at approximately 2,600 GW, concentrated in the solar and wind resource of the Gobi, equivalent to roughly 5,457 TWh of generation a year. The quality of the resource matters as much as its quantity. Solar radiation runs at 1,200 to 1,600 kWh per square meter a year, with two-thirds of the country receiving 5.5 to 6.0 kWh per square meter a day across close to 300 sunny days, while wind capacity factors average 35%. The two resources complement each other through the day, with wind carrying load overnight, which is the characteristic that makes a high renewable share achievable at a constant industrial load rather than merely at an annual average.

However, the current operating position is the opposite. Installed generating capacity was approximately 1,814 MW in 2024, of which renewables accounted for 337 MW, or 18.6%. Mongolia generated 8,755 GWh and imported 2,863 GWh in 2024; total consumption was approximately 11.6 TWh, of which imports supplied 24.7%, and the recorded winter peak load was 1,655 MW.

As a result, a grid-connected AI data center at a meaningful scale is not something Mongolia's existing system can absorb. Any credible project is therefore additive by construction: it must arrive with its own generation, contracted and built alongside it. Sections 3.4 and 7.4 show what happens otherwise, in a market where powering a single announced campus would have required switching off a large section of the country.

The competitive claim that survives from this is not price. It is time. Average lead times to secure a grid connection now exceed four years globally and run to seven years in Virginia and Germany, and Dublin reopened applications in December 2025 only on bring-your-own-power terms. Mongolia's proposition is a contracted block of power provided by private sector players inside 24 months. Section 3.3.2 further expands this advantage.

2.3 Land, siting and water

Mongolia's land position requires little explanation. The country covers roughly 1.56 million square kilometers with a population of approximately 3.5 million, giving a population density of about two people per square kilometer, the lowest of any country in the world. Only about 2% of the territory is privately controlled, so the allocation of a site is a government decision rather than a multi-year assembly of private titles, and 86% of the land is classified as agricultural pastureland or open steppe of the kind suitable for a campus.

Water is the constraint that sits alongside land, and could be the most credible objection to Mongolia. Mongolia is among the world's most land-degraded countries. The sixth national assessment places 81.9% of the territory under some degree of desertification and land degradation, of which 0.9% is very severe, 6.2% severe and 42.9% moderate. Groundwater supplies the large majority of national water use, and the annual average air temperature has risen by 2.5°C between 1941 and 2025. Any industrial proposal that arrives in Mongolia carrying a significant water footprint will, correctly, face resistance, and the objection should be met directly and structured into the project from the outset.

However, an AI data center of the type modeled in this paper does not carry this type of water requirement. Industry average water usage effectiveness is roughly 1.8 liters per kilowatt-hour of IT load, against 0.19 to 0.20 liters for the best evaporation-free designs, which is what is assumed here. The strategic significance of water costs being low to the operator is that binding water commitments are easier to implement from a policy perspective without materially affecting the economics.

2.4 Neutral position

The fourth condition is not just physical but also geopolitical. Mongolia shares a direct land border with China, the largest compute and data market in Asia. Mongolia is also a parliamentary democracy with an independent, non-aligned foreign policy. It holds no bloc alignment on compute or on data, and it has taken no side in the alignment of AI policy now forming between the major jurisdictions.

Connectivity is also more interesting than it first appears. Mongolia is landlocked and has no submarine cable access; all international traffic transits China or Russia. But the country sits on one of the shortest practical terrestrial routes

between East Asia and Europe. The Europe–Russia–Mongolia–China terrestrial system runs on two parallel routes of roughly 1,000 kilometers each along the Mongolian rail corridor and offers a Hong Kong to Frankfurt latency of approximately 146 milliseconds, materially better than the submarine alternatives. Additionally, as discussed in Section 3.3.1, the policy places no restrictions on transit and allows for independent back-up routing.



THREE

REGULATORY AND INVESTMENT FRAMEWORK

3.1 Overview

Mongolia has been developing a robust legal and fiscal framework for data centers, making it an attractive destination for investors. There are a range of existing supportive regulatory measures covering land rights and fees, customs duty and value added tax exemptions for equipment, and consolidated project permitting and licensing. Further measures are being added to put Mongolia at the forefront of the market, including the recent submission to Parliament of the Law on Data that will make Mongolia one of the first countries in the world to guarantee by law the sovereignty of foreign data.

The measures described here cover three different instruments: enacted legislation, proposed or submitted legislation, and government coordination measures. Mongolia has moved particularly fast in coordination measures relative to other markets, including making low interest financing available and offering short wait times for power from private energy providers.

This chapter sets out the support framework in two parts: Section 3.2 describes what is in force and available today and Section 3.3 describes what is being added.

3.2 What is available today

Mongolia already has a number of supportive measures in place that investors can take advantage of today. This subsection delves into four key areas: the legal environment, the fiscal environment, financing, and power, land and procedure.

3.2.1 Financing: USD 2 billion already committed

The European Investment Bank and the European Bank for Reconstruction and Development have committed a facility of USD 2 billion to finance green, renewable infrastructure in Mongolia, at SOFR plus 1 to 3% depending on project specifics. The facility is committed rather than indicative, and it is available now for projects that clear the approval and credit underwriting processes of the relevant financial institutions.

Chapter 5 identifies the cost and tenor of debt as a key driver of equity returns in the reference model, ahead of every fiscal measure. A committed source of long tenor capital at these margins is significant.

3.3 What the Government is adding

Everything in Section 3.2 remains in place. The measures below are additional proposed measures, some already submitted to Parliament in the draft Law on Data, and others through government coordination of relevant stakeholders.

3.3.1 Sovereignty

Statutory inviolability

Article 14 of the draft Law on Data establishes that data belonging to foreign persons hosted in a foreign operated data center on Mongolian territory is inviolable. Mongolian authorities are prohibited from accessing, physically or electronically inspecting, seizing or suspending the operations of such facilities, except as provided under international treaties, with carve outs confined to genocide, crimes against humanity, terrorism, crimes against children and international cyber-crime conventions.

The draft further contemplates foundational international agreements for cases of exceptional strategic importance, non interference with transit data flows, and diplomatic engagement with neighboring states to protect transit routes.

This is a legislated host state framework for digital embassies, the model pioneered by Estonia's 2017 agreement with Luxembourg and since developed in Saudi Arabia's draft Global AI Hub Law and Bahrain's host law approach. What distinguishes Mongolia's version is that it would be conferred by general statute rather than negotiated treaty by treaty, so that any qualifying operator receives it rather than only those able to secure a bilateral instrument.

Connectivity guarantees

The draft law protects the connectivity around that guarantee. Transit data flows may not be controlled or restricted, and operators are required to maintain independent backup routing so that no single route or neighboring country is a point of failure. Article 17 adds a requirement that low and medium earth orbit satellite data export services operate through ground stations located in Mongolia, usable as shared infrastructure, and establishes a regulatory sandbox for cross border data flow and connectivity technologies.

Benefit sharing

The special regime is accompanied by a benefit sharing agreement between the operator and the state, covering a regulatory fee for the inviolability guarantee, a fee on data exported via satellite networks that bypass Mongolian terrestrial infrastructure, an energy independence fee on self generation, defined access for Mongolian government, research and educational institutions to a share of facility capacity, and commitments on investment, workforce development and technology transfer.

Rates are to be set by Government regulation. The Government's intention is to settle the methodology transparently and in consultation with prospective investors, and to publish binding rate corridors alongside enactment so that the obligation is quantified before an investment decision is required. Investors with a view on where those corridors should sit are encouraged to engage now, while the framework is being designed.

3.3.2 Power: supply guaranteed within 24 months

Power connection date is the most commercially significant element of the package, and Mongolia is delivering it commercially rather than legislatively.

Private sector developers are deploying dedicated hybrid generation, combining renewable sources, storage and rapid response reserve and backed by the central grid, and are in a position to commit to reliable supply to a data center within 24 months of

a project decision. Estimated tariffs from new designated generation sources are in the range of 3 to 5 US cents per kilowatt hour.

Set against grid connection queues of four to ten years in the established hubs, this is the single largest advantage in the Mongolian proposition. It is available because generation is developed alongside the campus rather than sought from an existing system afterwards. The generation build runs in parallel with construction of the data center rather than sequentially after it, so time to power ceases to be the critical path.

3.3.3 The framework in summary

Mongolia has legislated quickly and is continuing to do so. The table below summarizes where each element of the package stands.

Table 1. Summary of policy and regulatory measures

Measure	Status	Instrument
Zero customs duty on computing equipment	In force	General customs tariff
Customs and VAT exemption, renewable equipment	In force	Customs Tariff Law art. 38.1.18; VAT Law art. 13.1.28
Property tax exemption	In force within a free zone	Law on Free Zones art. 16.5.2
Ten year land fee exemption	In force within a free zone	Law on Free Zones art. 23.2
Fiscal and tariff stabilization	In force	Law on Investment arts. 14.1 and 20.1
USD 2 billion financing facility	Committed and available	EIB and EBRD
Power supply within 24 months	Deliverable now	Private generation, convened by Government
Statutory data sovereignty	Submitted to Parliament	Draft Law on Data art. 14
Connectivity guarantees	Submitted to Parliament	Draft Law on Data arts. 14 and 17
Green data center incentives	Submitted to Parliament	Draft Law on Data art. 15
One window with statutory deadlines	Submitted to Parliament	Draft Law on Data art. 14
Corporate income tax holiday	In preparation	Amendment to tax legislation
Withholding tax relief	In preparation	Amendment to tax legislation

Status as of the date of publication.

In addition to the above measures, four things will complete the framework, and the Government has committed to each.

- Confirm expressly that a data center is infrastructure for the purposes of Investment Law Article 16.2.1 and the extended loss carry forward, falls within Free Zone Law Article 23.2, and constitutes information technology production for virtual zone purposes. Three determinations, no fiscal cost, and together they convert reliefs that are available in principle into reliefs an investor can rely on at financial close.
- Publish binding rate corridors for the benefit sharing regime alongside enactment of the draft Law on Data, so the obligation is quantified before an investment decision.
- Attach statutory determination deadlines to the single window provision, following the precedent already set for virtual zone registration.
- Deliver a serviced, data center ready site with substation capacity, redundant fiber and site works, using the public private partnership mechanism Article 24 of the Law on Free Zones already provides.

The decisive point for an investor is not the headline rate, which Mongolia has already brought to a competitive level, but whether the Government can state the full treatment in advance, administer it consistently and preserve it through the investment period. Mongolia has built the instruments to do all three, and the Ministry is available to work through them project by project with investors who engage now.



FOUR

MARKET LANDSCAPE: COMPARABLE MARKET REVIEW

4.1 The benchmarking and how it was built

Jurisdictions competing for data center investment say they are open for business, but they vary widely on the instruments they offer investors. This chapter benchmarks Mongolia against 26 data center jurisdictions, scored across 29 sub-dimensions grouped into 11 policy instruments.

The set spans the established European hubs of Ireland, the Netherlands, the United Kingdom, Poland and Greece; the Nordic countries Sweden, Norway, Finland, and Iceland; the Asian markets of Singapore, Malaysia, Thailand, Indonesia, India, Japan, Korea, Vietnam, and Inner Mongolia; Virginia and Quebec in North America; the Gulf states of the United Arab Emirates, Saudi Arabia, Bahrain and Qatar; and Mongolia's Central Asian neighbors Kazakhstan and Uzbekistan.

Each instrument was decomposed into its constituent parts, because most bundle more than one thing and a jurisdiction can be strong on one and weak on another. Power price, for example, is scored as a price level question and a price certainty question separately, since a low tariff that can be revised is not the same product as a higher one fixed for 20 years. Sovereignty is scored across statutory limits on state access, localization burden, transfer framework and geopolitical neutrality. Every jurisdiction was scored from zero to 100 on each sub-dimension, rolled up by weight, and normalized across the field so that the weakest observed jurisdiction sits at zero and the strongest at one.

The scores are analyst judgments calibrated to statutory and market fact rather than a scraped dataset and they establish the shape of the field, rather than serving as a legal opinion on any jurisdiction.

4.2 Where Mongolia lands

Mongolia's package sits above the median on every instrument across the 26 comparators, and it leads the field on those where the field is weakest.

Table 2. Mongolia against the field

Instrument	Field median	Mongolia	Basis
Withholding tax	0.24	1.00	Relief on outgoing equity cash flows for the project life, in preparation
Community partnership	0.25	0.90	Defined framework set at the outset, with consultation required, proposed
Customs and VAT on equipment	0.39	1.00	Zero rated computing equipment and dual exempt renewable equipment, in force
Licensing and approvals	0.31	0.92	Single window in draft; statutory determination deadlines to be added
Property tax	0.44	1.00	Full exemption in a free zone, in force; extension outside a zone in preparation
Concessional finance	0.27	0.83	USD 2 billion committed facility, available now
Sovereignty	0.56	0.96	Statutory inviolability under the draft Law on Data
Land tenure and tariffs	0.59	0.90	Long tenure at low cost, ten year fee exemption from commencement of operations, tariffs fixed by investment agreement
Corporate income tax holiday	0.42	0.50	Holiday in preparation; two year IT equipment depreciation available under ordinary rules
Power price	0.53	0.58	Estimated 3 to 5 US cents per kWh from new designated generation, fixed by agreement
Power connection date	0.54	Leading	Supply guaranteed within 24 months against queues of four to ten years

Field median is the median normalized score across the 26 benchmarked jurisdictions.

Mongolia's largest advantages are on instruments the field neglects. The gap to the median is widest on withholding tax, community frameworks, customs treatment and licensing certainty. These are not the instruments most jurisdictions market, which is precisely why they are available to be led on. Of these, the customs treatment is the one already fully in force.

Mongolia aims to be competitive rather than leading on corporate income tax, while the Gulf offers zero rates indefinitely and Uzbekistan exempts CIT until 2040. Mongolia's sector holiday is in preparation and requires amendment to the tax code.

On power, Mongolia is close to the median on price, because Iceland, Inner Mongolia, Saudi Arabia and Kazakhstan all deliver cheaper power. However, Mongolia intends to lead on connection date with a 24 month guarantee from private sector energy providers. This is the scarcest measure in the benchmark set, against a field in which the median jurisdiction offers no connection commitment at all, and in which several major hubs have restricted new connections entirely.



FIVE

PROJECT ECONOMICS: THE OPPORTUNITY

The preceding chapters set out what Mongolia can offer a prospective project. The climate removes much of the cooling load, the renewable resource stands far in excess of current national demand, land is over 90% state owned and is allocated by government decision, and the country occupies a neutral position between two of the world's largest compute markets. These conditions make a data center possible in Mongolia, but they do not by themselves make one immediately bankable.

This chapter will explore the economics of a single reference project, a 100 MW AI-optimized campus. There are countless permutations that a data center in Mongolia can take, but there are a number of valuable conclusions to be derived from analyzing just one such project from the ground up. We will discuss the inputs shaping this project in the following sections, but on Mongolia's physical advantages alone, with power purchased at the prevailing commercial tariff, debt raised at commercial terms and no fiscal support of any kind, the reference project returns 9.6% to equity. At this level, the project is not necessarily bankable for the sponsor, but the next layer of analysis looks at the impact of the various policy measures discussed above and the relative magnitude of this impact.

The measures already enshrined in Mongolian law lift that return to approximately 14%, and the measures proposed in the Draft Law on power and other amendments lift it beyond 18%. Around 900 basis points of equity return are therefore created by policy rather than by geology or climate.

A couple points worth highlighting, first, the base case has intentionally been drawn conservatively,

since it assumes grid power at today's commercial tariff with no long-term price protection, an 11% cost of debt with no concessional participation, full tax leakage and no free-zone treatment. A sponsor holding firm offtake and enjoying access to development finance would already begin from a higher returns number. The second follows from the first, which is that the uplift rather than the absolute return is the figure that transfers between sponsors, because every investor will substitute their own assumptions on rate, occupancy and cost of capital. What Mongolia offers is not necessarily a 9.6% project turned into an 18% project, but approximately 900 basis points of policy-created return applied to whatever baseline a given sponsor brings.

5.1 Returns analysis

5.1.1 The base case

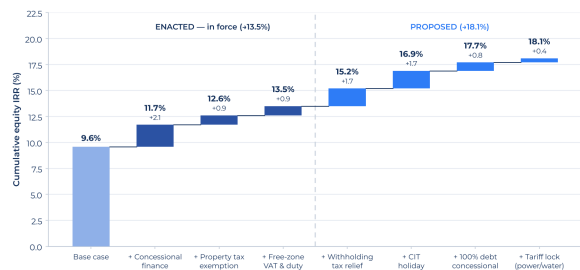
The base case returns 9.6% equity IRR, which is below what most sponsors would consider bankable, and three factors account for this shortfall. The first is capital intensity, since at approximately \$33Mn per MW all-in, and with a refresh program costing a further \$5.1Bn across the horizon, the project's return is highly sensitive to the cost of the capital funding it. The second is the cost of debt, because at 11% interest consumes \$291Mn in the first operating year against EBITDA of \$491Mn, so that debt service rather than operating performance suppresses early equity cash flow. The third is tax leakage, since cash tax begins in year 9 while \$627Mn of accumulated losses expire unused, and a 20% withholding tax applies to distributions thereafter.

None of these factors are Mongolian in origin. They describe the economics of AI infrastructure in any jurisdiction, and what differs between jurisdictions is the response of the state.

5.1.2 Impact of existing and proposed measures

This section prices the policy uplift available to the reference project. The bridge below carries the equity IRR from the 9.6% base case to 18.1% under the full policy package, a total of 8.5 percentage points, and separates that uplift into two parts. The blue steps are measures already in force under Mongolian law, which together carry the return to 13.5%. The green steps are the incremental measures proposed, which carry it from 13.5% to 18.1%. Each step is measured against the running total to its left, so the bridge is cumulative rather than a set of independent contributions.

Exhibit 9. Equity IRR bridge: base case to the full policy package (%)



Source: reference project financial model. Steps are cumulative and each is measured against the running total to its left; the blue steps are measures already in force and the green steps are measures proposed.

Existing measures

Mongolia's statutory framework is not a blank page, and a material portion of the required uplift is available today without further legislative action. The measures already in force are set out in Chapter 3. Three of them carry a separately priced step in the bridge, and together they account for 3.9 of the 8.5 percentage points of total uplift.

The largest of the three is access to concessional financing, worth 2.1 points and lifting the return from 9.6% to 11.7%. This reflects the \$2Bn facility for green, renewable infrastructure at SOFR plus 1–3% which the European Investment Bank and the European Bank for Reconstruction and Development have committed, drawn as a capped first tranche against a residual funded at commercial terms. Property tax exemption is worth a further 0.9 points, to 12.6%, as buildings within an economic free zone are exempt from property tax. Economic free zone duty treatment is worth 0.9 points more, to 13.5%, through exemption from VAT and excise on imported equipment and the absence of land fees for ten years counted from

the commencement of operations.

Two further features of the existing framework carry no separate step in the bridge but underpin the case throughout. High-tech processing equipment enters at zero customs duty under the general tariff schedule, whether inside an economic free zone or outside one, and renewable energy equipment is exempt from both duty and VAT, so that relief is already embedded in the 9.6% base case rather than added to it. The Law on Investment permits the fiscal environment to be stabilized at prevailing rates for a defined term, and the Law on Energy and the Law on Renewable Energy provide for long-term purchase agreements with state and private generators and for independent generation; these govern the durability of the assumptions on which every step in the bridge rests rather than moving any one of them.

Just around half of the total policy uplift is therefore already law. An investor is not asked to underwrite passage of the entire package before committing capital, but rather to price the 4.6 points of incremental measures set out below.

Proposed measures

The proposed package as drafted comprises eight levers, which are a corporate income tax holiday, removal of withholding tax on distributions, property tax relief, land fee relief, land provided at no cost, economic free zone treatment of import duties and VAT, power and water tariffs locked for the project life, and access to concessional financing at approximately 500 basis points below commercial terms. Four of these are wholly or partly captured in the blue steps above: property tax relief, free zone treatment and land fee relief are already available under existing law, and concessional financing is already available up to the committed tranche. Land provided at no cost carries no separate step, its effect on a project of this capital intensity being subsumed within free zone treatment. Four priced steps therefore remain, and they account for the 4.6 points between 13.5% and 18.1%.

Removal of withholding tax on distributions is the first, worth 1.7 points and lifting the return from 13.5% to 15.2%. The corporate income tax holiday is worth a further 1.7 points, to 16.9%. Extending concessional terms to the full debt quantum, rather than to a capped first tranche, adds 0.8 points, to 17.7%. Locking power and water tariffs for the project life adds the final 0.4 points, bringing the return to 18.1%.

These increments are sequential and should not be read as independent contributions. A tax holiday granted to a project already sheltered by depreciation delivers little, and the 1.7 points attributed to it here reflect its position in the bridge after the withholding exemption and against a base case in which cash tax does not begin until year 9. The 0.4 points attaching to the tariff lock likewise reflect the power price already assumed in the base case, and the same

commitment is worth more to a project purchasing grid power than to one building its own generation. Reordering the steps would redistribute the increments between them without changing the 18.1% endpoint.

5.2 Limitations of this analysis

The model is deliberately narrow, and a number of matters fall outside it. Construction and interconnection delay is not sensitized here, since the model assumes a three-year build and energization on schedule, although delay remains the most common and most damaging risk in this asset class. Offtake concentration is likewise not modeled, because the 95% GPU occupancy assumption reflects contracted anchor offtake without capturing counterparty concentration or renewal risk on that contract. Technology change beyond the modeled cadence falls outside the analysis, as the refresh engine assumes a stable five-year cycle with predictable capability and cost progression and does not capture a discontinuity in either direction. Currency movement and repatriation restrictions are excluded, since the model is denominated in USD throughout and assumes the free repatriation of distributions net of withholding tax.

Legislative risk should also be mentioned here. The measures described in Section 3.3 are proposals, they require approval by the State Great Khural, and several require amendment to tax legislation that has not yet been drafted. The returns attributed to them are conditional on that approval, which is why the distinction drawn in Section 5.1.2 between measures already in force and measures still proposed is material to any investment decision.

The global build-out of computing capacity is no longer constrained by capital but by power, land, and the willingness of a jurisdiction to give a firm answer within a timeframe an investor can plan around. The established hubs have run into all three limits at once, while Mongolia has built a framework to address where commitment is hardest: a firm date for power, sovereignty guaranteed in statute, financing that reaches a project, and deadlines that bind the Government rather than the investor.

The framework is not finished, and Mongolia is early enough in this sector that those who come now will help shape the investment environment. The Government of Mongolia invites investors, operators and lenders considering where to place the next generation of computing capacity to engage and shape the industry together.