

**To be delivered by Ambassador H.E. Zohrab MNATSAKANYAN,
Permanent Representative of the Republic of Armenia to the United Nations
Office and other International Organisations at Geneva *on behalf of Areg
GALSTYAN, Deputy Minister, Ministry of Energy, Republic of Armenia*
during session commencing at 3pm on Tuesday 28 November**

Towards Ensuring Energy Security and Independence of Armenia

Loss of energy security is a subject of a great risk for our country, which is situated in hard geopolitical zone but for all that is keeping its political and economic stability. What will be the impact of energy security loss on social-economic life of the country could be assessed by the bitter experience gained during energy crisis in Armenia during 1993-1995.

Armenia is almost completely dependent on imported primary energy sources. It does not have any oil wells, gas wells, or refineries. There is also no coal production. The only domestically produced primary energy is electricity from the hydroelectric plants and, conditionally the single nuclear power plant.

During the current year, with the assistance of the US Agency for International Development, the RoA Ministry of Energy developed the “Least Cost Generation Plan for 2006” using as a basis the principles of “Economic Development of the Republic of Armenia within the Frameworks of the Energy Sector Development Strategy” approved by the RoA Government.

According to that document, the following targets of the energy sector development strategy have been identified, which are highly important to guarantee the energy security and independence of the Republic of Armenia:

- Nuclear Energy
- Energy renewable sources and energy conservation
- Energy carriers diversification
- Power systems regional integration

“Least Cost Generation Plan of the Republic of Armenia” (LCGP) in its various scenarios of development of generation capacities gives priority to the nuclear power development option that has been proven most valuable as a result of economic research and calculations.

In the result of the carried studies the Ministry of Energy accepted the following action plan:

- Implementation of all necessary steps towards continuous enhancement of the level of safety operation of the functioning unit of ANPP until its decommissioning;
- Preparation and implementation of ANPP decommissioning procedure;
- Solution of the issue of construction of new nuclear unit to replace the operating unit of the ANPP.

Being guided by the implemented analysis, as well as by the strategic and economic research, the following recommendations are made in the LCGP:

1. ANPP decommissioning in 2016 or earlier, as soon as the new nuclear energy unit is ready;
2. Complete funding of the ANPP safety upgrade projects and the required investments, to ensure safe operation of the nuclear plant before its decommissioning;
3. Comprehensive safety and environmental assessment of the ANPP site to determine the compliance of the site with the decommissioning and new units construction requirements;
4. Development and implementation of the plan targeted at the solution of problems regarding the affordability of Armenia to finance and construct a new nuclear plant by including the size and allocation issues of the plant;
5. Development of local renewable resources to enhance energy independence of Armenia and to ensure diversity of energy sources;
6. Development and implementation of energy efficiency encouraging projects that will make this sector attractive for consumers and will contribute to the acquisition of energy efficient equipment and devices;
7. Establishment and implementation of a project to minimize tariff influence on consumers with regard to the commencement of the ANPP decommissioning and to the new nuclear capacity.

According to commitment made by the GoA to the EC and following the measures mentioned in EU-Armenia action plan, a special fund was established by the GoA for decommissioning of ANPP.

Within the framework of TACIS 2005 “Assistance to Armenian Energy Policy” programme preparation of relevant legislation, normative acts and technical documents is being elaborating, schedule and the cost of necessary steps for decommissioning of ANPP is being evaluating. Currently the strategy paper for ANPP decommissioning is elaborated, which would be submitted to GoA’s approval during 2007 after finalization of discussions with interested organizations.

The Government has already undertaken certain steps towards implementation of the strategy. They are as follows:

- The first stage of construction of Meghri-Kajaran section of Iran-Armenia gas main will be accomplished in nearest future;
- Activities on construction of a new 208 MW combined cycle energy unit on the Yerevan TPP territory began;
- The second 220 kV power transmission line between Iran and Armenia is constructed;
- Design works on Armenia-Georgia 400 kV overhead line and feasibility study of Iran-Armenia 400 kV overhead line started;

- Activities on design and construction of the second stage dry storage for spent fuel started by Cogema Logistic Company of the French AREVA group;
- Development of the financing schedule for construction of the Loriberd HPP by the German KfW Bank and the Asian Development Bank is in process;
- The feasibility study for construction of the Meghri HPP is accomplished;
- The energy conservation and renewable energy fund has been established by the funds of EBRD, WB and Kafesjian Foundation, as well as the Small HPPs modernization program financed by the German KfW Bank has commenced;

One of the primary targets of the energy sector development strategy is that Armenia should be involved in the regional power market that is currently in the process of formation, to provide for the formation of a circular power system of Black Sea countries, activities developed according to the program of cooperation of energy systems of Caspian Sea/Black Sea countries and their neighbor countries, and creation of North-South parallel operation relations.

The amendment to the RoA Energy Law eliminating state ownership of the plant while constructing new energy units opened the way to investments from other financial sources. In conformance with the aforementioned amendment, the ANPP will remain under state ownership and only new one can be not state owned. Moreover, the spent nuclear fuel and radioactive waste in the newly constructed nuclear units will also be treated as state-owned.

Taking into consideration the recent developments in international and mostly regional oil and gas markets that brought to sharp increase of gas prices, definitely the priority is given to nuclear option among the various development scenarios of energy sector development programmes of Armenia. The studies carried out by independent experts with initiative of the Ministry of Energy reveals that the nuclear option is not only one in view of the need to maintain the necessary energy security and independence, but also economically - in comparison of technical-economic parameters with consideration of increase of gas and nuclear fuel prices, as well the ecological aspects and regional integration to electricity markets.

Fully conceiving all the difficulties concerning to financing for the construction of new nuclear unit, by the initiative of GoA the amendments were made in the Law of Energy and adopted by the National Assembly of RA, according to which previously acting state monopoly was liquidated. This will allow anticipating investments for the construction of new nuclear units from other financial sources too. In our opinion, the role of new nuclear units in view of producing base-load electricity as well as electricity supply to regional countries also provides an opportunity for selection of special financing schemes.