

Comments from the United States-- Endorsement of the Investment Plan for Armenia

United States Comments on SREP Investment Plan for Armenia

We appreciate the efforts of the Government of Armenia and the World Bank to put together an Investment Plan that fits with the goals of SREP and addresses some of the interesting challenges that the country faces in developing its clean energy sector. We think that scaling up renewable energy in Armenia would be very helpful for climate change mitigation reasons as well as energy security reasons, given Armenia's strong dependence on imported natural gas. There are a number of positive aspects to the plan and it is moving in the right direction, but we also think there are some outstanding issues that need to be better addressed before we can vote to approve the plan. These issues are:

- The problems with the geothermal project expressed by the independent reviewer raise some serious concerns and they are not sufficiently addressed by the responses in Annex G. We would like to see a more detailed response to the issues raised by the independent reviewer.
- Why was geothermal power included in the IP, despite having a low scale-up score in the ranking criteria (Table 4.1), while geothermal heat pumps and solar thermal heating were not included even though they scored higher in the options ranking? What programs will diffuse these higher ranking technologies? Are the other funding mechanisms for the two latter options similar in size and scale to SREP?
- We are concerned about the lack of strong commitment to policy reform tied directly to SREP support, and a strategic framework for implementing it. The document identifies major barriers to investment in renewables, but the mitigation options are not clearly identified enough to provide confidence that the SREP program will help overcome them, nor does there seem to be any clear commitment from the GoA to implement reforms that could increase the likelihood of success stemming from SREP funding. How will the SREP program facilitate energy sector reforms? Additionally, please explain how structural problems—like the poor coordination between government authorities (PSRC and MoNP) on obtaining necessary permits for RE technologies—will be improved in order to catalyze further renewable sector development.
- We would appreciate more detail about how the proposed projects will help catalyze private investment and growth in the geothermal or utility-scale solar PV sectors. The geothermal project depends largely on a funding source that is not identified in the investment plan. While we appreciate that a private sector partner has not yet been identified, the IP could provide some examples of potential partners or at least some estimate of expected co-financing levels from the GoA, IBRD, or ADB.
- We echo the UK's comment about energy efficiency opportunities, especially given the aging energy infrastructure in Armenia. Are there substantial opportunities for energy efficiency and how might they fit in the SREP program?

Our preference would be to not wait until June sub-committee meeting to address these issues, but rather to set up a video conference in the next few weeks.