



## **TERMS OF REFERENCE**

### **Scaling-up Renewable Energy Program (SREP)**

#### **Scoping Mission**

**July 2-11, 2012**

#### **Armenia**



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# 1. BACKGROUND

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1.1 The **Climate Investment Funds (CIF)** support developing countries as they move toward low emissions and climate resilient development. The CIF provides developing countries with grants, concessional loans, and risk mitigation instruments that leverage significant private sector, MDB, and other co-financing. Five Multilateral Development Banks (MDBs) - the African Development Bank (AfDB), Asian Development Bank (ADB), European Bank for Reconstruction and Development (EBRD), Inter-American Development Bank (IDB), and World Bank Group (WB), including the International Finance Corporation (IFC) - are the implementing agencies of CIF funded projects and programs.

1.2 The CIF's financial architecture rests on two trust funds: (i) the Clean Technology Fund (CTF); and (ii) the Strategic Climate Fund (SCF):

- The CTF finances the scaled-up demonstration, deployment, and transfer of clean technologies. The focus is on piloting investments in countries or regions that have the potential for significant greenhouse gas abatement.
- The SCF finances targeted programs that pilot new approaches with the potential for scaling up. The SCF includes the Forest Investment Program, the Pilot Program for Climate Resilience, and the **Scaling Up Renewable Energy Program in Low-income Countries (SREP)**.

1.3 The objective of the SREP is to pilot and demonstrate the economic, social and environmental viability of low carbon development pathways in the energy sector by creating new economic opportunities and increasing energy access through the use of renewable energy. An initial group of six pilot countries was selected to receive funding under the SREP program (i.e., Kenya, Ethiopia, Mali, Nepal, Honduras, Maldives). In addition, a group of 'waitlisted' countries, including Armenia, was selected to receive SREP funding provided additional resources become available. In March 2012, the SREP sub-committee agreed upon the upper amount of funding and order of priority in which funding would be allocated to these countries: (1) Tanzania, US\$50 million; (2) Liberia, US\$50 million; (3) Yemen, US\$40 million; (4) **Armenia, US\$40 million**; (5) Pacific Regional (Vanuatu, Solomon Islands), US\$30 million; and (6) Mongolia, US\$30 million. As of May 2012, only Tanzania has secured SREP funding, implying that Armenia will receive SREP funding once additional resources have become available for Liberia and Yemen (in this order).

1.4 During Phase I of the implementation of the SREP the WB/IFC, EBRD, and ADB will be supporting the Government of Armenia and other relevant stakeholders - United Nations Organizations, bilateral partners, private sector companies, non-governmental organizations and civil society organizations - in developing the SREP investment plan. The finalization and

endorsement of the investment plan by the SREP Sub-Committee marks the beginning of implementation (Phase II).

## **2. COUNTRY CONTEXT**

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2.1 Armenia is estimated to have significant renewable energy resources, but they played a limited role in the country's energy supply. Approximately 740 MW (around 25 percent of existing installed capacity) of small hydropower, wind and geothermal resources were identified. The country made substantial progress in development of small hydropower potential, also through the private sector with support of the MDBs. In 2005-2011, around US\$85 million was invested in SHPP, which added around 135 MW of new SHPP capacity. The renewable energy based annual? electricity generation increased from 137 GWh in 2005 (0.5 percent of total generation) to 417 GWh in 2011 (around 6 percent of total generation). The donor community played an important role in promoting development of renewable energy in Armenia through a number of projects, which provided both investment and technical assistance to improve the legal and regulatory framework for renewable energy.

2.2 Overall, the existing legal and regulatory framework in Armenia is supportive to development of renewable resources. The Energy Law and the Law on Renewable Energy and Energy Efficiency clearly articulated the importance of renewable resources and provided a framework for facilitating their development. Among others, the legal framework guarantees off-take of electricity produced for all small renewable power plants at the tariffs set by the regulator (Public Services Regulatory Commission-PSRC) and provides payment assurance. Amendments have been initiated to eliminate a number of bottlenecks in legal framework and reduce the legal/regulatory risks of private investors in the sector.

2.3 The Government is committed to promoting the development of renewable energy in the country and to that end expressed its interested to be one of the pilot countries under SREP and was included in the reserve list.

2.4 The Government also seeks to build on the existing cooperation with multilateral and bilateral development partners, including the World Bank Group, EBRD, ADB, German KfW, etc. These institutions are currently supporting Armenia to increase renewable energy based power generation, rehabilitate and expand electricity transmission network.

### **3. PREPARATORY ACTIVITIES**

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3.1 The Government of Armenia, with support of MDBs, undertook a number of preparatory activities: (a) confirmation of the interest to start with the development of the SREP investment program; (b) collaboration with SREP/MDB technical mission to agree on key actions to initiate preparation of SREP investment plan, including preparation of the TOR for selection of the consultant to support the Government with development of investment plan; (c) started establishment of a task force under the Ministry of Energy and Natural Resources for the preparation of SREP investment plan; (d) submission of the request for advance preparation grant for the development of SREP investment program.

3.2 On February 3, 2012, the Government confirmed its interest to start with the preparation of the SREP investment plan and submitted the Confirmation of Interest Form.

3.3 The MDB technical mission visited Armenia on March 13-15, 2012 to discuss and agree on key activities required for the initiation of the SREP investment plan development, including timing and objectives of the next joint MDB mission. The mission had discussions with the Ministry of Energy and Natural Resources, the PSRC, donors and bilateral (KfW, USAID), the Renewable Resources and Energy Efficiency Fund (R2E2 Fund). The mission recommended the R2E2 Fund to take stock of renewable energy sector information and data, including the feasibility studies of resource development, technical reports on assessment of resource potential and other renewable energy relevant data and information. Development of the TOR for selection of the consultant to support with preparation of the investment plan is in progress.

3.4 The establishment of a task force for development of SREP investment plan is in progress and is expected to be completed by mid-June 2012.

3.5 The Renewable Resources and Energy Efficiency Fund, as the national implementing agency, submitted the Proposal for US\$300,000 Preparation Grant to develop the investment program. The proposal contains description of activities to be covered by the preparation grant, including description of the scope of work for consultant to support with development of the investment plan.

## 4. SCOPING MISSION - OBJECTIVES

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4.1 **The MDBs are organizing this Scoping Mission to assist the Government of Armenia in planning and preparing** the development of the SREP investment plan and the first Joint Mission.

4.2 The objectives of the Scoping Mission are outlined below:

- Identify relevant government counterparts, development partners and stakeholders for SREP activities;
- Hold discussions about the objectives of the SREP programme, its benefits and the modalities of its implementation in Armenia to ensure a common understanding by all stakeholders;
- Initiate discussions with main stakeholders and development partners
- Undertake a stocktake of existing activities and documentation available on a range of analytical, strategic and programming activities related to renewable energy, which are considered important aspects of preparing the investment plan;
- Agree on the scope and outline of the investment plan;
- Agree on timeline as well as financial and human resources required to prepare the investment plan; and
- Finalize the TOR for selection of the consultant to support the Government with preparation of the SREP investment plan; and
- Agree on the terms of reference for the next Joint Mission.

4.3 After completion of the mission, the MDB team will prepare an aide-memoire that describes the key issues, discussed, agreements reached and the next steps.

## 5. DATES

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5.1 The proposed dates for the Joint Mission are **July 2-11, 2012**.

## 6. PARTICIPANTS AND PROPOSED AGENDA

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6.1 The Scoping Mission will be coordinated by the Government through the Renewable Resources and Energy Efficiency Fund (R2E2), which is the implementing entity for SREP in Armenia.

6.2 The SREP mission team will include Gevorg Sargsyan (SREP Program Coordinator, World Bank); Arthur Kochnakyan (Energy Economist, World Bank), Tigran Parvanyan (Operations Officer, IFC), Adonai Herrera-Martinez and Remon Zakarias (both Energy Efficiency and Climate Change Business Development Managers, EBRD), Cinzia Losenno (Sr. Climate Change Specialist, ADB) and Cindy Tinagco (Energy Specialist, ADB),.

6.3 The MDBs focal points are:

- WB: Arthur Kochnakyan (akochnakyan@worldbank.org)
- IFC: Joita M. Mukherjee (jmukherjee1@ifc.org)
- EBRD: Andreas Biermann (BiermanA@ebrd.com)
- ADB: Cinzia Losenno (closenno@adb.org)

6.4 The Government focal point is: Ms. Tamara Babayan (Director of Renewable Resources and Energy Efficiency Fund, director@r2e2.am).

6.5 Table I presents a tentative agenda and timetable for the activities to be carried throughout the Scoping Mission.

Table I: Tentative Agenda and Timetable

Date	Morning	Afternoon
<b>July 2, 2012</b>	MDB team meeting	MDB team meeting
<b>July 3, 2012</b>	Kick-Off Meeting with Deputy Minister of Energy and Natural Resources	Technical meeting with R2E2 Fund
<b>July 4, 2012</b>	Meeting with task force	Technical Meeting continued
<b>July 5, 2012</b>	National Holiday in Armenia	National Holiday in Armenia
<b>July 6, 2012</b>	Meeting with development partners; meeting with Energy Institute under the Ministry of Energy and Natural Resources	Meeting with NGOs and civil society on social/environmental aspects of renewable energy projects
<b>July 9, 2012</b>	Stakeholder workshop	Stakeholder workshop
<b>July 10, 2012</b>	Meeting with PSRC	Meeting with private sector, including commercial banks; meeting with development partners Technical meeting with R2E2 Fund
<b>July 11, 2012</b>	MDB drafting of Aide Memoire	Wrap-up meeting with Minister of Energy and Natural Resources



## ANNEX 1. LIST OF STAKEHOLDERS

<b>Government (name, position, email)</b>		
Mr. Armen Movsisyan	Minister of Energy and Natural Resource	amovsisyan@minenergy.am
Mr. Areg Galstysan	Deputy Minister of Energy and Natural Resources	agalstyan@minenergy.am
Ms. Tamara Babayan	Director of Renewable Resources and Energy Efficiency Fund	director@r2e2.am
Mr. Levon Vardanyan	Head of Development Department	techpolicy@minenergy.am
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<b>Development Partners (name, position, email)</b>		
Ms. Bella Andriasyan	KfW, Senior Project Coordinator	Bella.Andriasyan@kfw.de
??	JICA	
??	AFD	
Mr. Armen Yeghiazarian	USAID, Project Coordinator	ayeghiazarian@usaid.gov
<b>Private Sector (name, position, email)</b>		
To be provided		
<b>Civil Society (name, position, email)</b>		
To be provided		
	UNEP	
	UNIDO	