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МИНИСТЕРСТВО ЭКОНОМИКИ РЕСПУБЛИКИ АРМЕНИЯ

М И Н И С Т Р

MINISTRY OF ECONOMY OF THE REPUBLIC OF ARMENIA

MINISTER

№ 01/22/1088-09

« 24 » 03 2009թ.

To Asad Alam

Country Director, ECCU3

The World Bank

Dear Mr. Alam,

*Re: Electricity Supply Reliability and Energy Efficiency Project*

As you know, the Government of Armenia has a very successful energy sector cooperation experience with the World Bank. The previous and on-going energy sector projects greatly contributed to the energy sector reform and development increasing the overall energy sector reliability, efficiency and financial viability.

As you are aware, during the discussions with the World Bank the Government continuously emphasized the priority of improving the reliability of electricity supply and energy efficiency for the country. Some sections of the electricity transmission network are severely deteriorated, jeopardizing the reliability of electricity supply and increasing energy losses. Moreover, the transmission network is essential for regional integration of the energy sector and electricity exports, which is one of the key targets of the Government's energy sector strategy. The recent World Bank financed study on assessment of economically and financially viable energy efficiency potential found support within the Government and clearly exposed the significant economic benefits to the country from investing in economically and financially viable energy efficiency projects. The Government's commitment to promote energy efficiency is reflected in the sector's legal framework, including the Law on Renewable Energy and Energy Efficiency and the National Program on Energy Efficiency and Renewable Energy.

Facilitation of energy efficiency will enable the country to increase the energy security and promote overall economic competitiveness. Thus, the Government prioritizes inclusion of transmission network rehabilitation and energy efficiency in the Country Partnership Strategy.

The Government seeks the World Bank's support to rehabilitate the transmission network, remove obstacles to realization of economically and financially viable energy efficiency potential and to provide funding to finance investments in energy efficiency improvement measures. The proposed electricity supply reliability and energy efficiency project in the amount of US\$ 30-40 million will enable to (i) rehabilitate the heavily deteriorated sections of the transmission network; (ii) remove the barriers to energy efficiency investments; (ii) demonstrate the benefits and catalyze investments in energy efficiency projects; and (iv) provide funding to finance the investments in energy efficiency improvement measures in public buildings.

We understand that promotion of energy efficiency is in line with the GEF's focal area strategic programs and to that end we request the World Bank to pursue receipt of a GEF grant to support the project preparation and removal of energy efficiency barriers.

Sincerely,

Nerses Yeritsyan

A handwritten signature in black ink, appearing to read 'N. Yeritsyan', written in a cursive style.