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PRESS RELEASE

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EuFoA calls for common EU-Armenia efforts to stop waste of gas

The announcement of sharply increased gas prices for Armenia have sparked many questions about social and geo-political consequences. Discussions on the exact extent, the timing and the handling of the price increase are still on-going and will hopefully lead to a feasible solution. Meanwhile, it is worth looking at the large potential for helping Armenian citizens based on similar experiences made in other European countries. In this context, EuFoA (www.EuFoA.org) calls upon the Armenian government and the EU to redouble their common efforts to reduce avoidable gas consumption and waste in Armenia in mainly two areas:

1. In Armenia until today, most housing relies on old style heating systems and lacks basic insulation, wasting up to 50% of the energy. The government should therefore focus most of its subsidies on renovation projects which tackle these issues and seek the EU's advice with similar programmes in the EU, including the new EU energy passports for buildings. Finally, the EU should provide financial assistance for energy-efficiency related administrative reforms and in part also for renovation funds. If the USA joins the latter, they can more credibly insist on the continued low reliance on Iranian gas in Armenia.
2. Currently 30-40% of Armenia's electricity is produced by thermal power plants based on gas. Meanwhile, Armenia continues to underexploit its large potentials in solar, wind and hydraulic energy. These renewable sources would also increase Armenia's energy independence and decentralise the strategic risks of Armenia's energy production in times of natural disasters or conflicts. Germany, amongst others, has offered Armenia a renewable energy programme, which should be implemented quickly and possibly widened.

We believe that the problem needs to be resolved primarily in Armenia, which undergoes energy market changes similar to those in Central European countries in the 1990s and will continue to do so over the coming 10 to 20 years. The consequences of price increases can be compensated, even over-compensated, by falling prices in other areas and a reduction of the average gas consumption by families in Armenia. For this, all the measures described here need to be applied together. Armenians should also be reassured that the EU-Armenia Deep and Comprehensive Free Trade Area (DCFTA) will help increase the market efficiency and reduce prices of every-day goods in Armenia in the coming years.

EuFoA is happy to provide commenting or background analysis in English, German, French, Polish, Russian and Armenian. Members of the Europe-Armenia Advisory Council may also be available for comments; for enquiries please contact our secretariat.

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On the same issue, our Secretary General gave this interview to Armnews TV:

1. ARG has increased the prices for gas in Armenia. Do you think it was a geopolitical decision or an economic decision?

So far we don't have indications that it was a geopolitical decision, also because the overall prices in Armenia are still below international standards. But of course we need to watch this over the coming years, how the long term development will be.

2. The price increase causes many problems in Armenia. Do you think Armenia can expect any help from the EU?

I think the key thing is to now keep the inflation down, especially for the poor people in the country this is the biggest problem. The best contribution that the EU is making is through the Deep and Comprehensive Free Trade Area with the European Union. Why? Because this makes the Armenian market more competitive and with this increase in competition and effectiveness the prices in the country for everyday products will go down. So if for example, a poor pensioner will pay less on his everyday consumption food in the supermarket or when he has to replace his broken television or his broken washing machine, it will be a bit easier for him to handle the higher gas prices so the one can level out the other.

3. And how do you think the Armenian government should react to reduce the effect of this price increase?

I hope the announcements of the Prime Minister to subsidize gas for the poorest families are really serious because this is needed. Especially, attention should be given not so much to subsidising the gas but to the insulation of houses. If you give money to a family this year, during the winter, for the gas, you will also have to do that next year and the year after that. If you give money for insulating a house, that family can save up to 50% of its gas and they would do that every coming year, and you have to pay, as a state, only one time. So this is much more efficient and I hope that they will seriously implement it like that.