

**“CENTRAL ASIA: SHARED PAST AND COMMON FUTURE,
COOPERATION FOR SUSTAINABLE DEVELOPMENT AND MUTUAL
PROSPERITY”**

Samarkand, November 10-11, 2017

Cooperation on Water and Environmental Issues

Dear Mr Chairman,

The shrinking of the Aral Sea has been called “one of the planet’s worst environmental disasters”. The diversions of the rivers Amu Darya and Syr Darya – the main tributaries of the Aral Sea – for the irrigation of big acreages of cotton have had a negative impact on regional economics, the environment, health and livelihoods of the local population.

Major attempts to save the Aral Sea have been made, such as the construction of the Kokaral dam in 2005 in Kazakhstan, enabling the water level to rise by 12 meters in 3 years. However, such efforts are not enough to cure the symptoms of today’s environmental disasters, resource scarcities and climate change. What we need today is the promotion of technologies, the improvement of efficient energies and an encouragement of private investments in renewable energies in the Central Asian region.

In comparison to other countries, water consumption in Central Asia is extremely high, mostly because of the highly inefficient agricultural irrigation practices and old infrastructures from Soviet times. The World Bank estimates that approximately 79 percent of Central Asia’s irrigated water is lost en route, or evaporated because of poorly built canals.

In Uzbekistan, 1 percent increase in water pumping efficiency would result in savings of USD 10 million per year; and 10 percent increase in water pumping efficiency would result in regional savings of USD 188 million per year.

Such efforts are particularly important in regard of the region's emerging energy challenges, such as: rising electricity demand, ageing power infrastructure, limited energy access for remote and nomadic populations and the impact of climate change on the energy system.

The advantageous location of Central Asian countries offers a high potential for the deployment of renewable energies. With some 300 days of sunshine per year, solar energy is a potential of energy source in Uzbekistan; in Kazakhstan the potential of wind energy alone exceeds 10 times the country's projected electricity needs by 2030. The energy of the numerous small rivers in Kyrgyzstan, the hydro energy in Tajikistan, which is on the list of the world's top 10 countries with the highest hydropower potential and high solar energy prospects in Turkmenistan are other examples.

An increasing acknowledgment of the importance of renewable energies is noticeable. Uzbekistan generated 86.2 percent of its energy with fossil fuels in 2012. To shift towards renewable energy and enter an era of modernization, on May 26, 2017 President Shavkat Mirziyoyev approved the Program of Measures for the Further Development of Renewable Energy, Improving Energy Efficiency in the Economic and Social Spheres for 2017-2021. This program aims to raise renewables' share of power production to almost 20 percent by 2025.

We recently experienced the successful Astana Expo-2017 on Future Energy in Kazakhstan, which brought together countries, NGOs, companies and the general public to discuss on how best to ensure access to sustainable energies while reducing the carbon dioxide emissions.

Parallel to the Expo, Kazakhstan's capital also hosted the Ministerial Conference & the Eighth International Forum on Energy for Sustainable Development. During the four-day conference, the Energy Ministers of the UN Regional Commission explored ways to enhance the transition towards

a sustainable energy system – an essential step to secure access to affordable and sustainable energies and thus, to reduce greenhouse emissions. The solutions discussed in the Conference resulted in a Ministerial Statement, which provides a 10-step recommendation on how to create a new model of energy, which will further consolidate proposals of governments, the private sector, the academia and environmental organizations.

Uzbekistan is constructing the first on-grid photovoltaic power park in the region. The Asian Development Bank has helped Tajikistan rehabilitate a major Hydroelectric Plant. Hydropower Plant modernization projects – also financed by the Asian Development Bank – are currently ongoing in Kyrgyzstan.

Several projects are currently running in order to strengthen the cooperation of the Central Asian countries in addressing a sustainable resource management and development. Furthermore, some major projects between the EU and Central Asia were born in order to strengthen the dialogue and sustainable development between the Central Asia partners and to facilitate their cooperation with the EU on environment and climate change.

The European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD) have been active in the Central Asian region for some time now, having built partnerships with Kazakhstan, the Kyrgyz Republic, Tajikistan and lastly Uzbekistan. There are already a few examples of achieving success of major projects in the region financed by the these banks. One of them is the construction of a large-scale wind farm in the Gobi Desert of Mongolia, which will be ready for use at the end of 2018. The wind farm will help cut huge amounts of carbon emission and provide a sustainable alternative to coal use. By 2020 wind energy will cover

about 20 percent of the country's energy needs, thus becoming one of the main energy sources of Mongolia.

In 2016, the EBRD, the largest green financier in the Central Asian region, received the Sustainability Award for having financed the Burnoye Solar Plant in southern Kazakhstan, the first solar plant built in the country under the new renewable energy legislation. The EBRD is now considering financing an extension of the solar power plant.

The EBRD is committed to promoting an "environmentally sound and sustainable development". It has also recognized the need for new innovative approaches to reach these goals. Currently, the EBRD not only finances green projects, but also aims at a transition of green economy – meaning a transformation of markets, behaviors, products and processes. In order to reach these goals, the EBRD shifted its focus towards innovative financing mechanisms such as partnerships with the private sector and client-driven business models (a model that combines investment, technical assistance and policy dialogue).

The new Green Economy Transition Approach of the EBRD defines new financing mechanisms in which public and private investments are made with the aim to minimize the economic activity on the environment. This means that the support of projects goes beyond the mere financial support, and also manages related risks and offers innovation and deployment of the best available technologies through improved policy and legal frameworks. Also, the "Green Bonds" is another financial mechanism the EBRD aims at adopting. The EBRD appeals to Central Asian countries to improve the investment climate through a solid, transparent and fair tax regime. Such a tariff mechanism allows long term stable cash flows, and green bonds (tax-exempt bonds used for financing sustainable and climate-friendly projects) could be part of such a green and transparent financial system.

Also in the private sector, some first steps towards a EU-Central Asian cooperation have been made. A recently founded Belgian company perceived the potential of renewable energies in Central Asia. In May 2017, the Antwerp-based renewable energy developer QWAY energy, founded a subsidiary in Astana, Kazakhstan and currently participates in various energy projects, the biggest one being in solar energy, followed by hydro-power, several wind power projects and biogas. The aim of QWAY is to function as a bridge between Europe and Kazakhstan, to provide the financial resources and to participate with local companies and an extensive network of partners in the construction, development, modernization, expansion and reconstruction of Kazakhstan's hydroelectric stations, solar stations and wind farms.

Despite the first achievements, however, more conducive policy, regulatory, technical and financial frameworks for fostering renewable energy investments need to be created. Currently, the share of renewable energy in electricity generation varies from approximately 1 percent in Kazakhstan and Turkmenistan, and up to 3 percent in Uzbekistan and Tajikistan.

There are four main levels to promote and encourage local and international investments of renewable energies: on a legal, a financial, an educational and a public level.

One big barrier to deployment of renewable energies is the lack of legal frameworks and financial incentives to potential local and international investors. Most of the countries (except Turkmenistan) have already introduced a primary legislation on renewable energy and energy efficiency. The secondary legislation on guaranteed financial incentives, however, is lacking. The EU could consider intensifying consultations on legal frameworks and financial incentives, such as Feed-In Tariff (a mechanism designed to accelerate investment in renewable energies by offering long-term contracts to renewable energy producers) or tax exemptions for

investments in renewable energies. This know-how transfer could also be achieved by a co-organization of renewable energy fairs and intensified EU-Central Asian business to business meetings.

What also highly challenges the promotion of technology are the high fossil fuel subsidies and low electricity prices, which significantly reduce the competitiveness of renewable energy. Also, there are little economic incentives for farmers to introduce water-saving technologies as water for irrigation purpose is supplied at no cost to them. Due to limited access to affordable bank loans, potential investors cannot afford the relatively high initial investment costs. Therefore, from a financial angle it could be considered to introduce financial de-risking mechanisms. The EU could help enabling affordable loans through the European Investment Bank. Another key area for European engagement is the support to Central Asian countries in the development and introduction of micro-loan schemes for farmers, families and small and medium enterprises.

Another obstacle is posed by the lack of technical specialists on sustainable energy. In order to increase the number of specialists in energy engineering and management, it could be considered to establish education cooperation with Central Asia through the introduction of dual degrees, the support of university exchanges and research cooperation on sustainable energy.

Lastly, public awareness and media coverage of renewable energies is low in Central Asia. There is very little discussion about the environmental benefits and falling prices of renewable energy technologies as well as the prospects for employment in this sector. A substantial increase in targeted information about the opportunities of renewable energies and the European know-how is needed, especially in Russian language. Public discussion can be fostered by more political and social dialogue as well as thematic conferences between key players from the EU and Central Asia. It should also be considered to intensify support to local programs, fostering awareness among NGOs and journalists.

The rational and sustainable use of natural resources has not only positive effects on the environment, but also on the socio-economic development and stability of the region. A rapidly growing young population is experiencing lack of employment opportunities. Approximately 10 percent of Uzbekistan's labour force works abroad. Rural development and the promotion of renewable energies are essential to absorb the growing labour force, with agriculture performing a vital role in a strategy for employment-intensive rural regeneration. Not only the creation of employment, but also the development of local manufacturing industries, the avoidance of health and environmental costs and the addressing of the climate change are related socio-economic benefits that derive from a sustainable management and development of resources.

The first step to undertake, therefore, is to recognize that national, regional and international cooperation can lead to increased incomes, poverty reduction, sustainable development, shared prosperity and political stability throughout the region. Technical expertise, the establishment of a legal framework, an increase in public awareness of decision-making process, and smart investments are subsequent steps to undertake.

Thank you for your attention.