

Reduced carbon emissions armenia

YEREVAN, November 8, 2024 -Armenia can enhance energy security, protect its people from the harmful effects of pollution, and ensure more sustainable growth with effective action to tackle climate change, finds the World Bank Group's Armenia Country Climate and Development Report (CCDR), released today.

Armenia is highly vulnerable to the adverse impacts of climate change, particularly floods, droughts, heat stress, hail, and landslides. Its economy is highly energy-intensive and reliant on fossil fuels, contributing to acute environmental problems, including air pollution. The country ranks among the lowest in Europe in terms of air quality. The annual costs of the damage of pollution to the health of Armenia's citizens are estimated to be as high as 10.6% of GDP.

The CCDR finds that the cost of inaction is high. The impact of climate change on the water and agriculture sectors alone could shrink Armenia's economy by up to 3% by 2060 and increase poverty by as much as 2.7 percentage points by 2030. Investments to reduce the impacts of climate damage would, in contrast, expand the economy by 0.5-1% per year.

The country has long relied on natural gas imports to power its cities and industries, heat its homes, and fuel its transportation. Natural gas represents 63% of the country's total energy supply, one of the largest shares in the world. The energy sector also accounts for two-thirds of Armenia's greenhouse gas emissions (GHG).

The CCDR finds that decarbonizing the energy sector is more affordable than sticking with imported gas. This is because fossil fuels have hidden costs that go beyond just their market price, such as increased healthcare costs, reductions in productivity, and degradation of natural resources.

"Investing in effective climate action offers Armenia an opportunity to create new growth drivers and quality jobs. Faster decarbonization can strengthen Armenia's energy independence while lowering the cost of energy to the economy," said Carolin Geginat, World Bank Country Manager for Armenia.

Armenia also faces a high level of water stress, with over-extraction in areas like the Ararat Valley and Lake Sevan threatening both agriculture and drinking supplies. In addition, transboundary water flows, which account for up to 35% of Armenia's water source, are declining due to climate change and intensified human activities, such as dam construction and water diversion, in upstream countries. Water plays a key role in Armenia's economy with a quarter of all jobs in the agriculture sector. It is also essential for electricity production (hydropower) and metals and mineral production, which make up more than a third of all exports.

Targeted investments of about \$8 billion[1] up to 2060, complemented by policy reforms, can help Armenia enhance energy security through clean, domestic energy; boost agriculture productivity, improve food security, and strengthen resilience against climate change. The report estimates that with the right set of policy



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reforms approximately 75% of the targeted investment could be financed by the private sector.

"We see a vital role for private investment in solar, energy storage, critical infrastructure, and enhancing agricultural resilience. Climate-focused public-private partnerships can serve as a catalyst for low-carbon and resilient infrastructure. Armenia has a strong track record of attracting private capital in the energy sector and can leverage this experience to attract private investment to other sectors" said Ivana Fernandes Duarte, Regional Manager for the South Caucasus, at the International Finance Corporation.

The report highlights two main priority areas that can put Armenia on a path to sustainable long-term growth:

In addition, the report stresses the importance of key reforms to enable these transformations:

*This press release has been updated to reflect a revision related to energy investments.

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Web: <https://www.kary.com.pl/contact-us/>

Email: energystorage2000@gmail.com

WhatsApp: 8613816583346

