
Analysis : Armenia's Quest For Power

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Of the three post-Soviet Caucasian republics, Armenia in many ways remains the most isolated.

Unlike rising petro-states Azerbaijan and Georgia, which earn millions of dollars annually from transit fees for the Baku-Supsa and Baku-Tbilisi-Ceyhan pipelines, Armenia has, since even before the Soviet collapse, struggled to meet its power needs. It relies on its aging Metsamor nuclear power station for nearly 40 percent of its energy generation.

Metsamor, which began operations in 1976, contains two VVER-400 V230 376 megawatt nuclear reactors generating about 2 million kilowatt hours of energy annually.

Many environmentalists regard it as an accident waiting to happen. The Armenian government closed Metsamor's Unit 1 in February 1989 and Unit 2 the next month following a massive December 1988 earthquake.

Armenia's isolation intensified in the aftermath of its armed conflict with neighboring Azerbaijan over the Nagorno-Karabakh enclave. During the clash, which erupted in February 1988 and lasted until May 1994, Azerbaijan blockaded roads, rail lines and energy supplies, leading to severe energy shortages in Armenia. In 1991 pressure to restart Metsamor increased after a vital natural gas pipeline from Turkmenistan was blocked by a Turkish and Azeri fuel embargo. By the winter of 1994-95, residents of Yerevan often had only an hour or two of electricity daily, which the restart of Metsamor's Unit 2 increased to 10-12 hours per day.

Economic compulsions forced Armenia to restart Unit 2 in October 1995. Five months before the restart, a team of experts from the International Atomic Energy Agency visited Metsamor to assess the seismic characteristics of the plant and site. It cautiously concluded that the plant's seismic protection measures were satisfactory. Both the United States and the European Union strongly opposed reopening the facility, saying Metsamor's Soviet-designed reactor was unsafe and have since given tens of millions of dollars in aid to upgrade Metsamor's safety systems while pressuring the Armenian government to close the facility as soon as possible.

Armenia's energy shortages and deepening ties with Iran, along with its professed interest in nuclear power, has won it Washington's attention.

Armenia is not alone in its renewed attention to nuclear power; by 2020 Russia plans to build 26 new nuclear power plants, increasing its share of nuclear power generation in the federation's total energy production from its current level of 15 percent to 30 percent.

Armenia has adroitly exploited U.S. and European concerns about Metsamor to entice the EU into assisting the country to develop alternative power sources. The European Commission's Technical Aid to the Commonwealth of Independent States' "Substitution of nuclear power through the development of hydropower capacity" project is designed to increase Armenia's hydropower capacities with the eventual goal of shuttering the Metsamor plant by upgrading Armenia's hydropower capacity by approximately 70 megawatts, beginning with the Tatev Hydro Power Plant, the major station of a group of hydroelectric facilities that collectively provided 15 percent of Armenia's electricity in 2004.

"Vorotan plays an important part in regulating the purity and reliability of our energy system's performance," Armenian Deputy Energy Minister Areg Galstyan said of the project. "We therefore focused our collaboration activities with the EU in this area."

The TACIS project also completed feasibility studies for the construction of seven small and medium-sized hydropower plants with a total capacity of 80 megawatts.

Armenia's energy policies represent a rare conjunction of EU, U.S. and Russian interests. Since 2003 Metsamor has been operated by the Russian company Inter RAO UES under a five-year agreement to help pay off Armenia's debts. Keeping all its options open, Armenia is also considering construction of a new nuclear facility on the Metsamor site at a cost of about \$2 billion.

Armenian Energy Minister Armen Movsisyan told Parliament, "The project's feasibility study is being carried out by Armenia, Russia, the U.S. and the International Atomic Energy Agency. The old NPP is to be rebuilt within 4½ years," adding that Metsamor must be operational until alternative power sources are found.

Throughout the Soviet Union, Armenians were legendary for their business acumen. By adroitly playing upon EU environmental concerns, Russian eagerness for business contracts and American desires to thwart Iranian energy exports, Armenia may pull off its biggest coup yet, having foreign investors pay for diversifying its energy assets.
