

Regulation of the Water and Energy Complex of Central Asia

FACTS AND FIGURES

ANALYTICAL
REPORT '22

81% of the population of CA (60 million people) live in the Aral Sea basin

2,8^x increase of water stress (SDG 6.4.2) by 2040 in some regions of CA, according to various climate change models

2,5 USD/m³ water use efficiency (SDG 6.4.1) in CA, while the global average is USD 19/m³ per year

POTENTIAL SOLUTIONS TO IMPROVE THE EFFICIENCY OF THE WATER AND ENERGY COMPLEX REGULATION

1 REGIONAL DIALOGUE ON A SYSTEM OF PRINCIPLES

1. Sovereign equality, territorial integrity, and mutual benefits
2. An optimal mix of the irrigation and the energy regimes
3. A market mechanism for meeting the energy needs
4. Streamlining the institutional framework of the CA water and energy complex
5. Coordinated investment policies, among other things based on co-financing
6. Science and technology cooperation

2 INTERNATIONAL FUND FOR SAVING THE ARAL SEA MODERNISATION AS A KEY FACTOR OF COOPERATION

- Having operated for over 30 years, the IFAS has established a sound legal framework and acquired an adequate status and mandate
- Improving the efficiency of the existing IFAS framework (ICWC, BWMO Syr Darya and BWMO Amu Darya, etc.) is of paramount importance
- It is appropriate to establish an arrangement for coordinating decisions on water management and electricity cross-flows in CA
- It is necessary to streamline the modalities of engagement with a financial operator(s)

3 INTERNATIONAL WATER AND ENERGY CONSORTIUM

A. INTERNATIONAL ORGANISATION

- The key function is to finance major joint investment projects
- The consortium may take the form of a legal entity established through an international treaty
- It is expected that states from outside the region and other investment and technology partners would be able to participate
- International financial institutions can act as a financial operator

B. PROJECT CONSORTIUM

- A consortium can be created in a simplified form using the BOT (build-operate-transfer) or BOOT (build-own-operate-transfer) model, etc.
- Various forms of financing major infrastructure projects are widely used in the world due to their flexibility and the option of capital syndication
- A project consortium is established through an agreement in the form of a legal entity within the framework of the national law of the host country
- Optionnally, establishment of a project managing company

4 ENGAGING A FINANCIAL OPERATOR

- Long-term loans
- Issue of bonds and equity participation
- Creation of joint ventures
- Attraction, monitoring, and control of investment
- Syndicated financing
- Trade financing
- Payment and settlement services
- Technical assistance

5 INTERNATIONAL RESEARCH CENTRE OF THE CA WATER AND ENERGY COMPLEX

- Integrated regional management solutions for the regulation of the water and energy complex
- Interdisciplinary research to ensure water, energy, food, and environmental security in the Aral Sea basin
- Research to introduce advanced technologies in agriculture, energy, water supply, and water use