

FACTSHEET: Voluntary Agreements (VAs) with industry in Georgia

This factsheet delivers basic information on Voluntary Agreements (VAs) with industry and gives suggestions on implementation in Georgia:

1. Legal Framework for VAs in Georgia
2. VAs – cornerstones
3. VA Scheme with industry in Georgia
4. Example of VA Scheme: the Austrian klimaaktiv

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1. Legal Framework for Voluntary Agreements in Georgia

VAs are foreseen in the forthcoming legal framework of Georgia on energy efficiency:

- In the latest draft of the 1st National Energy Efficiency Action Plan (NEEAP) of Georgia, voluntary agreements are envisaged as a horizontal measure.
- In the latest draft of the Law of Georgia on Energy Efficiency, voluntary agreements are foreseen in Article 23 where it reads:

“Article 23. Additional Policies to Encourage Energy Efficiency in Industry 1. With the aim to achieve Energy Efficiency Improvements in industry, the Government, represented by the Ministry responsible for Energy, shall provide the opportunity for enterprises or associations thereof to enter into a voluntary agreement with the State represented by the Ministry responsible for Energy, including the promotion of Energy Efficiency services.

2. The Ministry responsible for Energy shall assess whether proposed energy saving targets, offered by industry as part of the voluntary agreement, are sufficiently challenging. If deemed necessary, due to a lack of achievement of energy efficiency improvement, the Minister responsible for Energy may establish mandatory targets on the objectives for energy efficiency improvements.

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2. VAs – Cornerstones

The basic idea of voluntary agreements is to implement programmes motivating industrial companies to do better than what is prescribed by existing legislation. In return, participating companies receive some benefits or advantages.

A) Scope of Voluntary Agreements

Most of the existing voluntary agreement schemes internationally are focusing on industry (individual enterprises or branches) but also other sectors than industry can be covered by VAs. VAs can address large and also small and medium enterprises (SMEs).

B) Voluntary Agreements are Public Private Partnerships (PPPs)

Voluntary agreements are contracts between government/local authorities (Public) and industrial enterprises or branches (Private) that include agreed actions and/or targets. Establishing voluntary agreements supports a culture of mutual trust and collaboration between the government and industry.

C) Typical duration of Voluntary Agreements

The typical duration of VAs ranges from two to ten years depending on the type of VA and the agreed scope of work.

D) Types of Voluntary Agreements

There are essentially two types of VAs:

- **Implementation-based:** this type of VA requires participating companies to implement energy-saving measures that meet defined and agreed criteria; for instance all measures with a payback time of $\leq n$ years.
- **Target-based:** this type of VA requires participating companies to achieve measurable energy efficiency targets; for instance $x\%$ energy savings compared to a baseline scenario or $y\%$ energy efficiency improvement within n years

The majority of VA schemes implemented in the European Union required/included the implementation of energy management systems in line with national or international standards.

E) Monitoring of Voluntary Agreements

Monitoring is a crucial topic of VA schemes; creating clear and appropriate procedures for monitoring progress and compliance is essential. Monitoring of implementation-based VAs is usually easier than monitoring on target-based VAs. In any case the first step is to define the baseline before the VA

implementation. For instance, the baseline could be the output of an initial energy audit.

The monitoring should be done by an independent body. It is very important that the data of participating companies are treated confidentially. The independent body could be any organization which is mandated by the government. Although the ministries responsible for the VAs could also do the monitoring, they usually have too little resources for administrative and implementation work related to energy efficiency programmes, actions and measures.

F) Benefits and Advantages of Voluntary Agreements

Offering to companies incentives that are attractive enough to motivate them to participate in the VA and to do more on energy efficiency is an important topic. A mix of “carrots and sticks” is also possible! Common incentives from participating in VA schemes are:

- Incentives linked to energy related taxes
An incentive for companies participating in the VA scheme could be the full or partial reimbursement of energy-related tax upon fulfilment of the VA’s obligations. If agreed measures are not implemented or set targets are not reached, then tax refund is not possible.
- Incentives related to other financial benefits
For example subsidised energy audits, expert support or subsidies for the implementation of energy efficiency measures.
- Incentives can be different for large enterprises and for small and medium-sized enterprises
- Incentives could consist also in nonmonetary support, for example companies getting more recognition from the government
- Awareness and knowledge
It has become more and more frequent to have knowledge sharing events and networks within VA schemes. Exchange of information and experiences between enterprises from different industrial branches (steel, chemistry, agro-food) or from the same branch have proven to have a positive effect on the improvement rate of energy efficiency and practice.

3. Voluntary Agreement scheme with industry in Georgia

The international workshop and discussion on *Voluntary Agreements with Industry – EU Experience in energy efficiency* held on 3rd of July in Tbilisi clearly highlighted the need for Georgia’s government and industry to hold dedicated meetings to discuss various VA options, possible incentives to participating companies and associated required energy efficiency measures/targets to implement. The workshop’s discussion showed that large industrial companies are keen to engage with the government on energy efficiency related matters since recent developments within the national electricity market and the competitiveness need have increased the pressure to manage and reduce energy consumption and associated costs.

4. Example of VA scheme: the Austrian klimaaktiv

Infobox - klimaaktiv project partner target agreements

A klimaaktiv project partner target agreement is available to all Austrian companies that have already successfully implemented energy efficiency projects meeting defined criteria (eg optimizing compressed air systems). It is open to companies of all sectors and not only focusing on industry. As a first step, companies have to submit energy efficiency measure(s) implemented within the last two years online to the website www.energieeffizienzprojekt.at. The measures are then evaluated by an expert jury according to the following aspects:

- Does the measure meet the predefined criteria?
- Is the comprehensive approach to optimizing energy performance recognizable and well described?
- Are the declared savings in kWh and EUR as well as the investment costs plausible?
- What is the saving in the category consumption in percent?

After the approval of the submitted measures by the jury, the companies have to create and submit to the Austrian Energy Agency an action plan with planned energy efficiency measure(s) and their savings (kWh) for at least the following two years. The Austrian Energy Agency (AEA) calculates the total amount of energy saved (kWh and CO₂) and makes the plausibility check(s). The planned measure(s) submitted must lead to a demonstrable improvement in energy efficiency and a reduction in CO₂ emissions. The action plan will be integrated in the project partner agreement. With the project partner agreement, the project partner commits to implement the measures and submit information on their execution at least every two years to the AEA. The project partner target agreement is handed over by the Minister for Sustainability and Tourism of Austria to the company within an awarding ceremony (takes place annually). The klimaaktiv project partner target agreements are concluded for two years and will be extended for another two years if the agreed measures are implemented and further energy efficiency measures are already planned.

The Austrian Energy Agency is responsible for the operational handling of the project partner target agreements on behalf of the Austrian Ministry for Sustainability and Tourism, is part of the expert jury to evaluate the submitted energy efficiency measures, monitors the implementation of the agreed measures, and supports the companies by creating best practice examples for their awarded measures. At the moment, there are 32 companies in Austria with a klimaaktiv project partner target agreement. The main benefits for companies with klimaaktiv project partner target agreements are:

- They are allowed to use the klimaaktiv partner logo eg for external communication and marketing activities – klimaaktiv is a well-established and attractive brand with a positive image.
- They get the recognition by the government for their commitment to surpass what is required by legislation.
- The best practice example sheets of the klimaaktiv project partners are published on the klimaaktiv website, which further enhances the public visibility of the companies.



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- **klimaaktiv** organizes workshops and excursions approx. biannually for the project partners, during which participants profit from peer-to-peer learning.

The main benefits for the government is that, on the one hand, **klimaaktiv** project partners function as inspirational role models for other companies and organizations, and that, on the other hand, the effort to protect the climate gets the necessary attention, reaches the Austrian public and, in turn, creates widespread involvement and commitment.