

EBRD Technical Cooperation Project to Assist the Government of Georgia with the Development of an Energy Efficiency Law

Status of the Energy Efficiency Law of Georgia with a focus on industry

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საქართველოს ეკონომიკისა და
მდგრადი განვითარების სამინისტრო



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Development of EE Policy in Georgia

2014

- Signing of the EU Association Agreement

2015 - 2017

- Development of the first National Energy Efficiency Action Plan (NEEAP)

2017

- Accession to the Energy Community (1 July)

National Energy Efficiency Action Plan 2017 – 2020 based on:

Energy Efficiency Directive (EED – 2012/27/EU)

a number of issues stemming from the requirements of the energy efficiency acquis

European Union measures in power, industry, transport, buildings and service

The legal and regulatory framework for Energy Efficiency in Georgia:

is not adequately regulated yet

relevant rules found in several acts, often employing general language (i.e. Law on Electricity and Natural Gas)

the lack of legislative requirements was partially filled in by voluntary mechanisms and donor-funded projects

Obligations following the accession of Georgia to the Energy Community

- **Compliance with the energy efficiency acquis means the implementation of:**
 - Energy Efficiency Directive 2012/27/EU by 31 December 2018
 - Energy Labelling Directive 2010/30/EU on the indication by labelling and providing standard product information regarding the consumption of energy and other resources by energy-related products by 31 December 2018
 - Energy Performance of Buildings Directive 2010/31/EU related to measures for renovating the building stock to reach minimum energy performance requirements by 30 June 2019
- **Steps to achieve compliance with Directive 2012/27/EU**
 - *First step* → drafting of the first NEEAP
 - *Second step* → adoption of NEEAP and development of primary legislation → Energy Efficiency Law
 - *Third step* → secondary legislation and amendments to existing legislation

Outcome of the NEEAP work and how it links to the EE Law Development

- National Energy Efficiency Action Plan (NEEAP) development was a 2-year process of identifying policy and investment measures and currently in the process of final approval
- Identifies measures and policies to be adopted in Georgia to comply with the Energy Community / EU standards
- NEEAP is an indicative policy document - not legally binding
- The energy efficiency (EE) law to be developed to set the legislative basis for implementing NEEAP policies not otherwise addressed

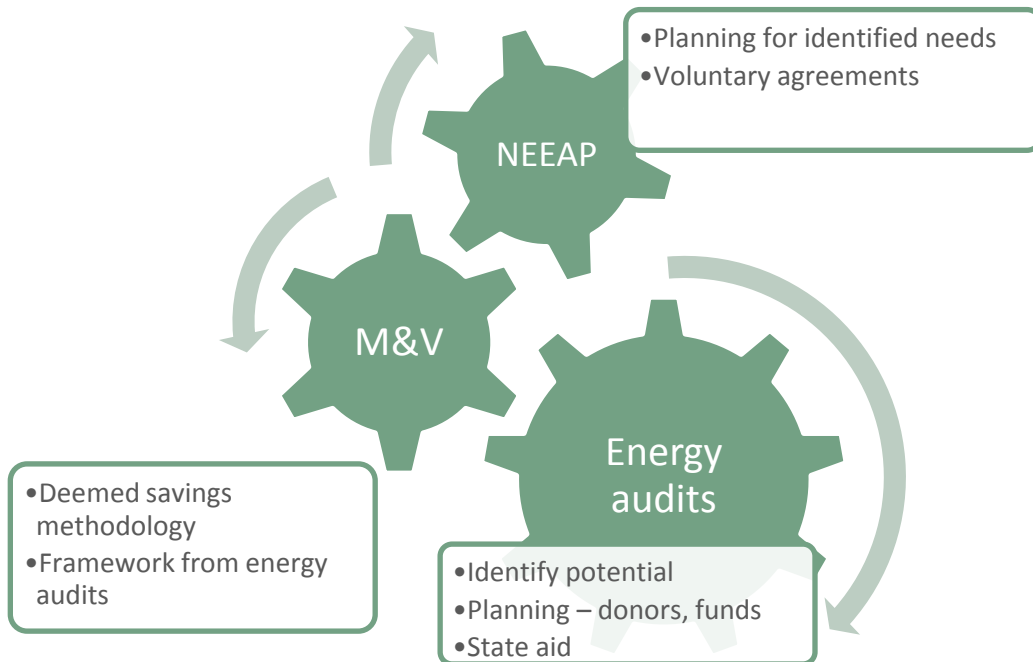
EBRD technical cooperation project to assist in developing the EE Law in Georgia

- The objective of the Project is to assist the Government with the development of the EE Law by implementing the following activities:
 - reviewing the measures prioritised in the NEEAP and benchmarking the existing institutional and legal framework in Georgia against that in other EnC and EU countries;
 - providing recommendations on the preparation of the EE Law and other legislation necessary to ensure efficient implementation of the NEEAP in the Georgian legal context;
 - drafting the EE Law and recommendations on the secondary legislation and/or technical regulations necessary for the effective implementation of the EE Law;
 - carrying out related capacity building and promotion activities.

Timeline of the project

Deliverable	Expected date of delivery
Report on the comparative analysis of other relevant countries (EnC and EU members) and applicability for Georgia	Late January 2018
First draft of the EE Law	Late February 2018
Advanced draft of the EE Law	April 2018
Draft amendments to secondary legislation and / or technical regulations	June 2018
Final draft of the EE Law	June 2018
Final amendments to secondary legislation and/or technical regulations	July 2018
Workshops for various deliverables, and public events in Tbilisi and perhaps Kutaisi and Batumi	Throughout – linked with deliverables

Regulatory framework influence on Industry



Regulatory framework can influence industry:

- Measures/needs defined in energy audits;
- Plans for financing EE in industry in NEEAP
- Verification of savings possible

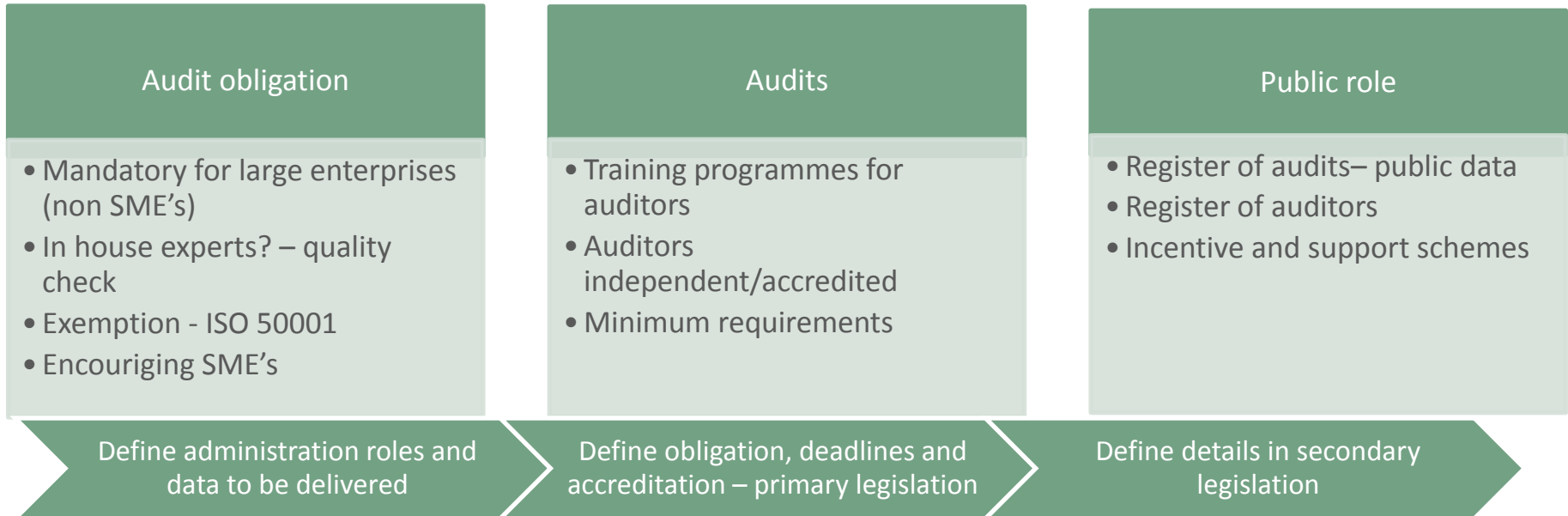
And develop organisational conditions:

- Energy efficiency implementation entity
- „Voluntary” agreements
- Mandatory plans

Benefits/burden for industry will depend on industry’s active involvement!

Industry: energy audit requirements

- Objective of energy audits is to provide information on energy efficiency in business processes in an independent manner
- Data from energy audits to be used to develop incentives for EE investments



Industry: other measures

- Numerous other countries have varying degrees of additional “carrots” and “sticks” to encourage resource efficiency amongst industries
- Would require a legal basis in the primary legislation - to be built upon with secondary legislation

Voluntary agreements

- Company-specific or sub-sector agreements on units of energy per unit of production
- Incentives (lower taxes, lower energy prices, etc.) for reaching targets and no discount on energy tariffs / no tax breaks if not reaching targets
- Suggested as possible in the NEEAP

Taxes / pollution fees / market mechanisms

- White certificates for achieving energy consumption reduction
- Fees for pollution (e.g. carbon tax)

Mandated energy efficiency plans

- Requirement of planning for and meeting energy efficiency targets or else sanctions (management, energy prices, etc.)
- Suggested as possible in the NEEAP

Energy Efficiency Law

Articles of EED related to finance and public awareness (1 of 5)

Main provisions set by EED:

- **Article 17: Information and Training**
 - transparent and widely disseminated information on available energy efficiency mechanisms and financial and legal frameworks to all relevant market actors
 - provision of suitable information, awareness-raising and training initiatives to citizens related to the benefits and practicalities of taking energy efficiency improvement measures
- **Article 18: Energy Services**
 - publicly available energy service contracts and list of service qualified providers
 - financial instruments, incentives, grants and loans to support energy efficiency service projects
 - quality labels
 - preventing market distortions caused by unfair competition and abusing dominant positions

Energy Efficiency Law

Articles of EED related to finance and public awareness (2 of 5)

Main provisions set by EED:

- **Article 20: Energy Efficiency National Implementation Entity, Financing and Technical Support**
 - establishment of financing facilities, or use of existing ones, for energy efficiency improvement measures to maximise the benefits of multiple streams of financing
 - exploring the possibility of establishing an Energy Efficiency National Implementation Entity
 - use revenues from annual emission allocations (Decision No 406/2009/EC) for improving the energy performance of buildings, industry, etc.

Energy Efficiency Law

Articles of EED related to finance and public awareness (3 of 5)

- **Energy Efficiency National Fund / Agency, Financing and Technical Support**
 - The institutional set up and mandate are important questions to be addressed in developing the law:
 - International experience generally has these institutions outside of the ministerial framework (i.e. inter-ministerial, independent budget not allocated on a year-to-year basis, etc.)
 - Stated preference so far in Georgia is to have an Agency within one ministry (likely Ministry of Economy and Sustainable Development)
 - Effective implementation was noted as very important by most / all international organisations when commenting on the NEEAP
 - A wide range of examples in the EU / Energy Community Members - paper analysing some models developed during the development of the NEEAP

Energy Efficiency Law

Articles related to energy production, cogeneration, distribution & billing (1 of 2)

- **Article 14: Promotion of efficiency in heating and cooling**
 - Taking measures to implement the cost-effective potential of high-efficient cogeneration and efficient district heating and cooling
 - Providing information on the measures, strategies and policies for high-efficiency cogeneration up to 2020 and 2030
 - Feasibility studies of cogeneration on anything above 20 MW thermal input

Energy Efficiency Law

Articles related to energy production, cogeneration, distribution & billing (1 of 2)

➤ Article 15: Energy transformation, transmission and distribution

- National energy regulatory authorities should:
 - ✓ maximise the energy efficiency potential of smart grids
 - ✓ improve energy efficiency in the design and operation of the gas and electricity infrastructure
 - ✓ ensure that tariffs and regulations fulfil specific energy efficiency criteria and do not hamper demand response
- High priority the energy production by heat and power (CHP)

მადლობა!

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