



ENERGY COOPERATION BETWEEN THE EU, THE LITTORAL STATES OF THE BLACK & CASPIAN SEAS AND THEIR NEIGHBOURING COUNTRIES



Donor Round Table Meeting

**Ministry of Energy and Natural Resources of Georgia
Venue: Radisson Blue, Tbilisi, Georgia
Date: 31 Jan 2013.**

“INOGATE Technical Secretariat & Integrated Programme in support of the Baku Initiative and the Eastern Partnership energy objectives”

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1. Introduction

This Report describes the Round Table on Energy Sector Issues, conducted by the Georgian Ministry of Energy & Natural Resources (MENR), with participation by the EU funded project “INO GATE Technical Secretariat & Integrated Programme in support of the Baku Initiative and the Eastern Partnership energy objectives.” The event was conducted in Tbilisi, Georgia, on January 31, 2013. It was a discussion among Georgian organisations and international donor organizations, led by Energy Minister Mr. Kakha Kaladze. Mr. Ilia Eloshvili, Deputy Minister, stated that the purpose of the round table was to determine the direction for MENR to work in the future.



The Round Table

2. Implementation of the event

2.1 Message

Mr. Kaladze opened the event by inviting open discussion, including criticism. He added that Turkey will need more and more energy in the next decade, implying a

trade opportunity for Georgia. Local participants made the following notable points:

- World Experience for GE (WEG) (longest speech):
 - Georgia needs legislation to encourage investment.
 - Georgia has no energy strategy.
 - Georgia has no information on its own coal, oil, gas, renewables.
 - There is an absence of energy research and development in Georgia.
 - Georgian buildings and industry have low energy efficiency.
 - Wind, solar and geothermal are not developed in Georgia.
 - It is important to get an association agreement with EU – Deep & Comprehensive Free Trade Agreement.
 - Georgia needs to develop EE & RES strategy & legislation.
 - Georgia needs a strong, professional, pro-western energy sector.
 - Harmonization of legislation with EU Acquis is a big strategic problem – how to handle it with the current reality?
 - Georgia needs institutional and professional capacity building.
- MENR:
 - Among Georgian government priorities: EE and its stimulators, energy balances, international agreements
 - Decreasing trend of hydro generation in the total electricity generation (75% in 2012)
 - Net energy exports in 2012 were negative.
 - Forecast annual growth rate of demand – 5%
 - Georgia wants an increase in trade with neighbouring countries.
 - Georgia needs new generating capacities to meet its growing demand.
 - Georgia needs changes to its law on electricity and gas.
 - Georgia has signed on to the Energy Community and the Energy Charter.

- Georgia wants maximum use of donor support and NGOs.
- Georgia should evaluate the impact of international commitments on energy sector economy, eg., a policy measure similar to EU countries for RES).
- For energy security, Georgia needs
 - new generating capacities
 - maximum use of hydro potential
 - to study potential of alternative energy sources
 - to improve process for environmental impact assessment
- Energy Academy: Many past donors just produced reports and then left.
- GE Oil & Gas Co.: Now is the time to explore shale gas.
- INO GATE ITS:
 - Team Leader Kevin McCann explained the New ITS Project and how it works; he emphasized Electricity & Gas Component activities to harmonize standardisation and improve cross border trading.
 - An EC mandate to ITS is to improve the investment climate for sustainable energy in concrete terms.
 - Of the major energy sectors, transportation is Georgia's biggest consumer of fossil fuel and offers the greatest potential for GHG reduction.
 - Passenger transport by rail (metro, trolley or train) is 50% more efficient than by automobile.
 - Freight transport by rail is 5 times more efficiently than by truck.
 - This, combined with the fact that the railroad is electrified by renewable energy sources makes rail transport extremely attractive for reducing GHGs.
 - The Georgian Railway aims to transfer 2 million tons per year of freight from trucks to tracks.
 - ITS is in talks with the Georgian Railway.
 - ITS is providing capacity building to MENR to assist in Georgia's full accession to the Energy Community.

- Anonymous 1:
 - Georgia cannot build its energy sector on hydropower alone.
 - Georgia needs other RES without deforestation.
- Anonymous 2: The debate over hydropower is holding back progress.
- Anonymous 3: Energy conservation has increased a lot in Georgia.

2.2 Participants

Nine official representatives of two ministries, beginning with Energy Minister Kaladze and two of his deputies, were present plus many others from MENR in support roles. In connection with INOGATE from MENR were Ms. Nana Phirtskhelani, INOGATE Country Coordinator for Georgia, and Mr. Giorgi Tushurashvili, Head of International Relations Dept. Mr. Tushurashvili signed the application for ITS technical assistance (TA) “Capacity building on EU directives and legally binding obligations under the Energy Community Treaty.” This TA will be delivered to MENR at the end of February, 2013.



*l. to r.: Kakha Kaladze, GE Minister of Energy & Natural Resources (MENR)
Ilya Eloshvili, GE Deputy Minister of MENR*

Thirty eight other participants represented private companies, NGOs, government agencies and the donor community. Team Leader Kevin McCann and Key Expert Larry Good represented the INOGATE New ITS Project.



*I. to r., at table: Larry Good, ITS KE-3
Kevin McCann, ITS Team Leader
Giorgi Tushurashvili, Head of International Relations Dept., GE MENR
Murman Margvelashvili, WEG expert & event organizer*

behind table: Nana Phirtskhelani, INOGATE Country Coordinator

3. Evaluation of the Event

As the event did not originate from ITS, there is no formal ITS evaluation. Informally, however, MENR officials remarked to ITS they liked ITS' presentations the most because they did not dwell on problems from the past, but rather showed positive proposals for future improvement in the Georgian energy sector.

4. Conclusions

ITS may draw a few conclusions from remarks made by stakeholders at the round table.

- The Donor Conference appeared to launch a review of Georgian energy policy. The Minister, Kakha Kaladze made numerous references to the fact that all stakeholders would be consulted in a series of events such as the present donor co-ordination meeting throughout the coming period. These consultations would play a formative part in the evolution of Georgian government policy for the energy sector.

- Among Georgian government priorities is energy efficiency (EE). This indicates a shift in thinking. The previous government seemed to resist EE in order to focus exclusively on hydropower. ITS welcomes the new interest in EE because it is an integral part of a balanced, sustainable energy strategy.
- The Oil & Gas Co. says now is the time to explore shale gas. This is a sign of concern for sustainable energy. New sources of fossil fuel will aggravate, not abate global warming.
- The Georgian Railway was absent from the round table. This is as expected because many do not see the huge potential of railroads as a solution to GHG emissions in the transport sector. ITS raised awareness of this solution to MENR in its presentation on sustainable energy.
- MENR reports that hydro-electric generation is down to 75% of Georgian electricity production. This is a surprise because traditional sources have been saying it is over 95%. It will be interesting to compare sources of data. Collection of energy statistics in Georgia is questionable. Data needs verification before determining policy.
- MENR also reports that energy exports in 2012 were negative. This is another surprise in a country that used to have net exports. This indicates that fossil-sourced energy in Georgia is on the increase.
- The forecasted annual growth rate of demand for energy in Georgia is 5%. It is good to have this figure coming from a Georgian source in order to make reasonably correct determination of investment targets to fulfil the OECD plan for climate stabilisation.

5. Annexes (separate documents)

- ***Agenda***
- ***List of participants***
- ***ITS presentations***