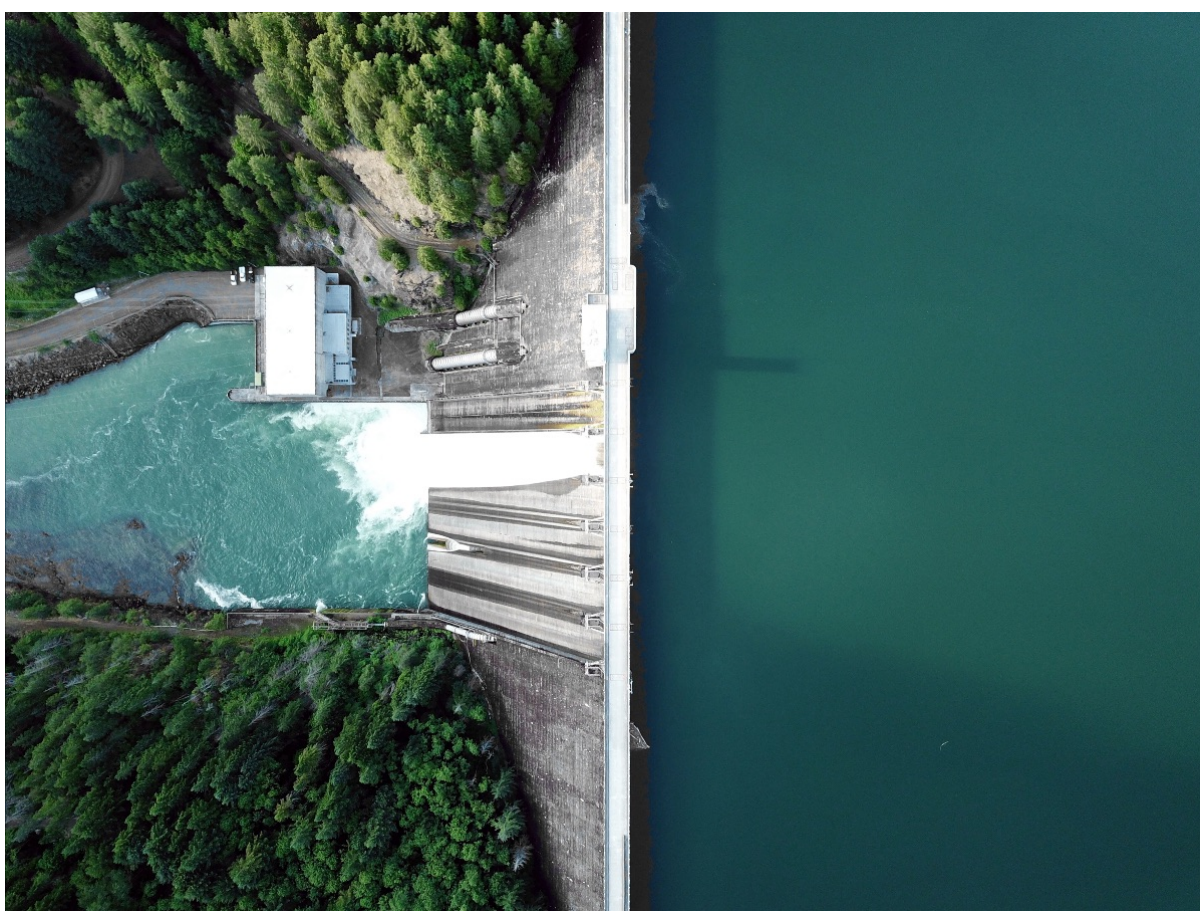




Where finance and green technologies meet

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New renewable energy project prospects in Georgia

Georgia's journey towards becoming a regional powerhouse in renewable energy production has garnered significant attention due to its potential advantages for investors. Historically, Georgia has been a prominent centre for renewable energy sources, and recent developments indicate a surge in investment opportunities within the country's energy sector, promising both substantial electricity generation and attractive financial prospects.

One of the key milestones in this evolution is the government's commitment to gradually finalise contracts with winning companies from the first auction of renewable energy infrastructure projects held in July. This commitment was announced by the Ministry of Economy, which presented various projects during a recent government session. These projects encompass the construction of two wind farms, one solar power plant, and seven hydropower plants, collectively boasting an installed capacity exceeding 165 MW and necessitating a total investment of US\$ 225 million.

What makes this even more promising is that the auction's results confirm the successful implementation of a new initiative designed to support the production and utilisation of renewable energy. This success is expected to open doors for over US\$ 2 billion in investments in Georgia's energy sector. Remarkably, a total of 78 applications were submitted within the framework of this new scheme's auction, demonstrating the high level of interest among investors. Applications for over 900 MW of installed capacity were received for a phase initially calling for 300 MW, underscoring the robust demand for renewable energy projects in Georgia.

Georgia's transition away from fossil fuels, which began in 2004 and accelerated with deregulation in 2008, has made it a regional renewable energy powerhouse. The nation's energy market and strategic partnerships have further enhanced its appeal to investors, creating opportunities for both domestic and international businesses in a business-friendly environment characterised by a flat tax system and streamlined incorporation processes.

GEFF in Georgia has been instrumental in fostering the development of Georgia's renewable energy potential. A notable aspect of GEFF's impact is its focus on financing the private sector, particularly small and medium-sized enterprises (SMEs). Through GEFF, numerous projects in the realm of renewable energy have come to fruition, projects that might not have been feasible without access to such financing. This support has catalysed the growth of renewable energy initiatives across the country, contributing significantly to Georgia's sustainable energy future while empowering SMEs to take an active role in the transition towards cleaner and more sustainable energy sources.



Sustainable development strategies to mitigate climate change risks

In recent months, Georgia has faced a series of unprecedented challenges, from heavy rains and devastating hailstorms to landslides and mudslides. These natural disasters have left a trail of destruction, damaging infrastructure, properties, crops, and, tragically, claiming human lives. While Georgia may not be a leading contributor to climate change, it is undeniably one of the nations bearing the brunt of its adverse effects.

As Georgia grapples with the consequences of climate change, there is a growing recognition of the importance of adopting sustainable practices and green technologies. These solutions offer hope in the face of adversity.

Businesses, particularly SMEs, play a pivotal role in mitigating climate change risks. By embracing eco-friendly practices and integrating sustainability into their operations, SMEs can not only reduce their environmental footprint but also enhance their competitiveness and long-term viability. Renewable energy sources, energy-efficient technologies, and eco-friendly agriculture practices are among the tools that can help reduce greenhouse gas emissions, enhance resilience, and pave the way for a more sustainable future.

- Solar power: Solar photovoltaic (PV) systems harness energy from the sun to generate electricity. Installing solar panels on rooftops and open spaces can reduce

reliance on fossil fuels and lower greenhouse gas emissions, making it a valuable green technology for mitigating climate change.

- Building design: Improved building insulation materials and energy-efficient architectural design can greatly reduce the energy needed for heating and cooling. This includes using materials like double- or triple-glazed windows, proper insulation, energy-efficient heating systems, etc.
- Drip irrigation: Drip irrigation systems deliver water directly to the roots of plants, minimising water wastage through evaporation and runoff. This technology is especially valuable in regions with water scarcity.
- No-till farming: No-till or reduced tillage farming methods minimise soil disturbance during planting. This helps retain soil moisture, reduce erosion, and improve soil health by preserving beneficial microorganisms and organic matter.

All of these technologies are available for financing through GEF in Georgia and its partner financial institutions. Furthermore, the availability of the measures on the [Green Technology Selector](#) makes the financing process that much easier, as they have already been vetted and do not require an additional review: each of the listed technologies offers at least 20% efficiency compared to their inefficient counterparts.

[Several businesses](#) in Georgia have initiated the adoption of green technologies, thanks to financing provided by GEF in Georgia. While the primary motivation may not always be climate change mitigation, with cost reduction often taking precedence, the end result remains the same: a valuable contribution towards climate change mitigation.

Financial institutions are not immune to the impacts of climate change. Increasingly frequent and severe climate-related events can pose significant credit risks. To safeguard their investments and support climate resilience, financial institutions must incorporate climate risk assessments into their lending practices. This involves evaluating the vulnerability of borrowers to climate risks and developing strategies to manage and mitigate these risks effectively.

While Georgia grapples with the immediate challenges posed by climate change, it is essential to recognise that proactive measures can make a substantial difference. The adoption of green technologies, sustainable practices, and the active involvement of businesses and financial institutions are vital components of a comprehensive strategy to mitigate climate change risks. By working collaboratively, Georgia can build a more resilient and sustainable future for its people and its environment.

What is changing in the construction sector?

Recent developments in the construction industry have introduced significant changes. These changes are driven by the implementation of minimum energy efficiency standards, applicable to buildings exceeding 50 m², whether in the public or private sector. These standards were established under the Law on Energy Efficiency, approved by the Georgian Parliament in 2020.

In the next phase of this reform, buildings will undergo an energy classification process, which will be conducted by individuals who possess the necessary qualifications.

To ensure the development of expertise in energy efficiency within the country, new certified and accredited professions are being introduced. These professions include energy auditors, energy inspectors, and heating and cooling system inspectors.

Before a building can be used, it will be required to undergo an energy inspection, and an energy certificate must be issued. This certificate will display the building's energy class and should be prominently displayed, typically at the entrance, so that anyone entering the building is aware of its energy classification.

Furthermore, there will be oversight to verify the accuracy of the issued certificates. If any discrepancies are found, the certifying entity may face the revocation of its license to practice these professions. This measure is aimed at discouraging the issuance of fraudulent certificates.

The monitoring and oversight of this process will be carried out by the Ministry of Economy, and there is speculation that a new department may be created to coordinate and oversee these efforts.



An interview with EBRD First Vice President Jürgen Rigterink on the economy of Georgia

After completing a one-week tour of the Caucasus region, Jürgen Rigterink, the First Vice President of the EBRD, engaged in an interview with [Business Media's Analitika](#) (interview in Georgian) during his visit to Georgia. This visit marked his second official trip as a senior official of the EBRD, the first of which occurred in 2019.

During the four-year interval between these visits, notable changes had transpired, prompting a request for Jürgen Rigterink's insights into Georgia's economic structure.

In his interview, Mr. Rigterink emphasised that his role does not involve prescribing actions to the Georgian government. Nonetheless, he expressed confidence in the direction the Georgian government is taking, acknowledging the country's historical role as a pioneer in regional and global reforms two decades ago. He highlighted the potential risk of losing this advantage if reforms slow down, underscoring the value of Georgia's close relationship with the EU as a catalyst for heightened economic reforms. Furthermore, he stressed the importance of maintaining political stability in the upcoming key elections and affirmed the EBRD's readiness to assist the government in its journey towards European integration.

Subsequently, the discussion delved into specific actions the EBRD can undertake in this context. Mr. Rigterink noted that the EBRD has actively supported Georgia for three decades. While the EBRD has adopted a new strategy, its focus remains aligned with the country's own strategy. Over the past decade, he added, he has observed a noticeable shift towards an increased emphasis on renewable energies. Recent deliberations in Georgia, Armenia, and Azerbaijan, along with the EBRD's expanding commitment to the

green economy, underscore this transition. He highlighted the EBRD's ambitious objective of having half of its total investments dedicated to green projects by 2025, a target that has already been achieved in the past two years, including in Georgia.

As green initiatives gain momentum, the EBRD plays a significant role in contributing to Georgia's economic growth. Mr. Rigterink emphasised Georgia's commendable accomplishments in economic sustainability and diversification. In addition, he underscored the pivotal role of a robust financial sector, citing the examples of TBC Bank and Bank of Georgia, both of which have established successful partnerships with the EBRD. Recognising the critical importance of a strong banking system, especially during times of crisis, the EBRD continues to extend support to these institutions. Their overarching goal is to reach a wide spectrum of small and medium-sized businesses, leveraging Georgian banks as effective conduits to reach their targeted clients and sectors.

Featured technology:

Hot water storage tanks

A specialised container is designed to store and maintain a supply of heated water for domestic or commercial use. These tanks are equipped with heating elements or are connected to external heating sources such as boilers or solar panels. Hot water storage tanks allow consistent and readily available hot water. They can also improve energy efficiency by allowing users to heat water during off-peak hours when electricity or gas rates are lower. These tanks can be essential for locations with unreliable hot water supply, ensuring a steady and convenient source of hot water for various applications, from showers to dishwashing.

See which energy-efficient technology suppliers are available on the Georgian market in the [Green Technology Selector](#)

Success story



Herbia is a leading producer of chemical-free, Global Gap-certified culinary herbs and vegetables in Georgia since 2006. The company is also a pioneer in packaging herbs for local consumers. In 2022, Herbia used GEF financing to realise their goal of generating their electricity through a solar PV project.

View more success stories on our [website](#).

Investor

Herbia LTD

Location

Tskaltubo, Georgia

Investment

Solar power station

Investment size

US\$ 110,000

Energy savings

321 MWh per year

CO₂ savings

124 tonnes per year

Payback period

5 years

Impact

Growing green with green energy and mitigating climate change

Donor

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