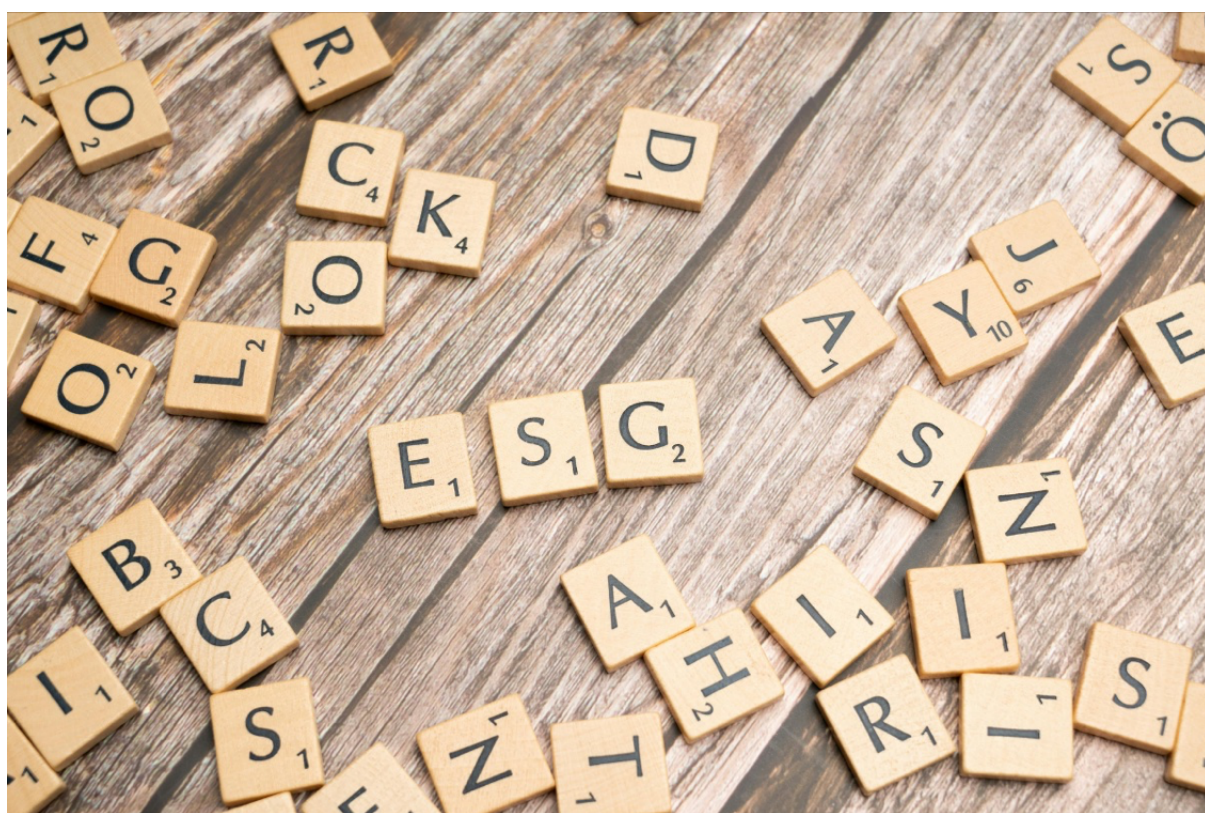




## Where finance and green technologies meet

GEFF in Georgia Newsletter N19: Q3, 2024



### **NBG and DSIK launch ESG risk radar report: A new approach to assessing climate and ESG risks in Georgia**

The National Bank of Georgia (NBG), in collaboration with the German Sparkassenstiftung for International Cooperation (DSIK), has unveiled a significant advancement in the field of environmental, social, and governance (ESG) risk management with the publication of the *ESG Risk Radar for Georgia*. This report builds on the 2022 version, refining the methodology to assess climate-related and other ESG risks with enhanced accuracy.

The 2024 ESG Risk Radar introduces a comprehensive ESG Scorecard, specifically tailored to Georgian economic sectors, offering valuable insights for financial institutions.

The Scorecard evaluates sectoral exposure to ESG risks and uses a five-step scoring method to ensure precision. A unique feature of this report is its heat map, which visually highlights the sectors most vulnerable to these risks, enabling financial institutions to make informed decisions when evaluating potential investments or partnerships.

The primary goal of the ESG Risk Radar is to provide financial institutions with practical tools to effectively identify, manage, and mitigate ESG risks. By offering this in-depth evaluation, the NBG aims to foster a more sustainable financial environment in Georgia while helping financial institutions navigate the evolving landscape of climate- and ESG-related challenges.

To read more about the *ESG Risk Radar* and its impact, visit the [NBG website](#).



## Investing in renewable energy: Legal aspects

Georgia's renewable energy sector is positioned as a cornerstone of the country's energy independence strategy, focusing on harnessing hydropower, wind, and solar resources. To support this, the government has established comprehensive legal frameworks, including the [Law on Energy and Water Supply](#) and the [Law on Promotion of Energy from Renewable Sources](#), to provide a solid foundation for sector development. These laws

offer specific incentives, premium tariffs for larger projects, and simplified licensing procedures for smaller ones, making the sector attractive for local and international investors.

Public-private partnerships and the [State Support of Investments Law](#) further facilitate foreign direct investment, providing special terms and tax incentives. Georgia's adherence to EU standards enhances the transparency and stability of its legal framework, ensuring a reliable environment for renewable energy projects. Additionally, pre-licensing mechanisms and favourable tax policies are in place to mitigate risks and ensure investment security, supporting the country's transition to a sustainable and resilient low-carbon energy market.

The strategic emphasis on renewables is also shaped by Georgia's seasonal energy demand patterns, which necessitate a diversified energy mix to balance supply and demand. By 2032, Georgia aims to significantly expand its renewable capacity, particularly in wind and solar, to reduce reliance on imported energy and meet domestic demand. This alignment with the country's sustainability goals makes the renewable energy sector a lucrative opportunity for investors seeking to both garner financial returns and make a positive environmental impact.

For a comprehensive overview, read the [full article here](#).

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## **EBRD supports green Eurobond issuance by Georgian private water firm**

The European Bank for Reconstruction and Development (EBRD) has strengthened its support for Georgia's sustainable development by investing US\$ 40 million in Georgia Global Utilities' (GGU) green Eurobond issuance. This US\$ 300 million bond issuance is a landmark event for the country's private water sector and is aimed at improving water infrastructure in Tbilisi, enhancing the quality and reliability of water services for the city's residents.

The green Eurobond issuance, which is listed on Euronext Dublin, aligns with the International Capital Market Association's Green Bond Principles. It is backed by other notable institutions, including the German development finance institution DEG, the International Finance Corporation (IFC), and the Asian Development Bank (ADB). The proceeds from this bond will be invested in infrastructure improvements and environmental initiatives, supporting GGU's long-term sustainability strategy.

This initiative is the first green bond under the EBRD's Green Cities programme, which has

already supported eight projects in Tbilisi. The programme aims to provide cities with the financing and expertise needed to develop sustainable urban solutions. The EBRD's investment in GGU underscores its commitment to fostering green financing in Georgia and supporting the development of critical infrastructure projects.

For more information, read the full story on the [EBRD's website](#).



## Short overview of climate finance

Climate finance is a specific segment of sustainable finance aimed at supporting climate action initiatives. It focuses on reducing emissions, adapting to climate impacts, and funding climate-resilient projects. While often used interchangeably with terms like “sustainable finance”, climate finance has a distinct purpose centred on addressing climate change. Funding sources include multilateral grants, loans, and mechanisms like carbon trading.

For Georgia, this means leveraging international and local resources to implement projects under strategies like the Long-term Low Emission Development Strategy (Lt-LEDS) and the Nationally Determined Contribution (NDC). The country has already received significant support from institutions such as the European Investment Bank (EIB) and the EBRD. However, to meet ambitious emission reduction goals (e.g. 35% reduction by 2030), Georgia needs further private investment. Key opportunities include carbon trading

agreements with Switzerland and Japan, which could bring additional funding for green projects.

### Key insights:

1. **International funding sources:** Institutions like the Green Climate Fund (GCF) and the Global Environment Facility (GEF) are primary contributors, supporting projects through grants, loans, and partnerships.
2. **Global climate finance impact:** The UNFCCC estimates that global climate finance now exceeds US\$ 803 billion annually, marking a 12% rise in recent years.
3. **Georgia's context:** With over GEL 28.35 (US\$ 10.4 billion) billion in funding since 2010, the country still needs more investment to meet its climate goals, highlighting the role of carbon trading and private sector involvement.
4. **Growing importance of carbon trading:** New agreements with Switzerland and Japan mark Georgia's commitment to using carbon markets to mobilise funding and achieve NDC goals.
5. **Priority sectors:** Climate finance in Georgia focuses mainly on **renewable energy** and **sustainable transport**, two areas that are crucial for reducing emissions.
6. **Strategic developments:** Georgia's carbon trading agreements with Switzerland and Japan are part of a broader strategy to attract private investment.

For an in-depth look at the state of climate finance in Georgia, read the full article on [BM.GE](#).

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### Featured technology

#### Solar water heating systems

With climate change driving energy costs higher, finding sustainable ways to maintain efficiency is vital. Traditional water heating systems can consume a significant amount of energy, raising operational costs. By switching to solar water heating systems, you can harness the power of the sun to heat water efficiently, reducing energy consumption and lowering utility bills. This technology offers long-term savings while also demonstrating commitment to renewable energy and environmental responsibility.

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

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