

Comments on National Renewable Energy Action Plan (NREAP) of Georgia

20 June, 2018

General Comments

Fitting the purpose

The one of the main problematic issue of the document is whether it has ability to serve the aims of implementation of Renewable directive, particularly to the major goals of the Directive. Namely it includes following: “increased use of energy from renewable sources”, “increasing technological improvements, incentives for the use and expansion of public transport, “the use of energy efficiency technologies and the use of energy from renewable sources in transport”, favor development of renewables market, reduce GHG emissions and reduce the oil imports.

It should be mentioned that while presented NREAP tries to address some of the abovementioned issues, it fully fails to address the issue of decentralization. Directive directly stresses, that “It is appropriate to support the demonstration and commercialization phase of decentralized renewable energy technologies. The move towards decentralized energy production has many benefits, including the utilization of local energy sources, increased local security of energy supply, shorter transport distances and reduced energy transmission losses. Such decentralization also fosters community development and cohesion by providing income sources and creating jobs locally.”

The one of the question related to the issue is whether the draft NREAP serves that purpose, especially in terms of ‘encouraging development of technologies which generate energy from all types of renewable sources’. The draft NREAP mainly stresses and prioritizes the development of Hydropower plants and Fuelwood, rather than spectrum of renewable energies.

Government's ownership

The Renewable Energy Action Plan should set out what needs to happen and by when in order to meet the Government's Renewable Energy targets, with a focus on next 24-36 months. It should define in detail existing and future measures, instruments and policies for promotion of the use of renewable energy as well. However, often the focus in the plan is more on long term, as it supposed to derive and lead towards implementation targets by 2030 and 2050.

The present NREAP could not build longer term commitments of Georgian government (strategy, roadmap) and it does not reveal any budgetary support for development of RES, except of laws, that is supposed to be developed under Energy Community requirement. It looks like that again all costs for renewable energy



Striving for environmental and
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development is shifted towards the private sector and donors, including the preparation of costs effectiveness plans, action plans etc. The approach is more than overspread in Georgia, especially in sectors related to sustainable economic growth, thus decreasing the ownership of Georgia's government over the plan.

The lack of energy strategy and overarching goals for Georgia's energy sector in terms of energy mixture for 2030 also restricts the NREAP ambitions.

Therefore it is highly important for the government to start work within NREAP on schemes in order to support development of Renewable Energies in Georgia. It may involve direct subsidies, financial and non-financial incentives and other financial instruments (Blending with commercial banks, agreements with IFIs on sector specific credit lines). Moreover same support schemes must be common for all renewables.

Concerns regarding Public Participation

The NREAP was not prepared in wider public participation and draft of the texts has been available only to some experts and nongovernmental organizations. The government should ensure smooth public participation process during the elaboration and implementation of the action plan.

In addition, a number of plans and strategies mentioned in NREAP, including Energy Efficiency Action Plan, Solid Biofuel development Strategy, is also not available for all stakeholders.

Target

According to the Directive "The main purpose of mandatory national targets is to provide certainty for investors and to encourage continuous development of technologies which generate energy from all types of renewable sources. Deferring a decision about whether a target is mandatory until a future event takes place is thus not appropriate."

In overall, the share of the RES in the energy mix by 2020 is not increasing (Table 3), in contrary it is even decreasing from 30.8% (2017) to 30 %. The targeted three percent growth of the renewable energy generation capacity is really modest target to be achieved in 2 years. It is clear that the government does not plan any support for RE and all those are relocated to the private sector and donors.

The increase of the RES share is expected only in the electricity consumption sector and in transport. In both cases, the increase is quite modest and will not impact significantly on reduction of the import of oil resources.

Analysis of existing obstacles and proposed for mitigation

NREAP lacks an analysis of the major obstacles, challenges and opportunities for development of renewable energy sources in Georgia. It just describes the existing situation, however, it does not give any indications to government in which direction they should move.

In addition, according to the Energy community, the major challenge in terms of establishment of the competitive energy market in Georgia relates to existence of long term guaranteed power purchase agreements (PPAs) with power producers. NREAP does not explain how newly built plants with PPAs will be integrated in the competitive energy market model what implications it will have on the energy sector and economy and how the new RES objects will be enabled not to be undermined in that particular circumstance.

Below please find comments on concrete questions and chapters:

N	Draft NREAP prepared by the Government	Comment of Green Alternative
1.	<p>4.2.7. Electricity network operation (Article 16(2) and Article 16(7) and (8) of Directive 2009/28/EC;</p> <p>Response on question E by the authors:</p> <p>“According to the current regulation, over the first 10 years of their life all newly built HPPs are required to sell their generation in Georgia for the eight winter months (September through April). Investors who wish to apply for PPAs from the list published by the Ministry of Energy may only sell electricity to the Market Operator (for the eight winter months) and must provide a financial model in support of the requested tariff and expected IRR . There are currently PPAs in place with different options for electricity purchase by the Market Operator.”</p>	<p>In fact guaranteed power purchase price differs from project to project and in certain cases price varies year by year. In some cases inflation is also taken into account in the electricity price (Nenskra case).</p> <p>Moreover, in different PPAs months and guaranteed years vary from 8 to 12 months and from 10 to 15 and 36 years too. It is also not clear why and based on what criteria IRRs have been calculated for the investors.</p>
2.	<p>4.2.7. Electricity network operation (Article 16(2) and Article 16(7) and (8) of Directive 2009/28/EC;</p> <p>Response on question C by the authors:</p> <p>“As part of this, Georgia plans to adopt of law on renewable energy which may include RES support schemes, establishing proper marketplaces and introduction market based balancing & ancillary service mechanisms that must enable variable RES producers to trade near real time at the same time bearing responsibility for imbalances, improving scheduling and operational control tools of TSO that must ensure proper balancing and less RES curtailments, etc.”</p>	<p>Does it mean that the new law on RE will require RES producers to provide balanced electricity to the grid? Or what does “RES producers to trade near real time at the same time bearing responsibility for imbalances” mean?</p>
3.	<p>4.2.1. Administrative procedures and spatial planning (Article 13(1) of Directive 2009/28/EC);</p> <p>Response on question H:</p> <p>“At present, there is no one-stop shop for coordinating all steps. The main counterparty for facilitation between different state authorities is the</p>	<p>Georgia has one stop principle when issuing the permits on construction, the detailed guidelines can be seen here: http://tacs.gov.ge/uploads/rogor_mivi_03039d57.pdf</p> <p>The fact that investors need to obtain and prepare different type of documents, does not mean that there is not one stop principle. The new law on environmental impact assessment requires that any large energy generation</p>

<p>MoESD. However all the permits and licensees (if needed) have to be managed by the investor. The timetables for processing applications are defined by laws and sub-laws, and mostly they are communicated in advance.</p> <p>Authorization of RES projects largely depends on the type and size of the generating facility. Construction that belongs to Class I does not require any permits or licenses and developer is free to build it without any procedures. There is also no commissioning obligation. After finishing construction the owner of such plant applies to the DSO which is obliged to connect it within 20-40 days.</p> <p>For the larger RES projects, the average time for obtaining an approval (signing a Memorandum of Understanding - MoU) with ministry is very much dependent on the individual project and the seriousness of each investor undertaking a feasibility study. The timetable for such studies are defined in MoUs signed with the Government of Georgia and the investor is obliged to follow this MoU very strictly otherwise financial penalties might be imposed.</p> <p>Large hydro projects must undergo a construction process in three phases which can take time, in part due to the involvement of the local population and other authorities. The permit issuing entity is authorized to increase administrative proceedings for up to 3 months for the different stages of construction permit consideration. Taking all these factors into account, an average estimated timeframe for issuance of construction permits is a minimum of a few months up to one year.</p> <p>According to the electricity (capacity) market rules of Georgia, a power plant is authorized to operate without a license in testing mode for a maximum of 3 months. Within this period power the plant must undergo compliance testing from TSO and receive a commissioning certificate from the MoESD.</p> <p>The organisation responsible for issuing a license for projects with an installed capacity larger than 13 MW is GNERC at the final stage, when the investor already has all documents obtained (including the commissioning certificate), within 1 month of the application”</p>	<p>objects, that has significant impact on environment will be developed in different phases. Number of phases from public participation point of view even increased, leading to increased longevity of projects preparation. However, the new Environmental Impact Assessment Code is in compliance with respective directives of the EU.</p>
<p>4. 4.3. Support schemes to promote the use of energy from renewable resources in electricity applied by the Member State or a group of Member States</p>	<p>The NREAP authors correctly claim that in most of the cases there are not applicable official support schemes in Georgia. But the more problematic in this case is the</p>

		<p>nonexistence of will from the side of the government to introduce those schemes.</p> <p>Regarding the financial support, while there are no concrete schemes envisaged by legislation and described accordingly, in practice, we can see that there is differentiation by technologies and based on renewables 2008 program¹, the hydro development gets preferential treatment under Public private partnership agreements and BOO (Build-Own-Operate) schemes.</p> <p>In addition, there are VAT exemptions for equipment that was financed under concessional terms, and for sales of electricity from newly created power plants:</p> <p>Therefore, it is important that the existing practices analysed and ensured that all renewables are covered under the same direct or indirect support schemes, including under the Renewable energy program.</p>
5.	<p>3.2. Sectoral targets and trajectories</p> <p>“Table 4a: Calculation table for the renewable energy contribution of each sector to final energy consumption”</p>	<p>The table shows quite some expansion of renewable sources use in the transport sector from 22.37 to 39.7 ktoe however it’s not clear how it is achieved.</p> <p>While the growth is calculated on assumption of increased amount of electric cars, no special additional measures have been provided. The only assumption is zero excess tax on imported cars and development of the charging points that will increase the amount of electric cars within the country. But it is not clear were there any modeling of this potential growth.</p>
6.	<p>4.6.2. Measures to increase biomass availability, taking into account other biomass users (agriculture and forest-based sectors);</p> <p>Response on question G:</p> <p>“Currently there is no legal and regulatory framework to regulate the use of biomass as an energy source. There is no common energy or renewable energy law that would consider biomass energy and assign the responsibility for its use and development. The fuel wood that constitutes about 35% of domestic primary energy in Georgia does not fall under responsibility of the Ministry of Energy</p>	<p>There is intensive work ongoing on a strategy for Forestry reform, in the Ministry of Environment and Agriculture, aiming to reform current unsustainable management practices and to move to more sustainable use. The overarching goal of the forestry reform strategy for 2017-2020 is to support the implementation of Georgia’s Forestry Concept and to create a system of sustainable forest management in Georgia. The main ideas of the reform include:</p> <ul style="list-style-type: none"> - The Forestry Agency will directly engage in economic activity and become an operator of the forests with the goal of economic use of forests, or will appoint the forest management body for commercial forestry management;

¹ “A Government resolution was issued in 2008, establishing a development process specifically for certain hydropower investments, setting forth some limitations on sales during winter months, bank guarantees as a placeholder to hold the investment. It does not cover access to the grid, power purchase obligation, feed in tariff.”

	<p>and is not considered in the energy policy of Georgia.”</p>	<ul style="list-style-type: none"> - New forestry licenses will not be issued; - Social wood logging will be suspended and replaced with a more efficient model <p>The Forestry Agency will conduct or oversee forest management and harvesting to provide fuel wood to the population and organizations in rural areas.</p>
<p>7.</p>	<p>4.6.2. Measures to increase biomass availability, taking into account other biomass users (agriculture and forest-based sectors);</p> <p>Response on question H:</p> <p>“It is assumed that within the period of three initial years of UBF Action Plan the following parallel developments will take place:</p> <ul style="list-style-type: none"> •It is assumed that the forestry agency will acquire the oversight and regulatory role for the forest management, while actual forestry operations will be transferred to another public agency or private companies. As a result of this transformation there will be a residual biomass available from forestry operations at transparent equitable and competitive conditions. •The forest inventory and plan for regular for forest underbrush removal, tending, and thinning will help to identify the amount of biomass residue that can be obtained annually. •A Cost Benefit Analysis will be conducted on the non-sustainable use of forests for fuel wood - with the account of main externalities that will define the societal costs of wood harvested non-sustainably. •The recently established Biomass Association will support business development and lobbying the policies in support of UBFs. •Efficient wood stove NAMA will be implemented to improve the efficiency of wood stoves used in Georgia. 	<p>In theory first step should be considered the forestry as the part of energy policy, and looking for the opportunities to decrease the use of firewood and substitute it with new clean biomass (like bugs, farming waste residues,) or even other renewables.</p> <p>That would require specific measures, rather than changes of the management structure for fuelwood utilization and hopes that this would decrease the use of the fuelwood in general.</p> <p>Therefore, it is not clear what is planned within NREAP except of increased energy efficiency under NAMA for stoves (in addition, the costs and efficiency is also unknown).</p> <p>The NREAP for 2020 can set the goal, to prepare the overall assessment how to deal with situation, in terms of substitution of the timber fuelwood with other clean energy sources or technologies to ensure clean use of biomass.</p> <p>Actually in introduction it is mentioned that “Draft State Strategy for the Development of Solid Biofuels in Georgia has been elaborated and is subject of the government approval and adoption in the near future. The major goal of the strategy is facilitation of the utilization of solid biomass residues in Georgia, through the encouragement of the production and utilization of the modern solid biofuels. The main directions of the strategy include:</p> <ul style="list-style-type: none"> - Sustainable management and provision of supply of solid biomass residues from forest, agriculture, industry and other sources; - Support of the advancement of the new technologies and business processes for the production of the solid biofuels; - Encouragement of the sustainable production and demand for the energy received from biomass Residues.”

		<p>However, it is not discussed later in terms of opportunities, obstacles, what are the aims of strategy in quantified means, % in energy mixture etc.</p>
<p>8.</p>	<p>5.4. Preparation of the National Renewable Energy Action Plan and the follow-up of its implementation;</p> <p>Response on Question C:</p> <p>“The NREAP framework was discussed with the major stakeholders at the inception workshop, the working group members met the members of Biomass Association of Georgia to discuss biomass and biofuels related issues, NREAP Framework was discussed at the training workshop for stakeholders’ network and the conference to present NREAP to key stakeholders and reach broad audience, including public and private sector organizations, academic institutions and civil society organizations working in the field of renewable energy and low carbon energy.”</p>	<p>While It claims that, “Based on the comments from the stakeholders and general public, NREAP was correspondingly corrected and submitted subsequently to the Government” it is vague when and under which procedure public consultations were held?</p>
<p>9.</p>	<p>5.4. Preparation of the National Renewable Energy Action Plan and the follow-up of its implementation;</p> <p>Response on Question E:</p> <p>“Currently there is no such monitoring system. As part of implementation of this action plan, a Monitoring, Reporting, and Verification system is proposed (see Annex 2)”.</p>	<p>It is notable that “Annex 2” mentioned in the document has not been attached to the documents. At least the principles and key indicators of the proposed Monitoring, Reporting, and Verification system should be described in NREAP itself;</p>
		<p>The directive and methodology required to have the list of planned RES under major cities programs. While the project team has access to Sustainable Energy Action Plans and one Sustainable Energy & Climate Action Plan developed by the major Georgian cities and municipalities, it would be good to include a list of concrete activities (if any) within the NREAP.</p>