

PROJECT SUMMARY

Georgia – Promoting the Use of renewable Energy Resources for Local Energy Supply

Total budget GEF:	USD 4,300,000
Total budget KfW:	USD 5,780,000
UNDP Sector:	Environment
Starting Date:	April 2004
Duration:	5 years

Background:

Since independence, Georgia has been facing a serious energy crisis. The power supply system is suffering from regular disruptions due to the overloaded distribution system and the lack of sufficient generation capacity in an operable condition. The situation is worst during the winter, when the use of electricity for heating purposes is increasing.

The following efforts to improve the situation have been observed over the past years: (i) improving the natural gas supply within the cities, so as to increase the utilization of gas for heating and cooking purposes; ii) rehabilitating the former large hydro power and gas fired power plants; and iii) planning of the construction of a new thermal power capacity based on the use of domestic coal. The potential of geothermal resources and of the existing small hydropower plants remains untargeted.

Objective:

The objective of the project is to remove the key barriers to the increased utilization of renewable energy for local energy supply. The project is expected to achieve this goal i) by addressing the legal and regulatory barriers in order to provide fair and competitive access to the market for renewable energy producers, to ensure the collection of payments and to encourage investments into renewable energy; ii) by introducing and leveraging financing for a pilot renewable energy fund/credit line so as to overcome the key financial barriers in Georgia, and iii) by addressing the existing public awareness and capacity barriers so as to provide a basis for the general development and implementation of renewable energy projects.

Activities:

- Stakeholder consultations on development and implementation of demonstration projects;
- Identify and analyse institutional, legal, and regulatory barriers for the development of renewable energy and prepare relevant recommendations for their removal;
- Elaborate specific incentives to promote development of local renewable energy sources such as tax incentives, long term concessions etc;
- Conduct detailed mapping and analysis of the potential sites for renewable energy development in Georgia, with the focus on geothermal resources and the existing small hydro power plants;
- Develop a model feasibility study, business plan, power/heat purchase agreement and a sample investment proposal to be used as a basis for project preparation;
- Implement geothermal hot water supply pilot project. Support establishment of a consumption based metering and billing system to facilitate heat and hot water supply contracts between the supplier and the consumers at the building level;
- Draft Operational Guidelines of the Revolving Renewable Energy Fund.

Expected Outcome:

- Adoption of a national Renewable Energy program to provide a coherent institutional, regulatory and financial framework to promote Renewable Energy investment in Georgia;
- Increased public awareness on the existing business opportunities in developing the local renewable energy resources (incl. a more detailed mapping of the potential sites for that);
- Enhanced capacity of the local entrepreneurs to develop “bankable” investment proposals, to structure financing for the projects and to manage development and implementation of the projects;
- The Renewable Energy Fund and Credit Line established;
- The first demonstration projects financed through the Renewable Energy Fund.