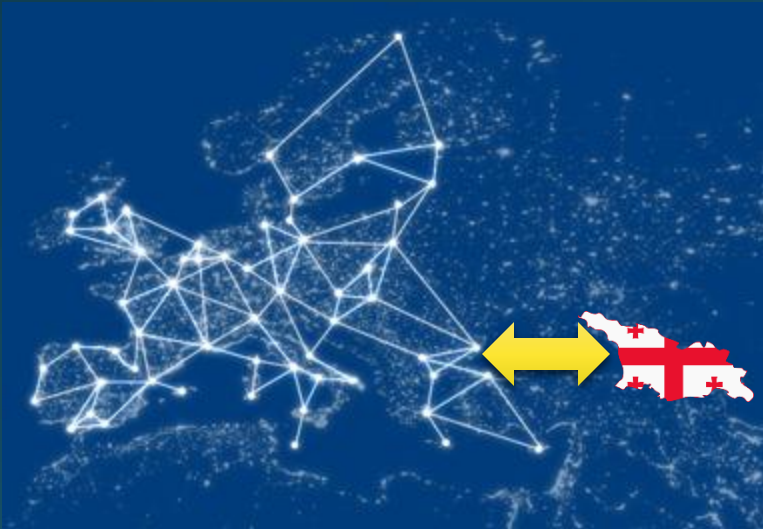


# ENERGY SECURITY AND ENERGY UNION PERSPECTIVES FOR GEORGIA



**Giorgi Mukhigulishvili**  
**World Experience for Georgia**

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- Background
- Key Energy Security Issues of Georgia
- Energy Union Strategy and National Energy Policy – synergies
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## Background

- Georgia is the only country in south Caucasus who has signed the Association Agreement and DCFTA with the EU;
- Georgia's Euro-Atlantic aspirations;
- Georgia's potential role for the EU energy security;
  - Alternative supply rout for hydrocarbon transit from Caspian region (Southern Gas corridor - SCPx, AGRI, White-stream; BTC, WREP);
  - Silk Road concept - railway
  - Export of renewable energy to the EU; (Hydro)
- Energy Community membership – Current negotiations;
- Importance of energy security for Georgia's sustainable independence and political stability;

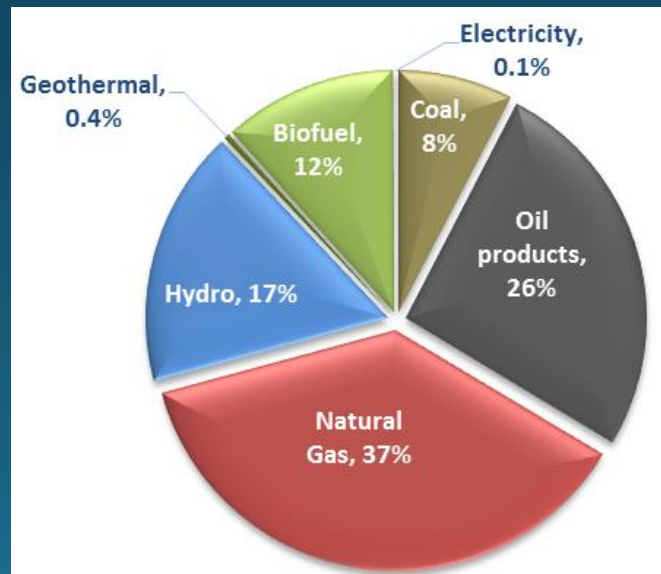
# Southern Gas Corridor



# Key energy security risks of Georgia

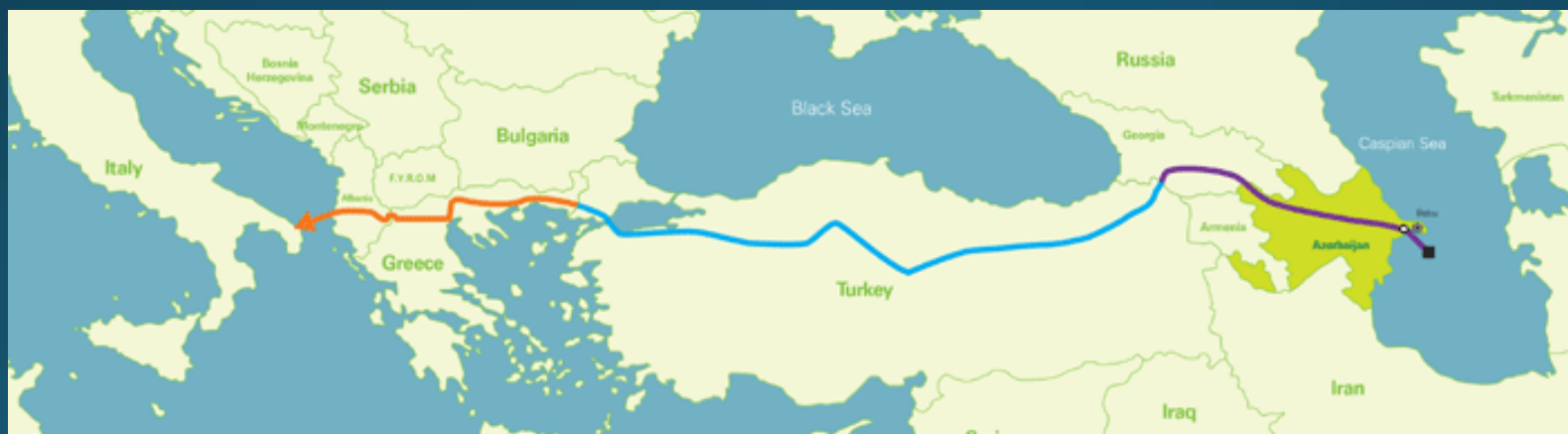
The objective of energy security is to assure adequate, reliable supplies of energy at reasonable prices and in ways that do not jeopardize major national values and interests.

## 1 - Dependence on energy imports (68%), no security reserves



# Shift from Russia to Azerbaijan – good practice

Currently, 90% of imported gas comes from Azerbaijan and 10% comes from Russia.



## 2 - Russian occupation of Georgian territories where strategic energy infrastructure exist

- Georgia's course for Euro Atlantic integration has been ended for Georgia in the occupation of its territories.
- Russia occupies more than 20% of Georgian territory
- During the war in 2008 Russian military forces targeted (bombed) territories very close to the BTS, SCP and WREP pipelines.



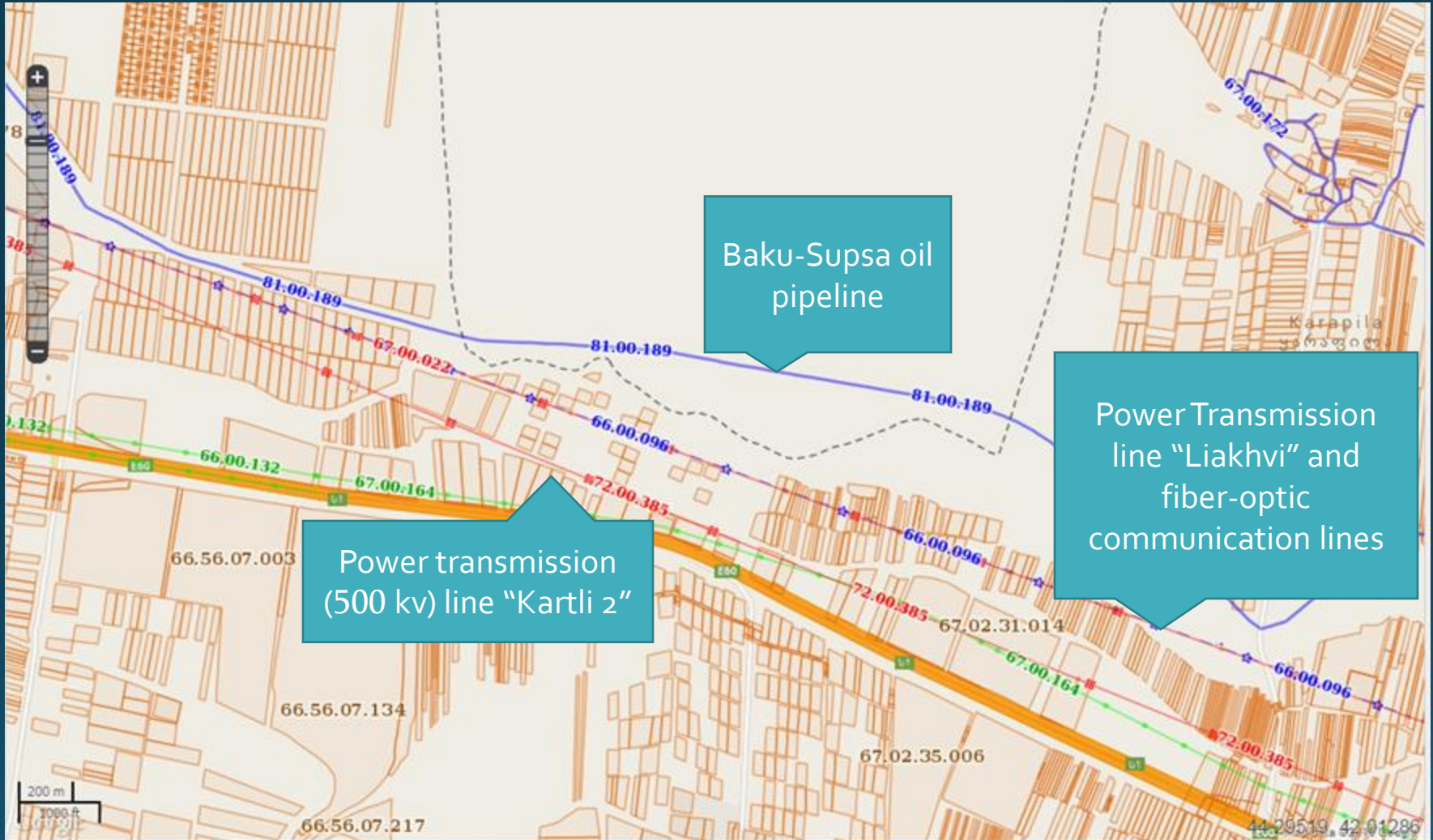
# Enguri/Vardnili HPP Cascade

- Largest HPP, which provides about 40% of the country's electricity needs
- The powerhouse and switchyard of the Enguri HPP are located on the territory occupied by Russia, while the dam and reservoir are on the territory controlled by Georgian state.
- Enguri hydro plant in cultural heritage list





# Baku-Supsa oil pipeline



## 3 - Ownership of strategic energy assets by Russian companies

- Inter Rao holds:
  - 75% of shares of JSC “Telasi” - the second largest power distribution company in Georgia;
  - Khrami HPP I, II, TPP Gardabani unit – 9, 15% of total installed capacity;
  - “Engurhesi” (1300 MW) is also under the management of Inter Rao;
- Russian energy system is one of the shareholders (50%) in united energy system “SAKRUSENERGO”, which manages the high voltage transmission networks in the territory of Georgia.
- “Georgian water and power” with Zhinvali HPP (130 MW) is owned by offshore registered company “Georgian Global utilities” LLC governed by Russians.
- Lukoil Georgia – a Georgian subsidiary of Russian Lukoil, owns 62 petrol stations in Georgia
- Russian oil company – Rosneft, holds 49% in Petroca Energy LTD, which by itself owns oil terminals in Poti, and 140 petrol stations in Georgia under the brand name of “GULF”

**The largest power distribution company Energo-Pro Georgia is being sold !!!**

## 4 - Deteriorated and outdated energy infrastructure

- Most of the energy infrastructure has been developed in the Soviet time in Georgia.
- Energy losses in gas and power distribution networks are still high in the regions.
- Energy intensity of the Georgian economy is 2-2.5 times higher than in Western countries.

## 5 - The economic crisis and the devaluation of the national currency

Georgian Lari has been devaluated by 40% with regard to US Dollar.

### Increased prices on energy:

- Gas price for commercial customers has increased by 20%
- Electricity price for Energo-pro customers has increased by 30%
- Electricity price for Telasi customers has increased by 32%

## 6 – Terrorism, emerging threat for energy infrastructure

The BTC came under attack on August 5, 2008, disrupting the oil transportation for 14 days.



Again, in August 2015, the Baku-Tbilisi-Erzurum pipeline, exploded unexpectedly

**Cyber terrorism!**

## 7 - Climate Change – challenge for energy security

- Increasing demand on energy
- Intermittent variable generation of energy from renewable sources
- Destroyed energy infrastructure due to the growing natural disasters



# Energy Union Strategy and National Energy Policy

In 2015 the parliament of Georgia adopted new energy policy document. The core national energy policy priorities comprise:

1. Diversification of supply sources, optimal utilization of local resources and reserves;
2. Utilization of Georgia's renewable energy resources;
3. Gradual approximation of Georgia's legislative and regulatory framework with the EU's Energy Acquis;
4. Energy market development and improvement of energy trading mechanism;
5. Strengthen Georgia's role as a transit route in the region;
6. Georgia – regional platform for generation and trade of clean energy;
7. Develop and implement an integrated approach to energy efficiency in Georgia;
8. Taking into consideration environmental components in the implementation of the energy projects;
9. Improving service quality and protection of consumer interests.

# Energy Union Strategy and National Energy Policy - Synergies

- Georgia can benefit from the EU's goal of diversifying its energy suppliers through the construction of new pipelines to Caspian suppliers (PCIs);
- An internal electricity market across the EU will allow Georgia to export its excess renewable electricity through Turkey to lucrative European markets;
- Development of Energy Efficient and renewable energy technologies;
- Cooperation in the field of R&D – Horizon 2020;
- Adoption of EU Energy Acquis may become an effective safeguard against soft power application and corruption in the energy sector;
- Transparent and quality legislation can help in attracting more private investment to the sector.

## Conclusions

- Georgia remains committed in its pursuit of democratic development and Euro-Atlantic integration. It is a strategic partner of the European Union in the region and can act as a gateway to rich energy resources in the Caspian Sea.
- There are a lot of synergies in Energy Union strategy goals and Georgia's energy policy priorities which should be captured and effectively used by decision makers on both sides.
- The main energy security risks of Georgia can be mitigated by harmonization of national energy legislation with EU energy acquire.



# Recommendations

- Closer and more engaged dialogue including the government and civil actors;
- Information exchange among EU and EaP countries on current developments and challenges in energy sector;
- Expansion of the principle of solidarity and speaking in one voice towards EaP countries (security concerns do not end at EU borders);
- Enhance the activities for development and support of Southern Gas corridor projects;
- Try to engage the countries in the region in transparent energy legislation (third package) and promote the regional energy trade;
- Enhance the climate diplomacy, and develop the regional schemes of Green energy trading in order to develop further the vast renewable energy potential;
- Support regional cooperation on addressing energy security issues.

Thank You!

[G.Mukhigulishvili@weg.ge](mailto:G.Mukhigulishvili@weg.ge)

[www.weg.ge](http://www.weg.ge)