

Georgia

Population ¹	3,728,004
Area (km ²) ¹	69,700
GDP per capita (USD) ¹	4,045.42
TPES (Mtoe) ²	4.79
Energy intensity (toe/10 ³ 2010 USD) ²	0.32
CO ₂ emissions - energy (MtCO ₂) ²	8.80

Sources:

1. The World Bank 2017

2. ©IEA 2018, www.iea.org/statistics

Georgia’s overall risk level against the assessed areas is **low**.

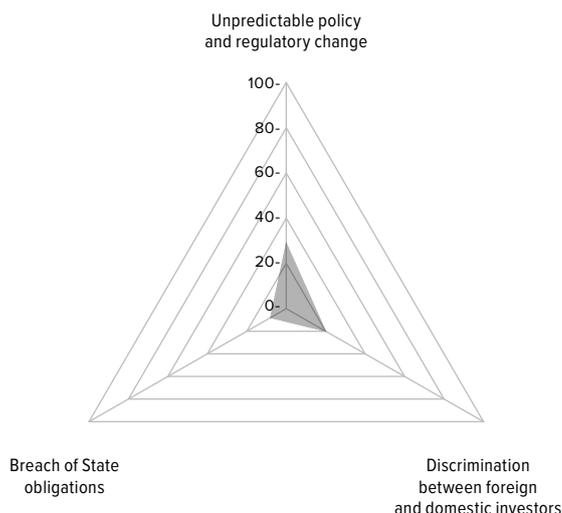
Among the three EIRA risk areas, *breach of State obligations* remains lower compared to *discrimination between foreign and domestic investors* and *unpredictable policy and regulatory change*.

Georgia has a very good performance on one EIRA indicator. It has a good performance on two others, and a moderate performance on one indicator. The indicators *rule of law* and *regulatory environment and investment conditions* are at 92 and 77 points, like in 2018. *Management of decision-making processes* improved by 6 points, and now stands at 71. The indicator score for *foresight of policy and regulatory change* is still moderate, though it went up by 4 points to a score of 50.

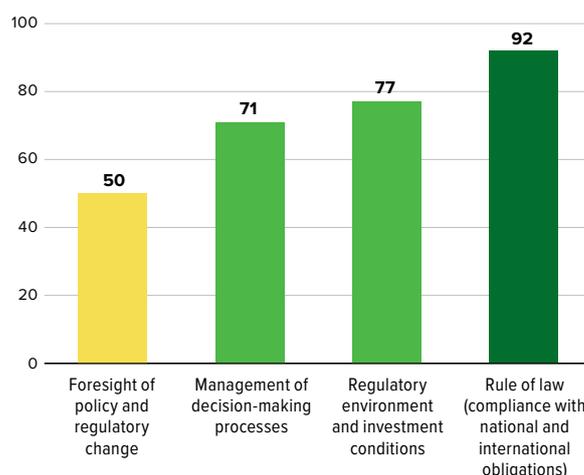
On a more detailed level, Georgia’s overall sub-indicator performance remains good. The highest-scoring sub-indicators are *management and settlement of investor-State disputes* and *restrictions on FDI*, at 100 and 90 points. The performance on the sub-indicator *respect for property rights* is very good, with a score of 83, like in 2018. *Transparency* and *regulatory effectiveness* also kept their scores of 73 and 64 points respectively. The sub-indicator *institutional governance* went up by 13 points, now standing at 69. The score of *communication of vision and policies* increased by 3 points to 59. The performance on *robustness of policy goals and commitments* went up by 7 points but remains the lowest, with 42 points.

Georgia provides attractive conditions for investors and is working in the right direction. Attention should be given to increasing the robustness of its policy goals and commitments.

RISK LEVEL



INDICATOR PERFORMANCE

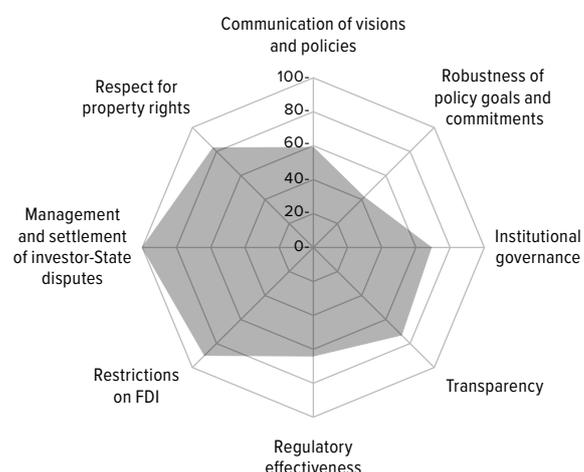


YEAR-ON-YEAR COMPARISON

RISK AREAS	2018	2019
Unpredictable policy and regulatory change	32	29
Discrimination between foreign and domestic investors	22	20
Breach of State obligations	8	8

INDICATORS	2018	2019
Foresight of policy and regulatory change	46	50
Management of decision-making processes	65	71
Regulatory environment and investment conditions	77	77
Rule of law	92	92

SUB-INDICATOR PERFORMANCE



Foresight of policy and regulatory change

QUICK FACTS

The key energy strategy documents for Georgia are the EU-Georgia Association Agenda 2017-2020, the Social-economic Development Strategy 2020 (adopted in 2014) and the Main Directions of the State Policy in Energy Sector, adopted by Parliament in 2015.

The Law on Electricity and Natural Gas 1997 and the Law on Oil and Gas 1999, set out the structure and basic responsibilities for the energy sector.

Later in 2019, the country intends to adopt a number of new laws and policies, including common rules for the electricity and gas markets.

Georgia approved the Paris Agreement in 2017.

STRENGTHS

Georgia's primary focus is on implementing the EU *energy acquis*, following the EU-Georgia Association Agreement, and its membership of the EU Energy Community. Over the past years, the power sector of Georgia has undergone significant regulatory and market reform. While this has helped improve the quality of power services and promoted privatisation, there is a need for further deregulation. In December 2018, the Ministry of Economy and Sustainable Development approved the Concept Design for the Georgian Electricity Market, which outlines the structure, organisation and operation of the electricity market. Additionally, it describes the implementation activities for establishing a competitive electricity market by 2022. In line with this Concept Design, in May 2019, Georgia opened competition in the electricity market for industrial users.

The Social-economic Development Strategy 2020 requires the Government to monitor and report annually on its implementation. Moreover, the implementation of the EU-Georgia Association Agenda 2017-2020 is subject to annual monitoring and reporting. The state of compliance, including up-to-date statistical indicators on energy efficiency and renewable energy, are available on the website of the Energy Community.

AREAS FOR IMPROVEMENT

While the approval of the Concept Design for the Georgian Electricity Market contributes to long-term security of the electricity system, the energy priorities beyond 2020 are still unclear due to the absence of a policy for the next decade. The Government should pursue its efforts to finalise the Strategy for the Development of the Georgian Energy Sector. Moreover, it should expedite efforts to adopt the new draft Law on Energy and Water Supply. In a similar vein, the Government should provide clarity on its renewable energy and energy efficiency targets and accompanying measures. Finally, given the various changes anticipated in the near future, particular attention should be paid to ensuring policy coherence and predictability in the energy market.

Management of decision-making processes

QUICK FACTS

The Ministry of Economy and Sustainable Development is responsible for framing and implementing the country's energy and investment policies.

The Ministry of Environment Protection and Agriculture is in charge of implementing and monitoring the country's NDC.

Enterprise Georgia was established in 2017, under the Ministry of Economy and Sustainable Development, as a single window for enquiries on investment. It is entitled to represent investors before administrative bodies and to assist them in obtaining necessary licences and permits.

The General Administrative Code 1999 arranges access to public information.

STRENGTHS

In 2018, the integration of the Ministry of Energy in the Ministry of Economy and Sustainable Development was completed. This move has brought policy-making for energy and investment under one roof and is expected to increase the effectiveness of the country's economic policy as well as reduce administrative expenses for investors. In the last year, a number of positive policy and legislative decisions were taken. The Government intends to keep up the momentum and adopt a new Law on Energy and Water Supply this year (based on EU Directives concerning common rules for the electricity and gas markets, access to energy infrastructure and security of supply). It also aims at launching a Strategy for the Development of the Georgian Energy Sector, Laws on Energy Efficiency and Renewable Energy to comply with the EU energy targets, its First National Energy Efficiency Action Plan (NEEAP) 2019-2021 and a National Renewable Energy Action Plan.

The right to public information is prescribed in the General Administrative Code. Only State or commercial secrets and personal data are exempt from disclosure. Legal and regulatory information is made public through the Legislative Herald of Georgia, which operates as a separate entity within the Ministry of Justice. The translation centre of the Legislative Herald provides professional translation of legislative Acts in accordance with EU standards.

AREAS FOR IMPROVEMENT

As was advised in 2018, a one-stop shop dedicated to the energy sector should be set up. Its mandate may include granting easy access to the regulatory bodies responsible for licensing.

Although Georgia established an Investors Council in 2015 to promote dialogue, and in practice stakeholder consultation often takes place during the legislative process, there is no legal requirement for consultation. It is advisable that a requirement be enshrined in law for the consultation of draft laws and policies between the Government and stakeholders.

Regulatory environment and investment conditions

QUICK FACTS

The Georgian National Energy and Water Supply Regulatory Commission (GNERC) regulates the electricity and gas sub-sectors. The State Agency for Oil and Gas (SAOG), under the Ministry for Economy and Sustainable Development, is responsible for licensing and State participation in hydrocarbons.

The Competition Agency is responsible for the enforcement of competition law in Georgia. For the regulated oil and gas sub-sectors, it cooperates with the GNERC on overseeing competition issues.

The Law on Promotion and Guarantees of Investment Activity 1996 governs the establishment and promotion of investments.

STRENGTHS

The GNERC is an independent body. Through the Concept Design for the Georgian Electricity Market, the responsibilities of the GNERC have been aligned with EU Directive 2009/72. It is entitled to issue licences for activities of power generation, dispatch, transmission and distribution, and of transportation and distribution of natural gas. Furthermore, it may determine and adopt operational rules for Universal Retail Suppliers. It is also empowered to enforce payment and tariff obligations. The Competition Agency is obliged to provide GNERC with any complaints it may receive regarding distortion of competition in the energy or water supply sectors.

Georgia has a favourable climate to FDI in the energy sector. The Georgian Tax Code of 2017 is quite liberal with only six flat low-rate taxes. Some changes are expected to the Code in 2019, including profit-based taxation and cancellation of VAT on imported fixed assets. This is intended to further enhance the investment climate of the country. The law grants equal treatment to domestic and foreign investors. There is no notification or screening requirement for investments in the energy sector nor are there legal requirements on local content.

AREAS FOR IMPROVEMENT

To improve transparency the selection procedure of the GNERC's board members should be publically announced. There must be a clear provision in the law, which stipulates that the appointment is restricted to a one-time renewal.

Agricultural land, as a resource of special importance, may only be owned by specified Georgian entities or citizens. The new organic law, which shall regulate the exceptions to this restriction, has not been adopted yet. The Government is advised to provide clarity on the matter to reduce uncertainty for investors and landowners alike.

Rule of law

QUICK FACTS

Georgia ratified the Energy Charter Treaty in 1995.

Georgia ratified the Protocol concerning the Accession of Georgia to the Treaty Establishing the Energy Community in 2017.

Georgia is party to the Convention on the Settlement of Investment Disputes between States and Nationals of Other States since 1992.

Provisions against unlawful expropriation are included in the Law on the Procedure for Expropriation of Property upon the Urgent Necessity of Ensuring Public Needs 1997 and the Law on the Procedure for the Expropriation of Property for Pressing Social Needs 1999.

STRENGTHS

The Law on Arbitration 2009 and the Civil Procedure Code 1997 regulate arbitration in Georgia. The Law on Promotion and Guarantees of Investment Activity 1997 states that disputes between foreign investors and the State must be resolved in Georgian courts unless provided otherwise in an agreement between the parties or by international agreements to which Georgia is a party. The Law on Private International Law 1998 allows the recognition and enforcement of foreign judgments. In the last year, no retroactive legislative changes were introduced to the detriment of foreign energy investors.

Restriction or revocation of property rights is only allowed in case of urgent public necessity, and upon payment of preliminary, full and fair compensation. The grounds for expropriation are limited to specific situations, such as for the development of public infrastructure or to ensure the safety of the State. Georgia joined the World Intellectual Property Organization in 1991, thereby guaranteeing the intellectual property rights of investors. Moreover, the Constitution of Georgia affirms the inviolability of intellectual property.

AREAS FOR IMPROVEMENT

Even though the national law states that compensation in the case of expropriation must be paid in advance, the Government should consider establishing a clear timeframe for the compensation to be paid. Meanwhile, investors have a right to review an expropriation in local court, through which compensation procedures could be expedited.