

Georgia

Population ¹	3,726,549
Area (km ²) ¹	69,700
GDP per capita (USD) ¹	4,722.78
TPES (Mtoe) ²	4.81
Energy intensity (toe/10 ³ 2010 USD) ²	0.30
CO ₂ emissions - energy (MtCO ₂) ³	8.72

Data from Orbis Crossborder Investment on energy projects and deals completed between 2015-2020⁴

Target industry	Number of projects and deals	Project/deal type	Project CapEx and deal value (million EUR)
Electric power generation, transmission and distribution	1 deal	acquisition deal	8m EUR total value of deal

Sources:

1. The World Bank 2018
2. ©IEA, World energy balances, 2020, www.iea.org/data-and-statistics, webstore.iea.org/key-world-energy-statistics-2019
3. ©IEA 2020, CO₂ emissions from fuel combustion, www.iea.org/data-and-statistics, webstore.iea.org/key-world-energy-statistics-2019
4. Orbis Crossborder Investment (2020), Bureau Van Dijk. Georgia is the destination country of the investment. Data represents the period 1 April 2015 - 1 April 2020. For more information see Annex II of this report.

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

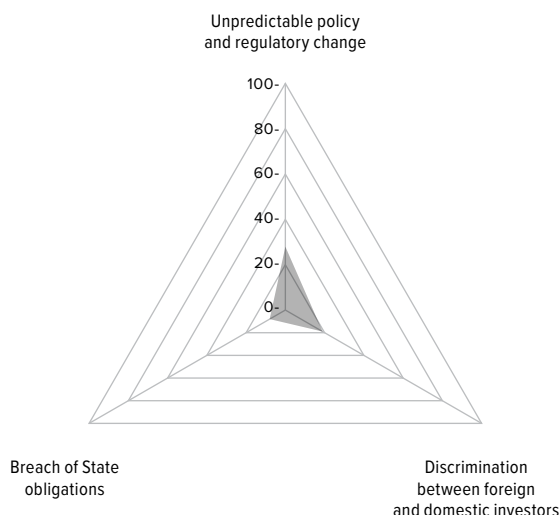
Among the three risks assessed in EIRA, *breach of State obligations* is lower compared to *discrimination between foreign and domestic investors* and *unpredictable policy and regulatory change*.

Georgia’s performance is very good on two indicators, good on one indicator, and moderate on one. It has retained a score of 92 on the indicator *rule of law*. Its score on *regulatory environment and investment conditions* has improved by four points and stands at 81. It has maintained a score of 71 on *management of decision-making processes*. Its score on *foresight of policy and regulatory change* has improved by four points to 54.

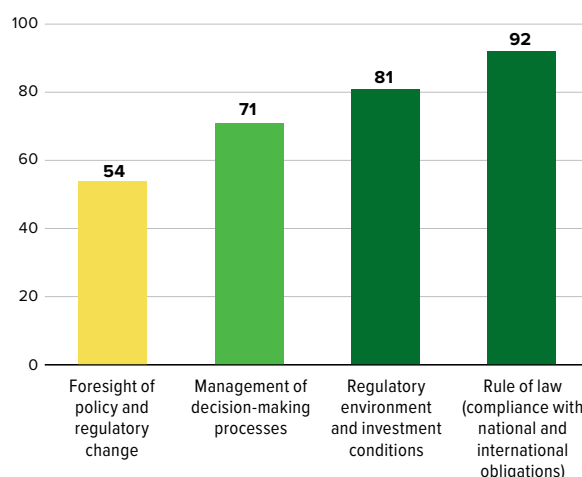
On a more detailed level, Georgia’s overall sub-indicator performance is good. The highest-scoring sub-indicators are *management and settlement of investor-State disputes* and *restrictions on FDI*, at 100 and 90. Its performance on the sub-indicator *respect for property rights* is also very good, with a score of 83, like in 2019. It has once again scored 73 on *transparency*, followed by *regulatory effectiveness* which has improved by eight points, and stands at 72. It has a score of 69 on the sub-indicator *institutional governance*. The score of *communication of vision and policies* is 59. Its performance on *robustness of policy goals and commitments* went up by six points, but remains the lowest at 48.

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

RISK LEVEL



INDICATOR PERFORMANCE

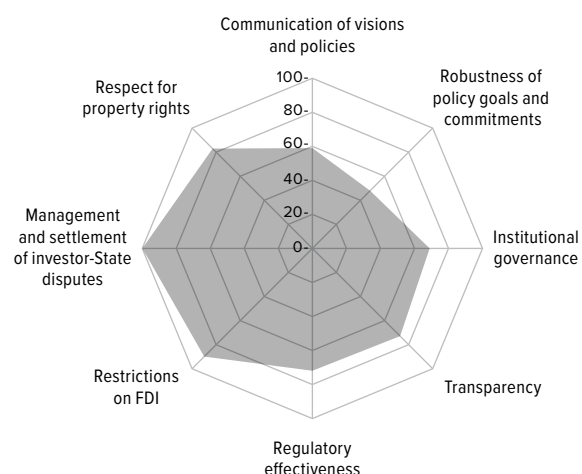


YEAR-ON-YEAR COMPARISON

RISK AREAS	2018	2019	2020
Unpredictable policy and regulatory change	32	29	28
Discrimination between foreign and domestic investors	22	20	19
Breach of State obligations	8	8	8

INDICATORS	2018	2019	2020
Foresight of policy and regulatory change	46	50	54
Management of decision-making processes	65	71	71
Regulatory environment and investment conditions	77	77	81
Rule of law	92	92	92

SUB-INDICATOR PERFORMANCE



Foresight of policy and regulatory change

QUICK FACTS

The Law on Energy and Water Supply of Georgia was adopted on 20 December 2019.

In December 2018, the Government adopted the Concept Design for the Georgian Electricity Market, which outlines measures towards establishing a competitive electricity market by 2022.

Georgia ratified the Paris Agreement in 2017 and submitted its NDC.

STRENGTHS

The key priority of Georgia is to meet its electricity demand through local renewable resources, and in turn, reduce its import dependency. To this end, the Government has taken some concrete measures. The Law on the Promotion of Energy Production and Use from Renewable Sources (Renewable Energy Law), adopted in 2019, sets mandatory national targets for renewable energy consumption. The National Renewable Energy Action Plan for 2020 supports the implementation of this Law. The new National Energy Efficiency Action Plan (2019-2020) aims to optimise and reduce energy consumption compared to the business-as-usual scenario. The Government has prepared a ten-year network development plan (2020-2030) to bolster the electricity transmission infrastructure.

The Government has adopted a set of Resolutions to introduce results-oriented policy planning and establish quality assurance mechanisms. Government Resolution no. 35 of 2020 sets the process for conducting regulatory impact assessments. It lists the types of reports to be prepared, the analytical stages, and the submission and reporting rules. Similarly, Resolution no. 629 of 2019 defines the process for developing and approving policy documents, and creates the framework for monitoring and evaluating policy implementation. The Renewable Energy Law mandates that the Government must submit a report to the Energy Community Secretariat on the progress made in the production and use of renewable energy. The report must be submitted once every two years until 31 December 2024.

AREAS FOR IMPROVEMENT

The adoption of the Energy Efficiency Law in May 2020 is commendable. The Ministry of Economy and Sustainable Development is encouraged to keep up the momentum and ensure that it prepares on time the secondary legislation necessary to implement this law.

The country will benefit from a defined climate change action plan that sets long-term emissions reduction targets and strategies for achieving those targets.

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 General Administrative Code 1999 grants access to information held by public authorities.

STRENGTHS

In the last year, the Georgian Government worked to improve coordination in the policy-making process, particularly on climate change and open governance. The Climate Change Council was established through Government Resolution no. 54 of 2020 to coordinate and facilitate the implementation of the Paris Agreement commitments. Similarly, Resolution no. 110 of 2020 created an Intergovernmental Coordinating Council to promote and coordinate the implementation of the country's open government policy. Efforts were also made to transpose and implement parts of the EU energy acquis. In December 2019, the Parliament of Georgia adopted the Law on Energy Labelling to transpose Directive 2010/30/EU. This Law is intended to ensure compliance with the relevant technical regulations applicable to energy consumer products in the Georgian market.

The Law on Energy and Water Supply reiterates and reinforces the obligations concerning public consultation and hearings stipulated in the General Administrative Code of Georgia of 1999. The Renewable Energy Law requires the Government to provide the public with information on the availability of energy received from all types of renewable sources used in transport, and on environmental benefits. An Official Gazette app has been developed for the iOS and Android platforms to improve access to legal information. Users can now enjoy the services more easily and conveniently.

AREAS FOR IMPROVEMENT

To deliver high-quality public services efficiently, and streamline regulatory and licensing processes for businesses, the Government may consider setting up a one-stop shop that gives foreign investors assistance in undertaking business locally. The mandate could be vested in the existing investment promotion agency or a separate public entity.

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 of Oil and Gas regulates oil and gas operations in accordance with the main directions of State policy set by the Ministry of Economy and Sustainable Development.

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

STRENGTHS

The Law on Energy and Water Supply has contributed to the development of a more competitive market by unbundling and granting certification to transmission and distribution system operators. It introduces new market players (such as power suppliers, universal service providers, supplier of last resort) and adopts an imbalance settlement mechanism. It has also increased the authority of the GNERC that can now approve the market rules. By the end of 2019, The GNERC made modifications to the Service Quality rules. On 27 March 2020, it approved certification rules for the transmission system operators. In 2019, the Georgian State Electrosystem and Electricity System Commercial Operator founded the Georgian Energy Exchange on a 50-50% co-participation basis.

Foreign investment in the energy sector is encouraged. The share of reinvestments in total FDI increased from 34.6% in 2018 to 48.3% in 2019. The energy sector recorded the second-largest share of FDI, with USD 193.9 million. Per the Renewable Energy Law, the Ministry of Economy and Sustainable Development is preparing support schemes to attract renewable energy investors. Such incentive mechanisms may include tax relief, direct price support schemes, and fixed and variable premium payments, including feed-in tariffs, Contracts for Difference, green certificates or auctions. The Government will approve the final list of support schemes and respective implementation conditions within one year of the adoption of the Law.

AREAS FOR IMPROVEMENT

The tenure of the GNERC's Chairperson has been decreased from six to three years. The reduction in tenure may be worth reconsidering since it may break the continuum of decision-making.

Although there are no direct restrictions imposed on foreign ownership of land, as per the Law on the Ownership of Agricultural Land, adopted on 25 June 2019, a foreigner may only own inherited agricultural land. In the case of a foreign legal entity, or a legal entity with a foreign shareholding majority, agricultural land ownership is subject to the approval of the Government, based on the investment plan. The Government may consider relaxing these restrictions on foreign investors. Discretionary decision-making should be minimal to retain investor confidence and ensure predictability in rules.

Rule of law

QUICK FACTS

Georgia ratified the Energy Charter Treaty in 1995.

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

In the last year, the Government took proactive steps to promote alternative dispute resolution mechanisms. On 7 August 2019, Georgia signed the Singapore Mediation Convention. Moreover, the Parliament of Georgia adopted the Law on Mediation on 18 September 2019. The Law establishes the Georgian Association of Mediators which will set the standards for accreditation of mediators and will maintain a list of accredited mediators. In addition to this, it makes the agreement to mediate enforceable. It also guarantees the suspension of the limitation period during mediation proceedings and the confidentiality of the process.

The Law on the Procedure for the Expropriation of Property for Pressing Social Needs establishes the rules for expropriation in Georgia. It stipulates that expropriation can only occur for the specific public needs mentioned in the Law. It sets out a mechanism for negotiating the valuation and payment of compensation. Investors may approach local courts to review an expropriation, and also request expedited payments. No laws restrict the transfer of technology in the energy sector.

AREAS FOR IMPROVEMENT

The legal framework protecting foreign investors against expropriation is quite robust. The only point that needs attention is the relatively low coverage of protection given to IP rights against expropriation. While there is no exclusion of IP listed in the relevant legislation, the definitions of "pressing public needs" and "urgent public necessities" relate only to the expropriation of immovable property. In light of this, The Government may consider extending the scope of protection to intangible rights of foreign investors in the national law.

IMPLEMENTATION STATUS



Georgia

PROPOSED IN	EIRA AREAS FOR IMPROVEMENT	IMPLEMENTATION STATUS AS OF 1 APRIL 2020
Indicator 1		
	Finalise and adopt the Energy Strategy 2020.	Fully implemented. The Energy Strategy is being utilised by the Government of Georgia as a guiding document for future actions.
2018	Finalise and adopt the new draft Energy Law in line with the EU's third energy package.	Fully implemented. On 20 December 2019, the Law of Georgia on Energy and Water Supply (hereinafter the "Energy Law") was adopted.
	Adopt the country's National Energy Efficiency Action Plan.	Fully implemented. The National Energy Efficiency Action Plan (2019-2020) was adopted in 2020.
	Create a defined framework for policy monitoring and evaluation.	Fully implemented. In 2019, the Government of Georgia adopted Resolution no. 629 "On the approval of the rules for the development, monitoring and evaluation of policy documents".
2020	Prepare on time the secondary legislation necessary to implement the Energy Efficiency Law.	Improvement suggested in 2020. Status will be updated in 2021.
	Adopt a climate change action plan that sets long-term emissions reduction targets and strategies to achieve those targets.	Improvement suggested in 2020. Status will be updated in 2021.
Indicator 2		
2018	Set up a dedicated one-stop investment approval authority for energy projects.	Pending
	Make official translations of laws and regulations available in foreign languages.	Work ongoing and partially implemented. The Official Gazette website is now available in English but translations are not official. The Ministry of Economy and Sustainable Development makes available on its website all the relevant documents in English.
2019	Create a legal requirement for public consultation on draft laws and policies.	Fully implemented. Legal provision included in the Law of Georgia on the Promotion of Energy Production and Use from Renewable Sources. It is also included in the Government of Georgia Resolution no. 629 (2019) and Resolution no. 35 (2020).
Indicator 3		
2018	Publicly announce the nomination and selection of the Georgian National Energy and Water Supply Regulatory Commission (GNERC) board members, and those of the State Agency of Oil and Gas.	Work ongoing and partially implemented. Information on the board members of the GNERC is available on its public website.
	Limit the appointment renewal of GNERC's board member to one term.	Fully implemented. The recently enacted Energy Law provides for this.
2020	Adopt a law clarifying the rules on foreign ownership of agricultural land.	Fully implemented. The Law on the Ownership of Agricultural Land was adopted on 25 June 2019.
	Consider reinstating the six-year tenure of GNERC's Chairman instead of the current three-year approach.	Improvement suggested in 2020. Status will be updated in 2021.
Indicator 4		
2020	Update the domestic laws to increase the scope of protection granted to intangible property against expropriation.	Improvement suggested in 2020. Status will be updated in 2021.