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**Hydropower Investment  
Promotion Project (HIPP)**

# **PROPOSED DRAFT LAW ON RENEWABLE ENERGY SOURCES**

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USAID HYDROPOWER INVESTMENT PROMOTION PROJECT  
(HIPP)

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## 1.0 LIST OF ACCRONIMS

<b>Acronyms</b>	<b>Definition</b>
EC	European Commission
EU	European Union
GoG	Government of Georgia
GNERC	Georgian National Energy and Water Supply Regulatory Commission
HIPP	Hydropower Investment Promotion Project
MoE	Ministry of Energy
MoU	Memorandum of Understanding Memorandum of Understanding
PSO	Public Service Obligations
RES	Renewable Energy Sources

## 2.0 INTRODUCTION

Along with adopting amendments to the “Law of Georgia on Electricity and Natural Gas”, the Government of Georgia (GoG) has undertaken obligation to adopt a law covering renewable energy resources. On this basis, the Ministry of Energy asked USAID for assistance from USAID HIPP to support the Ministry with drafting the proposed law. As described below, a well developed RES Law similar to the RES laws adopted in EU countries would definitely help promote new run-of-river projects in Georgia.

HIPP’s legal team reviewed the RES legislation of several countries, relevant EU directives and the specific challenges of Georgian energy sector as the basis for drafting the initial draft “Law on Renewable Energy Resources”.

As the GoG had already officially applied for Energy Community membership, consideration of the main requirements of RES Directive 2009/28/EC was deemed by the MoE as a priority. If Georgia is granted full membership into the Energy Community by the EC, implementation of 3<sup>rd</sup> Energy Package will be legally binding. When negotiations between Georgia and EC Secretariat will commence, the detailed roadmap for accession will be determined, which is normally based on the specifics of each individual country’s energy sector development. Therefore, the indication of mandatory RES target (in percent of total energy sector contribution), and other requirements of EU energy acquis are not reflected in the draft, as the targets have not been calculated and negotiated yet in the negotiation process.

RES Directive 2009/28/EC establishes a common framework for the production and promotion of energy from renewable sources. Each EU Member State has a target calculated according to the share of energy from renewable sources in its gross final consumption for 2020.

Each Member States must establish national RES action plans. These plans will also establish procedures for the reform of RES planning and pricing schemes and access to electricity networks and promoting energy from renewable sources. Each Member State must be able to guarantee the origin of electricity, heating and cooling produced from renewable energy sources. Priority access to the grid from energy produced by renewables is preferable. Supporting schemes for developing renewable energy sources should also be set.

Another document that was considered was the Resolution of the Government of Georgia #107 on Rule of Developing Renewable Energy Sources and the Resolution of the Parliament on Main Directions of State Policy in Energy Sector.

USAID HIPP’s initial draft, proposed to the Ministry of Energy (see Section 3.0 below) refers to the following issues: the scope and targets of the law; definition of terms; national action plan for energy from renewable sources; state support mechanism/incentives; guarantees of origin; responsible authorities and administrative arocedures; arid access conditions for new renewable energy sources; submitting Information and reporting.

Section 4.0 below provides the recent MoE's version of the RES Law.

### **3.0 INITIAL DRAFT LAW OF GEORGIA ON “RENEWABLE ENERGY SOURCES”**

#### **Article 1. The Scope and targets of the Law**

1. This law establishes a common framework for the promotion of energy from renewable sources. It lays down rules relating to guarantees of origin, administrative procedures, information, and access to the electricity grid for energy from renewable sources.
2. The target of the law is:
  - 2.1 Creating conditions for achieving systems and competition energy policy and economic growth through innovations, introducing new products and technologies;
  - 2.2 Supporting attraction of investments for development of renewable energy sources.
  - 2.3 Creating conditions for achieving sustainable development at regional and local level;
  - 2.3. Raising the life standard of population through economically effective use of energy from renewable sources.
  - 2.4. Creating conditions for achieving systems and competition energy policy and economic growth through innovations, introducing new products and technologies;
  - 2.5. Providing information on the supporting schemes, the use and practical peculiarities of the development and use of energy from renewable sources of all interested persons, participating in the process of production and consumption of electric energy, thermal energy and cooling energy from renewable sources.

#### **Article 2. Definition of Terms**

1. Terms provided in this law have following meaning:
  - a) Renewable energy means any energy resource that is naturally regenerated over a short time scale and derived directly from the sun (such as thermal, photochemical, and photoelectric), indirectly from the sun (such as wind, hydropower, and photosynthetic energy stored in biomass), or from other natural movements and mechanisms of the environment (such as geothermal and tidal energy).
  - b) Energy from renewable sources means energy from renewable non-fossil sources, namely hydro, wind, solar, geothermal, tidal and biomass.
  - c) GOG – Government of Georgia.
  - d) Guarantee of origin is a document, which serves as an evidence before an end user (buyer for own use) that a certain share or quantity of the supplied energy has been produced by renewable sources.
  - e) MENR – Ministry of Energy and Natural Resources of Georgia.

- f) Support Scheme means any instrument, scheme or mechanism applied by a GOG, that promotes the use of energy from renewable sources.
- g) Public Service Obligation - Specific requirements that are imposed by public authorities on the provider of the service in order to ensure that certain public interest objectives are met. Such obligation must be clearly defined, transparent, non-discriminatory and verifiable.
- h) Action Plan – National Action Plan for developing renewable energy sources.
- i) Market Rules – Electricity (capacity) Market Rules.

### **Article 3. National Action Plan for Energy from Renewable Sources**

1. GOG shall adopt a national renewable energy action plan. The national renewable energy action plan shall set out Georgia's national targets for the share of energy from renewable sources consumed, taking into account the effects of other policy measures relating to energy efficiency on final consumption of energy, and adequate measures to be taken to achieve those national overall targets, including national policies to develop existing biomass resources and mobilize new biomass resources for different uses.
2. MENR shall develop, update and introduce for adoption by GOG action plan for energy from renewable sources which shall contain but not limited:
  - 2.1 review of the national policy in the area of energy from renewable sources;
  - 2.2 all policies and measures for promoting the use of energy from renewable sources;
  - 2.3 forecast for a gross end consumption of energy during the period of action plan;
  - 2.4 the national and joint supporting schemes of production of energy from renewable sources.
3. MENR shall discuss/propose mutually with the Minister of Finance national supporting schemes for using energy from renewable sources.
4. GOG shall adopt national supporting schemes for using energy from renewable sources.
5. The Municipal councils shall adopt long-term and short-term programmes for promotion of the use of energy from renewable sources.

### **Article 4. State support mechanism/incentives**

1. GOG signs Memorandum of Understanding (MOU) with investor on development of renewable energy projects. MOU describes obligations of parties, timeframes, terms and conditions for bank guarantee, sanctions and support mechanisms.
2. In case if investor is not granted by needed license/permit within the timeframe foreseen by legislation, it is authorized to make relevant changes to the MOU signed with GoG and change indicated construction/operation dates accordingly and shall not be subject to penalties for default.

3. In case if Investor is initiating a renewable energy project, it should be granted a 2 month “exclusive period” for pre feasibility study, which means that the project will not be open for other interested parties nor expression of interest is going to be announced by GoG, until the end of “exclusive period”.
4. In case the land needed for development of a renewable energy sources is in state ownership, it is transferred to an investor for nominal price by relevant authority under Georgian legislation.
5. The bank guarantee provided by investor under the terms and conditions of relevant Resolution of GoG for ensuring the project, shall be reduced in proportion with fulfilled obligations undertaken by signed MOU.
6. Procedures of project tendering, signature of MOU and all related issues, is approved by resolution of GOG.
7. The GOG sets the list of Public Service Obligations (PSO) in electricity sector.
8. MENR adopts the rules of Public Service Obligations and annually establishes quotas for electricity which must be purchased from power plants using renewable energy resources.
9. Georgian National Energy and Water Supply Regulatory Commission has right to (GNEWRC) determine preferential price for buying electric energy from renewable sources.

#### **Article 5. Guarantees of Origin**

1. Guaranty for origin shall be issued to a producer for standard quantity energy of 1MWh, shall be valid for the term of 12 months from the production of the relevant unit energy
2. Guarantee for origin shall contain, but not limited the following information:
  - 2.1. The renewable source, used for production of the energy;
  - 2.2. The initial and final data of production of the energy from renewable sources;
  - 2.3. Type of the production energy;
  - 2.4. Name, location, type and total installed power for the energy site, where the energy has been produced;
  - 2.5. Used supporting schemes;
  - 2.6. Date of introducing the energy site in exploitation;
  - 2.7. Data and place of issuing;
  - 2.8. Unique identification number.
3. For each unit produced energy may be issued only one guaranty of origin.

#### **Article 6. Responsible authorities and Administrative Procedures**

1. Responsible authority in process of development of renewable energy sources shall be Ministry of Energy and Natural Resources of Georgia (or its successor) and other relevant authorities under Georgian Legislation while obtaining necessary licenses and permits for project development.

2. Tendering procedures and conditions for expression of interest is approved by resolution of GoG.
3. GoG shall ensure that any national rules concerning the authorization, certification and licensing procedures that are applied to plants and associated transmission and distribution network infrastructures for the production of electricity, heating or cooling from renewable energy sources, and to the process of transformation of biomass into biofuels or other energy products, are proportionate and necessary.
4. GoG shall, in particular, take the appropriate steps to ensure that:
  - a) the respective responsibilities of national, regional and local administrative bodies for authorization, certification and licensing procedures including spatial planning are clearly coordinated and defined, with transparent timetables for determining planning and building applications;
  - b) comprehensive information on the processing of authorization, certification and licensing applications for renewable energy installations and on available assistance to applicants are made available at the appropriate level;
  - c) administrative procedures are streamlined and expedited at the appropriate administrative level;
  - d) rules governing authorization, certification and licensing are objective, transparent, proportionate, do not discriminate between applicants and take fully into account the particularities of individual renewable energy technologies.

#### **Article 7. Grid access conditions for new renewable energy sources**

1. Electricity produced by renewable energy sources shall be granted a priority access to grid.
2. The envisaged electric capacities, which may be provided for joining to the transferable and distribution electric networks of sites for production of electric energy from renewable sources, shall be approved.

#### **Article 8. Submitting Information and Reporting**

1. MENR on the basis of received data shall prepare the reports on implementation of National Action Plan.
2. GoG shall ensure that information on support measures is made available to all relevant actors.

#### **Article 9. Entering into force**

This law shall enter into force on the date of its publication.

Mikheil Saakashvili

## **4.0 ANNEX – INITIAL DRAFT VERSION OF MINISTRY OF ENERGY AND NATURAL RESOURCES**

### **Article 1. The Scope and Targets of the Law**

1. This law establishes a common framework for the promotion of energy from renewable sources. It lays down rules relating to guarantees of origin, administrative procedures, information, and access to the electricity grid for energy from renewable sources.
2. The target of the law is:
  - 2.1 Creating conditions for achieving systems and competition energy policy and economic growth through innovations, introducing new products and technologies;
  - 2.2 Supporting attraction of investments for development of renewable energy sources;
  - 2.3. Supporting effective use of energy from renewable sources;
  - 2.4. Providing information on the supporting schemes, the use and practical peculiarities of the development and use of energy from renewable sources of all interested persons.

### **Article 2. Definition of Terms**

1. Terms provided in this law have following meaning:
  - a) Renewable energy means any energy resource that is naturally regenerated over a short time scale, is used for technical purposes and stays sustainable.
  - b) Energy from renewable sources means wind energy, hydro energy, tidal energy, solar energy, geothermal energy and biomass.
  - c) Ministry - Ministry of Energy of Georgia.
  - d) Support Scheme means any instrument, scheme or mechanism applied by Government of Georgia, that promotes the use of energy from renewable sources.
  - e) Action Plan – National Action Plan for developing renewable energy sources.

### **Article 3. National Action Plan for developing Renewable Energy Sources**

1. MENR shall develop Action Plan, which is to be approved by the Government of Georgia.
2. The Action Plan shall set out Georgia's national targets and measures to be taken to achieve those national targets.
3. Acton Plan shall contain:
  - 3.1 Ovreview of the national policy in the area of energy from renewable sources;
  - 3.2 Support measures for developing of energy from renewable sources;

3.3 Forecast for a gross end consumption of energy during the period of action plan;

3.4 Other issues up on decision of Government of Georgia.

#### **Article 4. Administrative Procedures**

1. All necessary licenses and permits for developing renewable energy sources, shall be issued under the terms and conditions determined by Georgian legislation.

2. Government of Georgia in frames of its competence shall take the appropriate steps to ensure that:

2.1 The respective responsibilities of national, regional and local administrative bodies for authorization, certification and licensing procedures are clearly coordinated and defined, with transparent timetables needed for decision making on project development.

2.2 Comprehensive information on the processing of authorization, certification and licensing applications for renewable energy installations and on available assistance to applicants are made available at the appropriate level.

2.3 administrative procedures are carried out in shortest possible timeframe.

#### **Article 5. Grid access conditions for new renewable energy sources**

1. The grid access conditions for electricity produced by renewable energy sources shall be determined under relevant legal act approved by National Energy and Water Supply Commission.

2. The content of Paragraph 1 may envisage the priority access to grid for electricity produced by renewable energy sources.

#### **Article 6. Entering into force**

This law shall enter into force on the date of its publication.

Mikheil Saakashvili (Signature)

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