

Progress in Implementation of Certain Areas of ENP
EU - Georgia Action Plan in Georgia



Striving for environmental and
social justice in Georgia

1 December, 2011

This document shortly describes progress in implementation of certain priority areas defined under the ENP EU-Georgia Action Plan for the period of November 2010-November 2011.¹



For monitoring of activities of
International Financial Institutions

Priority Area 3

**Promote sustainable development including the protection of the
environment**

**To strengthen administrative structures and procedures to ensure
strategic planning of environment issues and coordination between
relevant actors**

❖ Structural Changes in Government of Georgia

In Spring of 2011, the structural changes in government of Georgia take place . The number of functions and responsibilities of Ministry of Environmental Protection and Natural Resources has been distributed among several institutions. The newly created Ministry of Energy and Natural Resources (MENR), appears to be the major successor to the Ministry of Energy, the Ministry of Environment Protection and Natural Resources and the Ministry of Economy and Sustainable Development in the field of natural resource's management. It is subordinating the new legal entity of public law-Agency of Natural Resources (created based on merger of Forestry Agency and National Agency of Oil and Gas). Therefore, almost all functions related to management of natural resources (minerals, water, fauna objects (hunting, fishing, forest, non-timber resources), including setting of quotas and terms of using, preparing of license/ lease objects, selling of licenses, controlling of licenses, eradicating illegal use is concentrated in hands of Ministry of Energy and Natural Resources.

27/29, Paliashvili Street, II floor,
0179, Tbilisi, Georgia
Tel: (995 32) 292 773
Fax: (995 32) 223 874
E-mail: greenalt@greenalt.org
Web: www.greenalt.org

¹ For previous years reports please visit www.greenalt.org

Rather to “ Enhance administrative capacities, including for the issuing of permits as well as for enforcement and inspection” as it is required by EU Georgia Action plan, as a result of the reform, the environmental inspectorate together with Investigation Department was also transferred to Minister of Energy and Natural Resources and later abolished. The Ministry of Environment Protection (MEP), with the newly created Ecological Expertise and Inspection Department, takes care not only about ecological expertise, issuance of environmental permits, and follow up actions, but also should ensure implementation of control of implementation of conditions of the permit, as well as implementation of state control over the activities listed under law on environmental permits, as well as to investigate and elucidate violations with regard of implementation of activities under the permit. However, existing limiting resources (both financial and human) raise quite high concerns about efficiency of the unit.

❖ Reinforcing structures and procedures to carry out EIA

The Environmental Impact Assessment (EIA) system is still ineffective in Georgia, both in terms of providing public with information and opportunities for public participation, or in terms of helping decision-makers to take informed decisions on the activities that might have the significant impact on environment and human health. Public (state-owned) projects remain exempt from EIA procedures, same as mining and forest use projects (mining and forest use licenses is auctioned off without any prior environmental and social assessments). Public remains uninformed about both, applications for receiving ministerial (environmental) consents for the development projects and the final decisions taken by the competent authority, the MEPNR. The EIA system is not in compliance with the requirements of the Aarhus Convention and with relevant EU directives.

❖ Implementation of Aarhus Convention

The Implementation of Aarhus Convention on all stages access to information, public participation and access to justice on environmental matters is still problematic² and public rights are permanently violated. The public participation in the majority of cases both policy and project level is diminished. In some extreme cases, when some positive changes were achieved (structural changes in Government, Hunting law, Forestry Reform), it was accompanied with strong coordination between civil society actors and international donors (EU Delegation in Georgia, USAID, UNDP, KfW, World Bank), as undertaken governmental activities risk implementation and maintenance of the already funded projects and programs, and/or clearly undermine International Environmental legislation.

²Implementation of Convention on access to Information, public Participation in decision Making and access to justice in environmental Matters in Georgia, – Alternative Report, Green Alternative 2011, www.greenalt.org

The access of information is still an issue. Even governmental decrees that should be published on a routine way, sometimes is not accessible³. Until now, the information regarding the different projects implemented by state agencies financed through financial institutions was more or less available, from 2011, all governmental agencies, including Municipal Development fund refuse to provide the projects and related documentation to affected people, explaining it that according to the General Administrative Code of Georgia (article 3.4.3) this information shall not be made public. Code is not applicable to the information on implementation of International Agreements and therefore, use of this clause by state authorities is senseless with regards of project related documentation.

❖ **Ratification and Implementation of UN ECE Conventions**

No progress has been witnessed neither in ratification of the number of UN ECE Conventions still required to be ratified, nor practice of implementation of the already adopted one, including the Aarhus Convention on access on information, public participation and access to justice on environmental matters.

❖ **Support for implementation of large Infrastructural projects in protected areas**

The MEP has submitted two draft laws to the Parliament, according to which the amendments will be made to the Law on Tbilisi National Park and Law on Kolkheti Protected Areas. The initiatives are mostly triggered by the governmental plans to implement Tbilisi Bypass Railway Project and Poti -Anaklia high way project. The draft laws were submitted to the Parliament without holding preliminary public discussions.

The change of zoning will be especially harmful to the Kolkheti National Park. Poti-Anaklia Highway and related infrastructure, including two new airports (Poti International and Zugdidi local) is promoted by president of Georgia⁴. The highway that would allow tourists to travel to Anaklia from the regional capital of Batumi in 50 minutes, cutting the current drive-time by roughly an hour. If the law passes the status of the strictly protected area will be changed, and the destruction of habitats as a result of project implementation would not be not qualified as the violation of the Law on Kolkheti National Park.

³ In 13 August 2010, Green Alternative ask Government of Georgia to provide unpublished Governmental Decrees –415–434 (the decrees not available neither on governmental website, nor on specified legal software's). Despite the Governmental staff advise to ask the decrees to the Ministries that initiated decrees, number of Ministries, including ministry of Finance never provide the decrees to Green Alternative. The new request to Government of Georgia sent 4th February 2011, never has been answered. The Green Alternative initiated court case against the Government of Georgia .

⁴<http://www.investinggeorgia.org/upload/file/Anaklia.pdf>

❖ Environmental and Social Impacts of Large Infrastructural Projects

The decision-making process regarding the large infrastructural projects is still driven top to down based only on financial and economic viability without taking into account associated environmental and social problems.

❖ Tbilisi Bypass Railway project

Tbilisi Bypass railway project represents a problematic project, pushed by Georgian authorities. The project envisages the construction of a new railway line in the densely populated Avchala district, thus posing a threat to the local population because of transiting hazardous freights (oil, oil products). Forceful resettlement was planned and implemented inadequately and incorrectly, as a result of which a part of the population suffered material and economic losses. Minimal distance of the new railway line from the Tbilisi Sea (900m) poses a threat to supplying water to the capital. Even in case of spilling half a tank, i.e. 30 thousand liters, about 50% of useful capacity of the reservoir will become useless that will leave the population of three districts of Tbilisi as well as about 20 thousand ha of agricultural lands of the Gardabani district without water.

The railway project does not envisage cleaning of the abandoned territory from hazardous waste and related expenses are not calculated; thus, it becomes impossible to estimate the total economic cost of the project.

It should be noted that in September 2010, the Georgian government rejected the credit subsidized by the European Investment Bank. The management of Georgian Railway LTD said that in order to complete the Railway Bypass Project the company would use USD 250 million Eurobonds issued on July 22, 2010 (percentage rate 9,875% per coupon).

The project yielded no positive results. It failed to provide at least temporary employment opportunities – the railway is being constructed by the Georgian-Chinese company Khidmsheni and the Chinese manpower is used. As a result of poor environmental and social impact assessment and resettlement action plan hundreds of people experienced the involuntary resettlement (both physical and economic) without adequate compensation that worsened their economic situation .

In March 2011 EBRD accepts Green Alternative complaint and starts investigation on the project's compliance with EBRD's Social and Environmental Policy⁵. In November 2011, the Georgian Railway

⁵ The eligibility report from EBRD's project compliance unit available http://www.ebrd.com/downloads/integrity/Tbilisi_Bypass_Railway_1_-_EAR_final.pdf

LTD requested cancellation of EBRD's loan worth 100 million Euro⁶, stating that it will continue to construct the railway without external resources through issuing the bonds.

❖ **Projects without EIA permits**

The cases of carrying the projects without environmental impact permits becomes quite usual. The case of construction of two hydro power plans in Dariali Gorge of Kazbegi district, in close vicinity of Kazbegi national park is the good example of above mentioned. Although in both cases the projects are in the process of environmental impact assessment, and no permit has been issued so far, the construction works has been already started. Despite the notification of violation to Ministries of Energy and Natural Protection, as well as Ministry of Environment, there is no response from none of the Ministries what actions have been taken against illegal construction. The project will irreversibly change the Dariali Gorge landscape, as the major river of the region – Tergi- will actually remain without water, that would fully undermine its historically established cultural-ethnographic and touristic values. The project will lead towards extinction of stream trout, that is listed in Red List.

Another problematic case is the construction of Poti airport near the Kolkety National Park area. The construction works has been activated again in summer 2011. However, neither project documentation is available, nor EIA is prepared and submitted to the Ministry of Environment for the environmental permit.

Environmental Protection in light of commitments of Johannesburg Summit

According to EU Georgia Action plan, country should “take action for prevention of deterioration of the environment, protection of human health and achievement of rational use of natural resources in line with the commitments of Johannesburg Summit.” To achieve the motion plan requires to “develop framework legislation and basic procedures and ensure planning for key environmental sectors, air quality, water quality, waste management, nature protection” There is almost no progress in development of framework legislation related to air and water quality improvement, waste legislation is still pending.

❖ **Forestry Sector Reform**

However, year 2011 was not exceptional, with regard of the pressing of utilization of natural resources for economic purposes. The government has adopted a number of decrees to simplify

⁶<http://www.ebrd.com/pages/news/press/2011/111107d.shtml>

the regulations related to the extraction of minerals and softening the environmental requirements towards leaseholders. In addition, leaseholders get right to change the areas covered by license, if inventory conducted by the leaseholder proves that resources are not enough.

Following tradition of previous years,⁷ in mid-summer 2011 MENR announce that new forest reform will be launched by Autumn. The issue of the public participation in elaboration of Forestry reform was quite acute from the beginning (MENR distributes only English version of New Code and long-term lease agreement, and, etc.). However, wider public pressure and increased interest of whole donor community the process when more smother, although MENR is still rushing to submit the law to Parliament, while the number of issues needs to be addressed in order to bring the law in compliance with EU directives, national and International Environmental Law⁸.

The major problematic areas of the reform involve:

1) the disbalance between forest use and conservation, through introduction of the clear cuts, that would be allowed even in natural, virgin forest⁹ due to the proposed strategic zoning. The proposed initiative will make the establishment of new protected areas impossible.

2) 49 year lease agreements without prior inventory that creates uncertainty how the price would be negotiated. Although inventory would be carried by leaser, the draft law does not require EIA;

3) As the lease address not forest in narrow sense, but leasing of forest land, there is a risk of land use change and non-transparent privatization;

4)The positive feature of the reform is that it intends to give the opportunity for local population to extract an unlimited amount of material timber. However, state puts an obligation to leaser to ensure the provision of population material timber and fuel wood, that would not only be commercially not viable for leaser, but also would create double pressure on ecosystems.

❖ **Amendments to Hunting legislation**

In late summer 2011, the MENR initiated the amendments in hunting law that gives a possibility to extract endangered species for commercial purposes, hunting in the protected areas, including the National Parks and legalization of destruction of habitats of rare and endangered species. The

⁷ The last changes in Forestry Code has been adopted in August 1, 2010, when the Forestry Agency was formed, http://www.enpi-fleg.ge/enpi_fleg/pdf/quartely_newsletterFLEG_eng_sep.pdf

⁸ EU Habitat Directive, EU bird Directive, Bern Convention, Convention of Biological diversity, and its Forest working program, as well as national laws on Environmental protection and on wildlife.

⁹ MCPFE 1st Class forests as defined by the Ministerial Conference on the Protection of Forests in Europe

draft law contradicts the Biodiversity Convention, Bern Convention, as well as the EC habitat's directive, while leaves uncertain the issues like rules and procedures for issuing the hunting permits, determining the extraction quotas and areas. Although control over the Red list species should be done through MEP, it has no means for that, while law does not envisage financial and/or structural strengthening of the ministry for that purpose.

The number of non-governmental organizations, like WWF Caucasus PO, Nacres and Green Alternative requested from Parliament not to adopt the law. The Parliament Committee on Environment and Natural Resources agreed with NGOs that hunting in protected areas is not permissible¹⁰. The law is not adopted yet in third hearing, however, number of controversial issues still vivid (e.g. hunting on Red List Species)¹¹.

❖ **Support for implementation of large Infrastructural projects in protected areas**

The MEP has submitted two draft laws to the Parliament, according to which the amendments will be made to the Law on Tbilisi National Park and Law on Kolkheti Protected Areas. The initiatives are mostly triggered by the governmental plans to implement Tbilisi Bypass Railway Project and Poti -Anaklia high way project. The draft laws were submitted to the Parliament without holding preliminary public discussions.

The change of zoning will be especially harmful for the Kolkheti National Park. Poti-Anaklia Highway and related infrastructure, including two new airports (Poti International and Zugdidi local) is promoted by president of Georgia¹². The highway that would allow tourists to travel to Anaklia from the regional capital of Batumi in 50 minutes, cutting the current drive-time by roughly an hour. If the law passes, the status of the strictly protected area will be changed, and it will actually lose a protection regime and project implementation is not qualified as the violation of the Law on Kolkheti National Park.

❖ **Property Rights and Tourism development**

¹⁰ http://www.parliament.ge/index.php?lang_id=GEO&sec_id=266&info_id=33200

¹¹ Green Alternative has filed a lawsuit to the Board of Administrative Cases of Tbilisi City Court against the Ministry of Energy and Natural Resources demanding the annulment of the Minister's decree No 175 dated September 1, 2011, under which the animal species subject to hunting were approved. Green Alternative believes that the Minister of Energy and Natural Resources issued the decree through violation of Georgian legislation that provides the basis for its annulment.

¹²<http://www.investingeorgia.org/upload/file/Anaklia.pdf>

As in case of large infrastructural projects, the tourism development has been accompanied with violation of local population property rights. In so called Free Touristic Zones (Anaklia-Zugdidi, Kobuleti,) and/or touristic attractive places (Mestia, Gonio) local population largely seized its lands, including the ones registered in Public registry, as well as owned as traditional property, without any justification, not to speak about compensation of losses. The touristic development of those areas, reveals existing problems and considerable challenges with regard of obtaining and protecting the ownership rights within the country. E.g, on 9 November 2010 the Commission for Recognition of Right to Ownership of the Khelvachauri Municipality Sakrebulo has simultaneously revoked the ownership certificates of 271 residents of village Gonio issued by itself on land plots, without examining factual circumstances and undertaking compensation measures¹³.

The situation is even more difficult in high mountainous regions, like Svaneti¹⁴, where land plots have in fact, never been legally registered and for centuries, the local population has owned property by inheritance and disposed land plots as distributed (or re-distributed) based on agreements between ancestors¹⁵. Land plots in possession of the local population are being massively dissected and decimated due to various construction works.¹⁶ Citizens are deprived of the possibility to register - based on lawful possession - ownership rights to land plots their families have possessed for centuries and which they have documents required under law for registration purposes.

It should be also mentioned that majority of local residents saw fewer prospects that the development of tourism would improve their lives - in their words, engaging in the tourism business requires capital investments, which only certain individual families can afford. Hence, development of tourism for them would be associated with the further strengthening of already wealthy families and not the development of the region in general¹⁷.

¹³Problems to related to the protection of property rights , the case of village Gonio, GYLA, Transparency International Georgia , Green Alternative, Georgian Regional Media Association, 2011, www.greenalt.org

¹⁴Svaneti is one of the most beautiful and picturesque alpine regions of Georgia, situated on the southern slope of the main Caucasian range. The Greek geographer Strabo (end of the first century B.C.) describes the Svans as a fierce, warlike mountain people, ruled by a king and a council of 300 elders and capable of fielding an army of 200,000. Svans History and Cultural Relations, <http://www.everyculture.com/Russia-Eurasia-China/Svans-History-and-Cultural-Relations.html>

¹⁵ The same situation is e.g, in Tusheti and Kevsureti , where government also have plans for tourism development.

¹⁶Through support of the Government of Georgia a new airport and runway were built in Mestia, along with an 8 kilometer road to the Hatsvali skiing complex, a 1400 meter ski-run and chairlift ; the center of Mestia center was renovated and the Zugdidi-Jvari-Mestia-Lasdili road was launched, etc. The International Financial Institutions (World Bank, ADB)

In short, major technical and infrastructural problems were solved .

¹⁷Problems related to the Protection of Property Rights, -Case of Mestia , GYLA, Transparency International Georgia , Green Alternative, Georgian Regional Media Association, 2011, www.greenalt.org

Recommendations on Environment sector

- The EIA framework law and system should be urgently re-elaborated based on EU directive 85/337/EEC and Aarhus Convention on access to information, public participation and access to justice on environmental matters.
- The urgent actions to increase the capacity and administrative potential of the ministry of Environment to ensure real and effective functions of environmental permitting and controlling.
- The EU together with Georgian Government should assess the reforms undertaken by Georgian Government during 2005-2011 in major directions of environmental protection (Forestry, waste, structural changes and permanent reorganization of the ministry of Environment Protection and staff) and its compliance with EU directives, and based learned lessons prepare the detailed Action Plan that would give real ground for implementation of obligations undertaken of ENP Action Plan and Associated Agreement with EU.

Priority Area 8 Transport and Energy

❖ Problems in planning of Energy sector

The major effort of Georgian government is focused towards the development of energy infrastructure, without actual harmonization of energy legislation with the EU directives not development of energy efficiency and renewables law as it represents the commitments undertaken by government under the action plan. During the year the significant achievements that would support Georgia to join the EU Energy Community was not observed.

Itself the development of energy infrastructure is important for further development of the country, and the construction of the Black Sea Transmission Line is a good example of long-term energetically profitable projects. However, neither the government, nor international financial institutions finance and support the large-scale energy efficiency projects (at both legislative and practical levels), the implementation and rate of return of which require comparatively short time and, which are economically effective, since they are oriented to resource saving.

In recent years Georgia's government has sought to position the country as a future regional renewable energy Hub¹⁸. The Georgian Government announced that it will support the construction of 18 HPPs in next year. The plans include highly controversial large hydro cascades mainly in mountainous areas of Georgia, including the Khudoni HPP (702MW, annual output 1.5 TWh) on Enguri, the Nenskra cascade (600 MW), the Namakvani cascade (450 MW, annual output 1.6 TWh), and the Nenskra Cascade (438 MW, 1.2 TWh). The planned projects do not comply with the principles of sustainable and do not represent renewable energy, while they may have serious negative impacts on the environment, drastically change the social and demographic situation in Georgia's mountainous regions and also promote the destruction of cultural heritage. However, the except of the social and environmental problems related to the large dams elsewhere, it comes out that the principle - Build, Own, Operate (BOO) promoted by Georgian Government for HPPs construction would not benefit the country budget in a way to justify the total change of landscape and devastation of environment, not to speak about the thousands of people that would be forced to resettle.

❖ **Paravani HPP**

The European Bank for Reconstruction and Development and the International Financial Corporation allocated a USD 115 million credit for the construction of a 87 megawatt Paravani HPP. The credit has not been allocated under the state guarantee, though money was allocated in frames of a pledge given by donors at the Brussels conference. The credit was given to Urban-Energy Georgia, a daughter company of Turkish Anadolu Group. Since the project is being implemented under the Build-Own-Operate scheme, the project revenue – USD 36.6 million – will be the property of the company and only the state taxes will be directed to the state budget.

According to the project, during winter the HPP should supply electricity to the Georgian market; however, it should be taken into consideration that during winter, the Paravani River frequently freezes that makes the possibility of supplying electricity rather doubtful.

From environmental point of view, throwing of 90% of the Paravani River into the tunnel is rather problematic, since it will have a negative influence on the river biodiversity. At the same time, exploitation of Paravani HPP will pose a threat of flooding to the village of Khertvisi. In the process of construction of Paravani HPP-related transmission lines, the local population already lost access to rural pastures. According to the construction company, 60% of the hired employees will be local, though they will mainly perform unqualified work. According to the company, the Turkish manpower will be hired as technicians and engineers.

❖ **Khudoni HPP**

Khudoni HPP would intensify the devastation of endemic forests and wildlife habitat, facilitate erosion and landslide processes, and cause the degradation of upstream catchment areas in case

¹⁸ Regional Power Transmission Enhancement Project, Georgia, www.adb.

of flooding of the reservoir area. Hence, the 200 meter dam poses the serious risk of an ecological disaster in one of the most amazing highland regions of Georgia.

The Upper Svaneti area is inhabited by the Svans, an ethnographic Georgian population that managed to preserve even today their own language, traditions, architectural styles and ancient customs as part of everyday life. Nevertheless, today the Svans' livelihoods and cultural heritage are under threat. The HPP construction will lead to the forced resettlement of Khaishi Community (25 villages) inhabited by Svans. In total, around 2000-2500 people are expected to be relocated, representing as much as a quarter of the entire population of the Zemo Svaneti region (8 000 - 10 000 people). It should be underlined that the Khaishi villagers have been resettled once before, by the Soviet Union. The majority of them chose to go back to their homes after the collapse of the empire.

Despite the local public protest in general negative attitude towards the project, the government already signed contract with Trans Electrica LTD company registered in Virgin Islands with no experience in dam building. The contract¹⁹ signed between the Georgian government and completely unknown, offshore Virgin Islands registered Georgian-Indian Company Transelectrica Ltd, is based on the BOO (principle that does not bring any significant income for the country's budget. Even in case the company sells the electricity to Georgia during winter months, the project proponent has the right to negotiate the tariff up to the price of thermal generation. Meanwhile, the external costs, including the construction of new roads (instead of flooded ones) that would connect the Upper Svaneti with the rest of Georgia and/or erosion management plans are not included in the project costs.

The contract is beneficial for company, but gives no benefits neither the State budget, nor provide any specific standards and guiding principle for project company regarding the resettlement and rehabilitation of livelihood for affected peoples. Even more, the Government will be simple to assist the Transelectrica for resettlement, rather ensures that quality of life of its citizens is not deteriorated, that is fully against of UN Covenant of social, economic and cultural rights.

❖ **Namakhvani HPP**

Another large Dam Namakvani is supposed to flood around 900 ha, and cause resettlement of 800 people, in Lechkhumi area. As in case of Khudoni, while essential environmental and social studies²⁰ are even not ready government representatives promote it as a done deal and through

¹⁹ [1 http://www.greenalt.org/webmill/data/file/xelshekruleba_opt.pdf](http://www.greenalt.org/webmill/data/file/xelshekruleba_opt.pdf)

²⁰ Studies presented by investor in April 2011 was highly criticized by CSOs, including Green Alternative, http://www.greenalt.org/webmill/data/file/comments_on_%20Namakhvani_HPP_cascade_draft_ESIA_report_14%20June%202011_ENG.pdf

threatening and marginalization try to suppress the CSOs and local peoples acting against the project.

Despite the claims of Namakhvani HPP ESIA documents authors, that ESIA documents are prepared under the IFIs guidelines; the presented document does not provide comprehensive and reliable information about what impact the project will have on the local population, natural environment and generally, on the region. Furthermore, a great part of environmental and social impacts either are not studied at all (for example, health impacts, waste management, impact on micro-climate, climate-change impacts, cumulative impacts, agro-biodiversity, etc.) or are studied and analyzed insufficiently (impact on flora and fauna, protected areas, forest ecosystems). Hence, the conclusions made in the report are groundless and biased in favor of the launch of construction, since they are not strengthened by relevant researches²¹. According to the project, 14 villages will fall under direct or indirect project impacts; it means that the issue of further existence of Lechkhumi, one of the major parts of Georgia, will be put under question. In spite of this, neither the resettlement plan, nor even guiding principles have been submitted for consideration. In addition, the economic justification of the project was not part of the submitted EIA.

❖ Unsolved problems of the Georgian energy sector

While the government is intent on attracting billions to construct these new large HPPs, existing problems associated with Georgia's energy sector are unsolved.

At present consumer tariffs for energy are relatively high in Georgia in comparison to the neighboring states. Since the biggest share of expensive energy is consumed by the population, existing high tariffs and prices on energy are a huge burden on households of a transitional country where many families still live in poverty. The difference between energy generation, transmission and distribution tariffs are significantly high in Georgia in comparison to other countries. Energy generation costs are relatively low, since the biggest share of electricity is produced in the local Hydro Power Plants (HPPs). Nevertheless, losses in the local energy system are still quite significant, which has its impact on the high prices set by distribution companies²².

Another side of the problem is that energy intensity in the country is still more than twice the world average. Energy production is still highly extensive in Georgia. The share of energy in the country's GDP is three times higher than the EU average. Since Georgia is a net importer of energy, increasing energy prices in the world market directly influence issues related to local consumption. Georgian business is left in an uncompetitive position both in terms of competing with imported

²¹ or example: "The project will not lead to a significant change in the climatic conditions of the area or the region," or "the waste will be collected and disposed properly by the closest responsible municipality".

²² L.Jervalidze, State Policy of Georgia in the Energy Sector

products on the local market and possible exports. It is therefore, obvious that the most cost-effective and sustainable approach for resolving Georgia's energy needs would be to increase investments in energy efficiency and energy saving.

Recommendations on Energy Sector

In order to ensure that energy sector development would not pose the threat for society and nature it is important to:

- Develop the Georgia's energy development comprehensive strategy and Carry out a Strategic Environmental Impact Assessment that would: address the ways in which existing electricity demand can be satisfied using the existing potential and alternatives; address the existing dams' issues²³ as well as develop the most sustainable solutions for the sector; ensure inflows for the country budget; present a cost-benefit analysis of these alternatives, along with a cumulative impact assessment of the planned projects. The SEA should present the best scenarios not only for the development of new-generation capacities or the rehabilitation of infrastructure, but include also the development of new renewable technologies as well as energy efficiency.
- Ensure wide and fair public participation for the revision of the findings of the SEA and the follow up decision-making process.
- Assist in the developing of a strategic development plan for Georgia's power sector based on participative processes.

²³ While Georgia has approximately 1600 MW of hydropower capacity that actually generate electricity at the moment, the installed capacity is around 2700 MW. The rehabilitation of these sites could bring around 2.2–2.5 TWh of additional hydro electricity. According to expert estimates, energy efficiency measures would decrease Georgia's dependence on gas by 10–20%.