



**USAID**  
FROM THE AMERICAN PEOPLE

**Hydropower Investment  
Promotion Project (HIPP)**

# **GEORGIA HYDROPOWER DEVELOPMENT CONFERENCE**

September 23-34, 2010, Bazaleti Lake

Wednesday, July 31, 2013

This publication was produced for review by the United States Agency for International Development. It was prepared by Deloitte Consulting in collaboration with Black & Veatch and Pierce Atwood Attorneys LLC.

# **GEORGIA HYDROPOWER DEVELOPMENT CONFERENCE**

September 23-34, 2010, Bazaleti Lake

USAID HYDROPOWER INVESTMENT PROMOTION PROJECT  
(HIPP)

CONTRACT NUMBER: EEM-I-00-07-00005-0

DELOITTE CONSULTING LLP

IN COLLABORATION WITH BLACK & VEATCH AND PIERCE  
ATWOOD ATTORNEYS LLC.

USAID/CAUCASUS OFFICE OF ENERGY AND ENVIRONMENT

WEDNESDAY, JULY 31, 2013

## **DISCLAIMER:**

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

# GEORGIA HYDROPOWER DEVELOPMENT CONFERENCE

## September 23-34, 2010, Bazaleti Lake

### Post Conference Report

On September 23-34, 2010, at the Bazaleti Lake Hotel, north of Tbilisi, the U.S. Agency for International Development's Hydropower Investment Promotion Project (HIPP) hosted a high profile event for stakeholders in Georgia's hydropower markets.

The Georgia Hydropower Development Conference brought together representatives of several international financial institutions (IFIs) including the German Development Bank (KfW), UNDP, and USAID. Other participants and presenters included representatives of Georgia's Ministry of Energy (MoE), the Georgian State Electrosystem (GSE), and nearly a dozen local and international project developers including Nurol, Georgian International Group, Alliance Group Holding, Gross Energy Group, PERI, TAM Georgia and Trialeti. Both Georgia's Deputy Minister of Energy, Marika Valishvili, and USAID's Mission Director, Jock Conly, addressed an audience of nearly 50 during the event's final session. Two of Georgia's leading newspapers, *24 Hours* and *The Messenger*, along with two regional television stations covered the event.



**HIPP Representatives, USAID, and First Deputy Minister Marika Valishvili**



**First Deputy Minister Marika Valishvili being interviewed**

### Themes

Framed on two days of oral presentations inter-spliced with five free-form panel discussions, the Conference combined structured delivery with fluid roundtable conversation. Several themes emerged.

- **Transmission** – HIPP COP Jake Delphia discussed recent developments in Turkish electricity markets, noting that electricity demand is quickly outstripping Turkey’s ability to supply. Transmission capacity, Jake noted, is one of Turkey’s major constraints in this area. Nick Okreshidze, HIPP’s COTR, detailed Phase III of USAID’s Black Sea Regional Transmission Planning Project, an ambitious three-year initiative aimed at completing system planning in the Black Sea region. KfW’s Michael Andres described his organization’s planned study of specific transmission lines such as the proposed 400 KV line to Armenia



Jake Delphia, HIPP



Nick Okreshidze, USAID

- **Cross border energy trading** – Several participants acknowledged that Turkey continues to embrace privatization of its industries and is therefore increasingly competitive, yet still limited in capacity. As Turkey continues its rapid move toward full energy market liberalization (HIPP expects many legislative and market-based reforms to take shape by the end of 2012), Georgia must work to harmonize its own markets therewith. Turkey is replete with corporate conglomerates, and is thus home to many potential buyers of Georgian hydropower; several participants acknowledged that a “single buyer” scenario may be ideal for large Georgian HPP exporters. **The Conference also generated significant interest in a unique export strategy which would link bundled SHPP projects to CDM credits and a trading arm located inside Turkey. Such a strategy could open Turkish electricity markets to a much broader group of Georgian hydropower producers.**
- **Financing of HPPs in Georgia** – KfW’s Michael Andres encouraged demand-driven solutions in support of Georgia’s energy sector. In particular, Mr. Andres presented ideas for building on KfW’s existing revolving fund project, which provides on lending and advisory services to local banks in support of SHPPs. Similar to KfW’s concept in its strategy but with a broader scope, HIPP’s Ken Wentzel unveiled a potential funding mechanism for clean technology projects which could include support from an array of public and private financing institutions, including USAID’s DCA program. The HIPP team also highlighted the benefits of leveraging Export Credit Agencies (ECAs) and other US-sponsored funding mechanism to support HPPs. With a view toward world clean energy markets, both the UNDP and Georgia’s Energy Efficiency Center (EEC) suggested that carbon credit markets could be helpful to SHPP projects as they seek to increase what are sometimes prohibitively small operating margins.

- **Investment promotion** – KfW encouraged investments in local banks so that local financial markets can readily assist with HPP development. This strategy, KfW holds, could catalyze significant economic growth in Georgia. In a related discussion, the UNDP team discussed its successes with its Renewable Energy Fund (REF), which was created for financing SHPP rehabilitation; its first loan agreement was signed with TBC bank on June 17, 2010. In one dynamic presentation, Archil Mamatelashvili, a Senior HIPP Advisor, described Georgia’s favorable tax environment for long-term capital investments, especially those in renewable power generation. Mr. Mamatelashvili provided an example of financing an HPP project using GDRs. A brief yet forward-looking exchange focused on free trade zones and their potential benefits to Georgia. Participants acknowledged that free trade zones in Georgia may be a marketable venue to some carbon-producing industries in Western Europe seeking to relocate and convert carbon producing energy sources to cleaner power. HIPP’s Dennis McCandless presented audience members with four previously uncharted hydropower clusters with a combined potential output of over 700 MW. These cascade sites offer significant prospects for hydropower development and, consequently, foreign and domestic investment.



HIPP, Nurol, and USAID Representatives



Michael Andres, KfW, delivering a presentation

### Outcomes and Next Steps

While the Georgia Hydropower Development Conference sparked many innovative ideas, it also confirmed several preexisting concepts, which will underpin both HIPP’s work as well as the continued evolution of Georgian energy markets:

- **The importance of idea sharing** in a diverse and open public setting;
- **The need for capacity building** within the broader domestic and regional energy sectors;
- **The importance of networking and building relationships** across stakeholder and international lines; and
- **The pressing need to continue engaging an increasingly broad collection of stakeholders in Georgian hydropower markets through forums and investment conferences.**

The conference also led to a number of action items, which the HIPP team is moving forward to address; those of note include:

- Discussions on how to best approach SHPPs in Georgia. The HIPP team anticipates forming a focus group to address the multifaceted opportunities surrounding SHPP development;
- Explorations of tariff methodology and implementation in Georgia, an area which may call for significant capacity building within parts of the GoG;
- The need to analyze Turkish and Georgian transmission systems in relation to one another rather than as mutually exclusive structures.
- Ongoing discussions with Georgian Railways as the company continues to incorporate hydropower generation and export into its business portfolio. Georgian Railways also seeks to explore innovative financing techniques for a public share offering;
- Further discussions with Shalva Amirejibi of TAM. TAM owns several hydropower projects in Georgia, and it produces turbines. The company seeks potential investors for its SHPP in Georgia's Adjara region.
- Further discussions with Muran and Paata of World Experience for Georgia who plan to attract potential investors for irrigation-fed power projects
- Support to Alliance Group in order to identify additional equity investors for ongoing hydropower projects;
- Further discussions with PERI to understand its strategy for leveraging US-based investment support entities such as USTDA to fund feasibility studies of hydropower sites;
- Additional meetings with the MoE's technical division to discuss all aspects of HIPP's potential cascade sites;
- The development of a strategy for continual monitoring of Turkish electricity and regulatory markets;
- Site visits initiated by GSE/MoE/EnergoTrans to witness symbolic groundbreaking activities; and
- The development of more robust and navigable pages within the MoE's existing website.

**List of attachments (included separately)**

- 1. Presentations**
- 2. Attendance List**
- 3. Initial Agenda**
- 4. Video footage [CD previously submitted]**

**USAID Hydropower Investment Promotion Project (USAID-HIPP)**

**Deloitte Consulting Overseas Projects - HIPP**

**36 a Lado Asatiani Street**

**Tbilisi, 0105, Georgia**