Georgia’s Energy Market on the way to European Integration

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6 May, 2015
EU-Georgia Relations
Chronology of Major Events

- EU-Georgia relations started in 1991-92 following the recognition of Georgia’s independence;

- Since 1995 Georgia benefits from the Generalized System of Preferences (GSP);

- In 1996 Georgia signed Partnership and Cooperation Agreement (PCA) with the EU;

- In 2004 European Neighborhood Policy (ENP) was launched by the EU for Georgia, Armenia and Azerbaijan;

- In 2009 Eastern Partnership (EaP) for Georgia, Armenia, Azerbaijan, Belarus, Moldova, Ukraine was launched;

- In 2010 the negotiations on Association Agreement (AA) including the Deep and Comprehensive Free Trade Area (DCFTA) was launched, which was signed on 27 June 2014;
Policy Framework of Energy Market Integration

- In 2006 European Neighborhood Policy Action Plan (ENP AP) was adopted;
- In 2012 Eastern Partnership Road Maps for 2012-2013 were adopted;
- In January 2013 Georgia’s official application for membership in Energy Community (negotiations are still ongoing);
- In 2014 Association Agenda between the European Union and Georgia for the period of 2014-2016 was adopted;
Eastern Partnership Dimension in South Caucasus

Eastern Partnership Cooperation Framework:

- **Multilateral Format**: EU+Georgia+Armenia +Azerbaijan (including Ukraine, Moldova, Belarus)

- **Bilateral Format**: EU+Georgia/Association Agreement

**Major objectives**: creating European wide space of cooperation;

- bring genuine approximation of the partner countries to the EU and,

- in the future, facilitate their full integration
Major Developments in South Caucasus

- In 2013 Georgia officially applied for the membership in the Energy Community;

- In 2013 Armenia announced to join Eurasian Customs Union (CU);

- In 2013 Azerbaijan declares its intention to sign a new agreement (Strategic Modernization Partnership) with the EU instead of Association Agreement.

- In 2014, from the three Eastern Partnership countries of South Caucasus only Georgia signed the Association Agreement including the DCFTA with the EU;
Different approaches at regional level

- four major trading blocks were established in the region without common approach at regional level:
  - the “free trade” agreements among the CIS countries;
  - the Eurasian Customs Union of Russia, Belarus, Kazakhstan;
  - the Customs Union of Turkey and the EU (limited to industrial products);
  - DCFTA Agreement of Georgia and the EU.

Trade agreements among the CIS countries signed in 1994 by all three Caucasus states, have largely been ineffective. Consequently, they have been supplemented by different bilateral agreements. None of these agreements establish strong legal provisions with respect to a harmonized approach toward cross-border trade (of energy goods) between the neighbouring states.
Energy Community Treaty in light of existing multilateral legal framework
Implications for Georgia

- Energy Charter Treaty (ECT), the only multilateral legal framework in South Caucasus, foundation for predictable, stable and non-discriminatory energy trade:
  - no specific rules for market structure;
  - no detailed regulatory framework for the management of the energy transport infrastructure and trade;

- Energy Community Treaty:
  - a single regulatory space for trade, with shared responsibilities;
  - Strong provisions related to common approach toward the Security of Supply (SoS) at the regional level.
Georgia’s energy market integration
Major Constraints

- Peripheral geographical position of Georgia:
  limited benefit from Energy Community- Security of Supply (SoS) mechanism;

- Political particularities in South Caucasus:
  no collaboration to converge the energy legislative framework.
Georgia’s energy market integration
Prospects

- different approach as an essential part for Georgia’s accession process;

- progress made by Georgia in the full implementation of EU Energy Law will be dependent on the progress of EU-Turkey energy relations, as a major land corridor for Georgia to the EU energy market.
Thank you for your attention!