Georgia

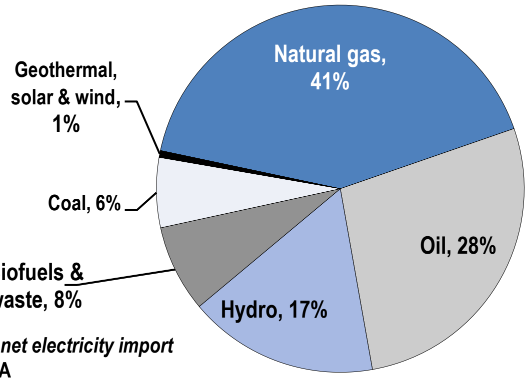
The OECD Inventory of Support Measures for Fossil Fuels identifies, documents and estimates direct budgetary support and tax expenditures supporting the production or consumption of fossil fuels in OECD countries, eight partner economies (Argentina, Brazil, the People's Republic of China, Colombia, India, Indonesia, the Russian Federation, and South Africa) and EU Eastern Partnership (EaP) countries (Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine).

Energy resources and market structure

Georgia is a net importer of energy relying heavily on natural gas imports from Azerbaijan, and various imports of oil products and coal. The country's domestic energy production centres around hydropower, biomass and some coal.

In terms of its geographical location, Georgia plays an important role as regional crude oil and natural gas transit country, from which it gains monetary and in-kind benefits that influence the country's overall subsidy policies.

Total Primary Energy Supply* in 2017



**excluding net electricity import*
Source: IEA

The Baku-Supsa pipeline carries crude oil 829 km from Azerbaijan to the Georgian port city of Supsa along the Black Sea and the Baku-Tbilisi-Ceyhan pipeline carrying crude oil to Ceyhan, Turkey, is twice the length (1,768 km), of which 249 km runs through Georgian territory. Additionally, the South Caucasus Pipeline (SCP) pipes Azeri gas to Turkey while the North-South regional pipeline network is used to transit Russian gas to Armenia (2.2 bcm in 2019 and 1.9 bcm in 2018).

The state-owned company Georgian Oil and Gas Corporation manages gas import and transit issues as well as represents government interests in production sharing agreements (PSAs) and is involved in developing thermal power generation capacities. There are three main gas distribution companies in Georgia operating distribution networks on a concessional basis: Tbilisi Energy (former KazTransGaz), which provides gas in Tbilisi, SOCAR Georgia gas and Saqorggaz, which provide gas in regions of Georgia beyond Tbilisi, and smaller distribution companies (around 10% market share) serving different locations country-wide. The two main power distribution companies in Georgia are Telasi and EnergoPro. The INTER RAO Group owns 75% of the shares of Telasi and the remaining 25% of the shares are of public ownership. EnergoPro is in private ownership.

Eighteen percent (17 %) of the total energy supply is from domestic hydropower, which accounted for 72.8% of domestic electricity generation. Because of seasonal fluctuations in hydropower, Georgia is a power exporter during the summer months leaving net imports with a share of only 1.6% of the country's TPES.

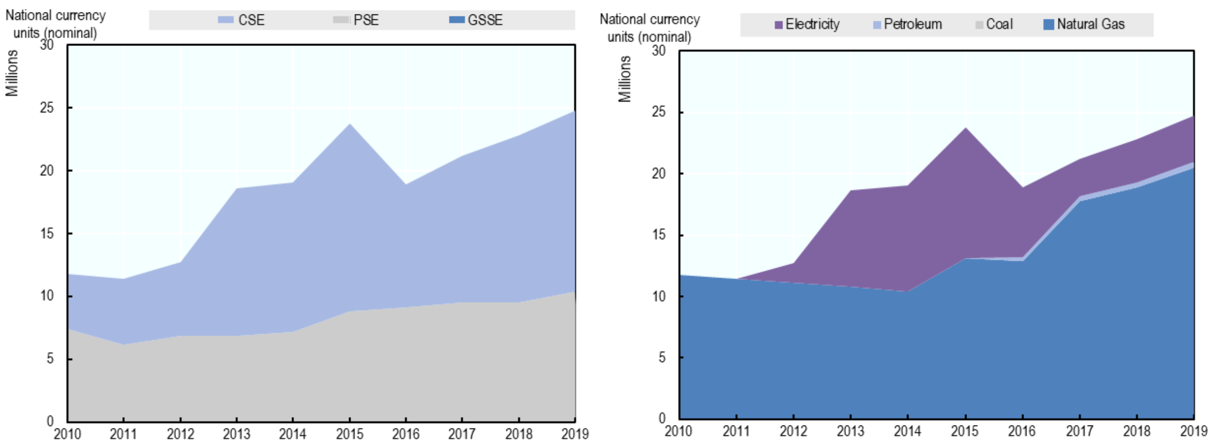
Prices and taxes

Electricity and natural gas tariffs are set by the Energy and Water Supply Regulatory Commission of Georgia (GNERC). The VAT rate of 18% applies to all energy products and is incorporated in tariffs for end-users. Average prices on gas and electricity are GEL 0.5/m^3 (USD 0.18) and GEL 0.18/kWh (USD 0.064) respectively.

Natural gas is purchased at different prices according to bilateral import and transit agreements. Along the South Caucasus Pipeline, 5% of transited gas may be purchased at USD 55/1000 m^3 (up to 300 million m^3) with additional amounts priced at USD 65 per 1000 cubic meter (up to 500 million cubic meters). SOCAR social gas is sold at USD 189/1000 m^3 (up to 500 million cubic meters) while SOCAR commercial gas at USD 240/1000 m^3. Prices on oil products, including fuels, are not regulated.

Electricity tariffs for all consumers are also regulated. A step tariff wise system is applicable for residential consumers while commercial tariffs varies with the installed voltage level. The main supplier of the electricity is the Enguri HPP and its comparatively low average cost of generation contributes to the low weighted average electricity price.

Total support for fossil fuels in Georgia by support indicator (left) and fuel type (right)



Note: CSE=Consumer Support Estimate; PSE=Producer Support Estimate; GSSE=General Services Support Estimate.

*The above charts are based on an arithmetic sum of the individual support measures identified in the Inventory. Because they focus on budgetary costs and revenue foregone, the estimates for partner economies do not reflect the totality of support provided by means of artificially lower domestic prices. Particular caution should therefore be exercised when comparing these estimates to those reported by the IEA for these countries. Data for 2019 are preliminary.

Recent developments and trends in support

The government support for fossil fuels in Georgia is targeting consumers through social subsidies and benefits allocated directly to households. During 2013-2019 GNERC established new tariff methodologies, in line with modern international standards in electricity and gas sectors. The commission practically abandoned the practice of tariff setting on the basis of memorandums, and the tariff regulation was completely subject to the Commission's normative acts - tariff methodologies. Although, the government of Georgia supports keeping low tariffs for all households for social and political reasons, it has gradually reformed its social support programmes to target eligible low-income households.

In terms of fuels, producer support (PSE) measures are concentrated in the oil and gas sectors to facilitate production of local energy resource. Oil and gas producers are exempted from profit tax, property tax, and fees for the use of natural resources.

Examples of measures	
Utility subsidy for socially vulnerable households in Tbilisi municipality	Under the municipal social aid programme utility subsidy for electricity, water supply and waste disposal have been introduced to support socially vulnerable groups in Tbilisi municipality. This measure was introduced back in 2012 and is still valid.
Tax exemptions to oil and gas producing companies for certain operations	Georgian oil and gas corporation (state-owned company) based on the production sharing agreement (PSA) with oil and gas producer companies pay profit and property taxes and fees for the use of natural resources instead of them to facilitate and support production of local energy resource. This measure was introduced back in 2001 and is still valid.