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# Europeanization of Georgian Energy Legislation: Approximating Legal Frameworks with EU Energy Policy

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**Abstract:** *This article analyzes the process of Europeanization in Georgian energy legislation through the approximation (harmonization) of national legal frameworks with the European Union's energy acquis. It examines Georgia's alignment with EU standards in market liberalization, regulatory reforms, sustainability, and energy security, as mandated by the EU-Georgia Association Agreement and the Energy Community Treaty. The study emphasizes the role of legal approximation as a mechanism for achieving regulatory coherence and fostering regional energy cooperation. It evaluates the challenges and legal implications of transposing EU directives into Georgian law, focusing on institutional reforms, enforcement mechanisms, and infrastructure modernization. The article concludes by assessing these reforms' broader legal and strategic significance for Georgia's integration into the European energy market and its alignment with EU governance principles, contributing to the discourse on external legal influence in transitional economies.*

**Keywords:** *Energy legislation; Europeanization; Georgian law; legal approximation; Harmonization; sustainability.*

## INTRODUCTION

The Europeanization of Georgia's energy legislation represents a crucial step in the country's integration with European structures, emphasizing its commitment to aligning with the EU's transparency, competition, and sustainability principles. This process aims to harmonize Georgia's legal and regulatory framework with European standards, paving the way for a competitive and efficient energy market. By leveraging existing frameworks, Georgia seeks to adopt European norms and adapt them to its legal and market conditions. This effort is designed to create a stable investment environment, foster energy trade with EU member states, promote renewable energy development, and enhance energy efficiency—all vital for sustainable economic growth and environmental protection. This comprehensive approach ensures that Georgia's transformation process is robust, context-sensitive, and fully aligned with its strategic goals.<sup>1</sup>

Approximating the legal environment in line with European values is the key aspect of the Georgian Energy Strategy document, which spells out key policy directions in the field. Georgia's strive to approximate its legislation to the EU core requirements would be possible with the proper codification to ensure a solid and not-fragmented transformation process. It is interesting to learn what legal instruments the EU has in its machinery to facilitate such a transformation process.<sup>2</sup>

Georgia's integration of European energy regulations relies on two main legal pathways: bilateral and multilateral treaty frameworks. The EU-Georgia Association Agreement, finalized in 2014 and ratified in 2016, alongside the Energy Community Treaty, which Georgia joined in 2017, represents foundational agreements in this process. Unlike political instruments, these treaties are distinguished by their legally binding nature and play a critical role in driving Georgia's energy sector

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<sup>1</sup> Energy Strategy of Georgia, Resolution of the Parliament of Georgia of June 27, 2024 (In Georgian).

<sup>2</sup> Samkharadze I, The Impact of EU Energy Law External Action on Georgian Legislation Journal "Journal of Law," № 1, 2018, 198 (In Georgian).

alignment with Europe. Together, they operate as mutually reinforcing tools, defining a structured approach to the approximation.<sup>3</sup> Process.

An essential component of the Association Agreement is cooperation in the field of energy (Section VI). This includes strengthening energy security, convergence with the EU Energy Acquis, and development of cooperation in areas such as electricity, natural gas and oil exploration, production and transportation, renewable energy, and energy efficiency. The agreement also allows Georgia to join the European Energy Community.<sup>4</sup>

Georgia's participation in the Energy Community aligns with U.S. energy policy in Europe and supports the objectives outlined in the U.S.-Georgia Strategic Partnership Charter.<sup>5</sup> Additionally, it complements NATO's priorities regarding energy security. By joining the Energy Community, Georgia increases the European Union's responsibility to address Russia's activities in the occupied territories.

This process requires even more political leverage. Mirror “repetition” and formal implementation of the European norms are insufficient to develop the energy legislation further. Effective enforcement measures are inevitable. It is also noteworthy to cooperate closely with the Energy Community Secretariat and adopt the action plan, putting forward interim and final results in light of accountability principles.<sup>6</sup> Implementing regulations is critical to the EU's impact on Georgia's energy sector. Rather than just transposing them into national law, this process might necessitate the creation of formal institutions and procedures designed according to EU standards to facilitate effective and smooth enforcement.

It is essential to distinguish this process from the idea of replacing national laws. Domestic legislation and local stakeholders play a crucial role in managing and regulating international energy markets. The method of norm transmission is inherently a legislative task, and it should not be seen merely as a direct translation of foreign rules. Instead, it involves adapting and applying these norms within the local context. In this context, the “legal translator” supplements and extends where necessary, reduces and shortens where appropriate, and, most importantly, translates with analytical precision rather than literal interpretation.<sup>7</sup>

For the proper implementation of EU regulations and directives into the Georgian legal system, it is crucial to establish competent authorities with effective, independent, and transparent regulatory bodies that balance the rights and interests of different stakeholders in the market. Thus, the final “product” of the harmonized national energy regulatory framework should be consistent legislation with transparent national energy markets and advanced mechanisms for regulating energy matters. This is why the modern energy regulatory framework should be based on an organizational structure ensuring high competition standards that are mutually beneficial and reflect an international character. Such a framework would support Georgia's strategic goals of improving the investment environment, uncovering its transit potential, and implementing vital energy projects.

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<sup>3</sup> Association Agreement between the European Union and the European Atomic Energy Community and their Member States, of the one part, and Georgia, of the other part, Official Journal of the European Union, L 261, 30.8, 2014, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A22014A0830%2802%29>

<sup>4</sup> Margvelashvili M, Georgia's Integration with the EU in Energy Sector, Georgian Energy Sector In The Context Of EU Association, World Experience for Georgia (WEG), Tbilisi, 2015, 10 <https://weg.ge/sites/default/files/weg-book-with-cover-page-eng.pdf>

<sup>5</sup> Georgia-United States Charter on Strategic Partnership. <https://georgiaembassyusa.org/wp-content/uploads/2017/08/STRATEGIC-PARTNERSHIP.pdf>

<sup>6</sup> Janelidze S., A Year Assessment of Georgia's Membership in Energy Community. See European Energy Union and Reforms in Georgian Energy Sector, World Experience for Georgia (WEG), Tbilisi, 2017, 92. <https://weg.ge/sites/default/files/weg-book-with-cover-page-eng.pdf>

<sup>7</sup> Zoidze B., Repetition of European Private Law in Georgia, Tbilisi, 2005, 21 (In Georgian).

By embedding EU energy principles into its legislative framework, Georgia is advancing its domestic energy sector and positioning itself as a crucial regional partner in energy cooperation. This transformation, driven by robust enforcement and institutional capacity-building, underscores Georgia's readiness to address complex regional challenges while securing its role in European energy architecture.

## 1. EUROPEANIZATION OF ENERGY LAW: A CONCEPTUAL FRAMEWORK

Energy law within the European Union is a comprehensive framework encompassing a broad range of legal norms designed to regulate energy-related issues across the Union. This framework has been pivotal in shaping the energy landscape, addressing critical challenges such as market liberalization, environmental protection, climate change mitigation, and overseeing competition and state aid policies. Together, these objectives form the cornerstone of EU energy law, reflecting its commitment to fostering sustainable energy development within and beyond its borders.

The legal basis for the EU's energy policies significantly evolved with the adoption of the Lisbon Treaty in 2009, which marked a turning point in how energy matters were addressed at the European level. Article 194 of the Treaty on the Functioning of the European Union (TFEU)<sup>8</sup> articulated the Union's primary energy objectives, highlighting three key principles: competitiveness, energy security, and sustainability. These principles influence both member and neighboring states. As non-EU countries adapt their frameworks to align with EU standards, the closer the third country, the state, to the European Union, the more demands it makes regarding the legal approximation of this state. This dynamic applies strongly to Georgia, which seeks integration into EU energy markets by modernizing its governance in alignment with these principles.

The European Commission, in its 2014 report on enlargement achievements and challenges, emphasized the importance of expanding the EU's energy acquis to neighboring countries through the Energy Community framework. It highlighted that modernizing energy systems, promoting sustainability, and integrating regional energy markets are critical for countries like Georgia. Participation in the Energy Community introduces transparency, reduces corruption, ensures sustainability against internal and external factors, and aligns national energy laws with EU environmental standards. Moreover, such alignment attracts European investments, particularly in renewable and energy-efficient systems, contributing to economic growth and integration into the EU energy regulatory framework.<sup>9</sup>

This framework has profound implications for member states, influencing their domestic policies and institutional structures. Beyond its internal application, the EU's energy law has also become a tool for external use.<sup>10</sup> Influence and shape the energy policies of neighboring countries through legal harmonization and integration efforts.

Historically, "Europeanization" was confined to analyzing the internal effects.<sup>11</sup> Of EU law within member states. Within this context, Europeanization referred to the process whereby EU legislation and principles were transposed into national legal systems, often as part of the accession requirements for new members. It was viewed as a one-directional influence, with the EU acting as a source of authority and the member states adapting their laws to align with its requirements.

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<sup>8</sup> Treaty on the Functioning of the European Union (TFEU), Official Journal of the European Union, C 326, 26 October 2012, [Online] Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A12012E%2FTXT>;

<sup>9</sup> European Commission. Enlargement Strategy and Main Challenges 2014-15, COM (2014) 700 final, <https://eur-lex.europa.eu/legal-content/en/ALL/?uri=CELEX:52014DC0700>

<sup>10</sup> Sustainable Energy United in Diversity – Challenges and Approaches in Energy Transition in the European Union, Chapter 12: The EU External Energy Policy and the Law: Does the EU Really Matter?, Nicolas Pradel, p.245

<sup>11</sup> Sedelmeier U, Europeanization, The Oxford Handbook of the European Union, 2013, p. 825–839

However, as the EU's sphere of influence has expanded, the concept of Europeanization has taken on a broader meaning. Today, it also encapsulates how non-EU countries adapt their legal, institutional, and policy frameworks to align with EU standards, even without formal membership. This broader perspective positions Europeanization as a dynamic process that extends the EU's regulatory reach to countries within its geopolitical neighborhood, such as Georgia.

For Georgia, Europeanizing its energy laws is a strategic priority and a complex challenge. The process involves adapting its governance and regulatory systems to reflect the principles of EU energy law, particularly the objectives of competitiveness, energy security, and sustainability. By doing so, Georgia seeks to modernize its energy sector, enhance its integration into the European energy market, and align itself with EU values.

The degree of approximation demanded by the EU often correlates with the third country's proximity to the Union. In Georgia's case, its geopolitical significance as a transit country for energy resources between Europe and Asia intensifies the EU's expectations for legal and regulatory harmonization. This proximity creates opportunities for deeper collaboration but also imposes significant obligations on Georgia to implement reforms.

The structured approximation of Georgian energy laws to EU standards can be seen as a deliberate and phased process driven by the EU's role as a catalyst for reform. The EU actively promotes the adoption of institutional and legal mechanisms in line with its internal standards, encouraging countries like Georgia to modernize their regulatory frameworks. This alignment enhances policy coherence and strengthens institutional capacity, creating a foundation for sustainable governance and economic development.

The EU employs various instruments, such as association agreements, partnership frameworks, and the Energy Community Treaty, to drive legal harmonization in its neighborhood. These agreements often include binding commitments to adopt EU directives and regulations, particularly in the energy sector. For Georgia, such agreements serve as both a roadmap for reform and a benchmark for measuring progress.

By fostering compatibility between Georgian and EU energy regulations, the EU facilitates Georgia's gradual integration into broader regional frameworks. This process also gives Georgia access to technical and financial assistance, enabling it to address challenges such as outdated infrastructure, limited market competitiveness, and the need for sustainable energy development.

While aligning with EU standards offers significant benefits, it also presents challenges. The process requires Georgia to balance its national interests with the demands of legal approximation. For instance, adopting EU energy regulations often necessitates substantial institutional and administrative reforms, which can be resource-intensive. Moreover, integrating EU standards into Georgian law must account for local economic conditions and stakeholder interests to ensure a smooth transition.

The Europeanization of Georgian energy laws exemplifies how external influence can drive domestic reform. By aligning its energy policies with EU principles, Georgia enhances its integration into the European energy market, strengthens its governance structures, and promotes sustainable development. This alignment reflects a broader trend in which the EU acts as a global standard-setter, using its legal and regulatory frameworks to shape the policies of its neighbors.

In conclusion, the Europeanization of energy laws represents a transformative process for Georgia. It offers opportunities to modernize its energy sector, enhance regional integration, and align with European values. By embracing this process, Georgia is committed to fostering a competitive, secure, and sustainable energy future.

## 2. THE IMPACT OF LEGAL APPROXIMATION ON GEORGIA'S ENERGY SECTOR TRANSFORMATION

Legal approximation serves as a key pathway for Europeanization, facilitating the alignment of third countries' legal systems with EU norms without requiring a complete overhaul of their legislative frameworks. This process ensures regulatory coherence while respecting each nation's unique legal traditions. Rather than demanding wholesale changes, it focuses on harmonizing specific legislative sectors to achieve international standards, thus maintaining a balance between national sovereignty and external alignment.<sup>12</sup>

Aligning energy legislation with EU directives is strategic and essential for Georgia. This approach reduces regulatory gaps and integrates Georgia's energy market within the broader European framework. Such alignment is pivotal in fostering transparency, enhancing competitiveness, and attracting foreign investment while ensuring energy security in the long term. For further insights into how legal approximation impacts energy policies in transitional economies, see resources like the Carnegie Endowment's analysis on EU accession and legal reforms.

In Georgia, approximating energy legislation is both a strategic and essential initiative. The country's alignment with EU directives reduces regulatory discrepancies and integrates its energy market into the broader European energy framework. This alignment is critical for fostering a competitive, transparent, and sustainable energy market capable of attracting foreign investment and ensuring long-term energy security.

Georgia's energy sector operates under a well-defined legislative framework centered on the Law of Georgia on Energy and Water Supply.<sup>13</sup> This foundational law is complemented by secondary normative acts and regulations issued by the Georgian National Energy and Water Supply Regulatory Commission (GNERC). GNERC is pivotal in managing licenses, issuing permits, and overseeing energy and water supply governance.

The country's obligations under the EU Association Agreement (AA) and its membership in the Energy Community Treaty have been instrumental in driving reforms. These commitments necessitate a comprehensive restructuring of Georgia's energy sector, focusing on market liberalization, transparency, and efficiency. The reform process, however, must balance the need for operational stability with the imperative to minimize disruptions for market participants, the broader economy, and end-users.

A cornerstone of Georgia's approximation efforts is the implementation of the EU's Third Energy Package,<sup>14</sup> which underpins the liberalization of energy markets across Europe. The package seeks to foster competition, enhance consumer protections, and establish open and competitive retail energy markets.<sup>15</sup> In Georgia, this entails creating a marketplace where consumers can freely choose their energy suppliers, encouraging competition and reducing reliance on monopolistic entities.

The Law of Georgia on Energy and Water Supply, enacted in December 2019, introduced significant structural changes to meet these requirements. Among the key mandates is the unbundling of Transmission System Operators (TSOs) and Distribution System Operators (DSOs). TSOs must adopt one of two models—ownership Unbundling (OU) or the Independent System Operator (ISO) model—while DSOs must separate distribution activities from supply and generation

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<sup>12</sup> Khvorostiankian A, Europeanization Through EU External Agreements and the “Constitutional Identity”: The Case of the EU-Armenia CEPA. *Kyiv-Mohyla Law and Politics Journal*, № 4, p. 15–52, 2018

<sup>13</sup> *Law of Georgia on Energy and Water Supply*, Legislative Herald of Georgia, <https://matsne.gov.ge/ru/document/download/4747785/4/en/pdf>

<sup>14</sup> Machavariani M, Formation of the electric energy market of Georgia by the standards of the European Union, dissertation, GTU, 2021, p. 38

<sup>15</sup> *European Energy Community and Reforms in the Georgian Energy Sector*, a collection of publications prepared by the World Experience for Georgia (WEG) Tbilisi, 2017, p.12

operations. These measures aim to enhance market transparency, reduce conflicts of interest, and promote fair competition.

The natural gas sector has also been subject to similar unbundling requirements. The government is empowered to impose public service obligations on energy enterprises, ensuring that energy supply responsibilities align with national priorities and international commitments. GNERC, in consultation with the Energy Community Secretariat, plays a key role in monitoring compliance with these obligations. Furthermore, the law mandates the appointment of a universal service provider to safeguard energy access for vulnerable consumers, reflecting a commitment to social equity in energy governance.

In addition to market liberalization, Georgia has made substantial progress in promoting renewable energy. The Law of Georgia on Promoting the Production and Use of Energy from Renewable Sources, adopted in December 2019, aligns with the Renewable Energy Directive 2009/28/EC. Under this law, Georgia has committed to ensuring that by 2030, at least 35% of its total energy consumption will come from renewable sources.

This ambitious target is part of a broader effort to transition toward a sustainable energy system. Georgia's abundant hydroelectric resources provide a strong foundation for renewable energy development. However, the practical implementation of the directive's requirements, including investment in renewable energy infrastructure and the development of new technologies, remains a significant challenge.

Integrating renewable energy sources into the national grid is also crucial for reducing fossil fuel dependency and mitigating energy production's environmental impact. By aligning its energy policies with EU standards, Georgia aims to position itself as a regional leader in sustainable energy development.

Despite significant progress, Georgia has been granted temporary exemptions from implementing specific EU regulations. Notably, Regulation (EC) No 714/2009, which governs access conditions for cross-border electricity exchanges, and Regulation (EC) No 715/2009, which addresses natural gas transmission networks, do not currently apply to Georgia. These exemptions will remain in place until the country establishes physical interconnections with the energy networks of EU or Energy Community member states.

As a result, implementing the Third Energy Package remains partially complete, with ongoing efforts to operationalize its provisions. This phased approach allows Georgia to build the necessary infrastructure and institutional capacity to integrate fully into the European energy market.

The approximation process also presents several challenges. Implementing EU energy directives requires substantial financial, technical, and administrative resources. Securing these resources while managing competing national priorities can take time for a transitioning economy like Georgia. Moreover, the need for institutional reforms, such as enhancing regulatory independence and transparency, adds complexity.

Achieving complete approximation requires a multifaceted approach. Codifying EU directives into national law is the first step; effective enforcement mechanisms are equally essential. This includes establishing independent regulatory authorities, strengthening institutional capacity, and fostering a culture of compliance among stakeholders.

Public awareness and stakeholder engagement are also critical for the success of approximation efforts. Educating consumers about their rights and the benefits of a liberalized energy market can help build support for reforms. Similarly, involving industry stakeholders in the policymaking process can ensure that the reforms address practical challenges and reflect the realities of the Georgian energy market.

By adopting a holistic approach to approximation, Georgia can create a regulatory framework that is compliant with EU standards and tailored to its unique context. This will enable the country

to fully integrate into the European energy market, attract foreign investment, and enhance its energy security.

### 3. FOUNDATIONS OF ENERGY APPROXIMATION: THE ROLE OF THE EU-GEORGIA ASSOCIATION AGREEMENT

Foundations of Energy Approximation: The Role of the EU-Georgia Association Agreement  
The EU-Georgia Association Agreement (AA) is a cornerstone of Georgia's European integration process. Signed in 2014 and ratified in 2016, the agreement provides a comprehensive framework for political, economic, and social cooperation. It establishes a robust legal basis for aligning Georgia's domestic laws with EU standards, particularly in the energy sector.<sup>16</sup>

The EU's external energy policy is characterized by conditionality, a strategic mechanism that combines political influence and technical assistance to promote regulatory alignment.<sup>17</sup> Conditionality creates a framework of legal, political, and administrative obligations that partner countries must fulfill to access the benefits of closer integration with the EU.<sup>18</sup> This principle underpins agreements like the AA and the Energy Community Treaty, which provide Georgia with a structured pathway for approximating its energy policies with EU standards.<sup>19</sup>

Energy cooperation occupies a pivotal role in the AA. Article 297 outlines the fundamental principles of energy collaboration, emphasizing partnership, transparency, and mutual interest. Annex XXV specifies the legislative acts Georgia must implement for regulatory alignment, including:

Electricity Directive 2009/72/EC: Establishes rules for the internal electricity market, promoting fair competition and transparency.

Gas Directive 2009/73/EC: Focuses on market liberalization, ensuring competition and security of supply.

Renewable Energy Directive 2009/28/EC: Promotes the adoption of renewable energy sources and emphasizes environmental sustainability.

Energy Efficiency Directive 2012/27/EU: Encourages energy efficiency improvements in end-use sectors, including building performance standards.

Significant progress has been noted in aligning Georgia's legal framework with these directives, particularly in implementing electricity market liberalization reforms.<sup>20</sup> The harmonization process is also supported by the Protocol of the Accession of Georgia to the Energy Community Treaty, which requires Georgia to incorporate EU energy legislation into its domestic legal framework. This includes adopting directives such as Directive 2005/89/EC concerning electricity supply security and infrastructure investment. Adopting the Law of Georgia on Energy and Water Supply and related legal acts exemplifies Georgia's commitment to fulfilling these obligations.

Implementing these directives requires significant institutional reforms. Key among them is the establishment of independent energy regulatory authorities to ensure compliance with EU standards.<sup>21</sup> In Georgia, GNERC (Georgian National Energy and Water Supply Regulatory

<sup>16</sup> Energy Community Secretariat. (2018). *Annual Implementation Report: Georgia's Progress in Energy Approximation*. p. 45

<sup>17</sup> Schimmelfennig, F., & Sedelmeier, U. (2005). *The Europeanization of Central and Eastern Europe*. Cornell University Press, p. 10

<sup>18</sup> Lavenex, S. (2004). EU External Governance in Wider Europe. *Journal of European Public Policy*, 11(4), pp. 684–686

<sup>19</sup> European Commission. (2016). *Energy Union Package*, pp. 12–18.

<sup>20</sup> Energy Community Secretariat. (2023). *Annual Implementation Report: Georgia*, p. 12

<sup>21</sup> Energy Community Secretariat. (2018). *Annual Implementation Report: Georgia's Progress in Energy Approximation*, p. 30.

Commission) plays a central role in overseeing energy market reforms and aligning regulatory practices with European norms.<sup>22</sup>

Additionally, the AA mandates the unbundling of energy networks to promote competition. This separates transmission and distribution operations from supply and generation activities, creating a level playing field for all market participants. For example, unbundling transmission system operators (TSOs) and distribution system operators (DSOs) is a critical reform that will increase market transparency and protect consumer rights.<sup>23</sup>

Georgia has made progress in aligning its energy legislation with EU directives. However, the approximation process remains a work in progress. Transposing EU energy regulations requires substantial financial, technical, and administrative resources, which present challenges for a transitioning economy.<sup>24</sup>

Georgia has also enacted key legislation such as the Law of Georgia on Encouraging Generation and Use of Energy from Renewable Sources and the Law of Georgia on Energy Efficiency. These laws aim to establish a competitive and sustainable energy market aligned with EU directives. For instance, renewable energy development is emphasized by adopting action plans to integrate these projects into the national grid.<sup>25</sup>

The EU provides technical and financial support to help Georgia overcome these challenges. For instance, the European Neighborhood Instrument (ENI) has supported Georgia's energy reforms and infrastructure modernization. By adhering to the AA's timelines and obligations, Georgia can create a harmonized and modernized energy sector that aligns with EU standards.

In particular, Georgia's action plans for renewable energy and energy efficiency, developed with international support, are essential for ensuring compliance with sustainability goals. These plans aim to integrate renewable energy projects into the national grid and improve energy efficiency.<sup>26</sup>

The AA also offers significant strategic opportunities. Aligning Georgia's energy policies with EU directives enhances its energy security, attracts foreign investment, and strengthens its position as a regional partner in energy cooperation (Energy Community Secretariat, 2018).

Through continued implementation of the AA's provisions, Georgia is positioning itself as a key player in the European energy market. This transformation underscores Georgia's commitment to European integration and its readiness to tackle complex regional challenges while fostering sustainable development (European Union External Action, 2014; Energy Community Secretariat, 2020).

#### 4. THE ENERGY COMMUNITY TREATY: A CATALYST FOR GEORGIA'S ENERGY SECTOR MODERNIZATION

The Energy Community Treaty (EnC) represents a cornerstone in Georgia's journey toward energy sector modernization and integration into the European energy framework. Established in 2005 to extend the EU's internal energy market principles to its neighbors, the EnC stands out as an innovative model of sector-specific normative multilateralism.<sup>27</sup> Unlike bilateral agreements, the

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<sup>22</sup> GNERC. (2021). *Annual Report on Georgia's Energy Market.*, pp. 15–16

<sup>23</sup> World Bank. (2020). *Supporting Energy Market Reforms in Transition Economies.*, p. 7

<sup>24</sup> International Energy Agency. (2021). *Energy Policy Review: Georgia.* pp. 45–46.

<sup>25</sup> *Law of Georgia on Encouraging Generation and Use of Energy from Renewable Sources*, Legislative Herald of Georgia, [Online]. Available at: <https://matsne.gov.ge/ka/document/view/4694608?publication=0>

<sup>26</sup> Energy Community Secretariat. (2023). *Annual Implementation Report: Georgia.*, pp. 20-22

<sup>27</sup> Energy Community Secretariat. (2005). *Energy Community Treaty.*

<https://www.energy-community.org/legal/treaty.html>

Treaty creates a legally binding framework for its contracting parties, compelling them to adopt and implement the EU energy acquis across various domains.<sup>28</sup>

Georgia's accession to the EnC in 2017 underscores its strategic commitment to aligning its energy policies with EU standards. This membership complements the obligations outlined in the EU-Georgia Association Agreement (AA) while expanding the scope of approximation to include energy security, environmental sustainability, and infrastructure development. By joining the EnC, Georgia has formally committed to a structured legal and institutional reform process to foster regulatory uniformity with the EU and neighboring countries.

Article 10 of the Treaty requires contracting parties to incorporate the EU's energy acquis into national legislation. This includes adopting regulatory measures in electricity and natural gas markets, energy efficiency standards, renewable energy promotion, and environmental safeguards. Additionally, the Treaty extends into competition policy and data transparency, further strengthening the regulatory framework and operational independence necessary for market functionality.

Georgia has made tangible progress in aligning its electricity and natural gas legislation with EU standards, mainly through reforms that enhance market transparency and regulatory independence. Despite this, additional steps are required to ensure the operational unbundling of key energy operators and the alignment of market mechanisms with competitive principles.<sup>29</sup>

Aligning with the EnC framework has profound implications for Georgia's energy market. A critical component of this transformation involves establishing competitive market structures that enable independent energy suppliers to thrive. While Georgia has made progress in liberalizing its electricity market, monopolistic practices and legacy issues from the Soviet era continue to hinder full market competitiveness. Addressing these challenges requires robust legislative reforms and institutional restructuring.<sup>30</sup>

Infrastructure modernization is another vital aspect of Georgia's compliance with the EnC. Much of Georgia's energy infrastructure, particularly in transmission and distribution systems, remains outdated, limiting the efficiency and reliability of energy supply. Investments in smart grids, cross-border interconnections, and renewable energy technologies are essential for bringing Georgia's energy sector to ENC standards and fostering sustainable growth.

Key efforts have been initiated to modernize infrastructure, including upgrades to the electricity transmission system and developing cross-border energy interconnections. These initiatives aim to reduce system losses and improve supply reliability nationwide.<sup>31</sup> (1, pp. 15–17).

The EnC also places significant emphasis on renewable energy and energy efficiency. Georgia's renewable energy potential, particularly in hydropower, positions it as a key player in the regional energy market. However, harnessing this potential requires adopting comprehensive policies to incentivize renewable energy projects and integrate them into the national grid. Similarly, energy efficiency measures, such as upgrading building standards and introducing modern energy-saving technologies, are critical for reducing consumption and improving overall energy security.

In this context, additional policy instruments have been developed to encourage private sector investment in renewable energy projects, alongside efforts to enhance energy efficiency in public and private buildings. These measures are critical for meeting the country's energy and environmental goals.<sup>32</sup>

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<sup>28</sup> Energy Community Secretariat. (2020). *Annual Implementation Report: Georgia*. p. 45

<sup>29</sup> Energy Community Secretariat. (2023). *Annual Implementation Report: Georgia*., p. 12-14

<sup>30</sup> International Energy Agency. (2020). *Energy Policy Review: Georgia*., pp. 45–46

<sup>31</sup> Energy Community Secretariat. (2023). *Annual Implementation Report: Georgia*., pp. 15–17.

<sup>32</sup> Energy Community Secretariat. (2023). *Annual Implementation Report: Georgia*., pp. 18–20.

Georgia's path to full compliance with the EnC is challenging. Transitioning from a system rooted in centralized, state-controlled energy practices to a liberalized, competitive market model requires significant financial, technical, and administrative resources. The remnants of its Soviet-era regulatory framework present additional hurdles, particularly in fostering a competitive environment for private energy providers.

Recognizing these complexities, the EnC offers flexibility through temporary derogations and phased implementation schedules. These mechanisms allow Georgia to prioritize reforms while maintaining the stability of its energy sector. For instance, Georgia can stagger the unbundling of energy operators or delay specific regulatory requirements until sufficient institutional capacity is developed. This approach helps balance the need for compliance with the economic realities and stakeholder concerns in a transitioning energy market.

Beyond its domestic implications, the EnC positions Georgia as a critical player in regional energy cooperation. By adopting EU-aligned standards, Georgia enhances its credibility as a reliable energy partner and strengthens its role in facilitating energy transit between Europe and the Caspian region. The country's strategic location and potential for renewable energy development make it a valuable contributor to Europe's energy diversification and sustainability goals.

In conclusion, the Energy Community Treaty serves as both a roadmap and a catalyst for Georgia's energy sector transformation. While the journey to complete approximation is complex and resource-intensive, the Treaty provides a structured framework to guide Georgia through this transition. By leveraging the Treaty's support mechanisms and fostering stakeholder collaboration, Georgia can create a modern, competitive, and sustainable energy sector that aligns with European standards and contributes to regional energy security.

## CONCLUSION

This article has explored the transformative impact of the EU's energy governance framework on Georgia's energy sector. It has highlighted the pivotal role of the EU-Georgia Association Agreement (AA) and the Energy Community Treaty (EnC) as mutually reinforcing instruments requiring Georgia to establish a more transparent, competitive, and liberalized energy market. These agreements reflect Georgia's strategic orientation toward Europe and its commitment to harmonizing national legislation with the Energy Community acquis.

A critical milestone in this process has been enacting the Law of Georgia on Energy and Water Supply, which marks a significant step toward implementing the EU's Third Energy Package. Developed with the support of the Energy Community Secretariat, this law provides the foundation for modernizing the energy sector by fostering market liberalization, enhancing regulatory oversight, and promoting fair competition. As seen in Georgia, legal approximation involves adopting EU norms, tailoring these standards to fit domestic institutional capacities, and ensuring their effective enforcement—a task that Georgia continues to refine.

The AA's harmonization process outlined in Annex XXV has also played a vital role in defining Georgia's path. By mandating alignment with EU directives, such as the Renewable Energy Directive 2009/28/EC and Energy Efficiency Directive 2012/27/EU, the AA has created opportunities for renewable energy development and market liberalization while emphasizing compliance with European sustainability standards.

Despite these achievements, the path to full Europeanization of Georgia's energy sector remains challenging. The successful integration of EU energy norms requires continuous efforts to build administrative capacity, strengthen institutional frameworks, and improve regulatory enforcement mechanisms. The dynamics of external governance depend heavily on the local

capacity to absorb and implement foreign norms, which is particularly relevant for transitional economies like Georgia.<sup>33</sup>

Another critical challenge lies in addressing legacy issues from Georgia's Soviet-era regulatory framework, which often impedes market development and competition. While significant progress has been made in unbundling energy markets and creating conditions for private sector participation, targeted reforms are still needed to strengthen local governance, enhance the independence of regulatory bodies like GNERC, and attract investment in renewable energy and infrastructure. The successful adoption of the Law of Georgia on Encouraging Generation and Use of Energy from Renewable Sources illustrates the potential for aligning Georgian regulations with EU standards. However, its full implementation remains an ongoing challenge requiring significant institutional commitment.

Experts have noted that Georgia's integration into the European energy market requires not just the adoption of EU norms but also the development of a proactive strategy for sustainable energy governance. The International Energy Agency underscores the importance of aligning energy reforms with global trends in renewable energy and efficiency, particularly given Georgia's hydropower potential. Effective stakeholder collaboration and public engagement are vital for achieving long-term energy security and market stability.<sup>34</sup>

Comparative studies in other Eastern Partnership countries show that full compliance with EU energy regulations often involves trade-offs between rapid legal adoption and gradual institutional reform. Georgia's phased approach, supported by temporary derogations under the EnC, illustrates a practical balance between meeting EU standards and addressing local economic realities.

In summary, Georgia has made notable strides in aligning its energy sector with EU standards, but substantial work remains. Practical implementation of the Law of Georgia on Energy and Water Supply, the unbundling of energy market participants, and continued collaboration with the EU and EnC are essential to achieving a fully integrated, secure, and sustainable energy market.

With sustained commitment, Georgia can leverage its strategic location as an energy transit hub between Europe and Asia. The Europeanization process extends beyond legal approximation, encompassing broader goals of economic modernization and regional energy cooperation.<sup>35</sup> Georgia can solidify its role as a reliable energy partner within the broader European energy landscape by addressing remaining challenges through strategic reforms and leveraging international support. The continued focus on regulatory harmonization, infrastructure modernization, and renewable energy initiatives will ensure the country's long-term energy security and economic stability.

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