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Private investment in Georgian hydro reaches new heights

International development banks are helping Georgia to finance and realise its renewable energy potential.

IFC, a member of the World Bank Group, the Asian Development Bank (ADB), and the European Bank for Reconstruction and Development (EBRD) are helping Georgia tap its hydropower potential and achieve energy self-sufficiency by investing in the construction and operation of the Shuakhevi hydropower plant.

The US\$250 million debt financing arranged by IFC represents the largest-ever private hydropower investment in Georgia. It consists of two US\$90 million long-term senior loans, one each from ADB and EBRD, and US\$70 million from IFC. IFC's total investment in the project is US\$104 million, which includes a US\$34 million equity investment in the project company, Adjaristsqali Georgia, a joint venture between India's Tata Power and Norway's Clean Energy Invest (40% each), and IFC (20%).

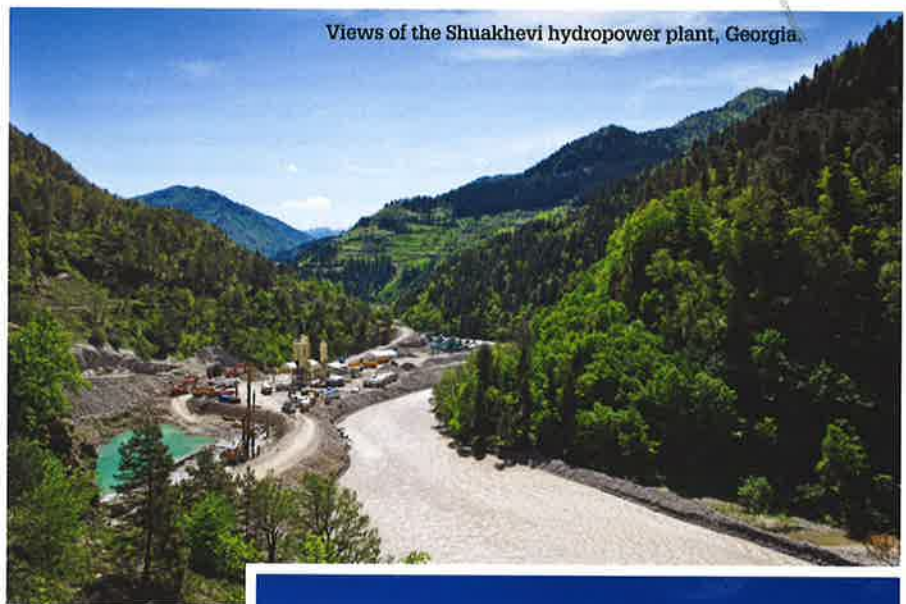
Anil Sardana, Managing Director of Tata Power, said: "I would like to thank the Government of Georgia for their support in exploring Georgia's huge hydropower potential. We are also grateful to our strategic partners, Clean Energy and IFC Infra Ventures, for putting us on a strong footing. We are confident that the potential will be realised with exemplary clean governance and speed of action."

UN certification

Shuakhevi hydropower plant is the first scheme of the Adjaristsqali Cascade Projects and will be constructed in the Shaukhevi and Khulo Municipalities. It consists of two dams with reservoirs and one weir on the Adjaristsqali, Skhalta and Chirukhistsqali Rivers respectively. A series of transfer and headrace tunnels connect the reservoirs to the Shuakhevi powerhouse to be located just upstream of Khichauri Village. A small powerhouse will also be constructed near the Skhalta Dam using the water being transferred from Chirukhistsqali River. Estimated costs are US\$300 million.

The 187MW project is the first hydropower project in Georgia to be certified by the United Nations Framework Convention on Climate Change for carbon emission reductions. It is expected to produce about 450GWh of power annually and reduce greenhouse gas emissions by more than 200,000 tons per year. Work on the plant began in September 2013 with a target to start producing electricity in 2016.

Shuakhevi will satisfy Georgia's electricity



Views of the Shuakhevi hydropower plant, Georgia.

demand during the winter, reducing dependence on imported fuel and increasing renewable energy output. It will also foster cross-border electricity trading at other times of the year by exporting electricity to Turkey through a transmission line financed by EBRD. The project will also benefit local communities by helping create jobs, boosting municipal incomes, and upgrading area roads.

"Through the strong partnerships fostered with the Georgian government, our equity partners, Tata Power, IFC, and the other lending institutions, we are realising the renewable energy potential of Georgia," said Baard Mikkelsen, Chairman of Clean Energy. "This project demonstrates that non-recourse cross-border financing is available for greenfield hydro projects in Georgia, and will be important for the development of the sector and Georgia."

Some US\$15 million of ADB's US\$90 million in financing will be provided by the Canadian Climate Fund for the Private Sector in Asia, funded by



Canada's government and administered by ADB Michael Barrow, ADB Deputy Director General for the Private Sector Operations Department, said: "The project will promote regional cooperation and generate additional revenues for Georgia through energy trade. This ground breaking renewable energy investment highlights the important role ADB plays in leveraging support for energy security and environmentally sustainable growth in the region."

IFC has supported the project since its early development in 2011 through IFC InfraVentures, together with Clean Energy Invest, India's largest integrated power company and a pioneer in

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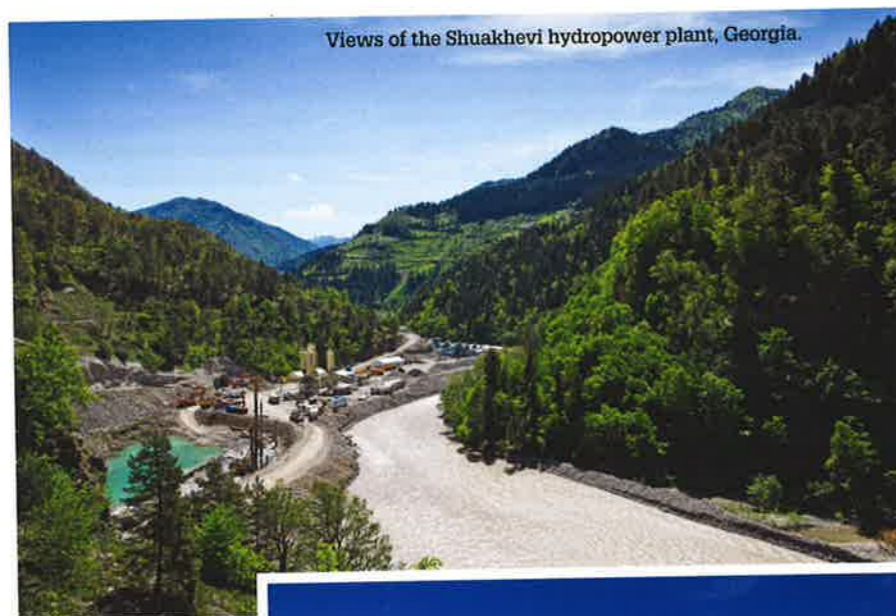
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Wiebke Schloemer, IFC Regional Industry Head of Infrastructure in Europe, Middle East and North Africa region, said: "We continue to support the Georgian government's efforts to tap the country's full hydropower potential by jointly developing world class projects with private companies and bringing in important international players, like Tata Power. The Shuakhevi project is expected to strengthen investor confidence in Georgia and stimulate more private sector investment in the sector." ■

Additional information

ADB, based in Manila, is dedicated to reducing poverty in Asia and the Pacific through inclusive economic growth, environmentally sustainable growth, and regional integration. In 2013, ADB assistance totalled US\$21B including co-financing of US\$6.6B. www.adb.org. Tata Power is India's largest integrated power company with an installed gross generation capacity of 8747MW in India and a presence in all the segments of the power sector. www.tatapower.com.

Clean Energy Group is the brand name for the sister companies Clean Energy Invest AS and Clean Energy Group AS. Clean Energy Invest AS was set up in February 2010 as a single purpose company to develop the Adjaristsqali hydro projects in Georgia. Clean Energy Group AS has been set up to develop greenfield hydropower projects in countries with a sustainable energy framework and untapped hydro potential. www.cleanenergygroup.no.



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