

**TRANSITION TO INTEGRATED ENVIRONMENTAL
PERMITTING IN GEORGIA:
Case Study**



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ACRONYMS

BAT	Best Available Techniques
BREF	BAT Reference Document
DLP	Department of Licensing and Permitting (MEPNR)
EC	European Commission
EIA	Environmental Impact Assessment
EECCA	Eastern Europe, Caucasus and Central Asia
ELV	Emission Limit Value
EMS	Environmental Management System
EQS	Environmental Quality Standards
EU	European Union
GBR	General Binding Rule
IPPC	Integrated Pollution Prevention and Control
IWG	Interagency Working Group
MED	Ministry of Economic Development
MEPNR	Ministry of Environmental Protection and Natural Resources
NACE	Classification of Economic Activities in the European Community
OECD	Organisation for Economic Cooperation and Development
SASS	State Agency for Sanitary Supervision
SIEP	State Inspectorate for Environmental Protection
SITS	State Inspectorate for Technical Supervision
SME	Small and medium-sized enterprise

1. INTRODUCTION

The aim of this case study is to analyse the conditions and make recommendations for a step-by-step introduction of an integrated environmental permitting system for specific manufacturing sectors in Georgia. The case study is conceptually based on the “Integrated Environmental Permitting Guidelines for EECCA Countries” developed by the EAP Task Force Secretariat (OECD, 2005). In particular, the case study follows the methodology described in Chapter VI of the Guidelines, “Strategic Approach to the Gradual Transition to Integrated Permitting for Large Industry”. The approach to the transition to integrated environmental permitting in Georgia that is proposed in this document is based on national experiences with introducing the EU IPPC Directive (96/61/EC) in EU Member States, as well as an assessment of the current system of environmental permitting in Georgia. While Georgia has no obligation to comply with the IPPC Directive, the adoption of a locally suitable integrated permitting system would bring significant environmental benefits and cost savings for both government and large industry.

The Georgian government is currently undertaking a profound reform of the country’s permitting and licensing system in general and of its environmental legislation. The changes are designed to streamline the regulatory framework by making it more effective and investor-friendly at the same time. European integration is the main declared goal of the legal reform, and many provisions consistent with the IPPC Directive have already been introduced in Georgian environmental laws since 1996. However, new laws are often adopted hastily, without extensive stakeholder consultations, and their implementation is weakened by the lack of implementing regulations and low institutional capacity of government agencies. There is a further concern that the Ministry of Environmental Protection and Natural Resources (MEPNR) may lose some of its regulatory powers under the pretext of creating more favourable conditions for economic growth in Georgia. This study aims at showing how the economic and environmental objectives can be reconciled through introduction of a sound environmental permitting system based on the principles of pollution prevention and proportionality of regulatory burden on industry to its environmental impact.

This report focuses on four important aspects of improving Georgia’s permitting system:

- the scope of regulated industry,
- legal changes necessary to introduce integrated permitting for large industry and simplified requirements for the rest of the regulated community,
- institutional issues, and
- the time schedule for introducing the new system.

Section 2 briefly discusses the environmental permitting system at the time of the writing (February-March 2006) and identifies its strengths and weaknesses with respect to the potential transition to integrated permitting. Section 3 makes preliminary recommendations on the scope of application of the integrated permitting system based on the analysis of Georgia’s industrial sector information and using the approach of the IPPC Directive. Section 4 outlines the principal changes that would need to be made in the country’s legislation in order to introduce integrated environmental permitting for large industry, with more detailed proposals contained in Annex 2. Section 5 discusses regulatory competencies and respective institutional resources that would need to be established in Georgia to implement an integrated permitting system. Section 6 proposes a timeline for the preparatory stage of the new permitting system and a transitory phase-in schedule for different industrial sectors.

2. EXISTING PERMITTING SYSTEM IN GEORGIA

This section analyses the present legal and institutional framework for environmental permitting in Georgia and evaluates the progress to-date in reforming the permitting system while identifying areas for improvement which are further addressed by recommendations in Sections 4 and 5.

2.1. Current Legal and Institutional Framework

The environmental permitting system in Georgia is currently governed by the Law on Licenses and Permits (2005), the Law on Environmental Permit (1996), the Law on Environmental Protection (1996), the Water Law (1997), and the Law on Air Protection (1999). However, the entire legislative framework for environmental protection in Georgia is now undergoing a major overhaul triggered by adoption in June 2005 of the Law on Licenses and Permits. All related laws must be redrawn or amended in line with this framework law. At the time of the writing, a new Law on Environmental Permit and a Law on Environmental Protection Systems (which would replace the present Law on Environmental Protection) were being drafted by the Ministry of Environmental Protection and Natural Resources (MEPNR). Their promulgation is expected in 2006. The laws on air and water are also planned for redrafting, and the law on waste is in the early stages of development.

Article 24 of the Law on Licenses and Permits stipulates a “permit for environmental impact”. According to the Law on Environmental Permit, it is an “integrated” permit which comprises a permit for air emissions and a permit for waste disposal. However, since there is no waste law in Georgia and waste management is practically unregulated, the environmental permit is currently equivalent to an air emission permit. Emission limit values are calculated not to cause violation of ambient air quality standards and are set for 5 years (Art. 28, 29 of the Law on Air Protection). Higher temporary limits are also allowed for existing installations. In addition, the Water Law established licenses for surface water abstraction (Art. 49, 50) and for wastewater discharges into surface water bodies (Art. 51, 52) which are separate from environmental permits. Furthermore, installations that did not have an environmental permit at the time of promulgation of the 1996 Law on Environmental Permit continue to operate without one¹.

Prior to the promulgation of the Law on Licenses and Permits, the issuance of both environmental permits and water licenses was in the competence of the MEPNR. Under the 1996 Law on Environmental Permit, there were four categories of installations (albeit the fourth was never used in practice), based on their importance and level of environmental impact. The MEPNR’s central office (Department of Licensing and Permitting) issued permits for category I and II installations, while the Ministry’s six regional offices and the environment ministry of the Autonomous Republic of Ajara issued permits for category III installations². In June 2005, the MEPNR centralised the permitting responsibility as a way to reduce corruption in the regional offices.

Under the new law and the Government Decree “On Procedures and Conditions for Issuing Environmental Permits” of 07.02.2006, the Ministry of Economic Development (MED) is responsible for issuing construction permits for new installations through a procedure which involves the MEPNR as a statutory stakeholder. The MEPNR issues a resolution of the State Environmental Review

¹ The share of installations operating without environmental permits is not exactly known but is well over 50%, according to environmental inspectors.

² Operators are charged an processing fee for an environmental permit, ranging from 100 to 250 USD.

(“expertise”) based on an environmental impact assessment (EIA) report, where the latter is required³. Those installations do not need an environmental permit at all, even if they need an EIA. Existing installations undergoing significant changes that require an EIA also need to get an environmental permit from the MEPNR (at the central level). Validity of a permit is supposed to be unlimited (Art. 32 of the Law on Licenses and Permits), unless there are changes in the legislation or in the installation itself that affect the permit conditions. Compliance with permit conditions is verified during planned inspections conducted maximum once a year by the State Inspectorate for Environmental Protection (SIEP) which is subordinated to the MEPNR.

The Decree “On Procedures and Conditions for Issuing Environmental Permits” has also effectively abolished the categorisation of the regulated community, making only those covered by the EIA requirements potentially subject to the permitting procedure. According to the decree, all other installations would not need an environmental permit and would be regulated directly through general binding rules (GBRs).

While this reform represents a way to streamline the permitting system through “one-stop shopping”, it significantly reduces the regulatory authority of the MEPNR. It also eliminates the previously significant consent role of the State Agency for Sanitary Supervision and the State Inspectorate for Technical Supervision in making environmental permitting decisions. The mechanism for issuing environmental permits to existing installations that do not yet have one remains unclear.

2.2. Strengths and Weaknesses of the Present System

Georgia’s current regulatory framework for environmental permitting contains a number of important positive elements representing first steps in convergence with best European practices:

- The diversification of regulatory requirements based on the environmental significance of installations was introduced already in 1996 and is confirmed by the recent Decree “On Procedures and Conditions for Issuing Environmental Permits” (although there is a tendency to go to the extreme, excluding the vast majority of industrial installations from the permitting system altogether).
- There have been attempts to provide legal definitions of such key notions as *operator* (defined as ‘entity’ in the Law on Environmental Protection and as ‘investor’ in the Law on Environmental Permit), *installation* (defined as ‘industrial project’ in the Law on Environmental Protection), and *significant technical changes*. However, these definitions need further clarification and elaboration.
- The concept of *integrated pollution prevention and control* is introduced in the Law on Environmental Protection. Although at present environmental permits in Georgia are ‘integrated’ only in theory (the range of permit conditions is now extremely limited and does not cover energy efficiency, use of raw materials and water, emergency preparedness, etc.), the Law on Licenses and Permits lays a basis for procedural integration of the permitting process, where one designated permitting authority consults other stakeholder agencies.
- Equally important is the introduction of the EU concept of *best available techniques*, encompassing both technology and management (while the Law on Environmental Protection refers to ‘best engineering methods’, including maintenance and control, the Law on Environmental Permit talks just about ‘best technology’).

³ The list of activities subject to EIA is provided in the same decree. In addition to several categories of industrial installations, it contains many types of infrastructure projects that should not normally be subject to environmental permitting. The Law on State Environmental Review (1996) and the EIA Regulation (2002) are also likely to be revised in the near future.

- The MEPNR has a dedicated Department of Licensing and Permitting which deals with cross-media issues and would be able to take charge of the preparation of the introduction of an integrated permitting system.
- The *procedural elements* of the permitting system, including the consideration of commercial confidentiality, sanctions for violation of permit conditions, provisions for appeal, maintenance of a permit register, etc. are rather well defined in the Law on Licenses and Permits and the Law on Environmental Permit. This contributes to the transparency of the process. Timeframes for most steps are stipulated in the two laws. The 1996 Law on Environmental Permit gives a particularly important role to public participation, including publication of announcements in the media, public access to documents, public hearings, and solicitation of written comments. However, the scope for public participation may be significantly reduced in the new edition of this law.

At the same time, the design and implementation of the country's permitting system is still characterised by major regulatory weaknesses:

- Under the Law on Licenses and Permits and the Decree "On Procedures and Conditions for Issuing Environmental Permits", the MEPNR will no longer be the permitting authority for new installations, which would likely impair its ability to enforce compliance at these installations.
- Many large industrial installations operate without environmental permits because of the loophole in the 1996 Law on Environmental Permit, and many more will fall out of the permitting system if only installations subject to EIA and planning significant changes are required to have a permit, as envisioned in the decree.
- The permitting system in Georgia changes very frequently and remains confusing to both the regulator and the regulated community. In a most characteristic example, the relationship between the licenses for water abstraction and wastewater discharges and the environmental permit and the way it will be affected by the recent legal changes are unclear.
- There is no precise regulatory guidance on the requirements for permit applications, which leads to delays in the permitting process and sometimes controversy over permit issuance decisions.
- The use of the BAT concept in Georgia contradicts the approach adopted in the European Union. The philosophy of environmental permitting remains unchanged since the Soviet times, with ELVs in permits are mathematically calculated to meet respective environmental quality standards. BAT (for which no national reference document exists) is used not as a basis for setting ELVs and other permit conditions but as a justification for violation of ambient standards (according to the Law on Environmental Permit, a permit can be issued even in cases of such violation if an installation uses BAT). While in the EU the BAT concept serves to ensure the best technically feasible protection of the environment, Georgia's approach is to allow pollution up to the level of environmental quality standards. The existing environmental permitting process does not consider the overall environmental impact of an installation and emphasises medium-specific, end-of-pipe technological solutions rather than pollution prevention.
- The timeframes for determining permit conditions (Art. 25, 26 of the Law on Licenses and Permits) are unreasonably short and jeopardize the depth of the assessment: 20 days from the date of the application to making a decision on issuance of a permit (including just 17 days for stakeholder consultation). Only in exceptional circumstances can this period be extended by the permitting authority for up to 3 months (including up to 2 months for statutory stakeholders) and for up to 6 months by the Government of Georgia.

- Many sensible legal provisions remain on paper and are not implemented in practice. For example, public participation requirements (e.g., publication of an application's non-technical summary by the regulatory authority) are frequently waved.
- The mechanisms to ensure compliance with environmental permits are weak. Only the Law on Air Protection mentions self-monitoring and reporting requirements that should be set through implementing regulations (which have not been promulgated). The Law on Licenses and Permits stipulates random inspections as the main instrument for compliance monitoring. However, such inspections can only be conducted by the permitting authority, while the MEPNR is technically not a permitting authority under this new law.

Overall, the Georgian government has made a number of steps in reforming the environmental permitting system, but these steps are often erratic and leave important gaps in the regulatory framework. The consistent introduction of integrated permitting for well-defined categories of large industry and GBR-based permitting for small and medium-sized enterprises with significant environmental impact would make environmental regulation more effective and economically efficient while improving the investment climate in Georgia.

3. SCOPE OF APPLICATION OF INTEGRATED PERMITTING

The integrated environmental permitting requirements should generally apply to large pollution sources, while SMEs, which cannot afford a substantial managerial and technical effort required by integrated permitting, should be regulated through a much simpler process. This section aims to define industrial sectors (and appropriate capacity thresholds for certain industrial activities) to be covered by the integrated permitting system, using the scope of the EU IPPC Directive as a starting point. The approach for setting the scope of regulated industrial activities comprised the following steps:

- Identifying criteria for selecting the sectors to be regulated under integrated permitting;
- Preparing an inventory of the installations that would fall under integrated permitting, using available information in Georgia; and
- Defining the preliminary scope and suggesting activities for its finalisation.

A further step is to prioritise the sectors that would be covered by integrated permitting in order to come up with an indicative implementation timeframe. This aspect is described in Section 6.

3.1. Criteria for Industrial Sector Selection

Industrial sectors/activities whose environmental performance can be improved through integrated regulation can be characterised by the following criteria:

- large production capacity;
- high risk of pollution of the environment and/or harm to human health and significant adverse impact on more than one environmental medium;
- risk of accidents which can have a significant negative environmental impact (in the EU, these are regulated by the Seveso II Directive on the Control of Major-Accident Hazards involving dangerous substances); and
- generation of large amounts of hazardous waste.

The application of these criteria requires defining production capacity, significant impact, accident risk level, and large amount of hazardous waste. Whereas production capacity may be generally defined as “installed” or maximum nominal capacity, defining “significant impacts” or accident risk level requires access to specific information from industrial installations. All such information is difficult to obtain from the Georgian industry. Thus, for practical reasons, this case study uses the list of categories of industrial activities in Annex I of the IPPC Directive as a starting point (see Table 1).

3.2. Information for an Inventory of Installations

A preliminary inventory of industrial installations in Georgia was developed based on the database of the Georgian State Inspectorate for Environmental Protection. Among other information sources, it most adequately reflects the profile of the regulated community (the enterprise register of

the State Statistics Department contains information about many enterprises that are no longer operational). However, even the Inspectorate's database classified the installations by their revenue and number of employees and often did not include production capacity. This database helped identify the installations that fall under the preliminary categories of the scope of integrated permitting, but also included several other categories that do not fall under the scope of the IPPC Directive but are in line with the other criteria mentioned above.

Based on the Inspectorate's information, 2,928 enterprises were operating in Georgia in 2004, some of them having several installations⁴. The vast majority of these (2,420) are small or medium-sized enterprises. The majority of the large industrial installations are located in Tbilisi and the Kvemo, Kartli, and Imereti regions. As already mentioned in Section 2, no more than half of all installations have valid environmental permits.

Economic sectors in Georgia are classified according to NACE (Classification of Economic Activities in the European Community), so the relevant sector and activity codes had to be correlated with the IPPC Directive's sector classification, as shown in Annex 1.

3.3. Suggestions for the Scope of Integrated Permitting in Georgia

It is suggested that Georgia define the scope of the integrated permitting system in a similar way as in the EU, with an addition of mining that is considered to be significant polluters. Although mining is not yet covered by the EU IPPC Directive (it is expected to be added in the near future), it is already included in the integrated permitting systems of some EU Member States (e.g., the UK and Hungary). The inclusion of wastewater treatment plants has also been considered, but in Georgia only the Tbilisi wastewater utility is currently operational, making unfeasible, at least in the short term, the addition of another category of installations to the coverage by integrated permitting.

The next step is the introduction of threshold values to identify big polluters to be subject to the integrated permitting regime. For this case study's preliminary recommendations on the scope it was appropriate to take the thresholds defined in Annex I of the IPPC Directive as a basis for setting limits of application of integrated permitting requirements. Some adjustments and simplifications are proposed (for non-ferrous metals production, mining, and waste management) in order to reflect the size distribution in these sectors in Georgia.

Based on the available data, in some IPPC sectors there are no installations in Georgia at all (e.g., coke ovens, melting of mineral substances) while in many other categories all the installations fall below the production capacity thresholds (e.g., in pulp and paper industry, textile and leather production, and agriculture).

Table 1 presents a resulting proposal for the scope of the integrated permitting system in Georgia, showing the preliminary allocation of industrial installations by category. With the application of relevant production capacity thresholds, *a total of 184 installations would be covered by integrated permitting*⁵.

⁴ The term 'installation' here refers to a technical unit within one site managed by one operator.

⁵ This figure should be considered approximate because of the uncertainty about the data on some categories of installations.

Table 1. Proposed Scope for the Integrated Permitting System in Georgia⁶

IPPC code-sectors		Operation	Threshold (where applicable)	NACE code	Number of facilities in Georgia
1. Energy	1.1	Combustion installations	Rated thermal input 50 MW or more	E 40	3
	1.2	Refineries		DF 23	9
2. Production and processing of metals	2.1	Metal ore roasting and sintering installations		DJ 27	7
	2.2	Production of pig iron or steel (primary or secondary)	Capacity exceeding 2.5 t/hour	DJ 27	4
	2.5	Production of non-ferrous crude metals from ore, concentrates or secondary raw materials		CB 13 DJ 27 DJ 28	19
	2.6	Surface treatment of metals and plastic materials using electrolytic or chemical processes	Volume of treatment vats exceeding 30 m ³	DJ 28	7
3. Processing of minerals	3.1	Cement and lime production	Production capacity over 500 t/day	DI 26	4
	3.2	Production of asbestos and asbestos-based products		DI 26	2
	3.3	Glass manufacturing	Melting capacity over 20 t/day	DI 26	2
4. Production of chemicals	4.1	Production of organic chemicals		DG 24	25
	4.2	Production of inorganic chemicals		DG 24	1
	4.3	Production of phosphorus, nitrogen and potassium-based fertilizers		DG 24	2
	4.4	Production of basic plant health products and biocides		DG 24	1
	4.5	Production of pharmaceuticals using chemical or biological processes		DG 24	43
	4.6	Production of explosives		DG 24	1
5.		Waste management	Total landfill capacity over 25,000 tonnes	O 90	5
6. Other	6.4 b, c)	Treatment and processing for food production	Average annual production capacity over 150 t/day	DA 15	42
7. Mining	7.1	Coal mining	Production over 100,000 t/year; open-cast mining with the site surface over 25 ha	CA 10	1
	7.2	Extraction of oil and natural gas	Extraction over 500 t/day of oil and 500 000 m ³ /day of gas	CA 11	4
	7.3	Metal ore mining	Extraction over 1 million t/year of iron ore; 100 000 t/year of non-ferrous metals; open-cast mining with the site surface over 25 ha	CB 13	2
Total		All categories			184

Given the data uncertainty, the number of installations presented in Table 1 should be regarded as a first estimate. To define the final scope of the integrated permitting system, it will be necessary for the MEPNR to:

- Discuss and agree on the definition of installation (as different from enterprise, plant, or emission source).

⁶ Shaded are the specifications or categories that differ from the ones defined in Annex I of the IPPC Directive.

- Discuss and clarify the proposed specification of categories and thresholds with stakeholder government authorities, industry representatives from relevant sectors and non-government experts to adjust the activity definitions and threshold values in order to prevent ambiguous interpretations.
- Produce an inventory of facilities based on all available data and verify the capacities case by case.

4. ESTABLISHING A LEGAL BASIS FOR INTEGRATED PERMITTING

As mentioned in Section 2, the environmental permitting system in Georgia is governed mainly by the Law on Environmental Permit (1996) which is slated to undergo important revisions in line with the Law on Licenses and Permits (2005). In the interim, the Government Decree “On Procedures and Conditions for Issuing Environmental Permits” (February 2006) laid out the main aspects of the new system, including:

- limiting environmental permitting to large installations that require an EIA;
- integrating environmental considerations into construction permits for new installations (without a separate environmental permit) and designating the Ministry of Economic Development as the permitting authority for those; and
- reducing the realm of application of environmental permits to significant changes at existing installations that are subject to EIA.

While some important elements in line with the European approach to permitting were introduced into Georgia’s environmental legislation in the early stage of the reform (1996-1999), these latest changes may in fact weaken the environmental regulatory framework rather than bring it further to best international practices. This concerns particularly the exemption from environmental permitting requirements of all new installations and all but the largest existing ones (while the loophole allowing continued operation of old installations without a permit remains intact), as well as the diminished stature of the MEPNR.

In addition to rectifying these shortcomings, Georgia’s regulatory framework requires considerable improvement in order to implement integrated pollution prevention and control and integrated permitting. The regulatory focus now is still on “end-of-pipe” emission/effluent treatment measures rather than on the analysis of the production process and pollution prevention through improvements of production techniques. Not only is the cross-media approach to assessing environmental impacts of installations not utilised, such essential environmental aspects as waste management are not regulated at all. As already mentioned, about half of industrial enterprises operate without environmental permits.

Further reform of the legal framework for environmental permitting should include the adoption of a new Law on Environmental Permit (with related amendments to the Law on Licenses and Permits), changes to the Law on Environmental Protection (the MEPNR is planning to replace with a Law on Environmental Protection Systems), the Law on Air Protection, and the Law on Water, as well as promulgation of a law on waste management.

4.1. New Law on Environmental Permit

The new Law on Environmental Permit should establish *two categories of installations* subject to environmental permitting. All category I installations should be required to obtain an integrated environmental permit and undergo an EIA. However, all infrastructure projects that do not generate environmental impacts during their routine operation (e.g., roads, pipelines, transmission lines, reservoirs) should not be subject to permitting but should still require an EIA. *Category I (the scope of application of the integrated permitting system) should be defined with reference to the EU IPPC*

Directive (see Section 3 of this report). Permit conditions should be set individually for each category I installation, taking into account best available techniques (BAT).

Integrated environmental permits for category I installations should include at least the following types of conditions:

- Limit values for emissions to the atmosphere, discharges to surface waters, discharges to the sewer or wastewater treatment plant, discharges to the ground (if any);
- Energy efficiency, pollution prevention and control techniques;
- Waste management techniques;
- Emergency preparedness (industrial technical safety) measures;
- Improvement programme for gradual transition to BAT;
- Monitoring, record-keeping and reporting.

Integrated permits for category I installations should incorporate licenses currently issued under the Law on Water. Waste management conditions, particularly on storage and disposal of hazardous industrial waste, should be introduced even prior to the adoption of the Law on Waste. (Licenses for the use of natural resources will continue to be separate.) Standard forms for integrated permit applications and integrated permits themselves should be developed in implementing regulations.

Permits for category II installations should be issued in accordance with industrial sector-specific General Binding Rules (GBRs)⁷ which should be developed by the MEPNR through stakeholder consultations over 5 years following the adoption of the new Law on Environmental Permit. *Category II should be defined to exclude installations that have no potential to cause significant pollution*⁸. Permit conditions for category II installations should be less elaborate and cover fewer pollution parameters than those for category I installations.

Installations of categories I and II which exist on the date of the promulgation of the new Law on Environmental Permit and do not have a valid environmental permit should be given a grace period of, for example, one year for category I installations and two years for category II installations to obtain an environmental permit or face severe enforcement sanctions.

The installations not belonging to categories I or II (those with negligible environmental impact) should not be subject to environmental permitting. However, it is advisable to require them to register with local municipal or environmental authorities. In case of registration, the existence of such installations would be known to the environmental authorities at a minimal administrative cost. By contrast, exempting low-impact installations from regulation altogether may bear a risk that environmental authorities are unaware of their existence, which would leave significant scope for abuse.

The MEPNR should be the permitting authority for both new and existing, category I and category II installations. Reasserting the permitting role of the MEPNR would require amendments to the Law on Licenses and Permits and its implementing decrees. This political decision may be difficult to obtain, as the Law on Licenses and Permits was adopted very recently, but it is essential for

⁷ A GBR is a set of standard conditions stipulated in a statutory document, covering operational aspects of an installation and prescribing certain permit conditions that all regulators should apply.

⁸ This issue of defining the “lower boundary” of category II lies outside the scope of this document. This boundary may be defined as a list of emission/effluent thresholds for priority pollution parameters or as thresholds of production capacity in relevant economic sectors.

preserving the integrity of environmental regulation in Georgia and effective enforcement of environmental permit conditions.

The new Law on Environmental Permit should lay out detailed permitting procedures, application requirements, and permit content for category I and II installations. Useful suggestions for those can be found in the “Integrated Environmental Permitting Guidelines for EECCA Countries” (OECD, 2005).

4.2. Updating Other Environmental Laws

The Law on Environmental Protection Systems which is likely to replace the current Law on Environmental Protection will have to address the introduction of integrated permitting more generally than the Law on Environmental Permit. It should define the main terms (installation, operator, BAT, etc.) in accordance with the European approach to permitting. The use of these terms should be consistent across Georgia’s environmental legislation. The law should also stipulate two types of environmental permits (integrated and GBR-based) and their respective categories of requirements, introduce the concept of BAT and technical guidance documents, and provide for registration of installations with negligible environmental impact. The MEPNR should be confirmed as the single authority with a power to issue environmental permits.

The two medium-specific Georgian environmental laws, the Law on Air Protection and the Law on Water, will have to be harmonised with the Law on Environmental Protection Systems and the Law on Environmental Permit. For example, the Law on Water should specify that water abstraction and wastewater discharges not only to water bodies but also to sewerage system constitute part of integrated permit conditions. In particular, setting ELVs and other air and water-related requirements in permits should be based on BAT for category I installations and GBRs for category II installations.

Annex 2 comprises a table of detailed recommendations for amending the current Georgian legislation in line with the integrated permitting approach.

Finally, the forthcoming Law on Waste should reflect an emphasis on best techniques for managing hazardous and non-hazardous industrial waste as well as municipal waste and include requirements for its minimisation, storage, transportation, treatment, and disposal.

5. INSTITUTIONAL FRAMEWORK FOR INTEGRATED PERMITTING

This section aims to provide recommendations for improving the institutional structure that would effectively support an integrated permitting system in Georgia by enabling its necessary functions and competencies.

There are five main functions/competencies related to the integrated permitting system:

- National-level development and implementation of the integrated permitting system;
- Issuance of integrated permits;
- Inspection of compliance with permits;
- Handling appeals against permitting decisions; and
- Expert and informational support for integrated permitting.

The following subsections discuss options for allocating these functions to relevant authorities considering the division of competencies, resource allocation, suitable organisational structure, and linkages with other stakeholders.

5.1. National-Level Functions

The Ministry of Environmental Protection and Natural Resources should play a leading role in preparing the introduction of an integrated permitting system in Georgia. It should work closely with the Ministry of Economic Development, Ministry of Labour, Health and Social Affairs (State Agency of Sanitary Supervision), Ministry of Agriculture and Food, Ministry of Energy, State Inspectorate for Technical Supervision (SITS), other government agencies, industry associations, and other stakeholders under the framework of the Interagency Working Group (IWG) on Environmental Permitting. The main activities over the period of transition to integrated permitting will include:

- Development of an **implementation strategy** with concrete actions which will have to be accepted not only by MEPNR management, but also by other stakeholders, and receive approval by the Cabinet of Ministers. Such a strategy can be prepared within the MEPNR, if resources are available, or by consultants and should be critically examined by the IWG.
- Preparation of relevant **draft legislation** for the implementation of the integrated permitting system and its submission to the Cabinet of Ministers.
- Development of integrated permitting **procedures, forms, and guidance documents** for the permitting authorities and industry.

Within the MEPNR, there is already a 14-person strong Department of Licensing and Permitting (DLP). Its Environmental Permitting Division (5 staff) is in charge of preparing environmental permits, including air emission limit values, while the Licensing Division deals with water abstraction and wastewater discharge licenses⁹. The MEPNR management needs to enable and promote necessary

⁹ Both permits and licenses are signed by the Head of the DLP.

cooperation between the DLP and other relevant ministry units (e.g., the Air Protection Service, the Water Resources Management Service and the Wastes and Chemicals Management Service).

5.2. Permitting Function

The Department of Licensing and Permitting of the MEPNR should be responsible for issuing, reviewing and revising permits for new and existing installations that are covered by the integrated permitting regime and receiving and assessing reports from regulated installations. The provision of the Law on Licenses and Permits relegating the MEPNR to the role of a statutory stakeholder agency in permitting new large installations must be reversed to reinstate the primacy of the MEPNR in environmental regulation.

The small number of installations subject to integrated permitting and substantial institutional capacity at the national level justifies making MEPNR the integrated permitting authority. However, it would make sense to delegate GBR-based permitting of SMEs to the regional bodies of the MEPNR. A transitional arrangement is possible under which the MEPNR central office will issue original GBR-based permits over the initial period of several years (those permits would then have to be revised or renewed by the regional offices), and after that all GBR-based permitting would be done at the regional level.

The MEPNR will have to ensure coordination with other government agencies that presently have competence over some environmental aspects that will be incorporated into integrated permits:

- The State Agency of Sanitary Supervision (SASS) with respect to air and water pollution, as well as noise regulation;
- Local authorities in designing and controlling the implementation of improvement programmes prescribed in integrated permits;
- The State Inspectorate for Technical Supervision in setting permit conditions for accident prevention and response;
- The Ministry of Energy with respect to energy use and efficiency, etc.

Local authorities should also become an important stakeholder in the integrated permitting process. In addition, it is very important that the process of issuing integrated permits be transparent, with a high degree of public participation guaranteed through opportunities to comment on permit applications and access to the permit register.

Progressively, the DLP should be strengthened to be able to issue integrated permits for large industrial installations, provide guidance to the Ministry's regional offices on permitting of SMEs, and carry out periodic regulatory review of the permitting system. The DLP will require substantial capacity building in technique-based permitting, including determination of BAT, combined approach to setting ELVs, efficient use of energy, water, and other resources, accident prevention, etc.

The DLP's Environmental Permitting Division would need to be expanded to **9-10 staff**, with personnel qualifications including both environmental and management skills. This means that, on average, there would be *around 20 installations which require integrated permits per officer*¹⁰. The permitting staff numbers at the territorial level should also grow from only one permitting official per regional office of the MEPNR at present to at least two to handle permitting for SMEs.

5.3. Inspection Function

As an indispensable part of the integrated permitting system, the inspection function covers not only actual *integrated* inspection of relevant installations, but also continuous information exchange with the permitting authorities in setting and verifying compliance with permit conditions for monitoring, recordkeeping, and reporting; approving and monitoring the implementation of an improvement programme; and managing emergency situations.

The verification of compliance with environmental permits is the responsibility of the State Inspectorate for Environmental Protection which established in 2005 under the Law "On State Control for Environmental Protection" and now has almost 300 staff. The SIEP's institutional capacity should be strengthened, and the inspection procedures must ensure cross-media inspections that would consider all relevant operational and management techniques at an installation and not just compliance with ELVs, as is currently the case. The SIEP also needs to improve its knowledge of the regulated community, as the information in its current database of regulated installations is insufficient and not well structured. Furthermore, inspectors would have to be well informed on applicable BATs and comment on integrated permit applications and respective permit conditions (to make the latter more realistic and enforceable). In addition, deeper reviews of reports from regulated installations would be necessary in order to prioritise the inspection work and focus on 'bad' performers.

In order to support capacity building at the SIEP, the EAP Task Force Secretariat (OECD) is currently implementing a project "Building Foundations for an Environmental Compliance Assurance System in Georgia" (2005-2007) with funding from Norway and the Netherlands. The project comprises several components, including:

- institutional development and strategic management of the Inspectorate;
- enforcement policy and procedures;
- computer applications for information management and profiling of the regulated community;
- methodology for industry targeting; and
- guidance on compliance assistance to SMEs¹¹.

¹⁰ In the Czech Republic, for comparison, one environmental permitting officer at a regional authority is responsible, on average, for 40 IPPC installations. According to recommendations made by German experts in a technical assistance project on IPPC implementation in the Czech Republic, there should be three permitting officers and one support staff for 100 installations. (Phare Twinning Project CZ2000/IB/EN-01, *Final Overall Implementation Plan on IPPC for the Czech Republic*, The Czech Ministry of Environment, Prague, 2002).

¹¹ Further guidance on improving the performance of environmental inspectorates can be found in "Assuring Environmental Compliance: A Toolkit for Building Better Environmental Inspectorates in Eastern Europe, Caucasus, and Central Asia" (OECD, 2004).

5.4. Appeal Function

Presently in Georgia, environmental permits are practically never appealed because the procedure is lengthy, and operators accept permit conditions knowing that their enforcement would likely be lax.

Under the integrated permitting system, any person or body, including the applicant for a permit, stakeholder authorities, NGOs, and representatives of the public, can make an appeal against a refusal to grant a permit or against certain conditions in the permit that has been granted. The appeal procedure should be laid out in the new Law on Environmental Permit.

If the operator or any other party is dissatisfied with the permitting decision of the DLP, it may first submit an administrative appeal to the Minister of Environmental Protection and Natural Resources, and, if dissatisfied with the outcome, file a suit against the MEPNR in a court, subject to a pertinent legal procedure. It is reasonable to expect a fair number of appeals at least at the initial stage of implementation of the integrated permitting system.

5.5. Expert and Information Support Function

The DLP will need expert and information support in the following major functions of the integrated permitting system:

- Development and maintenance of **technical guidance** on sectoral and horizontal BAT (and a related national **BAT database**). This would most likely involve translating the EU BREFs and other relevant international guidance documents and adjusting them based on the Georgian practice.
- Providing **information support** to environmental inspectors, industry, and the general public on BAT and other aspects of integrated permitting. Such information support may involve establishing a special website on integrated permitting and creation of an interagency electronic network.
- Providing **training** on procedural and technical aspects of BAT for both government officials and industrial managers.

Based on international experience, it is advisable to have a core group of about 30 experts to provide these services. About 80% of the group would focus on BAT for individual sectors and cross-sectoral guidance on issues like self-monitoring, energy efficiency, cost-benefit analysis, and site assessment. The remaining experts should be engaged in IT development, communication, management, and training. English language skills would be an important requirement for most of the experts.

Currently, there is no ready institution in Georgia that could take upon itself such support function. Using external consultants is an expensive option and does not contribute to building long-term institutional capacity. Therefore, it is recommended to establish a **National Integrated Pollution Prevention and Control Centre** which would deal with both integrated permitting and industrial cleaner production and environmental management issues. The centre's staff should be knowledgeable in the concept and technical options of integrated environmental management in industry, should have the computer equipment and language skills necessary to develop BAT guidance documents. An IPPC Centre would be able to provide continuity of service to both government and industry.

The MEPNR should be responsible for financing specific expert and information support activities related to integrated permitting. Other operations of the IPPC Centre could be funded by proceeds from commercial activities and services (e.g., environmental audits) offered by the centre.

In order to avoid a potential conflict of interest in the IPPC Centre's work for the regulator and the regulated community at the same time, it is better to have a fully government-funded institution (like the Integrated Pollution Prevention Agency in the Czech Republic) that supports the environmental authority but does not provide consulting services to industry. This, however, may be difficult to implement in Georgia in the short term, given the existing financial and human resource constraints.

6. TIMING OF IMPLEMENTATION

The introduction of integrated environmental permitting in Georgia can take place only with sufficient political support of the Georgian government and its willingness to correct some of the mistakes of the earlier reform efforts. High-level support is essential in the preparatory phase of the transition to initiate necessary legal changes as well as to strengthen cooperation between relevant government stakeholders. The preparatory phase has to be long enough to secure the necessary funding for administering the system and to negotiate with industry, the Ministry of Economic Development and other government stakeholders an acceptable timeframe for the implementation of integrated permit requirements.

This section contains suggestions for tasks and their timing during the preparatory phase as well as an approach for a gradual introduction of integrated permitting requirements for industry.

6.1. Preparatory Stage Timing

Table 2 summarises the steps Georgia will need to take to prepare the institutional, legal and technical basis for the transition to integrated permitting. Special attention needs to be given to long-term activities, such as preparation of technical guidance and carrying out pilot permitting projects, since they are closely linked to the introduction of integrated permitting requirements for individual industrial sectors. The entire transition is expected to take up to 12 years.

The process of reforming the environmental permitting system has already started in Georgia, as described in Section 2. This process needs to be given more consistent direction through better interaction between government stakeholders, industry, and NGOs. Despite the Georgian government's general political course on European integration, it has not yet expressed a formal commitment to introduce integrated environmental permitting for large industry. Such political decision is essential to mobilise not only all relevant staff at the MEPNR but also other concerned government authorities for the active preparation and implementation of the new system. The current project is making first steps with respect to the identification of the scope, legal and institutional framework of the integrated permitting system in Georgia. However, more efforts are needed to persuade all the stakeholders that the introduction of integrated permitting is fully compatible with the objectives of investment promotion and economic growth.

Table 2. Indicative Steps and Timetable for Introducing Integrated Permitting in Georgia

Year	Task	Responsible bodies	Cooperation with Other Stakeholders
1	Make a political decision to introduce integrated environmental permitting based on a policy paper	Government of Georgia	
	Establish an interagency working group (IWG) on environmental permitting reform	MEPNR, MED, SASS, Min. of Energy, SITS, etc.	Industry associations, NGOs
	Determine scope of the integrated permitting system (industrial sectors and thresholds)	MEPNR	Other stakeholders (including industry) to comment on the scope
	Analyse the legal, institutional and information requirements of the new system, conduct a needs assessment (human, technical, financial resources)	MEPNR	Stakeholder consultations within the IWG
	Develop an overall strategy for the transition and implementation plan	MEPNR	Stakeholder consultations within the IWG
	Discuss and determine approach for developing a national BAT guidance or adapting existing guidance documents	MEPNR	IWG, representatives of industrials associations, research institutes
	Draft new Law on Environmental Permit and other necessary changes to primary laws	MEPNR	Stakeholder consultations on the drafts
2	Prioritise sectors for gradual introduction of integrated permitting and finalise transition plan for industry	MEPNR/DLP, IWG	Other relevant agencies, industry representatives consulted on the priorities; industry starts planning
	Prepare full inventory of installations subject to integrated permitting	DLP, SIEP	Tax authorities (which have data on all enterprises)
	Start developing/adjusting BAT guidance for prioritised industry sectors	DLP, IPPC Centre	Cooperation with industry representatives, relevant institutes
	Adopt new Law on Environmental Permit and related amendments to other primary laws	MEPNR/Parliament	
	Draft and promulgate necessary implementing regulations for the Law on Environmental Permit	MEPNR, Government of Georgia	Stakeholder consultations on draft regulations
	Conduct pilot permitting projects	DLP	Relevant authorities, industry, NGOs
	Conduct training for permitting officials and industry	DLP	IPPC Centre
3-4	Continue work on BAT technical guidance, first BAT technical guidance finalised	DLP, IPPC Centre	MEPNR, IWG, industry, relevant institutes
	Prepare and promulgate procedural guidance documents	DLP	Stakeholder consultations on draft
	Training and pilot projects continue	DLP	IPPC Centre, relevant authorities, industry, NGOs
	Establish a national permit register	DLP	
5	Requirements for new installations to obtain permit prior operation come into force	DLP	Industry
6 - 12	Finalisation of BAT guidance	DLP, IPPC Centre	MEPNR, IWG, industry, relevant institutes
	Gradual introduction of integrated permits for existing installations	DLP	Industry

6.2. Industry Phase-in Schedule

Sector Prioritisation

In order to accommodate the capacity constraints related to the transition to the integrated permitting regime (the need to develop sectoral technical guidelines, lack of practical experience in the permitting authorities, large administrative burden of moving to the new system), industrial sectors have to be prioritised to face the new requirements at different times. Table 3 presents the criteria used for such prioritisation.

Table 3. Criteria for Prioritisation of Industrial Sectors

Criteria	Score			Weighting
	1	2	3	
Environmental impact	L	M	H	4
Potential for improvement of environmental performance	L	M	H	2
Anticipated compliance costs	H	M	L	3
Financial performance	L	M	H	2
Number of installations to be regulated	H	M	L	1

L = Low, M= Medium, H= high

A detailed assessment of all concerned sectors according to the prioritisation criteria could not be performed due to the lack of data. The scores were estimated based on the experience of other countries of Eastern Europe, Caucasus and Central Asia. The summary of the prioritisation results and the proposed timeframes for the introduction of integrated permitting are presented in Table 4 (see Annex 3 for all individual scores).

Table 4. Prioritisation of Sectors for a Transitory Phase-in Schedule

Sectors	IPPC codes (cf. Table 2)	Total environmental impact	Number of installations	Overall score	Proposed time of application for integrated permits
Chemical industry	4.1-4.6	2.4	73	4.92	year 6
Fuel and energy industry	1.1, 1.2	2.0	12	4.80	year 6
Mining	7	2.4	6	4.72	year 8
Food production	6.4	1.6	42	4.68	year 8
Production/processing of metals	2.1,2.2, 2.5, 2.6	2.2	37	4.36	year 10
Waste management	5	2.2	5	4.36	year 10
Processing of minerals	3.1-3.3	1.4	8	4.12	year 10

The resultant time sequence of sectors to become subject to integrated permitting requirements shows that the sectors with the highest environmental impact and better financial performance (chemical, fuel and energy, mining and food industries) would be phased into the to new system sooner than the rest of the regulated community.

It is important to understand that the proposed scoring procedure is only one approach to sector prioritisation. To a large extent, the scoring depends on the *subjective* evaluation of selected criteria, unless extensive data can be collected. Therefore, it is advisable to verify the prioritisation results against more objective information and have a larger stakeholder consensus on them. Ultimately, however, the sectoral prioritisation for the introduction of integrated permitting is a political decision that cannot be entirely objective.

New installations and those undergoing a change in operations must obtain integrated permits by the deadlines set for different sectors on the basis of the prioritisation. Given the relatively small number of installations to be covered by the integrated permitting system, the transition can be completed for new installations within 10 years and for existing installations within 12 years from the time a political decision is made to implement integrated permitting. For this to be feasible, the BAT guidance for each specific sector will have to be completed at least a year prior to the deadline for that sector.

Pilot Permitting

The experience of new EU Member States has shown that pilot projects are the most practical method of capacity building not only for industry but also for permitting and other stakeholder authorities involved in the permitting procedure, as well as NGOs.

The maximum benefit from pilot projects in Georgia can be obtained if they are carried out in all sectors to be regulated under the integrated permitting regime. This may not be practically possible, as there are currently 20 subcategories of activities proposed to be covered by integrated permitting (as listed in Table 1). As can be seen in Table 2, pilot projects are suggested to be carried out in the years 2-4 of the preparation to the transition. About 3-4 pilot projects per year over three years covering the main categories of regulated installations would help to get practical experience while testing the integrated permitting procedure, application and permit forms, and BAT guidance. The pilot projects schedule would be good to link to the work plan for the preparation of sectoral technical guidance (which itself would be a function of the sector prioritisation), ensuring that a finished or at least draft version of a guidance document can be put to a practical test.

7. CONCLUSIONS

The present case study shows that designing an integrated permitting system in Georgia should be based on diversification of permitting regimes based on the significance of environmental impact and definition of each respective segment of the regulated community. The available data on Georgian industry has revealed that about 184 facilities would fall under the integrated permitting regime. This number accounts for about 6% of all plants currently operating in Georgia. Compared to the scope of application of the IPPC Directive, the suggested scope of integrated permitting for Georgia is broadened by including the mining industry due to its high polluting potential (see Section 3.3).

As Georgia is in the process of revising its environmental legislation in connection with the adoption of the Law on Licenses and Permits (2005), this opportunity should be seized to build on the past accomplishments in reforming the environmental regulatory system, address certain risks created by recent legislation, and design an environmentally effective and economically fair permitting system. A particular emphasis should be placed on preserving and enhancing the value of environmental permitting as an independent regulatory tool.

The institutional structure necessary for administering an integrated permitting system will require the strengthening of the Division of Licensing and Permitting at the MEPNR and establishing a technical expert support body (e.g., a national IPPC centre). The DPL should issue integrated permits for large industry while the permitting of SMEs causing significant environmental impact should be eventually delegated to the regional offices of the MEPNR.

Implementing integrated permitting in Georgia will require strengthened stakeholder cooperation on two main levels. First, during the preparatory stage, inter-ministerial cooperation will be necessary to agree on the degree of integration of the currently separate environment-related permits/approvals, on the scope of regulated sectors and on the timing of integrated permitting introduction. Second, during the implementation stage, the MEPNR and relevant concerned authorities will have to collaborate among themselves and with the public in setting conditions in integrated permits.

The preparatory phase should take a maximum of 5 years from the political decision enabling the implementation of integrated permitting. The phase-in of integrated permitting requirements for industry is projected to last an additional 5-7 years.

The MEPNR should provide leadership in the effort to introduce the integrated environmental permitting system, but a higher, government-level decision is needed to provide a strong political backing to the reform process. Once such definitive political decision has been made, the MEPNR should proceed to develop and adopt an overall strategy for the transition and an implementation plan and begin to draft the necessary legislation and procedural and technical guidance, supported by pilot integrated permitting projects.

**ANNEX 1. COMPARISON OF THE EUROPEAN CLASSIFICATION OF ECONOMIC
ACTIVITIES AND THE SCOPE OF THE IPPC DIRECTIVE**

NACE-based Classification			IPPC Classification	
Name of the Section	Section	Activity Code	#	Name
<i>Production and distribution of electricity, gas & water</i>	E	40-41		1. Energy industry
Power generation	E	40.11-40.13	1.1	
Steam and hot water supply	E	40.3	1.1	
Gas production	E	40.21.0	1.4	
<i>Coke, oil products and nuclear fuel production</i>	DF	23		
Oil products production	DF	23.20.0	1.2	
Coke production	DF	23.10.0	1.3	
<i>Metallurgical production</i>	DJ	27-28		2. Production and processing of metals
Cast iron, steel and ferroalloy production	DJ	27.10	2.2	
Pipe production	DJ	27.2	2.3	
Pre-processing of cast iron, steel and ferroalloy	DJ	27.3	2.3	
Production of non-ferrous metals	DJ	27.4	2.5a	
Production of uranium and thorium ore	CA	12	2.5a	
Metal working and metal plating	DJ	28.5	2.3	
Production of knives, instruments and ironmongery	DJ	28.6	2.5, 2.6	
Metal casting	DJ	27.5	2.5b	
<i>Production of engines and equipment</i>	DK			
Production of engines and equipment	DK	29.1-29.5	2.4-2.6	
<i>Production of electric engines and equipment</i>	DL	30-33	2.5b	
Production of galvanic equipment	DL	31.40.0		
<i>Production of non-metal minerals</i>	DI	26		3. Processing of minerals
Production of glass and glassware	DI	26.1	3.3	
Ceramics production	DI	26.2-26.4, 26.6	3.5	
Cement production	DI	26.51	3.1	
Lime production	DI	26.52	3.1	
Asbestos production	DI	26.82.1	3.2	
Production of isolation mineral materials	DI	26.82.2	3.4	
<i>Chemical industry</i>	DG	24		4. Chemical industry
Production of organic chemicals	DG	24.14	4.1	
Production of paints, varnish, typographic paints, etc.	DG	24.30	4.1	
Production of glue and gelatine	DG	24.62	4.1	
Production of ether oils	DG	24.63	4.1b	
Production of primary plastic	DG	24.16	4.1h	
Production of artificial and synthetic fibres	DG	24.7	4.1h	
Production of synthetic rubber	DG	24.17	4.1i	
Production of dye and pigment	DG	24.12.0	4.1j	
Production of soap and detergents	DG	24.51.0	4.1k	
Production of inorganic chemicals	DG	24.13.0	4.2	
Production of industrial gases	DG	24.11.0	4.2a	
Production of fertilizers	DG	24.15	4.3	
Agrochemicals production	DG	24.20.0	4.4	
Production of pharmaceutical products	DG	24.4	4.5	
Production of explosives	DG	24.61	4.6	

NACE-based Classification			IPPC Classification		
Name of the Section	Section	Activity Code	#	Name	
<i>Production of engines and equipment</i>	DK	29			
Production of weapons and ammunition	DK	29.60.0	4.6		
<i>Public and individual services</i>	O	90-93			
Solid waste treatment and disposal	O	90.02.0	5.1/5.4	5. Waste management	
Sanitary services, cleanup and similar services	O	90.03.0	5.1/5.4		
<i>Other branches of production</i>	DN	36-37			
Processing of ferrous metals wastes and scrap	DN	37.10.1	5.1/5.3		
Processing of non-ferrous metals wastes and scrap	DN	37.10.2	5.1/5.3		
Processing of non-metal wastes and scrap	DN	37.20	5.1/5.3		
<i>Pulp and paper industry, typographic production</i>	DE	21-22			
Production of paper pulp	DE	21.11	6.1a		6.1. Production of pulp and paper
Production of paper, cardboard	DE	21.12	6.1b		
<i>Textiles and clothing manufacturing</i>	DB	17-18		6.2. Pre-treatment of fibres or textiles	
Textiles manufacturing	DB	17	6.2		
Processing and dyeing of fur	DB	18.3	6.2		
<i>Production of leather, leather products and shoes</i>	DC	19		6.3. Tanning of hides and skins	
Genuine leather production	DC	19.10.1	6.3		
<i>Fishery and fish-breeding</i>	B	05		6.4. Slaughterhouses and food production	
Fishery	B	05.01.0	6.4b		
Fish-breeding	B	05.02.0	6.4b		
<i>Production of foodstuffs including drinks and tobacco</i>	DA	15-16			
Meat production (slaughterhouses)	DA	15.11.0	6.4a		
Poultry and rabbit meat production	DA	15.12.0	6.4b		
Processing of potatoes	DA	15.31.0	6.4b		
Production of fruit and vegetable juices	DA	15.32.0	6.4b		
Processing and canning of fruits and vegetables	DA	15.33.0	6.4b		
Production of unrefined oils	DA	15.41.0	6.4b		
Production of refined oils	DA	15.42.0	6.4b		
Flour production	DA	15.61.1	6.4b		
Sugar production	DA	15.83.0	6.4b		
Production of child food	DA	15.88.0	6.4b/c		
Production of distilled alcohols	DA	15.91.0	6.4b		
Wine production	DA	15.93.0	6.4b		
Production of cider and other fruit wines	DA	15.94.0	6.4b		
Beer production	DA	15.96.0	6.4b		
Production of mineral water and soft drinks	DA	15.98.0	6.4b		
Processing of milk	DA	15.51.1	6.4c		
Ice-cream production	DA	15.52.0	6.4c		
Processing and preserving of fish	DA	15.20	6.5		6.5. Disposal of animal waste
Production of animal fodder	DA	15.7	6.5		
<i>Agriculture, hunting and forestry</i>	A	01-02		6.6 Intensive rearing of poultry and pigs	
Chicken farming	A	01.24.1	6.6a		
Pig farming	A	01.23.0	6.6b		
<i>Production of engines and equipment</i>	DK	29		6.7. Surface treatment with solvents	
Production of typographic equipment	DK	29.56.7	6.7		
<i>Production of electric engines and equipment</i>	DL	30-33		6.8. Production of carbon & graphite	
Production of carbon and graphite electrodes	DL	31.62.1	6.8		
Coal production	CA	10.10	7.1	7. Mining (additional)	
Lignite coal mining	CA	10.20			
Crude oil and accompanying gas production	CA	11.10.1	7.2		

NACE-based Classification			IPPC Classification	
Name of the Section	Section	Activity Code	#	Name
Non-ferrous metal ore mining except uranium, thorium	CB	13.20	7.3	
Wastewater removal and treatment	O	90.01.0		8. Wastewater treatment (add.)
Water abstraction, treatment and distribution	E	41.00.0		

ANNEX 2. ANALYSIS OF NECESSARY CHANGES IN KEY ENVIRONMENTAL LAWS AND REGULATIONS OF GEORGIA

Title	Section, Chapter	Proposals to Harmonise with the Integrated Permitting System
Law on Environmental Protection No. 519 of 10.12.1996	Chapter I. General Provisions	<p><i>Article 1. Scope of Regulation under this Law</i> This law is likely to be replaced by a law “On Environmental Protection Systems” which would lay out a new framework for environmental regulation in Georgia. It should introduce the concept of integrated environmental permitting for large industry as well as regulation through general binding rules (GBRs) for small and medium-sized installations.</p> <p><i>Article 4. Main Definitions</i> It is necessary to clarify certain definitions and make them consistent with the European approach to environmental permitting: integrated environmental permit, installation (currently defined as ‘industrial project’), operator (currently defined as ‘entity’), and best available techniques (currently defined as ‘best engineering practices’). The definitions should be consistent with the new Law on Environmental Permit.</p>
	Chapter IV. State Environmental Management	<p><i>Article 13. Competencies in the Field of Environmental Protection</i> Para. (2) of the article states that the MEPNR is responsible for ‘integrated pollution control’ without defining this term. It is important to designate the MEPNR as the authority in charge of issuing integrated environmental permits.</p>
	Chapter V. Economic Mechanisms of Environmental Protection	<p><i>Article 20. Environmental Audit</i> The article allows for environmental audits to be ordered by the MEPNR in cases determined by the legislation. This procedure should be linked to the integrated environmental permitting system (as a pre-requisite for an integrated permit) to be defined in the new Law on Environmental Permit.</p>
	Chapter VI. Licenses in the Area of Environmental Protection	<p><i>Article 22. Types of Environmental Licenses</i> <i>Article 24. License for the Negative Impact on the Environment</i> Both of these articles provide for a license for the negative impact on the environment. (In reality, it has never existed. Instead, there are environmental permits in accordance with current Art. 35.) This chapter should introduce both integrated environmental permits for large industrial installations and GBR-based permits for smaller installations (to be defined in the Law on Environmental Permit).</p>
	Chapter VIII. Norms for Environmental Protection	<p><i>Article 28. Environmental Protection Requirements</i> <i>Article 30. Limits for Releases of Harmful Substances into the Environment</i> These articles stipulate that emission/effluent limit values (ELVs) for each pollution source should be set on the basis of non-exceedance of ambient environmental standards and technological considerations. These provisions should be consistent with the new Law on Environmental Permit. ELVs in integrated permits for large installations should be set using the combined approach (technique and environmental quality-based) while GBRs should set statutory limits for installations not covered by integrated permitting. In addition, the law should list the types of environmental aspects to be regulated through integrated permits, including use of water, energy and raw materials, waste management, etc.</p>

Title	Section, Chapter	Proposals to Harmonise with the Integrated Permitting System
	Chapter IX. Environmental Requirements for Waste	<i>Article 34. Environmental Requirements for Waste</i> The article requires installations to minimise, treat, and safely dispose of industrial and municipal waste. It also lists general requirements for hazardous and non-hazardous waste landfills. Waste management requirements for large industrial installations should be part of integrated permits, which should be reflected in the law.
	Chapter X. Environmental Requirements for Planning and Implementation of Activities	<i>Article 35. Environmental Permit</i> The article provides for a single environmental permit for ‘activities’. The law should differentiate between integrated permits for large industry (to be defined in the Law on Environmental Permit) and GBR-based permits for other installations. It should also state which installations do not need a permit and are only required to register with environmental or local authorities.
		<i>Article 39. General Environmental Requirements for Activities</i> The article requires operators to have emergency preparedness and response systems in place to prevent environmental damage from accidents. This is an important part of the scope of integrated permitting and it should be linked to respective provisions in the new Law on Environmental Permit.
		<i>Article 40. Environmental Requirements for Industrial Project Start-Up</i> The article mandates the installation of pollution prevention and control equipment at the stage of construction of new installations. These requirements should be linked to requirements for applications for integrated permits and respective conditions of those permits which should be spelled out in the Law on Environmental Permit. They should also be related to the procedure for environmental assessment.
		<i>Article 41. Environmental Requirements for Decommissioning of Industrial Installations</i> The article refers to environmental requirements for decommissioning without specifying them. Decommissioning requirements are an important category of conditions to be set in integrated permits, which should be reflected in this law and the Law on Environmental Permit.
Law on Licenses and Permits No. 1775 of 24.06.2005	Chapter VI. Types of Permits	<i>Article 24. Types of Permits</i> The article includes a “permit for environmental impact” as one of the types. This represents sufficient basis for introducing integrated permits for large industry and GBR-based permits for other installations in the Law on Environmental Permit.
	Chapter VII. Issuing Permits through Simple Administrative Procedure	<i>Article 25. Required Application Documents for a Permit</i> Para. (4) states that “the application shall include a document confirming payment of a permit fee.” The processing fees for integrated permits should be higher than for GBR-based permits. Para. (6) states that the permitting authority “shall not investigate factual circumstances for fulfilment of permit conditions that were investigated earlier when issuing the previous permit”. This provision contradicts the necessary procedure for issuing integrated permits to existing installations that already hold single-medium permits. This article should allow exemptions in accordance with other laws, and the Law on Environmental Permit should provide grounds for such an exemption. Para. (11) sets a time limit of 17 days for statutory stakeholders to comment on a permit application, which is too short for a meaningful assessment of an integrated permit application. <i>Article 26. General Procedure for Issuance of Permits</i> Para. (10) sets a limit of 20 days for a permitting authority to issue a permit, with a failure to do that resulting in a permit being considered issued. As this period is insufficient for adequate consideration of applications, an exemption should be allowed for integrated environmental permits for up to 90 days.

Title	Section, Chapter	Proposals to Harmonise with the Integrated Permitting System
		<p><i>Article 27. Motivation for Refusal to Issue a Permit</i> The article states that a permit may be refused if an application shows that the operation of the installation would not comply with the legal requirements or if an applicant “does not meet the criteria set for permits.” In addition to these reasons, a permit application should be refused if the information provided by the operator does not provide a reasonable basis to determine the permit conditions or if it is apparent that the operator cannot comply with the necessary permit conditions.</p>
	Chapter VIII. Control over Meeting Permit Conditions. Cancellation of Permits	<p><i>Article 33. Control over Meeting Permit Conditions</i> The article states that “a permit issuer controls the fulfilment of a permit by the permit holder if this function is not otherwise determined by the legislation as a competence of another administrative authority.” Under the Law on Licenses and Permits, the Ministry of Economic Development issues construction permits for new installations with consent from the MEPNR. For effective implementation of an integrated environmental permitting system it is important that the MEPNR be designated as the permitting authority for both new and existing installations (see Chapter 4 of this report). The enforcement of environmental permit conditions should be conducted by the State Inspectorate for Environmental Protection under the authority of the MEPNR.</p>
Law on Environmental Permit No. 424 of 15.10.1996	Chapter I. General Provisions	<p><i>Article 3. Definitions</i> Certain definitions should be clarified, especially those that are key to the European approach to environmental permitting: integrated environmental permit, installation (now defined as ‘activity’), operator (now defined as ‘investor’), and best available techniques (now defined as ‘best technology’).</p>
	Chapter II. Environmental Permit Issuance Procedure	<p><i>Article 4. Categories of Activity</i> The article defines four categories of installations and different permitting requirements for them. Recently, the Decree “On Procedures and Conditions for Issuing Environmental Permits” of 07.02.2006 (see below) divided installations into two categories: those that require EIA and a permit and those that require neither and would be regulated directly through GBRs. It is important that these provisions be changed to create the following categories: (1) installations subject to integrated permitting (see Chapter 3 of this report) and EIA, with EIA having a broader scope; (2) installations that would have permits based on GBRs; and (3) those with low environmental impact that would not need a permit but would be required to register with environmental/local authorities.</p>
		<p><i>Article 5. Application for Environmental Permit</i> The article contains some important requirements for applications, including those for a non-technical summary (annotation) to be made available to the public and for a permit register. However, the application requirements should be diversified for installations subject to integrated permitting (to correspond to the main categories of permit conditions) and for those subject to GBR-based permitting (simply to illustrate compliance with a relevant GBR). Including templates for application forms in an annex or a separate regulation may be helpful.</p>
		<p><i>Article 6. State, Industrial and Commercial Secret</i> This article contains important confidentiality provisions which should be retained. However, there should be a provision allowing the permitting authority to disagree with the confidentiality claim of the operator.</p>
<p><i>Article 7. Procedure for Issuing Environmental Permits for Activities of the First Category</i> The procedure should be amended to include initial assessment of the application and written consultations with statutory stakeholder agencies.</p>		

Title	Section, Chapter	Proposals to Harmonise with the Integrated Permitting System
		<p><i>Article 11. Reasons to Refuse an Environmental Permit</i> <i>Article 12. Reasons to Issue an Environmental Permit</i> A permit application should be refused if:</p> <ul style="list-style-type: none"> – The information provided by the operator does not provide a reasonable basis to determine the permit conditions; – The operation of the installation would violate the laws of Georgia; – The operator’s proposals cannot comply with specific environmental or technical regulations or standards; or – It is apparent that the operator cannot comply with the necessary permit conditions (e.g., BAT is needed to comply with environmental standards but cannot realistically be achieved by the operator within a reasonable timeframe). <p>Contrary to the provision of Art. 12 Para. (2), a permit must not be issued to new installations (even if BAT is proposed) where applicable environmental quality standards are violated. For existing installations, either pollution control equipment going beyond BAT should be required of the applicant, or permits for other sources in the area should be revised (before the permit in question is issued) to ensure compliance with the environmental quality standards.</p>
Law on Air Protection No. 2116 of 22.07.1997	Chapter I. General Provisions	<p><i>Article 4. Definition of Terms</i> Among the terms defined is ‘best technology’, which should be broadened to include non-technological methods under the term ‘best available techniques’. Also, the terms ‘installation’ and ‘operator’ should be defined.</p>
	Chapter V. System of Protecting Atmospheric Air from Pollution	<p><i>Article 17. Integrated Pollution Control System</i> The article states that air protection is part of integrated pollution control. This provision should be reinforced by adding that air pollution regulation for large industry is done through integrated permitting.</p>
	Chapter VIII. Regulation of Pollutant Emissions into the Atmosphere	<p><i>Article 24. Pollutant Emissions into the Atmosphere from Stationary Sources</i> The article sets minimum annual emission thresholds for particulate matter, sulphur dioxide, nitrogen oxides, carbon monoxide and hydrocarbons above which (at least for one parameter) the source is subject to regulation under this law. These thresholds may be maintained or revised to serve (along with other criteria) to determine whether an installation should be subject to GBR-based permitting or should simply register with environmental or local authorities. These criteria as well as those defining the coverage of the integrated permitting system should be laid out in the Law on Environmental Permit.</p>
	<p><i>Article 26. Pollutant Emissions into the Atmosphere from Diffuse Sources</i> This articles covers emissions from mining sites, waste dumps, chemical storage sites, etc. and refers to technical norms of operation of these types of installations. Under the integrated permitting system, these requirements should be incorporated into technical guidance documents (to be stipulated in the Law on Environmental Permit) and used to set integrated permit conditions.</p> <p><i>Article 27. Pollutant Emissions into the Atmosphere from Small Sources</i> This article refers to pollution sources whose emissions are below the thresholds set in Art. 24. Their regulation is under the jurisdiction of local authorities, following the approach of diversification of permitting regimes based on significance of pollution sources. However, the definition of installations with low environmental impact (which do not need a permit) must be consistent with that to be included in the Law on Environmental Permit.</p>	

Title	Section, Chapter	Proposals to Harmonise with the Integrated Permitting System
	Chapter IX. Limiting Emissions into the Atmosphere from Stationary Sources	<p><i>Article 28. Regulation of Pollutant Emissions from Stationary Sources</i> <i>Article 29. Emission Limit Values for Stationary Sources</i> <i>Article 30. Development and Approval of Emission Limit Values</i> <i>Article 33. Cancellation of ELVs</i></p> <p>Under these articles, emission limit values (ELVs) are set for stationary sources for a period of 5 years. They are expressed in tonnes per year for each emitted pollutant. ELVs are determined based on air quality standards, taking into account “best technologies”. Art. 29 also allows “temporary” ELVs for existing installations which have an environmental permit.</p> <p>Under the integrated permitting system, ELVs (expressed as concentrations or mass limits) should be based on BAT guidance for various categories of installations, which should be reflected in the law. Temporary limits may only be part of an improvement programme prescribed in an integrated permit. ELVs can only be revoked with an integrated permit itself. Installations that are not covered by the integrated permitting system should be regulated by sectoral GBR-based permits.</p> <p><i>Article 32. Inventory of Stationary Sources of Air Pollution and ELV Approval Procedure</i> The article mandates an inventory of large and medium-sized stationary air pollution sources. It should be harmonised with the new Law on Environmental Permit which should require an inventory of installations to be subject to integrated permitting as well as those to be regulated by GBR-based permits.</p> <p><i>Article 36. Regulation of Air Emission through an Environmental Permit</i> The article requires that ELVs be attached to an environmental permit. Under the integrated permitting system, ELVs are one (but by far not the only) type of conditions of an integrated permit.</p> <p><i>Article 37. Record-keeping on Air Emissions from Stationary Sources</i> <i>Article 38. Self-Monitoring of Air Emissions from Stationary Sources</i></p> <p>The two articles regulate self-monitoring and reporting of stationary source air emissions and respective record-keeping. All these requirements should be included as conditions in integrated permits, which should be stipulated in the Law on Environmental Permit and reflected in the Law on Air Protection.</p>
Water Law No. 936 of 16.10.1997, last amended 01.12.2000	Chapter XII. Additional Requirements for Air Protection	<p><i>Article 50. Air Protection Requirements during Operation</i></p> <p>The article references technical norms for operation of flue gas treatment equipment and for emergency releases of air pollutants. Under the integrated permitting system, these requirements should be incorporated into technical guidance documents (to be stipulated in the Law on Environmental Permit) and used to set integrated permit conditions for pollution control equipment and emergency preparedness.</p>
	Chapter I. General Provisions	<p><i>Article 2. Definition of Terms</i></p> <p>The article defines such terms as ‘activity’, ‘water user’, ‘environmental permit’, etc. These definitions should be harmonised with the definitions of the terms ‘installation’, ‘operator’ and ‘integrated environmental permit’ to be introduced in the new Law on Environmental Permit.</p>
	Chapter II. Division of Competencies in Water Management	<p><i>Article 10. Competency of Central Executive Authorities in Water Management</i></p> <p>The article already refers to the Law on Environmental Permit in giving central environmental authorities responsibility for issuing environmental permits for activities affecting water quality. Further harmonisation may be necessary to reflect the inclusion of water use in the scope of integrated permitting.</p>
	Chapter V. Water Use	<p><i>Article 41. Responsibilities of Water Users</i></p> <p>It should be written that water users subject to integrated permitting are obliged to comply with the entire set of the BAT-based integrated permit conditions related to water use and water pollution.</p>

Title	Section, Chapter	Proposals to Harmonise with the Integrated Permitting System
		<p><i>Article 48. License for Water Use</i> According to the article, the water license is granted, among others, for abstraction of water from surface water and groundwater bodies and for discharge of effluents into water bodies. Since both of these environmental aspects are part of integrated permit conditions, these provisions should be harmonised with the new Law on Environmental Permit with the purpose of incorporating the licenses for water abstraction and wastewater discharges into integrated permits for relevant installations.</p> <p><i>Article 49. Procedure for Granting a License for Abstraction of Water from a Surface Water Body</i> <i>Article 50. Form of License for Water Abstraction from a Surface Water Body</i> <i>Article 51. Procedure for Granting a License for Wastewater Discharge into a Surface Water Body</i> <i>Article 52. Form of License for Wastewater Discharge into a Surface Water Body</i> These articles should not apply to installations regulated by integrated permits because the new Law on Environmental Permit should determine issuance procedures and forms for integrated permits.</p>
	Chapter VIII. State Management of Water Protection and Use	<p><i>Article 75. Objectives of State Management of Water Protection and Use</i> The article lists among the objective the setting of limits for water abstraction and wastewater discharge. This provision should be harmonised with the BAT approach to setting such limits under the integrated permitting system.</p> <p><i>Article 84. Norms of Water Protection and Use</i> This article provides for water quality standards and effluent limit values, including temporary ELVs. ELVs are determined based on water quality standards, taking into account “technology considerations”. Under the integrated permitting system, ELVs should be based on BAT guidance for various categories of installations, which should be reflected in the law. Temporary limits may only be part of an improvement programme prescribed in an integrated permit. Installations that are not covered by the integrated permitting system should be regulated by sectoral GBR-based permits. These provisions should be harmonised with the Law on Environmental Permit.</p> <p><i>Article 86. Environmental Permitting and State Ecological Expertise in the Field of Water Use</i> The article says that water use should be subject to environmental permitting. This linkage should be further detailed in accordance with the Law on Environmental Permit.</p>

<p>Decree of the Cabinet of Ministers of 07.02.2006 “On Procedures and Conditions for Issuing Environmental Permits”</p>	<p>The decree gives the Ministry of Economic Development responsibility for issuing construction permits for new installations through a procedure which involves the MEPNR as a statutory stakeholder. Those installations would not need an environmental permit at all, even if they require an EIA. Existing installations undergoing significant changes that require an EIA (whose coverage is stipulated in Art. 3) also need to get an environmental permit from the MEPNR. According to the decree, all other installations would not need an environmental permit and would be regulated directly through GBRs.</p> <p>In order to introduce a sound environmental permitting system, the following changes should be made (see Chapter 4 of this report for more details):</p> <ul style="list-style-type: none"> – Categories of installations should be restored. Category I should represent the scope of the integrated permitting system and be defined consistently with the IPPC Directive (EIA requirements would be broader because infrastructure projects should not be subject to environmental permits). Category II installations would fall under GBR-based permitting, while remaining installations would only be required to register with local or environmental authorities. The lower boundary of category II should be based on criteria of low environmental impact. – The Law on Licenses and Permits should be amended to separate a construction permit to be issued by the Ministry of Economic Development from an environmental permit (integrated or GBR-based) to be issued by the MEPNR. The MEPNR should be the permitting authority for all environmental permits, for both new and existing installations.
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ANNEX 3. SCORES FOR THE INDUSTRIAL SECTOR PRIORITISATION

Weighting factors							4	2	3	2	1	
Industrial activities	Environmental impact (EI)						Potential for environmental improvement	Anticipated compliance costs	Financial performance	No. of enterprises	Overall score	
	air	water	waste	soil	accident risk	total EI						
Chemical industry	2	3	2	2	3	2.4	2	2	2	1	4.92	
Fuel and energy industry	3	1	2	1	3	2.0	3	1	2	3	4.80	
Mining	3	2	3	2	2	2.4	2	1	2	3	4.72	
Food production	1	3	2	1	1	1.6	3	2	2	1	4.68	
Production and processing of metals	3	2	3	1	2	2.2	3	1	1	2	4.36	
Waste management	2	2	3	3	1	2.2	1	2	1	3	4.36	
Processing of minerals	3	1	1	1	1	1.4	1	2	2	3	4.12	

For the column indicating the number of enterprises, the scores correspond to the following:

- 1 more than 40 facilities
- 2 between 20 and 40 facilities
- 3 less than 20 facilities