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Building Green Business in Georgia

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René VAN BERKEL, Unit Chief, Industrial Resource Efficiency, UNIDO

The FINANCIAL -- Green Industry aims to turn present concerns regarding use of natural resources, pollution of environment and changes in climate, into business opportunities. Its two pronged aims are to achieve on ongoing basis improvements in resource efficiency and pollution intensity of existing industries in any sector (or ‘greening of (existing) industries’) as well as to support new industries that provide environmental goods and services (e.g. renewable energy, resource recovery, etc., or the ‘creation of new green industries’).

In Georgia, the United Nations Industrial Development Organization (UNIDO) has worked exclusively towards the greening of industries through the application of Resource Efficient and Cleaner Production (RECP) within the framework of the European Union’s Partnership for Environment and Growth that supports Georgia and other countries of the Eastern Partnership (Armenia, Azerbaijan, Belarus, Moldova and Ukraine) to transition towards a green economy.

During the pilot phase, United Nations Industrial Development Organization (UNIDO) found that levels of awareness and implementation of green industry are rather low in Georgian enterprises. Many enterprises are unaware of the operational and opportunity costs they incur with their use of materials, chemicals, water and energy and to their discharges of effluent,

waste and emissions.

“Over the past decade few enterprises have undertaken cleaner production or related resource efficiency measures under different international projects, yet their results and experiences have remained somewhat isolated and not yet been replicated at a larger scale”, said René VAN BERKEL, Unit Chief, Industrial Resource Efficiency, UNIDO in interview with The FINANCIAL.

“Most Georgian manufacturers, in particular small and medium enterprises, are preoccupied with day to day challenges of serving customers, delivering sought after goods and services, and securing supplies, including labor, in often uncertain or even volatile national and international markets”.

“This situation is not unique to Georgia yet reflects to a certain extent day to day realities of small and medium enterprises in the region and indeed globally. This short term mindset stands in way of taking longer term strategic perspectives on business opportunities, including those arising from the green agenda. Moreover, specifically for the environment, many manufacturers are not fully aware of their impact on environment and resource use, which stands in way of adopting a more proactive and preventive approach”.

Q. How green oriented Innovations can influence local community?

Green Innovations can depending on situation have multiple positive impacts on local community. New green enterprises will create jobs and incomes, which can be taken up by locals. Moreover, where hazardous substances and processes are eliminated for environmental reasons, workers, communities and consumers stand to benefit from reduced or eliminated exposure and risks. Finally, innovative green products can enhance customer satisfaction and well-being.

Q. What is the impact of green growth on countries' economy?

There are multiple impacts from green growth and their net impact on country economy is generally positive, yet fluctuates on country by country basis. Reduced use of energy and other natural resources reduces costs and dependency on their imports and hence balance of trade. Higher competitiveness of industries, as a result of industrial resource efficiency, and better environmental performance of products, would allow enterprises to compete better in international markets, and indeed benefit from Deep and Comprehensive Free Trade Agreement with the European Union.

Q. What are the responsibilities of large companies towards population in terms of green business promotion?

Large companies are generally perceived to be better placed to take lead in greening of production and consumption, as they have or could more easily acquire the necessary skills, technologies, processes and funds to innovate and invest in green industry projects.

Q. How beneficial might be transforming from regular company into green industry?

Companies adopting resource efficient and cleaner production practices stand to gain from reducing their operational costs, through savings on materials, energy and water bills, and reducing their impact on environment. The scale of possible benefits fluctuates between enterprises. As a rule of thumb most enterprises are able to save in range of 10% on the costs of energy, materials and water, with relatively low cost investments that have short paybacks not exceeding about 1.5 yr. Significantly bigger environment and cost savings are often possible with investments in technology, that though would generally also be competitive.

Q. Who are the main investors in green industry? Who can be in Georgia?

UNIDO is only working in Georgia on greening of existing industries, which requires investments by manufacturing industries themselves. Such investments are normally cost-effective and manufacturers therefore can consider different sources of finance, including their retained profits, operational budgets and/or loans. In selected cases enterprises can make use of preferential loan schemes for energy and environmental innovations. In Georgia such financial instruments are already available on a smaller scale through amongst others ProCredit Bank and European Bank for Reconstruction and Development.

Q. What are the deadlines for green industry transformation?

There are as of yet no international firm deadlines for green industry transformation, yet some indicative targets might result later this year with the confirmation of the Sustainable Development Goals at the global level. Yet economic growth needs to be drastically decoupled from increased use of natural resources and pollution of the environment, to achieve amongst others zero greenhouse gas emissions by the end of the century, which in turn is necessary to limit global warming to within the internationally agreed limit of 2 degrees. There is paramount evidence that early action to improve resource efficiency is most cost-effective for achieving the long term targets, and taking into consideration that resource efficiency typically pays off, immediate action on resource efficiency is warranted to start green industry transformation.

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