

Abkhazia energy storage industry

As if the economic and social problems linked to the pandemic were not serious enough, Abkhazia finds itself amidst a severe energy crisis. The region fails in curbing crypto-mining, overcoming the Enguri HPP shutdown, and effectively managing the Russian electricity received as a temporary alternative source.

Power outages in the region are frequent and they have gotten worse with the beginning of winter. Uncontrolled cryptocurrency mining is frequently blamed as the central obstacle, but that problem masks deeper problems in relations with Tbilisi and Moscow.

The cornered Abkhaz authorities under new administration of Aslan Bzhania have to act expeditiously and resolutely to prevent the total blackout of the region and the growing social dissatisfaction with the existing situation.

The electricity problem in Abkhazia is old and deeply rooted. The region fully relies on free power from the jointly operated Enguri HPP, shared by Abkhazia and the rest of Georgia.

Roughly half of Enguri HPP generated energy goes to Abkhazia, but on January 20, the power plant stopped for scheduled reconstruction and went offline for approximately three months. Abkhazia lost its main source of cheap electricity.

Eventually, the power shortage crisis worsened to the extent that the Abkhaz authorities were forced to introduce the rolling power cuts to avoid a total shutdown of the system.

Chernomorenergo yesterday announced additional restrictions while stating that all its services are switched to the emergency work mode due to worsening weather and surged loads on the power grids.

Bzhania's administration resorted to extreme measures, threatening district heads with dismissal unless they ensured a decrease of power consumption in their areas. Head of Ochamchire District Stanislav Amichba was dismissed from his post shortly after the warning, supposedly becoming the first victim of Bzhania's new punitive policy.

The surge of cryptocurrency mining in Abkhazia started in 2016 and gradually stretched the power grid to a critical point. The cryptocurrency miners were attracted by low real estate costs, the absence of cryptocurrency regulations, and an exceptionally low electricity tariff – since most of the electricity that Abkhazia consumes through Enguri HPP was essentially subsidized by Tbilisi.

For two years, the crypto-Eldorado thrived, but the toll it took on electricity consumption forced the authorities to take measures. It was too little, too late.

In 2018, Raul Khajimba's administration imposed restrictions on the industry. Technically, this made mining illegal, but in practice, since the import of the relevant equipment was allowed, it had no effect. Bzhania's administration inherited the problem, which continued to get worse.

Sokhumi changed its tack – authorities tried to regulate cryptocurrency business by restricting the import of mining computers, and introducing crypto-mining permits, increased electricity tariffs, and slapped the “miners” with new taxes.

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