



THE GEORGIAN ELECTRICITY SECTOR IN THE YEARS 2010-2022

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The present study examines the main indicators and trends of the Georgian electricity sector in the years 2010-2022, including the issues of electricity production, consumption, and trade. The study also describes the legal and physical persons involved in the production, transmission, and distribution of electricity. The study has shown that the consumption of electricity has increased in Georgia more than its generation, which has resulted in an increase in imports. The increase in exports is also contributed by the problem with energy efficiency. Georgia has a low indicator in terms of efficiency of electricity consumption. Import of electricity to Georgia is carried out by means of intermediary companies, which are owned by former high-ranking public officials. In recent years, the dependence of Georgia on Russian electricity has been low.

MAIN FINDINGS

Intermediary companies and tariffs

- **In the recent 10 years, the electricity tariffs for household consumption have increased by an average of 40% in Georgia.**
- **In recent years, the import of electricity to Georgia has been carried out by means of intermediary companies that are owned by former high-ranking officials.**
- **Intermediary companies import electricity with the aim of getting a profit, which increases the tariff.** In spite of our interest, the relevant public agencies have yet to answer the question of why it became necessary to involve intermediaries in this process.
- The import of electricity from Azerbaijan involves a company “Elgreen Holdings Incorporated” founded by the former Prime Minister, **Zurab Noghaideli**.
- The import of electricity from Russia involves Lux Energy Trading LLC (former Inter-RAO Georgia LLC). A 50.01% stake in Lux Energy Trading LLC is owned by the Russian Inter-RAO, while a 49.99% stake’s final beneficial owner is **Vakhtang Ambokadze**. Vakhtang Ambokadze held the position of the Director General of the Energy System Commercial Operator of Georgia until 2019 and he is connected with former Minister of Economy Ivane Chkhartishvili.

Electric power generation and consumption

- In the years 2011-2022, local generation of electricity in Georgia increased by 42% and reached its maximum level of 14,247 m KWh in 2022.
- Up to 75% of the electricity produced in Georgia is generated by hydroelectric power plants (HPPs), up to 24% comes from thermal power plants (TPPs), and up to 1% – from wind power plants. 26% of electricity produced in Georgia is generated by the Enguri HPP. Since 2010, the total volume of electricity generated by HPPs has increased by 15%.
- At the end of 2022, there were 109 HPPs, 5 TPPs, and 1 wind power plant in Georgia. There are 7 regulating, 18 seasonal, and 84 small HPPs operating in Georgia.

- 61% of the electricity generated in Georgia comes from HPPs and TPPs owned by Georgia (state-owned and private); 13% is generated by HPPs owned by a Czech company, specifically, Energo-Pro Georgia, and 7% comes from HPPs owned by citizens of Ukraine.
- In the years 2011-2022, electricity consumption in Georgia increased by 68% and reached its maximum level of 14,181 m KWh in 2022. The consumption of electricity in Tbilisi rose by 55%, and in the regions of Georgia – by 57%.
- At the end of 2022, 56 enterprises were direct consumers of electricity, i.e., they did not buy electricity from distribution companies. Among these, in 2022 the highest amount – 1,067 m KWh – was consumed by the Zestaponi Ferroalloys Plant.
- In the years 2021-2022, BFDC Company's (producer of crypto currencies) share in electricity local consumption was 2.2%. The crypto currency enterprise of BFDC operates in a free economic area and enjoys tax privileges. This raises a lot of questions on how justified and useful it is for the country's economy to support such enterprises which consume an extremely large volume of energy, although they don't create a lot of jobs and are exempt from a part of state taxes. The company belongs Valery Vavilov, a citizen of Latvia.
- **In Georgia in 2021, goods and services worth USD 1.73 were created with every 1 KWh of electricity consumed, and Georgia ranked 164th among 180 countries of the world with this indicator**, which indicates an inefficient use of electricity. Together with generation of electricity, it is important to consume it efficiently.

Import and export of electricity

- In the years 2011-2022, the imports of electricity increased 7 times. Excluding the territories occupied by Russia, the imports increased 3 times.
- In 2010, the share of imports in electricity consumption was 2.6%. From 2017, consumption of electricity increased significantly in Georgia. This main reason for this may be the electricity spent on the generation of cryptocurrencies. In 2021, the share of imports in the consumption reached 14.6%, the main reason for which was the partial stoppage of the Enguri HPP. In 2022, the share of imports in the consumption decreased to 4.5%.
- A record volume of electricity – 1,524 m KWh – was exported in 2010. In the following years, the exports tended to decrease, and in 2021, 391 m KWh of electricity was exported from Georgia. Compared to 2021, exports increased 2.5 times in 2022
- In 2022, 89% of the electricity exported from Georgia (971 million kWh) went to Turkey and 11% went to Armenia.

Dependence on Russia

- **Georgia is not significantly dependent on Russian electricity, and even if the imports of electricity from Russia stops completely, an energy crisis will not be created.**

- In 2017-2022, the largest importer of electricity to Georgia was Azerbaijan, with a share of 66% on average. In 2021, the share of Russia in the imports was 25%. In 2022, the situation changed and Russia's share in the imports increased to 58%.
- Excluding the electricity that flowed to the occupied Abkhazia, in 2021 the share of Russian electricity in Georgia's internal consumption was 1.8%, and in 2022, it amounted to 2.6%.
- In the peak months for imports, the share of Russian electricity in Georgia's internal consumption in 2022 was as follows: January – 4.6%, February – 0.6%, March – 13%.
- The HHPs owned by Russian citizens and companies only generate 5% of the electricity generated in Georgia.

RECOMMENDATIONS

- The need for the involvement of intermediary companies in the import of electricity should be substantiated. At the same time, the terms with which the current intermediate companies were selected and the share they retain from the amount paid for the import of electricity should be transparent.
- The events underway in the world today clearly demonstrate the importance of a country's energy independence. Accordingly, the main goal of the energy policy of Georgia should be to increase the efficiency of electricity consumption and local generation;

INTRODUCTION

Modern economy depends on electric power to a considerable degree. Accordingly, the energy sector may always attract more attention than other sectors of the economy. Today, people's standard of living is directly related to access to electricity. This sector is also distinguished in that the production of electricity mainly depends on natural resources, specifically, the consumption of various types of fuel or hydro-energy. Wind and solar technologies are not yet developed and common – especially in Georgia – to the extent that would enable them to make a considerable contribution to the generation of electricity.

Nowadays, the electricity sector of a lot of countries faces two objectives: a) to be as dependent as possible on locally produced electricity and b) to receive electricity from sources that damage the environment to a lesser extent. However, not all countries have the potential to provide themselves with electricity. **The history of the world, especially the wars and oil shocks that took place in the 20th and 21st centuries, is a good demonstration of the fact that energy is not just one of the sectors of the economy and is closely intertwined with a country's security.** The latest and clear example of this is the Russia-Ukraine war. A lot of countries of the world, especially European states, use Russian natural gas for the production of electricity, while Russia blackmails European countries with gas prices and even with threats to stop supplying it. This was also experienced by Georgia when in the winter of 2006 Russia stopped supplying electricity and natural gas to Georgia at the same time, leaving a large part of the population without electricity for several weeks.

In addition to security, guaranteed and increasing supply of electricity contributes to the stability of tariffs. Low tariffs are beneficial both for household consumption of electricity

and for doing business. Businesses pay a lot of attention to the cheapness of electricity. When a country's economy grows, the consumption of electricity also increases.

Despite the fact that the technologies for efficient consumption of electricity are also developing, the demand for electric power is still on the rise. Georgia is also passing through this stage. In addition, Georgia faces a serious problem with efficiency of electricity consumption, but even if this problem is resolved, the demand for electricity is going to keep increasing in the long run. Accordingly, it is important to know the trends in the electricity sector today and during the past decade, the main players in this field, and the degree of the country's energy independence. Against the background of threats emanating from Russia, this issue has become even more relevant. Today the Russian propaganda also uses the energy sector and spreads disinformation that Georgia is going to have a problem with electricity supply without Russia, when in reality Georgia's dependence on Russia in terms of electricity generation and import is small. In spite of this, the issue is still important and requires constant attention.

1. THE MAIN INDICATORS AND TRENDS OF THE ELECTRICITY MARKET

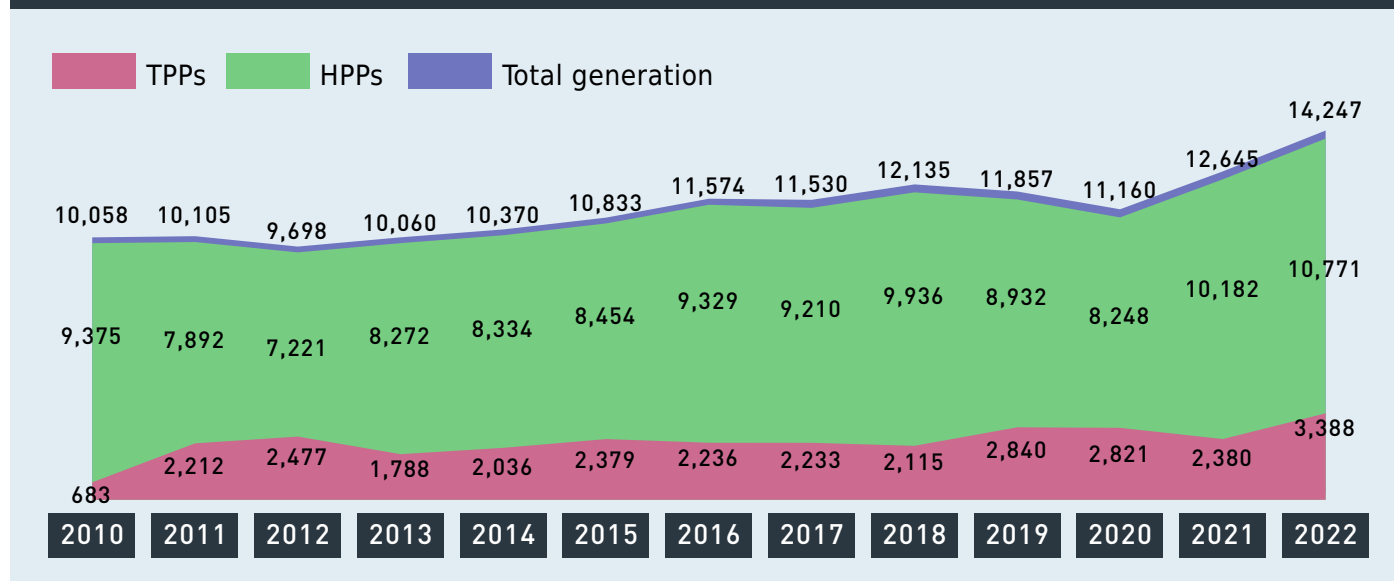
1.1 GENERATION AND IMPORT OF ELECTRICITY

In the years 2011-2022, local generation of electricity in Georgia increased by an average of 3% annually and reached its maximum level – 14,247 m KWh – in 2022. As a result of this, the annual generation in 2022 had increased by 42% compared to 2010.

There were decreases in the total production of electricity in the years 2019 and 2020, which was caused by rehabilitation works at the Enguri HHP. In these years, electricity generation by the Enguri PPH decreased by 32% compared to 2018, while in 2021 the generation by the PPH was restored to 90%. In 2022, generation by the Enguri PPH was restored fully, and in the power plant generated 6.5% more electricity (3,747 m KWh) than in 2021.

Up to 75% of the electricity produced in Georgia is generated by hydroelectric power plants (HPPs), up to 24% comes from thermal power plants (TPPs), and up to 1% – from wind power plants. After 2010, the total electricity generation by HPPs increased by 15% and reached 10,771 m KWh in 2022. During the same period, generation by TPPs increased by 396% and reached 3,388 m KWh. When seen in nominal figures, generation of HPPs in the past 12 years has increased by 1,397 m KWh and that of TPPs – by 2,705 m KWh.

Figure 1. Electricity generated in Georgia, m KWh



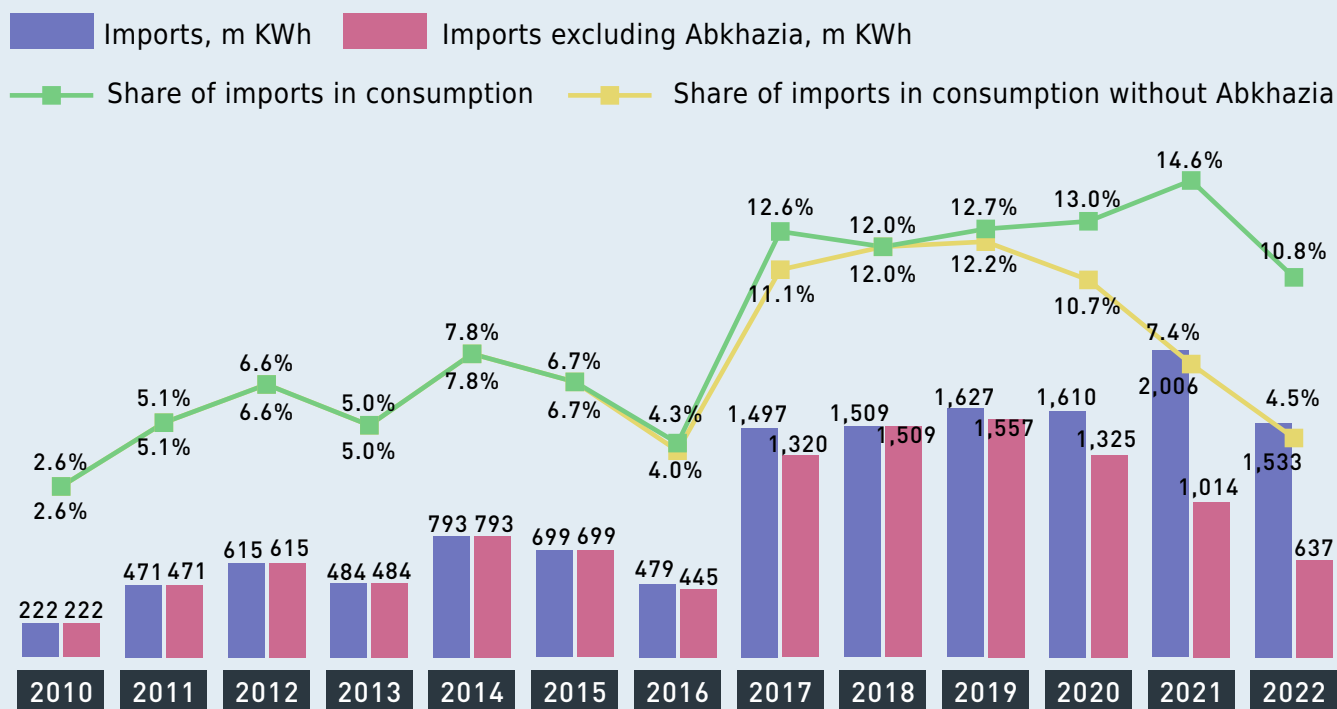
Data source: Electricity Market Operator (ESCO)

In the years 2011-2022, the imports of electricity to Georgia increased by an average of 30% annually, and in 2021 they exceeded 2,000 m KWh. In 2019-2021, the occupied Abkhazia contributed considerably to the rise in imports due to increased consumption of electricity and the decrease in the power generation by the Enguri HPP. Abkhazia is supplied with electricity from Russia through Georgian-controlled territory. Excluding the territory of Abkhazia, from 2010 to 2021, the imports increased 5 times.

In 2022, the imports of electricity decreased by 24% in comparison of 2021. The decrease in the imports was caused by an increase in local generation of electricity.

In the case of imports, the most important indicator is the share of imports in a country's total internal consumption. In 2010, the share of imports in Georgia's electricity consumption was 2.6%. In the years 2011-2016, this figure increased, but remained at the level of 6% on average. From 2017, the consumption of electricity in Georgia increased significantly, which was not matched by the increase in local generation, and, as a result, the imports increased to 12.6% of internal consumption. One of the main reasons for this may have been the electricity spent on the generation of cryptocurrencies. In 2021, the share of imports in the consumption reached 14.6%, although, if we look at these figures without the electricity that flowed to the occupied Abkhazia, the share of imports was only 7.4%, which is a considerable drop compared to the previous two years. In 2022, the share of electricity imports in the consumption, including Abkhazia, amounted to 10.8%, and without Abkhazia, it equaled 4.5%. In the years 2021-2022, the main reason for the decrease in the share of imports was a 31% increase in the generation of electricity by HPPs.

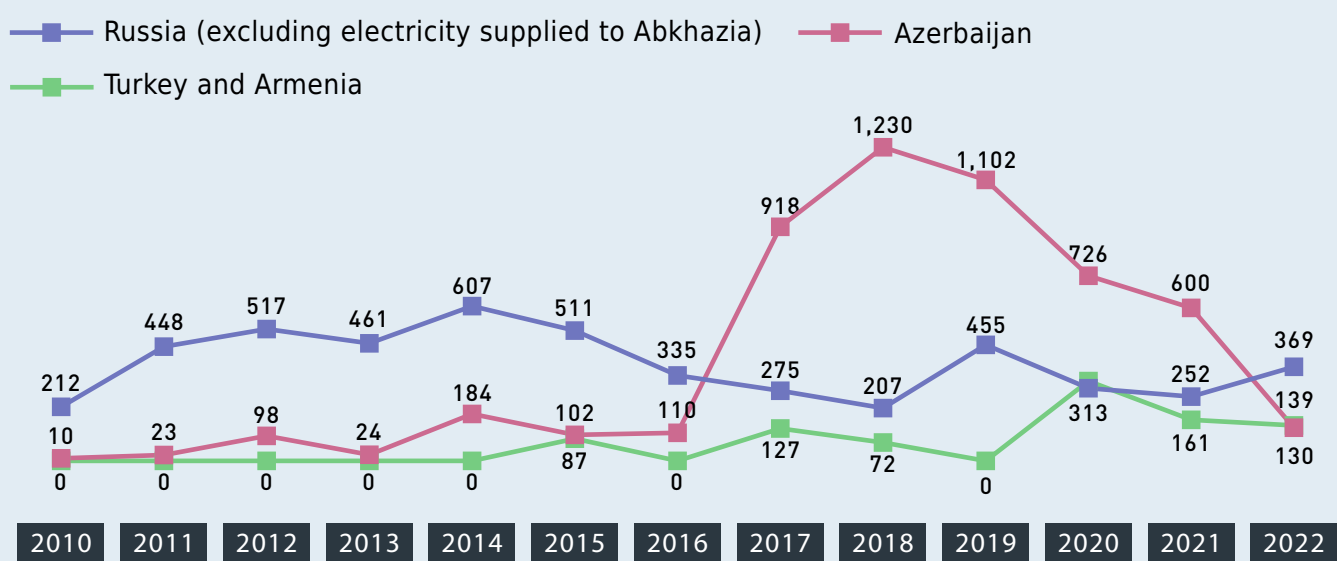
Figure 2. Imports of electricity to Georgia



Data source: Electricity Market Operator (ESCO)

As for the importer countries, until 2013, Russia's share in the imports to Georgia was 95%, which was to a large extent replaced by Azerbaijan in later years. From 2017 to 2021, Azerbaijan ranked first in the imports of electricity to Georgia, with an average share of 66%. In 2021, the share of Azerbaijan in the imports was 59%, while Russia's share was 25%. The situation changed in 2022 – the share of Russia in the imports increased to 58%, while that of Azerbaijan decreased to 20%. The share of electricity imported from Armenia increased to 22% (see **Figure 3**).

Figure 3. Imports of electricity to Georgia according to countries, m KWh



Data source: Electricity Market Operator (ESCO)

Generation of electricity in Georgia has a seasonal character, which is caused by dependence on the flow of water in HPPs. The generation by HPPs is the lowest in the winter months and March; at the same time, the consumption increases during this period. Accordingly, the imports increase at this time. For example, in January-March 2022, the share of imports in the consumption was 15%, while in the period of May-September, the share of imports dropped to 0%.

Excluding the electricity that flowed to the occupied Abkhazia, the share of the imports of Russian electricity in Georgia's internal consumption in the peak months for import was as follows:

- 2021: January - 9.1%, February - 0.8%, March - 4.5%;
- 2022: January - 4.6%, February - 0.6%, March - 13%.

Figure 4. Electricity generation and imports to Georgia according to months, m KWh



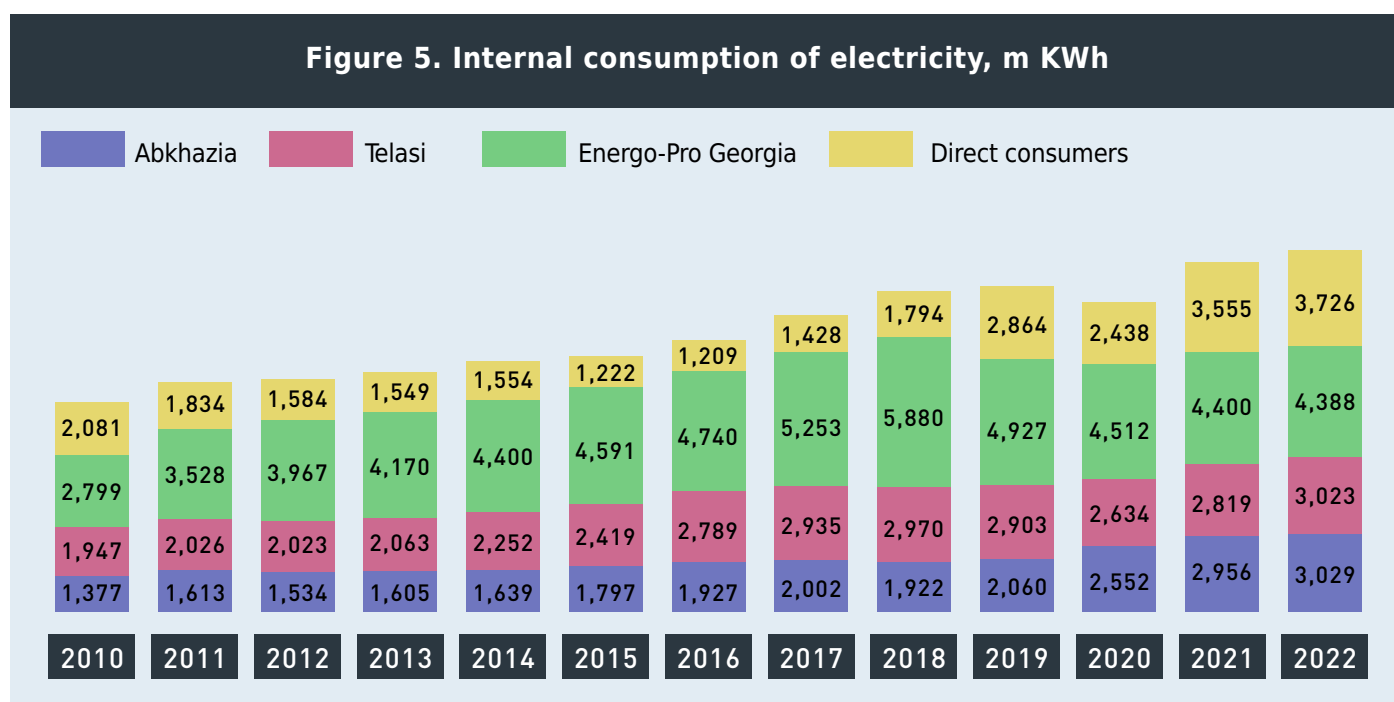
Data source: Electricity Market Operator (ESCO)

1.2. CONSUMPTION AND EXPORT OF ELECTRICITY

As already noted, the increase in the imports of electricity was caused by increased internal consumption, which rose by 68% from 2010 to 2022. During this period, the consumption of Abkhazia increased the most – by 120%. The consumption of the Telasi company, which distributes electricity in Tbilisi, increased by 55% and reached 3,023 m KWh in 2022. From 2010 to 2021, the consumption of Energo-Pro Georgia, which is the main distributor of electricity in the regions of Georgia, increased by 57% and reached 4,388 m KWh.

In addition to the population, electricity is also used by the so-called direct consumers. Under this category we mean those large enterprises that do not buy electricity from

electricity distribution companies, such as Telasi and Energo-Pro Georgia. In the years 2010-2022, the consumption of the direct consumers increased by 79% and reached 3,726 m KWh.



Data source: Electricity Market Operator (ESCO)

At the end of 2022, 56 enterprises were direct consumers. Of these, the largest 10 enterprises (Table 1) consumed 72% of direct consumption, including the Zestaponi Ferroalloys Plant that consumed the most electricity – 1,067 in 2022. This plant consumes 7.5% of the total internal consumption of Georgia. Its owner is Georgian American Alloys, Inc., which is registered in Luxembourg and whose final beneficial owners are Ukrainian businessmen Gennadiy Bogolyubov and Igor Kolomoisky.

In the years 2021-2022, BFDC Company's (producer of crypto currencies) share in electricity local consumption was 2.2%. The crypto currency enterprise of BFDC operates in a free economic area and enjoys tax privileges. This raises a lot of questions on how justified and useful it is for the country's economy to support such enterprises which consume an extremely large volume of energy, although they don't create a lot of jobs and are exempt from a part of state taxes. The company belongs Valery Vavilov, a citizen of Latvia.

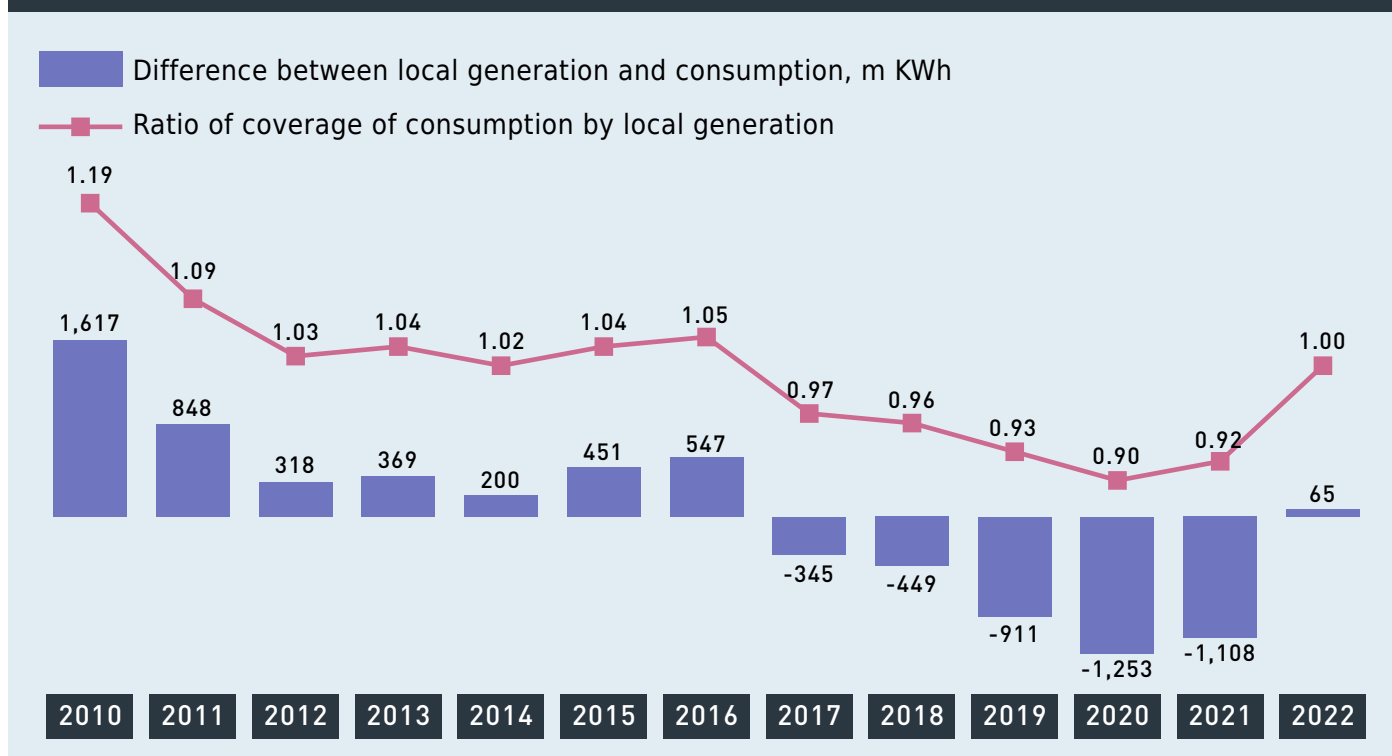
Table 1. 10 largest direct consumers of electricity, 2021	
Company name	M KWh
Zestaponi Ferroalloys Plant	1,067
Rustavi Azot	260
HeidelbergCement Georgia	213
Rustavi Steel	211
Georgian Railway	181

Georgian Water and Power	178
BFDC	171
Aitilebi	133
Chiatura Manganese Georgia	131
United Water Supply Company	124

Data source: Electricity Market Operator (ESCO)

Being provided with own electric power is an important issue for a country's energy security, i.e., the main question is to what extent the local generation satisfies internal demand. In 2010, electricity generated in Georgia exceeded the country's internal demand by 1,617 m KWh. The ratio of coverage of consumption by local generation was 1.19, which means that generation exceeded consumption 1.19 times. The preponderance of generation over consumption was also maintained in the years 2011-2016, although the coverage ratio decreased and fluctuated within the range of 1.02 and 1.09. In 2017 internal consumption came to exceed generation and the imbalance reached its maximum – 1,253 m KWh (coverage ratio – 0.9) in 2020. The main reason for the considerably increased imbalance in 2019-2021 was the rehabilitation works underway at the Enguri HPP, due to which electricity generation by the HPP decreased by 32%. In 2022, generation again exceeded consumption by 65 m KWh. The reason for this is a 12.7% increase in generation.

Figure 6. Proportion of local generation and consumption of electricity in Georgia



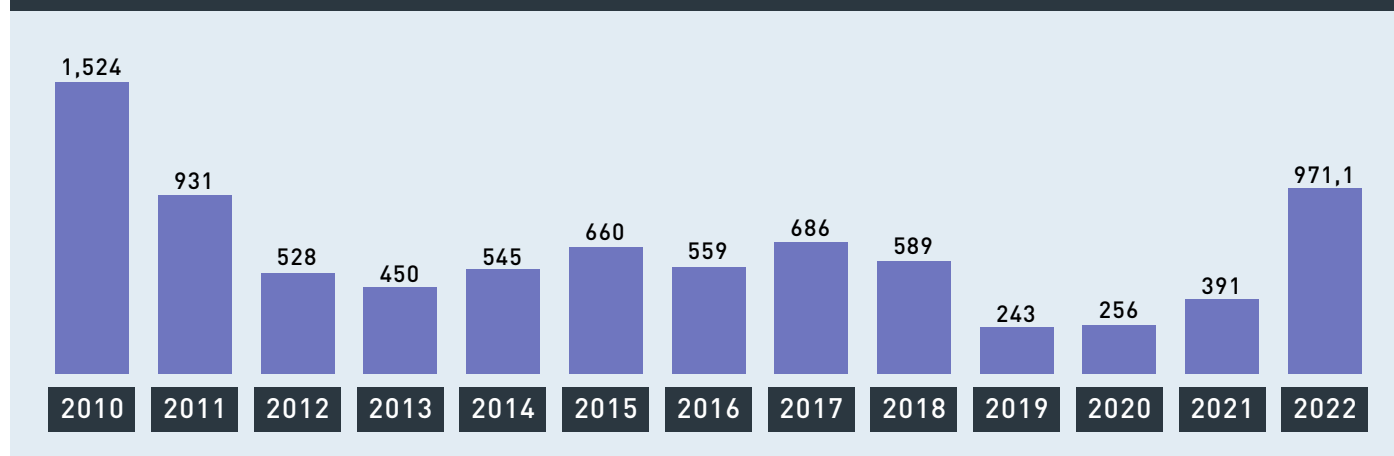
Data source: Electricity Market Operator (ESCO)

One more interesting issue is the efficient consumption of electricity. One of the indicators of efficient consumption of electricity in a country's economy is the volume of goods and services created with 1 KWh consumed, i.e., how many U.S. dollars of a country's Gross Domestic Product (GDP) is created with every 1 KWh electricity spent. This indicator can be calculated by dividing a country's GDP by the annual internal consumption of electricity. **In Georgia in 2021 (without the electricity consumed in the occupied Abkhazia), goods and services worth USD 1.73 were created with every 1 KWh of electricity consumed, and Georgia ranked 164th among 180 countries of the world with this indicator.**¹ And this indicates an inefficient use of electricity.

When Georgia has excess electric power, i.e., local generation is more than internal consumption, the country exports electricity. A record amount of electricity – 1,524 m KWh – was exported in 2010. In the following years, the exports tended to decrease, and by 2013 they had decreased to 450 m KWh. In the years 2014-2018, they increased again, and they decreased in 2019. The average annual volume of the exports in the years 2012-2021 was 491 m KWh. In 2021, Georgia exported 391 m KWh of electricity, as a result of which the country received an income of USD 16 m; 56.4% of the exported electricity went to Turkey, 37.3% – to Armenia, and 6.3% – to Azerbaijan.

In 2022, Georgia exported 971 m KWh of electricity, which exceeds the figure of 2021 by 148%. This year has seen the highest figure of electricity exports since 2010, from which Georgia received an income of USD 84 m; 89% of the exported electricity went to Turkey, and 11% went to Armenia.

Figure 7. Exports of electricity from Georgia, m KWh



Data source: Electricity Market Operator (ESCO)

1.3 FOREIGN DIRECT INVESTMENTS IN THE ENERGY SECTOR

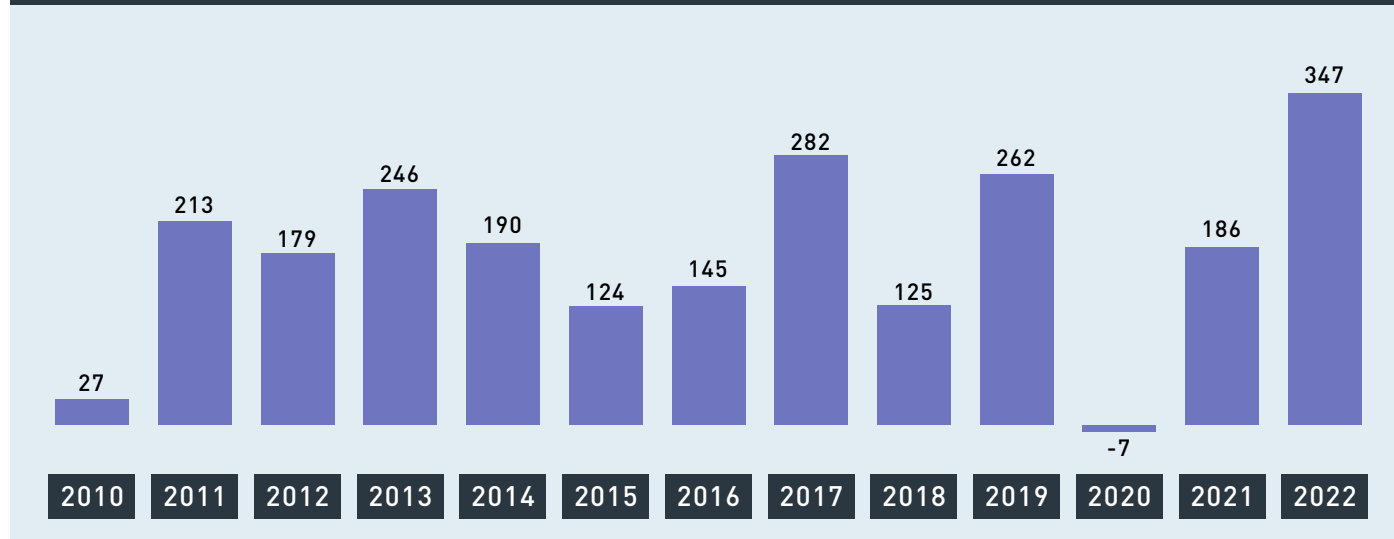
Investments, especially foreign direct investments (FDIs), are extremely important for the development of the energy sector. In the years 2010-2022, a total of USD 2.3 bn was invested in Georgia's energy sector, which amounts to an average of USD 178 m annually. The annual figures of investments fluctuated quite a lot, and their size was

¹ The source of information on the electricity consumed by countries is the U.S Energy Information Administration (EIA), while the source of information on the GDP of countries is the International Monetary Fund (IMF).

mainly determined by large projects. In the past 10 years, the largest amount – USD 347 m – was invested in 2022.

In the years 2016-2021, the most FDIs in the Georgian energy sector – USD 425 m – were made by Czech companies. They were followed by the Netherlands with USD 193 m, although the Netherlands are often used as a place of registration of companies of various countries, and it is not clear the investments of which country actually came from this country. An investment of USD 158 m came from Turkey, and an investment of USD 46 m came from Luxembourg.

Figure 8. Foreign direct investments in the energy sector, m USD



Data source: Geostat

2. POWER PLANTS OPERATING IN GEORGIA AND THEIR OWNERS

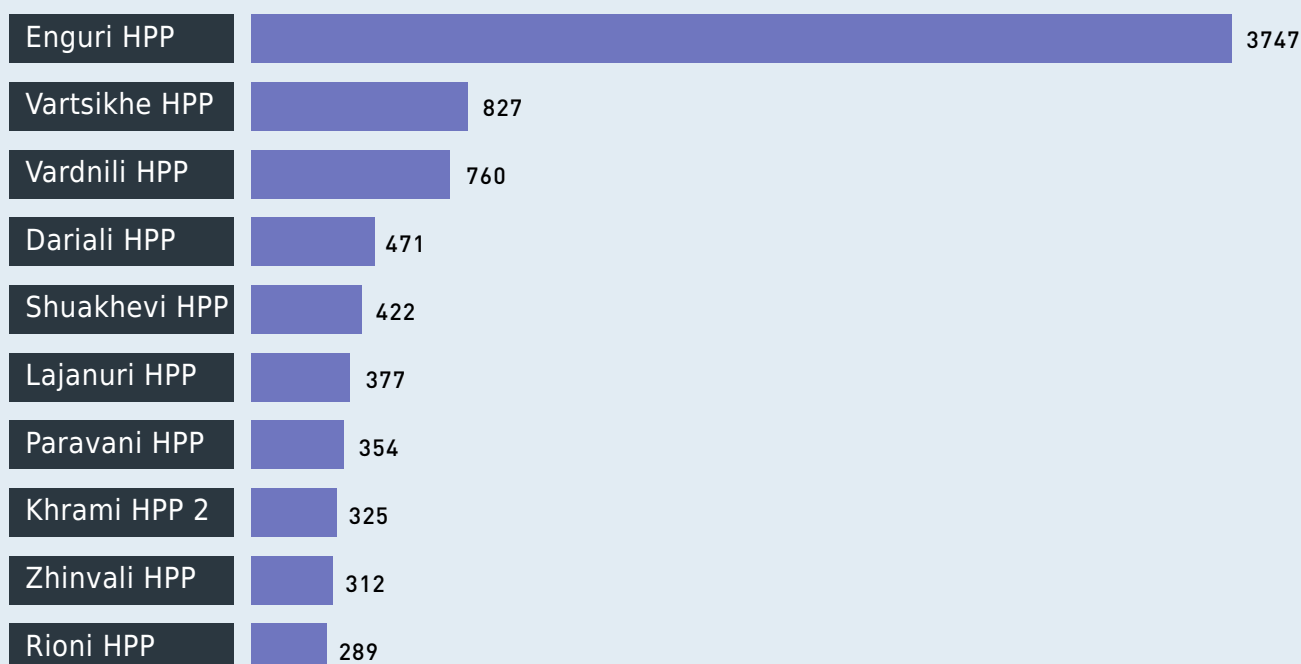
2.1 ELECTRICITY GENERATION BY POWER PLANTS

At the end of 2022, 109 HPPs, 5 TPPs, and 1 wind power plant were operating in Georgia. The TPPs generated 3.4 bn KWh of electricity in 2022, 69% of which was generated by Gardabani TPP 1 and Gardabani TPP 2. The annual electricity generation by the Kartli Wind Power Plant was small – 88 m KWh, which only amounted to 0.6% of local electricity generation of Georgia.

As a rule, HPPs are divided into three types: a) regulating,² b) seasonal, and c) small HPPs. There are 7 regulating, 18 seasonal, and 84 small HPPs operating in Georgia. From the electric power generated by HPPs in 2021, 53% (5.7 bn KWh) came from regulating HPPs. From this, 35% (3.7 bn KWh) was the share of the Enguri HPP alone. As for the other two types of HPPs, the share of seasonal HPPs in the total generation of HPPs was up to 39%, while the share of small HPPs was 8%. In spite of the fact that the number of small HPPs is much higher than that of regulating and seasonal HPPs taken together, the average annual generation by small HPPs was relatively small – 11 m KWh. In 2022, 73% of the electricity generated in Georgia came from **10** large HPPs (see **Figure 10**).

² A regulating HPPs is a HPPs with a reservoir which is used for accumulating excess hydro resources.

Figure 9. 10 HPPs that generated the most electricity in 2022, m KWh



Data source: Electricity Market Operator (ESCO)

2.2 OWNERS OF POWER PLANTS

The 109 HPPs existing in Georgia are owned by 77 legal persons (some legal persons own two and more HPPs). Out of the 77 owners, 49 are Georgian companies or the State of Georgia. Sixty-one percent of the electricity generated in Georgia is produced by power plants (private and public) owned by Georgia; 13% of the electricity is generated by HPPs owned by a Czech company, specifically, Energo-Pro Georgia; 7% – by HPPs owned by citizens of Ukraine; 5% – by HPPs owned by Russian companies; and 3%-3% – by HPPs owned by Spanish and Turkish companies.

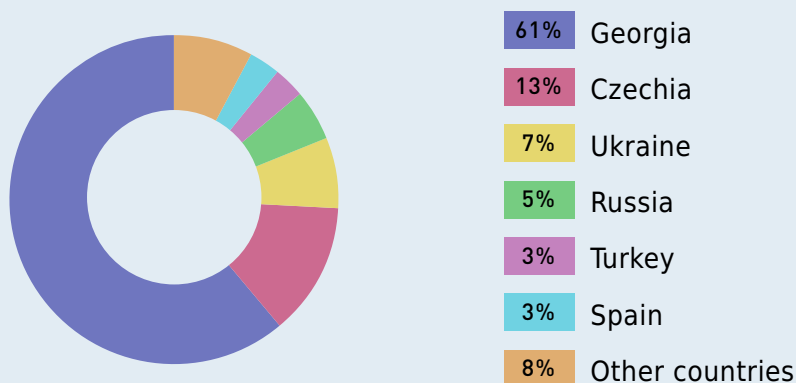
The owner of the 100% stake in the largest HPP – the Enguri HPP – is the State of Georgia. The owner of Vartsikhe HPPs, which ranks second in terms of generation of electricity (annual generation – 827 m KWh), is Georgian American Alloys Ltd, which is registered in Luxembourg and whose final beneficial owners are Ukrainian businessmen *Gennadiy Bogolyubov* and *Igor Kolomoisky*. JSC Khrami HPP I and JSC Khrami HPP II rank third with a total generation of 551 m KWh. The owner of these two HPPs is Gardabani Holding B.V., a subsidiary of the Russian company Inter-RAO.

The largest of the 5 active TPPs – Gardabani TPP 1 LLC and Gardabani TPP 2 LLC – are owned by the State. A 49% stake in Gardabani TPP 1 is owned by the Partnership Fund, while 51% is owned by the Georgian Oil and Gas Corporation. And 100% of Gardabani TPP 2 is owned by the Georgian Oil and Gas Corporation. One more relatively large TPP – Mtkvari Energy LLC (with annual generation of 279 m KWh) – is owned by the Georgian Industrial Group holding, whose owner company, Chemeksim International Ltd., is registered on the Marshall Islands. The final beneficial owner of the said company is a

citizen of Georgia, *Davit Bezhuashvili*. Eighty-three percent of the electricity generated by TPPs comes from state-owned power plants.

The Kartli Wind Power Plant is owned by JSC Georgia Global Utilities, whose final beneficial owner is JSC Georgia Capital.

Figure 10. Share of electricity generated in Georgia according to countries of owners of HPPs



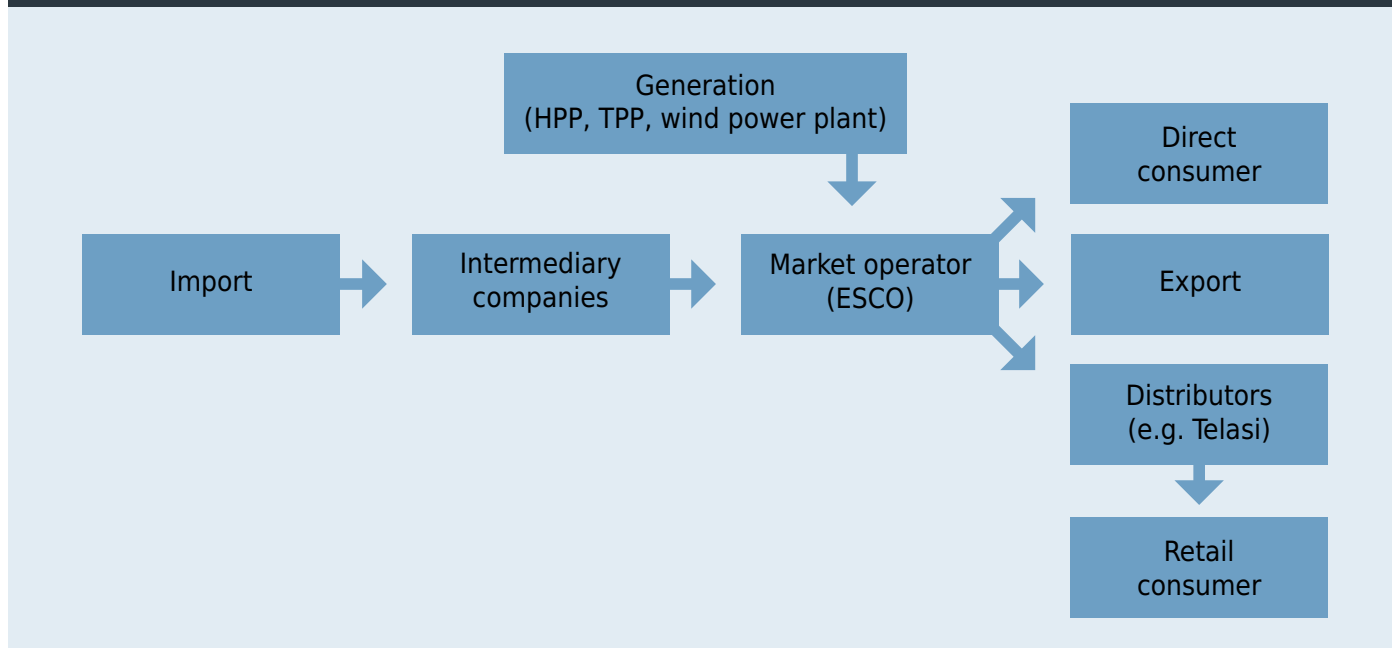
Data source: Electricity Market Operator (ESCO), Company register

3. TRADE IN ELECTRICITY AND TARIFFS

3.1 COMPANIES INVOLVED IN THE DISTRIBUTION, TRANSMISSION AND TRADE OF ELECTRICITY

The chain from generation to consumption of electricity involves several links. These are a) distribution, b) transmission, and c) trading companies. The main role in the distribution of electricity is played by JSC Energy System Commercial Operator (ESCO). ESCO is owned by the Government of Georgia, and its main activities include: buying and selling of balancing electricity, export and import of electricity, and facilitation of the process of purchase and sale of electricity in Georgia.

Scheme 1. The scheme for electricity trade in Georgia



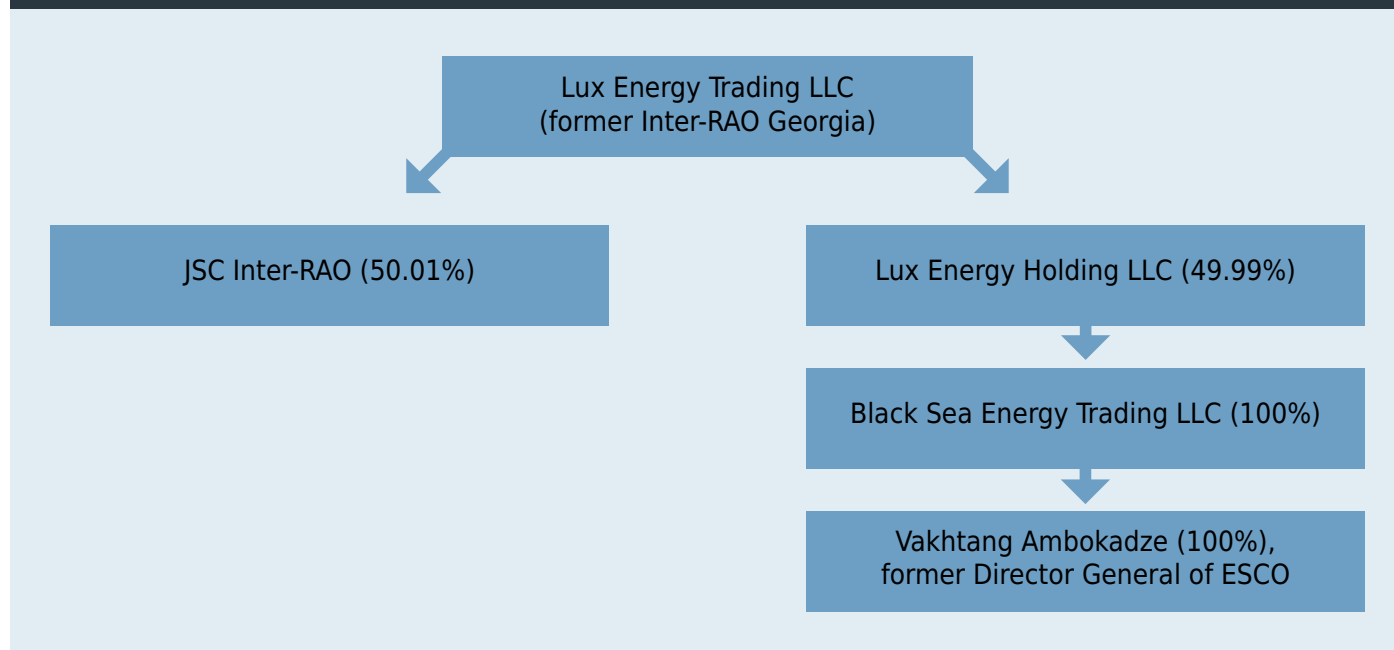
The main role in the transmission of electricity is played by JSC Georgian State Electrosystem (GSE), which is also owned by the Government of Georgia. The main activity of the company is the transmission of electricity across the entire territory of Georgia. Transmission of electricity is also carried out by the Czech company JSC Energo-Pro Georgia and the Georgian-Russian company JSC United Energy System SAKRUSENERGO. A 50% stake in SAKRUSENERGO is owned by the Government of Georgia, while another 50% is owned by the Russian state company JSC Federal Grid Company of Unified Energy System. The main activity of SAKRUSENERGO involves the transmission of electricity using its own high-voltage transmission lines across the territory of Georgia and to neighboring countries, such as Russia, Turkey, Azerbaijan, and Armenia. A part of the electricity transmission lines is located in the territory of the Russian Federation and constitutes synchronized networks for the supply of electricity between Georgia and the Russian Federation.

Several companies are involved in the trade in electricity (buying and selling at higher prices). Among these, we should mention JSC Telasi, JSC EP Georgia Supply, Lux Energy Trading LLC, and Tbilisi Investment Group LLC.

[Lux Energy Trading](#) LLC is the former Inter-RAO Georgia, which has been operating under the current name since June 28, 2022. The company was founded in May 2019, and its Supervisory Board includes three citizens of Russia. The company acts as an intermediary in electricity trade with Russia. A 50.01% stake in the company is owned by Silk Road Holdings B.V. registered in the Netherlands, which is a holding company that owns JSC Telasi and whose final beneficial owner is the Russian Inter-RAO. And a 49.99% stake is owned by Lux Energy Holding LLC. [Lux Energy Holding](#) is a Georgian company that was founded in May 2020, and is fully owned by [Black Sea Energy Trading](#) LLC. The latter was founded on March 31, 2022, and its owner is a citizen of Georgia, *Vakhtang Ambokadze*, who held the position of the Director General of the Energy System Commercial Operator until 2019. Until June 11, 2022, the said 49.99% stake of Vakhtang Ambokadze was owned by [AVG Georgia](#) LLC, 100% stake in which was owned

by EWG Holding registered in Luxembourg, while the Director was *Khatia Ghvamberia*. Khatia Ghvamberia is a relative of Rati Ghvamberia and owns two companies together with him. Rati Ghvamberia, in its turn, is a business partner of *Ivane Chkhartishvili*, the former Minister of Economy of Georgia and currently an entrepreneur.

Scheme 2. Owners of Lux Energy Trading LLC



As the Inter RAO Georgia LLC's 2019-2021 financial statements illustrate, the amendments made to the Georgian National Energy and Water Supply Regulatory Commission (GNERC) decree led this company to profit.

On January 28, 2020, the GNERC revoked Article 6 of the N33 decree on Electricity Tariffs, defining the protocol for establishing imported electricity tariffs. In the 2020 financial report of the Inter RAO Georgia, it was stated that reselling companies were not permitted to include a margin in the cost of electricity in 2019, thus the sale price was the same as the cost price. In January 2020, the amendment to the decree of the GNERC allowed the Inter RAO Georgia to set the markup for the imported electricity. In January 2020, the amendments to the GNERC decree, allowed Inter RAO Georgia to establish the markup for imported electricity. In 2020, Inter Rao Georgia supplied electricity to the ESCO with a 17% markup (the difference between the selling price and the price cost of electricity).

Transparency International Georgia submitted a FOI request to the JSC Electricity Market Operator (ESCO) on January 20, 2023, to determine the rationale behind the need for an intermediary company in the import of electricity from Russia, the selection process of the company, and the duration of the contract. As stated in the ESCO response letter dated January 30, all legal entities registered in accordance with the Georgian legislation are eligible to become importers in the wholesale electricity trade. Therefore, according to the ESCO, it is solely the importer's decision to establish a business relationship with the relevant legal entity and to import electricity is beyond the ESCO's competence. The importer establishes a business relationship with a relevant legal entity in the country and imports electricity, this being beyond the ESCO's authority.

They also informed us that as of January 30 of this year, the ESCO did not have a contract with the Lux Energy Trading LLC (formerly Inter RAO Georgia LLC).

It should be noted that on April 8, 2022, the ESCO registered the Black Sea Energy Trading LLC, wholly owned by Vakhtang Ambokadze, to take part in the wholesale trade as an exporter, importer, and wholesale supplier of electricity.

Conceivably, the Black Sea Energy Trading LLC took over the import and transit of electricity from Russia instead of Inter RAO Georgia LLC since Spring 2022. This could be verified once the companies release their annual financial statements.

One more company involved in electricity trade, [Tbilisi Investment Group](#) LLC, has links with the former Prime Minister of Georgia, *Zurab Noghaideli*. Until 2021, Zurab Noghaideli was a member of the Supervisory Board of this company, and currently, the company is managed by Noghaideli's business partner, *Zurab Antelidze*. Zurab Antelidze was the Head of the Customs Department of Georgia when Zurab Noghaideli served as the Prime Minister. Tbilisi Investment Group LLC was founded in November 2015 and was called Eltransit LLC. The founder and owner of the 100% stake in the company is Vladimer Pataridze. Zurab Noghaideli is also a founder of a foreign company Elgreen Holdings Incorporated, which has acted as an intermediary in the import and transit of electricity from Azerbaijan since 2016.³

The fact that in recent years electricity is imported to Georgia by means of intermediary companies has become an object of media interest on many occasions, because an intermediary imports electricity with the aim of getting a profit, which increases the tariff. In spite of our interest and appeal, the relevant public agencies have yet to answer the question of why it became necessary to involve intermediaries in this process.

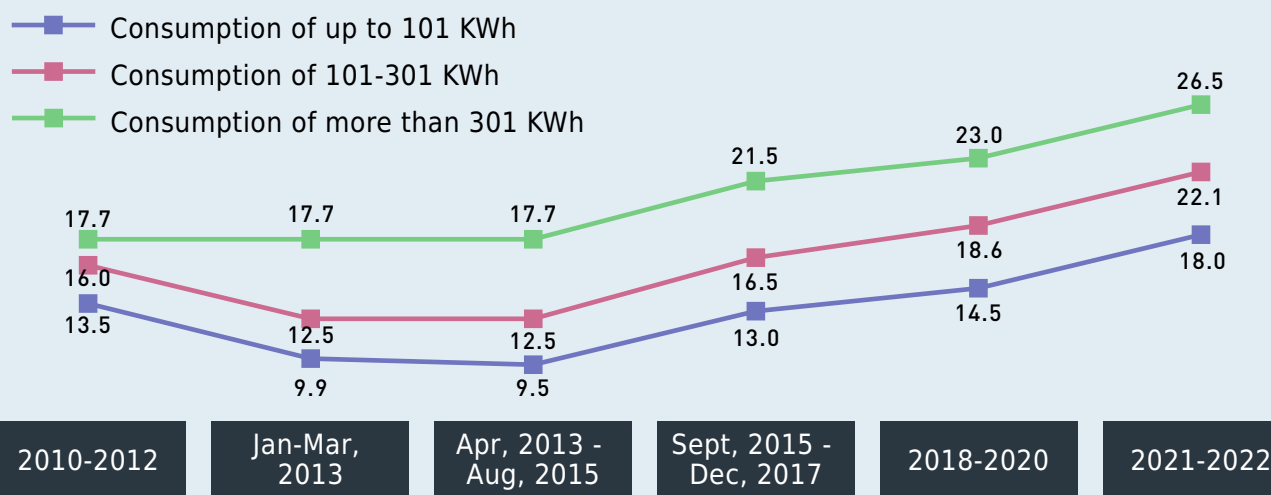
The trade and supply of electricity involves JSC Telasi, a 75% stake in which is owned by the Russian JSC Inter-RAO, while a 25% stake belongs to Best Energy Group LLC. The 100% stake in Best Energy Group is owned by a citizen of Georgia, Khvicha Makatsaria. And in the regions, the electricity is supplied by the Czech company JSC Energo-Pro Georgia, whose final beneficial owner is a citizen of Czechia, *Jaromir Tesar*.

3.2 Electricity tariffs in the years 2012-2022

As for the prices of electricity, in the past 10 years, the tariffs of electricity in Georgia for household consumption have increased by an average of 40%. In Tbilisi, where the supplier of electric power is Tbilisi Electricity Supply Company (Telmico) LLC, the tariff of electricity has increased by an average of 40.5% since 2012. More specifically, for monthly consumption of up to 101 KWh, the electricity tariff has increased by 34%, for the consumption of 101-301 KWh – by 38%, and for more than 301 KWh – by 50%. According to the latest data, in Tbilisi, in the case of consumption of up to 101 KWh of electricity per month, the tariff for 1 KWh is 18 tetri (including VAT), in the case of consumption of 101-301 KWh – 22.1 tetri, and in the case of consumption of more than 301 KWh – 26.5 tetri.

3 Studio Monitor, Secret Scheme for the Import of Electricity, shorturl.at/mrQ27

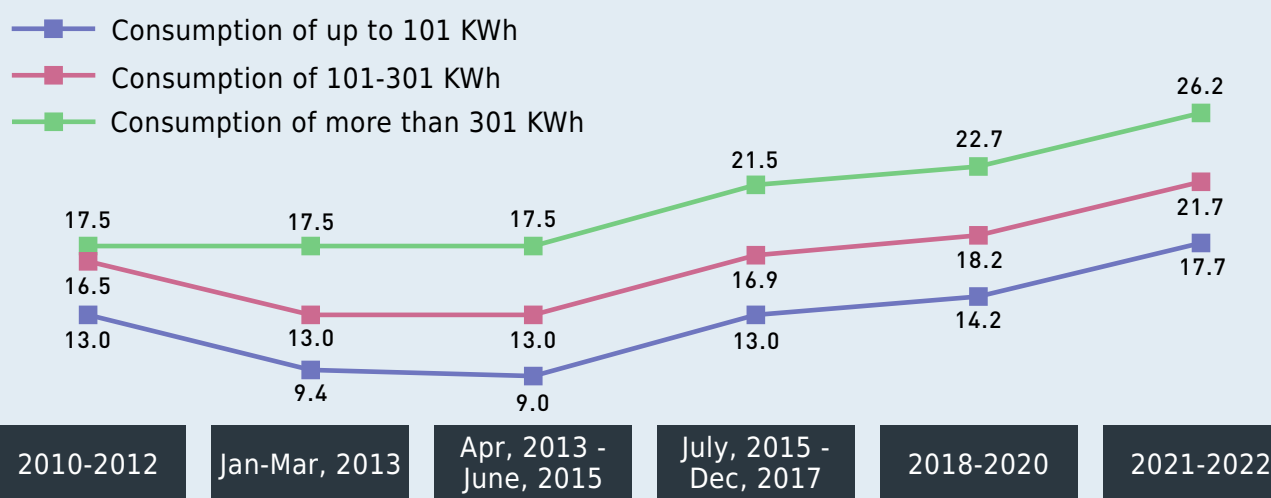
Figure 11. Electricity tariffs of Telmico for household consumption, 1 KWh in tetri



Data source: The Georgian National Energy and Water Supply Regulatory Commission

In the regions of Georgia, where the supplier of electricity is JSC Energo-Pro Georgia, the tariff of electricity has increased by an average of 39.3% since 2012. More specifically, for monthly consumption of up to 101 KWh, the electricity tariff has increased by 36.6%, for the consumption of 101-301 KWh – by 31.4%, and for more than 301 KWh – by 50%. According to the latest data, for the subscribers of Energo-Pro Georgia, in the case of consumption of up to 101 KWh of electricity per month, the tariff for 1 KWh is 17.7 tetri (including VAT), in the case of consumption of 101-301 KWh – 22.7 tetri, and in the case of consumption of more than 301 KWh – 26.2 tetri.

Figure 12. Electricity tariffs of Energo-Pro Georgia for household consumption, 1 KWh in tetri



Data source: The Georgian National Energy and Water Supply Regulatory Commission

Interestingly, before the parliamentary elections of 2012, the Georgian Dream coalition promised the population of Georgia to decrease the tariffs for electricity, which they did from January 2013, after they had won the elections. Specifically, the tariff for monthly consumption of up to 101 KWh decreased by 4 tetri, while for the consumption of 101-301 KWh, it decreased by 3.5 tetri. For the consumption of more than 301 KWh, the tariff remained the same.

The decreased tariffs were retained in Tbilisi until August 2015, and in the regions – until July 2015. For the consumption of up to 301 KWh, the tariffs that were in place at the end of 2012 were restored, while for the consumption of more than 301 KWh, the tariff increased by 4 tetri. Ultimately, the average price of electricity exceeded the price that had been in place in 2012. The reason named for the increase in the tariff was the depreciation of the lari,⁴ as the country buys the imported electricity in U.S. dollars. At the same time, the natural gas necessary for TPPs is also purchased in U.S. dollars. However, the increase of the tariff was also caused by the deterioration of the financial situation of the energy supplier companies. Due to low tariffs, the companies found it difficult to invest in infrastructure.

Since 2015, the electricity tariff has increased twice more – in 2018 and 2021, which was again caused by depreciation of the lari, as well as by increased expenses for electricity generation and improvement of infrastructure.

However, the main reason for the increased tariff in 2021 was the devaluation of the GEL, it is also necessary to take into account the fact that by the changes made in GNERC's Resolution intermediary companies were allowed to set a tariff for the imported electricity.

Profit received by intermediary companies increases the electricity tariff. However, in the formation of the final consumer tariff, different components participate, which we cannot examine (including some commercial secret) and therefore it is difficult to calculate exactly the intermediary companies share in the increased consumer tariff.

Ultimately, since the summer of 2015, the tariff for 1 KWh of electricity has increased by an average of 9 tetri in Tbilisi and by 8.7 tetri in the regions.

4 <https://bit.ly/3oZD2eh>