

## Georgian Manganese - Company profile

In 2015 "Green Alternative" published a report on availability of information on the state of environment in Georgia. In 2017 an updated version of the report was published. We focused on availability of information on so called major pollutants and developed the profiles of 4 notable, in terms of scale of work and impact on human health and environment. These are: (1) RMG, (2) Georgian Manganese, (3) Saknakhshiri, and (4) Heidelberg cement. The preset document reflects availability of information on Georgian Manganese.

### Chiatura Manganese

According to experts, manganese deposits of Georgia are notable for high quality of ore, large industrial reserves, and convenient geographic location. The exploitation of the Chiatura mines began in 1879. Up to 1990, 203 million tons of raw ore were mined and 108 million tons of marketable products were sold.

Beginning from 1990, especially in 1996-1998, the extraction of manganese rapidly decreased. In 1993 a joint stock company "Chiaturmanganese" was established on the basis of "Chiaturmanganese" production association. After numerous unsuccessful attempts to privatize and rehabilitate the "Chiaturmanganese", in 2005 proceedings on bankruptcy were started at the decision of Chiatura District Court.

On November 11, 2006, as a result of an auction held at the Ministry of Environment and Natural Resources Protection, the company assets, along with the rights to extract minerals in Chiatura mines, were sold. The only bidder - "Georgian Manganese Holding Limited", which previously became the owner of Vartsikhe HPPs cascade and Zestaponi ferroalloy plant - won in the auction.

By the moment when the deal was officially made, Georgian Manganese Holding Limited was a subsidiary of the rather famous British Stemcor company. At the end of 2006, Stemcor sold 75% of the holding of the Ukrainian Private Group. In 2007-2014 this group was the owner of "Tao-Private-Bank" in Georgia. According to Ukrainian media, the Private Group is one of the most closed and non-transparent companies, and its founders - Igor Kolomoyskiy and Gennady Bogolubov - are among the five richest people in Ukraine.

In 2008, Georgian Business Consulting web page, with reference to Ukrainian sources, published an article according to which Genadiy Bogolubov planned to establish, on the basis of Australian mining company Consolidated Minerals, an international holding where Chiaturmanganese might also join. The article goes: "As Ukrainian businessman Bogolyubov said in an interview to the media (source: [www.ukrudprom.com](http://www.ukrudprom.com)), at this stage it is planned to pool only foreign assets in the holding. At the first stage only Ghana Manganese - assets located in Ghana - will enter the Holding. Later, Georgian "Chiaturmanganese", American "Hightanders Alloys, and Romanian Feral CA may also join the Holding.

According to Bogolyubov, last December his company, Palmary Enterprises Ltd., bought Consolidated Minerals the largest Australian manganese mining company at 1.3 billion Australian dollars (1,2 billion USD), which will allow his company to control 30% of the world market of ferroalloys".

According to the plan, the Private Group re-registered Georgian Manganese (former "Chiaturmanganese" and Zestafony Ferro), and Vartsikhe HPPs Cascade, owned by Georgian Manganese to its American holding Georgia American Alloys; however, this fact was announced to the Georgian public as "the change of management". Respectively, the "new management" accused the "old management" of all sins and promised to improve the situation. According to the articles in different media sources, a new ore-dressing and processing enterprise, the construction of which, by some sources came to 20 million USD, and by other sources - to 40 million USD, was supposed to be opened in the end of 2016; however, by the end of 2016 the company has not even received the Environment Impact Permit.

## Old Problems

### Chiatura

Of all operative plants of Chiatura ore-dressing and processing enterprise, the newest was built in 1962, and the oldest - in 1935. In view of the said one may say that the territory of all plants for many years experienced a significant anthropogenic impact and the natural environment is greatly changed.

Waste water, which arises as a result of washing the ore, contains suspended particles and manganese compounds in large quantities, as well as a small number of other trace elements. Settlers have been installed for sludge settling, after which water was returned to the plants for reuse. To remove the sludge from the plants two parallel pipelines were installed, through which the sludge went to central flotation plants where manganese concentrate was separated from sludge. The remaining sludge was pumped to so-called "Gurgumela" reservoir, where the sludge would settle, and then the purified water was returned for reuse.

Currently none of the plants of Chiatura ore-dressing and processing enterprise has a purification plant, and old sludge lines went out of order. Respectively, "Gurgumela" reservoir is currently inoperative.

Most of the settlers at the plants are broken and the untreated waste water of the plants is directly poured into Kvirila River causing contamination of the river by suspended particles and manganese compounds.

375 961 tons of sludge (in terms of dry weight) was dumped into Kvirila river and its tributaries during 9 months of 2008, which makes about 501 281,3 t/year.

An additional source of contamination of Kvirila River is a landfill where agglomerates, received from processing the by-products, are dumped. This is a by-product residue with an average of 15.4% content of manganese and, the advanced enrichment technologies would allow for the production of manganese concentrates from them. The landfill is located on Kvirila River's left bank; in 2008 about 805 tons of agglomerate was stocked on the landfill. The territory is not fenced.

According to 2010-2013 National Report "On the State of the Environment of Georgia" in 2013 the permissible concentration of manganese in Kvirila River was exceeded, which should be linked with the mining industry. In the lower Chiatura the concentration of manganese exceeded the permissible limit by a factor of 6. The situation in 2010-2012 was approximately the same."

Manganese mining is a much larger problem. The activation of landslide processes in the Chiatura and Sachkhere regions is mainly associated with the processing of manganese ores. The development of dangerous geodynamic processes is caused both by the processing of the quarry, and by the failure to carry out reclamation after the completion of the work. In addition to dangerous geodynamic processes, considerable pollution of air, soil, water, as well as noise associated with the extraction of manganese, have adverse effect on human health.

In accordance with the information of the department of environmental oversight of the Ministry of Environment and Natural Resources Protection, damage to the environment as a result of the activities of "Georgian Manganese" Ltd. (Both by the use of minerals and by the work of processing enterprises), amounted to 357,364,708 GEL, of which:

- 30 799 860 GEL - failure to comply with environmental impact permit conditions, including the non-construction of a local wastewater treatment plant. Polluted water is discharged into Kvirila river without treatment -; it is noteworthy that the pollution continues to date;
- 158 832 GEL - illegal felling of trees in the state forest fund included in the licensing outline (Rgani mine);
- 2 079 582 GEL - degradation of soil as a result of mining operations under a license (Perevy, Rgany, Itkhvisi, Zeda Itkhvisi);
- 324 326 434 GEL - facts of illegal removal of the fertile layer and soil degradation, and pollution of the river when using a license.

According to the information submitted by the Ministry of Environment and Natural Resources Protection, the environmental oversight department in 2014 checked the compliance of "Georgian Manganese" Ltd with the terms of environmental impact permit within the timeframes set out under the 6th March, 2013 administrative order by ecological expertise department of the Ministry of Environment and Natural Resources Protection. It was established that the obligations incurred in due to

the violation of the terms of the permit were still not met; for this reason, a fine of 15 000 GEL was imposed on "Georgian Manganese" (in triple size due to a repeated violation of the terms of the permit).

By letter No. 5297 of September 17, 2014, the Ministry of Environment and Natural Resources Protection re-established reasonable deadlines and determined the obligations of the company, in particular:

- Immediately start and finish, within a 6-month period, construction of a sump for local treatment facilities for waste water from enrichment plants;
- Immediately start and finish, within a 6-month period, fully fix and ensure the undisturbed operation of all sludge thickeners in accordance with the requirements of the Environmental Impact Report;
- Complete, in the three-month period, the arrangement of the production laboratory and its bringing to running order;
- To prevent the agglomerate stored in the landfill from falling into the river, start immediately and complete within 6 months, the construction of water-diversion ditches along the perimeter of the landfill, and the construction of a shielding wall on the river side;
- Immediately start the construction of an open air ore dressing technological line on the territory adjacent to the factory, in accordance with environmental impact assessment report.

At the request of the company the above terms were first extended to 31 December 2015 under the Ministry letter #7428 of 22 December 2014, and later, again at written request of the company - to 1 July 2016 under the Ministry letter #9540 of 30 December 2015.

Since the Georgian Manganese Ltd. had not met the above liabilities by 1 July 2016, in accordance with Para 2 of Article 36 of the Code of Administrative Offenses, a protocol on the administrative offense was drafted on July 2, 2016, according to which the company was fined 45,000 GEL (i.e. the tripled amount of previously already tripled 5000 GEL).

On the explanation of the Ministry, pursuant Para 4 of Article 34 of the Law of Georgia "On Licenses and Permits": "If despite imposition of the liability under paragraphs 1, 2 and 3 of this Article, license holder fails to ensure fulfillment of license conditions, permit issuer shall adopt the decision on cancellation of permit". However, the Ministry notes therewith, according to Para 12 of the same Article "if cancellation of permit might cause more damage than prolongation of the validity of permit or substantially its suspension is impossible, permit issuer shall make substantiated decision on granting the right to prolong the permitted action by fulfilling the conditions set by it to the permit holder. In such case permit holder shall ensure fulfillment of additional permit conditions within the reasonable time period set by permit issuer".

On 5 July 2016 Minister of Environment and Natural Resources Protection issued an order "On granting to Georgian Manganese Ltd. the rights to perform permitted actions in compliance with the terms established by the Ministry". The Order further explains that "the enterprise is the main source of employment for the inhabitants of Chiatura and the surrounding villages, and depriving it of the environmental impact permit would entail a significant social crisis... It should be taken into account that in this situation cancellation of environmental impact permit would not improve the already grave ecological situation. On the other hand, imposing additional environmental obligations and monitoring their fulfillment gives more opportunities to improve the situation.

Taking into account the above, under the order #334 of 5 July 2016 by the Ministry of Environment and Natural Resources Protection, Georgian Manganese Ltd. was allowed to carry out permitted actions until December 31, 2017, provided it fulfills its obligations, and builds a new enrichment plant.

Thus, "reasonable timeframe" for the fulfillment of the terms of the environmental impact permit by Georgian Manganese Ltd. were postponed 4 times from March 2014 to date.

## **Zestaponi**

Zestaponi plant of ferroalloys began operations much before the law of Georgia "On Environmental Impact" was introduced. According to the law "On Environmental Impact" the enterprise was to obtain a permit in accordance with the plan (program) agreed with the ministry before January 1, 2010. (This date has been postponed several times and now it is June 1, 2017). However, to date the enterprise does not have the permit.

## **New Enterprise**

In November 2014 Georgian Manganese published for public discussion EIA report on the construction and operation of a new manganese ore enrichment plant. The main drawback of the new project is the unsolved problem of waste disposal i.e. sludge disposal.

The problem of waste manganese disposal has existed since the beginning of mine operation. "In the 60s of the last century the question was raised about the separate storage of waste manganese, which would allow to solve environmental problems and to avoid the loss of manganese remaining in the tailings... The construction of the system ended in late 1980, the facility was officially launched in 1981. 60-70 hours after the solemn launch of the facility, the hydro transport system proved to be inoperative, pumps went out of function, about 10 million rubles were spent in vain; the tailing husbandry became unable to function". After a comprehensive study of the tailing problems, the system was modernized; however, the updated system worked only until 1992. "After that, in view of well-known political problems, it ceased to function and the" tails "of enrichment are still dumped into Kvirila river".

According to the documentation published by Georgian Manganese in 2014 for public discussion, the company offered two alternatives to waste disposal: 1. Gurgumela sludge trap that has long been out of order; 2. Dalakhauri sludge trap, against the construction of which the local council and residents of the villages of Itkhvisi and Shukruti objected - mainly due to the threat of deleterious effect and the proximity to the villages.

The Company did not submit the above documentation for ecological expertise.

In 2016 Georgian Manganese again published the documentation for public discussion. However the waste disposal problem remained unsolved. In February 2016 the Company held "public discussion", of which local population was not informed. Even the announcement was not posted on the building's facade.

On December 26, 2016, the company applied to the Ministry of Environment and Natural Resources Protection for the Conclusions of environmental review. According to the presented documentation, the conceptual design of a new enrichment plant near the project area, i.e. in the Dalakhauri Gorge, envisages the construction of a sludge trap, for which the relevant documentation has already been prepared. The construction of the sludge trap and the plant will take place at the same time, and commissioning is planned simultaneously too. The gorge, selected for the construction of the sludge trap is located 500-600 meters from the enrichment plant. Accordingly, in the case of construction of sludge trap facility, the environmental and security risks associated with transportation will be significantly reduced. The waste to the sludge trap will be transported through special sludge pipelines and in special vehicles". Though, according to documentation, the sludge trap design documentation has been developed, this information is not included in the EIA report; the evaluation of the impact of the sludge trap on the natural and social environment is also not presented. On the basis of the above Green Alternative urged the Ministry of Environment and Natural Resources Protection not to issue a positive conclusion of the environmental expertise to the submitted documentation, since the environmental impact assessment should concern the entire production cycle, of which the sludge trap is an integral part. Ministry of Environment and Natural Resources Protection did not share Green Alternative's opinion and issued positive conclusion of the environmental expertise on 10 January 2017.

### **Other offences by the Company**

According to the information of the Office for Especially Important Cases of the Investigation Department of the Ministry of Finance of Georgia, "criminal case #092310115001 was opened on the illegal business activities of the directors of Georgian Manganese Ltd. under subparagraph 'a' of part two of Article 192 of the Georgian Criminal Code, in particular "Illicit Entrepreneurial Activity, perpetrated by the group".

In late October 2016, the investigative service of the Ministry of Finance placed criminal liability on Mirian Bichikashvili, a lawyer of Georgian Manganese Ltd., on charges of commercial bribery. According to the Ministry's investigation service the case concerned the environmental damage caused by the illegal activities of the GM (damage estimated over 350 million GEL.). During the court hearings in the case, Georgian Manganese Ltd., in order to provide additional evidence and determine the damage to the environment, concluded a contract with the Grigol Tsulukidze Mining Institute, within which direct contacts with members of the expert group were entrusted to one of the company's lawyers. The accused, in the process of examination, gave a certain amount of money to one of the expert group members with the aim of obtaining, through commercial bribery, the false data desired by the company. The investigation in the case continues under part one of Article 221 of Criminal Code of Georgia, which provides for punishment by fine or by imprisonment for the term of not excess of three years.

## The Award

On 10 November 2016, not too late after the above phenomena, the Media Holding "The Georgian Times" and the Georgian Opinion Research International "GORBI" held their XVII Traditional Business Rating to identify the best companies and businessmen, working in Georgia. Georgian American Alloys became an award holder in the following nominations: Investment Attractiveness, Environmentally Friendly Technologies, and Corporate Responsibility.

It is noteworthy that Dmitriy Kumsishvili, Minister of Economy and Sustainable Development, delivered a lengthy speech at the awarding ceremony, and Archil Talakvadze, MP from "Georgian Dream" handed the award to the winner. Later the MP stated that he was not sure whether the company deserved this award.

## What information is provided by the company to the public

Georgian Manganese, which comprises former Chiaturmanganese and Zestaponi Ferroalloy plant, and is the owner of "Vartsikhe 2005" (Vartsikhe HPPs cascade) has a web page <http://www.gaalloys.ge/>. The web-page provides general information on the companies and members of the management. Company news are published in corporate newspaper "Industrial Messenger" that is actively distributed through social networks by the company. According to the newspaper information the weekly "industrial messenger" broadcast is on local TVs (Imervisia, Argo TV and Dro) which is also distributed through YouTube and facebook.

Information on Environmental Impact Permit or licenses of enterprises owned by Georgian Manganese, and/or the documents themselves are not available on the company web-page. Also unavailable is the information on physical and social health of people affected by the activities of Georgian Manganese, mitigation activities and/or the state of environment. No environmental management plans or any other advice to the public on the Company activities is available on the web-page. No information is available

on what to undertake, and whom to contact in case of damage as a result of the activities of the enterprise. There is no contact information available on the Company web-page.

## What information from government agencies is available

Green Alternative obtained the above information about the Company on the basis of different documents received from the Ministry of Environment and Natural Resources Protection in different times. Information on environmental impact of the enterprises owned by Georgian Manganese on the web-pages of the Ministry, or its structural units is not available without request. The only exception is "the reports on the state of environment", which is available without request; though they are published with large delay and contain little information. For example, the latest report published in the end of 2016 (though approved by the Minister on 15 September 2016), describes the 2010-2013 situation and contains only two paragraphs of the similar content on the pollution of Kvirila River due to manganese mining:

"Among the mining enterprises currently operating in Georgia, one of the significant sources of environmental pollution is the extraction of manganese. For example in January 2009, the concentration of manganese in the Kvirila River at the city of Chiatura was 3.9 mg/l, while the maximum allowed concentration is 0.1 mg/l. The area downstream of the extraction facility, including the river and adjacent lands, has been found to be contaminated. The situation is aggravated by the fact that background manganese levels are high in the river as it naturally erodes manganese-containing rocks while flowing through the area."

"In 2013 the permissible concentration of manganese in Kvirila River was exceeded, which should be linked with the mining industry. In the lower Chiatura the concentration of manganese exceeded the permissible limit by a factor of 6. The situation in 2010-2012 was approximately the same."





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