

GEORGIAN MANGANESE – COMPANY PROFILE

From 2015, Green Alternative issues periodic reports on availability of the information on state of environment in Georgia. During the analysis of availability of information of the state of environment, we study accessibility of information on large-scale pollutants and prepare company profiles of four notable enterprises in terms of scope of activities and impacts on the environment and human health. These are: (1) RMG, (2) Georgian Manganese, (3) Saknakshiri; and (4) HeidelbergCement. This document reflects the availability of information on Georgian Manganese.

CHIATURA MANGANESE

Experts estimate that manganese reserves in Georgia are distinguished by its high quality, large industrial stock and convenient geographical location. The operation of Chiatura Manganese ore started in 1879. Until 1990, 203 million tons of manganese-ore raw materials were produced and 108 million tons of commodity products were realized. Since 1990, manganese production has been drastically reduced, especially in 1996-1998. In 1993, the JSC Chiaturmanganese was created on the basis of the production association Chiaturmanganese. After many unsuccessful attempts of privatization and rehabilitation of Chiaturmanganese, based on the decision of the Chiatura District Court, bankruptcy proceedings were opened in 2005.

As a result of the auction held at the Ministry of Environment Protection and Natural Resources of Georgia on November 11, 2006, JSC Chiaturmanganese assets were sold together with the right to extract minerals in Chiatura manganese ore. The only participant won at the auction - Georgian Manganese Holding Limited, which, prior to that, became an owner of the Vartsikhe Hydro Power Plant Cascade and Zestafoni Ferroalloy Plant.

At the time of signing a deal, Georgian Manganese Holding Limited was a subsidiary of the well-known British company Stemcor. At the end of 2006, Stemcor sold 75% of shares of the Holding to Ukrainian Privat Group. This group owned Tao-Privat Bank in Georgia in 2007-2014. According to the Ukrainian media, Privat Group is one of the most closed and non-transparent companies, its founders Ihor Kolomoyskyy and Henadiy Boholyubov are among the top five richest people in Ukraine.

In 2013, the Privat Group transferred to Georgian Manganese (former Chiaturmanganese and Zestaponi Ferro) and Vartsikhe Hydro Power Cascade owned by Georgian Manganese to American Holding “Georgia American Alloys”¹; however, the Georgian society was informed about this fact as an entry of “a new management” to the company. Consequently, “new management” blamed the “old management” for failures and promised to tackle problems. According to the articles published in various media outlets, by the end of 2016 the new mining-enrichment complex should had been put into operation; however, different events have occurred.

¹ [The dangers of doing business abroad](#), BY KEN STIER Special to the Miami Herald, September 13, 2017

IMPACT OF THE ENVIRONMENT

Until 2009, Chiatura Manganese **enrichment plant** was functioning without the environmental impact assessment and appropriate permit. The conditions of the permit, issued in 2009, were first inspected in 2012. The company was fined 5000 GEL for violation of permit terms and conditions. To eliminate the violations, the Ministry set a reasonable time limit for the company. In 2014, the Environmental Supervision Department inspected the measures taken to eliminate the violations within the time limits. The inspection revealed that the obligations imposed due to violation of the permit conditions had still not been fulfilled. Therefore, Georgian Manganese was fined GEL 15,000 (triple amount of the fine for the repeated violation of the permit terms and conditions). In addition, the Ministry estimated the amount of the damages inflicted on the environment, which amounted to 30 659 550 GEL.

On 17 September 2014, the Ministry again set reasonable time limits and imposed respective obligations on the company. At the request of the company, the Ministry initially extended these time limits until 31 December 2015, and later - until July 1, 2016. In June 2016, the company again applied for a one-year extension of the time limit, which the Ministry did not agree with. According to the Ministry, the company did not demonstrate any effort to eliminate violations and, thus, there were no objective grounds for the postponement.

On July 2, 2016, the Environmental Supervision Department again imposed a fine on the company upon the expiration of the time limits. Based on the protocol, at this time the company was fined 45 000 GEL - again a triple amount of the already tripled initial fine of 5000 GEL.

On July 5, 2016, the Minister of Environment and Natural Resources issued a decree on granting Georgian Manganese the right to carry out permit activity in compliance with the conditions set by the Ministry of Environment and Natural Resources Protection of Georgia. “According to the decree, the Ministry presupposes that “the enterprise is the main source of employment of the population of the town of Chiatura and revoking the environmental impact permit would trigger a social crisis... It is also noteworthy that in the present case revoking the environmental impact and, thus, depriving the permit holder of the right to carry out an activity could not ensure improvement of difficult ecological situation, while imposing additional environmental measures on the permit holder and monitoring their enforcement provides more possibilities for improvement of existing conditions.” Based on the Order of the Minister, Georgian Manganese LLC was granted the right to carry out a permit activity until December 31, 2017, based on a condition to fulfil the abovementioned obligations and construct a new enrichment plant.

The license for use of manganese ore owned by Georgian Manganese was issued in 2006 for 40 years. According to the terms of the license, 16 430 hectares has been allocated for the company for entrepreneurial activities, including 13 068 hectares in Chiatura district (24% of the total area of the district) and 3 362 hectares in Sachkhere district. Conditions of the license issued in 2006 was first inspected in 2013 and only a practice of processing mineral deposits in Perevi, Rgani, Itkhvisi and Upper Itkhvisi villages was examined partially. The inspection revealed that the conditions of the license, almost all the norms and regulations for the safeguard of environment and safety had been violated during the mineral production. The company

was fined 500 GEL and a reasonable time limit was set to eliminate violations; the damage caused to the environment amounted to 2 079 582,34 GEL. During the re-inspection in 2014, it became clear that the violations had not been eliminated within reasonable time limits. The company was fined 1500 GEL and was again given a reasonable time limit to eliminate violations. However, the inspection conducted in 2017 again revealed significant violations of law.

In 2014, the Rgani, Tsereteli and Shukruti mines and their terrestrial perimeter were inspected. As a result of the inspection, significant violations of regulations on environmental protection and safety were established. At this time, the company was fined with double amount of GEL 1,000 and the time limit was again defined to eliminate violations. Also, in 2014, due to significant violations of Shukruti, Mghvimevi and Upper Rgani quarries, Georgian Manganese LLC was again fined 1000 GEL. The damage caused to the environment was amounted to 324 328 434, 23 GEL.

As a result of examination launched in 2013, numerous facts of **illegal forest use and timber destruction** have been found.

- In 2013, illegal logging and burying 220,6 m³ timber was revealed; environmental damage amounted to 158 832 GEL.
- In 2015, it was established that the company destroyed 591,94 m³ trees in the area of 76 342 m²; the damage amounted to 403 504,2 GEL.
- In the course of the inspection conducted in 2016, destruction of timber 176,17 m³ was revealed; the damage amounted to 87 684,48 GEL.

Zestaponi Ferroalloy Factory plays an important role in Georgian manganese production cycle in addition to licensing use of Chiatura manganese enrichment plants and minerals. The company should have obtain a permit until 1 January 2010, in accordance with the plan (program) agreed with the Ministry. However, as of today, the company does not hold a permit. Because of the negligent and gross violation of the law, the enterprise has been fined several times. In 2015, as a result of the third inspection, it was found that the damage caused to the environment due to emission of harmful substances in the atmospheric air was estimated at 60 472 413,6 GEL

SPECIAL MANAGER

In May 2017, the Ministry of Environment and Natural Resources Protection applied to the court and requested the appointment of a special manager in Georgian Manganese². In the request submitted to the Court, the Ministry pointed out that the imposed fines and additionally defined time limits could not force the company to carry out the license and permit conditions. "The implementation of conditions is of particular importance for the State and society in light of the fact that activities in breach of license/permit conditions cause irreparable harm to the environment, have a negative impact on the soil, water and air. The estimated environmental damage, based on the data given above, amounts to 416110418.51 GEL, which continues to

² [Special manager at the Georgian Manganese – attempts for improvement of the enterprise or distribution of shares?](#) Green Alternative, July 2018

grow steadily. However, on the other hand, the termination of the right granted to the company based on the permit/license, creates a threat to terminate the production for an indefinite time as well as other economic problems, as the Georgian Manganese LLC at the moment is the only company being able to provide a complex process of extracting and processing manganese ore and is equipped with proper manufacturing equipment and facilities (on all objects) and other material and intangible assets, including appropriate human resources. However, it should be emphasized that, as noted above, the Georgian Manganese LLC had not met the permit/license conditions within either of the additional time limits granted to it numerous times in parallel to the imposed fines, even more, has not yet made any effective efforts for this purpose and until now continues to disregard the license conditions negligently. Taking into consideration the current situation, it is unlikely that the company will eliminate the above-mentioned problems in future because, as it has been noted, no effective measures to fulfill certain obligations have been taken yet and, in fact, it is impossible to fulfill them in the nearest future.”

The Judge Nino Buachidze discussed the request without an oral hearing and delivered its decision on 11 May 2017, the next day. It is worth mentioning that the request itself was presented in 23 pages while the evidence - in 1195 pages.

To fulfill the license and permit conditions, a special management regime has been enacted at Georgian Manganese LLC for not more than 3 years. Nikoloz Chikovani was appointed as the special manager and he was granted the right not only to implement activities related to the fulfillment of the license and permit conditions but also the right to run the enterprise completely independently and solely.

WHAT KIND OF INFORMATION DOES THE COMPANY MAKES AVAILABLE FOR PUBLIC?

Georgian Manganese, which combines former Chiaturmanganese and Zestaponi Ferroalloy Plant, is owned by LLC “Vartsikhe 2005” (Vartsikhe HPP Cascade), has a website <http://www.gaalloys.ge/>. The web site contains general information about companies and members of the management team of these companies.

There is no information on the special management regime and special manager in the company, as well as on the plan of the special management regime and the status of its implementation.

Information about the environmental impact permit and/or license granted to the companies owned by Georgian Manganese and/or documents themselves are not available on the company’s website. There is also no information on the health and social conditions of people living under the impact of activities of Georgian Manganese, as well as on reduction of the impacts and/or environmental conditions.

The website does not present any kind of advice or instructions for the population on the activities performed by the company. There is no information on how a person affected by the activities of companies should tackle these problems, who should be addressed in case of damage inflicted as a result of the company activities. **No contact information is available on the company website.**



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