

Green Alternative

Deep seabed mining

Legislation and practice
in Georgia

2020

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ეს პუბლიკაცია ხელმისაწვდომია ქართულ ენაზეც.



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Introduction

In early 2018, the National Agency of Mines operating under the Ministry of Economy and Sustainable Development of Georgia, with the financial and technical support from the European Bank for Reconstruction and Development (EBRD), started developing a Georgian mining sector policy document. This process lasted almost two years and, eventually, in December 2019, ended not with the Parliament of Georgia adopting the policy document but rather with the Government of Georgia (GoG) adopting the Mining Sector Strategy¹. The process of developing the document was marked by opacity;² prior to being adopted by the government, the Strategy was not made a subject of public discussion, thus, its priority directions, aims and objectives were not defined through public participation and consultations with stakeholders.

To help the Agency with the development of the mining sector policy and strategy, the EBRD hired Adam Smith International, a consulting company. The company prepared background documents reviewing the status of mining sector in Georgia and proposing the national policy interventions.

These documents contain only a couple of sentences about deep seabed mining in Georgia. The consultants note that offshore deep seabed mining “is not part of Georgia’s mining regime” while globally “considerable research is still underway with respect to potential risks and benefits of deep seabed mining”. Despite this, they are suggesting to the GoG to timely establish its priorities for this type of mining. The consultants also add that some countries have imposed a moratorium on deep seabed mining pending additional review.

Based on the suggestions made by the consultants, **deep seabed mining** was included in the priority areas of the Mining Sector Strategy approved by the GoG. According to the Strategy, the task of the GoG is to improve the licensing process; this task, among other measures, includes the following: “Holding consultations with international specialists (International Seabed Authority) and receiving relevant recommendations to study the mineral resources available on the deep seabed in Georgia. Restricting mining permissions without studying mineral resources available on the deep seabed”.

Therefore, due to the fact that this priority measure has been included in the Mining Sector Strategy approved by the government, we should expect that, in the coming years, possibilities of mining on the Black Sea bed, on Georgia’s continental shelf will be explored and that decisions will be made concerning licensing of the extraction of mineral resources from the continental shelf.

As mentioned earlier, according to the consultants hired by the EBRD, deep seabed mining “is not part of Georgia’s mining regime”. In reality, the Georgian legislation regulating mining was amended in 2009 precisely to regulate the issues of mining on the continental shelf; a license – the only license issued so far – to mine on the continental shelf was issued the same year.

¹ The Georgian Mining Sector Strategy approved by the Government of Georgia Decree #2575, dated 9 December 2019, is available on the [website](#) of the National Agency of Mines and on the [website](#) of the Government of Georgia, in Georgian.

² For additional information on the process of developing the document, see *Labyrinths of Georgian Mining Sector Development Planning*, Green Alternative, August 2020. Available at the organisation’s [website](#).

Expecting new developments with regard to the aims set by the Mining Sector Strategy and in continental shelf mining, we decided to study the legislation that has been in force in this area since 2009 as well as the documents produced for the administrative procedures that resulted in issuing the only license to this end. This report is an account of the results of this research.

The first chapter describes how legislation regulating continental shelf mining in Georgia was developed. The subsequent chapter examines the only case of licensing the mining on the continental shelf of Georgia and at the end elaborates on the suspicious coincidences found during analysis of the legislation and practice.

1. Legislation regulating mining on the continental shelf of Georgia

The development of the Georgian mining legislation began in 1996 with the adoption of the Subsoil Law and related by-laws. Until September 2009, the subsoil legislation did not contain any specific norms regulating the mining on the continental shelf, within Georgia's territorial waters (it should be noted from the beginning that oil and gas operations do not fall under the Subsoil Law regulation; there are specific regulations for oil and gas projects). The norms regulating this issue were added in September-November 2009. The process began by adding a new provision to the by-law discussed below and ended by amending some of the laws. The precisely these norms are reviewed in this chapter.

The Government of Georgia Decree #136 “On the Approval of the Regulation on the Procedure and Terms and Conditions for Issuance of License for Mineral Resources Extraction” dated 11 August 2005, along with the Subsoil Law, is one of the key normative acts currently regulating the mining sector. The by-law, as indicated by its title, determines how someone wishing to extract mineral resources should act to obtain a license from a competent authority, how licenses are issued and on what conditions.

There were 77 amendments made to this Regulation since the day of its adoption to this day – between 2005 and December 2020. In 2009, it was changed three times and one of these changes, which was **made on 18 September 2009**, concerned precisely the extraction of mineral resources on the continental shelf of the Black Sea, within Georgia's territorial waters. Before describing the norms adopted in September 2009, it should be noted that in September 2009 (until 2011) the Ministry of Economic Development was responsible for mining sector regulation;³ this ministry was licensing mining activities.

³ Between 1996 and 2008, the regulation of mining was under mandate of the Ministry of Environmental Protection and Natural Resources; in 2008-2011, it was the responsibility of the Ministry of Economic Development, in 2011-2013 – the Ministry of Energy and Natural Resources. In 2013, the regulation of mining was placed back within the competence of the Ministry of Environmental Protection and Natural Resources, although at the end of December 2017, it was eventually deprived of this mandate. This time regulation of mining was placed under the purview of National Agency of Mines, Legal Entity under Public Law (LEPL) formed specifically for this purpose under the Ministry of Economy and Sustainable Development.

The changes made to the Regulation on the Procedure and Terms and Conditions for Issuance of License for Mineral Resources Extraction on 18 September 2009 almost entirely concerned continental shelf mining. Specifically, the following novelties were introduced:

- The type of information to be submitted to the licensing authority was defined for cases when an entity is interested in continental shelf mining within Georgia's territorial waters but the state has no substantiated information about the corresponding deposits. The license seeker, along with other information, must submit to the licensing authority the information about the likely type of the resources to be extracted, the likely location and the duration of the license (Article 3, para. 6¹).
- The Ministry of Economic Development (now – Ministry of Economy and Sustainable Development) was obliged to involve concerned agencies into the administrative procedures related to the issuance of license (Article 3, para. 8¹).
- It was established that, in each specific case, principles and conditions of production sharing between the state (the licensor) and the license holder were to be defined prior to publishing an announcement about holding an auction. The obligation to define these principles and conditions lies with the Ministry of Economic Development but the final decision is made by the GoG. After the agreement with the government, these principles and conditions are reflected in the announcement about the auction. The auction winner licensee is under the obligation to observe the principles and conditions of production sharing and take them as a license condition (Article 7, para. 1).
- The license holder can start extracting mineral resources after meeting two conditions: (a) the license holder must conduct an Environmental Impact Assessment (EIA) of the planned activities and obtain a positive conclusion from the Ministry of Environmental Protection and Natural Resources (now – Ministry of Environmental Protection and Agriculture); and (b) the State Interagency Commission on Deposits must verify the mineral deposits (Article 7, para. 1). In addition, in the event of a negative conclusion on the part of the Ministry of Environmental Protection and Natural Resources, the Ministry of Economic Development cancels the issued license (Article 7⁵, para. 5).

Here, it should be recalled that, in September 2009, according to the EIA legislation, an EIA was no longer obligatory for mining projects. We should assume that in this case, introduction of mandatory EIA for mining projects on the continental shelf was driven by Georgia's international obligations concerning the protection of the Black Sea.

- A continental shelf mining licensee was granted the right enjoyed by 'traditional mining' license holders: to divide a license into several parts and lease the right of use or part of it, or transfer it into the ownership of another person; however, a restriction was also imposed: while usually a mining license holder is under the obligation to simply inform a licensing authority about selling the license or its part, a continental shelf mining licensee was obliged to obtain an approval from the Ministry of Economic Development prior to making such a

decision. It was also specified that such a decision could not be made before the mineral deposits are verified (Article 7, para. 1).

- As mentioned above, the changes made to the Regulation on the Procedure and Terms and Conditions for Issuance of License for Mineral Resources Extraction on 18 September 2009 concerned an instance when a license to extract mineral resources is issued in the conditions when the state does not have substantiated information about mineral deposits on the continental shelf within Georgia's territorial waters. Therefore, after the State Interagency Commission on Deposits, based on the information submitted by the license holder, verifies mineral deposits, the already issued license shall be amended to reflect the amount of the mineral resources to be extracted (Article 7¹, para. 1¹).

Following the changes described above were made to the GoG regulation, in November 2009, the Parliament of Georgia, amended three legislative acts – **the Law of Georgia on Licenses and Permits, the Law of Georgia on the Maritime Space of Georgia, and the Law of Georgia on Subsoil.**

The Law on Licenses and Permits adopted in 2005 is a so-called framework law which establishes an exhaustive list of the types of licenses and permits and general rules of issuing, cancelling and amending them. The law defines the rules of issuing Licenses of Use; a license to extract mineral resources (mining license) is one of the types of a License of Use.

On 3 November 2009, the Parliament of Georgia amended the article of the Law on Licenses and Permits establishing an option of transferring the license as a whole or partially to another person. Namely, the law specified that “the owner of a license of use of mineral resources on the Georgian continental shelf of the Black Sea can divide into several parts, rent or transfer the License of Use and the right of use or its part into the ownership of another person only with the consent of the Government of Georgia”. As already mentioned above when discussing the amendments to the by-law, the by-law only required consent from a license granting authority. Now, the law stipulated that consent from the GoG shall also be obtained, in case licensee is going to decide upon transferring mining right fully or partially to another person.

The explanatory note attached to the law when it was initiated, clarified the need to make such amendment; the initiators of the law substantiated it as follows: “when selling (transferring) a certain license could inflict a particular damage on the state”, “based on the interest of the state, in special cases”, the state must have “leverage to restrict (prohibit) a deal that could be damaging for the state in the future – selling a License of Use to a third party”⁴.

Along with the amendments to the Law on Licenses and Permits, an amendment to the **Law on the Maritime Space of Georgia** was also initiated and passed. A different wording of a one-paragraph article (Article 41) concerning the activities on the continental shelf was adopted. According to the new wording, the provision that allowed Georgian physical and legal persons “to identify, explore,

⁴ Interestingly, the original draft law, the initiated version, envisaged a different wording of the clause. Specifically, the draft law stipulated that the government's consent had to be obtained “in special cases”. During parliamentary hearings of the draft law it was specified that transferring a mining license on the continental shelf, or part of it, to a third person should be considered as a special case.

process and use the resources of Georgia’s continental shelf, lay cables and pipes, and implement other works on the continental shelf” only “with the consent of relevant authorities” was extended to foreign physical and legal persons.

The authors of this provision explained that the law does not prohibit foreign physical and legal persons from activities on Georgia’s continental shelf but, “in order to avoid confusion”, requires that their activities, too, are agreed with relevant authorities.

Soon after the aforementioned legislative amendments, on 20 November 2009, the Parliament of Georgia amended another legislative act – the **Law of Georgia on Subsoil**. Before this amendment, the law did not contain any specific provisions with regard to the extraction of mineral resources from the continental shelf within Georgia’s territorial waters. “Continental shelf” was mentioned in the law only once, in the definition of the “State Fund for Subsoil” (State Fund for Subsoil consists of the subsoil on the territory of Georgia, its continental shelf, territorial waters and special economic zone regardless of whether this subsoil was, is or will be used”, Article 3).

In November 2009, an article concerning mining on the continental shelf was added to the law, specifically, one on the stability of the relations regulated by the license.

The so-called “stabilization clauses” are normally used in case of investments when states are attempting to attract foreign direct investments (FDIs). To this end, they offer investors an insulation from changes in the regulatory environment by undertaking an obligation that legal norms adopted after signing an agreement will not apply to the investors if changes adversely affect them.

Despite the fact that this approach is widely criticized (due to the negative impact on human rights, among other issues), it is nevertheless often used when signing investment agreements concerning mining and infrastructural projects. Georgia has strengthened this approach in the Law on Subsoil, justifying it by the fact that the legislation regulating oil and gas operations already contained stabilization clauses, and the approach was simply extended to regulate the relations in the field of extraction of other kinds of resources on the continental shelf.

Thus, by adding the new provisions to the Law on Subsoil in November 2009 (Article 32¹) to protect the rights of the license holders to extract mineral resources from Georgia’s continental shelf, the state undertook the following obligations:

- Amendments to the Georgian legislation, in the event they worsen the investment conditions and/or have a negative impact on the licensee’s rights and interests envisaged by the license, will not apply to the mining license on the continental shelf of Georgia;
- Similarly – normative acts issued by the executive branch of the Georgian government, if they restrict the licensee’s property rights obtained and exercised in accordance with the license, will not apply to the mining licenses on the continental shelf of Georgia.

In addition, it was included in the law that state agencies and public officials have no right to prevent the licensee from exercising the rights envisaged by the mining license, except for the instances when they violate the Georgian legislation or the license terms.

2. The license to mine on Georgia’s continental shelf issued in 2009

2.1 Licensing process

As mentioned in the beginning of this report, there is only one license issued to extract mineral resources from the continental shelf of Georgia and it was issued in 2009. This chapter describes the administrative procedures related to issuing this license and their participants. The acts issued in the course of administrative proceedings are not analyzed here; the emphasis is placed only on the details significant for this study.

This chapter is mainly based on the information provided by the National Agency of Mines in response to the Freedom of Information request, concerning documentation produced during administrative proceedings to issue a mining license #100737 on 14 December 2009⁵. According to the materials supplied by the National Agency of Mines to Green Alternative, the following comes to light (the events are listed in chronological order):

- On 17 July 2008, Marine Resources Exploration International B.V. submitted a request to the Ministry of Economic Development, asking “to hold an auction for issuing a license to mine sapropel mud, metal hydroxides and sulphides contained in the upper layers of sedimentary rocks of the Black Sea bed”.
- On 30 October 2009, the GoG issued Decree #799 “On the licensing conditions of auction to issue mining license”. According to the decree, along with other licensing conditions, the government:
 - Approved the licensing conditions of the auction submitted by the Ministry of Economic Development, determined the starting price for the auction and the size of increments. This decree also determined in advance the date when the still unsold license would be put into effect – 1 January 2010.
 - Determined different license expiration dates for different types of mineral resources; specifically, for energy resources (other than oil and gas) and ferrous and nonferrous metal ores – 30 years; construction materials and other non-metallic mineral resources – maximum duration envisaged by the law.
 - Determined the coordinates of the license area and the depth of mining – 100 m below the seabed.

⁵ Letter #22/534, dated 28 October 2019 and letter #22/595, dated 3 December 2019 by the civil servant responsible for release and proactive publication of public information of the National Agency of Mines.

- Along with the obligation to conduct EIA (as required by the GoG Decree #136 dated 11 August 2005), the licensee was made obliged, once the license came into effect, to: (a) within three months, present an environmental audit report concerning the works planned to be carried out prior to mining to the Ministry of Environmental Protection and Natural Resources; and (b) at least six months before the passing of five years, present to the same ministry information about the mineral reserves. In all cases, the licensee became obliged to present to the ministry for approval a list of at least five competent organizations of [good] international reputation. The licensee was allowed to choose one from at least three organizations agreed with the ministry. Also, the ministry was prohibited from refusing to issue its consent “on unreasonable grounds”⁶.
 - Established a scheme of distribution of shares of mineral resources between the state and the licensee in the event of extraction, the timeframe for signing the agreement on production sharing, forms and timeframe for receiving shares by the state.
 - Obligated the licensee to implement the full processing cycle of energy minerals and initial processing of other mineral resources in Georgia.
 - Obligated the licensee, using a procedure similar to the one described above, to select an international organization (auditor) in agreement with the Ministry of Economic Development, which would determine the value of mineral resources, agreed among the parties.
- On 3 November 2009, an announcement about the auction of the mining license was published in the newspaper *24 Saati*.
 - On 9 November 2009, the President of Georgia issued Edict #769 “On allowing certain kind of economic activities in the border zone”. By this edict, the President of Georgia authorized the Ministry of Economic Development to hold an auction to “implement certain activities in the border zone” – to extract mineral resources within the coordinates determined by the edict. The presidential edict precisely contained the coordinates which were indicated in the government decree issued on 30 October discussed above.

The president issued the edict because the Law of Georgia on the State Border of Georgia prohibits any kind of activities in the border zone, which are not related to its maintenance, checking border signs and measures of protecting the state border. In 2009, the law also gave the President of Georgia (currently, the Prime Minister) the right to allow certain kinds of economic activities in the border zone in individual cases.

⁶ It is interesting that when later on, in compliance with this obligation, the licensee actually presented the list to the Ministry of Environmental Protection and Natural Resources in order to choose and agree three out of five organisations, the Ministry responded that it is not mandated to approve the organisations and it is up to the licensee to choose them (source: Letter #07-14/462 dated 11 February 2010 from Vladimer Gegelashvili, deputy minister of environmental protection and natural resources).

- On 4 December 2009, an auction was held at the Ministry of Economic Development. At the auction, the equivalent of USD 2 million in GEL was defined as the starting price of the license, with the equivalent of USD 200,000 in GEL as a bidding increment. One company participated in the auction – Marine Resources Exploration International B. V., LLC, and it was declared the winner. The license was sold at the auction for USD 2.2 million.
- On 11 December 2009, the minister of economic development issued an Order “On issuing a mining license to Marine Resources Exploration International B. V., LLC”.

The order on issuing the license repeats, word for word, the auction licensing conditions established by the GoG Decree #799 of 30 October 2009 with only one difference: an additional licensing condition in the order is the clause on stability of relations (at the time, the article on stability of relations regulated by license had already been added to the Subsoil Law). This last licensing condition (the freezing clause) says that the Georgian legislation in effect by 1 January 2010 and the stability of relations regulated by the license would apply to the license holder for the duration of the license term of validity.

- On 14 December 2019, the Ministry of Economic Development issued a license (license certificate) #100737 to Marine Resources Exploration International B. V., LLC.

The materials supplied by the National Agency of Mines reveal that **exactly four years after the license came into effect, Marine Resources Exploration International B. V., LLC requested its cancelation.**

On 31 December 2013, in the letter⁷ submitted to the National Environmental Agency⁸, the company’s legal representative described the exploratory works carried out by the company by that time and the results of the analysis. She described the resources typical for the sedimentary rocks of the Black Sea, emphasized sapropel mud, and noted that, due to the type and quality of their distribution within rocks, their extraction was not economically justified. Therefore, the company requested to cancel the license.

In response to the company’s request, on 11 February 2014, the acting head of the National Environmental Agency issued Order #73 “On cancellation of the mining license issued to Marine Resources Exploration International B. V., LLC on 14.12.2009”.

2.2 License holder company and the persons connected to it

Along with the procedures of issuing the license, it is also interesting to see who was the first and, so far, only holder of the license to extract mineral resources from the continental shelf in Georgia. In

⁷ Letter by Melanie Chen, legal representative of Marine Resources Exploration International B. V., LLC, dated 31 December 2013, to National Environmental Agency head Shalva Javakhadze, regarding cancellation of the license #100737 granted on 12 December 2009 (registration number of the letter by the National Environmental Agency: 4204). There is also a letter of similar content, but slightly different wording dated 31 January 2014 kept at the agency (registration number of the letter by the National Environmental Agency: 445).

⁸ By this time, the regulation of mining was once again within the competence of the Ministry of Environment and Natural Resources, specifically, the National Environmental Agency subordinated to the ministry.

the materials related to the administrative procedures to issue the mining license, the company refers to itself as follows:

- Marine Resources Exploration International B.V. – in the application requesting to hold an auction; also, in the official statistical observation checklist reflecting the fulfilment of the license conditions;
- Transcription of the company name in Georgian, followed by the company name in English in brackets - „მარინ რისორსიზ ექსპლორეიშენ ინტერნეშენალ ბ.ვ.“ (Marine Resources Exploration International B.V.) – in the application to participate in the auction. In the same application, the company letterhead indicates two other names of the company (tradenames): MAREXIN and Mining the Future.

In the company’s correspondence with the Georgian state agencies, one can find information about the origins of the company and about the persons connected to it. Specifically:

- The company Marine Resources Exploration International B.V is a private company registered under the law of the Netherlands, registration code: NL818955648B01.
 - Registration address: Strawinskylaan 3105, Atrium, 7th Floor, 1077 ZX Amsterdam;
 - Address of the head office: 24, Klaaskampen Street, 1251 KP, Laren, Netherlands;
 - Postal address: 155, Calea Victoriei, 4th Entrance, 8th Floor, Bucharest, Romania.
- The following are indicated as contact persons in various documents: Peter Hamilton, Dorin Marian, DLA Piper Georgia (Vakhtang Paresishvili is indicated here as a contact person) and Nikoloz Sakvarelidze.

There are two companies connected to Marine Resources Exploration International B.V. registered with Georgia’s Registry of Entrepreneurial and Non-entrepreneurial (Non-commercial) Legal Entities (hereinafter – Public Registry) under nearly identical names and different identification codes. One of them still exists, the other was liquidated. These companies are:

- Georgian Branch of Marine Resources Exploration International B.V. (GH):
 - Registration date: 15 September 2010;
 - Identification code: 404872358;
 - Founder: Marine Resources Exploration International B.V. Limited Liability Company, the Netherlands;
 - Directors: Giorgi Melikidze since founding until 8 May 2013; Nikoloz Sakvarelidze since 8 May 2013 until present.
- Marine Resources Exploration International, LLC:
 - Registration date: 18 August 2008;
 - Liquidation date: 18 January 2012;
 - Identification code: 205261679;
 - Owner: Marine Resources Exploration International B.V. Limited Liability Company, identification code: 34292800;
 - Sole head: Peter Antony Hamilton (March 2010); Melanie Anne Chen (September 2010).

Based on the documents concerning the aforementioned companies kept in the Public Registry, the following can be learnt about the license holder company:

Marine Resources Exploration International B.V., LLC was founded in the Netherlands on 23 January 2008 (under the registration number 34292800 assigned by the Trade Register of the Netherlands Chamber of Commerce). When founded, the company was named - Black Sea Alternative Energy Development Institute B.V.; On 16 July 2008, the company changed its name and has since been called Marine Resources Exploration International B.V. According to the excerpt from the Trade Register of the Netherlands Chamber of Commerce for the same date, the company's only shareholder is Rompetrol Holding S.A. registered in Switzerland.

Excerpts from the Trade Register of the Chamber of Commerce made at various times also allow to identify the company directors. Specifically:

- Dan Costache Patriciu – director of the company from the day of its establishment, 23 January 2008;
- Melanie Anne Chen – director of the company since 19 September 2009 (together with Dan Costache Patriciu);
- Ioan Dan Popescu – director of the company since 17 February 2011 (together with the directors mentioned above).

The area of activities of the company is defined as follows: “Agents participating in sales of fuel, ores, metal and chemical substances”; The area of activities of the Georgian branch of the company was defined as follows: exploration, extraction, production, enrichment of any kind of oil and gas on land or in the sea, manufacturing of refined and semi-refined products, wholesale or retail trade in these products, obtaining permits, licenses and concessions related to oil and gas operations, including in Georgia and outside of its borders as well as in international waters.

It should be noted that the first two directors of the company – Dan Costache Patriciu (Dinu Patriciu, as he is referred to by the media) and Melanie Anne Chen are closely connected to one other company registered in Georgia; this company is Liberty Bank, JSC.

In September 2009, Liberty Bank, JSC was purchased by Liberty Capital; Liberty Capital is a subsidiary of and fully owned by the Dutch investment company Liberty Investments Holding B.V. founded by Dinu Patriciu and former Prime Minister of Georgia Vladimer (Lado) Gurgenidze⁹. According to Liberty

⁹ Khoroshvili Aleks, 22 August 2018. *Metamorphosis!* Forbes Georgia. Available at: <https://forbes.ge/news/4629/Metamorphosis>

Bank, Romanian businessman Dinu Patriciu,¹⁰ until the day of his death (19 August 2014), was the key shareholder and the chairperson of the Supervisory Board of Liberty Bank¹¹.

Like Dinu Patriciu, Melanie Anne Chen, the second director of Marine Resources Exploration International B.V., also has links to Liberty Bank. According to the Public Registry information, like former Georgian Prime Minister Lado Gurgenidze, she was, at various times, director of Liberty Holding, LLC (identification code: 205286322).

Giorgi Melikidze, former director (2010-2013) of the Georgian branch of Marine Resources Exploration International B.V, is closely connected to Liberty Bank, too. According to the Public Registry, Giorgi Melikidze, at different times, held the director's post in the companies linked to Liberty Bank: Liberty Capital, Liberty Securities, Galt and Taggart, Smartex.

No connection could be found between the current director of the Georgian branch of Marine Resources Exploration International B.V., Nikoloz Sakvarelidze (who has been the head of the bank since May 2013), and Liberty Bank; however, there is a connection between him and another former Georgian prime minister, leader of the ruling Georgian Dream party and billionaire, Bidzina Ivanishvili, and the private investment fund the latter has established – the Georgian Co-Investment Fund¹².

According to the Public Registry, in addition to the Georgian branch of Marine Resources Exploration International B.V., Nikoloz Sakvarelidze is also the head of Movat Sakartvelo, LLC (identification code: 204535173). Galeria Holding, LLC (identification code: 404541215) owns 100% of shares of Movat Sakartvelo, LLC, while Galeria Tbilisi, LLC (identification code: 204558497), in turn, owns 100% of shares of Galeria Holding, LLC. It is well known that the Galeria Tbilisi shopping mall located in the heart of Tbilisi is the property of the Georgian Co-Investment Fund¹³. In late 2019, there were reports

¹⁰ Dinu Patriciu, Romanian billionaire and politician, appeared in the spotlight of the media on many occasions. In 1998, Patriciu purchased the state-owned oil company Rompetrol, which he turned into a multinational company and, later, in 2007-2009, sold it to the Kazakhstani oil and gas state-owned company KazMunayGas. In 2008, Forbes called him the richest person in Romania. Dinu Patriciu was one of the founders of Romania's Liberal Party and a member of the Romanian Parliament. In 2006, Dinu Patriciu was accused of fraud, money laundering and illegal manipulation of markets in favour of Rompetrol in 1999-2001. In 2012, after an investigation that lasted several years, the court of first instance acquitted him and his alleged accomplices. The decision was challenged in the court of appeals; in October 2014, the court of appeals ended the case against Dinu Patriciu, following his death; other participants of the case, including former vice president of Rompetrol Group Netherlands, received different convictions (sources: Independent <https://bit.ly/3aroCgZ>, Romanian National Press Agency AGERPRES <https://bit.ly/2WsotSe>, KazMunayGas International <https://bit.ly/3h4KeRE>).

¹¹ Liberty • ლიბერტი (@libertybank.ge · Bank]. 19 August, 2014. *It is with great sadness that we wish to inform you that Dinu Patriciu, a prominent Romanian businessman and majority shareholder of Liberty Bank passed away yesterday after a protracted battle with a serious disease. Mr. Patriciu was 64...* [Facebook status update] Retrieved from: <https://bit.ly/38TdV4D>

¹² It is interesting that the current owner of Rompetrol, KazMunayGas, also features in the activities of the Georgian Co-Investment Fund. When the Fund was established, Transparency International Georgia criticised this initiative by Bidzina Ivanishvili due to the lack of the mechanisms of transparency and accountability (Transparency International Georgia, 25 November 2013, [New USD 6bn Georgian Co-Investment Fund: Transparency will play a role in its success](#)). To this day, the public is only aware of one owner of the Fund – Bidzina Ivanishvili. When the Fund was established, Transparency International Georgia wrote that, according to unofficial sources, among other partners of the Fund there are Kazakhstan's KazTransOil, a subsidiary of KazMunayGas, and billionaire Aleksandr Mashkevich, who made his fortune by investing in Kazakhstan's mining industry and who was involved in high-profile money laundering and fraud cases in Belgium in 2011 (Transparency International Georgia, 29 May 2014, [Georgian Co-Investment Fund's 2014 projects: Further transparency needed](#)).

¹³ The Georgian Co-Investment Fund, undated. [Galeria Tbilisi](#)

that Bidzina Ivanishvili was selling this property;¹⁴ whether or not Galeria Tbilisi was sold remains unknown.

2.3 Suspicious coincidences

As it is clear from the previous chapters, the legislation regulating extraction of mineral resources from Georgia's continental shelf or, more accurately - its elements, were developed in the course of mere three months in 2009. Furthermore, the administrative procedures to issue the mining license on the continental shelf only took three months. Both processes unfolded without any transparency, stakeholder engagement and public participation, in general.

To demonstrate the links between legal amendments and the process of issuing the license, an infographic is presented below. The left column of the infographic shows the measures carried out by the Parliament and the GoG to amend the Georgian legislation, with dates; the right column contains the measures carried out by the competent authorities specifically to issue the license, also with corresponding dates.

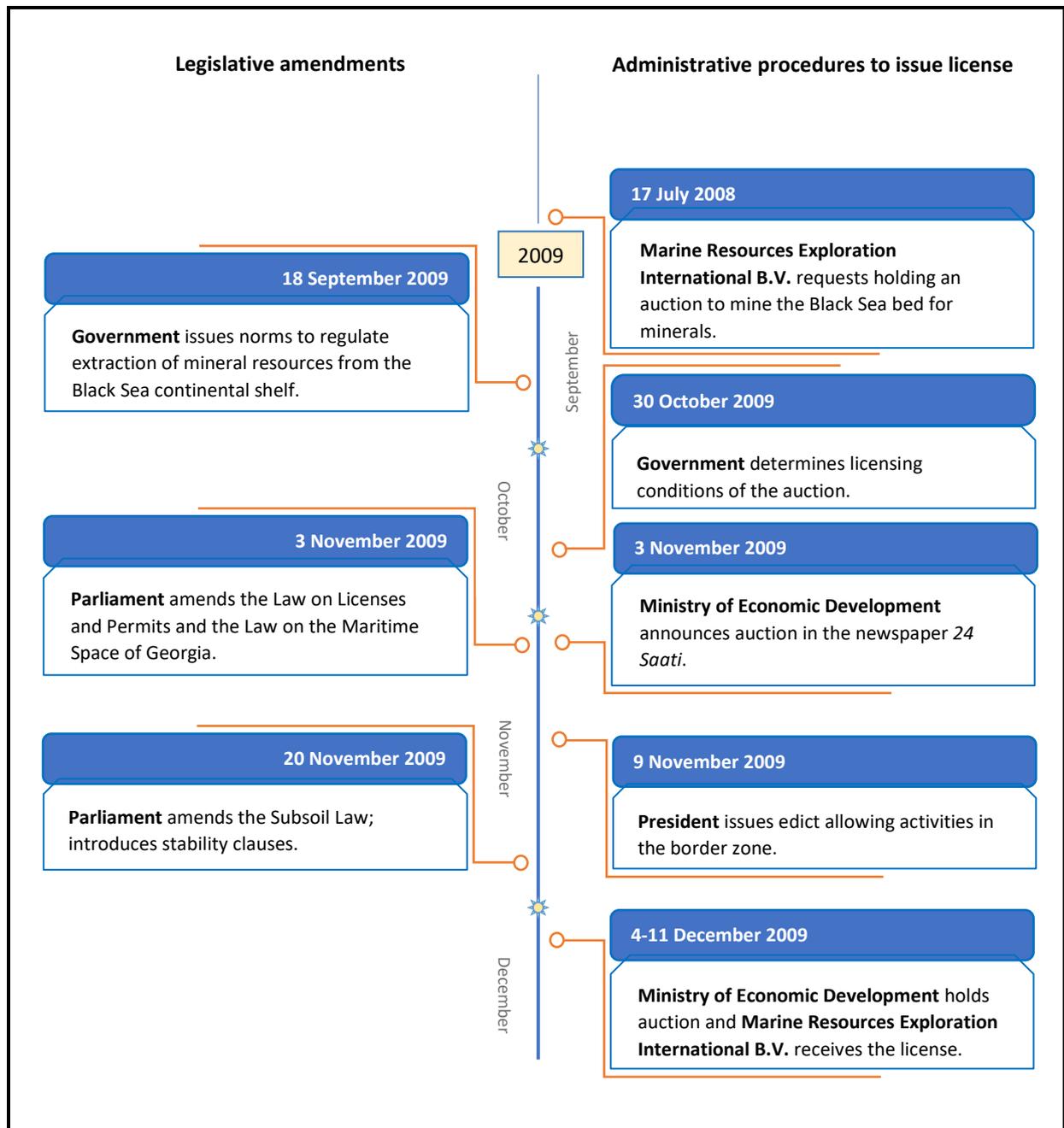
As shown by the infographic, Marine Resources Exploration International B. V. requested to hold an auction to extract mineral resources from the Black Sea bed in July 2008. The company made this request during an exceedingly difficult time in Georgia's recent history. It should be recalled that 2008 was marked by political and civil crises: in response to the political crisis of the autumn of 2007, extraordinary presidential election was held in January 2008; in May 2008, parliamentary elections were held; in August 2008, the Georgian-Russian war took place, in which 2,500 people were killed and injured, over 26,000 were displaced, infrastructure and natural environment were damaged. In March 2008, the right to issue mining licenses was transferred from the Ministry of Environmental Protection and Natural Resources (which held this right for 12 years) to the Ministry of Economic Development. Precisely at this time – when administrative bodies had to respond to crises and adapt to the new licensing procedures – the company requested to be granted the right to extract mineral resources on the continental shelf. It should not be surprising that it was only a year later that the state agencies managed to “find the time” to respond to the company's request. However, as soon as they did “find the time”, all of them – the parliament, the president, the government and the Ministry of Economic Development – in concert, made the decision and issued the license within mere three months.

The infographic demonstrates well how the legislation was amended and adapted to specific needs and administrative procedures to issue the license were carried out – speedily and in parallel. In this rush, first the government added new provisions to the by-law, then the Parliament caught up on with corresponding amendments to the laws regulating the sphere. The Ministry of Economic Development announced an auction to issue a license concerning such a territory where no activities were allowed without a decision by the President of Georgia. This, too, was soon taken care of – the president caught up with the decision – issued an edict allowing activities in the border zone. It should be noted that this kind of an approach towards investors and their projects was usual practice in the energy sector

¹⁴ Business Media Georgia, 26 December 2019. Video (in Georgian): [Bidzina Ivanishvili Sells Galeria Tbilisi for USD 130m](#)

as well. Green Alternative’s 2013 publication *Energy Projects and Corruption in Georgia*¹⁵ describes how, during the same years, the state agencies intervened to create a special environment for the companies implementing hydropower projects.

Infographic. Chronology on legislative amendments on seabed mining and administrative procedures to issue license for mining on the continental shelf of Georgia.



Finally, worthy of a special mention is the business partnership between former Prime Minister of Georgia Lado Gurgenzidze and the owner of Marine Resources Exploration International B.V., now

¹⁵ Available on the website of Green Alternative: <http://greenalt.org>

deceased Romanian billionaire Dinu Patriciu, and how the links between them may have influenced the decisions made by the authorities.

Lado Gurgenidze held the prime minister's post in Georgia from 22 November 2007 until 27 October 2008. Dinu Patriciu's company requested auctioning of a mining license in July 2008; that is to say, when Lado Gurgenidze was still holding the prime minister's post. Even though the state agencies carried out the procedures to issue the license described in previous chapters when Lado Gurgenidze was no longer the prime minister, by that time, Lado Gurgenidze and Dinu Patriciu already had mutual business interests related to Liberty Bank. It is possible that they also had other mutual business interests unknown to the public. At any rate, the chronology of events provides grounds to suspect that Lado Gurgenidze, despite leaving his post, could have taken advantage of the connections he had made while holding a public-political post and use them for lobbying in favor of Dinu Patriciu's company.

Afterword

As mentioned in the introductory part of this study, seabed mining ended up among the priorities of the Mining Strategy of Georgia that the government adopted a year ago, in December 2019. It could be assumed that this will be followed by the interest in investing in this business.

Even though the developments discussed in this study unfolded over ten years ago, the state of affairs in Georgia's mining sector has hardly changed. Considering the knowledge and experience accumulated in deep seabed mining worldwide, to avoid negative impacts on environment (including the Black Sea environment), population and economy as well as the risks of corruption, the national policies and legislation governing both the mining sector and the environmental protection need to be revised. It is also important that the process of revision itself is conducted as transparently as possible and involving broad public.

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