



RUSSIAN CAPITAL AND RUSSIAN CONNECTIONS IN GEORGIAN BUSINESS

2022

RUSSIAN CAPITAL IN GEORGIA

Introduction

The harmful influence of the Kremlin at the international level [encompasses](#) several critical areas, including the military, political, economic, and informational domains. With the aggressive invasion of the Russian Federation into Ukraine in February 2022, followed by the imposition of unprecedented sanctions, the economic aspect has gained special significance. Energy issues have become particularly pressing in Russia's relationships with Europe.

In the context of the ongoing war and related sanctions, reducing dependence on Russian energy sources presents a significant challenge to the European Union. On the one hand, this dependence undermines the effectiveness of the imposed sanctions, and on the other hand, it provides a steady source of income for Russia to fund its aggression. Moreover, the issue of energy dependence takes on added social significance, as it could have real-life [impact](#) on the general population.

The above information highlights the crucial role that the energy sector plays in ensuring the national security, sovereignty, and stability of the state. It is imperative to gauge the extent of the country's reliance on Russian business by analyzing the presence of Russian capital in key areas. The influx of Russian capital into Georgia has far-reaching socio-economic implications, and normalizing it as a major investor can significantly impact society's perception of Russia and its actions. Additionally, disinformation campaigns are often tied to the economic aspect.

It is a well-known fact that Russia has been abusing its control over energy dependence as a tool for implementing its political agenda on the international stage since 2006. In 2022, even a few months prior to the war in Ukraine, Russia [leveraged](#) its control over energy resources, particularly gas, to exert political influence over European states. This highlights the danger of relying on Russian capital, which tends to be susceptible to political manipulation.

On June 3, 2022, the European Union adopted its sixth round of sanctions, which included a partial embargo on Russian oil. Starting December 5, 2022, the import of Russian crude oil by sea will

be prohibited, followed by a ban on petroleum products starting February 5, 2023. However, the import of crude oil and oil products through pipelines will remain unaffected, allowing Hungary and Slovakia to import oil, albeit with a restriction on reselling Russian oil products to other nations.

In 2015, the Institute for Development of Freedom of Information (IDFI) released a report titled „Russian Capital in Georgian Business,“ which provided a general overview of the representation of Russian capital across various business sectors. Given the recent significant changes in the business landscape, it is imperative to evaluate their impact and provide updated information on this issue. The updates for 2021-2022 are divided into various economic spheres. [Initially](#), IDFI conducted research on the telecommunications, banking, mineral extraction, and mineral water industries. This report will delve into several strategically important areas, including the electricity, oil, and gas industries.

A REVIEW OF THE CURRENT STATE OF THE ENERGY MARKET IN GEORGIA

According to the Georgian Ministry of Economy, the country's energy system is linked to those of Russia, Turkey, Azerbaijan, and Armenia. The bulk of electricity trade originates from the first two countries. Imports from these nations are carried out in the winter to meet increased demand, while exports occur during the summer months due to the abundance of natural water and generated electricity. The exchange with Armenia is conducted in a smaller volume.

In 2021, Georgia consumed a total of 15.3 billion kilowatt hours (kWh) of energy, with a demand for 15.6 billion kWh, including 293.5 million kWh of electricity loss. During the same year, Georgia imported 2 billion kWh of electricity from Russia, with 1.2 billion kWh, or 62.2% of the total amount, originating from Russia. However, 80% (992.7 million kWh) of the energy imported from Russia was supplied to the occupied territory of Abkhazia, where Georgia has no effective administrative control.

Consequently, the share of electricity imported from Russia in the territory under Georgian government control is 25% (252.2 million kWh), with the remainder coming from Azerbaijan (60%) and Turkey (15%). It is noteworthy that in 2021, only 1.61% of the total electricity consumed in Georgia (including losses) was directly imported from Russia to the controlled territory of Georgia (excluding oil).

INTER RAO

The Russian company „Inter Rao“ holds a significant position in the Georgian energy market, owning and managing hydroelectric power plants. Unfortunately, it is also responsible for supplying electricity to the capital of Georgia.

„Inter Rao“ operates in countries such as Finland, Belarus, Lithuania, Ukraine, Georgia, Azerbaijan, Kazakhstan, Mongolia, and China. The company is primarily owned by Russian [state energy companies](#), with „Rosneftgaz“ holding 27.63% of its shares, „Inter Rao Capital“ owning 29.56%, and Rosseti FGC UES holding 8.57%, while also [being](#) the sole owner of Russian power transmission lines. The remaining 34.24% of „Inter Rao“ shares are publicly traded.

The General Director of „Inter Rao“ is Boris Kovalchuk. The company's Supervisory Board comprises

11 members, many of whom have ties to Russia's ruling elite. Four of these members, Igor Sechin, Dmitry Shugaev, Anatoly Gavrilenko, and Boris Kovalchuk himself, have been sanctioned by the United States. The remaining seven members of the Board, including Boris Ayuev, Andrey Bugrov, Alexander Lokshin, Vladimir Milovidov, Andrey Murov, Ron Poletti, and Elena Sapozhnikova, have yet to be impacted by Western sanctions as of March 30, 2022.

„Inter Rao“ holds a 75% stake in „Telasi“, „Khramesi 1,“ and „Khramesi 2“ in Georgia. The company also manages Engur HPP, which is owned by the Georgian state. However, the specific details of its management practices are not publicly known, and efforts to obtain information through public information requests have been unsuccessful. According to an investigation by Studio „Monitor,“ in 2007 the Georgian government sold „Telasi“ and the HPPs to „Inter Rao“ on the condition that the company would construct three new HPPs on the Khram River by 2025. This was to reduce the country's dependence on electricity imports. The funds for these facilities were to come from increased tariffs charged to the population.

In 2012, „Inter Rao“ entered into negotiations with the newly elected Georgian Dream government, leading to the signing of a secret memorandum on March 31, 2013. As a result of these negotiations,

the company's obligation to build energy facilities was replaced with a promise by the government to reduce electricity fees by 3 tetri. This reduction was part of the Georgian Dream's pre-election promises to the population. Studio „Monitor“ reached out to „Telasi“ regarding the funds accumulated between 2007 and 2013 and their disposal, but the company declined to provide this information, citing protection of „commercial secrets.“

According to its 2020 financial statements, „Inter Rao“ earned a profit of 5.5 million GEL in that year.

Silk Road Holdings B.V. holds a 75.11% stake in JSC „Telasi,“ which is fully owned by „Inter Rao.“ 24.53% of „Telasi“ shares are owned by „Best Energy Group“ LLC, with the remaining 0.36% owned by other shareholders.

TELASI

„Telasi“ is the sole energy supplier for the capital of Georgia, [serving](#) 697.4 thousand subscribers. Its activities include electric energy transportation and the maintenance, operation, reconstruction, modernization, and expansion of Tbilisi's electric distribution network for effective electric energy system functioning. According to the company, the annual electricity consumption in the capital is around 3 billion kWh, which constitutes approximately 20%

of Georgia's total consumption.

According to its annual report, „Telasi“ had a profit of 71,655,000 GEL in 2021, a 221% increase from the previous year. In 2020, the profit of „Telasi“ was 21,796,000 GEL.

During the shareholders' meeting on March 31, 2022, the following individuals were approved to serve on the „Telasi“ Supervisory Board: Alexander Abramkov, Dmitry Volkov, Yuri Makhov, Sergey Samarin, Zurab Gelenidze, and Koba Ghurtskaya.

In addition to his interests in the energy sector, Koba Ghurtskaya is involved in a wide range of other business ventures in Georgia. He is a business partner of businessman Khvicha Makatsaria in various companies and also serves as a director in companies where Makatsaria holds shares. Makatsaria's company „Best Energy Group“ owns 24.53% of „Telasi“. **In May 2022, it was reported that Georgian businessman Khvicha Makatsaria is acquiring a 100% stake in Vion Georgia, which is linked to a sanctioned Russian oligarch Mikhail Fridman.**

Koba Ghurtskaya is the single owner of „Vini“ LLC, which in turn holds a 75% stake in „G&L“ LLC. In 2017, it was revealed that G&L LLC had won a tender organized by the Georgian Ministry of Economy, granting the company exclusive rights to operate a lottery within the country for a decade, until 2027,

in exchange for 5 million USD. No other company participated in the tender. Ghurtskaya is also the Director of CBS Group Holding, which, according to its website, manages several significant companies operating in Georgia, including Tbilisi Mall, Telasi, Caucasus Cable Systems, Caucasus Online, Tbilisi Minibus, and others.

KHRAMHESI 1 AND KHRAMHESI 2

„Khrameshi 1“ and „Khrameshi 2“ are high-mountain power stations located in the southwestern part of Georgia. „Khrameshi 1“ is situated in the Tsalka district, while „Khrameshi 2“ is on the 115th km of the Khrami River. „Khrameshi 2“ operates in a round-the-clock regulation mode and primarily uses water produced by „Khrameshi 1“. Both of these power stations are owned by Gardabani Holding B.V., which is in turn owned by Inter Rao. In 2021, they generated 629.1 million kWh of energy, accounting for 4% of the total energy consumed in Georgia.

Koba Ghurtskaya, who holds dual Russian-Georgian citizenship, made donations of 180 thousand GEL to the political party „Georgian Dream - Democratic Georgia“ in the years 2016, 2017, and 2018.

ENGURHESI

In December 2008, just a few months after the conclusion of the Russo-Georgian war, the Georgian Ministry of Energy signed another memorandum with “Inter Rao” for the joint management of “Engurhesi.” The largest hydroelectric power station in the Caucasus, “Engurhesi” is located on the Enguri River and boasts a total capacity of 1300 MW. In 2021, it generated 3.5 billion kWh of energy, accounting for 22.5% of Georgia’s total energy consumption.

The Engurhesi Dam is located in Georgia with the power plant located on the Abkhazian side of the administrative border. The Georgian Ministry of Energy signed a memorandum with “Inter Rao” for joint management of the Engurhesi hydroelectric power station two weeks before any comment was made on the agreement. On January 12th, 2009, the Minister of Energy, Alexander Khetaguri, announced to the media that the Enguri HPP would be managed jointly by both Georgian and Russian parties. According to information from Inter Rao, the ten-year program aimed to “effectively operate”

the Enguri HPP was agreed upon as part of the memorandum signed between the two parties.

Despite widespread public interest, the details of the memorandum signed between the Georgian government and the Russian company “Inter Rao” were kept confidential. Despite attempts by the newspaper “Resonans” and the “Young Lawyers Association” to obtain information through the court, the content of the agreement remains unknown to this day, even under the new government that took office after 2012.

In May 2022, the Institute for Development of Freedom of Information (IDFI) requested a copy of the memorandum from the Ministry of Economy of Georgia, but there has been no response from the agency to date. The 2020 report reveals that Engurhesi operated at a loss during the year, with a total loss of 53,960,000 GEL. This was an increase from the loss of 8.2 million GEL in 2019.

SAKRUSENERGO

Sakrusenergo is a crucial player in the Georgian energy sector, managing and owning crucial power transmission lines, including those through which Georgia receives electricity from Russia. The joint-stock company is co-owned by the Georgian state with a 50% stake and the Russian company “Federal Grid Company of United Energy System” with the other 50%. Founded in 1996 by both entities, “Sakrusenergo” is overseen by a supervisory board with a Russian chairman, Alexei Molsky, and a Georgian deputy chairman, Avtandil Tevzadze. The board also comprises members from both Russia and Georgia, including Madina Kaloeva, Dmitry Ustyugov, Andrei Tulba, Aleksandre Chivadze, Thea Gabadadze, and Ivane Rostiashvili. According to the company’s information, “Sakrusenergo” operates and controls a number of important power transmission lines. These include inter-system lines, such as [the 500 kV “Kavkasion” line](#) connecting Georgia and Russia, [the 500 kV line](#) connecting Georgia and Azerbaijan, [the 330 kV “Gardabani” line](#), and [the 220 kV “Adjara” line](#) connecting Georgia and Turkey. Additionally, the

company operates internal system lines such as [“Imereti”](#), [“Kartli-1”](#), [“Kartli-2”](#), [“Mukhran”](#), and [“Asureti”](#).

The main objectives and functions of “Sakrusenergo” are:

- ◆ Ensuring the maintenance and safe operation of its owned electrical transmission lines;
- ◆ Facilitating seamless transmission of electricity, including providing transit transmission services;
- ◆ Promoting collaboration and parallel operation with neighboring countries’ energy systems.

The tasks and goals of JSC “Sakrusenergo” as outlined in their 2019-2029 ten-year plan include:

- ◆ Building a new [330 kV two-chain power plant “1.2 Gardab”](#) to connect the energy systems of Georgia and Azerbaijan at the Georgia-Azerbaijan border;
- ◆ Constructing the [500 kV “Marneuli-Airum”](#) and [500 kV line from the N42 tower of “Mukhrani”](#) to the Georgia-Armenia border;
- ◆ Rehabilitating the [500 kV “Imereti”](#) building;
- ◆ Building the [Ksani-Stephantsminda Mozdok](#) connection site.

In August 2013, “Sakrusenergo” signed a 49-year lease with the Ministry of Economy and Sustainable Development of Georgia, securing two plots of land in Gldani, Tbilisi - one 7500 square meters and another 3000 square meters - for its office and base construction. The company’s new base, which includes a logistics and transport service, Tbilisi operation and repair area, and a warehouse for heavy equipment and materials, was commissioned in 2017. Prior to this, the company operated in a rented office and in a leased area for its base. The latest annual report shows that “Sakrusenergo” had a profit of 14,476,000 GEL by 2021.

LLC “MTKVARI HPP”

According to the Georgian Co-Investment Fund’s website, the construction of the Mtkvari Hydro Power Plant (HPP) project is underway in Akhaltsikhe Municipality along the Mtkvari River. The Fund took the lead and fully acquired the project in 2014, revitalizing its construction. With a total installed capacity of 53 MW and an average annual electricity production of 251.5 million kWh, the estimated output of the project accounts for 1.9% of Georgia’s total electricity consumption, which was 13.4 TWh in 2019. In February 2020, Mtkvari Hesi completed the excavation of Georgia’s longest and largest diameter tunnel, a 9.6 km tunnel with a 6-meter diameter, using Double Shield TBM technology.

The excavation of the tunnel was a significant and lengthy stage of the project and marked a move towards its final phase. The project was slated for completion and operational launch in early 2022. The ownership structure of the company is as follows: “Mtkvari Holding” LLC owns the company and “GCF Partners” LLC, a limited liability company, manages 100% of the shares. In turn, 100% of Mtkvari Holding LLC is owned by GCF Luxembourg LLC, with ultimate control by GCF Elpi registered in the Cayman Islands.

As a managing company of the co-investment fund, “GCF Partners” LLC specializes in investment management, general management, and other consulting services. According to the 2020 report on the reporting portal, the company concluded a general management service agreement with “Georgian Tourism Development Fund” (GTDF) LLC in 2017. GTDF LLC is fully owned by “Kartu Fund”.

Giorgi Bachiashvili, who holds dual citizenship in Georgia and Russia, is the sole owner of GCF Partners LLC, with Tsoetne Ebralidze serving as the General Director. The company was established in 2013, with its founding partners being Giorgi Bachiashvili (42%), Ucha Mamatsashvili (42%), and Levan Vasadze (16%). In 2014, Levan Vasadze left the partnership, returning his 16,000 GEL contribution to the company’s charter capital, and his share was evenly divided among the remaining two partners.

In 2018, Ucha Mamatsashvili sold his 50% share of the company to Giorgi Bachiashvili.

Until 2019, Giorgi Bachiashvili was the head of the co-investment fund, and currently he serves as the Chairman of its Advisory Board, with Tsotne Ebralidze as the Executive Director.

Leontina Galdava is the director of current energy projects for both Mtkvari Holding and Lentekhi Holding, as well as having previously held the director position at GCF Hydro Development LLC, a company connected to the co-investment fund and fully owned by GCF Luxembourg. In 2017, GCF Hydro Development underwent a reorganization that involved separating it from GCF Hydro Mtkvari, Lentekhi Holding, and Oni Holding, and merging it with Tschenistskali, Khobi Holding, and Namakhvani Holding.

In 2018, the company rebranded as Batumi Tower Holding LLC and was involved in the construction of Batumi Riviera as the mortgagee of the construction company. In 2021, it underwent another reorganization and merged with Resort Holding LLC, retaining the Resort Holding name. The company is fully owned by GCF Luxembourg SARL and is currently directed by Givi Gabelaia, who also serves as the director for the Axis Tower Holding project of the co-investment fund.

Simultaneously, [Leontina Galdava](#) serves on the Supervisory Board of the state-owned JSC “Georgian State Electric System” and, according to the organization’s website, has held the position of an energy officer at the “Partnership Fund” since 2018.

The Georgian State Electric System is the sole operator of Georgia’s electricity transmission system, responsible for transmitting and dispatching electricity to distribution companies and directly to consumers, sourced from hydro, thermal, and wind power plants.

The primary focus of GSE’s activities encompasses:

- ◆ Planning and coordinating electricity generation and consumption;
- ◆ Connecting to the power transmission network;
- ◆ Developing the power transmission network (by constructing international and domestic transmission lines and substations);
- ◆ Providing technical support to the power transmission network.

The organization’s revenue is generated through the exchange of cash for electricity transmission and dispatching services to eligible businesses.

As per the annual report, “Mtkvari Hesi” LLC suffered a loss of 24,185,000 GEL in 2021.

JSC “DARIALI ENERGY”

is undertaking the construction of the “Dariali HPP” in Kazbegi, located along the Terg River. The project involves building a 108 MW hydroelectric power plant in the north-east region of Georgia, specifically in the Kazbegi area, at an altitude of 1729 meters above sea level.

The hydroelectric plant harnesses the water flow from the Tergi River, which is directed through a derivation tunnel to the main facility located 1.2 km from the Russian-Georgian border at 1334 meters above sea level. With an annual stable output of 500 million kWh, roughly 70% of the energy will be generated during the summer months (May-October).

The project also involves connecting the Dariali power plant substation to the national grid through the Dariali 110 kW transmission line. The construction timeline is 4.5 years, and the estimated payback period, after the start of operations, is 40 years. The total investment required for the project amounts to 123 million US dollars.

The current shareholders of the company are “Energia” LLC (44.27%), “TEPCO Renewable Power Singapore PTE” LLC (31.38%), and the Lock W. Home Irrevocable Trust dated December 2012 (24.35%). “Energia” LLC has two shareholders, Mevludi Bliadze, a citizen of the Russian Federation (70%), and “Feri” LLC (30%).

Bliadze is a businessperson based in Russia, with a focus on constructing infrastructure projects. On the other hand, Feri LLC’s primary business is constructing hydroelectric power stations, power transmission lines, pipelines, roads, bridges, tunnels, and various other structures and facilities in challenging terrains. One of the [projects](#) executed by the company was the excavation of the Mtkvari HPP tunnel for the co-investment fund.

As per the annual report, “Dariali Energy” LLC recorded a profit of 24,169,000 GEL in 2021.

LLC “ENERGIA” (“SHILDAHES”)

Mevlud Bliadze, a Russian citizen, owns 70% of the shares in the “Shildahesi” small hydroelectric power station, while 30% is owned by “Feri” LLC.

In 2021, “Shildahes” produced 18 million kWh of energy, accounting for only 0.1% of the total production.

It should be mentioned that the financial information of “Energia” LLC is not readily accessible on reporting portals.

PSHAVI HYDRO LLC

“Skurdidi HPP” in Adjara is a hydroelectric power plant with a capacity of 1.33 megawatts, built by the company. The Georgian government entered into a memorandum with the company in 2014, just a few months after its establishment, to build the HPP. It was commissioned in 2019.

Rauli Kurdadze, who holds dual citizenship in Georgia and Russia, owns 87% of the company, while Zviad Gugava, also a dual citizen of Georgia and Russia, owns the remaining 13%.

OVERVIEW OF GEORGIA'S ENERGY DEPENDENCE, THE CURRENT SITUATION IN THE OIL AND GAS MARKET

SUMMARY OF KEY FINDINGS

The share of Russian products in the oil sector has increased

Over the course of just one month, from May to June, the share of Russian oil in the Georgian market increased by 5%. This rising trend is continuing.

Among the oil market companies operating in Georgia, there is scarce evidence of Russian ownership. The sole company where Russian ownership is still apparent is Lukoil Georgia. With regard to Gulf, its owner is Petrokasia, of which 49% of the shares are owned by the Russian company Rosneft.

Since the beginning of the war in Ukraine, Rosneft's stake has been divested, thus erasing any direct evidence of Russian influence in the company. Despite this, the upward trend of Russian oil imports indicates that a substantial number of Georgian companies are still reliant on Russian oil, even with-

out Russian ownership. Consequently, the element of economic dependence in this sector continues to grow.

According to the National Competition Agency's 2022 data, the five largest companies control 59% of the Georgian oil market, with Russia's Lukoil Georgia among them. As per [Tenders Monitor's](#) findings on August 8, 2022, from 2010 to June 2022, Lukoil Georgia had signed nearly 3,000 contracts with Georgian state authorities for the supply of vehicle fuel, worth a total of 200 million GEL.

In Georgia's natural gas sector, the majority of imports come from Azerbaijan. In 2021, the sum paid for gas imported from Russia accounted for 22% of the total value of imported gas, while in the first half of 2022, it dropped to 14.6%.

Regarding companies that import natural gas in the Georgian market, there is no evidence of Russian ownership or other affiliations with Russia.

BRIEF SUMMARY

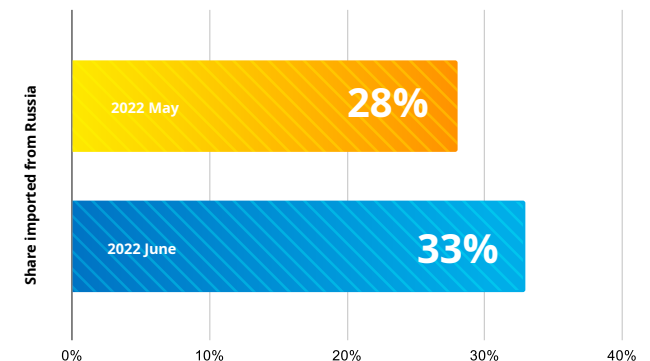
Oil and oil products

Between January and June of 2022, Georgia imported a total of 597,537 tons of oil, with a value of \$577 million. Motor gasoline and diesel accounted for the largest portion of oil and oil product imports, both of which were primarily imported from Russia

during this period. **Consequently, Russia became the number one importer of oil to Georgia, with import volumes reaching 33% of the total GDP, equivalent to approximately 198,000 tons. As of May 2022, the share of oil imported from Russia was 28%, or nearly 139,000 tons, indicating a 5% increase in just one month.** During the same period, the amount spent on oil imported from Russia exceeded \$184 million, accounting for 32% of the total oil imports to Georgia.

Due to the confidentiality surrounding information on oil importers, it is impossible to determine which companies contributed to the increased volume of Russian oil imports in Georgia.

On August 17, 2022, the Competition Agency released a monitoring report on the motor fuel market, which indicated that **the volume of fuel imported from the Russian Federation was increasing and accounted for 64.5% of the total imports during the April-July period.**



In addition, the agency's analysis of factors contributing to retail prices found that fuel imported from the Russian Federation had a significant impact.

On average, the price of fuel imported from the Russian Federation (March-July) is 30-70 tetri lower than that of the fuel imported from European countries. However, it has been observed that large companies in the retail market sell fuel at the same price as European fuel.

At present, Russian ownership in the oil sector of the Georgian market is limited to "Lukoil Georgia". The company was established in Georgia in 2002 and has been 100% owned by LITASCO SA since December 2020, which is in turn owned by the Russian Lukoil Public Joint Stock Company.

According to information obtained from the National Statistics Service, four out of the five largest companies in the market import fuel from Russia. These companies include "San Petroleum Georgia," "Lukoil Georgia," "Visol," and "Sokar."

As part of the research, questions were sent via email to these companies inquiring about the amount of fuel they imported from Russia between January and July of 2022, the percentage share of the fuel imported from Russia in the total amount of fuel they imported in 2022, and the main rea-

sons why they import fuel from Russia. However, the companies did not provide any responses to these questions.

MAJOR PLAYERS - OIL

LUKOIL

The retail oil market in Georgia saw a volume of 1,322,225 thousand liters and 506 operating companies in 2021. There are 1,232 gas stations across the market. According to [data](#) from 2022 published by the National Competition Agency, the top 5 largest companies in the retail oil market control up to 59% of the market share, and one of them is the Russian company "Lukoil Georgia". "Lukoil Georgia" was established in Georgia in 2002 and is now 100% owned by LITASCO SA, which has been owned by the Russian Lukoil Public Joint Stock Company since December 2020. The Director of "Lukoil Georgia" is Mikhailo Jurovich from Serbia. **However, in January 2022, the United States included the Russian "Lukoil" in its [list](#) of sanctioned companies, which limits oil projects.**

The main activity of the company is wholesale and retail sales of oil and petrochemicals through a network of gas stations and oil storage bases, which

are located throughout Georgia. According to the company's data, it owns 57 gas stations on the territory of Georgia, with 21 of them located in the capital Tbilisi.

"Lukoil Georgia" has been actively participating in state procurement for years.

According to the data of "[Tenders Monitor](#)" on August 8, from 2010 to June 2022, the company had signed up to 3,000 contracts with the state agencies of Georgia for the supply of vehicle fuel, the total value of which reaches 200 million GEL. Agreements signed in recent years mainly include direct, simplified purchases.

The annual financial reports of "Lukoil Georgia" indicate a consistent decrease in the company's overall profits in recent years. These reports, spanning from 2016 to 2020, are readily accessible on a financial reporting portal where the annual reports of companies operating in the country are publicly available.

The figures outlined in the aforementioned annual reports paint a concerning picture, with **"Lukoil Georgia" earning 11.7 million GEL in 2016, 4.6 million GEL in 2017, 13.6 million GEL in 2018, 3.2 million GEL in 2019, and only 1.2 million GEL in 2020.**

Interestingly, the name of Otar Partskhaladze, a former chief prosecutor of Georgia, is closely associated with “Lukoil Georgia.” Georgian media reported in 2017 that Partskhaladze held the position of deputy director of Lukoil. More recently, an investigation conducted by “Freedom Monitor” raised questions regarding the alleged monopoly/corruption schemes related to the transportation of oil products, which apparently involve Lukoil and Partskhaladze directly.

“PETROKAS ENERGY GEORGIA”

“Petrokas Energy Georgia” is wholly owned by “Petrokas Energy Management Limited,” a company registered in Cyprus. Nugzar Katamadze, a citizen of Georgia, serves as the director of “Petrokas Energy Georgia,” with Vano Nakaidze being one of the company’s founders. Until May 2022, 49% of the company was owned by Russian Rosneft, which Nakaidze subsequently [acquired](#).

Despite publicly available documents, the ownership structure of “Petrokas Energy Georgia” through businessman Davit Iako-Bashvili’s companies remains unclear, despite a wealth of information available in the media. For example, in 2010, Iakobashvili and his partners sold their shares in Wimm-Bill-Dann, Russia’s largest food products manufacturing company, for \$600 million. Iakobashvili purportedly invested this money into

Petrokas Energy, acquiring a 10.5% stake in the company.

“Petrokas Energy Georgia” is a controlling stakeholder in several of Georgia’s largest oil companies. According to company information, these include “Channel Energy (Poti) Limited” LLC (the Poti oil terminal), “San Petroleum Georgia” (a chain of Gulf gas stations), and Gulf Aviation. Additionally, the company trades in oil products from the countries in the Caspian Sea basin.

“CHANNEL ENERGY (POTI) LIMITED” - GEORGIA

“Channel Energy (Poti) Limited” holds a 32.67% stake in “Poti Terminal Holding” LLC (Poti Oil Terminal). Other shareholders of the oil terminal include “Danedo Management Corp,” registered in the Virgin Islands, with a 16.33% stake, and “Otora Trading,” also registered in the Virgin Islands, which holds a controlling 51% stake.

On the other hand, “Channel Energy - Georgia” is 75% owned by “Channel Energy (ERA) Limited,” registered in Gibraltar, with the remaining 25% held by the joint stock company “Corporatsia Poti Seaport.”

Due to the offshore registration of these companies, the complete chain of ownership cannot be ascertained with publicly available sources at this

stage. However, “Petrokas Energy Georgia” has publicly stated on its website that it owns and controls the Poti oil terminal, as well as the “Gulf” gas station network and “Gulf Aviation.”

GULF AVIATION GEORGIA

Gulf Aviation Georgia has been a part of Petrokas Energy Georgia Holding since 2017. **It supplies fuel to the international airports of Tbilisi, Batumi, and Kutaisi, as well as to airlines operating in local airports.** According to the company, it supplies fuel to the following airlines: Turkish Airlines, Air France, LOT Polish Airlines, Etihad Airways, Ryanair, Pegasus Airlines, Ukraine International Airlines, El Al Airlines, MyWay Airlines, Georgian Airways.

“SAN PETROLEUM GEORGIA”

In 2010, LLC “Sonoil Oil Products” was established in Georgia with the aim of creating a gas station network. The company was eventually renamed “Sun Petroleum Georgia” in March 2011. Currently, the company owns a network of 150 gas stations, 65 stores, and 5 liquid gas (CNG) terminals with a combined capacity of 25 million litres.

As of December 31, 2020, Energy Investment Venture Holdings, registered in the USA, was the immediate parent company of the company, with

“Petrokas Energy International Limited”, registered in Cyprus, as the ultimate controller. The director of the company is Craig Steven Kramer, a US citizen.

In the past, “San Petroleum Georgia” was owned by Davit Kezerashvili, the former Minister of Defense of Georgia. When the “Georgian Dream” government replaced the “United National Movement” government in October 2012, “San Petroleum Georgia” issued a statement a few weeks after the election stating that Kezerashvili was no longer among the company’s shareholders as of November 2012. Instead, businessman Davit Iakobashvili had reportedly increased his share in “Gulf”.

Nevertheless, the change in shares was not reflected in the Public Registry of Georgia, with only the company’s management data being updated, and Energy Investment Venture Holdings remained the owner of “San Petroleum Georgia”. It is likely that the transaction took place outside the borders of Georgia, possibly in an offshore zone.

In its June 2013 report, “Transparency International - Georgia,” a non-governmental organization, claimed that **Davit Iakobashvili had acquired a portion of Davit Kezerashvili’s businesses linked to the “National Movement” following the elections, potentially as a result of deals made in offshore locations. The report stated that after the change in government, various**

advertising and energy companies, which were owned by firms registered in offshore locations and controlled by Kezerashvili or his associates, had changed hands. According to the report, Russian businessman Davit Iakobashvili, who was born in Tbilisi, had acquired several of these firms.

The same report also highlighted the links between Davit Iakobashvili and Bidzina Ivanishvili, the founder of Georgian Dream. Specifically, in March 2012, Ivanishvili’s agro-industrial firm, “Stoilenskaya Niva,” purchased multiple factories from Iakobashvili’s holding company, ЗАО Pycarponпоект (Russian Agrarian Project). Although Iakobashvili confirmed the transaction in 2012, he did not disclose its exact value.

More recently, on August 24, 2022, it was reported that “San Petroleum Georgia” had been granted permission by the National Competition Agency of Georgia to control (lease) 32 gas stations owned by 23 economic agents. According to the latest [information](#), the retail network of “San Petroleum Georgia” is expanding in Georgia.

PETROKAS’ TIES TO ROSNEFT AND THE THREAT OF SANCTIONS

Since December 2014, the Russian energy company “Rosneft” has owned 49% of the shares in

“Petrokas Energy Georgia,” which has been operating in Abkhazia, a region of Georgia under Russian occupation. However, in May 2022, the CEO of “Petrokas,” Vano Nakaidze, announced that he had bought out “Rosneft’s” shares, making the Russian energy company no longer one of the company’s shareholders.

In the summer of 2022, the Ukrainian platform “War and Sanctions” published a [note](#) regarding “Petrokas Energy Georgia’s” parent company, PETROKAS ENERGY INTERNATIONAL LIMITED, which is registered in Cyprus, and its founder, businessman Davit Iakobashvili. According to the note, **Iakobashvili has close ties to the regime responsible for an aggressive war against Ukraine, in which crimes against humanity have been committed. The note further states that Iakobashvili was present at a meeting with the President of the Russian Federation on December 26, 2018, where issues related to the state’s economy were discussed. As a result, the businessman may be responsible for providing material or financial support for actions that undermine or threaten Ukraine’s territorial integrity, sovereignty, and independence.**

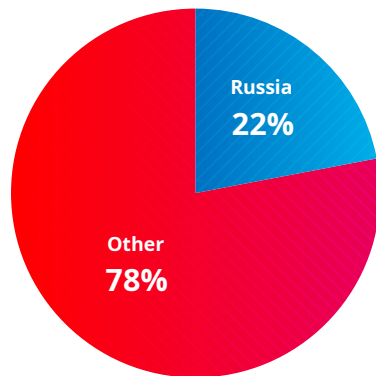
The “War and Sanctions” platform was created by the Ministry of Foreign Affairs of Ukraine and the National Anti-Corruption Bureau. The database lists businesses and businessmen who support

or are close to the Russian government, as well as entities that support Russia's war with Ukraine. Some of the individuals and companies listed in the database have been sanctioned, and the work to impose sanctions on others continues. The goal of the database is to collect information about such companies and individuals and share it with other countries.

As of August 9, 2022, neither "Petrokas" nor David Iakobashvili have been sanctioned by any country, and there have been no discussions of such actions apart from the Ukrainian authorities.

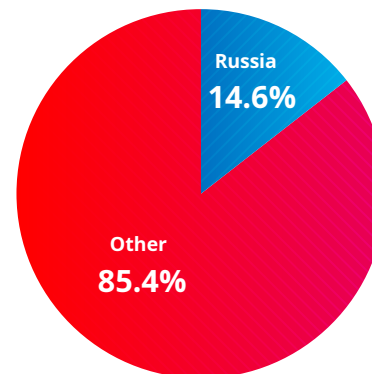
NATURAL GAS

Between January and June of 2022, a total of 1,657 million cubic meters of natural gas was imported,



with a value of \$225 million. Of this total, more than \$192 million was spent on gas imported from Azer-

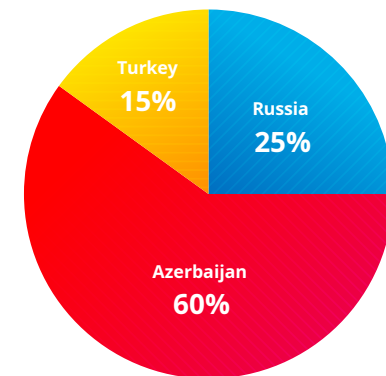
baijan, while the remaining \$33 million was spent on Russian gas. The exact volume of natural gas purchased with these funds is unknown, as this information is confidential. In 2021, the amount paid for Russian gas accounted for 22% of the total amount paid for the total of imported natural gas, which was \$70.9 million, according to data provided by the Statistics Service. Forbes reports that the amount paid for Russian gas in 2020 was \$36.9 million, which is nearly half of the amount paid in 2021. For the first half of 2022, the amount paid for Russian gas represents 14.6% of the total amount.



It should be noted that it is challenging to determine how much reliance on Russian gas has increased due to the lack of available information on gas consumption, and the increase in expenditure may be due to a rise in gas prices.

ELECTRICITY

In 2021, a total of 2 billion kWh of electricity was imported into Georgia. Of this, 1.2 billion kWh came from Russia, which is 62.2% of the total amount, although 80% (992.7 million kWh) of energy imported from Russia entered the occupied Abkhazia territory, over which Georgia's de facto administrative control is not exercised. **Accordingly, the share of electricity coming from Russia in the total imported electricity in the territory controlled by the Georgian government is 25% (252.2 million kWh). The rest comes from Azerbaijan (60%) and Turkey (15%).**



An important place in the energy market of Georgia is occupied by the Russian company "Inter Rao", which owns hydroelectric power plants and, at the same time, participates in their management. The same company is responsible for supplying electricity to the capital of Georgia.

The main shareholders of said joint-stock company are Russian state energy companies. In particular: 27.63% of the shares are owned by the state company “Rosneftgaz”, 29.56% by “Inter Rao Capital”, and 8.57% by Rosseti FGC UES, which is the sole owner of Russian power transmission lines. The remaining 34.24% of “Inter Rao” shares are in free circulation. The General Director of “Inter Rao” is Boris Kovalchuk. The Supervisory Board consists of 11 members, among whom are representatives of the ruling elite of Russia or persons close to it. “Inter Rao” owns 75% of “Telasi”, “Khramhesi 1”, “Khramhesi 2” in Georgia. In addition, the company participates in the management of “Engurhesi” owned by the state of Georgia. However, the conditions for management are generally unknown to the public, and obtaining this information, despite efforts and repeated requests for public information, was not possible at this stage. On the other hand, “Telasi” (from 2020 “Telmiko”) is the only energy supplier of the capital of Georgia, serving 697.4 thousand [subscribers](#).

LLC “Tbilisi Electric Supply Company”, also known as “Telmiko”, was founded in 2020. From July 1, 2021, it became the electricity supplier for the population of Tbilisi, serving subscribers instead of Telasi. All “Telasi” users automatically became “Telmiko” subscribers. After the change, the electricity distribution infrastructure remained in the possession of “Telasi”. As “Telmiko” announced in

2021, the change in the electricity supply company is due to the large-scale reform of the energy sector, within the framework of which Georgia is moving to the European model of the energy market. Telmiko and Telasi actually have the same owners. 75.471% of Telmiko is owned by “Silk Road Holdings B., registered in the Netherlands. Vi.”, which owns the same number of shares in “Telasi”. The remaining 24.529% of Telmiko’s share is owned by “Energy Company” LLC, 100% of which is owned by businessman Khvicha Makatsaria.

“Sakrusenergo” is an important company on the Georgian energy market. This company owns and controls power transmission lines, including the lines through which Georgia receives electricity from Russia. 50% of the joint-stock company “Sakrusenergo” belongs to the state of Georgia, and 50% to the Russian company “Federal Grid Company of United Energy System”. “Sakrusenergo” was founded by these two subjects in 1996.



**RUSSIAN CAPITAL AND RUSSIAN
CONNECTIONS IN GEORGIAN BUSINESS**