



# 2016 Minerals Yearbook

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## GEORGIA

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# THE MINERAL INDUSTRY OF GEORGIA

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Prior to the proclamation of Georgia's independence in 1991, a range of mineral commodities were mined in Georgia, including arsenic, barite, bentonite, coal, copper, diatomite, lead, manganese, zeolites, zinc, and others. The country's metallurgical sector produced ferroalloys and steel. In 2016, mineral production in Georgia was limited, and the mineral industry's contribution to the GDP came mostly from the mining of copper, gold, and manganese and the production of ferroalloys (table 1).

On July 1, 2016, a European Union Association Agreement between Georgia and the European Union (EU) went into effect. By the end of May, Georgia had obtained both the support of all 28 EU member countries to begin the process of economic integration with the EU and designation as a Deep and Comprehensive Free Trade Area (DCFTA). The new association was expected to benefit small and medium businesses in Georgia and to improve energy efficiency in the country. The most significant benefits to the country were likely to come from the gradual reduction of mutual trade barriers. An important feature of this planned process was that the export tariffs of Georgia's goods to Europe would be zeroed out before the import tariffs are eliminated. This action would likely protect Georgia's relatively small market from the influx of goods from Europe during the transition period. Georgia signed the original association agreement in June 2014, and the EU Parliament ratified the agreement in December 2014 (European Commission, 2016).

## Minerals in the National Economy

In 2016, the real gross domestic product (GDP) of Georgia increased by 2.7% to \$14.3 billion compared with an increase of 2.9% in 2015.<sup>1</sup> Industrial production accounted for 17.1% of the GDP in 2016, and mining and quarrying accounted for 1.1% of the GDP. The real value of production in mining and quarrying increased by 7.6% compared with the record increase of 22.4% (revised) in 2015. The real value of manufacturing production increased by 4.8% (National Statistics Office of Georgia, 2016b).

In 2016, Georgia ran a substantial trade deficit—the total value of its exports (\$2.11 billion) was greatly exceeded by the total value of its imports (\$7.29 billion). The country's major export trade partners in 2016 were, in descending order of the value of the exports, Russia (which received 9.8% of Georgia's exports), Turkey (8.2%), Bulgaria and China (7.9% each), Azerbaijan (7.2%); Armenia (7.1%), Germany (4.0%), Switzerland (3.9%), Ukraine (3.5%), and Italy (3.4%). Its major import trade partners in 2016 were, in descending order of the value of the imports, Turkey (which supplied 18.6% of Georgia's imports), Russia (9.3%), China (7.5%),

Azerbaijan (6.8%), Germany (5.8%), Ukraine (5.7%), Italy (3.6%), Armenia and the Netherlands (3.0% each); and the United States (2.9%) (National Statistics Office of Georgia, 2016a).

Mineral commodities, especially metals, played a significant role in the country's exports. In 2016, Georgia exported about 284,000 metric tons (t) of copper ores and concentrates; 229,000 t of ferroalloys; and 3.6 t of unwrought gold. Copper ores and concentrates accounted for 14.8% of the country's total export value; ferroalloys, 8.0%; and gold, 2.8%. In 2015, those commodities accounted for 12.2%, 8.8%, and 2.8%, respectively, of the country's export value (National Statistics Office of Georgia, 2016a).

## Production

Production of gypsum increased by 32%, and that of copper and gold, by an estimated 18.5% and 16%, respectively. Production of silicomanganese and estimated mine production of silver increased by 13% each. At the same time, natural gas production decreased by 42%; manganese, by an estimated 40%; and limestone, by 30%. These and other production data are in table 1.

## Structure of the Mineral Industry

Table 2 is a list of major mineral industry facilities.

## Commodity Review

### Metals

**Iron and Steel.**—In 2016, Georgia had four steel plants, all of which specialized in the production of steel-reinforcing products (mostly rebar) from metal scrap. The plants were the Rustavi metallurgical plant (which was owned by Rustavi Steel LLC), Geosteel LLC (another steel plant located in Rustavi), the Kutaisi metallurgical plant (which was built by Euroasia Steels LLC), and Moulds and Metals Georgia Ltd.'s metallurgical plant in Poti. The total production capacity of the plants exceeded 400,000 metric tons per year (t/yr) of rebar, but actual production in 2016 was only 179,300 t (tables 1, 2).

In July, POSCO of the Republic of Korea announced a plan to build a \$500 million steel plant in Georgia. The plant would have the capacity to produce 1 million metric tons per year (Mt/yr) of steel, but no other details about the project were disclosed (Bizzone.info, 2016).

**Manganese.**—In January 2016, the Georgian Manganese Co. announced that it planned to stop mining manganese at all mines of the Chiatura deposit, which was located in the region of Imereti, for 4 months. The company cited the crisis in the world steel markets and historically low prices of ferroalloys, which had led to an oversupply of manganese. All 3,500 employees were placed on leave and paid 60% of their regular wages and

<sup>1</sup>Where necessary, values have been converted from Georgian laris (GEL) to U.S. dollars (US\$) at an annual average exchange rate of GEL2.367=US\$1.00 for 2016 and GEL2.270=US\$1.00 for 2015.

retained their health insurance. On May 20, the mines reopened and started production. Also in 2016, Georgian Manganese was found to have caused environmental damage in the city of Chiatura and fined 200 million laris (\$82 million). The company claimed that it had conducted mine rehabilitation in a manner that had made the mines safer for the environment during the closure process. The Ministry of the Environment stated, however, that even after the court's decision to impose a fine, the company continued to violate environmental regulations (Charkviani, 2016; Oragvelidze, 2016; OC-Media.org, 2017).

### **Industrial Minerals**

**Cement.**—In June 2016, Black Sea Cement Ltd. (Black Sea Cement) began construction of a new \$120 million cement plant in the city of Senaki in Samegrelo-Zemo Svaneti Region. Black Sea Cement was a joint venture of the Hualing Group of China, Asian-African Business Management Co. of China, and the Georgian Construction Materials Co. Construction was expected to be completed in about 1 year. The plant would have the capacity to produce 900,000 t/yr of clinker and 1.5 Mt/yr of cement. The plant would employ about 500 people and source all raw materials from western Georgia. Black Sea Cement anticipated that the output would be sold domestically and exported. The project was one of the large-scale projects implemented under the “Produce in Georgia” program—a program through which the Government provided support to new businesses in the country (Agenda.ge, 2016; Sputnik-Georgia.ru, 2016).

### **Mineral Fuels**

**Natural Gas and Petroleum.**—In February 2016, Frontera Resources Corp. of the United States increased its natural gas resource estimate to 5 trillion cubic meters from the previous estimate of 3.8 trillion cubic meters announced in October 2015. The estimate increase was a result of the company's ongoing exploration and production efforts in Georgia. The company stated that it would take up to 5 years to begin exporting natural gas to Turkey and Eastern Europe. Frontera Resources began natural gas production at the Mtsare Khevi deposit located close to Iormuganlo village in the area of Sagarejo in eastern Georgia in 2014. In 2016, however, it did not produce significant amounts of natural gas and the country's production decreased by 42% to 6.6 million cubic meters (table 1; Samofalova, 2016).

### **Outlook**

In the past 10 years, the Government of Georgia significantly improved the business climate in the country and became an

associated EU member in 2016. The mineral sector, however, was unable to take full advantage of those changes. In the next 3 to 5 years, the mineral industry of Georgia is expected to have moderate but stable growth. Copper, ferroalloys, manganese, and steel are likely to remain the dominant mineral commodities in the short and medium terms. At the same time, recent discoveries of natural gas resources will likely result in increased energy production in the near future, which could reduce the country's reliance on energy imports and serve as a catalyst for faster future growth in all sectors of the economy.

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TABLE 1  
GEORGIA: PRODUCTION OF MINERAL COMMODITIES<sup>1</sup>

(Metric tons, gross weight, unless otherwise specified)

Commodity <sup>2</sup>	2012	2013	2014	2015	2016
<b>METALS</b>					
Copper, mine production, Cu content <sup>c</sup>	7,400	5,000	5,000	6,500	7,700
Gold, mine production, Au content <sup>c</sup> kilograms	3,900	4,300	2,600	3,100 <sup>r</sup>	3,600
Ferroalloys, electric furnace, silicomanganese	261,075	253,361	256,677	217,300 <sup>r</sup>	244,600
Iron and steel, products, rebar	220,132	188,737	197,300	194,200 <sup>r</sup>	179,300
<b>Manganese, mine production, concentrate:<sup>c</sup></b>					
Gross weight	380,000	380,000	334,000	334,000	200,000
Mn content, 29% to 30% Mn content	110,000	110,000	97,000	97,000	58,000
Silver, mine production, Ag content <sup>c</sup> kilograms	1,000	1,100	700	800	900
<b>INDUSTRIAL MINERALS</b>					
Cement, hydraulic	1,545,546	1,618,723	1,626,198	1,758,600 <sup>r</sup>	1,808,500
Clay and shale, bentonite	120,000 <sup>r, e</sup>	120,000 <sup>r, e</sup>	126,400 <sup>r</sup>	135,500 <sup>r</sup>	138,600
Gypsum	22,000 <sup>r</sup>	22,000 <sup>r</sup>	24,000 <sup>r</sup>	40,100 <sup>r</sup>	52,800
Nitrogen, N content, ammonia <sup>c</sup>	150,000	150,000	170,000	190,000	190,000
Salt <sup>c</sup>	29,000	30,000	28,000	30,000	30,000
Stone, crushed, limestone	NA	NA	849,800	1,234,600 <sup>r</sup>	866,600
<b>MINERAL FUELS AND RELATED MATERIALS</b>					
Coal, bituminous	421,755	371,847	299,300	305,900 <sup>r</sup>	295,500
Natural gas thousand cubic meters	5,400	5,400	10,300	11,400	6,600
Petroleum, crude <sup>2</sup> 42-gallon barrels	320,000	414,400	309,700	301,700 <sup>r</sup>	293,500

<sup>c</sup>Estimated. <sup>r</sup>Revised. NA Not available.

<sup>1</sup>Table includes data available through November 29, 2017. All data are reported unless otherwise noted. Estimated data are rounded to no more than three significant digits.

<sup>2</sup>Production reported in metric tons as follows: 2012—44,061; 2013—56,995; 2014—42,600; 2015—40,200; 2016—38,600.

TABLE 2  
GEORGIA: STRUCTURE OF THE MINERAL INDUSTRY IN 2016

(Metric tons unless otherwise specified)

Commodity		Major operating companies and major equity owners <sup>1</sup>	Location or deposit names <sup>1</sup>	Annual capacity <sup>c</sup>
Barite-zinc ore		NA	Kvaisi Mine	NA <sup>2</sup>
Bentonite		Includes: Askana LLC (Silver & Baryte Ores Mining Co., 97.7%) NA	Of which: Askanskoye Mine, Ozurget'i  Gumbrskoye Mine, Gumbra area	200,000 <sup>3</sup>
Cement		LLC Kartuli Cementi (LLC HeidelbergCement Caucasus Shared Services, 70%)	Rustavi	1,500,000
Do.		LLC SaqCementi (LLC HeidelbergCement Caucasus Shared Services, 75%)	Kaspi and Rustavi	500,000
Coal		Saqnakshiri Ltd.	Akhaltzikhe, Tkibuli-Shaorskoye, and Tkvarchelskoye deposits in Akhalt'ikhis Raioni, Tkibuli, and Tqvarch'eli areas	400,000 <sup>3</sup>
Copper concentrate, Cu content		RMG Copper (Rich Metals Group)	Sakdrisi deposit, Bolnisi area	8,000
Ferroalloys:				
Ferromanganese		Georgian American Alloys, Inc.	Zestafoni ferroalloys plant, Zestap'onis Raioni	400,000 <sup>4</sup>
Silicomanganese		do.	do.	250,000
Gold	kilograms	RMG Gold (Rich Metals Group)	Madneuli Mine	3,500
Iron and steel, steel, rebar		Kutaisi Metallurgical Plant (Euroasian Steels LLC)	Kutaisi	100,000
Do.		Rustavi Metallurgical Plant (Georgian Steel Holding Group, 100%)	Rustavi	125,000
Do.		Geosteel (JSW Steel Ltd., 51%, and Georgian Steel Holding Group, 49%)	do.	175,000
Do.		Moulds and Metals Georgia Ltd.	Poti	NA
Manganese ore		Chiaturamanganumi enterprise of Georgian Manganese Company (Georgian American Alloys, Inc.)	Chiatura Mine, Imereti region	500,000
Natural gas		Frontera Resources Corp.	South Kakheti gas complex	NA
Nitrogen		OOO Rustavi Azot	Rustavi	330,000
Petroleum, crude	42-gallon barrels	Saknavtobi Oil and Gas Co. and most Georgian petroleum companies in joint ventures with Frontera Resources Corp., Ioris Valley Oil & Gas Ltd., Ninotsminda Oil Co. Ltd., Georgian-British Oil Co. (GBOC), Anadarko Petroleum Corp., and GeoGeroil	About 60 wells that account for 98% of output in Mirzaani, Sup'sa, and Zemo T'let'i areas	500,000 <sup>3</sup>
Do.		Canagro Ltd.	Sagarejo, eastern Georgia	NA

<sup>c</sup>Estimated; estimated data are rounded to no more than three significant digits. Do., do. Ditto. NA Not available.

<sup>1</sup>Many location names have changed since the breakup of the Soviet Union. Many enterprises, however, are still named or commonly referred to based on the former location name, which accounts for discrepancies in the names of enterprises and names of locations.

<sup>2</sup>The status of operations was unknown.

<sup>3</sup>Capacity estimate is the total for all enterprises that could produce the commodity.

<sup>4</sup>Production was inactive since 2012.