

Energy Price Rise Rattles Georgia

Government blamed for not limiting steep increase in gas price. The weather seems to be on their side too – it's May already but it's cold as November," said Tbilisi resident Lali Skhiereli, 52. She complained that she was still using her gas heater to warm her two-room apartment, where she lives with her 79-year-old mother.

"But for her, I wouldn't use the heater," she said. "But how can I leave her without heating? Old people are like children, aren't they?"

Lali used to spend 30 to 40 laris (18 to 25 US dollars) a month from her salary of 180 laris to warm her flat, but now she will have to pay around a third more.

As of May 1, the Tbilisi population has to pay 50.6 tetris (around 30 cents) for each cubic metre of natural gas, instead of the former price of 34.3 tetris. Elsewhere in Georgia, the new rate is higher, reaching 55 tetris per cubic metre.

Across the country, consumer gas prices have gone up by an average of 30 per cent. Combined with a rise in the price of bread, they are causing political damage to the government.

The new gas prices were fixed by the national energy regulatory commission on April 16. But Tbilisi residents already knew they would have to pay a higher rate at the beginning of the year, when four Georgian companies signed a contract with the Russian gas monopoly Gazprom for supplies of gas for 2007.

Amid an upsurge of tension between Tbilisi and Moscow last autumn, Gazprom, the main supplier of gas to Georgia, announced it would double the cost of its gas for Georgia from 110 to 235 dollars per 1,000 cubic metres, making it the highest gas price in the Commonwealth of Independent States.

The Georgian government described the price as "political" and declared it would not buy gas from Russia. However, after a long search for alternative sources, it accepted the Russian terms.

Georgia is also receiving gas from the South Caucasus Gas Pipeline that carries gas from the Shah Deniz field in Azerbaijan via Georgia to Turkey. Georgia's share of gas from the pipeline is 250 million cubic metres, which it is entitled to buy at a price of 62 dollars per 1,000 cubic metres. In addition, Turkey has allowed Georgia to use 800 million cubic metres of its own gas allocation from the pipeline.

However, this still leaves Georgia heavily dependent on Gazprom's supplies. Production from Shah Deniz will increase this year and Georgia is continuing to negotiate with Iran over possible supplies, but it is anticipated that Georgia will still need to rely on the more expensive Russian gas in 2008.

Most critics of the government accept that a price rise was inevitable, but question whether it had to be so high.

The consumer gas price has been raised to offset not just the hike in the cost of the Russian gas, but also a state loan of 125 million laris (around 73 million dollars) that was given to large gas-distributing companies early in the year to prevent them from raising prices during the winter. The government has decided that the cost of repaying the loan should be met by consumers.

The cost of other goods is now rising as well, with bread prices being the first to go up.

“We are sorry to notify you that, due to the increase of the gas rate, the price of our bread has risen by five tetris,” said a notice in a small Tbilisi bakery, similar to hundreds of others in the city.

Large bread-making businesses have increased their prices too by two tetris (one cent).

Bread-baking plant No. 3 produces around five tonnes of bread a day, the bulk of which it distributes to penitentiary institutions. The factory used to pay around 5,000 laris a month for gas, but its monthly bill will now rise to 7,000 laris.

“It’s quite possible that the price of bread will increase by five to seven tetris,” said the manager of the bakery Lasha Naroushvili. “There’s one other point to be taken into consideration: if there is a rise in the cost of electricity, the price of flour will grow too, making our position even more difficult.”

Economics expert Gia Khukhashvili predicted Georgia’s electricity price will indeed rise, but only in the autumn, when most energy production switched from hydro-electric plants to thermoelectric power stations running on gas.

Georgia’s national energy regulatory commission has said it did all it could to keep the price rise to a minimum.

“Russia has doubled its gas prices for us, whereas we’ve managed to keep the rate within the range of 50 tetris,” said the chairman of the commission Giorgy Tavadze. “Those people, who dare to say that the commission has pro-Russian interests, simply have no shame.”

However, experts and opposition parties are accusing the government of failing to take all necessary measures to stop the rise being so steep.

Khukhashvili believes that “the government had all the necessary leverage to sort out the issue with less pain for the population.

“They could have set a differentiated rate, finding an arrangement, in which the price would not have changed for the public, while increasing to 55 tetris for the commercial sector. It’s absolutely unfair that a pensioner and a restaurant receive gas at exactly the same price.”

Khukhashvili said the government should have deducted VAT from the gas price. “As a result of all this, the

rate would have risen by five or six tetris at most, not by 15 tetris," he said.

Ever since the commission raised the prices, opposition demonstrators and several dozen ordinary citizens have rallied in front of Tbilisi's city hall or the parliament building, demanding that the government take steps to protect the poorest members of society.

"The most horrible thing is that prices have been rising at an astronomical rate, while pension and salaries remain infinitesimal - and I'm not even mentioning high unemployment," said Giorgy Gugava, a spokesman for the Labour Party.

Government officials have confined themselves to saying that those who live below the poverty line will receive certain benefits, the size of which is yet to be determined.

"I'm afraid waiting for the end of the month, when the next gas bill is due," said Lali Skhiereli. "God knows how much I will have to pay."

Diana Chachua is a correspondent with 24 Hours newspaper in Tbilisi. Sopho Bukia, IWPR Georgia Editor, contributed to this article.

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