

Georgia: Electricity Struggle Heats Up

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How much will Georgians pay for their electricity - and who should foot the bill?

"Justice has prevailed. Residents of Tbilisi no longer have to pay for electricity," the slogan announces in a video broadcast by the Georgian Labour Party with the image of its leader Shalva Natelashvili in the background.

What the opposition party calls a "public service announcement" has aired for weeks now on Georgian television. It marks another phase in the long-running row between Tbilisi residents and the US energy company AES, which owns the electricity distribution system in the Georgian capital.

The makers of the video referred to a decision made by the Constitutional Court of Georgia on December 30 last year in the case of Labour Party versus AES-TELASI. The judges ruled that "in the present environment of economic hardship and low purchasing power, high electricity rates violate the constitutional rights of the majority of Georgian citizens" and cancelled the new, higher electricity tariff introduced in Tbilisi on November 1.

As the court decision effectively abolished the price tariff altogether, the Labour Party quickly urged the public not to pay for electricity at all until the matter is clarified. As a result, AES-TELASI has incurred major losses, while those who followed the Labour Party call ended up with their power cut off for non-payment, and took to the streets in protest.

AES came to Georgia in 1998, at the height of the country's energy crisis. The American company has since invested up to 300 million US dollars in the country's power supply system, and increased electricity prices substantially. Tbilisi residents were paying 6 tetri (about 3 US cents) per 1 kWt/hr of electricity before AES took over. The rate has since more than doubled to 13.7 tetri.

That is painful when the average monthly salary is only 30 US dollars and anger increased when the round-the-clock electricity supplies the American company had promised did not materialise. Georgia still suffers from chronic electricity shortages and power cuts.

Labour Party leader Shalva Natelashvili has ridden the wave of popular discontent. "The AES management probably thinks this is some kind of jungle where there is no government or court system," he told journalists recently.

The situation was so heated that for the first time in its history, the constitutional court felt compelled to violate the letter of the law and counter the politician's harsh statements with a public statement.

"The National Energy Regulatory Board has been instructed to fix a new tariff by March 1," the head of the constitutional court Joni Khetsuriani announced. "Until that time, the tariff in force before the raise, or 12.6 tetri/KWt/hr, will apply."

The head of AES-TELASI Ignacio Iribarren said the furore had been whipped up by other players in the energy sector pursuing their own interests. "Ever since it came to Georgia, AES-TELASI has been under pressure from those who want it out of the country," he said. "Those forces seek to line their pockets by plunging Georgia's energy sector into chaos again."

"We have reliable information indicating that a certain influential lobby group in Georgia is trying to take over this company for a song," Irakly Melashvili, a lobbyist who supports AES, told IWPR.

"Having invested around 300 million US dollars in Georgia, the company has had to increase its rates to get its money back. However, the November hike was the last one. In the future, AES-TELASI was going to work to reduce electricity prices in Tbilisi."

AES-TELASI is currently acting to recover its loss and follow the court instructions at the same time. The company is set to question the legality of the Labour Party video by filing an inquiry with the Georgian Anti-Monopoly Agency.

"If it is established that Natelashvili broke advertising law, he will have to pay a fine equalling seven times the cost of his video, and also pay for a new broadcast disclaiming the previous one," Anti-Monopoly Agency chief Armaz Tavadze told IWPR.

While the anti-monopoly body makes up his mind, the Labour Party has declared it will keep fighting AES-TELASI "by all means possible".

Natelashvili also blamed the Georgian authorities, " The government of Georgia, afraid to upset the US, is condoning the company's actions. But we are also campaigning to restore faith in the authority of the US, which is a friend and strategic partner of Georgia. The American president himself is fighting the energy mafia in his country. Look at the example of Enron, which did not get away with its financial trickery."

The issue is supposed to be fully resolved by March 1. However Georgia's Energy Regulatory Board, which is expected to work out a new lower electricity rate, finds itself in an almost impossible position.

"On the one hand, decisions of the constitutional court are final and binding; on the other hand, we have an agreement with the investor saying that we may not propose a new rate unless with the consent of the investor," said energy board chief Elizbar Eristavi.

In addition, the agreement stipulates that should the electricity tariff be lowered, AES-TELASI's share must remain unchanged. "I don't know how we can do that," said Eristavi, "We have no reserves to draw on for electricity production and transportation costs."

Having no other choice but to comply with the constitutional court order, the energy board called an open public debate for February 6 to try to determine the new electricity rate for Tbilisi consumers. Georgia's economics minister Giorgy Gachechiladze, ignoring the advice of the International Monetary Fund, has already suggested that the power sector should be exempted from VAT.

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