

# GIG – One Team – Multiple Energies

Georgian Industrial Group (GIG) - with twenty years of business experience is one of the largest Industrial Groups in Georgia. Its business portfolio includes coal mining, electric power generation energy, trade, real estate management and others. The company actively develops new strategically important investment projects. "Generally, development and comprehensive utilization of the vast renewable energy potential of Georgia is one of the priorities of GIG" says Joerg Matthies, CEO of the Georgian Industrial Group, he describes groups activity and future plans in this interview with GF.



**JOERG MATTHIES**  
General Director of Georgian Industrial Group

Joerg Matthies joined Georgian Industrial Group (GIG) in February 2015. He is appointed as Chief Executive Officer (General Director) of both Georgian Industrial Group and its main subsidiary Georgian International Energy Corporation (GIEC).

Mr. Matthies, a citizen of Germany, has more than 25 years of energy sector related professional experience, which embraces the private sector, public service, and academic research. He holds a PhD in Economics and is fluent in German, English, Russian and French.

Mr. Matthies who worked before in more than twenty countries worldwide is no stranger to Georgia. From 2009 to 2013 he served as CEO of Georgian Water & Power (GWP) a major player in the water and energy market of Georgia. Lately Mr. Matthies has been involved in private equity in the Russian Federation, managing a large portfolio of assets across a wide range of industries. Before 2009, Mr. Matthies was in charge as Managing Director of the international consultancy and engineering business of MVV Energie AG, a major German energy utility group.

**Mr Matthies, Georgian Industrial Group is one of the largest holdings in Georgia; please tell us about your holding.**

Business is a process of creating values, which is based on constant development and improvement. The more successful you do your business the better becomes your reputation as a reliable and trustful business partner. GIG – Georgian Industrial Group – are proud of having achieved such a highly appreciated reputation within and outside Georgia.

GIG is a leading industrial holding in the country, being one of the largest taxpayer and employers. The company has been operating in the Georgian and regional markets for some 20 years, employs about 3000 staff and has implemented projects of strategic importance.

There is a whole range of companies active in various industries, which operate under the umbrella of the Group. These comprise coal mining, power generation, energy trading, natural gas sales, real estate, construction materials, mechanical engineering and others. The largest player within the GIG member companies is Georgian International Energy Corporation (GIEC), which has a considerable share in power generation in the Georgian market. The company gen-

erates approximately 10% of electricity consumed in Georgia. Its market share reaches 15% during winter season when thermal power plants are working at highest capacity.

GIEC owns gas-fired power units #3 and #4 in Gardabani with a total installed capacity of 300 MW. Besides there are 8 hydro power plants with an aggregate installed capacity of 50 MW.

The company actively develops new strategically important investment projects. GIEC largest plans for the nearest future include construction of a coal-fired 150 MW power plant in Tkibuli, which is located in the western part of Georgia. Locally mined coal shall be supplied to the plant by GIG's subsidiary Saknakhshiri which translates into English as Georgian Coal Company. Commissioning of the new plant is expected by Y2020.

Meanwhile, GIEC has signed a memorandum with the Ministry of Energy of Georgia concerning the planning, construction, ownership and operation of hydropower plants Natanebi 1 and 3 on the riv. Natanebi in the Guria region. At a first stage, the company conducts a feasibility study to look at the technical solutions and financial viability of the projects.

Generally, development and comprehensive utilization of the vast renewable energy potential of Georgia is one of the priorities of GIG. Having taken wind measurements over a period of 3 years in the ShidaKartli region in central Georgia, the Group is very keen on planning and implementing at this location a large-scale wind farm..

Apart from power generation GIEC also pursues ambitious plans for developing electricity and gas trade and transit with Georgia's neighbors. Amongst other things about 100 million kWh of electricity has so far been exported this year to Turkey and Armenia.

Under its brand Neogas the Group is amongst Georgia's leading networks of gas filling stations. In total it owns and operates 30 gas stations all over the country.

Another priority of GIG is coal mining. Saknakhshiri is the only coal mining company of Georgia holding mining licenses in the Tkibuli-Shaori coal basin. In that area of Georgia the company is by far the largest employer. By introducing modern tailor made mining technologies coal output should triple over the next 3 to 4 years reaching annually 1 m tonnes.

Last but not least GIG with its subsidiary Tiflis Group is major player in the Tbilisi real estate market where it owns and markets office buildings, retail property, warehouses and refrigerating facilities.

**The ability to efficiently export Georgia's electricity depends on the infrastructure. How capable is the infrastructure currently?**

As mentioned above Georgian International Energy Corporation is using its best efforts to diversify and increase its export possibilities and use the country's transit potential to the fullest extent. GIEC exports electricity to the Republics of Turkey and Armenia. Export efficiency largely depends on infrastructure

and cooperation between the private and the state sectors. Akhaltsikhe-Borchkha 400 kV interconnection line can serve as an example of successful cooperation between the two. Despite the heavy investments made in electricity infrastructure during the last decade, the export capabilities are still limited. Local infrastructure development along with the boosting cross border trade would attract new investments, increase energy security of the country and in the long run facilitate transformation of Georgia into a genuine electricity hub.

**What makes Georgia an attractive destination for investment?**

Georgia has got a very liberal investment climate. The country ranks very high on the World Bank's list of "Ease of doing business 2015" which measures the regulatory environment on whether it is more or less conducive to starting and operating of a business. Georgia has signed an Association Agreement with the European Union which will further improve the economic, legislative and regulatory framework for investments and business operations.

**Where are the best prospects currently and in the near future in the energy sector for foreign investors?**

At present the best prospects are clearly in renewable energy, mainly hydro power. In addition it is in the country's best interest to ensure security of energy supply in the long run, relying own resources and its location as a transit corridor for oil and gas. So, using domestic coal or gas, building underground gas storages, windfarms, or thermal solar collectors, all contribute to make energy supply secure and more reliable.

**What do you do to ensure the protection of nature?**

All our investment projects and current operations have to comply with the legislation governing protection of environment and nature. Having

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said that all new projects undergo strict environmental impact assessment and public hearing involving all interested stakeholders. Mitigation measures are always part of the project after authorities issued permits for construction.

**How are you managing the impact on the environment?**

The first step is to identify and understand environmental risks caused by operations and new projects. This should be assessed and approved, create measures, designed and implemented to avoid or restrict the adverse impact on the environment. To this end we have set up an inventory of environmental risk for the whole group. It also starts revising comprehensive environmental management plan for all companies of GIG. We employ highly qualified specialists with the background and many years of experience on environmental matters.

**What is necessary to solve environmental problems in Georgia? How should environmental education be carried out?**


Solving environmental problems starts with raising awareness both at the level of decision makers and among the population. Education on environmental issues should start as early as possible so that youngsters won't throw rubbish away on the street but collect it and put it where

it belongs to. Just to take that as a trivial example. Georgia is a beautiful country but it is also comparably small and vulnerable. People should understand that polluting the environment i.e. by dumping waste just everywhere is against their own interest and it is areal sin before their country.

**Which sectors are promising the biggest returns for PE investors in Georgia?**

I think the most promising private equity investments will be in hydro power, hospitality, logistics and perhaps agricultural / food processing. However this requires private equity taking a different view on investments. There are very few mature companies that can be brought out by private equity funds. Little room is there for venture capital to invest in start-ups. However greenfield projects might offer interesting opportunities selling out to strategic investors at a later stage.

**What are your goals during your management?**

Management is all about people, structure and corporate structure. My goal is by addressing these issues to transform GIG into a modern financially sound and socially responsible group of companies with highly qualified and dedicated staff, transparent structure and efficient procedure. 



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