

TBILISI : In The Wake Of The Energy Crisis, Gas Reserve Dreams Cruelly Out Of Reach.

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The Messenger, Georgia ; 9/2/2006

Barely a week has passed since the energy crisis and the Georgian government has taken up not only the issue of finding alternative sources to Russian energy but also is looking longingly at the idea of constructing underground gas storage facilities.

Natural gas reserves are one way to guarantee Georgia's energy security and therefore the construction of storage areas has strategic importance. Unfortunately the project is prohibitively expensive and the Georgian state budget is not able to finance it at the moment.

When Georgia's supply of Russian natural gas was cut for a week it threw the country's energy supply infrastructure into chaos causing serious hardship for a large portion of the population. At the same time, the people of Armenia - which also normally takes its gas from the damaged pipeline - practically did not feel the supply-line cut because they had access to their own natural gas reserves which had been accumulated in underground storage.

The Georgian government was harshly reminded of the country's absence of natural gas storage facilities during the energy crisis, but according to the Georgian media the government still regards finding alternative gas supplies and increasing its electricity resources as its main priorities.

Gas storage construction has been postponed because the project needs a great deal of money and lots of time. The Minister of Energy Nika Gilauri still believes that underground natural gas storage would be a luxury for Georgia at this stage, on the other hand if an investor is found for the massive project then its realization would, of course, not be ruled out.

According to the newspaper Kviris Palitra, in the summer of 2005 there were stories that the U.S. Trade and Development Agency was ready to allot USD 1 million to finance research into the construction of gas storage facilities, although this prospect never progressed beyond the rumor stage.

The actual amount necessary for such a project depends on the actual volume of the facility as the technology involves sealing and then pressurizing an empty mine with active natural gas. For example, USD 45 million would be necessary for converting the Samgori mine into a storage facility as its volume is 300 million cubic meters, while the Ninotsminda mine, with a volume of 750 million cubic meters, would require at least USD 90 million. However a local analyst Davit Eliashvili calculates that the sum could actually be as high as USD 200 million, the newspaper Kviris Palitra reports.

Complicating matters further is the fact that both the Ninotsminda and Samgori mines were sold to the British oil company Canargo and before they can be used to store gas it will be also necessary to get permission from the company.

This system of storing gas is also far from efficient. Water, sand and other unwanted additives make their way into reserved natural gas and consequently up to 50 percent of this gas can be lost during

the cleaning process when the gas is removed for use. Cleaning also costs money and the price of gas which is reserved in this type of storage is 25 percent greater than gas which goes directly into use.

At the moment there are about 630 large-scale natural gas storage facilities in the world, three of which are in the South Caucasus: one is in Armenia - near Yerevan - and two are in Azerbaijan - in Karabakh and Kalmas.

Russia has 45 billion cubic meters of natural gas reserves which make up 11 percent of its yearly usage. The U.S. has 87.3 billion cubic meters in reserve, or 14 percent of its yearly total, while France has 40 billion cubic meters representing 10 percent of its yearly consumption. Georgia is just no looking to join the game.
