

# BRIEF ON KEY BUSINESS ISSUES

№3/2018 16.02.2018 Kyiv

## Coal stocks at power plants

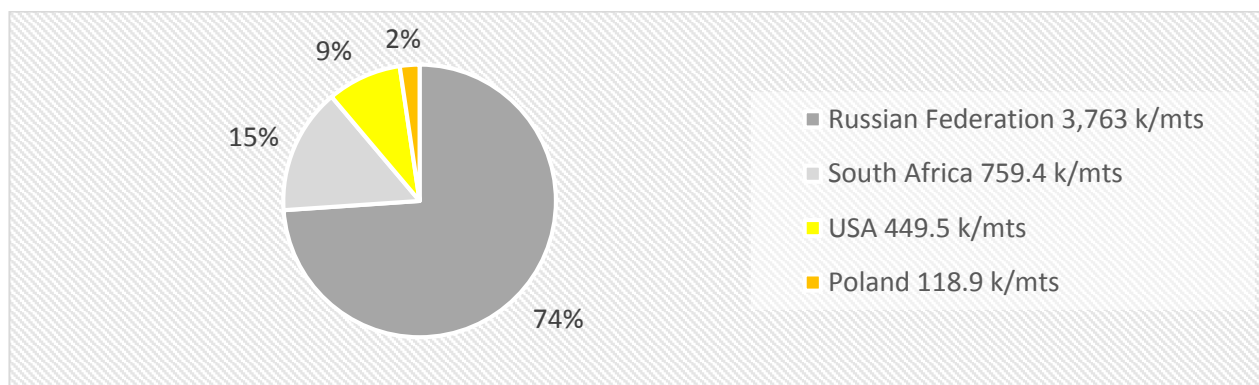
The coal stocks of Ukrainian TPPs dropped to 1.4 mln tonnes due to high consumption level during cold weather.

	15.02.2017	01.02.2018	15.02.2018	2018/2017, % increase	15.02.2018/ 01.02.2018, % increase	min level of stocks*	2018/min stocks, %	coal reserves for 1 month of work**	Work without supply, days
<b>DTEK TPPs</b>	<b>995</b>	<b>774</b>	<b>708</b>	<b>-29%</b>	<b>-9%</b>	<b>928</b>	<b>76%</b>	<b>1 588</b>	<b>12</b>
G+DG grade:	474	481	456	-4%	-5%	676	67%	1 396	9
Zaporiz'ka	119	56	57	-52%	2%	145	39%	285	6
Ladyzhins'ka	59	84	96	63%	14%	116	83%	181	15
Burshtyns'ka	119	113	105	-12%	-7%	124	85%	412	7
Dobrotvirs'ka	52	32	38	-27%	19%	55	69%	104	10
Kurahivs'ka	125	171	129	3%	-25%	137	94%	329	11
Prydniprov's'ka	-	25	31	-	24%	100	31%	85	10
A+T grade:	521	293	252	-52%	-14%	252	100%	191	37
Kryvoriz'ka	147	134	128	-13%	-4%	130	99%	74	48
Prydniprov's'ka	134	28	24	-82%	-14%	19	125%	-	-
Luhans'ka	240	131	100	-58%	-24%	104	97%	117	24
<b>Other Ukrainian TPPs</b>	<b>512</b>	<b>701</b>	<b>730</b>	<b>43%</b>	<b>4%</b>	<b>734</b>	<b>99%</b>	<b>486</b>	<b>42</b>
G+DG grade	215	336	324	51%	-4%	351	92%	292	31
A+T grade	297	365	406	37%	11%	384	106%	194	59
<b>All Ukrainian TPPs</b>	<b>1 507</b>	<b>1 475</b>	<b>1 438</b>	<b>-5%</b>	<b>-3%</b>	<b>1 663</b>	<b>86%</b>	<b>2 074</b>	<b>19</b>
G+DG grade	689	817	780	13%	-5%	1 027	76%	1 688	13
A+T grade	818	658	658	-20%	0%	636	103%	386	48

\* - level of coal stocks for 01.03.2018 according to according to the Stockpile schedule by Ministry (dated 26.12.17)

\*\* - on the basis of coal reserves for 1 month of work in the mode of the Stockpile schedule by Ministry (dated 26.12.17) on February 2018

According to officially published [statistics](#), 5 mln tonnes of imported coal was supplied to Ukrainian TPPs and CHPs during 2017.



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## Coal export and import by DTEK in 2017

In 2017, 748 k/mts of coal were exported by DTEK to external markets, which is 43.9% down y-o-y ([source](#)). The coal has been shipped from the resources of Mine Office Obukhovskaya JSC in Russia. A decrease in export operations is conditioned by redirection of the coal resource – the company's priority in 2017 changed to supplying the Ukrainian market (in order to minimise anthracite deficit). 911 k/mts of coal have been supplied to thermal power plants. In 2017, the company has also been importing coal from the Republic of South Africa, Poland and USA. DTEK Energy's overall imports totalled 2,572 k/mts of coal.

## DTEK's Production Indicators for 2017

For 2017, DTEK Group companies have [produced](#) 27.7 mn tonnes of coal, of which G-grade coal accounted for 22.9 mn tonnes (+8.2% compared to 2016), anthracite and lean coal accounted for 4.8 mn tonnes (-52.2%), supplied 37.1 bln kWh of electricity (-7.4%), transmitted 43.2 bln kWh of electricity (-5.8%), exported 5 bln kWh of electricity (to Hungary, Moldova, and Poland) and produced 1.7 bcm of natural gas (+1.5%).

639 bln kWh of green electricity was generated by DTEK's two renewables' assets: Botievo Wind Farm and Trifaniv'ska solar power plant. This is 4.8% higher than in the same period of the last year. Key projects in 2018 would include construction of the first stage of Primorsk wind farm with the capacity of 200 MW in Zaporizhzhia oblast (with 26 GE wind turbines 3.8 MW each) and construction of a 200 MW Nikopol solar power plant in Dnipropetrovsk Oblast.

"Ukraine started transformation of the energy sector. This brings hope for restoration of the investment potential of the sector. Today, we have to take the opportunity to create the new Ukrainian energy sector – clean, efficient, competitive," – says DTEK CEO Maxim Timchenko, when commenting on the company's performance in 2017. "DTEK has always been the active supporter of reforms. We launched the process of splitting our distribution companies into distribution system operators and suppliers to consumers. These changes constitute an integral part of the energy reform, which is aimed at creating electricity market according to the European model. We build green energy power plants: this year we plan to put into operation Phase 1 of Primorsk WPP and Nikopol SPP. We shall continue to work on converting our TPPs to burn G-grade coal instead of anthracite, which enhances the country's energy security. Today DTEK is focused on projects that create the new energy sector."

## Eurointegration priorities of the Government in the field of energy in 2018

Vice-Prime-Minister on European and Euroatlantic integration of Ukraine Ivanna Klymush-Tsintsadze and EU Ambassador Hughes Mingarelli, government officials and MPs have [discussed priorities](#) for quicker transition to full-scale energy market and its further integration with the European energy market in the future. The first high-level meeting set the framework for the future sectoral dialogue on European integration.

Among the key priorities that were agreed would be NEURC functionality and independence; gas transporting system; reform paths in the gas and electricity markets; EITI and RES development.

## US assists Ukraine to develop the National Resilience Plan<sup>[1]</sup>

On February 13<sup>th</sup>, the Ministry of Energy and Coal Industry of Ukraine discussed development of the Ukrainian National Resilience plan with the experts from the US Department of Energy. American colleagues shared their experience and emphasized that nuclear safety, cybersecurity, ensuring smooth passage of the winter heating season and the grid stability are priorities for DOE. Considering recent changes of the Ukrainian legislative field

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<sup>[1]</sup> According to [DOE](#) website, national energy resiliency plan would enable decision-makers to better understand the interdependencies in the generation, transmission, transport, storage and distribution of energy across all sectors; improve information-sharing among entities; and, coordinate their response to energy shortages.

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(adoption of the Energy Strategy of Ukraine until 2035, Electricity Market Law and other regulatory acts), National Resilience Plan should be guided by the priorities defined in these documents.

## Eurelectric: new vision for the European Power Sector

On February 8<sup>th</sup>, Francesco Starace, President of *eurelectric* and CEO of Enel, in a presence of Maroš Šefčovič, Vice-President of the European Commission for Energy Union has reiterated the commitment of the industry to lead a “cost-effective energy transition”. The leading European energy utilities and national electricity sector associations are envisioning carbon-neutral electricity mix in the EU well before 2050.

Ensuring stable environment for the long-term investments as crucial part of the sector’s transformation is one of the key priorities for the European electricity industry. Industry believes that this should be supported by increased commitments by companies to innovate and discover “cutting edge business models”. Vice-President Šefčovič warmly welcomed the *eurelectric*’s vision and outlined key role for the industry to engage in making new Clean Energy Package of the European Union a success story, which could incentivize changes within other European peers and globally.

DTEK is an associated business member of *eurelectric* since 2011. Maxim Timchenko, CEO of DTEK meets with Francesco Starace on regular basis to learn leading experience in successful transformation of the energy utility company and to discuss potential areas of cooperation. On the experts’ level, DTEK takes part in the internal meetings and discussions on monthly basis. DTEK sits around the table with more than 30 other countries’ representatives to discuss the burning issues of future market design, energy policy and generation in Europe. This continuous work contributes to visualizing in Brussels and beyond the potential and role for the Ukrainian energy system as part of the European single electricity market in future.

## Coal Regions in Transition Platform

On February 26<sup>th</sup>-27<sup>th</sup>, the Working Group on “Post Coal Economy and Structural Transformation” and the Working Group on “Eco-innovation and Advanced Coal Technologies” under the Coal Regions in Transition Platform (CRiTP) will meet in Brussels. The working groups will accumulate the expertise from the industry, regions, communities and other stakeholders on pilot projects and success stories to support the coal intensive regions in their transition to the clean energy.

The importance of this commitment, which is a part of the Clean Energy Package was reiterated by Maroš Šefčovič, Vice-President of the European Commission for Energy Union in Brussels on February 8<sup>th</sup>. Vice-President stressed that regions are embracing this initiative and such positive engagement gives optimism to believe that the difficult energy transition can work for everybody.

DTEK Energy, as a member of Euracoal, European association of coal and lignite, is looking forward to take part in these meetings in Brussels to learn and to share the company’s experience in strengthening the economic sustainability of the coal mining regions and in advanced coal technologies.

## State officials and DTEK Academy work together on quality of education in Ukraine

State officials and DTEK Academy experts are elaborating together the mission of the *State Service of Education Quality*, the new institution established by the Law “On Education” in December 2017. The strategic goal of this cooperation is to introduce modern teaching methods into secondary and high schools of Ukraine. Aiming to achieve a more efficient learning process, DTEK Academy experts share their extensive experience with state officials.