Coal stocks at DTEK and other power plants, k/mts

As of 9th March 2016, TPPs steam coal stocks totaled 2.56 mln tonnes, which is 1.2 higher than at the same period of 2015.

	01.03.2015	09.03.2016	2016/2015, % increase	min. essential level of stocks*	2016/min stocks, %
DTEK TPPs	**982**	**1 775**	**81%**	**1 725**	**103%**
G+DG grade including:	904	1 315	45%	1 384	95%
Zaporiz'ka	*126*	*256*	*104%*	*204*	*126%*
Ladyzhins'ka	*135*	*186*	*38%*	*173*	*107%*
Burshtyns'ka	*319*	*263*	*-17%*	*448*	*59%*
Dobrotvirs'ka	*61*	*121*	*98%*	*94*	*129%*
Zuyivs'ka	*14*	*110*	*688%*	*180*	*61%*
Kurahivs'ka	*250*	*378*	*51%*	*286*	*132%*
A+T grade including:	77	460	493%	340	135%
Krivoriz'ka	*19*	*191*	*884%*	*124*	*154%*
Prydniprovs'ka	*24*	*111*	*360%*	*82*	*135%*
Luhans'ka	*34*	*158*	*364%*	*134*	*118%*
Other Ukrainian TPPs**	174	784	351%	667	118%
G+DG grade	0	309	0%	192	162%
A+T grade	174	474	173%	475	100%
All Ukrainian TPPs	1 155	2 559	121%	2 391	107%
G+DG grade	904	1 624	80%	1 576	103%
A+T grade	251	934	272%	815	115%

** on the basis of coal reserves for 1 month of work in the mode of the ministerial forecast balance on March 2016*

***including TPPs situated in the non-controlled areas*

A-grade coal supplies out of temporarily occupied territories of Donbas

From 1st January to 9th March 977k/mts of coal were supplied to our TPPs through the temporarily occupied territories of Donbas (Luhanska, Prydniprovska and Kryvorizka TPPs).

Coal supplies through railway are under threat of full suspension due to two factors:

- request from the self-proclaimed DPR authorities to pay an additional 30% railway tariff on the transportation of goods from the NCT; and
- decision of the Cabinet of Ministers of Ukraine to split the Donetsk Railways into two parts and thus terminate financing for the part of the Donetsk Railways located on the NCT.

If no urgent action is taken by the Ukrainian authorities to either cancel or postpone the decision on the split-up of the Donetsk Railways, full stoppage of coal supplies will happen in the coming days. With anthracite supplies to Ukrainian TPPs stopped completely, TPPs will stop in 20 days at the current coal consumption rate, and foreign currency-denominated revenues from the sale of metals and coke, as well as respective tax payments to Ukraine's budget will decrease. Moreover, as reported by Ukrainian media, this situation leads to increase in the illegal coal trafficking through the Russian ports towards countries in the Black sea and the Mediterranean regions. This recent phenomena contributes to the price distortions and supply disruptions of the legal coal suppliers in the regional anthracite coal markets. Smuggling and illegal purchases of coal of dubious origins from NCT could result in international investigation and prosecution on the grounds of financing terrorism.

Draft Law on the Electricity Market (cont., see Brief #4/2016)

The Draft law on the Electricity Market was approved by the Cabinet of Ministers on 3rd March. One week later, on 10th March it was sent by the Cabinet of Ministers to the Parliament. The draft law is registered under nr. 4196 dated 10.03.2016; the text of the draft law is already available at the Verkhovna Rada website (in Ukrainian). DTEK welcomes that the new text excludes the notorious provisions for emergencies in the electricity market. The notion of emergency in the electricity market was used over the past two winters for manipulative hand management of the electricity market.

Barriers impeding the growth of "green" energy in Ukraine eliminated (cont., see Briefs #1, 6, 11, 22, 23/2015)

All barriers impeding the growth of "green" energy in Ukraine have been eliminated, stated Victoria Syromyatova, Finance Director of DTEK Wind Power LLC, at the 7th Adam Smith Ukrainian Energy Forum in Kiev last week. The “green" tariff is denominated in euros, and is revised according to the exchange rate quarterly. According to the Ukrainian legislation, the state is obliged to intake all electricity generated from renewable sources. The obligatory local content requirement is replaced by the opportunity to obtaining 5-10% of bonuses to the "feed-in" tariff in case of having 30-50% local content in the RES facilities cost.

This a significant improvement compared to 2014-2015, when the government refused to revise the “feed-in” tariff despite significant changes in the EUR/UAH exchange rate. In 2015, capacity growth in the wind power sector thus amounted only to 3.4%, reflecting uncertainty in development perspectives of the RES sector.

Restructuring of DTEK Energo debt (cont., see Brief #30/2015)

DTEK Energo continues negotiations on debt restructuring with its international debt holders. DTEK has hired Rothschild as advisor and hopes to finalize debt restructuring negotiations this year. The management is doing its best to increase efficiency of the company during this unfavourable period for the thermal power sector and Ukraine’s economy as a whole.

On March 10th the international rating agency Fitch Ratings has downgraded long-term foreign and local currency Issuer Default Ratings (IDR) to 'RD’ (Restricted Default) from 'C'.

Legitimacy of Dniproenergo privatization reaffirmed (cont., see Briefs # 18, 20, 22, 26, 29)

The Supreme Court of Ukraine dismissed the Business-Invest claim to revise a decision of the High Commercial Court of Ukraine dd. 11th November 2015 acknowledging the legitimacy of 25% Dniproenergo privatization by DTEK Holdings Limited in March 2012.

The appropriate entry was made in the Unified State Register of Court Decisions on the 23rd of February, 2016.