

BRIEF ON KEY BUSINESS ISSUES

№7/2017 26.04.2017 Kyiv

Coal stocks at power plants

Railway blockade of coal supplies from the NCT continues; no anthracite is supplied to Ukrainian TPPs from the NCT since 4th March. The current emergency state in the energy sector declared by the Cabinet of Ministers on 15th February, and extended twice since then allows to keep strict control over depletion of coal stocks at TPPs.

	25.04.2016	01.04.2017	25.04.2017	2017/2016, % increase	25.04.2017/01.04.2017, % increase	min level of stocks*	2017/min stocks, %	coal reserves for 1 month of work	Work without supply, days
DTEK TPPs	1 570	1 412	1 456	-7%	3%	840	173%	1 097	40
G+DG grade including:	1 178	1 092	1 239	5%	13%	560	221%	945	39
Zaporozhs`ka	180	201	251	39%	25%	100	251%	175	43
Ladyzhins`ka	181	190	254	41%	34%	100	254%	152	50
Burshtyns`ka	291	284	313	8%	10%	100	313%	333	28
Dobrotvors`ka	80	65	78	-3%	19%	40	195%	91	26
Kurahovs`ka	446	352	343	-23%	-3%	100	343%	194	53
A+T grade including:	392	320	217	-45%	-32%	280	78%	152	43
Krivorozhs`ka	174	45	33	-81%	-26%	120	28%	14	71
Pridniprovs`ka	109	36	31	-72%	-14%	80	39%	18	52
Luhans`ka	109	239	153	40%	-36%	80	191%	120	38
Other Ukrainian TPPs	732	413	369	-50%	-11%	320	115%	146	76
G+DG grade	300	250	211	-30%	-15%	100	211%	130	49
A+T grade	432	163	158	-63%	-3%	220	72%	16	296
All Ukrainian TPPs	2 302	1 824	1 825	-21%	0%	1 160	157%	1 243	44
G+DG grade	1 477	1 342	1 450	-2%	8%	660	220%	1 075	40
A+T grade	824	483	375	-55%	-22%	500	75%	168	67

* - level of coal stocks for 01.04.2017 according to the enactment of National Energy and Utilities regulatory commission degree №1971 dated 9th of November, 2016

USUBC event in Kyiv: DTEK describes further plans to mitigate consequences of lack of supply of anthracite

In April 2017, US-Ukraine Business Council (DTEK is a member since 2009) organized a working luncheon with Mr. F.Malige, EBRD Managing Director for Eastern Europe and the Caucasus on investment opportunities in Ukraine vs international investment options for business.

Representative of DTEK draw attention to the Company's leading role in RES development in Ukraine (construction and operation of Ukraine's biggest and most efficient wind farm, advanced plans to construct another 200 MW wind farm in Primorsk) and to record-breaking dynamics in private companies' gas production (JSC Naftogazvydobuvannya produced 1.6 bcm in 2016 against 500 bcm in 2013).

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As response to current difficulties with anthracite coal supplies - 5 out of 6 TPPs in Ukraine ran out of fuel in the last two weeks; the emergency state in energy sector has just been extended for another month - the Company has contracted 75 k/mts of South African coal. We will be also aiming to sign a long-term contract with a supplier, allowing to import optionally up to 1 mln tonnes of anthracite for DTEK TPPs before the next winter season.

In addition, DTEK is studying practical and technical aspects of conversion of some of our anthracite units to G-grade coal. We would be talking initially about two 150MW units (out of four) at Prydniprov's'ka TPP; the works, if and when the decision is taken, will last not more than 12 months. This would not only be beneficial in terms of reliability of fuel supply, but improve the plant' over-all efficiency.

DTEK Oil&Gas has announced a tender for drilling 4 new wells

JSC Naftogazvydobuvannya [announced](#) a tender to select contractor for consecutive drilling of 4 wells in 2017-2019, at Semerenkivske field. Tender terms are developed in accordance with international standards and encourage both domestic and foreign companies to bid. Just recently, DTEK Oil&Gas has increased its share in the Ukraine's largest and most dynamic private gas production company to up to 75%. Since 2013, DTEK Oil&Gas has invested more than UAH 4 bln in the development of *Naftogazvydobuvannya*.

Electricity market legislation development

DTEK wholeheartedly welcomes adoption of the Electricity Market Law by the Ukrainian Parliament and will continue to advocate for soonest implementation of the law. Please see [statement](#) of the Energy Community Secretariat on the adoption of the Law. However, at present the Law can't be promulgated as it can't be signed by the President due to procedural hurdles. Representatives of "Bat'kivschina" (Yulia Tymoshenko political party) submitted a draft resolution on cancellation of the voting results, claiming that the voting procedure was violated. According to the official procedure this draft resolution will be considered by mid-May 2017.

Meanwhile, a new draft legislation was registered in the Ukrainian Parliament. The draft law #6341, submitted by the All-Ukrainian Union "Svoboda", suggests creating artificial legislative mechanism for illegal influence on enterprises of the energy sector (and their owners), up to nationalization. If the law is passed, any MP would then be able to launch the process of nationalization, and the suggested mechanism doesn't require approval of the Cabinet of Ministers or other authorized bodies. The draft law contradicts provisions of the Ukrainian and international legislation, which provide guarantees for foreign investors (E.g. Articles 9, 10 of the Law on foreign investments forbids nationalization).

DTEK's visits to Brussels and Paris: electrification of the European economy and energy future of Ukraine

DTEK strategy team led by Alexander Selischev, Strategy and Business Development Director, took part in the conference "Power to People – Electrification of the European Economy" organized by EURELECTRIC (19th April, Brussels). The topics discussed at the conference became even more relevant for the Ukrainian stakeholders after adoption of the Electricity Market Law. From DTEK's perspective, electrification is vital for development of Ukraine's economy, and benefits in the area of heating and cooling on district and urban levels remain to be explored.

DTEK's team including Brussels Representative has visited IEA offices in Paris to share information and discuss the latest draft of the Energy Strategy of Ukraine till 2035, situation with coal supplies from NCT, forecasts for the energy mix in Ukraine, how to ensure sustainable growth of RES and what could be the sources of finance to rebuild Ukraine's power system. It was especially useful to learn more in details about EU4Energy program till 2020, as it offers opportunity for market participants to contribute and to get engaged in closer cooperation with IEA.