

BRIEF ON KEY BUSINESS ISSUES

№10/2018 18.06.2018 Kyiv

Coal stocks at power plants

	18.06.2017	01.06.2018	18.06.2018	2018/2017, % increase	18.06.2018/ 01.06.2018, % increase	min level of stocks*	2018/min stocks, %	coal reserves for 1 month of work**	Work without supply, days
DTEK TPPs	2 016	1 027	1 078	-47%	5%	1 396	77%	1 244	26
G+DG grade:	1 682	937	926	-45%	-1%	1 152	80%	1 020	27
Zaporiz'ka	280	171	160	-43%	-7%	259	62%	151	32
Ladyzhins'ka	331	162	162	-51%	0%	219	74%	149	33
Burshtyns'ka	509	149	119	-77%	-20%	163	73%	405	9
Dobrotvirs'ka	162	52	49	-70%	-5%	28	173%	105	14
Kurahivs'ka	400	310	326	-18%	5%	399	82%	135	72
Prydniprovs'ka	-	93	109	-	18%	85	130%	76	44
A+T grade:	334	90	152	-55%	68%	244	62%	224	20
Kryvoriz'ka	102	8	47	-54%	482%	137	34%	136	10
Prydniprovs'ka	91	13	13	-	-	20	-	-	-
Luhans'ka	141	69	92	-35%	33%	87	106%	88	32
Other Ukrainian TPPs	503	520	472	-6%	-9%	789	60%	347	41
G+DG grade	201	239	213	6%	-11%	346	62%	246	26
A+T grade	302	280	259	-14%	-7%	444	58%	101	77
All Ukrainian TPPs	2 519	1 547	1 550	-38%	0%	2 185	71%	1 591	29
G+DG grade	1 883	1 177	1 139	-40%	-3%	1 498	76%	1 266	27
A+T grade	636	370	411	-35%	11%	688	60%	325	38

* level of coal stocks for 01.07.2018 according to the Stockpile schedule by Ministry (dated 07.03.18)

** on the basis of coal reserves for 1 month of work in the mode of the Stockpile schedule by Ministry (dated 07.03.18) on June 2018

Steam coal price reached maximum for the last 6 years

In early June 2018, steam coal prices rose to a maximum level since 2012. Extremely hot weather in China significantly stimulated demand for energy resources. Coal is still the main energy resource in China despite the attempts of the government to restrict its usage due to ecological reasons. In May, daily consumption of six largest GenCos' was the highest since January and reached 722 k/mts against 606 k/mts a year earlier. As a result, China increased coal import in January-May by 8.2%, to 120.7 mln tonnes. In April, coal supplies to China from Australia reached historic peak.

On June 4th, coal price was about USD 104 per tonne in the Chinese Qinhuangdao port. On May 5th, price of Newcastle coal (Australia) was at the highest level since 2012 (USD 112.05 per tonne).

Oksana Kryvenko elected new NEURC (Regulator's) Chairperson

The decision was taken by the Commissioners on June 6th. Previously Ms. Kryvenko held the position of Deputy Director of NEURC department for regulating relations in the field of oil and gas.

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According to Ms. Kryvenko, NEURC short-term priorities are: unblocking the licensing process (for today there are more than 100 applications on the waiting list), approval of investment programs for licensees, and work on reforming gas and electricity markets. The Regulator does not plan to raise electricity tariffs for households in the near future.

Edward Chow commented on the current state of the Ukrainian energy sector

At the end of May 2018, one of the leading American energy experts, Edward Chow, Senior Fellow in the Energy and National Security Program at the Center for Strategic and International Studies (Washington, DC), took part in several events in Ukraine and shared his opinion on the status of energy sector reform:

“If you are building the market economy, the last thing you want is that politicians are allowed to say what the gas prices are to be. ... Politicians can complain but you cannot allow them to decide. ... You don’t need distorted prices and, of course, you don’t need political decisions in this issue, you don’t need the manual control.” - [Obozrevatel](#)

“In the market economy, which Ukraine proclaims it wants to be, you achieve the efficiency with the combination of maximum competition and transparent regulation. When you have non-transparent regulation and lack of competition it’s very hard to build the market economy.” - [Razumkov Centre discussion live stream](#)

According to Mr. Chow, the goals in the energy strategy are fairly simple and understandable. The problem is that there is no movement towards those strategic goals: "There is no program, no calendar, no clear deadlines stipulating what will be done and when. It should be a step-by-step programme with an answer to the question: "How are you going to reach the goal?" ... If you want to increase gas production in five years, you have to work on this issue now or even yesterday, because it takes a lot of time. You are not doing it right away. You need to attract investments, people need to do their work, they need to make investments in this game, and then in five years you will see the result. “ - [Energoreforma](#).

DTEK Grids’ CEO elected co-chairperson of the Energy Community Coordination Group

On June 6th, 2018, during the 23rd Energy Community Electricity Forum held in Athens, DTEK Grids’ CEO Ivan Gelyukh was elected co-chairperson of the Energy Community Distribution System Operator Coordination Group (ECDSO-E). ECDSO-E was established in 2014 as a group of experts from DSOs in the Energy Community Contracting Parties to cooperate on implementation of electricity market reforms (unbundling), elaboration of guidance documents, development of rules and regulations, etc.

The involvement of DTEK Grids in the Coordination Group will give an opportunity to adopt the best European practices and engage international expertise for soonest introduction of the new electricity market in Ukraine. It will also help the company offer the most efficient solutions and services for its clients.

DTEK Oil & Gas completed drilling of a new deep well

DTEK Oil & Gas completed drilling of well No. 25 at the Semyrenkiv’ske field with a depth of 5.7 km. The design and drilling were performed in accordance with the requirements and standards of the American Petroleum Institute (API) and International Association of Drilling Contractors (IADC). The well is commissioned with a high gas production rate, which corresponds to the natural potential of the reservoir. It confirms the correctness of the selected engineering solutions, well construction technologies and qualitative exposing of the productive horizon. DTEK Oil & Gas engaged international drilling operator [Belorusneft](#) to perform pitless drilling of this well.