

Kiev



**ERU**

ENERGY RESOURCES OF UKRAINE



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# WHO WE ARE?

We are the group of top-managers with profound experience of managing sizable energy projects worldwide. Together with major global partners we are looking for investment and trading opportunities in Ukraine

## Experienced management team



Development and management company



Andrew Favorov  
Managing Partner



Dale Perry  
Managing Partner



Yaroslav Mudry  
Managing Partner



Alyona Semykina  
Partner

## Our partners



# ENERGY PRODUCTS TRADING

ERU Trading is an active energy trader at natural gas, electricity, coal and biomass markets of Ukraine.

## Natural Gas

- ✓ Active gas trader at Ukrainian market
- ✓ The largest privately-owned gas importer in Ukraine up to 4Q2015 results with 500 mcm import of natural gas
- ✓ Preferred partner of ENGIE in Ukraine
- ✓ Provider of gas imports from Hungary, Slovakia and Poland.

## Electricity

- ✓ Started power export from Ukraine in November through participation in monthly auctions
- ✓ Won yearly capacity for about 300 mln MWh from Burstyn Island and plans to continue power export through 2016
- ✓ Signed contracts for power export to Moldova (Lafarge cement plant)
- ✓ Ukrainian electricity supplier at non-regulated tariff.

## Coal

- ✓ Imported coal to Ukrainian CHPs in April 2015
- ✓ Originated coal import for Mercuria Trading SA to Centerenergo's TPPs – 320 k t in 2015
- ✓ Traded Russian anthracite to Spain and Turkey
- ✓ Obtained access to all major Ukrainian ports,

## Biomass

- ✓ Develops projects to become the leading biomass exporter/trader from Ukraine.

# GAS MARKET LIBERALIZATION

Gas market liberalization is at risk

**Energy Market liberalization aims to increase competition** by unbundling natural monopolies (networks) and establishing clear, transparent and predictable market rules for all players (non discriminatory approach) with a balance between restrictions and customer protection for each market segment. This will eventually leads to improvement of market efficiency in the benefit of the whole economy.

# REGULATORY ENVIRONMENT

Ukrainian gas market before and after "Liberalization" started January 1, 2016

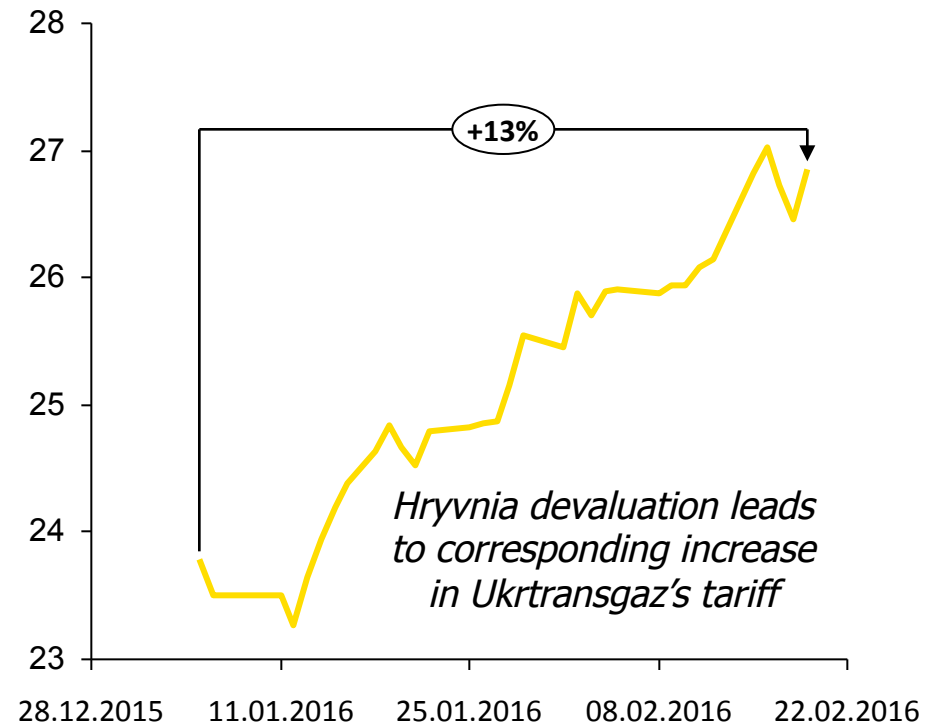
	<b>After January 1, 2016</b>
Access to import operations	Yes
<b>Equal treatment</b>	<b>No</b>
<b>Burden on market payers</b>	<b>Yes</b>
Clear predictable market rules	No

# EQUAL RULES

Lack of equal treatment worsening competitiveness

- **Entry fee is linked to US dollar**
- Gas importers pay the highest entry fee for the access to the same GTS
- System operator executes GTS Code selectively – daily nominations should be performed if feasible
- Gas storage requirements became an inefficient barrier and stimulated artificial ways to avoid this obligation
- 1<sup>st</sup> of January – implementation of “Transition period” from Ukrtransgaz

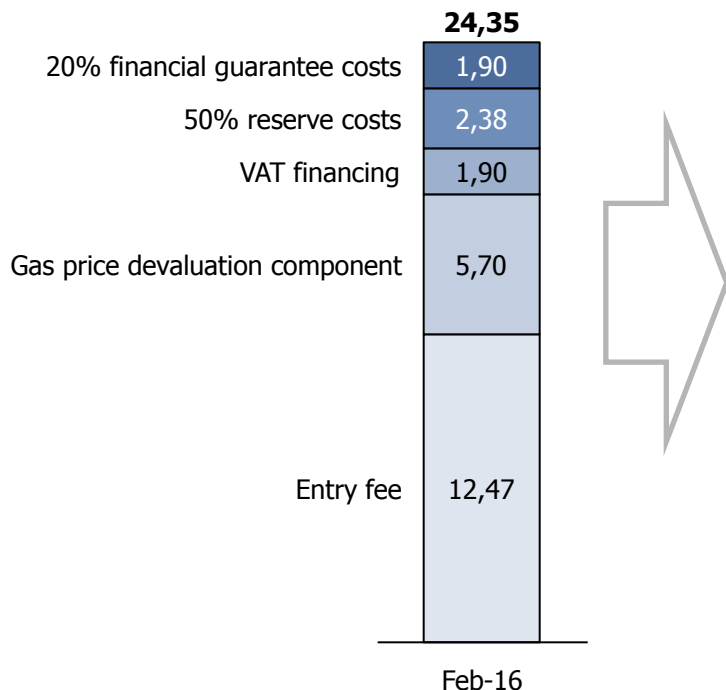
## UAH/USD exchange rate performance



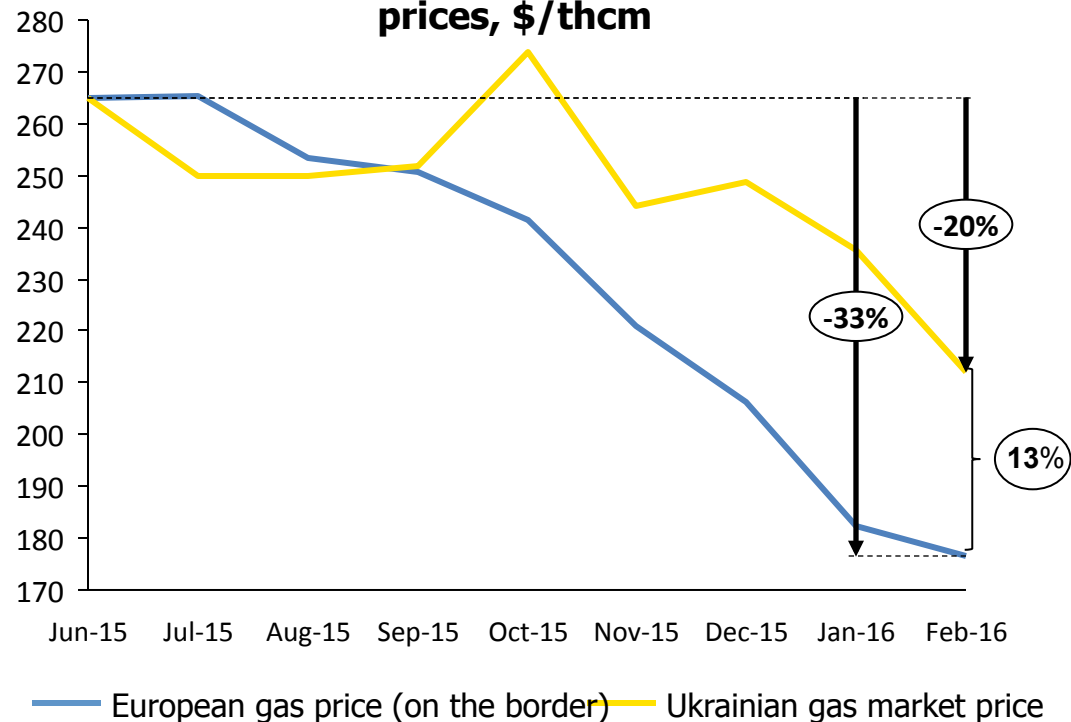
# BURDEN ON UKRAINIAN CONSUMERS

Ultimately additional burden on market players is shifted to the final consumers

## Additional surcharge – result of burden on market players, \$/thcm



## Dynamic of European and Ukrainian gas prices, \$/thcm



# ERU SUGGESTIONS

Implementation of the following suggestions will help to proceed the gas market liberalization process in Ukraine

## Entry fee

- Revoke USD linking of entry fee for Ukrainian importers

## Daily nominations

- Initiate daily nominations as per GTS Code

## Financial guarantee

- Do not take into account financial guarantee covering of volumes delivered at VTP
- Allow to provide bank guarantees by foreign banks

## Required gas reserves

- Unify gas reserves rules to all players and decrease its amount
- Allow to form gas reserves by means of financial guarantees

## Process

- Create a single platform for gas market reform implementation
- EC involvement in secondary legislation





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**THANK YOU**  
FOR YOUR ATTENTION!

