



UKRAINE: Coal & Mining Industry Overview

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U.S. Commercial Service – Ukraine

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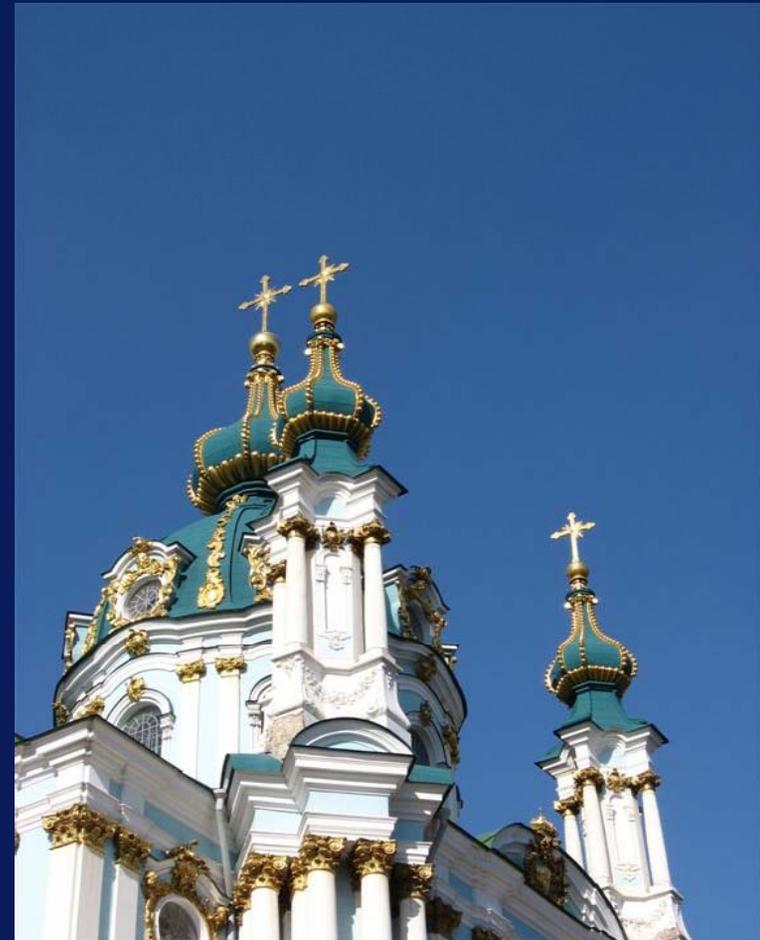
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Summary



U.S.
COMMERCIAL
SERVICE
*United States of America
Department of Commerce*

- Ukraine: Country Profile
- Mining Industry Overview
- CBM Development Opportunities
- Problems and Prospects
- Successful Entry Strategy





Ukraine: Country Profile

Location: Eastern Europe, bordering the Black Sea, between Poland, Romania, and Moldova in the west and Russia in the east

Borders: Belarus, Hungary, Moldova, Poland, Romania, Russia, Slovakia

Area: 603,700 sq km / slightly smaller than Texas

Population: 46 million

Work force: 21.7 million (2008)

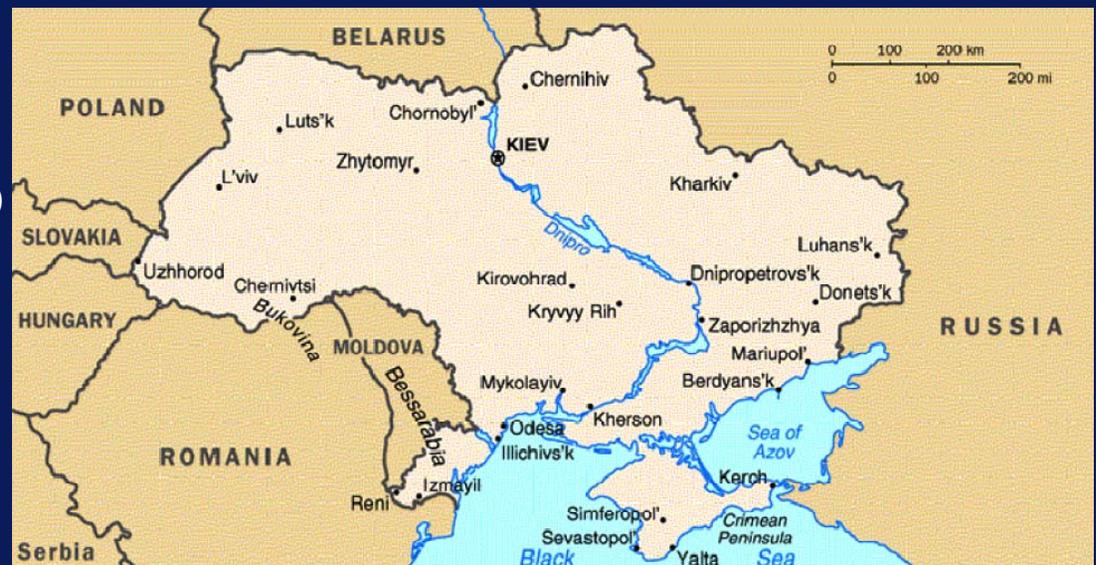
Literacy: total population: 99.7%





Ukraine: Country Profile

Imports:	\$82.52 billion: Energy, mineral fuel and oil, machinery and parts, transportation equipment, chemicals, textiles, and paper
Exports:	\$64.89 billion: ferrous and nonferrous metals, fuel and petroleum products, chemicals, machinery and transport equipment, food products
DFI:	\$44.08 billion total (2008)
GDP:	\$359.9 billion
GDP growth:	5.3 % (2008 est.)
GDP per capita:	\$7,800 (2008)
Unemployment:	7 % (2008)



Ukraine: Mining Industry Overview

UKRAINIAN COAL RESERVES

- ❑ Ukraine is No. 8 country in the world in terms of coal reserves
- ❑ Coal constitutes 95% of all organic fuel reserves in Ukraine
- ❑ Total estimated coal reserves in Ukraine – 117.3 billion tones
- ❑ Major coal deposits in Ukraine:
 - Donbas (Dnieper-Donetsk Basin), 98%
 - Dnieper Basin (mostly brown coal)
 - Lviv – Volyn Basin, 2%



Ukraine: Mining Industry Overview

UKRAINIAN COAL RESERVES



Ukraine: Mining Industry Overview

TYPES OF COAL



- Hard coal
- Anthracite
- Bituminous coal
- Brown coal
- Sub-bituminous
- Lignite
- Steam coal

Ukraine: Mining Industry Overview

COAL MINING INDUSTRY STRUCTURE

- ❑ CURRENTLY THERE ARE 167 COAL MINES OPERATING IN UKRAINE
- ❑ ABOUT 90% OF ALL EXISTING MINES ARE STATE OWNED, COMPRISING 113 COAL COMPANIES AND 50 COAL CONCERNS
- ❑ NEARLY 70% OF ALL COAL EXTRACTED IN UKRAINE COMES FROM STATE-OWNED MINES

Ukraine: Mining Industry Overview

COAL MINES PROFILE

- ❑ Ukrainian coal mines are the oldest in CIS: 30% of mines have been in operation for more than 50 years.
- ❑ The depth of coal beds in the Donbas is 1,200 meters with the average depth being 500-750 m.
- ❑ Almost 85% of coal mines have excessive gas presence.
- ❑ Coal industry takes 5% of total production volume in Ukraine and employs about 500,000 people
- ❑ Most coal mines have inefficient and outdated equipment and technologies

Ukraine: Mining Industry Overview

Coal Extraction in Ukraine 2006-2008, mln tones

	2006	2007	Jan-Aug 2008	Jan-Aug 2008, y/y
Steam coal	50.1	47.0	33.6	7.3%
including extracted by state owned enterprises	35.0	32.4	23.4	3.2%
Coking coal	30.1	28.4	18.8	-0.2%
including extracted by state owned enterprises	11.4	9.8	7.1	8.0%
TOTAL	80.3	75.4	52.4	4.4%

Ukraine: Mining Industry Overview

MAJOR COAL CONSUMERS



- Metallurgical industry
- Chemical industry
- Coal-fired power stations
- Municipalities
- Households

Ukraine: Mining Industry Overview

KEY COMMODITIES BESIDES COAL

- Iron Ore: total reserves constitute 27.4 billion tones (A+B+C1 category) .
- Manganese, nickel and titanium ores.
- Raw materials for aluminum production: boxites (Vysokopillya deposit, Dnipropetrovsk oblast), alunites (Transcarpathia) and nefelines (Sea of Azov area).
- Gold: mined at the Carpathians, the Ukrainian crystalline shield and the Donets chain of hills
- Uranium: mostly found in the Carpathian region, and Zhovti Vody area.
- Potassium and magnesium salts, table salt, native zeolites, etc.



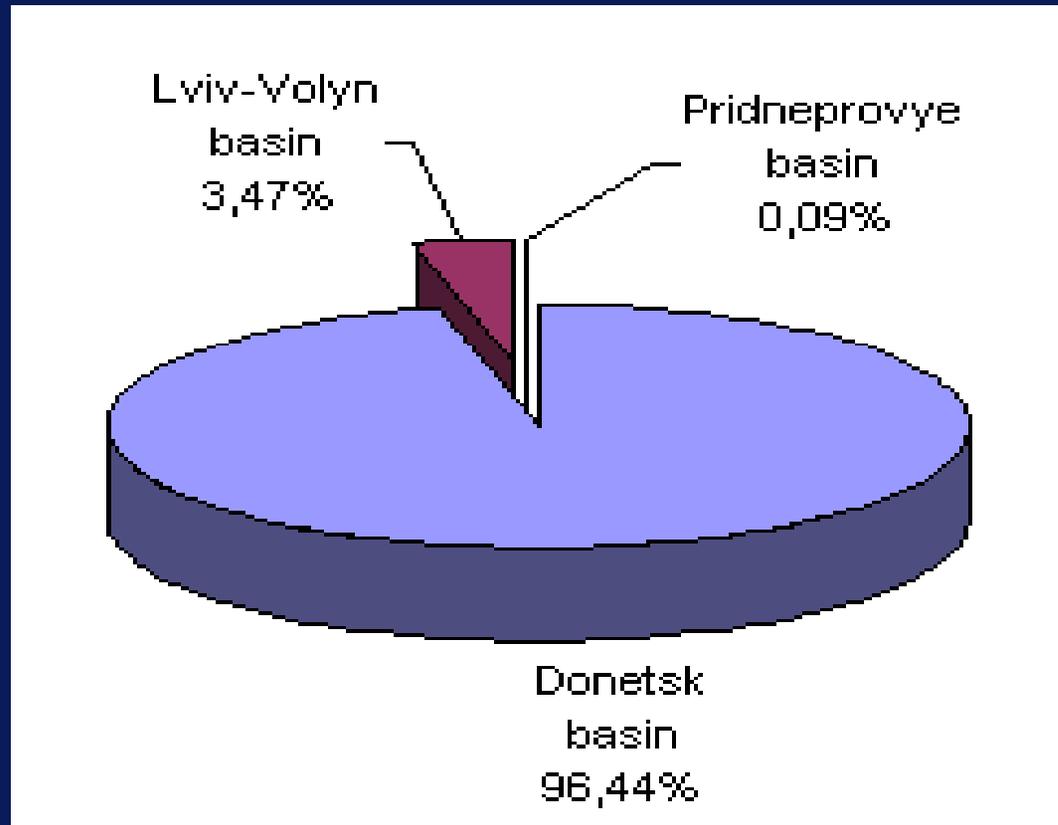
Ukraine: CBM Development Opportunities

- ❑ Coal bed methane (CBM) development in Ukraine offers great potential for growth
- ❑ Estimates of Ukrainian resources of coal methane deposits equal to 12 trln. M3
- ❑ Main coal basins in Ukraine with enough coal on accessible depth to have potential for extraction of methane are Donbas and Lviv – Volyn Basins



Ukraine: CBM Development Opportunities

STRUCTURE OF CBM DEPOSITS IN UKRAINE



Problems and Prospects

MAIN CHALLENGES OF UKRAINIAN COAL INDUSTRY:

- HAZARDOUS WORKING CONDITIONS AND LABOR STRIKES
- POOR TECHNOLOGICAL AND TECHNICAL STATE OF MINES
- INEFFICIENCY AND LOW PRODUCTIVITY
- UNDERINVESTMENT AND SLOW DEREGULATION
- DEFICIT OF STEAM COAL AT POWER STATIONS



Problems and Prospects

MAIN DEVELOPMENTS OF UKRAINIAN COAL INDUSTRY:

- ❑ IMPROVEMENT OF COAL SECTOR SAFETY
- ❑ FURTHER DEREGULATION AND PRIVATIZATION OF THE COAL MINING SECTOR
- ❑ STATE CONCEPT AIMED AT ATTRACTION OF INVESTMENTS INTO THE INDUSTRY
- ❑ INCREASE OF COAL BED METHANE RECOVERY IS UP TO 3-4 BILLION CUBIC METERS A YEAR



Best Prospects

- ❑ HIGHLY TECHNOLOGICAL MINING EQUIPMENT
- ❑ HEAVY TRUCKS AND TRANSPORTATION EQUIPMENT
- ❑ CBM RECOVERY TECHNOLOGIES AND EQUIPMENT
- ❑ USED HEAVY EQUIPMENT & PARTS
- ❑ DOWN-THE-HOLE EQUIPMENT
- ❑ SECURITY EQUIPMENT
- ❑ COAL PREP TECHNOLOGIES
- ❑ ENERGY EFFICIENCY TECHNOLOGIES





Successful Market Entry Strategy

- U.S. companies entering the Ukrainian market should approach with a long-term perspective
- Focus on major projects development and major procurement opportunities
- Work with multi-national business associations
- Obtain experienced legal and accounting support
- Select a good local partner and/or establish a local office
- Consider offering financing options to Ukrainian buyers (Eximbank, EBRD, OPIC loans/programs, leasing, etc.)
- Use appropriate due diligence in selection of partners
- Develop a tolerance for uncertainty, and the persistence to overcome obstacles to doing business.
- Contact the U.S. Commercial Service staff at the U.S. Embassy in Kyiv for a basic orientation to the market



USEFUL LINKS

- Official Energy Statistics from the U.S. Government
<http://www.eia.doe.gov/emeu/cabs/Ukraine/Background.html>
- Ministry of Fuel and Energy of Ukraine:
<http://www.mpe.energy.gov.ua/>
- Ministry of Mining Industry of Ukraine:
<http://www.mvp.gov.ua/mvp/control/uk/index>
- Ukrainian Chamber of Commerce and Industry:
http://www.ucci.org.ua/en/list_cci.html
- Infomine: Coal Mining in Ukraine:
<http://www.infomine.com/countries/ukraine.asp>

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