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# CRITICAL ISSUES OF EASTERN UKRAINE ENERGY INFRASTRUCTURE

# LEGISLATION

- Law of Ukraine of 18.01.2018 No 2268-VIII “On Peculiarities of the State Policy on Ensuring the State Sovereignty of Ukraine in the Temporarily Occupied Territories in Donetska and Luhanska Oblasts”
- Law of Ukraine of 12.05.2015 No 389-VIII “On a Legal Regime of the Martial Law”
- Law of Ukraine of 03.02.2015\_No 141-VIII “On Military and Civil Administrations”
- Law of Ukraine of 15.04.2014\_No 1207-VII “On Ensuring the Rights and Freedoms of Citizens and a Legal Regime in the Temporarily Occupied Territories of Ukraine”
- Resolution of the Cabinet of Ministers of Ukraine of 07.05.2015 No 263 “On Peculiarities of Regulation in the Electrical Energy Sector in the territory where the State authorities temporarily do not exercise its powers or exercise them not to the fullest extent”

# ELECTRICITY SECTOR DATA ANALYSIS

<p style="text-align: center;"><b>THERMAL POWER GENERATION</b></p> <p>Donetska Oblast                  2 TPP (Staribeshevska and Zuivska) <b>located in the temporarily occupied territory</b>                  4 TPP - Slovyanska, PAT «Donbasenergo»                  Kurakhivska TPP, TOV «DTEK Skhidenergo»                  Vuglegirska TPP, PAT «Tsentrenergo»                  VP Mironivska TPP, AT «DTEK Donetski elektromerezhi»                  Luhanska Oblast                  Luganska TPP, TOV «DTEK «Skhidenergo»                  «Severodonetska CHP</p>	<p style="text-align: center;"><b>ELECTRICITY DISTRIBUTION</b></p> <p>Donetska Oblast                  AT «DTEK Donetski elektromerezhi»                  TOV «DTEK Vysokovoltni merezhi»                  PAT «DTEK PEM-energovugillya»                  Donetsk affiliate DP «Reguionalni elektrychni merezhi».                  Luhanska Oblast                  TOV «Luganske energetychnе obiednannya»                  Lugansk affiliate DP «Reguionalni elektrychni merezhi»                  TOV «Luganskoblenergo»</p>
<p style="text-align: center;"><b>ELECTRICITY TRANSMISSION</b></p> <p>Donetska and Luhanska Oblasts                  DP NEK «Ukrenergo»</p>	<p style="text-align: center;"><b>ELECTRICITY SUPPLY</b></p> <p>Donetska Oblast                  Until January 1, 2019 - AT «DTEK Donetski elektromerezhi»*,                  from January 2019 - TOV «Donetski energetychni poslugy»                  Luhanska Oblast                  From January 1, 2019 supply services are provided by                  TOV «Enera-Skhid»*</p>

\*- NEURC's Resolution of 14.06.2018 No 429 "On Issuance of Electricity Supply Licenses to TOV «DONETSKI ENERGETYCHNI POSLUGY» (within the territory of Donetska Oblast) and TOV «ENERA SKHID» (within the territory of Luhanska Oblast).

# ELECTRICITY SECTOR PROBLEMS

- **Unsatisfactory financial situation, insufficient own floating capital, huge debts of a part of the consumers (budget sector, water utilities, coal mines).** As of January 1, 2019, the aggregate receivables of SE "Energorynok" for enterprises located in the East of Ukraine and in the Crimea are the following:
  - **26.972 billion** from 33.1 billion UAH of total receivables, None-controlled territories debts – **3,009 billion UAH.**
  - Operation of the energy system of Luhanska oblast as an energy island – VP «Luhanska TES» (TPP) DTEK «Skhidenergo»
  - Usage of imported coal of A grade – PAT «Donbasenergo» (Slavyanska CHP); VP «Luhanska TES» (TPP) DTEK «Skhidenergo»

# ELECTRICITY SECTOR PROBLEMS

- No diversification of energy sources that affects significantly energy security in the oblast
- Migration of the able-bodied population considering the proximity to the conflict zone
- Riskiness of investment
- Non-readiness of the industries and the consumer market for an increase in prices for energy resources that causes a reduction of profitability of the energy sector and gives rise to social and political tensions
- Environmental aspect in terms of adaptation of EU acquis and fulfilment of a national plan for a reduction of emissions from large combustion installations



# GAS SECTOR DATA ANALYSIS EASTERN UKRAINE

## NATURAL GAS PRODUCTION

PAT “Ukrigasvydobuvannya”  
TOV “KUB-GAZ”(Burisma Group)  
PAT “Shakhta O.F. Zasyadko”  
PrAT “PLAST”

## NATURAL GAS SUPPLY

Over 400 economic entities obtained licenses from NEURC for natural gas supply

## NATURAL GAS TRANSPORTATION BY GAS TRANSMISSION PIPELINES

AT “Ukrtransgaz”

## NATURAL GAS DISTRIBUTION

PAT “Donetskoblغاز”  
PAT “Mariupolgaz”  
PAT “Luganskgaz”

In February 2015, the supply of natural gas to uncontrolled territories of Luhansk and Donetsk regions was stopped.

# GAS SECTOR DATA ANALYSIS EASTERN UKRAINE

- Donetskaya oblast – one gas condensate deposit - Drobyshivske, which is in the stage of exploration. The balance gas reserves make up 0.084 billion cubic meters, prospective free gas resources – **1.181 billion** cubic meters.
- Annual volumes of natural gas consumption on the controlled territory of the Donetsk region about **1500 million** cubic meters, on Luhansk region - is about **550-600** million cubic meters
- The balance (extractive) reserves of free gas is about of **12.584** billion cubic meters (1.56% of the total stock in Ukraine).



# GAS SECTOR PROBLEMS

- Lost control over the part of gas transmission and distribution pipelines as well as over gas metering stations “Prohorivka”, “Platove” and underground gas storage “Vergunske” (400 mln cubic meters)
- Lack of local gas reserves on the East
- High risks for the investors
- Lack of 100% objective metering of gas consumption
- Unreadiness of household consumers for an increase in energy resources prices that gives rise to social and political tensions



# COAL SECTOR DATA ANALYSIS

- 11 enterprises – legal entities, comprising 22 coal mines, are functioning (producing coal) in the government controlled area of Donetska oblast.
- Two State-owned enterprises, comprising 8 coal mines, are functioning in the government controlled area of Luhanska oblast.
- **IN TOTAL, there are 13 enterprises and 30 coal mines within the GCA, and there are 77 coal mines within the NGCA (mainly coal of grades A and P), where 63,4% of coal (from the total output) were produced in 2014**

## State-run companies:

Pivdenodonbaska No.1 Mine Group  
Surgai Mine  
Myrnodgradvuhillia  
Krasnolymanska Coal Company  
Selydivuhillia  
Toretskvuhillia  
Pervomaiskvuhillia  
Lysychanskvuhillia

**Total: 8 companies, 23 mines**

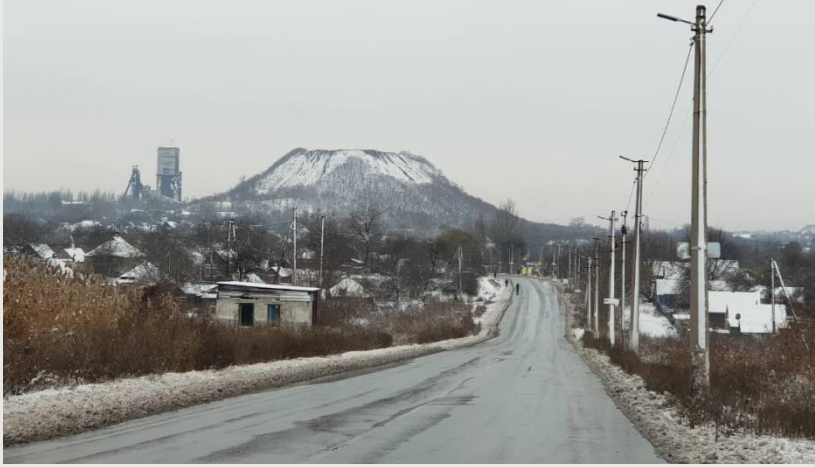
## Private companies:

DTEK Dobropiliavuhillia  
Pokrovske Colliery Group  
Bilozerska Mine  
Krasnolymanske\*  
Sviatoi Matrony Mine\*\*

**Total: 5 companies, 7 mines**

\* uses reserves of Krasnolymanska Coal Company

\*\* files no reports



# COAL SECTOR PROBLEMS

- Loss of commercial reserves in NGCA (77 coal mines, around 1.3 billion tons of coal of A and P (lean) grades). Flooding of more than 20 coal mines in NGCA (“Yunkom” coal mine in Horlivka, coal mines in Pervomaisk etc )
- Poor quality coal deposits (small seam thickness, large coal depth, significant level of hazard as for sudden coal and gas outbursts, high sulfur content in coal);
- Unsatisfactory financial situation (unprofitability, payables of more than UAH 20.2 billion)
- Refusal of the sector reform – blocking the attraction of non-state investments
- Reduction of human resources, ageing of personnel; poor administrative management, limits in management decision making
- Social problems: accumulation of debts (currently over UAH 500 million), unemployment (around 40,000 people work in the sector)

# WATER SUPPLY OF LUHANSKA AND DONETSKA OBLAST





# WATER SUPPLY

- Donetska oblast - the basic enterprise is the Communal Enterprise “Voda Donbasu”, which was subordinated to a network of water utilities. In the region there were about 600 water pump and 314 sewage stations. The average water intake for the region amounted to 1283 million cubic meters.
- Refusal of reregistration in GCA by Voda Donbasu company.
- Up to 90% of the water of the Communal Enterprise "Popasnyansky Vodokanal" is sold to consumers on NGCA . LLC “Dzherelo Novogo Zhittya” is the only one byer.



# WATER SUPPLY PROBLEMS

- “Disruption” of the district water supply system by a contact line
- Poor quality of water
- Significant tear and wear of facilities and process equipment;
- Refusal of reregistration in GCA by «Voda Donbasu» company
- Non-payments by consumers in NGCA in Donetska oblast
- Significant losses – over 30%
- Unsatisfactory financial situation (debts for electricity – UAH 2,8 billion)
- Limited (absence of) safe access to facilities of the grey zone;
- Limited water supply to consumers in GCA due to non-payments in NGCA (example: Kramatorsk, Toretsk)

# COMMON PROBLEMS

- No strategic vision for the energy sector development in the Eastern Ukraine
- Escalation of the armed conflict in the Eastern Ukraine
- Migration of population considering the proximity to the conflict zone; abandonment of homes
- Critical situation with investments both from the state and the private sectors since 2014
- Insufficient labor resources; deprofessionalization of the energy sector; labor migration
- Social and economic instability



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