

## EURACOAL Press Release

### *Coal supply: the real energy crisis in Ukraine*

**Brussels (18 November 2014)** – Today, at the International Coal Dialogue “*Quo vadis Ukraine?*” co-hosted by EURACOAL and the European Economic and Social Committee, a dire picture emerged of coal supply in Ukraine where over 40% of electricity comes from coal. With production disrupted at coal mines in the East, rail transport unavailable or uncertain, and inadequate coal stocks at power stations, the risks to electricity supply over the coming winter are real and imminent, according to Vitaly Butenko, Commercial Director at DTEK Energy.

Until now, Ukraine has been self-sufficient in coal. In 2013, the country produced over 60 million tonnes and production was maintained during the first half of 2014. However, since June, coal output has been decimated by separatist fighting in the Donetsk and Luhansk regions. Production from 66 coal mines has been lost, with just 60 left in production today. MEP Andrej Plenković, Chair of the EU-Ukraine Delegation, lived through war in Croatia and warned of the destructive consequence if the Minsk ceasefire was not respected. He called on the European Commission to consolidate the peace process.

Imported coal should allow Ukraine to replace lost indigenous production. However, paying for imports has been hit by the dramatic fall of the Ukrainian Hryvnia – losing half of its value this year. Nevertheless, coal is now being shipped from South Africa and Australia to Ukraine’s Black Sea ports which can handle up to 400 thousand tonnes a month.

A serious problem highlighted at the meeting is the sourcing of anthracite on the international market. High-quality local anthracite is used at around half of Ukraine’s thermal power plants. Germany is a producer, but there are few others – Russia being the biggest outside of China, according to Erich Schmitz of the Coal Importers Association in Hamburg and chair of EURACOAL Market Committee. However, the maximum monthly supply from Russia is perhaps 700-750 thousand tonnes – not enough to replace the two million tonnes lost.

Solutions to the short-term coal supply issue depend on good international co-operation. Ellina Levina of the International Energy Agency spoke of how Japan responded when faced with a loss of electricity supply following the devastating tsunami in 2011. Energy efficiency became a priority to reduce demand and she suggested public information campaigns are needed urgently in Ukraine. Without more imported anthracite, peak electricity demand cannot be met next month.

As a member of the Energy Community, Ukraine has been implementing many EU directives. Janez Kopač, Director of the Energy Community secretariat in Vienna welcomed the steps already taken, but pointed to many areas where the Ukrainian government needed to speed up progress and maintain a consistent approach that would encourage investment for the long term.

The willingness of the international community to assist Ukraine will be tested over the coming weeks. Without electricity, a cold winter in Ukraine would add to an already serious situation. The European Commission has established a Support Group for Ukraine, reporting to President Juncker, and will use information presented at the meeting to advise Member States and help formulate the EU’s response to this emerging crisis.

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Presentations from the meeting can be downloaded from [www.euracoal.org](http://www.euracoal.org). A full report will be available shortly.



Janez Kopač, Director, Energy Community & Ellina Levina, IEA



Erich Schmitz, VDKi; Torsten Wöllert, EC & Andrzej Adamczyk, EESC



Vitaly Butenko & John Woodham, DTEK Energy

MEP Andrej Plenković

## Notes for editors:

- The European Association for Coal and Lignite (EURACOAL) represents the interests of coal producers, coal importers and coal users in Brussels. The Association has 35 members from 20 countries, including DTEK and Ukrvuglerobotodavtsy in Ukraine.
- The EURACOAL publication “*Coal industry across Europe 2013*” offers a detailed review of the coal industry in the EU28 and countries of the Energy Community, which includes Ukraine, with sections on the world coal market and the socio-economic value of coal.
- In Ukraine, major coal deposits are located in the Donetsk coal basin in the East. The eight largest companies account for approximately two thirds of domestic coal production – DTEK accounting for almost half of the total 63 million tonnes produced in 2013.
- The EU consumes around 740 million tonnes of coal each year, 9% of the global total of 7 900 million tonnes. China is the largest consumer (3 670 million tonnes), followed by the USA (820 million tonnes). Approximately 1 100 million tonnes of coal is traded on the international market.
- Coal meets over one quarter of world energy demand (29%), second only to oil (31%).
- 28% of the EU electricity demand is met by coal, compared with 40% globally.
- Indigenous coal production of 520 million tonnes brings security of supply benefits and added value to the EU economy. The vast majority of EU coal production is fully competitive. State aid covers above-market costs at some uncompetitive mines that produced around 14 million tonnes of coal in 2013. Coal industry state aid will end in 2018.
- 240 000 people are directly employed in the EU coal industry.

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