

## Press Release

### EURACOAL gives its opinion on Ukrainian coal-pricing methodology

**Brussels (21 September 2018)** – At the request of the National Energy and Utilities Regulatory Commission of Ukraine (NEURC), EURACOAL has given its opinion on an official coal-pricing methodology introduced in 2016. The coal price is used when setting regulated electricity tariffs in Ukraine.

The EURACOAL report concludes that the choice of marker price is correct, the “all-publications index (API) #2 is a transparent and appropriate measure of the import parity price for coal in Ukraine. The transport cost add-on in the so-called Rotterdam+ price formula is an approximation that accounts for the higher cost of delivering coal to ports in Ukraine compared with to ports in northwest Europe. Adding a transport cost delta to the indexed price to arrive at an import parity price means that future variations in coal *and* transport costs can be captured.

The API #2 coal price index is a combination of the prices reported independently by two commercial providers of coal-market information in the *Argus/McCloskey Coal Price Index Report*. Specifically, API #2 reflects the price of steam coal imported into northwest Europe at three major ports: Amsterdam, Rotterdam and Antwerp (ARA). The collection and reporting of the underlying price data is trusted by market participants around the world and the methodology used is fully specified and properly scrutinised.

Ukraine’s coal import needs are slightly complicated by the requirement for low-volatile coal, such as anthracite, at some Ukrainian power stations. The international market for such coal is shallow, with few marker prices. Given the difficulty in establishing a fair market price for this coal, a premium could be added to the steam coal price marker to cover the additional cost of importing low-volatile coal.

In conclusion, EURACOAL’s overall assessment of the NEURC coal-pricing methodology is positive.

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#### Note for editors:

- *Report by EURACOAL on the formation of coal prices in market-based economies: the case of Ukraine* is available from the EURACOAL [website](#).
- The European Association for Coal and Lignite (EURACOAL) represents the interests of coal producers, coal importers and coal users in Brussels. The Association has 25 members from 15 countries, including Ukraine. The Association publishes regular market reports and *Coal industry across Europe*, a detailed review of the European coal industry with sections on the world coal market and climate policy ([www.euracoal.eu](http://www.euracoal.eu)).

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