

Rinat Akhmetov's energy miracle: demand is falling, and prices are rising

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In April, 17 DTEK mines were put into idle mode in Ukraine.

The owner is Rinat Akhmetov. The company is part of the „Pavlograd coal” association and is one of the largest energy companies in Europe. The company controls up to 90% of coal production and up to 80% of thermal generation in Ukraine. She owns 9 out of 15 Ukrainian thermal power plants and 17 mines.

The shutdown of the mines in the company was argued by dissatisfaction with the pricing policy in the energy sector. The company's management believes that the reason for this is „a systemic crisis in the energy sector of Ukraine, which led to its imbalance, manual regulation of the market, ill-conceived decisions, uncontrolled import of electricity from Russia and Belarus.”

The management of DTEK has repeatedly stated its problems.

Last year, the volume of coal mined decreased by seven percent compared to 2018 and amounted to 22.4 million tons. At the same time, electricity generation fell by 16 percent from 34 to 28.4 billion kilowatt-hours. The total capacity of DTEK was used only 19%.

This is due to a significant decline in Ukrainian industry in the second half of last year. Which caused a reduction in electricity consumption.

Also in November last year, the Burshtyn TPP integrated into the EU energy system and providing European consumers was put into idle mode. The objective reason is most likely the

expensive Ukrainian coal, which makes the power station uncompetitive on the EU energy market.

Another point of discontent of the oligarch is the state debt in the amount of 1.1 billion hryvnias at the green tariff.

The green tariff was introduced in Ukraine in 2009 and initially was a scheme for obtaining superprofits. The tariff is fixed in euros, several times higher than normal tariffs and is the highest in Europe. For solar power plants, it is seven to eight times, for wind power plants, it is six to seven times higher than the tariff for electricity from nuclear power generation.

It turns out that green power plants produce about two percent of the electricity consumed, and their electricity costs about eight percent of all funds.

In addition, Rinat Akhmetov got the state to abolish the collection of VAT tax and duties on the import of equipment for green power plants for 2019, which allowed more than double the production of electricity for them in a year.

And one more „trick” of green power plants. The state is obliged to pay for the electricity generated by them even if it disconnects them from the power grid. And in the context of reduced consumption, such cases have become regular since the end of last year.

However, it is very likely that Mr. Akhmetov is not very upset. His business should not suffer because of the crisis. And this will help consumers who can be offered to pay more for electricity.

And friends will help in promoting such a decision to an entrepreneurial businessman. Prime Minister Denis Shmygal, who previously headed the Burshtyn TPP owned by Akhmetov and the acting head of the Ministry of Energy, Olga Buslavets (is also from the oligarch's team).

Problems with external electricity supplies seem to be resolved. The Ukrainian National Commission for State Regulation in the Field of Energy and Utilities adopted Resolution No. 776 „On the actions of electricity market participants during the period of quarantine and restrictive measures related to the spread of coronavirus disease (COVID-19).” Also, from April 15, a special duty of 65% was imposed on imports of coal grades used in the production of thermal energy. Although it is worth noting that the volume of electricity imported from outside was less than one percent of the volume of consumption.

The Ukrainian energy market has also begun to show DTEK’s beneficial miracles. Despite the reduction in electricity consumption, its cost for enterprises has grown significantly since the end of March. At present, Ukrainian enterprises pay two to three times more than European ones for electricity.

To achieve a profitable pricing mechanism, manipulations with sales of atomic generation electricity were carried out. Then, two power units of the Zaporizhzhya NPP were sequentially shut down.

Statements about the need to increase approximately twice the tariffs for the population have already been made. So soon you should wait for this in practice.

It seems that Rinat Akhmetov is building a monopoly in the country’s energy sector. And by analogy with Naftogaz, it is unlikely to be controlled by the state.

And the profitability of oligarch enterprises should not be dependent on crises. With a drop in demand for electricity, Rinat Akhmetov’s business will be supported by consumers.

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