

Resume for draft country-specific strategy for Ukraine

Key obstacles for CMM project development in Ukraine Coal Industry

1. The majority of the coal-mining enterprises being in a state ownership is unprofitable and under state donation. The economic crisis of the coal industry as branches of a national economy of Ukraine is not overcome.

Repeatedly attempts to reform administrative structure of branch management undertaken during last time have no effect. Branch re-structuring was spent hasty, with many errors. As the result - opened coal stocks and not-amortized stationary equipment loss, municipal and social infrastructure destruction, etc. Put budgetary funds are used only for simple reproduction and consequently cannot provide manufacture escalating and industrial expenses decreasing.

In the conditions of developing inflationary processes and scarce Ukraine state budget, many problems connected with trade extraction of mine methane, preliminary and advancing decontamination of coal deposits, are unsolvable.

As to current decontamination from mountain developments, this measure in some cases does not solve safety problems of conducting mountain works and methane recycling because of out-of-date imperfect technics (chisel equipment, vacuum pumps, chink compression devices). Though, it is necessary to notice, that at the some non-state ownership mines process of mine methane utilization is very successfully.

Thus, one major key problem of mine methane recovery and use appears - it is *an absence of financial assets*. And it is very difficultly to rely upon state for financial support in this question.

Along with it in the tideway of a state policy there is a necessity to overcome not only technical problems and dependant moods in a part of mines directors, but also to create the mechanism, that will be capable to improve an economic condition of coal branch and to change the status of Coal in Ukraine energy structure. In the conditions of the established high prices for hydrocarbonic fuel at the world market, low demand for the Ukrainian coal because of its quality, the small price for it in home market and

threats of exhaustion of world's reserves of oil and gas there is quite real to carry out into practice the Program of Coal Branch Reforming.

Overcoming of obstacles for mine methane involving in economic circulation

Use of mine methane (including as sharing projects in conditions of the Kyoto Protocol) cannot make some radical changes in economy of Ukraine coal branch.

From our point of view, the first step in a way to coal production market diversification is a stabilization of economic situation by gradual privatization of the state mines.

It should give an impulse to practice the principles of the free economic market and formation of healthy competitive environment at the coal-mining enterprises.

In this (first) period with a view of formation and development of industrial extraction and recycling of mine methane there is follow steps are necessary to execute:

1. Additional geological investigation on methane stocks in Ukraine coal deposits allows experience of USA, Germany, Australia, etc.
2. Systematizing of the information about methane stocks in coal-breed solids, congestions in the terrestrial emptiness at the mines that closed and put on preservation.
3. Spending of the certification of gas and air-gas streams in operating mines, capacity of methane stores in coal-breed solids in borders of their mountain tap.
4. Creation of computer database on the basis of compiled information about potential resources of methane with instructions of its physical and chemical characteristics, mountain-geological characteristics of deposits, an is administrative-geographical arrangement, an infrastructure of adjoining settlements etc.
5. Creation and production of the safe modular maneuverable degasation stations, that providing a permanent working of cogeneration installations in the conditions of unstable debit of chinks, low concentration and superfluous humidity of airmethane mix arriving from degasation systems at the operating mines.
6. Developing of chisel mobile installations manufacturing for vertical and inclined chinks drilling from the surface for preliminary methane extraction from deposits with category A coal stocks, unfinished stocks at closed and put on

preservation mines, unsuitable for working out by traditional ways (consequence of mountain-geological conditions) coal-methane solids .

7. Developing of the package of basic standard documents for formation in Ukraine a favorable investment climate with a view of the national off-budget financing and foreign capital application.

These steps should provide:

- Granting of privileges under the natural-differential rent for subjects of economic activities;

- Customs privileges for delivery of the equipment for drilling, arrangements of degasation chinks and industrial recycling devices for low-concentration air-methane mixes, and also for air-conditioning of the extracted methane according to consumer standards;

- Privileges for the manufacturers of alternative power resources for use of the main state gas pipeline systems and municipal networks for delivery to consumers of synthetic fuel, heat, the electric power received from utilized methane;

- Quotas for realization of the conditioned mine methane to foreign consumers;

- Formation of strictly specialised free economic zones and technoparks.

The second stage of coal production market diversification and, consequently, Ukraine coal branch is orientation to non-waste manufacture – industrial recycling of breed, mine water, methane, and creation on the basis of a part of the coal-mining enterprises several companies specialized on manufacture of synthetic fuel.

I am ready to report about this stage more detailed at the M2M Coal Subcommittee meeting in Cagliari.