

Extractive Industries  
Transparency Initiative

NATIONAL REPORT  
OF UKRAINE  
2018

## Table of contents

1. List of abbreviations and glossary of terms.....	8
2. Executive summary.....	11
3. Extractive Industries Transparency Initiative in the World and in Ukraine.....	15
4. Methodology and Approach to Preparation of the EITI Report.....	18
4.1 Scope of the EITI Report.....	18
4.2 Collection of Information.....	21
4.3 Audit and assurance procedures in extractive companies and public bodies.....	22
4.3.1 Changes in Ukrainian legislation on auditing and assurance in mining companies.....	22
4.3.2 Auditing and assurance in government agencies and public sector entities.....	23
4.4 Data quality and assurance.....	25
5. General information about extractive industries.....	26
5.1 Coal mining.....	26
5.1.1 The role of the state in coal mining industry and budget support for the industry.....	26
5.1.2 Coal Reserves.....	35
5.1.3 Significant explorations.....	37
5.1.4 Volumes and the cost of coal mining.....	38
5.1.5 Exports and imports of coal.....	42
5.2 Oil and natural gas extraction.....	45
5.2.1 The role of the state in the oil and natural gas extraction industry.....	45
5.2.2 Oil and natural gas reserves.....	61
5.2.3 Significant explorations.....	67
5.2.4 Volumes and the cost of oil and natural gas extraction.....	71
5.2.5 Oil and natural gas transportation.....	80
5.2.6 Exports and imports of oil and natural gas.....	101
5.3 Iron ores mining.....	103
5.3.1 The role of the state in iron ores mining industry.....	103
5.3.2 Iron ores reserves.....	103
5.3.3 Significant explorations.....	105
5.3.4 Volumes and the cost of iron ores mining.....	106
5.3.5 Exports and imports of iron ores and iron ores products.....	109
5.4 Titanium ores mining.....	112
5.4.1 Role of the state in titanium ores mining industry.....	112

5.4.2	Titanium ores reserves .....	112
5.4.3	Significant explorations .....	113
5.4.4	Volumes and the cost of titanium ores mining .....	114
5.4.5	Export and import of titanium ores.....	115
5.5	Manganese ores mining.....	117
5.5.1	Role of the state in the manganese ores mining industry .....	117
5.5.2	Manganese ores reserves .....	117
5.5.3	Significant explorations .....	118
5.5.4	Volumes and the cost of manganese ores mining .....	118
5.5.5	Exports and imports of manganese ores .....	120
5.6	Fire clays mining.....	123
5.6.1	The role of the state in fire clays mining industry .....	123
5.6.2	Fire clays reserves .....	123
5.6.3	Significant explorations .....	124
5.6.4	Volumes and the cost of fire clays mining .....	124
5.6.5	Exports and imports of fire clays .....	126
5.7	High-melting clays mining .....	127
5.7.1	Role of the state in high-melting clays mining industry .....	127
5.7.2	High-melting clays reserves .....	127
5.7.3	Significant explorations .....	128
5.7.4	Volumes and the cost of high-melting clays mining.....	128
5.7.5	Exports and imports of high-melting clays.....	130
5.8	Quartz sand mining.....	131
5.8.1	Role of the state in the quartz sand mining industry .....	131
5.8.2	Quartz sand reserves .....	131
5.8.3	Significant explorations .....	132
5.8.4	Volumes and the cost of quartz sand mining .....	132
5.8.5	Exports and imports of quartz sand.....	134
5.9	Building stones mining .....	135
5.9.1	The role of the state in building stones mining industry .....	135
5.9.2	Building stones reserves.....	135
5.9.3	Significant explorations .....	137
5.9.4	Volumes and the cost of mining of building stones .....	137
5.9.5	Volumes of export and import of building stone processing products.....	139

5.10	Contribution of extractive industries to Ukrainian economy .....	142
5.10.1	Contribution to formal sector of economy .....	142
5.10.2	Contribution to the informal economy .....	146
5.10.3	Social and charity payments by extractive companies .....	148
5.11	Quasi-fiscal transactions .....	151
5.11.1	Quasi-fiscal transactions in gas industry .....	151
5.12	Generation of government revenues from extractive industries by the regions of Ukraine.....	152
5.13	Environmental impact of extractive industries.....	156
5.13.1	Monitoring the environmental impact of extractive industries .....	156
5.13.2	Environmental expenditures of extractive industries .....	157
6.	Statutory and fiscal regulation for extractive industries in 2019 .....	159
6.1	Overview of the regulations applicable to extractive industries.....	159
6.1.1	Strategic documents in the extractive industry .....	160
6.1.2.	The Subsoil Code of Ukraine .....	162
6.1.3.	The Mining Law of Ukraine.....	164
6.1.4.	The Law of Ukraine "On Oil and Gas" .....	164
6.1.5.	Law "On the Natural Gas Market" .....	165
6.1.6.	Tax regulations .....	166
6.1.7.	Other regulations.....	167
6.2	Functions and responsibilities of public authorities .....	170
6.2.1.	Public authorities whose powers extend to the entire territory of Ukraine .....	170
6.2.2.	Public authorities whose powers extend to the local level .....	173
6.3	Reforming of the regulatory and fiscal regime of the mining industry in 2018.....	175
6.3.1	Overview of state reforms in the extractive industries in 2018 .....	175
6.3.2.	Development of draft legislation in extractive industries.....	186
6.4	State participation in extractive industries .....	190
6.4.1	State-owned enterprises and some features of their operations .....	190
6.4.2.	State policy in public sector entities' management .....	196
6.4.3.	Payments made by the state-owned enterprises in favor of the state .....	198
6.4.4.	State payments to state-owned enterprises .....	200
6.4.5.	Functions of state-owned enterprises and payments to such enterprises .....	210
6.5	Fiscal regime for extractive industries.....	214
6.6	Regulatory regime for extractive industries .....	232



6.6.1. Registry of licenses .....	232
6.6.2. Procedure for granting licenses .....	233
6.6.3. Availability of the information about the beneficial owners of extractive companies .....	245
6.6.4. The contracts in the extractive industries .....	250
6.6.5. Other contracts in extractive industries .....	257
6.6.6. Use of local component in extractive industries.....	263
6.6.7. Cooperation between extractive companies and local communities .....	264
6.7 Budget process in Ukraine.....	268
7. Environmental impact of extractive industries .....	273
7.1 Legal regulation of relations related to environmental protection.....	273
7.2. The right to use nature and the obligation to protect the environment.....	275
7.3 The system of bodies entrusted with the functions of ensuring compliance with legislation on nature management and environmental protection.....	278
7.4 The extractive industry environmental impact monitoring and management .....	279
7.4.1 The state environmental monitoring system .....	279
7.4.2 Maintenance of natural resource databases .....	280
7.4.3 Measures to minimize the negative impact on the environment.....	282
7.4.4 Monitoring compliance with environmental legislation .....	285
7.4.5 Sanctions in case of violation of nature management rules and environmental legislation.....	288
8. Reconciliation of tax and other payments .....	292
Report of factual findings.....	293
8.1 Determining the scope of reconciliation in the EITI Report .....	294
8.1.1 Determining the list of extractive industries for reconciliation in the EITI Report	294
8.1.2 Determining the list of types of payments for reconciliation in the EITI Report ...	295
8.1.3 Determining the list of reporting companies for reconciliation in the EITI Report	299
8.2 Summary of payments reconciliation .....	305
8.2.1 Completeness of reconciliation .....	305
8.2.2 Key results of reconciliation.....	309
8.3 Results of reconciliation for each type of tax payments .....	316
8.3.1 Personal income tax.....	316
8.3.2 Corporate income tax.....	317
8.3.3 Production royalty .....	318

8.3.4 Value added tax on goods and services produced in Ukraine (excluding budget reimbursement of VAT).....	319
8.3.5 Budget reimbursement of value added tax.....	320
8.3.6 Value added tax on goods imported into Ukraine.....	321
8.3.7 Property tax .....	322
8.3.8 Environmental tax.....	323
8.4 Reconciliation of non-tax payments .....	324
8.4.1 Dividends and payment of a share of net profit .....	324
8.4.2 Fees for granting and extending special permits for the use of subsoil and revenues from the sale of such permits.....	325
8.4.3 Unified social contribution .....	326
9. Recommendations for improving the EITI reporting process .....	327
9.1 Analysis of the implementation the previous Ukraine EITI Report recommendations.	327
9.2 Recommendations of the Independent Administrator to improve the EITI reporting process.....	331
10. Annex 1. List of state authorities and institutions surveyed within the scope of EITI Report 2018 .....	342
11. Annex 2. List of extractive companies included into the scope of reconciliation in EITI Report .....	343
12. Annex 3. Powers of state authorities of Ukraine in the field of mineral resource production in 2018.....	350
13. Annex 4. Beneficial owners of reporting entities according to the information from the Unified State Registry .....	366
14. Annex 5. Information on mineral reserves classification.....	370
15. Annex 6. Auctions for the sale of special permits for subsoil use in 2018.....	371
16. Annex 7. Information on selected indicators of interbudgetary transfers (other subventions) from the State budget to local budgets of Ukraine in 2018.....	373
17. Annex 8. Consolidated database on tax and other payments by reporting companies of extractive industries that provided information for EITI Report, in 2018 .....	375
17.1 Personal income tax .....	375
17.2 Corporate income tax .....	379
17.3 Production royalty.....	383
17.4 Value added tax of goods and services produced in Ukraine (excluding budget reimbursement of VAT) .....	387
17.5 Budget reimbursement of value added tax .....	391
17.6 Value added tax of goods imported into Ukraine.....	395

17.7	Property tax.....	399
17.8	Environmental tax .....	403
17.9	Dividends and payment of a share of net profit .....	407
17.10	Fees for granting and extending special permits for the use of subsoils and revenues from the sale of such permits .....	411
17.11	Unified social contribution .....	415
18.	Annex 9. Consolidated database on payments to the state (production royalty, land fee and environmental tax) by projects from reporting extractive companies in 2018 .....	419
18.1	Results of reconciliation of production royalty by projects (special permits).....	419
18.2	Extractive companies` data on land fee .....	461
18.3	Extractive companies` data on environmental tax .....	470
19.	Annex 10. Consolidated database on tax and other payments by reporting companies of extractive industries, which did not provide information for EITI Report.....	477
20.	Annex 11. Information received from the companies following requests .....	480
21.	Annex 12. Analysis of discrepancies and payments information adjustments.....	487
21.1	Personal income tax .....	487
21.1	Corporate income tax .....	490
21.2	Production royalty.....	491
21.3	Value added tax on goods and services produced in Ukraine (excluding budget reimbursement of VAT) .....	492
21.4	Budget reimbursement of value added tax .....	494
21.5	Value added tax on goods imported into Ukraine .....	495
21.6	Property tax.....	499
21.7	Environmental tax .....	501
21.8	Dividends and payment of a share of net profit .....	502
21.9	Fees for granting and extending special permits for the use subsoils and revenues from the sale of such permits .....	503
21.10	Unified social contribution .....	505
22.	Annex 13. List of coal mines located in the territory where state authorities temporarily do not exercise their powers .....	507
23.	Annex 14. Compliance of the Ukraine EITI Report with the EITI Standards .....	510

## 1. List of abbreviations and glossary of terms

Term	Meaning
Beneficial Owner	Ultimate beneficial Owner within the meaning of the Law of Ukraine "On Prevention and Counteraction to Legalization (Laundering) of Proceeds from Crime, Financing of Terrorism and Financing of the Proliferation of Weapons of Mass Destruction" No. 361-IX of 16.08.2020
Budget Code	Budget Code of Ukraine No. 2456-VI dated 8 July 2010, <a href="https://zakon.rada.gov.ua/laws/show/2456-17/ed20191213">https://zakon.rada.gov.ua/laws/show/2456-17/ed20191213</a>
CMU	Cabinet of Ministers of Ukraine
Customs Code	The Customs Code of Ukraine No. 4495-VI dated 13 March 2012 <a href="https://zakon.rada.gov.ua/laws/show/4495-17/ed20191229">https://zakon.rada.gov.ua/laws/show/4495-17/ed20191229</a>
Derzhgeonadra, Geology Service	The State Service for Geology and Mineral Resources of Ukraine
EITI	Extractive Industries Transparency Initiative
EITI International Secretariat	Independent body responsible for EITI implementation and management at the international level. It is based in Oslo (Norway)
EITI National Secretariat	National body, which coordinates and supports EITI at the country level.
EITI Report	Report containing the major deliverables of the procedures performed as part of EITI implementation at the country level for a year (in this particular case - for 2019)
EITI Standard	International standard of ensuring the transparency of a country's natural resource governance process within the EITI framework. Ukraine EITI Report for 2017 was prepared in accordance to EITI Standard 2019.
Geoinform of Ukraine SRPE	State Geological Information Fund of Ukraine State-owned Research and Production Enterprise
GTS	Gas transmission system
GZK	Ore Preparation Plant
Heolekspertyza SGE	State Commission for Examination of Geological Projects and Estimates Heolekspertyza
Independent Administrator	External independent entity, which provides the services on preparation of EITI Report for 2019 and which has no conflict of interest in respect of provision of such services
JAA	Joint Activity Agreement
JSC	Joint-Stock Company
JV	Joint Venture
Law on EITI, EITI Law	The Law of Ukraine "On Ensuring transparency in Extractive industries" No. 2545- VIII dated 18 September 2018, <a href="https://zakon.rada.gov.ua/laws/show/2545-19">https://zakon.rada.gov.ua/laws/show/2545-19</a>
Law on Oil and Gas	The Law of Ukraine "On Oil and Gas" No. 2665-III dated 12 July 2001 <a href="https://zakon.rada.gov.ua/laws/show/2665-14/ed20180404#Text">https://zakon.rada.gov.ua/laws/show/2665-14/ed20180404#Text</a>
License	Special permit for the use of subsoil

Term	Meaning
Mineconomy	Ministry for Development of Economy, Trade and Agriculture of Ukraine (formerly until 17 September 2019 - the Ministry of Economic Development and Trade of Ukraine).
Minekoenergo	Ministry of Energy and Environmental Protection of Ukraine (existed from 28 September 2019 to 27 May 2020 as a result of the accession of the Ministry of Energy and Coal Industry to the Ministry of Environment).
Mining Law	The Mining Law of Ukraine No. 1127-XIV dated 6 October 1999, <a href="https://zakon.rada.gov.ua/laws/show/1127-14/ed20191229#Text">https://zakon.rada.gov.ua/laws/show/1127-14/ed20191229#Text</a>
Ministry of Energy	Ministry of Energy of Ukraine (during the period from 28 September 2019 to 27 May 2020 was merged with the Ministry of Environment that resulted in the creation of one Ministry of Energy and Environmental Protection of Ukraine (Ministry of Energy))
Ministry of Finance	Ministry of Finance of Ukraine
MSG	Multi-stakeholder group, which includes the representatives of government, companies and civil society and has been created to control the process and communication on EITI Report findings, as well as to integrate EITI for broader activities on ensuring the extractive industries transparency
Naftogaz of Ukraine NJSC	Naftogaz of Ukraine National Joint Stock Company
NBU	National Bank of Ukraine
NEURC	National Energy and Utilities Regulatory Commission
OJSC	Open Joint-Stock Company
Parliament	Verkhovna Rada of Ukraine
PICE	Private Industrial and Commercial Enterprise
PIT	Personal income tax
PJSC	Public Joint-Stock Company
PrJSC	Private Joint-Stock Company
Procedure for granting licenses	The Procedure on granting special permits on subsoil use, approved by the Resolution of the CMU No. 615 dated 30 May 2011, as of 12 December 2017, unless otherwise specified in the EITI Report, <a href="https://zakon.rada.gov.ua/laws/show/615-2011-%D0%BF/ed20191121#Text">https://zakon.rada.gov.ua/laws/show/615-2011-%D0%BF/ed20191121#Text</a>
Procedure for holding auctions for the sale of licenses	The Procedure for holding auctions for sale of special permits on subsoil use approved by the Resolution of the CMU No. 594 dated 30 May 2011, as of 12 December 2017, unless otherwise specified in the EITI Report, <a href="https://zakon.rada.gov.ua/laws/show/594-2011-%D0%BF/ed20191224#Text">https://zakon.rada.gov.ua/laws/show/594-2011-%D0%BF/ed20191224#Text</a>
PSA	Production Sharing Agreement
PSA Law	The Law of Ukraine "On Production Sharing Agreements" No. 1039-XIV dated 14 September 1999, <a href="https://zakon.rada.gov.ua/laws/show/1039-14/ed20191229#Text">https://zakon.rada.gov.ua/laws/show/1039-14/ed20191229#Text</a>
QFT	Quasi-fiscal transactions
Reporting entities	Companies and government authorities, which provide the reporting data for further processing and presentation in the EITI Report

Term	Meaning
SCMR	State Commission on Mineral Resources
SCS	State Customs Service of Ukraine
SE	State Enterprise (unless otherwise noted)
SFS	The State Fiscal Service of Ukraine (after August 2019 - State Tax Service of Ukraine and State Customs Service of Ukraine)
SJSC	State Joint-Stock Company
SOJSC	State Open Joint-Stock Company
SPE	Small private enterprise
State budget	State Budget of Ukraine
State Labor Service	The State Labor Service of Ukraine, created as a result of reorganization of State Service for Mining Supervision and Industrial Safety of Ukraine and the State Labor Inspection of Ukraine
State Statistics Service, SSSU	State Statistics Service of Ukraine
State Treasury	State Treasury of Ukraine
STS	State Tax Service of Ukraine
Subsoil Code	The Subsoil Code of Ukraine No. 132/94-VR dated 27 July 1994, <a href="https://zakon.rada.gov.ua/laws/show/132/94-%D0%B2%D1%80/ed20191229#Text">https://zakon.rada.gov.ua/laws/show/132/94-%D0%B2%D1%80/ed20191229#Text</a>
Tax Code	The Tax Code of Ukraine No. 2755-VI dated 2 December 2010, <a href="https://zakon.rada.gov.ua/laws/show/2755-17/ed20191229">https://zakon.rada.gov.ua/laws/show/2755-17/ed20191229</a>
Transportation royalty	Rent for transportation of oil and oil products through trunk pipelines and oil product pipelines through Ukrainian territory, natural gas and ammonia transit transportation via pipelines through Ukrainian territory
UAH	Ukrainian hryvnia
UBMR	Construction Works Department
USC	Unified contribution for mandatory state social insurance, Unified Social Contribution
USD	US dollar. Average exchange rate in 2018 was - 27.20 UAH/USD
USR	Unified State Register of Legal Entities, Individual Entrepreneurs, and Public Organizations
VAT	Value added tax

## 2. Executive summary

The report covers the detailed information on the activities of Ukrainian extractive industries during 2018. This is the fifth report prepared by Ukraine within the Extractive Industries Transparency Initiative (EITI).

This is the first EITI Report prepared when the mining companies are required to report on their activities and payments to the state in accordance with the requirements of current legislation, namely the Law of Ukraine "On Ensuring Transparency in Extractive Industries" No 2545-VIII dated 18.09.2018. For the purposes of preparation of the report, the companies provided information in accordance with the official reporting forms approved by the Order of the Cabinet of Ministers No 858 of 23.09.2020.

### **The contribution of extractive industries to the Ukrainian economy**

In 2018, the extractive industries have generated UAH 214.26 billion in gross value added (6.02% of Ukraine's nominal GDP), with the crude oil and natural gas extractive industry playing the leading role. The total extractive industries output value amounted to UAH 490.11 billion.

In addition, the extractive industries of Ukraine attracted UAH 53,984.58 million of capital investments, or 9.33% of the total capital investments of all sectors of the Ukrainian economy. The industries have a significant impact on the personal income of the population: the average salary of full-time employees in the extractive industries in 2018 amounted to UAH 12,452, exceeding the average salary in Ukraine by more than 40.46%.

### **Coal**

The coal mining industry in Ukraine is featured with significant state capture. As of 2018, there were 482 coalmines in Ukraine, including 94 state-owned companies. The country's total balance sheet reserves of hard coal amounted to 41,402.94 million tons as of 2018.

The total volume of hard coal production decreased by 4.67% in the reporting period compared to 2017, and amounted to 33,286.41 thousand tons, with 12.44% extracted in the public sector. In terms of administrative regions (oblasts), the largest volume of coal was mined in Dnipropetrovsk and Donetsk oblasts - 20,011.78 thousand tons and 11,109.96 thousand tons, respectively.

The volume of coal exports decreased by 89.96% compared to 2017, amounting to 63.80 thousand tons, while the volume of imports increased by 8.14% and amounted to 21,386.95 thousand tons. A significant share (70.18%) was imported from Russia.

### **Oil and natural gas**

As of January 1, 2019, the State Balance Sheet includes 205 oil fields with total reserves of 99,986 thousand tons, with more than half located in the Eastern oil and gas region. In terms of administrative regions (oblasts), the leaders are Poltava and Ivano-Frankivsk oblasts with 23.25% and 18.77% of the total balance sheet oil reserves.

The total balance sheet reserves of natural gas amounted to 804,369 mcm. In terms of administrative oblasts, the largest shares are located in Kharkiv and Poltava oblasts - 39.52% and 31.90% of total reserves, respectively.



Oil production in 2018 increased by 7.06% compared to the previous year and amounted to 1,622 thousand tons. Most oil was produced by Ukrnafta PJSC among the public sector companies (85.76%) and JV Ukrcarpathoil LTD - in the private sector of the economy (3.39%).

In 2018, 20,949 mcm of natural gas were produced in Ukraine, which is 2.15% higher than in 2017. The public sector companies extracted 79.15% of the total production, with Ukgazvydobuvannia PJSC and Ukrnafta PJSC being the top companies. The private sector companies produced 20.85%, with Naftogazvydobuvannia PJSC being the leader.

Unlike the previous year, in 2018 Ukraine did not export oil and natural gas. The volume of oil imports decreased by 24.33% compared to 2017 and amounted to 766.83 thousand tons. Almost all imports came from Azerbaijan (94.24%). The imports of natural gas also fell by 24.89% compared to the previous year, amounting to 10.47 bcm. Switzerland and Germany were the largest supplier countries - 37.29% and 30.33% respectively.

### **Transportation of oil and natural gas**

The volume of natural gas transportation to domestic consumers amounted to 28.5 bcm in 2018, which is 4.01% more than in previous year. The volume of natural gas transit through the territory of Ukraine decreased by 7.17% and was equal to 86.8 bcm. The total income from natural gas transportation services amounted to UAH 50,313.3 million.

The total volume of oil transportation amounted to 15.4 million tons, including 13.3 million tons of oil transited through the territory of Ukraine and 2.1 million tons of oil transmitted to the Ukrainian refineries. The net income of Ukrtransnafta JSC increased by 2.25 % compared in 2018 to the previous year and amounted to UAH 3,873.19 million.

The establishment of the branch "Operator of gas storage facilities of Ukraine" within the structure of Ukrtransgaz has become a 2018 milestone. The branch is responsible for providing natural gas storage services and ensuring efficient and uninterrupted operation of 12 underground gas storage facilities in Ukraine.

### **Iron ore**

As the end of 2018, there were 60 iron ore deposits in Ukraine, and the balance sheet reserves amounted to 18,877.24 million tons. More than half of the total reserves of iron ore are concentrated in the Dnipropetrovsk region.

The total volume of iron ore mining decreased by 5.32% compared to 2017 and amounted to 152.65 million tons. The following three companies produced the largest share the total production: Southern Iron Ore Enrichment Works JSC, Ingulets Iron Ore Enrichment Works PrJSC and Northern Iron Ore Enrichment Works PrJSC

The volume of exports of non-agglomerated iron ores and concentrates in 2018 amounted to 21,207.08 thousand tons worth USD 1,257.96 million dollars. The main suppliers were China and the Czech Republic.

### **Titanium ore**

According to the US State Geological Survey, Ukraine has 2,500,000 tons of rutile and 5,900,000 tons of ilmenite, which is 1.02% of the world's proven titanium reserves.

As of the end of 2018, 11 enterprises engaged in had special permits for subsoil use titanium ore mining. The state-owned United Mining and Chemical Company JSC produced to 1,592 tcm of titanium ore and 4,559 tcm of zircon-rutile-ilmenite-bearing sands.

The total volume of exports of titanium ore increased by 2.69% compared to 2017 and amounted to 599.49 thousand tons worth USD 125.72 million dollars. The largest share of the total volume was delivered to Turkey. The volume of titanium ore imports in 2018 amounted to 15.87 thousand tons worth USD 3.14 million dollars. The two supplier countries were Senegal and Mozambique.

### **Manganese ore**

The balance sheet reserves of manganese ores amounted to 2,171.40 million tons at the end of 2018. They are located only in Zaporizhia, Dnipropetrovsk and Kherson regions.

The total volume of manganese ore mining in the reporting period decreased by 3.45% compared to 2017 and amounted to 3,772.29 thousand tons. Manganese Ore was only in the territory of Dnipropetrovsk region by Pokrovsk Iron Ore Enrichment Works JSC, Marganets Iron Ore Industrial Complex JSC and Landshaft LLC.

The volume of exports of manganese ores and concentrates in 2018 amounted to 59.60 thousand tons worth USD 3.83 million dollars. The volume of imports of manganese ores and concentrates in 2018 decreased compared to the previous year and amounted to 938.95 thousand tons worth USD 182.80 million dollars.

### **Fire clays**

As of the end of 2018, the total balance sheet reserves of fire clays in Ukraine amounted to 589.09 million tons, mostly located in the Donetsk region (75.84%).

The volume of fire clay production in 2018 amounted to 6,811.85 thousand tons, which is 13.93% higher than in 2017. They were mostly mined in the fields of Donetsk region.

According to the State Statistics Service, the volume of fire clay exports fell by 7.25% in 2018 compared to the previous year and amounted to 5,533.66 thousand tons, worth USD 237.07 million dollars. As in the previous year, imports were insignificant compared to exports and amounted to 347.73 tons of fire clays.

### **High-melting clays**

The total balance sheet reserves of high-melting clays in Ukraine as of the end of 2018 amounted to 77.32 million tons, with the main share located in Donetsk region (65.28%).

In 2018, high-melting clays was mined from 2 deposits: Artemivsk deposit in Donetsk region and Ivantsiv deposit in Zakarpattia region. The total volume of output was 197.54 thousand tons in 2018.

### **Quartz sand**

As of the end of 2018, the total balance sheet reserves of quartz sand in Ukraine amounted to 222,343.40 thousand tons. In terms of administrative regions, the largest share of the reserves is located in Kharkiv oblast (42.61%).

The total output of quartz sand mining decreased by 11.54% in 2018 compared to the previous year and amounted to 995.25 thousand tons. The major share of the total output of quartz sand was mined in Kharkiv, Chernihiv and Kherson regions.

### **Building stones**

As of the end of 2018, there were 929 deposits of building stones in Ukraine, including 451 developed ones. The total balance sheet reserves of building stone amounted to 7,817.47 mcm, with the major share located in Zhytomyr region (20.50%).

During 2018, the total of 27,558.07 tcm of building stones were extracted, which is 1.51% more than in 2017. As in the previous year, the major part of the total volume of extracted building stones was granite (82.01%).

The imports of building stone processing products amounted to 315.22 thousand tons worth USD 14.57 million dollars in 2018, while the exports reached 6,615.58 thousand tons worth USD 46.62 million dollars.

### **Reconciliation of data on tax and other payments in favor of the state**

In 2018, the companies of the reporting extractive industries paid the total of UAH 187,938,735.57 thousand in favor of the state. The largest contribution to the total revenues from the accountable industries was made by the oil and natural gas industry (including transportation) - UAH 160,584,406.52 thousand or 85.45%. The second top, in terms of payments to the state was the metal ore (iron, titanium and manganese ore) mining - UAH 15,349,886.50 thousand or 8.17% of the total taxes and other payments. The coal mining companies also significantly contributed to the state revenues from the extractive industries - UAH 12,004,442.54 thousand or 6.39%.

The largest payments to the state included the value added tax on goods produced in Ukraine (excluding budget VAT refunds) - 24.34% of the total revenues from the reporting extractive industries, and production royalty, which amounted to 22.33% of the total revenues.

The EITI report 2018 included a reconciliation of data for 53 companies on significant types of payments in favor of the state, which amounted to a total of UAH 183,404,729.34 thousand. During the reconciliation of payments, the Independent Administrator received information on the amount of tax and other revenues from only 48 companies, with a total amount of payments UAH 181,677,418.88 thousand. Therefore, the completeness of the reconciliation of revenues in favor of the state in the EITI Report 2018 is 99.06%, compared to 98.39% in the EITI Report 2017, and the share of unreconciled payments made by the mining companies was 0.94%.

For 37 accountable companies, significant discrepancies were found between the data provided by the government agencies and the accountable companies. To identify the causes of the discrepancies and make further adjustments, the Independent Administrator has drafted and sent additional requests to the companies. While the initial discrepancy was UAH 36,600,245.21 thousand or 20.15%, after studying the causes of the discrepancies and adjusting the data, the total amount of differences decreased significantly to the final discrepancy of (800,981.82) thousand UAH or (0, 44)%. **Annex 12** presents the results of the discrepancy study.

### 3. Extractive Industries Transparency Initiative in the World and in Ukraine

In 2013, Ukraine joined the Extractive Industries Transparency Initiative and since then, four EITI Reports have been published, covering a total of 5 years (2013-2017).

*Table 3.1: Main characteristics of the EITI Ukraine Reports*

EITI Report	Year of publication	Scope	Revenues covered by the EITI Report	Depth of payments reconciliation
2013 EITI Ukraine Report	2015	Natural gas and oil extraction; Natural gas and oil transportation	UAH 26.8 bln	No reconciliation of payments and by companies
2014-2015 Ukraine EITI Report	2017	Natural gas and oil extraction; Natural gas and oil transportation; Coal mining; Iron ores mining; Titanium ores mining; Manganese ores mining.	UAH 58.0 bln UAH 92.5 bln	81.5% (2014) 82.8% (2015)
2016 Ukraine EITI Report	2018	Natural gas and oil extraction; Natural gas and oil transportation; Coal mining; Iron ores mining; Titanium ores mining; Manganese ores mining Fire clays and high-melting clays mining; Quartz sand mining	UAH 100.1 bln	91.8%
2017 Ukraine EITI Report	2020	Natural gas and oil extraction; Natural gas and oil transportation; Coal mining; Iron ores mining; Titanium ores mining; Manganese ores mining	UAH 145.4 bln	98.4%
2018 Ukraine EITI Report	2021	Fire clays and high-melting clays mining; Quartz sand mining; Building stones mining	UAH 187.94 bln	99.06%

In 2018, the first validation by the International Secretariat was completed, which aimed to verify the implementation of the Extractive Industries Transparency Initiative in Ukraine for compliance with the requirements of the EITI Standard. The validation lasted from July 2017. Overall, the validation results evidenced significant progress of Ukraine in implementing the EITI Standard<sup>1</sup>. In particular, five indicators showed significant progress, and satisfactory progress was achieved on 15 indicators. At the same time, the progress beyond the EITI Standard requirements is observed on 5 indicators: #1.3 Civil society engagement, #2.5 Beneficial ownership, #5.1 Distribution of revenues, #6.1 Mandatory social expenditures, #7.1

<sup>1</sup> Ukraine Validation 2017, <https://eiti.org/document/ukraine-validation-2017>  
page 15 out of 514

Public debate. The validator determined unsatisfactory progress on only 3 indicators #2.6 State participation, #4.5 SOE transactions, #6.2 SOE quasi-fiscal expenditures<sup>2</sup>. The start of the second validation is scheduled for June 2020<sup>3</sup>.

An important step made in 2018 was the adoption of the Law of Ukraine "On Ensuring Transparency in Extractive Industries" No 2545-VIII of 18.09.2018 ("EITI Law").<sup>4</sup> The law requires the companies to disclose the essential terms of contracts, beneficial owners, project reporting, in order to ensure transparency and avoid corruption in the extractive industries in Ukraine. The EITI Law regulates the reporting process of the extractive companies and payees, sets requirements for the establishment of a multilateral group for EITI implementation, determines the responsibility of the companies and the officials of payees for violating the law on transparency in the extractive industries. In addition, the EITI Law aims to implement a number of EU pieces of legislation designed to increase the transparency of extractive industries

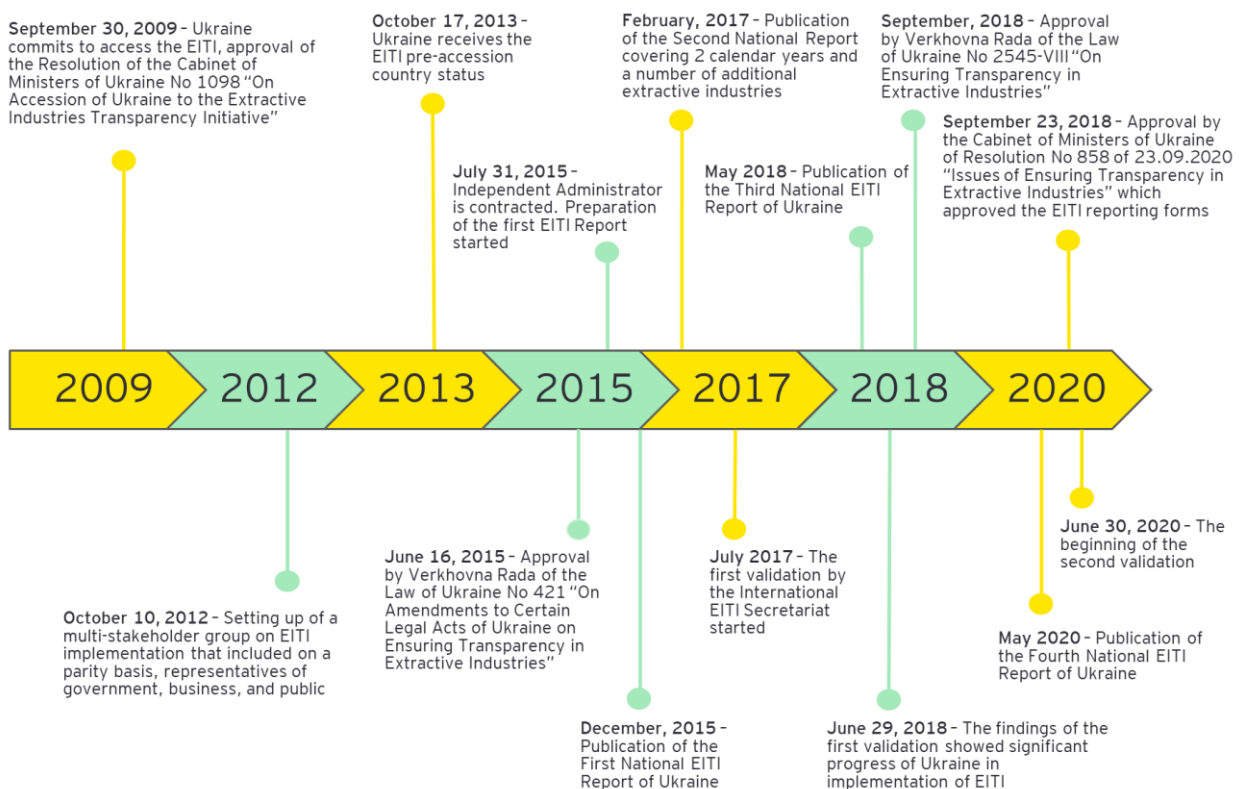


Figure 3.1: Major EITI implementation developments in Ukraine

<sup>2</sup> EITI web-site, Final Validation report, [https://eiti.org/files/documents/ukrainian\\_final\\_asl\\_validation\\_report\\_ukraine.pdf](https://eiti.org/files/documents/ukrainian_final_asl_validation_report_ukraine.pdf)

<sup>3</sup> EITI website, <https://eiti.org/ukraine>

<sup>4</sup> The Law of Ukraine "On Ensuring Transparency in Extractive Industries" No 2545-VIII of 18.09.2018: <https://zakon.rada.gov.ua/laws/show/2545-19#Text>

The information on EITI and the newsletters about the implementation of the initiative is communicated on a regular basis in the media and during public events. Events, reports, materials and relevant information related to the EITI implementation in Ukraine and abroad are published on the website <http://eiti.org.ua>. The site also hosts the EITI Standard, the reports on the analysis of legislation and other useful information.

EITI in Ukraine is supported by:

- ▶ World Bank;
- ▶ The German Government through the Effective Public Financial Management project implemented by the federal company Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH;
- ▶ The International Renaissance Foundation;
- ▶ The United States Agency for International Development (USAID) in Ukraine;
- ▶ and other stakeholders (mining companies, non-governmental organizations, the Ukrainian Government etc.).

## 4. Methodology and Approach to Preparation of the EITI Report

### 4.1 Scope of the EITI Report

The EITI Report for 2018 includes information on companies of various with different ownership structures that operated in the field of the extraction of mineral resources and transportation of oil and natural gas through Ukraine. It also contains information on the executive authorities that received payments from companies in the extractive industries.

According to the decision of EITI MSG (Minutes of the EITI MSG meeting of 20 November 2020), the scope of context of the EITI report for 2018 includes:

- ▶ coal mining;
- ▶ oil extraction;
- ▶ natural gas extraction;
- ▶ iron ores mining;
- ▶ titanium ores mining;
- ▶ manganese ores mining;
- ▶ fire clays mining;
- ▶ high-melting clays mining;
- ▶ quartz sand mining (for glass production);
- ▶ building stones mining;
- ▶ oil and natural gas transmission.

This EITI report intends to illustrate the contextual information on the above-mentioned industries according to the requirements of EITI Standard. According to the decision of EITI MSG (Minutes of the EITI MSG meeting of 20 November 2020), the reconciliation of the payments to the state was conducted for the companies that operate in the coal mining, oil and natural gas extraction (including transportation), iron ores, titanium ores and manganese ores mining industries (hereinafter - reporting industries).

The list of the reporting industries that made payments to the state and were included in the scope of reconciliation in EITI 2018 Report is located in **Annex 2**. The approach to evaluating the materiality of payments to the state and identifying the companies to undergo reconciliation is described in **Section 8.2**.

#### ***Artisanal and small-scale mining***

Due to the lack of official and reliable information on the artisanal and small-scale mining and the geographical location of such potential facilities in the areas where public authorities are temporarily not exercising their powers (United Forces Operations zone), such mining cannot be fully assessed. In this regard, and due to the lack of publicly available information, according to the decision of the EITI MSG (Minutes of the EITI MSG meeting of December 14, 2020), the EITI Report for 2019 shall not cover the disclosure of information on artisanal and small-scale mining. However, the EITI MSG intends to consider this type of mining activity and develop an



action plan to cover it in the subsequent EITI Reports or analyse obstacles to the disclosure of such information

***Disclosure of information by business entities located in the temporarily uncontrolled territory and originating from the temporarily occupied territory***

**Legal regime of the temporarily occupied territory of the Autonomous Republic of Crimea:**

- ▶ According to the Law of Ukraine "On Ensuring Rights and Freedoms of Citizens and the Legal Regime in the Temporarily Occupied Territory of Ukraine", since February 20, 2014, the territory of the Autonomous Republic of Crimea (hereinafter referred to as AR Crimea) and the city of Sevastopol has been a temporarily occupied territory.
- ▶ According to the Law of Ukraine "On Establishment of the Free Economic Zone of Crimea and on Special Aspects of Economic Activity in the Temporarily Occupied Territory of Ukraine" (hereinafter referred to as the FEZ Law), in the territory of AR Crimea and the city of Sevastopol, for 10 years (until 2024) the free economic zone "Crimea" (hereinafter referred to as FEZ Crimea) shall be established.
- ▶ In the territory of FEZ Crimea, there is a special legal regime of economic activity of individuals and legal entities, including a special procedure for application of the regulatory, tax and customs legislation of Ukraine.
- ▶ According to Art. 5 of the FEZ Law, in the territory of FEZ Crimea, national taxes and fees, as well as the mandatory state pension insurance fee, are not collected, however local taxes and fees may be levied.
- ▶ According to Art. 12 of the FEZ Law, persons who were registered with the controlling bodies or had a location (place of residence) in the territory of AR Crimea or the city of Sevastopol at the beginning of the temporary occupation shall be exempted from filing declarations (other than customs declarations) with the controlling bodies, as well as other documents related to calculation and payment of taxes and fees during the temporary occupation period and after its termination.
- ▶ From 1 June 2014, tax registration of persons who as of May 31, 2014 had their location (place of residence) and were registered with the controlling bodies in the territory of AR Crimea or the city of Sevastopol shall be deemed cancelled. Such tax registration may be renewed, in particular, after a person's evacuation to another territory of Ukraine.
- ▶ Individuals and legal entities (separate subdivisions) having a tax address (location) in the territory of FEZ Crimea shall have the status of non-residents for tax purposes.

**Legal regime of the temporarily occupied territories of Donetsk and Luhansk regions (OUF zone):**

- ▶ According to the Decree of the President of Ukraine "On the National Security and Defence Council of Ukraine Resolution of 13 April 2014 "On Urgent Measures to Overcome the Terrorist Threat and Preserve the Territorial Integrity of Ukraine"", an anti-terrorist operation (hereinafter referred to as ATO) was launched in separate territories of Donetsk and Luhansk regions in April 2014.

- ▶ The procedure for providing support to business entities operating in the ATO territory is stipulated in the Law of Ukraine "On Temporary Measures for the Anti-Terrorist Operation Period".
- ▶ According to the Decree of the President of Ukraine No. 116/2018 "On the National Security and Defence Council of Ukraine Resolution of 30 April 2018 On a "Large-Scale Anti-Terrorist Operation in Donetsk and Luhansk Oblasts", on 30 April 2018, the ATO was terminated, and the Operation of the United Forces (hereinafter referred to as OUF) was launched.
- ▶ It should be noted that during 2019 (as well as for the following years), there was no general exemption from reporting, accrual and payment of taxes and fees by the enterprises of the ATO (and subsequently OUF) zone. The Tax Code of Ukraine and other legislation provide for a number of benefits for enterprises in the non-controlled territories.
- ▶ At the same time, taxpayers had the right, but not the obligation, to re-register in other regions of Ukraine and the city of Kyiv, according to the procedure stipulated in Art. 4 of the Law of Ukraine "On Temporary Measures for the Anti-Terrorist Operation Period".
- ▶ The list of temporarily occupied territories in Donetsk and Luhansk regions as of 2019 is set out in the CMU Order of 7 November 2014, No. 1085-r "On the Approval of the List of Administrative Units in the Territory of which State Authorities Temporarily do not Exercise Their Powers, and the List of Administrative Units Located on the Demarcation Line" and in the Decree of the President of Ukraine, dated 7 February 2019, No. 32/2019 "On the Boundaries and the List of Districts, Cities, Towns, Villages, and Parts of Their Territories, Temporarily Occupied in Donetsk and Luhansk Oblasts". The temporarily occupied territories cover a large part of the aforesaid regions.

The Independent Administrator understands that as of 2019, the OUF zone and the temporarily occupied territories were largely or completely not controlled by the Ukrainian government, and a number of enterprises have suspended or ceased operations. In connection with the information above, there is a high probability that these companies could:

- a) terminate the work without notifying the Ukrainian state authorities;
- b) not carry out economic activity in 2019 due to carrying out OUF;
- c) not submit reports / submit them with delays (which could lead to incompleteness and/or inaccuracy of such data) and not to pay taxes to the budget of Ukraine;
- d) change their location without notifying the Ukrainian state authorities.

In addition, the very possibility of communication with those enterprises that have not re-registered in the territory of Ukraine controlled by Ukraine is very limited, which makes it impossible to carry out the procedures provided by the EITI Standard for such enterprises. In addition, state and local authorities, as well as state and municipal enterprises and institutions that have been relocated from the environmental protection area, may have problems with the technical ability to provide the information necessary for reconciliation (for example, if information has been lost or destroyed language with conducting OUF).

According to the decision of MSG EITI (Protocol of the meeting of December 14, 2020) and taking into account the objective difficulties and limitations highlighted above, the EITI Report 2019 does not disclose information on mining activities carried out in areas where public authorities are temporarily not carry out their powers. However, MSG IPVG considered the possibility of disclosing such information for 2019 when information on the activities of extractive industries in non-controlled areas will be available.

## 4.2 Collection of Information

Collecting information from extractive companies in the reporting extractive industries (including oil and natural gas transmission), as well as from government agencies, included the following stages:

- ▶ Consultations with the members of EITI MSG and representatives of the Ministry of Energy on the scope of the EITI Report, and information to be included in the survey questionnaires;
- ▶ Preparation of the requests to the state government agencies included in the list in **Annex 1** and the corresponding cover letter signed by the Ministry of Energy;
- ▶ Dissemination by the Ministry of Energy and the Independent Administrator of the questionnaires and inquiries along with the signed cover letters the Ministry of Energy;
- ▶ Completion of questionnaires, as well as additional questionnaires approved by the EITI MSG, by companies and government agencies in accordance with the official reporting forms stipulated by the Law of Ukraine No 2545-VIII "On Ensuring Transparency in Extractive Industries"<sup>5</sup> and approved by the CMU Resolution of 23.09.2020 No 858 "Some Issues of Ensuring Transparency in Extractive Industries"<sup>6</sup>;
- ▶ Sending the completed questionnaires by the reporting organizations to e-mail [eti@mev.gov.ua](mailto:eti@mev.gov.ua);
- ▶ Receipt of the completed questionnaires by the responsible person from the Ministry of Energy and transfer them to the Independent Administrator through the secure communication channels;
- ▶ Processing of the questionnaires by the Independent Administrator and aggregating the relevant integrated indicators and information for the purposes of the EITI Report.

---

<sup>5</sup> The Law of Ukraine No 2545-VIII, accessible via <https://zakon.rada.gov.ua/laws/show/2545-19#Text>

<sup>6</sup> The CMU Resolution 23.09.2020 No 858, accessible via <https://zakon.rada.gov.ua/laws/show/858-2020-n#n14>

### 4.3 Audit and assurance procedures in extractive companies and public bodies

The Independent Administrator analysed audit and assurance procedures in government agencies and public sector entities, as well as changes in Ukrainian legislation on auditing and assurance in mining companies.

#### 4.3.1 Changes in Ukrainian legislation on auditing and assurance in mining companies

In recent years, significant changes have been made in Ukrainian legislation aimed at introducing a statutory audit and reporting obligations according to international standards for businesses operating in the extractive industries, namely:

- ▶ amendments made on October 5, 2017 to the Law of Ukraine “On Accounting and Financial Reporting in Ukraine” No 996-XIV (hereinafter - the “Law on Accounting”);
- ▶ adoption of the Law of Ukraine “On Auditing Financial Statements and Auditing Activities” No 2258-VIII of December 21, 2017 (hereinafter - the “Law on Auditing”) was adopted.

With the updated and new law, the approach to the determination of entities subject to mandatory audit has changed. While before the update the subjects of statutory audit were determined by the old Law on Auditing, now the issue is regulated by the Law on Accounting.

According to the clarifications of the Ministry of Finance, the first reporting period, to which the new provisions of the Law on Accounting apply, is the year 2018<sup>7</sup>. Therefore, the audit in 2019 for mining companies shall be carried out in accordance with the updated legislation.

The Law on Accounting determines the subjects of statutory audit, which include "**the entities engaged in extractive industries**" (hereinafter - "extractive companies") as defined in the Law on EITI. Therefore, the obligation to undergo statutory audit is imposed on legal entities, regardless of ownership, that are engaged in:

- ▶ subsoil use for the purposes of geological study, including experimental industrial development of mineral deposits of national importance,
- ▶ mining of minerals of national importance,
- ▶ performance of works (activities) stipulated in the PSA for minerals of national importance,
- ▶ transmission of hydrocarbons via pipelines, including for the purpose of transit.

The extractive companies shall:

- ▶ prepare financial statements under the International Financial Reporting Standards<sup>8</sup>
- ▶ get the financial statements audited and obtain the auditor’s opinion;

---

<sup>7</sup> The Letter of the Ministry of Finance of Ukraine of 07.12.2018 No 35210-06-5/32299; the Letter of the Ministry of Finance of Ukraine No 35210-06-5/5570 of 27.02.2018

<sup>8</sup> Paragraph 2 Article 12-1 of the Law on Accounting, accessible via <https://zakon.rada.gov.ua/laws/show/996-14/ed20200703#n218>

- ▶ by April 30 of the year following the reporting period, publish the annual financial statements and annual consolidated financial statements along with the auditor's opinion on its website (in full) and otherwise in cases specified by law<sup>9</sup>.

From October 1, 2018, the legal framework for auditing in Ukraine is set up by the new Law on Auditing. According to the law, auditing in Ukraine shall be carried out in accordance with International Auditing Standards.

#### 4.3.2 Auditing and assurance in government agencies and public sector entities

*State financial audit (governmental control).* According to the Law of Ukraine "On Basic Principles of Implementation of State Financial Control in Ukraine" No. 2939-XII dated 26 January 1993, reliability of accounting and financial reporting in the ministries and other executive bodies, state funds, budgetary institutions and public entities, as well as enterprises and organizations funded from the state budget at all levels and state funds or use the state or communal property, is controlled by state financial control bodies.

State financial control is performed through the conduct of state financial audit, inspection of public procurements and other inspections using the procedure established by the CMU<sup>10</sup>.

The State Audit Office is the agency authorized to conduct the statutory financial audit. The audit shall be conducted in accordance with the approved plan of the state financial control activities, which is posted on its official website. The application of international standards during its implementation is not required by law. The reports on the results of audits are publicly available<sup>11</sup> and can be used to prepare the Report, if any.

*State external financial audit (parliamentary control).* The use of budgetary funds is controlled by the Accounting Chamber on behalf of the Parliament<sup>12</sup>. In accordance with the Law of Ukraine "On the Accounting Chamber", the Chamber, inter alia, conducts financial audits, which includes verification, analysis and evaluation of correctness, completeness and fairness of accounting for budget revenues and expenditures, establishment of actual state of affairs regarding designated use of budgetary funds, compliance with legislation while performing operations with budgetary funds. These control measures may be carried out in relation to the activities of the State Tax Service, the State Migration Service and other agencies engaged in collecting revenues to the state budget.

The Accounting Chamber of Ukraine in its activities shall apply the basic principles of the International Organization of Supreme Audit Institutions (INTOSAI), the European Organization

---

<sup>9</sup> Paragraph 3 Article 14 of the Law on Accounting, accessible via <https://zakon.rada.gov.ua/laws/show/996-14/ed20200703#n237>

<sup>10</sup> CMU Regulation "On approval of the Procedure for conducting by the State Audit Service and its interregional territorial bodies of state financial audit of business entities" No. 252 dated 27 March 2019, <https://zakon.rada.gov.ua/laws/show/252-2019-n#Text>

<sup>11</sup> Accessible via: <http://www.dkrs.gov.ua/kru/uk/publish/article/145191> (as an example, the reports published in 2019)

<sup>12</sup> Part 2 of Article 26 of the Budget Code, <https://zakon.rada.gov.ua/laws/show/2456-17#n527>; Article 4 of the Law of Ukraine "On Accounting Chamber" No. 576-VIII dated 02 July 2015, <https://zakon.rada.gov.ua/laws/show/576-19#Text>

of Supreme Audit Institutions (EUROSAI) and International Standards of Supreme Audit Institutions (ISSAI) in part that does not contradict the Constitution and laws of Ukraine<sup>13</sup>.

The Accounting Chamber publishes its reports on the results of the state financial audit on its official website: <https://rp.gov.ua/FinControl/FinReports/?id=150> (the link to reports for 2019). The findings of the Accounting Chamber reports (if available) can be used for the purposes of preparation of the EITI Report, however such findings cannot be considered sufficient to assure the revenues in accordance with the requirements of the EITI Standard.

*Internal audit of administrators of public funds.* Government agencies, local governments, as well as organizations established by them in the prescribed manner, fully funded from the state or local budget<sup>14</sup>, in the person of their heads shall organize internal controls and internal audit and ensure their operations in their agencies, as well as in the enterprises, institutions and organizations accountable to them. Internal audit is an activity aimed at improving the management system, internal controls, prevention of illegal, inefficient and ineffective use of budget funds, errors or other shortcomings in the activities of the administrator of public funds as well as enterprises, institutions and organizations accountable to them, and which provides for the provision of independent conclusions and recommendations.

The basic principles of internal controls and audit are determined by the Cabinet of Ministers<sup>15</sup>. Internal audit shall be conducted in accordance with the standards developed and approved by the Ministry of Finance of Ukraine<sup>16</sup>. Internal audit shall be performed by a designated independent structural unit set up by the management of the entity in the manner prescribed by the Cabinet of Ministers<sup>17</sup>.

However, given that the results of the internal audit are not public, and given the existing shortcomings in the actual conduct of internal audit,<sup>18</sup> such results cannot be used by the Independent Administrator to prepare the EITI Report for 2018.

Also, the results of the state financial audit in government agencies cannot provide the Independent Administrator with complete and/or reliable information required for data reconciliation, because such information is either summarized and aggregated or publicly unavailable.

---

<sup>13</sup> Part 7 of Article 3 of the Law of Ukraine "On the Accounting Chamber" of 02.07.2015 No 576-VIII, accessible via <https://zakon.rada.gov.ua/laws/show/576-19#Text>

<sup>14</sup> The definition of "administrator of public funds" according to the Budget Code of Ukraine, accessible via <https://zakon.rada.gov.ua/laws/show/2456-17>

<sup>15</sup> The CMU Resolution "On Approval of the Basic Principles of Internal Control by Administrators of public funds and Amendments to the Resolution of the Cabinet of Ministers of Ukraine of September 28, 2011 No 1001" No 1062 of December 12, 2018, accessible via <https://zakon.rada.gov.ua/laws/show/1062-2018-n#n17>

<sup>16</sup> The Order of the Ministry of Finance of Ukraine "On Approval of Internal Auditing Standards" of October 4, 2011 No 1247, accessible via <https://zakon.rada.gov.ua/laws/show/z1219-11>.

<sup>17</sup> The CMU Resolution "Some Issues of Internal Audit and the Formation of Internal Audit Units" No 1001 of September 28, 2011, accessible via <https://zakon.rada.gov.ua/laws/show/1001-2011-n#Text>

<sup>18</sup> For the description of shortcomings see the Concept for the implementation of public policy for reforming the state financial control system till 2020, accessible via <https://zakon.rada.gov.ua/laws/show/310-2018-%D1%80#Text>

## 4.4 Data quality and assurance

The procedure for verifying the data for the EITI Report is based on the relevant international auditing standards, such as ISRS 4400 (Agreed-Upon Procedures Engagements) and ISA 505 (External Confirmations). However, the procedures of such verification of data are not an audit or an opinion that should be prepared in accordance with International Standards on Auditing and Verification Standards. Therefore, no assurance opinions will be drawn on the quality of the data actually provided by the companies and government agencies or on identifying fraud and errors that may have been made by the companies and/or government agencies. The information to be provided in the EITI Report and/or the information provided by the extractive companies and government agencies will not be subject to control or verification procedures unless otherwise specified in the EITI Standard. The relevant position will be clearly stated in the feasibility assessment report and the EITI Report.

The Independent Administrator considers the information provided by the accountable organizations to be complete and accurate because:

- ▶ The completeness and accuracy of the data provided by extractive companies and state-owned enterprises is confirmed by the signatures of senior officials of the companies and enterprises, which guarantee the correctness of the data, and / or the external auditor's opinion on the data provided (if any) by each company
- ▶ The completeness and reliability of the data received from the national and regional authorities is confirmed by the signatures of senior officials of the relevant agency, as well as the principles of interaction between different authorities and the provision of relevant reliable data.

In addition, the accuracy of information received from companies is guaranteed according to the current regulations on the implementation of EITI in Ukraine:

- ▶ The Law of Ukraine “On Amendments to Certain Legislative Acts of Ukraine Concerning Ensuring Transparency in Extractive Industries” of 16.06.2015 No 521-VIII
- ▶ The Procedure approved by the Cabinet of Ministers of Ukraine (paragraph 4, part 2, Article 24 of the Subsoil Code of Ukraine, paragraph 6, part 2, Article 20 of the Law of Ukraine “On Oil and Gas”).

The information on availability of the financial statements of the reporting extractive companies and the relevant audit opinions is provided in **Annex 11**.



## 5. General information about extractive industries

### 5.1 Coal mining

#### 5.1.1 The role of the state in coal mining industry and budget support for the industry

The coal mining industry is an essential component of Ukraine's fuel and energy complex and is characterized by broad state involvement. As of 2018, the “Concept of reforming and developing the coal sector till 2020” approved by the Cabinet of Ministers of Ukraine in 2017 was in force in Ukraine. The Concept envisioned the enhancement of efficiency in coal mining and achieving commercial operations without subsidies.

According to Geoinform of Ukraine, as of the end of 2018, there were 482 coal mines in Ukraine, of which 94 were state-owned and 388 were privately owned. Based on the information obtained in response to a request from the Ministry of Energy and Geonadra, a list of mines located in the territory where the state authorities of Ukraine are temporarily not exercising their powers was formed (**Annex 13**).

This section discloses information on state participation in the extractive industries, which refers only to the companies directly or indirectly owned by the state, which were identified as significant and included in the scope of reconciliation in the EITI Report 2018 (unless otherwise stated).

#### State participation in coal mining enterprises

Within the framework of the EITI Report 2018, the reporting companies in the coal industry owned by the state included:

- ▶ Lvivvughiliya SE;
- ▶ Vuhilna Kompaniia Krasnolymanska SE;
- ▶ Myrnohradugol SE;
- ▶ Shakhtoupravlinnia Pivdenodonbaske No 1 SE;
- ▶ Selydivvuhillia SE;
- ▶ Toretskvugillya SE;
- ▶ Mine named after M. S. Surgai SE;
- ▶ Lysychanskvuhillya PJSC;
- ▶ Pervomayskvuhilla SE.

The interest of the state in the authorized capital of the companies listed above is 100% and during 2018 it did not change. The enterprises, 50% or more of the shares of which were owned by these companies, were not identified based on the responses of the companies and based on the open sources of information. However, these coal companies have separate divisions that perform certain functions, perform work or provide services on behalf of the company, however they are not separate legal entities.

Table 5.1: Separated divisions of reporting companies in the coal industry owned by the state

Mines	Separate units (SU)
<b><i>Lvivvughiliya SE</i></b>	
Velykomostivska No 1 Mine	Velykomostivska Mine SU
Mezhyrichanska Mine (No 3VM)	Mezhyrichanska Mine SU
Vidrodzhenya Mine (No 4VM)	Vidrodzhenya Mine SU
Lisova Mine (No 6VM)	Lisova Mine SU
Zarichna Mine (No 7VM)	Zarichna Mine SU
Stepova Mine (No 10VM)	Stepova Mine SU
Vizeiska Mine (No 8VM)	Vizeiska Mine SU
Chervonogradska Mine (No 2ChG)	Chervonogradska Mine SU
<i>other separate units</i>	Chervonohrad Special Department for Heap Extinguishing and Land Reclamation SU; Chervonohrad Department of Production and Technological Communications SU; Freight and Transport Department SU; Chervonohrad Specialized Surveying Bureau SU; Chervonograd Training Complex SU; Zakhidvuhlepromsanecologia Department SU; Zakhidvuhlepostach Department SU; Coal quality technical control and standards Department SU; Installation and Tunneling Department SU; Information and Computing Center SU; Special Mine Equipment Installation Department SU; Vuglezbut SU; Design Bureau SU; Rovesnyk Health and Medical Complex SU; Geological Exploration Expedition SU
<b><i>Myrnohradugol SE</i></b>	
Rodynska Mine	Rodynska Mine SU
Centralna Mine	Centralna Mine SU
Capitalna Mine	Capitalna Mine SU
Mine No 5 / 6	Mine No 5 / 6 SU
<i>other separate units</i>	Automobilist SU; Production and technical communication Unit SU; Standard SU; Recreation Center SU; Security SU; Auxiliary production units SU
<b><i>Selydivvuhillia SE</i></b>	
Kurakhivska Mine	Kurakhivska Mine SU
Novogrodivska No 1-3 Mine	Novogrodivska No 1-3 Mine SU
Kotlyarevskaya Mine	Kotlyarevskaya Mine SU
Ukraine Mine	Ukraine Mine SU
<i>other separate units</i>	Vuglezbut SU; Supply Department SU; Coal quality technical control SU;

Mines	Separate units (SU)
	Security SU
<b><i>Toretskvugillya SE</i></b>	
Centralna Mine	Centralna Mine SU
Pivnichna Mine	Pivnichna Mine SU
Pivdenna Mine	Pivdenna Mine SU
Toretska Mine	Toretska Mine SU
<i>other separate units</i>	Autobaza SU; Repair and Mechanical Plant SU; Logistics Department SU; Sanatorium Raduha SU; Recreation sanatorium Donbass-Sedovo SU
<b><i>Lysychanskvuhillya PJSC</i></b>	
G.G. Kapustin Mine	G.G. Kapustin Mine SU
Pryvilnyanska Mine	Pryvilnyanska Mine SU
Novodruzheska Mine	Novodruzheska Mine SU
D.F. Melnikov Mine	D.F. Melnikov Mine SU
<i>other separate units</i>	Mine Construction Department SU; Information and Computing Center SU; Autobaza SU; Product supply and marketing Department SU; Production and technological communication Unit SU; Training Complex SU; Sanatorium Pryvilya SU
<b><i>Pervomayskvuhilla SE</i></b>	
Zolote Mine	Zolote Mine SU
Carbonite Mine	Carbonite Mine SU
Hirska Mine	Hirska Mine SU
Toshkivska Mine	Toshkivska Mine SU
<i>other separate units</i>	Freight and Transport Department SU Autobaza SU Coal quality technical control and standards Department SU Training Complex SU Specialized Department SU Logistics and Supply Department SU Design Bureau SU
<b><i>Vuhilna Kompaniia Krasnolymanska SE - independent Mine, no separate units</i></b>	
<b><i>Shakhtoupravlinnia Pivdenodonbaske No 1 SE - independent Mine, no separate units</i></b>	
<b><i>Mine named after M. S. Surgai SE - independent Mine, no separate units</i></b>	

According to the Ministry of Energy, as of March 1, 2019, its administration scope included 220 state enterprises, institutions, organizations and associations of the coal mining and peat mining complex. Of these, 131 are located in the areas where the Ukrainian authorities are temporarily not exercising their powers. Also, the Ministry of Energy is managing of state

corporate rights in 123 companies, of which 93 were located in areas where the Ukrainian authorities temporarily do not exercise their powers.<sup>19</sup>

The state and the body, whose sphere of management includes a state-owned enterprise, are not liable for its obligations. The Independent Administrator found no deviations from this rule according to information obtained from the companies or from the publicly available information.

### Budget programs for state support for the coal mining industry

The state participates in the development of the coal mining industry also through budget programs to support enterprises. In 2018, 7 programs to support mining companies were implemented. Funding in the amount of UAH 2,604,939.30 thousand from the general fund and UAH 1,415,286.92 thousand from the special fund was planned for their implementation. The actual spending in 2018 was as follows: UAH 2,521,172.24 thousand from the general fund and UAH 986,324.07 thousand from the special fund. The detailed information on budget programs in coal mining is presented below (*Table 5.2*).

*Table 5.2: Budget programs in coal mining in 2018, thousand UAH<sup>20</sup>*

Name of budget program	General fund		Special fund	
	plan adjusted for changes	cash execution in 2018	plan adjusted for changes	cash execution in 2018
General management and administration in fuel and energy complex and coal mining industry	148,277.2	137,461.93	15,286.92	14,077.85
Applied scientific and scientific and technical R&D, performance of works under the state target programs and the state order, training of academic personnel and financial support for development of an academic infrastructure in the fuel and energy complex and coal mining industry	8,396.1	6,787.16	-	-
Liquidation of unprofitable coal mining and coal processing enterprises	318,618.00	281,126.90	-	-
Mining rescue measures at coal mining enterprises	290,000.00	289,998.57	-	-
State support for the construction of mine No 10 "Novovolynska"	34,648.00	34,648.00	-	-
State support for coal mining enterprises for partial covering of costs of finished coal products	100,000.00	100,000.00	1,400,000.00	972,246.22
Implementation of measures to ensure domestic coal production and further reforms of the public sector of the coal mining industry	1,705,000.00	1,671,149.68	-	-
<b>TOTAL</b>	<b>2,604,939.30</b>	<b>2,521,172.24</b>	<b>1,415,286.92</b>	<b>986,324.07</b>

<sup>19</sup> The list of state enterprises, institutions, organizations and associations within the sphere of management of the Ministry of Energy and Coal Industry of Ukraine as of March 1, 2019,

[http://mpe.kmu.gov.ua/minvuhillia/control/uk/publish/article?art\\_id=245412335&cat\\_id=244916218](http://mpe.kmu.gov.ua/minvuhillia/control/uk/publish/article?art_id=245412335&cat_id=244916218)

<sup>20</sup> Treasury, Annual Report on the Implementation of the State Budget of Ukraine for 2018 (Section II.1), <https://www.treasury.gov.ua/storage/app/uploads/public/5c9/df3/be2/5c9df3be25b13686386008.xlsx>

The bulk of the support in 2018 was directed to measures designed to ensure domestic coal production and further reforms of the public sector of the coal industry, rescue operations at coal mining enterprises, as well as the elimination of unprofitable coal mining and coal processing enterprises.

Also, part of the support for the coal mining industry was provided under the state program to support the implementation of the Energy Strategy of Ukraine. A significant share, namely 87.62% of the funds allocated under the program, was directed to satisfy the needs of the coal mining industry, namely to Selydivvuhillia SE (**Table 5.3**). It should be noted that the data of the Report on the implementation of the budget program passport to support the realization of the Energy Strategy of Ukraine in 2018 coincide with the data provided by Selydivvuhillia SE on the state aid under the program (**Table 5.4**).

**Table 5.3: Some areas of use of budget funds under the Support for the implementation of the Energy Strategy of Ukraine program in 2018<sup>21</sup>**

Purpose of use	Cash execution, thousand UAH	
	General fund	Special Fund
Support for the implementation of the Energy Strategy of Ukraine	-	51,632.86
Including the funds aimed at the extractive industries:		
<i>Kurakhivska Mine SE transport rehabilitation project in the central panel of the mine field</i>	-	18,625.00
<i>Technical re-equipment of stationary equipment of SE Mine 1/3 Novogrodovska, Selydivvuhillia SE</i>	-	26,616.40

Based on the information received from the reporting coal mining companies, the total amount of state support provided by the Ministry of Energy to the coal mining companies under the budget programs in 2018 amounted to UAH 2,770,522.67 thousand. The companies reported financial support from the state under separate budget programs (**Table 5.4**).

**Table 5.4: State subsidies and transfer payments received by the reporting coal mining companies in 2018<sup>22</sup>**

Company	Type of state support	Total amount of state support, thousand UAH
Shakhtoupravlinnia Pivdennodonbaske No 1 SE	Implementation of measures to ensure domestic coal production and further reform of the public sector of the coal mining industry	128,696.10
	State support for coal mining enterprises for partial covering of the cost of finished coal products	15,234.00
Selydivvuhillia SE	Support for the implementation of the Energy Strategy of Ukraine	45,241.37

<sup>21</sup> Report on the implementation of the budget program passport, <http://mpe.kmu.gov.ua/minvuhillia/doccatalog/document?id=245345127>

<sup>22</sup> Information from the accountable companies from their reports on payments to the benefit of the state and from the replies to additional inquiries

Company	Type of state support	Total amount of state support, thousand UAH
	Implementation of measures to ensure domestic coal production and further reform of the public sector of the coal mining industry	325,699.28
	State support for coal mining enterprises for partial covering of the cost of finished coal products	341,254.22
Lvivvughiliya SE	State support for repayment of wage arrears	37,624.00
	State support for capital investments	51,891.00
Myrnohradugol SE	State support for coal mining enterprises for partial covering of the cost of finished coal products	194,011.00
	Liquidation of unprofitable coal mining and coal processing enterprises	33,440.00
	Implementation of measures to ensure domestic coal production and further reform of the public sector of the coal mining industry (subsidies)	195,017.00
	Implementation of measures to ensure domestic coal production and further reform of the public sector of the coal mining industry (capital transfers)	208,348.00
Pervomayskvuhilla SE	State support for coal mining enterprises for partial covering of the cost of finished coal products	419,612.30
	Prevention of an emergency situation at Zolote Mine VP	82,394.2
Lysychanskvuhillia PJSC	Implementation of measures to ensure domestic coal production and further reform of the public sector of the coal mining industry	246,988.00
	State support for coal mining enterprises for partial covering of the cost of finished coal products	160,215.00
Toretskvugillya SE	Liquidation of unprofitable coal mining enterprises	24,654.00
	State support for coal mining enterprises for partial covering of the cost of finished coal products	90,891.00
	Implementation of measures to ensure domestic coal production and further reform of the public sector of the coal mining industry	107,727.00
	Chernobyl Nuclear Power Station Foundation	9.00
Mine named after M. S. Surgai SE		17,565.40
	Implementation of measures to ensure domestic coal production and further reform of the public sector of the coal mining industry	34,397.00
		29,689.00
		17,362.00
		42,138.00
	State support for coal mining enterprises for partial covering of the cost of finished coal products	2,819.00
<b>TOTAL</b>		<b>2,770,522.67</b>

### Loans to the reporting coal mining companies

In 2018, the state support was also provided to two coal mining enterprises in the form of interest-free budget loans from the Ministry of Energy of Ukraine in the amount of UAH 100

million in accordance with the CMU Ordinance of 22.08.2018 No 572-r "On allocation of funds from the state budget reserve fund"<sup>23</sup>.

**Table 5.5: Interest-free budget loans to the reporting coal mining companies issued by the Ministry of Energy in 2018** <sup>24</sup>

Company	Purpose of the loan	Loan amount, thousand UAH	Return period
Selydivvuhillia SE	Wages and salaries and mandatory payments related to the payment of wages and salaries to workers in the coal mining industry	60,000.00	Repaid in three payments, UAH 20,000.00 each
Pervomayskvuhilla SE	Wages and salaries and mandatory payments related to the payment of wages and salaries to workers in the coal mining industry	40,000.00	Still due

According to the responses of the reporting state-owned coal mining companies provided in response to the inquiries, no loans issued by them to other mining companies were identified.

During 2018, the payments were made to fulfill the guarantee obligations of Ukraine in accordance with the Guarantee Agreement dated December 26, 2011 between Lysychanskvuhillia PJSC and the State Development Bank of the People's Republic of China (PRC). In the reporting period, the payments totaled 432,839,894.36 in UAH equivalent (**Table 5.6**).

**Table 5.6: Payments by the state to fulfil its guarantee obligations in 2018**<sup>25</sup>

State guarantee	Loan agreement (contract) / details of other securities (date and number)	The amount of payments to fulfill the state guarantee obligations to the creditor	
		USD	UAH equivalent
Guaranty agreement dated 26.12.2011	Loan agreement dated December 21, 2011 between Lysychanskvuhilya PJSC and the State Development Bank of the People's Republic of China	15,993,687.41	432,839,894.36

According to the State Treasury Service of Ukraine, in 2018 the overdue debt to the state of Lysychanskvuhillia PJSC on the loans raised by the mining company under the state guarantees amounted to UAH 2,100,229.92 thousand and the accumulated penalty - UAH 875,789.19 thousand (**Table 5.7**).

<sup>23</sup> Ordinance of the Cabinet of Ministers of 22.08.2018 No 572-r, <https://zakon.rada.gov.ua/laws/show/572-2018-%D1%80#Text>

<sup>24</sup> According to the responses of the accountable companies to the inquiries for the purpose of preparation of this EITI Report

<sup>25</sup> Treasury, Report on payments by the state of guarantee obligations for 2018, <https://www.treasury.gov.ua/ua/file-storage/richnij-zvit-pro-vikonannya-derzhavnogo-byudzhetu-ukrayini-za-2018-rik?page=3>



**Table 5.7: Overdue debts of the coal industry economic entities to the state on the loans received under the state guarantees in 2018<sup>26</sup>**

Company name	Overdue debt to the state on loans		Funds transferred to the state budget as debt repayment, UAH thousand	Overcharge for overdue debt, UAH thousand	
	USD thousand	UAH thousand		Amount due	Paid to the state budget
Lysychanskvuhillya PJSC	75,852.71	2,100,229.92	17.00	875,789.19	-

According to the data received from Lysychanskvuhillia PJSC, the company received a loan from the State Development Bank of China (loan agreement nn dated 21.12.2011) in the amount of USD 85,000 thousand (UAH 679,397.00 thousand) at 7.05% per annum for technical re-equipment and upgrading Mine named after Melnikov under state guarantees. The loan term was 108 months with a grace period of 36 months from the date of signing (loan repayment began on April 10, 2015, repayment period - until December 2020). During 2018, Lysychanskvuhillia PJSC made no payments to repay the loan, and all payments mentioned in **Table 5.6** were from the budget to meet the state guarantee obligations to the creditor.

The Independent Administrator analyzed the information on the loans taken out by the reporting state-owned coal mining companies, if such information is available in their public financial statements (**Table 5.8**).

**Table 5.8: Bank loans of reporting state-owned coal enterprises as of December 31, 2018**

Lender	Loan amount / purpose	Debt as of 31.12.2018	Details on credit terms
<b>Lysychanskvuhillya PJSC<sup>27</sup></b>			
State Development Bank of China (loan agreement n/ n of 21.12.2011). Issued under state guarantees.  <i>More details in Table 5.7, Table 5.8</i>	USD 85,000 thousand Purpose: implementation of a pilot project for technical re-equipment and modernization of Melnikov mine	Current accounts payable: USD 12,920,000 (370,652 thousand at the exchange rate on the reporting date).  Long-term loan liabilities: USD 33,320 thousand (UAH 922,573 thousand at the exchange rate on the reporting date).  Debt to the Ministry of Finance: UAH 2,976,019 thousand	Term: 108 months Interest on the loan (% per annum): 7.05%
<b>Selydivvuhillia SE<sup>28</sup></b>			
As of December 31, 2018: There are no long-term bank loans; Short-term bank loans - UAH 42,530 thousand			Detailed information about lenders and lending conditions in the financial statements is not available
<b>Lvivvughiliya SE<sup>29</sup></b>			

<sup>26</sup> Treasury, Report on overdue debts of business entities to the state on loans raised under state guarantees for 2018, <https://www.treasury.gov.ua/ua/file-storage/richnij-zvit-pro-vikonannya-derzhavnogo-byudzhetu-ukrayini-za-2018-rik?page=3>

<sup>27</sup> Lysychanskvuhillya PJSC, Auditor's report on financial statements for 2018, <http://lisugol.com/Content/Reglnf/Audit311218.pdf>

<sup>28</sup> Selydivvuhillia SE, Financial statements for 2018, <http://mpe.kmu.gov.ua/minugol/doccatalog/document?id=245379912>

<sup>29</sup> Lvivvughiliya SE, Auditor's report on financial statements for 2018, <http://mpe.kmu.gov.ua/minugol/doccatalog/document?id=245363498>

Lender	Loan amount / purpose	Debt as of 31.12.2018	Details on credit terms
As of December 31, 2018: There are no long-term bank loans; Short-term bank loans - UAH 33,058 thousand			Detailed information about lenders and lending conditions in the financial statements is not available
<b>Myrnohradugol SE <sup>30</sup></b>			
As of December 31, 2018: There are no long-term bank loans. There are no short-term bank loans.			
<b>Vuhilna Kompaniia Krasnolymanska SE <sup>31</sup></b>			
As of December 31, 2018: There are no long-term bank loans. There are no short-term bank loans.			
<b>Pervomayskvuhilla SE <sup>32</sup></b>			
As of December 31, 2018: There are no long-term bank loans. There are no short-term bank loans.			
<b>Shakhtoupravlinnia Pivdenodonbaske No 1 SE <sup>33</sup></b>			
As of December 31, 2018: There are no long-term bank loans. There are no short-term bank loans.			
<b>Toretskvugillya SE <sup>34</sup></b>			
As of December 31, 2018: There are no long-term bank loans. There are no short-term bank loans.			
<b>Mine named after M. S. Surgai SE <sup>35</sup></b>			
As of December 31, 2018: There are no long-term bank loans. There are no short-term bank loans.			

### Transactions of the coal mining companies with state participation

The Independent Administrator analyzed the financial statements and the responses of some reporting public sector coal mining companies for their retained earnings (uncovered loss) during 2018 (**Table 5.54**). The results of the analysis showed that all reporting state-owned coal mining enterprises as of the end of 2018 had uncovered loss.

**Table 5.9: Transactions of state-owned coal mining enterprises in 2018<sup>36</sup>**

Name of company	The amount of external borrowing raised	Net income used for reinvestment	Retained earnings (uncovered loss), UAH thousand	
			as of 01.01.2018	as of 31.12.2018
Selydivvuhillia SE	Interest-free budget loans from Ministry of Energy in <b>Table 5.6</b>	-	(2,700,373)	(3,164,573)
Lvivvughiliya SE	-	-	(1,801,054)	(2,258,111)
Vuhilna Kompaniia Krasnolymanska SE	-	-	(166,711)	(204,368)
Myrnohradugol SE	-	-	(2,395,945)	(2,742,987)
Pervomayskvuhilla SE	Interest-free budget loans from Ministry of	-	(2,444,970)	(2,747,157)

<sup>30</sup> Myrnohradugol SE, Auditor's report on financial statements for 2018, [https://www.mvug.com.ua/?page\\_id=2138](https://www.mvug.com.ua/?page_id=2138)

<sup>31</sup> Vuhilna Kompaniia Krasnolymanska SE, Financial statements for 2018, <https://krasnohimanskaya.com.ua/?p=9024>

<sup>32</sup> Pervomayskvuhilla SE, Financial statements for 2018, <http://xn--80adefwgidrfcns3a2l.xn--j1amh/zvit-pro-finansovyi-stan/>

<sup>33</sup> Shakhtoupravlinnia Pivdenodonbaske No 1 SE, Financial statements for 2018,

<http://mpe.kmu.gov.ua/minugol/doccatalog/document?id=245363439>

<sup>34</sup> Toretskvugillya SE, Financial statements for 2018, <http://mpe.kmu.gov.ua/minugol/doccatalog/document?id=245364949>

<sup>35</sup> Mine named after M. S. Surgai SE, Financial statements for 2018,

<http://mpe.kmu.gov.ua/minugol/doccatalog/document?id=245364934>

<sup>36</sup> The source of data on retained earnings (uncovered loss) Vuhilna kompaniia Krasnolymanska SE is a report published on the company's website <https://krasnohimanskaya.com.ua/?p=9024>. For all other companies - financial statements for 2018, posted on the website of the Ministry of Energy

[http://mpe.kmu.gov.ua/minugol/control/uk/publish/article?art\\_id=245372261&cat\\_id=245194014](http://mpe.kmu.gov.ua/minugol/control/uk/publish/article?art_id=245372261&cat_id=245194014)

Name of company	The amount of external borrowing raised	Net income used for reinvestment	Retained earnings (uncovered loss), UAH thousand	
			as of 01.01.2018	as of 31.12.2018
	Energy in <i>Table 5.6</i>			
Lysychanskvuhillya PJSC	-	-	(5,393,740)	(6,055,157)
Shakhtoupravlinnia Pivdenodonbaske No 1 SE	-	-	(955,374)	(960,644)
Toretskvugillya SE	-	-	(2,627,216)	(2,918,924)
Mine named after M. S. Surgai SE	-	-	(670,266)	(672,241)

Transactions of the reporting coal mining companies with state participation with related parties<sup>37</sup>:

► Myrnohradugol SE<sup>38</sup>

The related parties of the company included Artemvuhillia SE, Coal of Ukraine SE, State Coal Company SE, Derzhvuglepostach SE. In 2018, the transactions for the purchase of services by the enterprises under common control amounted to UAH 309,519 thousand, the transactions for the sale of goods, materials, finished products - UAH 377,247 thousand. Accounts receivable from transactions with such enterprises amounted to UAH 28,518 thousand, and accounts payable - UAH 475,161 thousand, as of December 31, 2019.

► Lysychanskvuhillia PJSC<sup>39</sup>

The related parties of the company are the contractors under the Ministry of Energy and Coal Industry. In particular, Regional Electric Networks SE supplied electricity to the company worth UAH 117,963 thousand in 2018. Also, the company provided services and sold coal products to Derzhvuglepostach SE worth UAH 242,408 thousand.

## 5.1.2 Coal Reserves

According to Geoinform of Ukraine, the balance sheet reserves of hard coal in Ukraine are 41,402.94 million tons as of January 1, 2019. The reserves occur in two main coal basins - Donetsk and Lviv-Volyn basins (*Figure 5.1*).

<sup>37</sup> No relevant information was found in the public financial statements of Selydivvuhillia SE, Lvivvuhillia SE, Krasnolymanska Coal Mining Company SE, Pervomaiskvuhillia SE, Shakhtoupravlinnia Pivdenodonbaske No 1 SE, Toretskvuhillia SE, Mine named after M. S. Surgai SE

<sup>38</sup> Myrnohradvuhillia SE, Financial statements for 2019, [https://www.mvug.com.ua/?page\\_id=1819](https://www.mvug.com.ua/?page_id=1819)

<sup>39</sup> Lysychanskvuhillia PJSC, Annual Report of the Issuer 2018, [http://lisvuhillia.com/Content/RegInf/2018\\_.pdf](http://lisvuhillia.com/Content/RegInf/2018_.pdf)



Figure 5.1: Geographical location of hard coal basins in Ukraine

"Д"-grade coal (long-flame) accounted for 31.32% of the total balance reserves of hard coal. The second top was G-grade (gas) coal, which accounted for 18.83% of the total balance sheet reserves of coal.

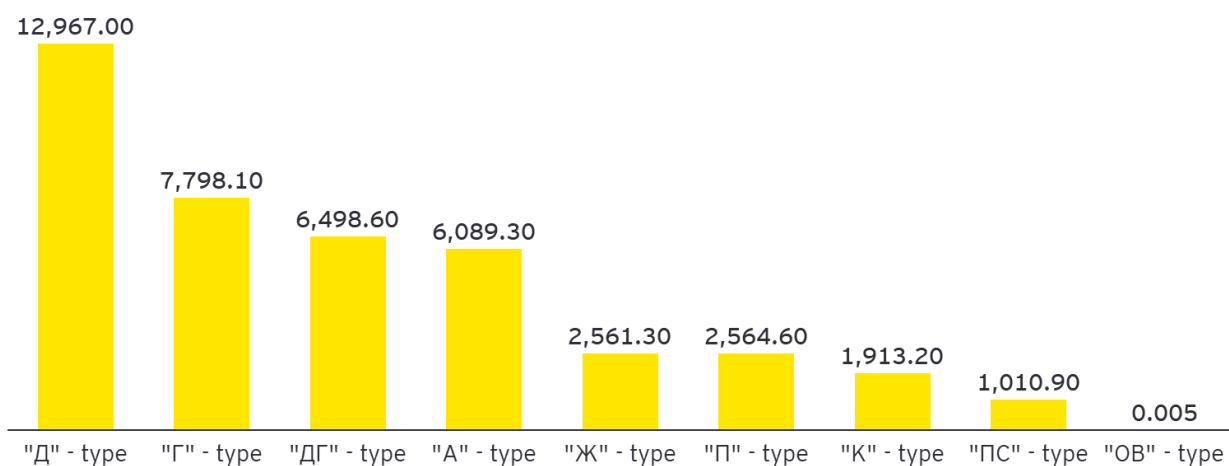


Figure 5.2: Structure of balance reserves of hard coal by tapes as of 01.01.2019, mln t<sup>40</sup>

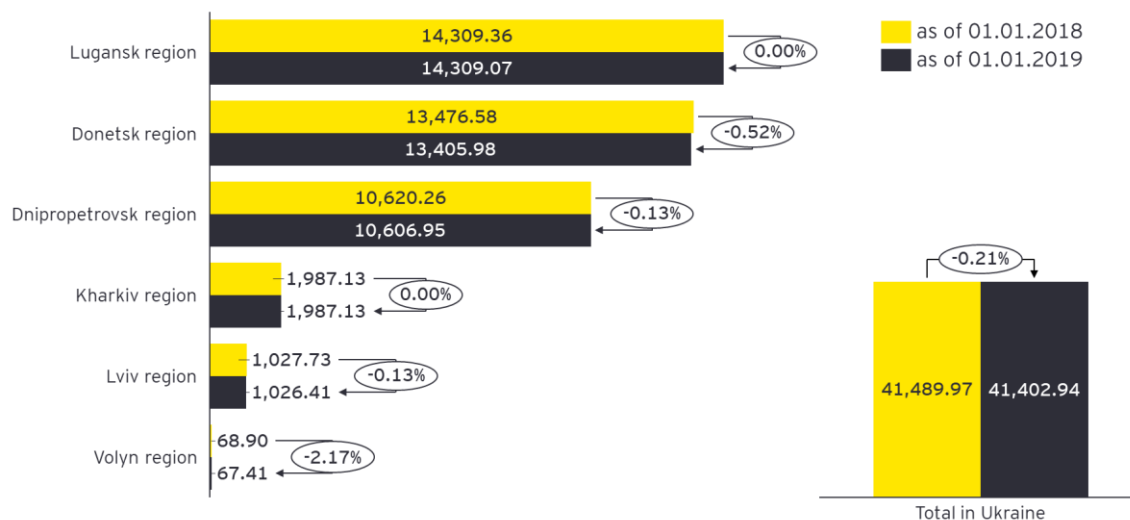
The Donetsk basin, which is the main source of raw materials for energy and technological fuel in Ukraine, is located in the Dnipropetrovsk, Donetsk, Luhansk and Kharkiv regions. There are 330 coal layers and washouts in the basin, 65 of them in production operations with the depth of coal stratum 0.50-0.60 m. Coal reserves in the basin have been calculated mainly to a depth

<sup>40</sup> Geoinform of Ukraine, State Balance Sheet of Mineral Reserves of Ukraine, Coal (Issue 22), 2019  
page 36 out of 514

of 1,200-1,500 m, and in some areas of Donetsk and Luhansk regions - to a depth 1,600 m and 1,800 m, respectively.

In terms of the coal grades, the most common coal grades in the Donetsk basin are grades “Д” and “Г”, which account for 32.17% and 18.26% of the total reserves of the basin, respectively. The third and fourth are long-flame coal (15.51%) and high-quality anthracite (15.11%). In total, according to the Geoinform of Ukraine, 19,032.9 million tons of balance sheet coal reserves were in operations or prepared for operations in the reporting period.

The Lviv-Volyn coal basin occupies the northeastern part of the Volyn region and the southwestern part of the Lviv region. The industrial coal reserves of the basin mainly include the Lower Carboniferous coal deposits, with the width that gradually increases from 600 m in the northeast to 1,200 m in the southwest. The coal strata of the Lviv-Volyn basin belong to the category of thin strata (0.6 - 1.0 m), less often - medium strata (1.9 - 2.0 m), mostly unsustainable in terms of capacity and area. By quality categories, the most common are “ДГ” and “Г” categories, which account for 22.67% and 40.17% of total coal reserves in the Lviv-Volyn basin. As of January 1, 2019, 680.7 million tons of coal in the basin were in operations or prepared for operations.



**Figure 5.3: Structure of balance reserves of hard coal by regions of Ukraine as of 01.01.2018 and 01.01.2019**

In terms of regions, the largest coal reserves are concentrated in Luhansk and Donetsk oblasts - 34.56% and 32.38% of the total balance sheet reserves in Ukraine (**Figure 5.3**).

### 5.1.3 Significant explorations

According to the Geoinform of Ukraine, geological explorations were not carried out in the Donetsk basin at the expense of the State Budget in 2018. The Lviv Geological Exploration Expedition of Zakhidukrgeologiya SE of Nadra Ukrainy NJSC did not perform geological

exploration works in the field of the Lyubelska No 4 mine in the Lviv-Volyn Basin in the reporting period. Due to the lack of budget funding, Oleksandrivska KGRP of Centrukrgeologiya SE of Nadra Ukrainy NJSC did not perform exploration work in the Dnieper basin in Myronivska Pivdenna area, Krynychuvatsky deposit, Melekhiv section of Sula-Udai deposit.

#### 5.1.4 Volumes and the cost of coal mining

##### 5.1.4.1 Volumes of coal mining

Three state bodies are responsible for consolidating data on coal production in Ukraine, namely SSSU, the Ministry of Energy and Geonadra (data collection and processing for Geonadra is done by its research and production institution Geoinform of Ukraine). However, the information from these three sources differs from each other, which may be due to the use of different methods of accounting for mining information. The difference in the data on the volume of coal production in 2018 between the State Statistics Service and the Ministry of Energy is insignificant - 2.09%. At the same time, according to Geonadra, the volume of coal production in 2018 was lower by 39.86% compared to the figure provided by the Ministry of Energy, and by 41.09% - according to SSS.

In total, according to the Ministry of Energy, 33,286.41 thousand tons of coal were mined in Ukraine in 2018, which is 4.67% lower than in the previous year. However, according to the State Statistics Service and Geonadra, coal production increased in the reporting period by 4.79% and 4.56%, respectively.

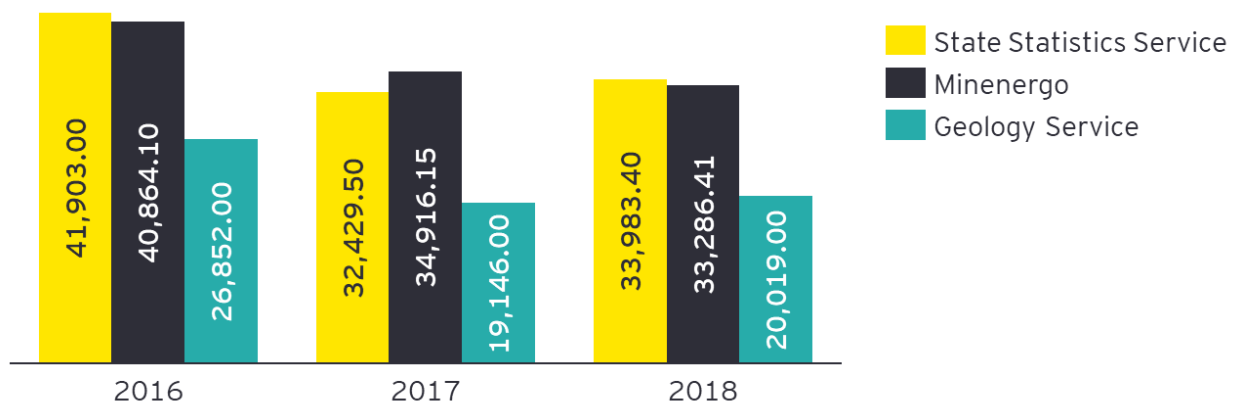


Figure 5.4: The volumes of hard coal production in Ukraine in 2016-2018, thousand tons<sup>41,42,43</sup>

In terms of regions, Dnipropetrovsk (60.12%) and Donetsk (33.38%) regions had the largest share of production volumes in the reporting period.

<sup>41</sup> SSS, Statistical information "Production of industrial products by type", 2016, 2017, 2018,

[http://www.ukrstat.gov.ua/operativ/operativ2016/pr/vr\\_rea\\_ovpp/vr\\_rea\\_ovpp\\_u/arh\\_vppv\\_u.html](http://www.ukrstat.gov.ua/operativ/operativ2016/pr/vr_rea_ovpp/vr_rea_ovpp_u/arh_vppv_u.html)

<sup>42</sup> Ministry of Energy, Performance of the ordinary coal production task for December 2016, 2017, 2018

[http://mpe.kmu.gov.ua/minugol/control/uk/publish/article?art\\_id=245178477&cat\\_id=35081](http://mpe.kmu.gov.ua/minugol/control/uk/publish/article?art_id=245178477&cat_id=35081)

[http://mpe.kmu.gov.ua/minugol/control/uk/publish/article?art\\_id=245266910&cat\\_id=245183238](http://mpe.kmu.gov.ua/minugol/control/uk/publish/article?art_id=245266910&cat_id=245183238)

[http://mpe.kmu.gov.ua/minugol/control/uk/publish/article?art\\_id=245334620&cat\\_id=245183238](http://mpe.kmu.gov.ua/minugol/control/uk/publish/article?art_id=245334620&cat_id=245183238)

<sup>43</sup> Geoinform of Ukraine, State Balance Sheet of Mineral Reserves of Ukraine, Coal (Issue 22), 2019

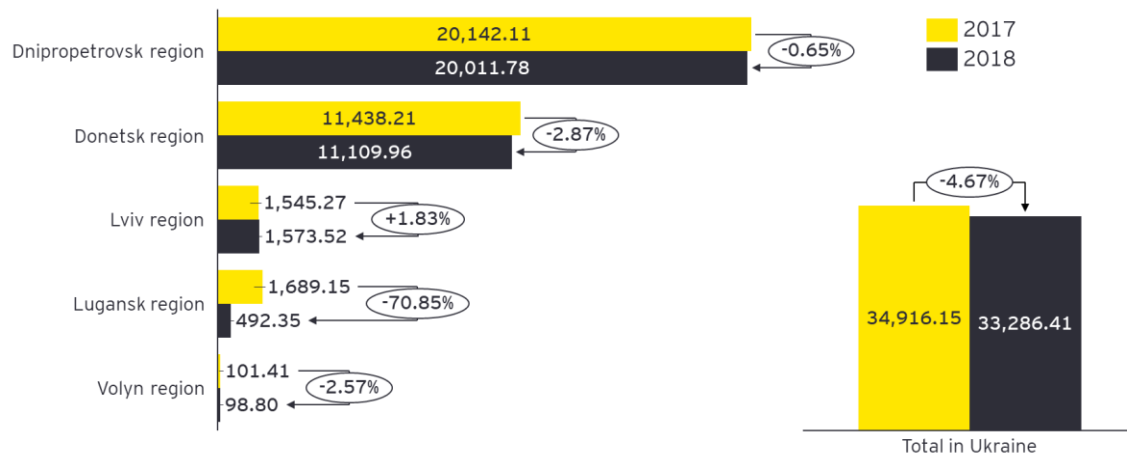


Figure 5.5: Hard coal production in Ukraine by regions 2017-2018, thousand tons

In 2018, the bulk of total coal production was provided by private sector companies. Thus, more than half of the total volume was produced by DTEK Pavlogradugol PrJSC - 60.12% or 20,011.78 thousand tons. In the public sector of the economy, the leader in coal mining was Lvivvughiliya SE, which extracted 1,413.62 thousand tons in the reporting period.

Overall, there was a decrease in production in 2018 compared to the previous year both in the public and private sectors of the economy - by 14.46% and 3.09%, respectively. Among the public sector companies, the sharpest decline in production was observed in VK Krasnolymanska SE - by 88.13%; and in Selydivvuhillia SE - by 51.11% compared to 2017. It should be noted that in March 2017, the DTEK Group announced the loss of control over DTEK Mine Komsomolets Donbassa PJSC, DTEK Sverdlovanratsyt LLC and DTEK Rovenkyanratsyt LLC, which are located in Donetsk and Luhansk oblasts, where Ukrainian public authorities temporarily do not exercise their powers<sup>44</sup>.

Table 5.10: Volumes of hard coal mining by companies in 2017-2018<sup>45</sup>

Company	Volumes of hard coal mining, thousand tons			
	2017	2018	% of change in 2018 compared to 2017	Share in the total volume
<b>Total public sector of the economy</b>	<b>4,839.66</b>	<b>4,139.70</b>	<b>-14.5%</b>	<b>12.44%</b>
Lvivvughiliya SE	1,342.77	1,413.62	5.3%	4.25%
Selydivvuhillia SE	809.97	395.96	-51.1%	1.19%
Myrnohradugol SE	608.64	553.89	-9.0%	1.66%
Shakhtoupravlinnia Pivdennodonbaske No 1 SE	447.61	465.08	3.9%	1.40%
Vuhilna Kompaniia Krasnolymanska SE	378.42	44.93	-88.1%	0.13%
Mine named after M. S. Surgai SE	288.72	263.98	-8.6%	0.79%

<sup>44</sup> DTEK Group official website, <https://dtek.com/media-center/press/dtek-zayavlyaet-o-potere-upravleniya-predpriyatiyami-raspolozhennymi-na-vremenno-nekontroliruemoy-territorii-donetskoy-i-luganskoy-oblasti/>

<sup>45</sup> Ministry of Energy, Performance of the ordinary coal production task in December 2017, 2018, [http://mpe.kmu.gov.ua/minuqol/control/uk/publish/article?art\\_id=245266910&cat\\_id=245183238](http://mpe.kmu.gov.ua/minuqol/control/uk/publish/article?art_id=245266910&cat_id=245183238)  
[http://mpe.kmu.gov.ua/minvuhilya/control/uk/publish/article?art\\_id=245334620&cat\\_id=245183238](http://mpe.kmu.gov.ua/minvuhilya/control/uk/publish/article?art_id=245334620&cat_id=245183238)



Company	Volumes of hard coal mining, thousand tons			
	2017	2018	% of change in 2018 compared to 2017	Share in the total volume
Pervomayskvuhilla SE	160.50	202.32	26.1%	0.61%
Toretskvugillya SE	265.00	251.20	-5.2%	0.75%
Lyschanskvuhillya PJSC	234.13	290.03	23.9%	0.87%
Nadia Mine PrJSC	202.50	159.90	-21.0%	0.48%
Volynvuhilya SE	101.41	98.80	-2.6%	0.30%
<b>Total private sector of the economy</b>	<b>30,076.49</b>	<b>29,146.71</b>	<b>-3.1%</b>	<b>87.56%</b>
DTEK Pavlogradugol PrJSC	20,142.11	20,011.78	-0.6%	60.12%
Shakhtoupravlinnia Pokrovske PJSC	4,345.64	3,975.72	-8.5%	11.94%
DTEK Mine Komsomolets Donbassa PJSC	614.94	0.00	-100.0%	0.00%
DTEK Sverdlovanthracite LLC	595.19	0.00	-100.0%	0.00%
DTEK Dobropolyeugol LLC	2,128.72	2,997.39	40.8%	9.00%
DTEK Rovenkyanthracite LLC	699.34	,0,00	-100.0%	0.00%
Krasnolimanske LLC	899.34	1,039.44	15.6%	3.12%
Bilozerska mine SLC	643.96	1,122.38	74.3%	3.37%
LE Saint Matrona of Moscow Mine LLC	7.25	0.00	-100.0%	0.00%
<b>Total</b>	<b>34,916.15</b>	<b>33,286.41</b>	<b>-4.7%</b>	<b>100.00%</b>

#### 5.1.4.2 Cost of hard coal mining

In order to disclose information on the value of coal mining in the EITI Report 2018, three sources of information were used: data from the SSSU on the production of goods and services; the value of extracted products calculated by the Independent Administrator based on the open sources of information; and the total revenue data provided by the reporting companies during the survey<sup>46</sup>.

According to the SSSU, the total output of hard coal and lignite<sup>47</sup> in the mining industry in 2018 amounted to UAH 113.97 billion, which is 1.28% of the total output of goods and services in Ukraine.<sup>48</sup> The indicator reflects the value of the total output resulting from the operating activities of business entities (residents) in the reporting period.<sup>49</sup>

<sup>46</sup> According to the Law of Ukraine "On Ensuring Transparency in Extractive Industries" of September 18, 2018 No 2545-VIII and the Resolution of the Cabinet of Ministers of September 23, 2020 No 858 "Some Issues of Ensuring Transparency in Extractive Industries", the extractive industries shall provide information on their operations by filling in a payment report / consolidated payment report

<sup>47</sup> Due to the fact that detailed statistics on the output of goods and services are not available by the extractive industries covered by the EITI Report 2018, the aggregated categories of economic activities were used to estimate the output of the extractive industries. The coal mining, according to NACE-2010, belongs to the type of economic activity "extraction of hard and brown coal" (NACE-2010 code B05)

<sup>48</sup> State Statistics Service, "Input-output" Table 2018 (in consumer prices), [http://www.ukrstat.gov.ua/operativ/operativ2006/vvp/vitr\\_vip/vitr\\_u/arh\\_vitr\\_u.html](http://www.ukrstat.gov.ua/operativ/operativ2006/vvp/vitr_vip/vitr_u/arh_vitr_u.html)

<sup>49</sup> The methodology used by the State Statistics Service for calculation of the value of extraction includes the cost of finished products manufactured during the reporting period, designated for sale outside the enterprise, to be used by the company in its own capital construction and by non-industrial divisions of the company, as well as the cost of industrial works performed outside



In order to obtain disaggregated information, the Independent Administrator calculated the cost of coal mining products based on open sources of information. Due to the lack of completely unregulated mining markets in Ukraine, there is no accurate information on the cost of coal. The Independent Administrator's calculation was based on the weighted average coal prices, taking into account transportation and transshipment prices during 2018. The results obtained are shown in the table below.

**Table 5.11: Cost of coal mined in Ukraine in 2018**

Type of product	Volumes of mining <sup>50</sup> , tons	Price, UAH / t	Values, UAH million	
			According to the calculation of the Independent Administrator	According to the State Statistics Service <sup>51</sup>
Hard coal	33,286,410	2,636.97 <sup>52</sup>	87,775.28	113,974.00

The table below (**Table 5.12**) presents the data on revenues from the sale of marketable products of own production in 2018, obtained from the reporting coal mining companies, which provided such information for the preparation of this EITI Report.

**Table 5.12: Sales revenues of marketable products of own production of reporting coal mining companies in 2018<sup>53</sup>**

Company	Production volumes, thousand tons	Sales of marketable products, thousand tons	Revenue from sales of marketable products on the territory of Ukraine (net of VAT), UAH million	Revenue from exports of marketable products (net of VAT), UAH million
DTEK Pavlogradugol PrJSC	15,824.00	14,300.40	28,225.10	0.00
Shakhtoupravlinnia Pokrovske PJSC	3,975.70	3,975.70	6,276.25	0.00
DTEK Dobropolyeugol LLC	2,732.00	2,070.80	4,065.46	0.00
Lvivvughiliya SE	1,088.00	962.60	2,150.76	0.00
Selydivvuhillia SE	384.00	262.70	641.61	0.00
Myrnohradugol SE	334.00	282.10	509.80	0.00
Pervomayskvuhilla SE	130.10	149.95	360.08	0.00

the company and to non-industrial subdivisions of the company, the cost of semi-finished products of the company, sold outside the company. In addition, the changes in the balance of work in progress and the cost of toll raw materials (if any) are included. For more detailed explanations of the methodology of the State Statistics Service please see

[http://www.ukrstat.gov.ua/metaopus/2018/2\\_02\\_03\\_01\\_2018.htm](http://www.ukrstat.gov.ua/metaopus/2018/2_02_03_01_2018.htm)

<sup>50</sup> The volume of coal mining is indicated according to the Ministry of Energy

<sup>51</sup> SSS, "Cost-Output" Table for 2018 (in consumer prices),

[http://www.ukrstat.gov.ua/operativ/operativ2006/vvp/vitr\\_vip/vitr\\_u/arh\\_vitr\\_u.html](http://www.ukrstat.gov.ua/operativ/operativ2006/vvp/vitr_vip/vitr_u/arh_vitr_u.html)

<sup>52</sup> The price of coal is calculated based on the average market price on the European market (based on average API2 indices (CIF) in the main ports of Western Europe Amsterdam - Rotterdam - Antwerp) and adjusted for the caloric content of Ukrainian coal. The calculation includes the average cost of freight for coal transportation to Ukrainian ports, as well as the rate of coal transshipment in the port. The average annual exchange rate was used to calculate the price in UAH (according to the NBU)

<sup>53</sup> According to the information provided by the accountable companies in accordance with the Law of Ukraine "On Ensuring Transparency in Extractive Industries" of September 18, 2018 No 2545-VIII and the Resolution of the Cabinet of Ministers of September 23, 2020 No 858 "Some issues of transparency in extractive industries"

Company	Production volumes, thousand tons	Sales of marketable products, thousand tons	Revenue from sales of marketable products on the territory of Ukraine (net of VAT), UAH million	Revenue from exports of marketable products (net of VAT), UAH million
Lysychanskvuhillya PJSC	196.60	152.80	325.99	0.00
Vuhilna Kompaniia Krasnolymanska SE	44.93	38.05	42.05	0.00
Shakhtoupravlinnia Pivdennodonbaske No 1 SE	465.20	381.60	607.97	0.00
Krasnolimanske LLC	-	-	-	-
Toretskvugillya SE	198.00	220.50	410.12	0.00
DTEK Mine Komsomolets Donbassa PJSC	-	-	-	-
Bilozerska mine SLC	565.00	719.70	1,251.21	0.00
Mine named after M. S. Surgai SE	244.00	248.30	458.43	0.00
<b>Total</b>	<b>26,181.53</b>	<b>23,765.20</b>	<b>45,324.82</b>	<b>0.00</b>

### 5.1.5 Exports and imports of coal

According to the State Statistics Service, the volume of coal exports from Ukraine in 2018 decreased by 89.96% compared to 2017 (635.76 thousand tons) and amounted to 63.80 thousand tons. A significant share, namely 40, 78% of coal exports were to Russia (26.02 thousand tons worth USD 4.6 million); 29.10% - to Moldova (18.56 thousand tons worth USD 0.72 million); 27.12% - to Slovakia (17.3 thousand tons worth USD 3.2 million); and the rest 3.01% - to Poland, Hungary, and Romania.

In contrast to exports, the volume of coal imports in 2018 increased by 8.14% compared to the previous year (19,777.74 thousand tons) and amounted to 21,386.95 thousand tons. The bulk of the coal (70,18%) was imported from Russia (15,008.81 thousand tons worth USD 1,822.73 million). Other countries that supplied coal to Ukraine in 2018 include the United States, Canada, Kazakhstan, South Africa, Australia and others.

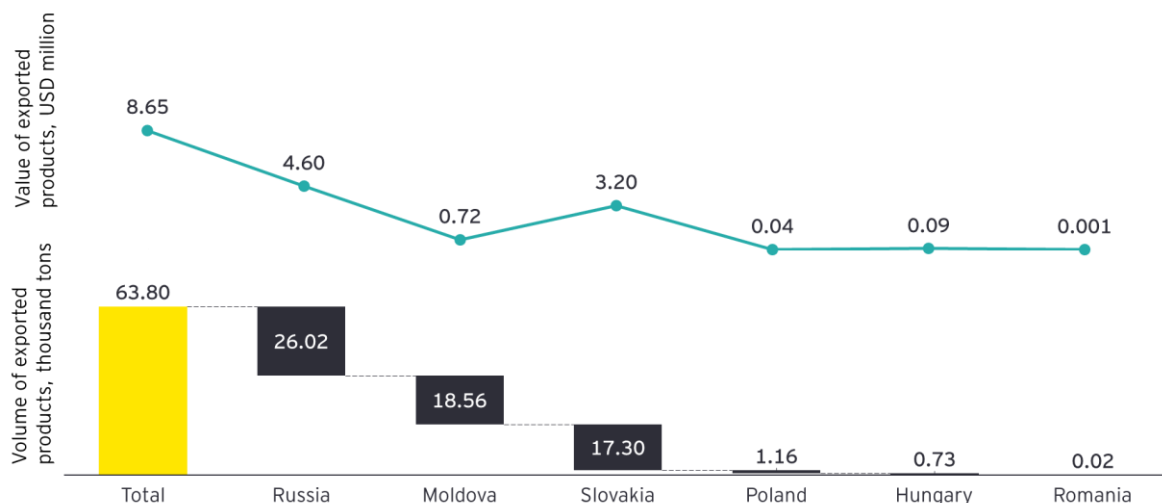


Figure 5.6: Exports of hard coal by countries in quantity and monetary units in 2018<sup>54</sup>

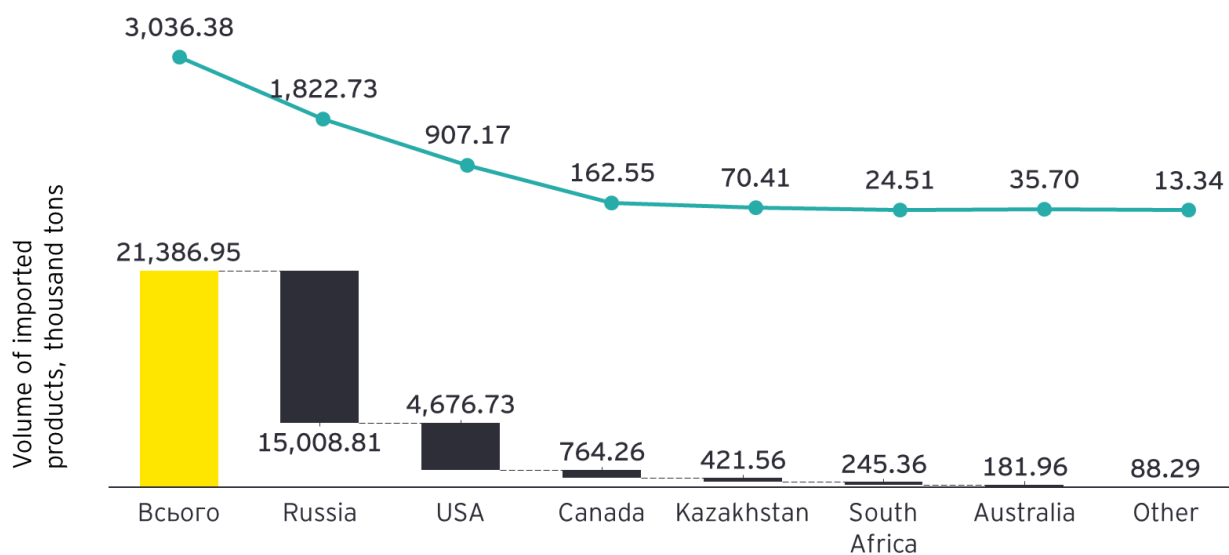


Figure 5.7: Imports of hard coal by countries in quantity and monetary units in 2018<sup>55</sup>

<sup>54</sup> SSSU, External trade by separate types of goods by countries, 2018, [http://www.ukrstat.gov.ua/operativ/operativ2018/zd/e\\_iovt/arh\\_iovt2018.htm](http://www.ukrstat.gov.ua/operativ/operativ2018/zd/e_iovt/arh_iovt2018.htm)

<sup>55</sup> SSSU, External trade by separate types of goods by countries, 2018, [http://www.ukrstat.gov.ua/operativ/operativ2018/zd/e\\_iovt/arh\\_iovt2018.htm](http://www.ukrstat.gov.ua/operativ/operativ2018/zd/e_iovt/arh_iovt2018.htm)

**Conclusions**

As of January 1, 2019, the two main coal basins, Donetsk and Lviv-Volyn basins, contained the balance sheet reserves of hard coal of 41,402.94 million tons. The largest share (31.32%) of total balance reserves was "Д"-grade coal (long-flaming coal).

In the reporting period, 33,286.41 thousand tons of coal were mined, which is 4.67% less than in the previous year.

The total value of hard coal and lignite mined in 2018 amounted to UAH 113.97 billion, according to the State Statistics Service.

The volume of exports in the reporting period decreased by 89.96% and amounted to 63.80 thousand tons, while the volume of imports increased by 8.14%, amounting to 21,386.95 thousand tons.

The major factors that adversely affected the development of the coal mining industry in 2018 were:

- ▶ military conflict in eastern Ukraine, which in turn reduces the investment attractiveness of the coal mining industry;
- ▶ high level of coal field development, high cost of production and geological specifics of the reserves.

## 5.2 Oil and natural gas extraction

### 5.2.1 The role of the state in the oil and natural gas extraction industry

The role of the state in oil and natural gas extraction sector in Ukraine is significant. In particular, the state owns 100% of the shares of the main companies in the industry - Naftogaz of Ukraine NJSC and Nadra of Ukraine. In 2018, Ukrnafta PJSC, a subsidiary of Naftogaz of Ukraine NJSC, extracted 85.76% of the total oil production in the country. On top of that, the subsidiaries of Naftogaz of Ukraine NJSC collectively produced 79.15% of the total natural gas extracted in Ukraine, and private companies - 19.25%.

This section discloses information on state participation in extractive industries. Such participation covers only the companies in direct or indirect ownership of the state, which were determined as material and included in the scope of reconciliation in the EITI Report 2018 (unless otherwise stated in the text).

#### State participation in oil and natural gas extraction companies

Naftogaz of Ukraine JSC is the leading company in Ukrainian oil and gas industry. 100% of its shares are owned by the state represented by the Government - the Cabinet of Ministers of Ukraine. The company carries out a full cycle of operations on field exploration and development, operational and exploratory drilling, oil and gas transportation and storage, supply of natural and liquefied gas to consumers.

Naftogaz of Ukraine JSC also owns a number of mining, non-mining and transportation companies in the sector. In particular, the largest companies that extract oil and natural gas (Ukrnafta PJSC, Ukgasvydobuvannya JSC), their transportation and storage (Ukrtransnafta JSC, Ukrtransgaz JSC) are subsidiaries of Naftogaz of Ukraine JSC. The interest of Naftogaz of Ukraine JSC in its subsidiaries and associates remained unchanged during 2018 (**Table 5.13**).

**Table 5.13: List of companies with Naftogaz of Ukraine NJSC ownership in 2018<sup>56</sup>**

Name of company	Legal entity identification code	Amount of shares owned by Naftogaz of Ukraine NJSC
<i>Extraction of natural gas, production of petroleum products</i>		
Ukgasvydobuvannya JSC	30019775	100%
Chornomornaftogaz JSC SE	153117	100%
Ukrnafta PJSC	135390	50% + 1 share
Zakordonnaftogaz SE	36858992	100%
<i>Transmission of oil and natural gas</i>		
Ukrtransgaz JSC	30019801	100%
Ukrtransnafta JSC	31570412	100%
Ukrspetstransgaz JSC	157842	100%
<i>Other types of activities</i>		

<sup>56</sup> The source of information is the company's responses to the request submitted as part of preparation of this EITI report, as well as its financial statements (Naftogaz of Ukraine NJSC, Annual information of the issuer of securities (annual report) for 2019, [https://www.naftogaz.com/files/official\\_documents/ПІЧНА%20інформація%202019%20публікація%20на%20сайті.pdf](https://www.naftogaz.com/files/official_documents/ПІЧНА%20інформація%202019%20публікація%20на%20сайті.pdf))

Name of company	Legal entity identification code	Amount of shares owned by Naftogaz of Ukraine NJSC
International Consortium for Ukrainian Gas Transmission System Management and Development LLC	32349152	50%
VuhleSynthesGaz of Ukraine SE	38727388	100%
Naftogaz-Energoservice SE	30167066	100%
Naukanaftogaz SE	32710871	100%
Ukravtogaz SE	36265925	100%
NaftogazService SE, Naftogaz of Ukraine NJSC	31059253	100%
NaftogazBezpeka SE, Naftogaz of Ukraine NJSC	32253350	100%
Budivelnyk SE, Naftogaz of Ukraine NJSC	30308580	100%
Gaz Ukrainy SE, Naftogaz of Ukraine NJSC	31301827	100%
Naftogaz Trading Europe S.A. (Switzerland)	-	100%
LIKVO LLC	32869691	100%
Naftogaz Digital Technologies LLC	42257608	100%
Energy and Fuel of Ukraine JSC	30632949	51%
Ternopilgazbud OJSC	2127360	51%
Kirovohrad OJSC	3365222	51%
Petrosannan Company (Egypt)	-	50%
Ukrtatnafta PJSC	152307	43%
Gaztranzit JSC	25273549	40,22%
Zakarpattyagazbud PJSC	2127331	39%
Donetskoblغاز PJSC	3361075	38%
Krymgaz PJSC	3348117	25% + 1share
Sumygaz PJSC	3352432	25% + 1share
Kyivoblغاز PJSC	20578072	25% + 1share
Zaporizhgaz PJSC	3345716	25% + 1share
Poltavagaz PJSC	3351912	25% + 1share
Khmelnyskغاز PJSC	5395598	25% + 1share
Luhanskgaz PJSC	5451150	25% + 1share
Tysmenysyagaz PJSC	20538865	25% + 1share
Dnipropetrovskغاز PJSC	3340920	25% + 1share
Gadyachغاز PrJSC	5524660	25% + 1share
Kremenchukغاز PrJSC	3351734	25% + 1share
Rivnegaz PJSC	3366701	25% + 1share
Lubnygaz PJSC	5524713	25% + 1share
Umangaz PJSC	3361419	25% + 1share
Shepetivkغاز PrJSC	3361394	25% + 1share
Ternopilmiskغاز PrJSC	21155959	25% + 1share
Sevastopolغاز PJSC	3358305	25% + 1share
Mykolaivغاز PJSC	5410263	25% + 1share
Ivano-Frankivskغاز PJSC	3361046	25% + 1share
Lvivgaz PJSC	3349039	25% + 1share
Vinnytsyagaz PJSC	3338649	25% + 1share
Chernihivgaz PJSC	3358104	25% + 1share

Name of company	Legal entity identification code	Amount of shares owned by Naftogaz of Ukraine NJSC
Monastyrskgaz PJSC	21135833	25% + 1share
Pidvolochyskgaz PJSC	14055654	25% + 1share
Chortkivgaz PJSC	21155830	25% + 1share
Buchachgaz PJSC	21136689	25% + 1share
Zalischykygaz PJSC	21131775	25% + 1share
Borschivgaz PJSC	21133751	25% + 1share
Terebovlyagaz PJSC	21156166	25% + 1share
Husyatyn gaz PJSC	21135371	25% + 1share
Ternopilgaz PrJSC	3353503	25% + 1share
Zborivgaz PJSC	21138352	25% + 1share
Zbarazhgaz PJSC	21131887	25% + 1share
Kremenetsgaz PJSC	14028568	25% + 1share
Melitopolgaz PJSC	5535349	25% + 1share
Berezhanygaz PJSC	21136718	25%
Ukrbudtransgaz PrJSC	24937036	20%
Kyivpropangaz PrJSC	5457000	17%
Devon PrJSC	30780664	12,13 %
Ensym PrJSC	32278747	12%
Aitron-Ukr gaz Matters Company PrJSC	22939385	11%
Cherkasygaz PJSC	3361402	9%
Shebelynska Voda LLC	23917617	1,73%

The list of companies whose authorized capital includes the share owned by the subsidiaries of Naftogaz of Ukraine JSC, is presented in the table below (**Table 5.14**). There were no changes in the share of ownership compared to 2017. According to the information from open sources and from the answers of the reporting companies, no participation of the extractive companies owned by the subsidiaries of Naftogaz of Ukraine JSC in the authorized capital of other companies was revealed.

**Table 5.14: List of companies whose shares are owned by the mining subsidiaries of Naftogaz of Ukraine NJSC**

	Name of Company	Legal entity identification code	Share in the authorized capital
<i>Ukrnafta JSC</i> <sup>57</sup>			
Extractive	JV Boryslav Petroleum Company in the form of LLC	22402928	25,10 %
	Kashtan Petroleum LTD JV	23703371	55,00 %
	Ukrainian-American Joint Venture Ukrkarpatoil LTD LLC	23152126	100%

<sup>57</sup> Ukrnafta PJSC, Separate financial report for 2018, <https://www.ukrnafta.com/data/Ukrnafta%20Standalone%20FS%202018%20Ukr.pdf>

	Name of Company	Legal entity identification code	Share in the authorized capital
Non-extractive	Fund-Service CJSC	25200208	74,00 %
	Naftotransservis Transport and Production Company LLC	25653832	49,90 %
	Agrofirm Mykolaivka LLC	31141997	99,96 %
	Voskresenske-Agro LLC	32415151	99,92 %
	Kachanove-Agro LLC	32387266	99,97 %
	Polyvyane-Agro LLC	32468774	99,98 %
	Okhtyrka-Agro LLC	32364689	99,98 %
	Dzherelo Agricultural Firm LLC	32166189	99,99 %
	Naftovyk-Ukrnafta Football Club LLC	14003338	99,99 %
	Ukrainian Oil and Gas Insurance Company CJSC	21148965	57,62 %
	JV Romgaz PJSC	6710859	65,25 %
	Vorskla Closed Insurance Joint Stock Company	23047240	79,39 %
	Spartak OJSC	30561150	18,98 %
	Osnastka PJSC	5797977	8,10 %
Basis-Investment OJSC	30251739	7,69 %	
Security LLC	37309470	49%	
<b>Ukrtransgaz JSC<sup>58</sup></b>			
Non-extractive	Energy Technologies PrJSC	33833671	24%
	Enzyme PrJSC	32278747	0,1199 %
	Cogeneration technologies UTG LLC	32493617	38%
	Naftogazreest LLC <sup>59</sup>	36126470	100%
<b>Ukrtransnafta JSC<sup>60</sup></b>			
Non-extractive	Ukrtransnafta Corporate Fund LLC	32074529	99,95%
	Sea Trans LLC	32244367	26%
	Insurance Company Transmagistral PrJSC	31630408	27,98%
	International Pipeline Company Sarmatia LLC	140002677	28,79%
	Transmunai LLC	34300318	50%
	Naftogaz Oil Trading LLC	43302216	100,00%
<b>Chornomornaftogaz PJSC<sup>61</sup></b>			
Non-extractive	Chornomornaftogazservis SE	32173773	100,00%
	KNPF Chornomornaftogaz Research Company	33326529	100%
	Chornomornaftogazinvest SE	37729289	100,00%
	Kerch Marine Plant Frigate LLC	32316153	57,99%
	Shelf Institute LLC	4825950	45,00%
<b>Ukrigasvydobuvannya PJSC<sup>62</sup></b>			
Non-extractive	Olexandr LLC	24362185	100%
	Shebelynska Voda LLC	23917617	98,27%

<sup>58</sup> Ukrtransgaz JSC, Annual report for 2018, <http://utg.ua/img/menu/company/docs/2019/info-26-04-2019.pdf>

<sup>59</sup> According to the the decision of shareholder Ukrtransgaz JSC dated 01.09.2017, the operations of Natogazreestr LLC (36126470) were ceased. The statement on state registration of this wa smade on 23.08.2018

<sup>60</sup> Ukrtransnafta JSC, Annual report for 2018, <https://www.ukrtransnafta.com/wp-content/uploads/2020/04/Річна-інформація-за-2018-рік.pdf>

<sup>61</sup> Chornomornaftogaz PJSC, Annual report for 2018, <https://chornomornaftogaz.com.ua/images/pdf/rich-inform-emit-2018.pdf>

<sup>62</sup> Ukrigasvydobuvannya PJSC, Annual report for 2018, <https://ugv.com.ua/page/docs?count=9>



The objective of Nadra of Ukraine JSC is exploration of the subsoil of Ukraine, prospecting and exploration and attracting investments in the oil and gas industry of the country. 100% of the shares of the company is owned by the state represented by the State Service of Geology and Subsoil. Information on the companies owned by Nadra of Ukraine JSC is presented in the table below (*Table 5.15*).

*Table 5.15: Companies whose shares are owned by Nadra Ukraine NJSC in 2019* <sup>63</sup>

Name of company	Legal entity identification code	Number of shares owned by Nadra Ukrainy NJSC
<b><i>Subsidiaries of Nadra Ukrainy NJSC</i></b>		
Chernihivnaftogazgeologiya	1431535	100%
Crimegeologiya	1432055	100%
Poltavnaftogazgeologiya	1431630	100%
Ukrainian Geological Research and Production Center	1432552	100%
Agrogeophysica	30039257	100%
Zakhidukrgeologiya	1432606	100%
Myrgorodnaftogazrozvidka	1431676	100%
Centrukrgeologiya	1432478	100%
Nadraresurs	33307841	100%
<b><i>Other companies under Nadra Ukrainy NJSC control</i></b>		
Ukrgeolremmash State Joint-Stock Company	30639394	100%
Ukrainian Geophysical Company LLC	32535729	100%
Nadra Krymu LLC	38317979	99,91%
Azov Ore Mining Administration	38068353	99,9%
Nadra Yuzivska LLC	38077614	99%
Nadrainvest LLC	35393548	90%
Nadra Oleska LLC	38077620	90%
Zhytomyrburrozvidka LLC	30737100	90%
Vody Ukrainy LLC	32162316	80%
Nadra Shelf LLC	38327265	58,44%
Triton Engineering and Drilling Group LLC	37689420	50%
Gaichursky GZK LLC	38105709	50%
Nadra Horodotske LLC	39021300	50%
Nobilsky Construction and installation administration LLC	34514895	45%
Zakhidgazinvest LLC	38126671	100%
Nadra Tunivska LLC	39021358	25%
Chornomorzakhidinvest LLC	39729852	25%
Chornomorgeoresource LLC	39729978	25%
Closed non-diversified venture corporate investment fund Standard Plus PJSC	38006024	21%

<sup>63</sup> Nadra Ukrainy NJSC, Regular annual information for 2018, [http://nadrakrayny.com.ua/?page\\_id=2702#tab-3-2](http://nadrakrayny.com.ua/?page_id=2702#tab-3-2)

Name of company	Legal entity identification code	Number of shares owned by Nadra Ukrainy NJSC
Chernigivnaftogazgeologiya LLC	38960790	99%

As of March 1, 2019, the list of the state-owned companies, organizations and associations under the Ministry of Energy of Ukraine included 33 legal entities of the oil and gas industry. Also, as of March 1, 2019, 2 legal entities of the oil and gas complex were on the list of companies in respect of which the Ministry of Energy of Ukraine exercised its authority to manage the corporate rights of the state<sup>64</sup>.

The table below (**Table 5.16**) provides information on the joint operating agreements concluded as of 2018, where the accountable oil and gas companies were parties to.

**Table 5.16: Information on joint operations agreements in the oil and gas industry in 2018**

Number of joint operations agreement (JOA)	Authorized taxpayer and other participants	Type and amount of contribution made by public partner	Share in profits for 2018
<i>Ukrnafta PJSC<sup>65</sup></i>			
JOA of 19.01.1999 No 35/4	<i>Authorized taxpayer:</i> Chernihivnaftogaz under Ukrnafta PJSC <i>Other participants:</i> 1. Carlton Trading Ukraine LLC 2. Hals-K Ltd LLC	Contribution of Ukrnafta PJSC from the commencement of joint operations - UAH 289,938,961,56 (no contributions in 2018)	Share of Ukrnafta PJSC in the joint operations for 2018 is 60.18% (UAH 373,983,371)
JOA of 07.09.2001 No 4 <sup>66</sup>	<i>Authorized taxpayer:</i> Hals-K Ltd LLC <i>Other participants:</i> 1. Ukrnafta PJSC; 2. Carlton Trading Ukraine LLC	Contribution of Ukrnafta PJSC - 49.9%, and from the commencement of joint operations - UAH 17 635,535.63 (no contributions in 2018)	Share of Ukrnafta PJSC in the profit of joint operations for 2018 is 52,97% (UAH 1,458,946.00)
JOA of 21.12.2000 No 5/56	<i>Authorized taxpayer:</i> Poltavnaftogaz of Ukrnafta PJSC	Accumulated amount of actual contributions of Ukrnafta PJSC as of 31.12.2018: thousand UAH 9,476.825	Financial result in 2018: (4 677,6 ) thousand UAH
JOA of 28.01.2008 No 35/21	<i>Authorized taxpayer:</i> Chernihivnaftogaz under Ukrnafta PJSC	Accumulated amount of actual contributions of Ukrnafta PJSC as of 31.12.2018: thousand UAH 9.300	Financial result in 2018: 10,409.1 thousand UAH

<sup>64</sup> Ministry of Energy, List of state enterprises, institutions, organizations and associations under the Ministry of Energy and Coal Industry of Ukraine as of March 1, 2019,

[http://mpe.kmu.gov.ua/minugol/control/uk/publish/article?art\\_id=245412335&cat\\_id=244916218](http://mpe.kmu.gov.ua/minugol/control/uk/publish/article?art_id=245412335&cat_id=244916218)

<sup>65</sup> The sources of information on Ukrnafta PJSC joint operations (except for the Agreement No 35/4 of 19.01.1999, JOA of 07.09.2001 No 4) are separate financial statements of Ukrnafta PJSC for 2018 prepared under the international financial reporting standards of 31 December 2019 year

[https://www.ukrnafta.com/data/ivestor\\_news/Richna%20informaciya%202018.pdf](https://www.ukrnafta.com/data/ivestor_news/Richna%20informaciya%202018.pdf).

<sup>66</sup> The source of information on Agreement No 35/4 of 19.01.1999 and JOA of 07.09.2001 No 4 is the responses of Hals-K w PJSC to the requests submitted in the process of preparation of this EITI Report.

Number of joint operations agreement (JOA)	Authorized taxpayer and other participants	Type and amount of contribution made by public partner	Share in profits for 2018
JOA of 20.07.2004 No 35/809	<i>Authorized taxpayer:</i> Poltavnaftogaz under Ukrnafta PJSC	Accumulated amount of actual contributions of Ukrnafta PJSC as of 31.12.2018: thousand UAH 9.300	Financial result in 2018: (2.5) thousand UAH
JOA No 35/78/141	<i>Authorized taxpayer:</i> Ukrnafta PJSC	Accumulated amount of actual contributions of Okhtyrkanaftogaz of Ukrnafta PJSC as of 31.12.2018: thousand UAH 8.3	Financial result in 2018: (131.0) thousand UAH
JOA of 24.12.1997 No 999/97	<i>Authorized taxpayer:</i> Poltavnaftogaz under Ukrnafta PJSC	Accumulated amount of actual contributions of Ukrnafta PJSC as of 31.12.2018: thousand UAH 124,647.946	Financial result in 2018: 18,172.4 thousand UAH
JOA No 410/95	<i>Authorized taxpayer:</i> Poltavnaftogaz under Ukrnafta PJSC	Accumulated amount of actual contributions of Ukrnafta PJSC as of 31.12.2018: thousand UAH 86,314.897	Financial result in 2018: 28.7 thousand UAH
JOA of 11.11.1999 No 35/176	<i>Authorized taxpayer:</i> Okhtyrkanaftogaz under Ukrnafta PJSC	Accumulated amount of actual contributions of Ukrnafta PJSC as of 31.12.2018: thousand UAH 184.799	Financial result in 2018: (188.0) thousand UAH
JOA of 20.03.1998 No 01	<i>Authorized taxpayer:</i> Ukrnafta PJSC	Accumulated amount of actual contributions of Ukrnafta PJSC as of 31.12.2018: thousand UAH 55,426.9	Financial result in 2018: 350.456 thousand UAH
JOA No 35/71 from 01.07.2007	<i>Authorized taxpayer:</i> Ukrnafta PJSC	Accumulated amount of actual contributions of Ukrnafta PJSC as of 31.12.2018: thousand UAH 9.3	Financial result in reporting period: (1.9) thousand UAH
<b>Ukrigasvydobuvannya JSC<sup>67</sup></b>			
JOA from 10.06.2002 №3	<i>Authorized taxpayer:</i> Karpatygas LLC (455860319) <i>Other participants:</i> 1. Ukrigasvydobuvannya JSC 30019775) 2. Misen Enterprises AB LLC	UAH 2,110.93 thousand (intangible asset - the right of using the well and technical information)	-
JOA from 24.03.2004 till 31.12.2021 No 493	<i>Authorized taxpayer:</i> Karpatygas LLC (455860319) <i>Other participants:</i> 1. Ukrigasvydobuvannya JSC (30019775) 2. Karpatygas LLC (30162340) 3. Tekhnoproject LLC (31154312)	UAH 41,001.8568 thousand (intangible asset - the right to use wells)	-
Agreement on Geological study and development of gas fields in the Azov and Black Seas and the Kerch Peninsula dated 24.10.2000	<i>Authorized taxpayer:</i> Chornomornaftogaz SE (106995222) <i>Other participants:</i> 1. Ukrigasvydobuvannya JSC (30019775) 2. Chornomornaftogaz SE (00153117)	UAH 88,458.7 thousand (materials / works and proceeds)	-

<sup>67</sup> According to the company data provided on request as part of the preparation of this EITI Report

Number of joint operations agreement (JOA)	Authorized taxpayer and other participants	Type and amount of contribution made by public partner	Share in profits for 2018
Agreement dated 06.10.2011 No 1330-1-4 The Agreement is in the process of closing. Agreement on termination of the agreement on joint operations dated 03.04.2015	<i>Authorized taxpayer:</i> Shell Ukraine Exploration and Production I LLC (587438345) <i>Other participants:</i> 1. Ukgasvydobuvannya JSC (30019775) 2. T Shell Ukraine Exploration and Production I LLC (33832065) 3. Shell Ukraine Exploration and Production I LLC B.V.	UAH 2,332. 54 thousand (intangible asset)	-

### Dividends in favor of Naftogaz of Ukraine NJSC and its subsidiaries

During 2018, Ukgasvydobuvannya JSC and Ukrtransnafta JSC paid dividends in the amount of UAH 38,854,382<sup>68</sup> thousand and UAH 2,139,693<sup>69</sup> thousand to their sole shareholder, Naftogaz of Ukraine JSC. According to the financial statements of Naftogaz of Ukraine JSC, the dividends received by the company in 2018 amounted to UAH 40,995.306<sup>70</sup> million. Ukrnafta JSC paid UAH 82,210,000<sup>71</sup> to its shareholders in 2018, as Naftogaz of Ukraine NJSC evidenced in its financial statements.

In addition to Naftogaz of Ukraine's subsidiaries, which were identified as accountable companies in the course of preparation of this EITI Report, Ukrspetstransgaz JSC also paid dividends to Naftogaz of Ukraine NJSC in the amount of UAH 1,231.00 thousand.<sup>72</sup> No dividends paid by Chornomornaftogaz SE JSC and Zakordonnaftogaz SE<sup>73</sup> are found in the available financial statements of the company.

<sup>68</sup> Financial statements and report of the independent auditor of Ukgasvydobuvannya JSC for 2018, [https://ugv.com.ua/uploads/Financial\\_Report.2019\\_AT\\_Ukgazvidobuvannya\\_.pdf.9332243.26b0e9f76157b25bad796c280ae2c3d9dd457a86.pdf](https://ugv.com.ua/uploads/Financial_Report.2019_AT_Ukgazvidobuvannya_.pdf.9332243.26b0e9f76157b25bad796c280ae2c3d9dd457a86.pdf)

<sup>69</sup> Annual information of the issuer of securities - Ukrtransnafta JSC 2018, <https://www.ukrtransnafta.com/wp-content/uploads/2020/04/%D0%A0%D1%96%D1%87%D0%BD%D0%B0-%D1%96%D0%BD%D1%84%D0%BE%D1%80%D0%BC%D0%B0%D1%86%D1%96%D1%8F-%D0%B7%D0%B0-2018-%D1%80%D1%96%D0%BA.pdf>

<sup>70</sup> Naftogaz of Ukraine NJSC, Separate financial statements 2019, <https://www.naftogaz.com/files/Zvity/Naftogaz-19fs-standalone-FS-UKR.pdf>

<sup>71</sup> Ukrnafta JSC, Separate financial statements 2018, <https://www.ukrnafta.com/data/Ukrnafta%20Standalone%20FS%202018%20Ukr.pdf>

<sup>72</sup> Annual information of the issuer of securities, [http://ustq.com.ua/reporting/00157842\\_2019\\_208721.pdf](http://ustq.com.ua/reporting/00157842_2019_208721.pdf)

<sup>73</sup> Annual information of the issuer of securities 2019 - Zakordonnaftogaz SE, [http://www.nopc.org.ua/wp-content/uploads/zvit/Fzvit/2019/finzvit2019\\_skorug.pdf](http://www.nopc.org.ua/wp-content/uploads/zvit/Fzvit/2019/finzvit2019_skorug.pdf)

**Table 5.17: Dividends received by Naftogaz of Ukraine NJSC from its subsidiaries that are reporting companies for the purposes of the EITI Report 2018**

Indicator	Amount of dividends received / paid in 2018, UAH thousand
<b>Total dividends received by Naftogaz of Ukraine NJSC (according to the company's financial statements)<sup>74</sup></b>	<b>40 995,306</b>
Dividends paid by subsidiaries of Naftogaz of Ukraine NJSC (according to the financial statements of subsidiaries), including:	<b>40 994,075</b>
<i>Ukrigasvydobuvannya JSC<sup>75</sup></i>	38 854,382
<i>Ukrtransnafta PJSC<sup>76</sup></i>	2 139,693

**Table 5.18: Dividends received by Naftogaz of Ukraine NJSC subsidiaries from their extractive subsidiaries and associates in 2018**

	Subsidiary of Naftogaz of Ukraine NJSC	Dividends paid in 2018, UAH thousand
1	<i>Ukrtransnafta JSC</i>	-
2	<i>Ukrtransgaz JSC<sup>77</sup></i>	-
3	<i>Ukrigasvydobuvannya JSC</i>	-
4	<i>Ukrnafta PJSC<sup>78</sup></i>	<b>54 134</b>
	Dividends paid by extractive subsidiaries and associates of Ukrnafta JSC in favour of all its shareholders:	-
	JV Boryslav Oil Company in the form of LLC <sup>79</sup>	-
	Joint Venture Ukrkarpatoil LTD LLC <sup>80</sup>	-
	Kashtan Petroleum LTD JV <sup>81</sup>	60 000

## State support for oil and natural gas extraction

The budget programs to support the oil and gas industry of Ukraine in 2018 included:

- ▶ *Reconstruction, overhaul and technical re-equipment of the main gas pipeline Urengoy - Pomary - Uzhgorod* - the program was to be funded from the general and special funds of the State budget in the amount of UAH 100,000.00 thousand;

<sup>74</sup> Naftogaz of Ukraine NJSC, Separate financial statements for 2019, <https://www.naftogaz.com/files/Zvity/Naftogaz-19fs-standalone-FS-UKR.pdf>

<sup>75</sup> Ukrigasvydobuvannya JSC, Financial statements and independent auditor's report for 2019, [https://ugv.com.ua/uploads/Financial\\_Report.2019\\_AT\\_Ukrqazvidobuvannya\\_.pdf.9332243.26b0e9f76157b25bad796c280ae2c3d9dd457a86.pdf](https://ugv.com.ua/uploads/Financial_Report.2019_AT_Ukrqazvidobuvannya_.pdf.9332243.26b0e9f76157b25bad796c280ae2c3d9dd457a86.pdf)

<sup>76</sup> Ukrtransnafta JSC, Separate financial statements for 2018, <https://www.ukrnafta.com/data/Ukrnafta%20Standalone%20F%202018%20Ukr.pdf>

<sup>77</sup> Ukrtransgaz JSC, Separate financial statements and independent auditor's report for 2019, [http://utg.ua/img/menu/company/docs/2020/UTG\\_19fsu\\_with%20signatures\\_compressed.pdf](http://utg.ua/img/menu/company/docs/2020/UTG_19fsu_with%20signatures_compressed.pdf)

<sup>78</sup> Ukrnafta PJSC, Separate financial report for 2018, <https://www.ukrnafta.com/data/Ukrnafta%20Standalone%20F%202018%20Ukr.pdf>

<sup>79</sup> JV Boryslav Oil Company in the form of LLC, Independent Auditor's Report on Financial Statements for 2019, <https://spbnk.com.ua/files/file/6.pdf>

<sup>80</sup> Joint Venture Ukrkarpatoil LTD LLC, Independent auditor's report on financial statements for 2019, <http://www.uko.kiev.ua/audit%202019.pdf>

<sup>81</sup> Kashtan Petroleum LTD JV, Financial report for 2018, <https://bit.ly/3m90vaU>

- ▶ *State support for the public joint-stock company Magistralni Gazoprovody Ukrainy (Main gas pipelines of Ukraine)* - the program was to receive funding of UAH 20,000.00 thousand from the general budget fund for its implementation, but the actual cash execution amounted to UAH 19,857.13 thousand (99.3% of the planned amount)<sup>82</sup>.

According to the State Treasury Service, the oil and gas companies made no borrowings against the state budget guarantees in 2018.<sup>83</sup>

**Table 5.19: Budget programs in the oil and gas industry in 2018, thousand UAH**

Name of budget program	General fund		Special fund	
	plan for 2018, with amendments	cash execution for 2018	plan for 2018, with amendments	cash execution for 2018
Reconstruction, overhaul and technical re-equipment of the Urengoy - Pomary - Uzhgorod major gas pipeline <sup>84</sup>	-	-	100,000.00	-
State support of Main Pipelines of Ukraine PJSC <sup>85</sup>	20,000.00	19,857.13	-	-

The deviation from the planned support for the *Reconstruction, overhaul and technical re-equipment of the main gas pipeline Urengoy - Pomary - Uzhgorod* program was caused by the fact that the Loan Agreement between Ukraine and the EBRD dated 15.12.2014 did not become effective as of 01.01.2019.

During 2018, the state budget received funds to repay the debts on the loans acquired against the state guarantees: UAH 1,988,102.00 from Naftogaz of Ukraine NJSC, UAH 97,371.9 from Ukrtransgaz JSC (**Table 5.20**).

**Table 5.20: Overdue debts of business entities in the oil and gas industry to the state on the loans raised under state guarantees in 2019<sup>86</sup>**

Name of company	Cur-rency	Amount of overdue debt to the state on loans		Receipt of funds to the state budget for repayment of debt, UAH	Debt on interest accrued on overdue arrears, UAH	
		In foreign currency	In national currency		Amount of debt	Paid to the state budget
Naftogaz of Ukraine NJSC (Agreement of 05.06.2009 No 28010-02/60)	UAH	-	-	1,971,756.51	-	-

<sup>82</sup> Order of the Ministry of Energy No 528 of 19.12.2019,

<http://mpe.kmu.gov.ua/minugol/doccatalog/document?id=245442406>

<sup>83</sup> Treasury, Annual Report on the Execution of the State Budget of Ukraine for 2018 (Section III.1),

<https://www.treasury.gov.ua/storage/app/uploads/public/5c9/df3/e75/5c9df3e757fe4935310525.xlsx>

<sup>84</sup> Report on the execution of budget program as of 01.01.2019,

<http://mpe.kmu.gov.ua/minugol/doccatalog/document?id=245345133>

<sup>85</sup> Report on the execution of budget program as of 01.01.2019,

<http://mpe.kmu.gov.ua/minugol/doccatalog/document?id=245345128>

<sup>86</sup> Treasury, Report on overdue debts of business entities to the state on loans (borrowings) attracted under state guarantees

<https://www.treasury.gov.ua/storage/app/uploads/public/5c9/dfb/468/5c9dfb4689667556511288.xlsx>

Name of company	Cur- rency	Amount of overdue debt to the state on loans		Receipt of funds to the state budget for repayment of debt, UAH	Debt on interest accrued on overdue arrears, UAH	
		In foreign currency	In national currency		Amount of debt	Paid to the state budget
Naftogaz of Ukraine NJSC EBRD (Agreement of 23.10.2015 No 47283)»	USD	-	-	16,345.49	-	-
Ukrtransgaz JSC (Agreement of 11.12.2012 No 15010-03/127)	EUR	-	-	97,371.9	-	-
Ukrnaftoproduct AHK	USD	17,041,897.23	471,860,549.57		211,672,676.9	

According to the available financial statements of the reporting oil and gas companies, in 2018 they attracted short-term loans in the amount of UAH 6,600,316 thousand, and long-term loans in the amount of UAH 602,491 thousand (**Table 5.21**).

**Table 5.21: Loan agreements of reporting companies in the oil and gas industry as of 2018**

Company	Loan type	Total amount	Effective interest rate / loan currency	Additional Information
Ukrigasvydobuvannya JSC <sup>87</sup>	Short term loans	1,029,142 UAH thousand	19.0%, UAH	Security type: <ul style="list-style-type: none"> <li>▸ fixed assets (UAH 82,214 thousand);</li> <li>▸ inventories (UAH 106,906 thousand);</li> <li>▸ future cash flows as revenue from sales of products (UAH 1,100,000 thousand);</li> <li>▸ collateral value of the related parties' property (UAH 3,994,789 thousand)</li> </ul> As of December 31, 2018, Ukrigasvydobuvannya JSC has violated its obligations to repay the short-term loans in the amount of UAH 79.870 thousand.
		3,305,854 UAH thousand	8% / USD	
Naftogaz of Ukraine NJSC <sup>88</sup>	Long term loans	10,707,317 UAH thousand	19.7% / UAH (balance sheet value 21,775,023 UAH thousand)	As at 31 December 2018, all balances on the Company's loans were secured by the Revenues from future sales (UAH 24,928,032 thousand) and inventories (UAH 35,944,630 thousand). As of December 31, 2018, the Company's loan obligations in the amount of UAH 14,503,636 thousand were guaranteed by the state.
	Short term loans	38,015,182 UAH thousand	8.7% /USD (balance sheet value 14,409,662 UAH thousand) 2.1% / EUR (balance sheet value 12,537,814 UAH thousand)	

<sup>87</sup> Ukrigasvydobuvannya JSC, Financial statements and independent auditor's report for 2018,

[https://ugv.com.ua/uploads/Financial\\_Report\\_2018.pdf.17917928.6095efcd30470af02046b97b5f28d62d.pdf](https://ugv.com.ua/uploads/Financial_Report_2018.pdf.17917928.6095efcd30470af02046b97b5f28d62d.pdf)

<sup>88</sup> Naftogaz of Ukraine NJSC, Separate financial statements for 2018, <https://www.naftogaz.com/files/Zvity/2018-Naftogaz-separate-financial-statements-UKR-with-AR.pdf>



Company	Loan type	Total amount	Effective interest rate / loan currency	Additional Information
Ukrtransgaz JSC <sup>89</sup>	Long term loans	591,192 UAH thousand	19% / UAH 7% / EUR	Types of collateral: assets (UAH 2,313,797 thousand) and future sales (UAH 2,200,000 thousand)  As of December 31, 2018, the Company's loans were guaranteed by the state in the amount of UAH 939,497 thousand
	Short term loans	2,220,620 UAH thousand		
Ukrtransnafta JSC <sup>90</sup>	-	-	-	According to the company's financial statements, no short-term or long-term bank loans have been identified

The table below presents information on the loan agreements of the reporting oil and gas companies valid as of 2018. The loans are acquired against the state guarantees, and in the case of Ukrtransgaz JSC, the loan was secured with collateral provided by Naftogaz of Ukraine NJSC and Ukrtransnafta JSC.

**Table 5.22: Loan agreements and state guarantees on loans of reporting companies in the oil and gas industry as of 2018<sup>91</sup>**

Lender	Total amount / purpose of the loan	The amount of payments in the reporting period	Additional Information
<b>Naftogaz of Ukraine NJSC</b>			
Oschadbank JSC	UAH 1,971,756.53 thousand	UAH 328,581.07 thousand - interest; UAH 1,971.76 thousand - (fee to the Ministry of Finance for the state guarantee).	Year of receipt - 05.06.2009 (Single disbursement). Loan maturity date is 09.06.2020.
Citibank, NA, London branch, Deutsche Bank AG London branch	EUR 500,000.00 thousand Purpose - additional funds for stabilization (reserve) energy fund	476,038,447.75 EUR - loan repayment; 1,817,827.21 EUR - interest; 3,270,638.39 EUR and 146,000.00 USD - fees.	Loan maturity date 31.05.2019. Under the guarantees of the International Bank for Reconstruction and Development (IBRD).
<b>Ukrtransgaz JSC</b>			
Ukrtransbank JSC	UAH 1,395,788.3 thousand	No	Interest rate 8.5% in US in UAH 20%. Collateral in the amount of UAH 1,844,080.2 thousand

<sup>89</sup> Ukrtransgaz JSC, Separate financial statements and independent auditor's report for 2018, <https://www.utg.ua/img/menu/company/reports/2018/audit-report-UTG-2018.pdf>

<sup>90</sup> Ukrtransnafta JSC, Separate financial statements and audit for 2018, [https://www.ukrtransnafta.com/wp-content/uploads/2019/04/Ukrtransnafta\\_Stand-alone\\_18fsu\\_with-signatures\\_okpema.pdf](https://www.ukrtransnafta.com/wp-content/uploads/2019/04/Ukrtransnafta_Stand-alone_18fsu_with-signatures_okpema.pdf)

<sup>91</sup> According to the information provided by the reporting companies and Information about the provision of state guarantees in 2004-2018 (as of 01.10.2018) published by the Ministry of Finance, <https://mof.gov.ua/uk/reestr-derzhavnih-garantij>



Lender	Total amount / purpose of the loan	The amount of payments in the reporting period	Additional Information
			(property rights to receive the revenue under the natural gas supply agreement with Naftogaz of Ukraine NJSC) Loan repayment in full - 25.11.2019. Repayment timeline: till 01.09.19-2,000.0 USD thousand; till 01.10.19-2,000.0 USD thousand; til 25.11.19-76,000.0 USD thousand.
Ukrgazbank JSC	UAH 997,600.8 thousand	-	8% interest rate in USD, 20% in UAH; Collateral in the amount of UAH 1,100,000.0 thousand (property rights for cash revenues under natural gas supply agreement with Naftogaz of Ukraine NJSC). Repayment in full on 12.06.2019
Ukrgazbank JSC	UAH 1 093,182.8 thousand	No	Collateral in the amount of UAH 52,632.0 thousand (bank deposit, provider of collateral - Ukrtransnafta JSC). Repayment in full on 26.05.2019 Repayment timeline: till 01.05.19 -UAH 150,000 thousand; till 01.06.19 -UAH 250,000 thousand; till 12.06.19 - UAH 600,000 thousand.
<b>Ukrtransgaz JSC</b>			
Duetsche Bank AG	53 574,689 EUR thousand As of 31.12.2018 Purpose - modernization of Bar compressor station on the Union transit pipeline.	6 143,51 EUR thousand (loan facility); 510,17 EUR thousand (interest); 4 333,61 EUR thousand (received).	Loan agreement dated 11.12.2012 №1/1212000351.  Repayment period - till 2023.

## Transactions of gas and oil companies with state participation

*Table 5.23: Transactions of the reporting oil and gas companies with state participation in 2018*

Name of company	The amount of external borrowing raised in the reporting period	Share of net income allocated on reinvestment	Retained earnings / uncovered loss, thousand UAH	
			as of 01.01.2019	as of 31.12.2019
Ukrigasvydobuvannya JSC <sup>92</sup>	-	-	44,663,236	32,535,354
Naftogaz of Ukraine NJSC <sup>93</sup>	-	680,662.9 <sup>94</sup>	(60,453,980)	(55,579,410)
Ukrnafta PJSC <sup>95</sup>	-	-	(17,150,369)	(11,160,672)
Joint Venture Ukrkarpatoil LTD LLC <sup>96</sup>	-	-	(24,441)	(390,053)
Ukrtransgaz JSC <sup>97</sup>	-	-	(31,789,317)	(64,582,532)
Ukrtransnafta JSC <sup>98</sup>	-	-	2,127,429	1,447,906

*Transactions of the reporting oil and gas companies with state participation with the companies under the state control:*

► **Naftogaz of Ukraine NJSC<sup>99</sup>**

The company has carried out significant transactions with the companies that are controlled, jointly controlled or significantly influenced by the Government of Ukraine - financial institutions (Oschadbank JSC, Ukreximbank JSC, Ukgazbank JSC), heat generating companies, and some regional gas distribution companies. In 2018, about 41% of the company's revenues and 50% of its expenses resulted from transactions with the enterprises that are controlled, jointly controlled or significantly influenced by the Government of Ukraine.

As of December 31, 2018, the outstanding receivables related to these transactions accounted for 43% of the total balance of accounts receivable, and the outstanding payables - 90% of the total balance of accounts payable. In 2018, the value of own natural gas purchased from the subsidiary Ukrigasvydobuvannya JSC amounted to about 55% of the value of all purchased natural gas.

As of December 31, 2018, 99% of cash and bank balances were placed with banks that are controlled, jointly controlled or influenced by the Government of Ukraine, and the company

<sup>92</sup> Ukrigasvydobuvannya JSC, Financial report and audit for 2018, [Financial\\_Report\\_2018.pdf.17917928.6095efcd30470af02046b97b5f28d62d.pdf](http://www.ugv.com.ua/Financial_Report_2018.pdf.17917928.6095efcd30470af02046b97b5f28d62d.pdf) (ugv.com.ua)

<sup>93</sup> Naftogaz of Ukraine NJSC, Separate financial report for 2018, <https://www.naftogaz.com/files/Zvity/2018-Naftogaz-separate-financial-statements-UKR-with-AR.pdf>

<sup>94</sup> According to the information provided by the company. In accordance with the CMU Order dated 24.04.2019 № 461-p

<sup>95</sup> Ukrnafta PJSC, Separate financial report for 2018, <https://www.ukrnafta.com/data/Ukrnafta%20Standalone%20FS%202018%20Ukr.pdf>

<sup>96</sup> Joint Venture Ukrkarpatoil LTD LLC, Independent audit report and financial report for 2019. <http://www.uko.kiev.ua/audit%202019.pdf>

<sup>97</sup> Ukrtransgaz JSC, Financial report and audit for 2018 <http://utg.ua/img/menu/company/reports/2018/audit-report-UTG-2018.pdf>

<sup>98</sup> Ukrtransnafta JSC, Separate financial report and audit for 2018, [https://www.ukrtransnafta.com/wp-content/uploads/2019/04/Ukrtransnafta\\_Stand-alone\\_18fsu\\_with-signatures\\_okpema.pdf](https://www.ukrtransnafta.com/wp-content/uploads/2019/04/Ukrtransnafta_Stand-alone_18fsu_with-signatures_okpema.pdf)

<sup>99</sup> Naftogaz of Ukraine NJSC, Separate financial statements 2018, <https://www.naftogaz.com/files/Zvity/2018-Naftogaz-separate-financial-statements-UKR-with-AR.pdf>

obtained 74% of its loans from such banks. The company received almost 84% of its financial income from transactions with such banks and about 91% of its financial expenses relate to the loans received from the banks.

► **Ukrigasvydobuvannya JSC**<sup>100</sup>

The company carries out a lot of transactions with Naftogaz of Ukraine NJSC and its controlled enterprises. Since the Government of Ukraine is the beneficial owner of the company, all state-controlled enterprises are considered to be under joint control.

In 2018, 88% of the company's net income from sales were income from transactions with Naftogaz of Ukraine NJSC. As of December 31, 2018, the outstanding trade receivables, advances issued and other current receivables related to Naftogaz of Ukraine NJSC made 98% of the total trade receivables, advances issued and other current receivables. At the same time, the company's outstanding debt to Naftogaz of Ukraine NJSC in 2018 was equal to 13% of the total balance of accounts payable for products and advances received. The company sold gas to its sole shareholder Naftogaz of Ukraine NJSC at the price of UAH 6,115.98 per 1 m<sup>3</sup> of gas net of VAT from November 1, 2018 (until November 1, 2018: UAH 4,849 per 1 m<sup>3</sup> of gas net of VAT).

In 2018, the company had no transactions or balances with other related parties that exceeded 10% of the relevant total transactions or balances.

The company performed transactions with the state-controlled banks: Oschadbank JSC, Ukreximbank JSC, Ukgazbank JSB and Privatbank JSC. As of December 31, 2018, 100% of the company's cash and cash equivalents were with the state-owned banks. The company also had short-term loans from the state-owned banks, which amounted to 98% of the total amount as of December 31, 2018. About 15% of the company's financial expenses for the year ended December 31, 2018 relate to the loans received from these banks. The company had no transactions and balances with other companies with direct or indirect state participation, which exceeded 10% of the relevant total transactions or balances.

► **Ukrnafta PJSC**<sup>101</sup>

As at 31 December 2018, the company had on its accounts with the state banks of cash and cash equivalents of UAH 74,880 thousand, and restricted cash of UAH 99,000 thousand. The cash, cash equivalents and restricted cash were placed with financial institutions with long-term "B-" rating assigned by Fitch Ratings as of the reporting date. The restricted cash of UAH 99,000 thousand is placed with the financial institutions with no rating assigned.

As at 31 December 2018, the company's petroleum products worth UAH 4,689,076 thousand were held by a related party as consignment storage and natural gas worth UAH 435,947 thousand was held by Naftogaz of Ukraine NJSC - the company under the joint control as consignment storage.

---

<sup>100</sup> Ukrigasvydobuvannya JSC, Financial statements and independent auditor's report 2018, [Financial\\_Report\\_2018.pdf.17917928.6095efcd30470af02046b97b5f28d62d.pdf](https://www.ukrgas.com.ua/ua/financial-report/2018/Financial_Report_2018.pdf.17917928.6095efcd30470af02046b97b5f28d62d.pdf) (ugv.com.ua)

<sup>101</sup> Ukrnafta PJSC, Annual information of the issuer of securities, 2018, [https://www.ukrnafta.com/data/ivestor\\_news/Richna%20informaciya%202018.pdf](https://www.ukrnafta.com/data/ivestor_news/Richna%20informaciya%202018.pdf)

- LLC JV Ukrkarpatoil LTD (100% owned by Ukrnafta PJSC)<sup>102</sup>

In 2018, the net income from sales to Ukrnafta PJSC amounted to 100% of the company's total net income from sales. Outstanding receivables from Ukrnafta PJSC for products, goods, works, services, receivables on advances issued and other current receivables as of December 31, 2018 amounted to 17% of the total receivables of the company for products, goods, works, services, receivables on advances issued and other current receivables. At the same time, the company's debt to Ukrnafta PJSC amounted to 82% of the total balance of current accounts payable for goods, works, services and current accounts payable on advances received. In 2018, the company had no transactions or balances with other related parties that exceeded 10% of the total transactions or balances with such parties.

- JV Boryslav Petroleum Company (25.10% owned by Ukrnafta PJSC)<sup>103</sup>

During 2018, Ukrnafta PJSC provided JV Boryslav Petroleum Company with oil and gas processing services, repair of oil and gas equipment, laboratory analysis of oil, author's supervision over the development of the Stynava field and geological prospecting and exploration and hydrodynamic studies of the well, supervision over the well overhaul and others.

- JV Kashtan Petroleum LDT (55% owned by Ukrnafta PJSC)<sup>104</sup>

In 2018, the sales and purchases between JV Kashtan Petroleum LDT and Ukrnafta PJSC and its subsidiaries reached UAH 12,555.00 thousand and UAH 68,698.00 thousand, respectively.

► **Ukrtransgaz JSC** <sup>105</sup>

The Company conducts significant transactions with the companies that are controlled, jointly controlled or significantly influenced by the Government of Ukraine. They include state-owned banks, heat generating companies, and regional gas distribution companies. During 2018, about 68% of Ukrtransgaz's revenues were received from operations with such companies. 49% of the revenues were received from the parent company Naftogaz of Ukraine NJSC.

The outstanding receivables related to these operations was 46% of the total trade receivables as of December 31, 2018, in particular, 2% of outstanding trade receivables were receivables from Naftogaz of Ukraine NJSC. Accounts payable to the companies that are controlled, jointly controlled or significantly influenced by the Government of Ukraine as of December 31, 2018 amounted to about 55% and were mainly debts to Naftogaz of Ukraine NJSC. As of December 31, 2018, 88% of cash and balances on bank accounts were with the banks that are controlled, jointly controlled or influenced by the Government of Ukraine. As of December 31, 2018, 71% of loans to finance working capital needs were received from such banks.

The parent company, Naftogaz of Ukraine NJSC was the main supplier of natural gas to the company in 2018: 86% of the total supply.

---

<sup>102</sup> JV Ukrkarpatoil Ltd., Independent Auditor's Report and Financial Statements, 2019, <http://www.uko.kiev.ua/audit%202019.pdf>

<sup>103</sup> JV Boryslav Petroleum Company, Independent Auditor's Report, 2018, <https://spbnk.com.ua/files/file/7.pdf>

<sup>104</sup> Kashtan Petroleum LTD JV, Financial report for 2018, <https://bit.ly/3m90vaU>

<sup>105</sup> Ukrtransgaz JSC, Financial Statements and Independent Auditor's Report, 2018, <http://utg.ua/img/menu/company/reports/2018/audit-report-UTG-2018.pdf>

▶ ***Ukrtransnafta JSC***<sup>106</sup>

The company conducts significant transactions with the companies that are controlled, jointly controlled or significantly influenced by the Government of Ukraine. Such companies include State Savings Bank of Ukraine PJSC, State Export-Import Bank of Ukraine PJSC, Ukgazbank PJSC, Ukrtatnafta PJSC, Ukrnafta PJSC and others.

During 2018, about 4% of the company's sales revenue was received from related party transactions, about 55% of other operating income was received from the sale of oil to related parties. Approximately 8% of other operating income was received as a result of reversal of collateral provided for lawsuits with the related parties.

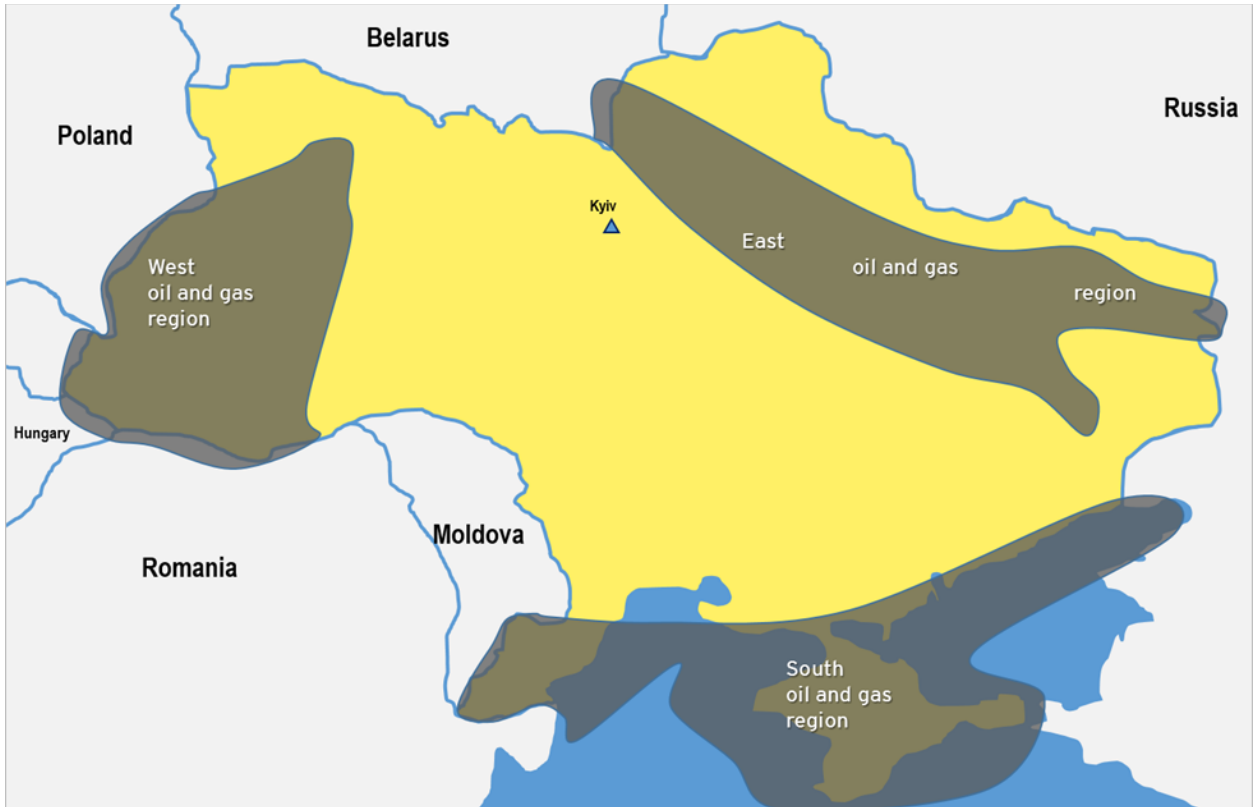
As of December 31, 2018, about 99% of cash balances on current bank accounts and bank deposits were with banks controlled by the Government of Ukraine. About 98% of other financial income in 2018 was interest on deposits and current accounts received from these banks. The company's bank deposit of UAH 1,457,289 thousand (USD 52,632 thousand) with a maturity of up to 6 months with a state-owned bank was pledged as security against a related party's loan obligation to the same bank.

## **5.2.2 Oil and natural gas reserves**

In Ukraine, reserves of oil, natural gas and gas condensate are concentrated in three oil and gas regions: Eastern, Western and Southern. The Eastern region covers parts of Dnipropetrovsk, Poltava, Sumy, Kharkiv, Chernihiv, Luhansk and Donetsk administrative regions. It is within this region, where the vast majority of oil, natural gas and gas condensate occur. The Western region includes parts of the territories of Lviv, Volyn, Zakarpattia, Ivano-Frankivsk and Chernivtsi administrative regions. This region in Ukraine ranks second in hydrocarbon reserves. The Southern region, which has the smallest reserves, covers parts of Odessa and Zaporizhia administrative regions, the Autonomous Republic of Crimea, and the shelf of the Black and Azov Seas. There are oil, gas, oil and gas, oil and gas condensate, and gas condensate and oil fields in Ukraine.

---

<sup>106</sup> Ukrtransnafta JSC, Separate Financial Statements 2018 and Independent Auditor's Report, [https://www.ukrtransnafta.com/wp-content/uploads/2019/04/Ukrtransnafta\\_Stand-alone\\_18fsu\\_with-signatures\\_okpema.pdf](https://www.ukrtransnafta.com/wp-content/uploads/2019/04/Ukrtransnafta_Stand-alone_18fsu_with-signatures_okpema.pdf)



*Figure 5.8: Location of Ukrainian oil and natural gas regions*

According to Geoinform of Ukraine, as of January 1, 2019, the State Balance Sheet of Oil Reserves included 205 fields with the total reserve of 99,986 thousand tons, which is 8.75% less than in the previous reporting period. More than half of oil reserves, namely 53.65%, are concentrated in the Eastern oil and gas region. Within the Eastern region, the largest reserves are in Poltava (23.25%) and Sumy (15.81%) administrative regions. The second top is the Western region with 35.28% of the country's balance sheet oil reserves. Almost half of all reserves in the Western region are located in the Ivano-Frankivsk region (18.77%). The Southern region has the smallest oil reserves, accounting for 11.07% of the total Ukrainian reserves.

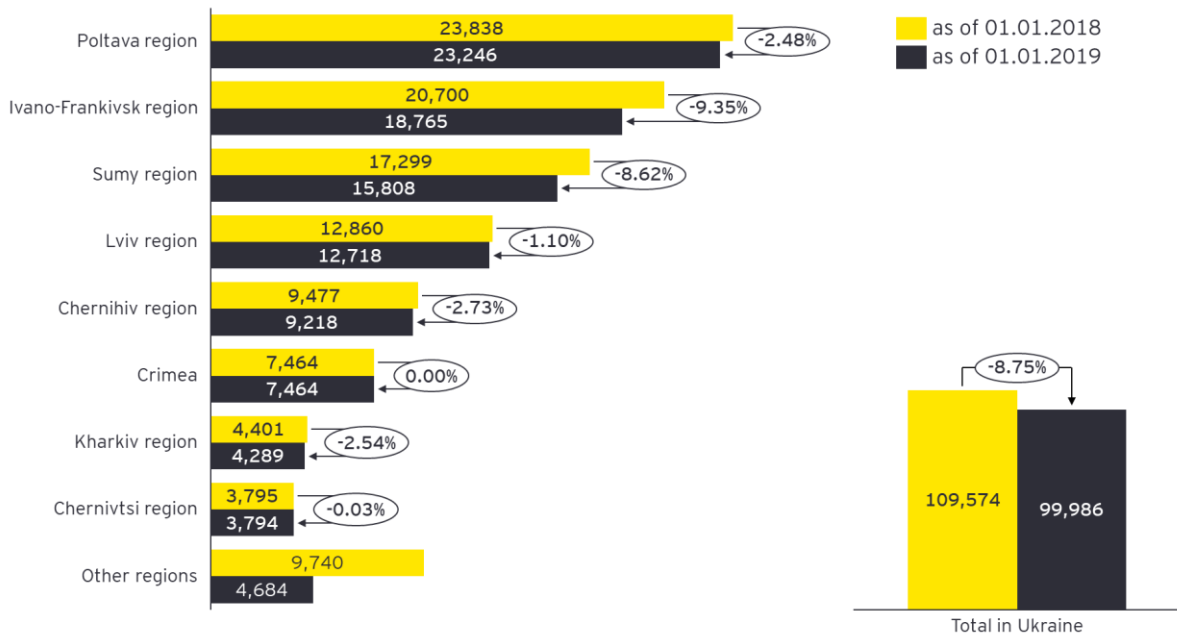


Figure 5.9: Volumes of balance sheet oil reserves by regions of Ukraine as of 01.01.2018 and 01.01.2019, thousand tons<sup>107</sup>

All Ukrainian oil fields are split into four categories based on the extent of their commercial development:

- ▶ 138 developed deposits (with balance sheet reserves of 82,325 thousand tons or 82.34% of the total);
- ▶ 14 deposits that are prepared for commercial development (with balance reserves of 1,786 thousand tons or 1.79% of the total);
- ▶ 25 deposits at prospecting and exploration stage (with balance reserves of 7,069 thousand tons or 7.07% of the total);
- ▶ 27 preserved deposits (with balance reserves of 8,806 thousand tons or 8.81% of the total).

*Oil fields in Ukraine are mostly small or very small fields. Of the total of 205 balance sheet (extractable) deposits, 21 deposits are considered small, and 181 deposits are considered very small. Two deposits - Yablunivske (Poltava region) and Bugruvativske (Sumy region) are relatively small, and Hlynko-Rozbyshivske (Poltava region) is the only field in Ukraine, which is classified as medium. Ukraine. The table below (*

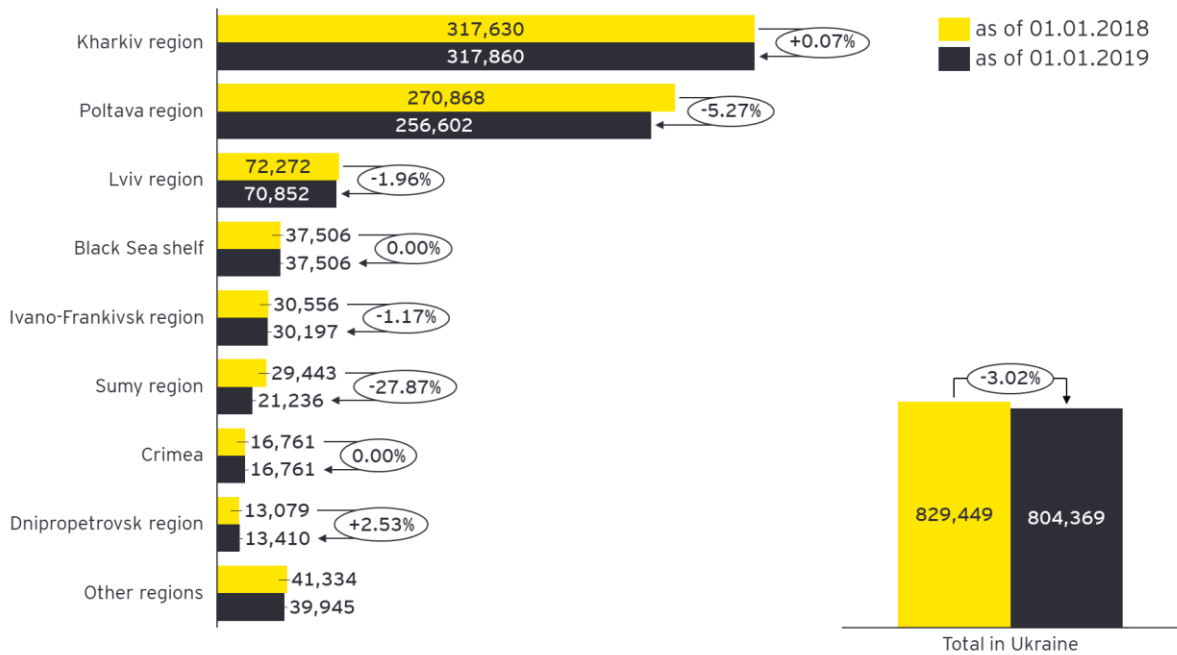
Table 5.24) presents the fields with the largest balance sheet oil reserves.

*Table 5.24: Balance sheet oil reserves on the main fields in Ukraine as of 01.01.2020, thousand tons<sup>108</sup>*

Field name	Volumes of balance sheet oil reserves as of 01.01.2019, thousand tons	Share in the total balance sheet reserves in Ukraine, %
Hlynsko-Rozbyshivske	12,135	12.14%
Bugruvativske	8,389	8.39%
Yablunivske	7,391	7.39%
Stynavske	4,328	4.33%
Bytkiv-Babchenske	4,058	4.06%
Skorokhodivske	3,031	3.03%
Dolynske	2,242	2.24%
Strutynske	1,930	1.93%
Gnidyntsiivske	1,452	1.45%
Anastasivske	1,482	1.48%
Kachanivske	929	0.93%
Malodivyt'ske	681	0.68%
Pivnichno-Dolynske	663	0.66%
Prylutske	230	0.23%
Boryslav'ske	149	0.15%
Rybalske	218	0.22%
Korzhiv'ske	115	0.12%
<b>Total</b>	<b>49,423</b>	<b>49.43%</b>

As of January 1, 2019, the total reserves of natural gas amounted to 804,369 mcm, which is 3.02% less than in the previous reporting period. Most of the deposits are located in the Eastern region (78.45%), namely in the Kharkiv (39.52%) and Poltava (31.90%) administrative regions. The volume of natural gas balance sheet reserves in the Western region is 13.27%, most of which (8.81%) are located in the Lviv administrative region. The Southern region has small reserves (8.28%), with half of them located on the Black Sea shelf (4.66%).





**Figure 5.10: Volumes of balance sheet reserves of natural gas by regions of Ukraine as of 01.01.2018 and 01.01.2019, mcm<sup>109</sup>**

As of January 1, 2019, the State Balance Sheet of Natural Gas Reserves includes 444 fields. According to the volume of balance sheet reserves in gas fields, they are divided into the following groups:

- ▶ major - 1 deposit (13.20% of the balance sheet reserves);
- ▶ large - 3 deposits (18.19% of the balance sheet reserves);
- ▶ medium - 8 deposits (16.12% of the balance sheet reserves);
- ▶ small - 19 deposits (15.98% of the balance sheet reserves);
- ▶ very small - 91 deposits (27.25% of the balance sheet reserves);
- ▶ tiny - 322 deposits (9.26% of the balance sheet reserves).

The table below lists the natural gas fields with the largest volumes of balance sheet reserves (**Table 5.25**).

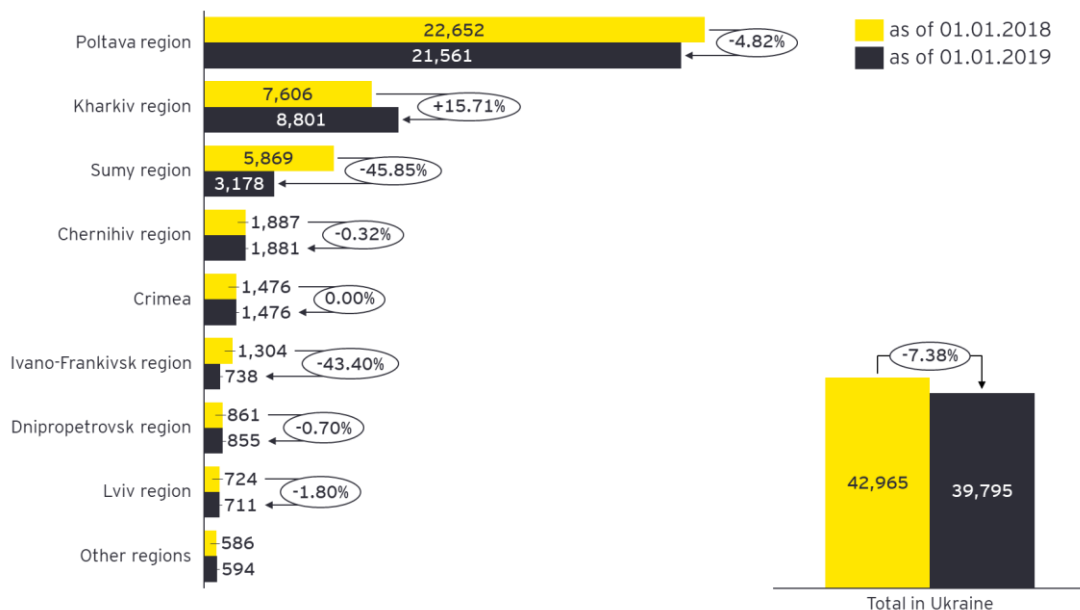
The Ukrainian natural gas fields are divided into four categories, according to the level of their commercial development as of 01.01.2019:

- ▶ 272 fields are developed fields (86.39% of the total balance sheet reserves);
- ▶ 26 fields prepared for commercial development (4.73% of the total balance sheet reserves);
- ▶ 89 fields at prospecting and exploration stage (4.39% of the total balance sheet reserves);
- ▶ 56 preserved fields (4.49% of the total balance sheet reserves).

**Table 5.25: Balance sheet reserves of natural gas by main fields in Ukraine as of 01.01.2019, mcm<sup>110</sup>**

Field name	Volume of balance sheet reserves of natural gas as of 01.01.2019, mcm	Share in the total volume of balance sheet reserves in Ukraine, %
Shebelynske	106,164	13.20%
Yablunivske	57,413	7.14%
Zakhidno-Khrestyschenske	53,023	6.59%
Yefremivske	35,522	4.42%
Melykhivske	19,849	2.47%
Bytkiv-Babchynske	4,782	0.59%
Mashivske	4,735	0.59%
Rozpashnivske	0	0.00%
<b>Total</b>	<b>281,488</b>	<b>34.99%</b>

According to Geoinform of Ukraine, the State Balance Sheet of Gas Condensate Reserves of Ukraine as of January 1, 2019, included 253 fields, including 249 very small, 3 small and only 1 relatively small field. Small and relatively small fields are located in the Eastern region, where the major volumes of balance sheet reserves of gas condensate are concentrated (36,443 thousand tons or 91.58%). Western and Southern regions have 3.64% and 4.78%, respectively. The total gas condensate reserves, as of January 1, 2019, amounted to 39,795 thousand tons, most of which are concentrated in Poltava (54.18%), Kharkiv (22.12%) and Sumy (7.99%) administrative regions.



**Figure 5.11: Volumes of balance sheet reserves of gas condensate by regions of Ukraine as of 01.01.2018 and 01.01.2019, thousand tons<sup>111</sup>**

<sup>110</sup> Geoinform of Ukraine, National Register of Mineral Reserves of Ukraine, Natural Gas (Issue 23), 2019

<sup>111</sup> Geoinform of Ukraine, National Register of Mineral Reserves of Ukraine, Condensate (Issue 47), 2019

The gas condensate fields, according to the extent of their commercial development as of 01.01.2019 are distributed as follows:

- ▶ 185 developed deposits (with balance sheet reserves 35,648 thousand tons (89.61%));
- ▶ 11 deposits prepared for commercial development (with balance sheet reserves 1,672 thousand tons (4.20%));
- ▶ 43 deposits at prospecting and exploration stage (with balance sheet reserves 1,108 thousand tons (2.79%));
- ▶ 14 preserved deposits (with balance sheet reserves 1,353 thousand tons (3.40%)).

The balance sheet (extractable) reserves of gas condensate of the six most significant deposits are 13,795 thousand tons or 34.68% (**Table 5.26**)

**Table 5.26: Volumes of balance sheet reserves of gas condensate by main fields in Ukraine as of 01.01.2019, thousand tons <sup>112</sup>**

Field name	Balance sheet reserves of gas condensate as of 01.01.2019, thousand tons	Share in total balance sheet reserves in Ukraine, %
Yablunivske	5,603	14.08%
Hlynsko-Rozbyshivske	4,684	11.77%
Zakhidno-Khrestyschenske	2,259	5.68%
Shebelynske	631	1.59%
Kotelevske	158	0.40%
Melykhivske	460	1.16%
<b>Total</b>	<b>13,795</b>	<b>34.68%</b>

Overall, the Ukrainian hydrocarbon deposits are highly depleted. They require significant capital investment to maintain and increase hydrocarbon extraction in the future. According to Geoinform of Ukraine, the depletion of the balance sheet oil reserves is estimated at 77.28%, of natural gas reserves - at 72.64%, and gas condensate - at 67.26% as of the end of 2019.

### 5.2.3 Significant explorations

According to the Geoinform of Ukraine, the geological exploration in Ukraine in 2018 resulted in increase in the balance sheet (extractable) oil reserves by 351 thousand tons, including 333 thousand tons in new deposits and fields. Significant exploration works at the state-operated deposits (Naftogaz of Ukraine NJSC) increased oil reserves by 53 thousand tons; and at the deposits operated by private companies - by 298 thousand tons.

<sup>112</sup> Geoinform of Ukraine, National Register of Mineral Reserves of Ukraine, Condensate (Issue 47), 2019  
page 67 out of 514

**Table 5.27: Increase in balance sheet oil reserves as a result of exploration work in 2018<sup>113</sup>**

Field name	Increase in balance sheet oil reserves, thousand tons	
	Total	including new deposits and fields
<b>Total, public sector of economy, including</b>	<b>53</b>	<b>35</b>
<b><i>Ukrasvydobuvannya JSC, including:</i></b>	<b>53</b>	<b>35</b>
Pivnichno-Korobochkynske	3	3
Solokhivske	27	27
Olivynivske	8	0
Migrynske	2	0
Yuliivske	2	0
Hadiachke	6	0
Narizhnyanske	5	5
<b>Total, private sector of the economy, including:</b>	<b>298</b>	<b>298</b>
<b><i>Vydobuvna kompaniia Ukrnaftoburinnia PrJSC, including:</i></b>	<b>14</b>	<b>14</b>
Sakhalynske	14	14
<b><i>Subsoil Company LLC, including:</i></b>	<b>284</b>	<b>284</b>
Golikivske	284	284
<b>Total in Ukraine</b>	<b>351</b>	<b>333</b>

In 2018, the balance sheet natural gas reserves increased by 21,806 mcm, including those operated by:

- ▶ public sector companies (Naftogaz of Ukraine NJSC) - 16,210 mcm;
- ▶ private companies - 5,596 mcm.

37.32% of the total increase in extractable natural gas reserves in 2018 or 8,139 mcm was due to the new fields and deposits.

**Table 5.28: Increase in balance sheet reserves of natural gas as a result of exploration work in 2018<sup>114</sup>**

Field name	Increase in balance sheet reserves of natural gas, mcm	
	Total	including new deposits and fields
<b>Total public sector of the economy, including:</b>	<b>16,210</b>	<b>3,426</b>
<b><i>Ukrasvydobuvannya JSC, including:</i></b>	<b>16,210</b>	<b>3,426</b>
Shebelynske	18	0
Maksalske	161	132
Narizhnyanske	173	95
Borysivske	55	15
Solokhivske	553	93
Prishtokove	1,597	1,597
Klenove	13	13

<sup>113</sup> Geoinform of Ukraine, National Register of Mineral Reserves of Ukraine, Oil (Issue 60), 2019

<sup>114</sup> Geoinform of Ukraine, National Register of Mineral Reserves of Ukraine, Natural Gas (Issue 23), 2019

Field name	Increase in balance sheet reserves of natural gas, mcm	
	Total	including new deposits and fields
Ryabukhinskoe	158	158
Ternivske	22	22
Nurivske	242	242
Bugaivske	602	602
Vesnyanske	144	142
Kuzmychivske	278	203
Sementsivske	51	18
Chkalivske	340	0
Rozumivske	449	0
Lannivske	204	0
East Novoselivske	489	32
Yuliivske	18	0
Ulyanivske	198	0
Komyshnianske	3	0
Timofiivske	11	0
West Sosnivske	71	0
West Starovirivske	29	0
Bezpalivske	2,443	0
Chervonoyarske	45	0
Skvortsivske	364	0
Kharkivske	19	0
Berezivske	209	0
West Khrestishchenske	3,474	0
Mashivske	1,609	0
Medvedivske	224	0
Bogatoyske	247	0
Vynogradivske	10	0
Druzhwlyubivske	80	0
Kotlyarivske	36	0
Nedilne	9	0
East Medvedivske	53	0
Matviyivske	44	0
Pereschepynske	1	0
Valyukhivske	43	0
Bayratske	90	0
Novoukrainske	4	0
Yablunivske	7	0
Oparske	483	0
Lyutnyanske	63	62
Vyshnyanske	138	0
Dobryanske	44	0
Bytkiv-Babchenske	397	0

Field name	Increase in balance sheet reserves of natural gas, mcm	
	Total	including new deposits and fields
Orkhovytske	195	0
<b>Total private sector of the economy, including:</b>	<b>5,596</b>	<b>4,713</b>
<b><i>Macom Group LLC, including:</i></b>	<b>657</b>	<b>0</b>
Kadobnyanske (Southern section)	657	0
<b><i>Naftogazvydobuvannya PrJSC, including:</i></b>	<b>3,317</b>	<b>3,317</b>
Machukhske	3,317	3,317
<b><i>Geo Alliance Kosachivske LLC, including:</i></b>	<b>38</b>	<b>38</b>
Kosachivske	38	38
<b><i>Energy Service Company Esco-Pivnich LLC, including:</i></b>	<b>18</b>	<b>18</b>
Roganske	18	18
<b><i>Kub-Gaz LLC, including:</i></b>	<b>226</b>	<b>0</b>
Olhivske	226	0
<b><i>Horizons LLC, including:</i></b>	<b>58</b>	<b>58</b>
Hirske	58	58
<b><i>Stryinaftogaz LLC, including:</i></b>	<b>198</b>	<b>198</b>
Dobrivlyanske	198	198
<b><i>Vydobuvna kompaniia Ukrnaftoburinnia PrJSC, including:</i></b>	<b>1,084</b>	<b>1,084</b>
Sakhalinske	1,084	1,084
<b>Total in Ukraine</b>	<b>21,806</b>	<b>8,139</b>

Exploration work on the territory of Ukraine in 2018 resulted in the increase in balance sheet reserves of gas condensate by 1,346 thousand tons, including by 204 thousand tons at new fields and deposits. The condensate reserves increased by 1,234 thousand tons at the deposits operated by public sector companies and by 112 thousand tons - at the fields and deposits operated by private companies.

**Table 5.29: Increase in balance sheet reserves of gas condensate as a result of exploration work in 2018<sup>115</sup>**

Field name	Increase in balance sheet reserves of gas condensate, thousand tons	
	Total	including new deposits and fields
<b>Total public sector of the economy, including:</b>	<b>1 234</b>	<b>103</b>
<b><i>Ukrigasvydobuvannya JSC, including:</i></b>	<b>1 234</b>	<b>103</b>
Maksalske	4	3
Narizhnyanske	9	5
Borysivske	3	0
Solokhivske	4	4

<sup>115</sup> National Register of Mineral Reserves of Ukraine, Condensate (Issue 47), 2019  
page 70 out of 514

Field name	Increase in balance sheet reserves of gas condensate, thousand tons	
	Total	including new deposits and fields
Klenove	1	1
Ryabukhinskoe	4	4
Nurivske	11	11
Prishtokove	35	35
Bugaivske	15	15
Vesnyanske	14	14
Kuzmychivske	11	8
Chkalivske	15	0
Rozumivske	21	0
Lannivske	2	0
Krasnokutske	3	0
West Sosnivske	1	0
West Starovirivske	1	0
Bezpalivske	151	0
Skvortsivske	24	0
Berezivske	4	0
West Khrestishchenske	854	0
Mashivske	34	0
Druzhwlyubivske	4	0
Kotlyarivske	3	0
Yablunivske	3	0
East Novoselivske	3	3
<b>Total private sector of the economy, including:</b>	<b>112</b>	<b>101</b>
<b><i>Naftogazvydobuvannya PrJSC, including:</i></b>	<b>11</b>	<b>11</b>
Machukhske	11	11
<b><i>Kub-Gaz LLC, including:</i></b>	<b>11</b>	<b>0</b>
Olhivske	11	0
<b><i>Vydobuvna kompaniia Ukrnaftoburinnia PrJSC, including:</i></b>	<b>89</b>	<b>89</b>
Sakhalinske	89	89
<b><i>Energy Service Company Esco-Pivnich LLC, including:</i></b>	<b>1</b>	<b>1</b>
Roganske	1	1
<b>Total in Ukraine</b>	<b>1 346</b>	<b>204</b>

## 5.2.4 Volumes and the cost of oil and natural gas extraction

### 5.2.4.1 Volumes of oil and natural gas extraction

According to Geoinform of Ukraine, 1,622 thousand tons of oil were extracted in 2018. The increase in volume is 7.06% compared to 2017. The bulk of the production, namely 1,124 thousand tons or 69.30%, was extracted in the Eastern region. In terms of administrative regions of Ukraine, the leaders were Sumy region - 653 thousand tons (40.26%) and Chernihiv region - 267 thousand tons (16.46%). In 2018, 498 thousand tons of oil were extracted from the fields in the Western region (30.70% of the total volume), with more than half the volume

extracted in Ivano-Frankivsk administrative region - 356 thousand tons, or 21.95%. No oil production was carried out in the Southern region during 2018. The largest increase in oil extraction in 2018 (by 25%) was in the Kharkiv administrative region.

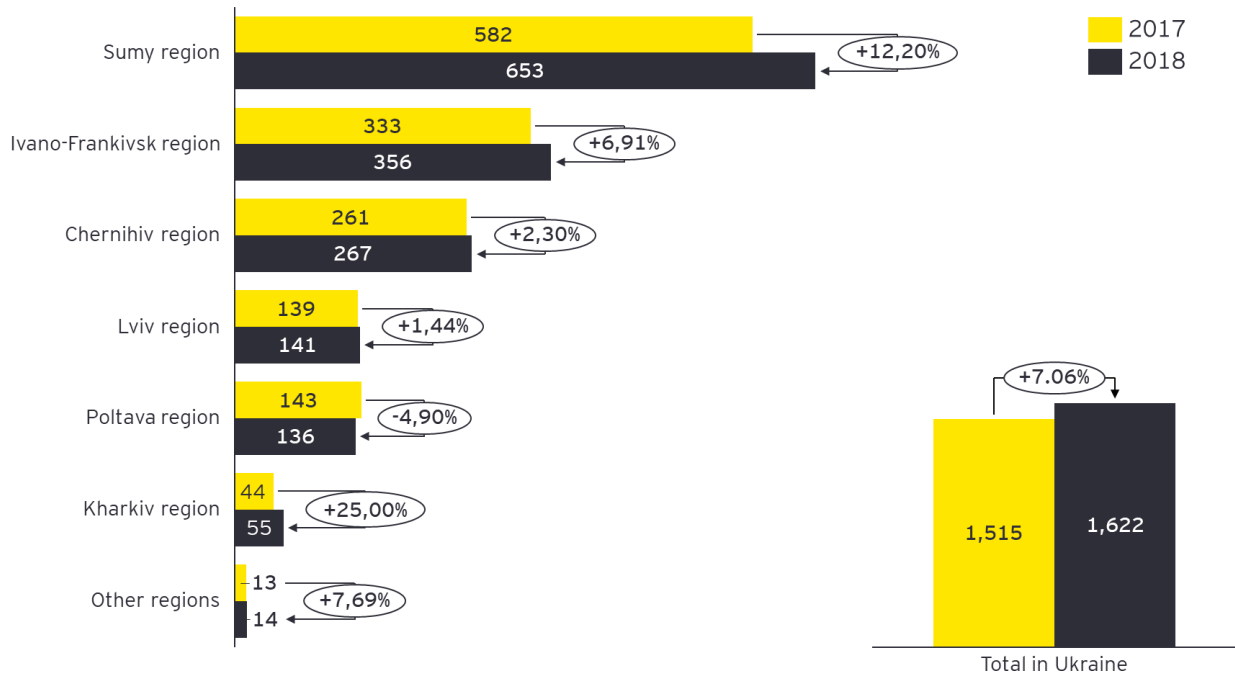


Figure 5.12: Volumes of oil production in Ukraine by regions in 2017-2018, thousand tons<sup>116</sup>

In terms of extractive companies, the largest oil producer is Ukrnafta PJSC (a subsidiary of Naftogaz of Ukraine NJSC), with 1,391 thousand tons of extracted oil or 85.76% of the oil total production in Ukraine. Overall, 90.38% of the total oil production in Ukraine is extracted by state-owned companies. The private sector accounted for 9.62% of the total oil production.

Table 5.30: Volumes of oil production by companies in Ukraine in 2017-2018<sup>117</sup>

Company	Volumes of oil production, thousand tons		
	2017	2018	change in 2018 compared to 2017, %
<b>Total public sector of the economy, including:</b>	<b>1,400</b>	<b>1,466</b>	<b>4.71%</b>
Ukrnafta PJSC	1,320	1,391	5.38%
Ukrigasvydobuvannya JSC	80	75	-6.25%
<b>Total, private sector of the economy, including:</b>	<b>115</b>	<b>156</b>	<b>35.65%</b>
Joint Venture Ukrkarpatoil LTD LLC	40	55	37.50%
Kashtan Petroleum LTD JV	17	34	100.00%
Poltava Petroleum Company JV	26	27	3.85%
Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	8	14	75.00%
Yusenko Nadra LLC	4	9	125.00%

<sup>116</sup> National Register of Mineral Reserves of Ukraine, Oil (Issue 60), 2019

<sup>117</sup> National Register of Mineral Reserves of Ukraine, Oil (Issue 60), 2019



Company	Volumes of oil production, thousand tons		
	2017	2018	change in 2018 compared to 2017, %
Energy Service Company Esco-Pivnich LLC	0	7	100.00%
Ukrainska Burova Company LLC	4	4	0.00%
Skhidny Geology Soyuz LLC	4	3	-25.00%
Boryslavska Petroleum Company Ltd. JV	11	1	-90.91%
Nadra-Geoinvest LLC	0	1	100.00%
Naftogazopromyslova geologia LLC	0	1	100.00%
Zakhidenergobud LLC	1	0	-100.00%
<b>Total</b>	<b>1,515</b>	<b>1,622</b>	<b>7.06%</b>

In 2018, the volume of natural gas production in Ukraine increased by 2.15% compared to 2017 and amounted to 20,949 mcm. The largest increase was observed in the territories of Lviv (14.54%) and Chernihiv (12.12%) administrative regions.

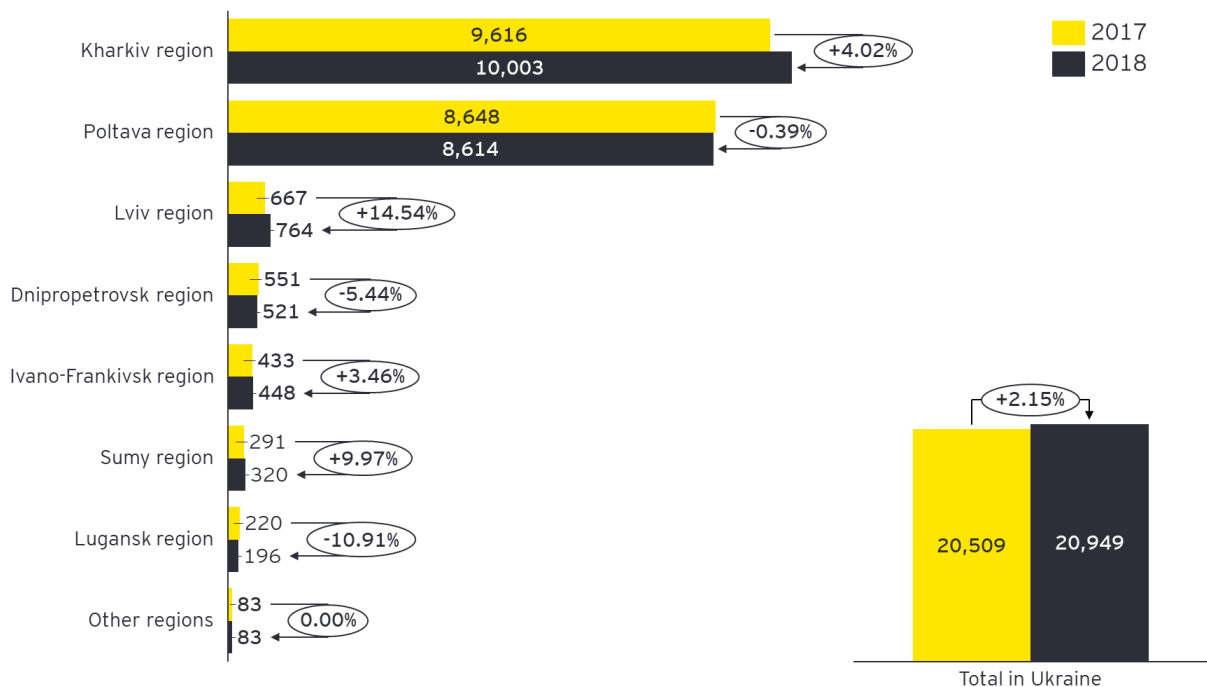


Figure 5.13: Volumes of natural gas production in Ukraine by regions in 2017-2018, thousand tons<sup>118</sup>

Almost the entire volume of natural gas produced in 2018 was extracted in the territory of the Eastern region - 19,692 mcm or 94.00%. Kharkiv (10,003 mcm or 47.75%), Poltava (8,614 mcm or 41.2%) and Dnipropetrovsk (521 mcm or 2.49%) administrative regions demonstrated the highest oil production rates. 1,247 mcm of natural gas or 5.95% of the total were extracted in the Western region, and 10 mcm or 0.05% - in the Southern region.

The following companies were the leaders in natural gas production in 2018:

- ▶ public sector: Ukrigasvydobuvannya JSC (15,497 mcm or 73.97% of the total production) and Ukrnafta PJSC (1,074 mcm or 5.13%);
- ▶ private sector: Naftogazvydobuvannya PJSC (1,646 mcm or 7.86%).

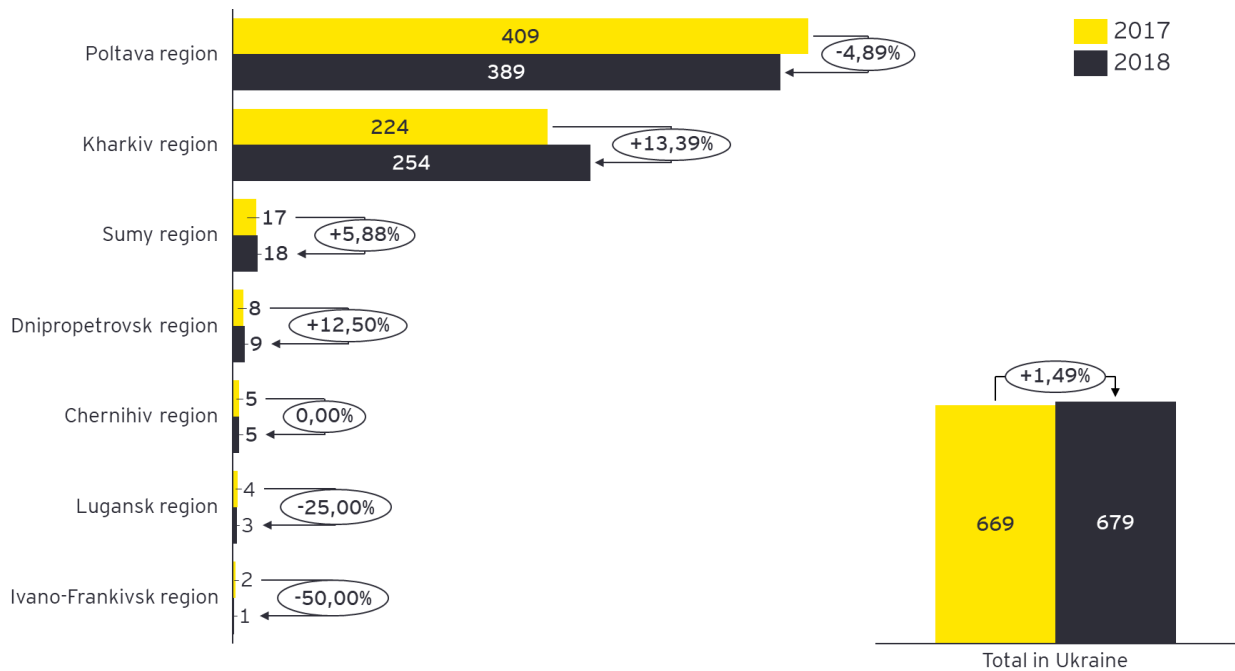
In 2018, the state-owned companies extracted collectively 16,581 mcm of natural gas or 79.15% of the total. The volume of natural gas extracted by private companies amounted to 4,368 mcm or 20.85%.

*Table 5.31: Volumes of natural gas production by companies in 2017-2018<sup>119</sup>*

Company	Volumes of natural gas production, mcm		
	2017	2018	change in 2018 compared to 2017, %
<b>Total, public sector, including</b>	<b>16,369</b>	<b>16,581</b>	<b>1.30%</b>
Ukrigasvydobuvannya JSC	15,249	15,497	1.63%
Ukrnafta PJSC	1,106	1,074	-2.89%
Chornomornaftogaz JSC	14	10	-28.57%
<b>Total, private sector, including:</b>	<b>4,140</b>	<b>4,368</b>	<b>5.51%</b>
Naftogazvydobuvannya PrJSC	1,652	1,646	-0.36%
Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	542	714	31.73%
Energy Service Company Esco-Pivnich LLC	545	461	-15.41%
Systemoilengineering LLC	74	215	190.54%
Natural Resources PrJSC	237	204	-13.92%
Poltava Petroleum Company JV	174	180	3.45%
Kub-Gaz LLC	167	142	-14.97%
Ukrgazvydobutok PrJSC	118	130	10.17%
Representative Office of Regal Petroleum Corporation Limited	72	125	73.61%
Persha ukraiinska gazonaftova kompaniia LLC	106	101	-4.72%
Nadra-Geoinvest LLC	105	57	-45.71%
Energiia-95 LLC	90	57	-36.67%
Other companies	258	336	30.23%
<b>Total</b>	<b>20,509</b>	<b>20,949</b>	<b>2.15%</b>

According to Geoinform of Ukraine, the volume of gas condensate produced in 2018 was 679 thousand tons - an increase by 1.49% compared to 2017. Gas condensate was mainly extracted in the Eastern region - 678 thousand tons or 99.85%. The largest volumes of gas condensate were extracted in Poltava (389 thousand tons or 57.29%) and Kharkiv (254 thousand tons or 37.41%) administrative regions. In the Western region, gas condensate was only extracted in the Ivano-Frankivsk administrative region. The volume amounted to 1 thousand tons of gas condensate, or 0.15% of the national production. No gas condensate was extracted in the Southern region.

<sup>119</sup> Geoinform of Ukraine, National Register of Mineral Reserves of Ukraine, Natural Gas (Issue 23), 2019



**Figure 5.14: Volumes of gas condensate production by the regions of Ukraine in 2017-2018, thousand tons<sup>120</sup>**

In terms of gas condensate extracting companies, the leader was Ukrgasvydobuvannya JSC (a subsidiary of Naftogaz of Ukraine NJSC) with 373 thousand tons or 54.93% of the total gas condensate production in Ukraine. The state-owned companies collectively extracted 421 thousand tons (62% of the total) of gas condensate, and private companies - 258 thousand tons (38% of the total).

**Table 5.32: Volumes of gas condensate production in Ukraine by companies in 2017-2018<sup>121</sup>**

Company	Gas condensate production, thousand tons		
	2017	2018	change in 2018 compared to 2017, %
<b>Total public sector, including:</b>	<b>444</b>	<b>421</b>	<b>-5.18%</b>
Ukrgasvydobuvannya JSC	390	373	-4.36%
Ukrnafta PJSC	54	48	-11.11%
<b>Total private sector, including:</b>	<b>225</b>	<b>258</b>	<b>14.67%</b>
Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	42	66	57.14%
Naftogazvydobuvannya PrJSC	55	52	-5.45%
Energy Service Company Esco-Pivnich LLC	37	50	35.14%
Natural Resources PrJSC	47	39	-17.02%
Representative Office of Regal Petroleum Corporation Limited (without the right of a legal entity)	13	19	46.15%
Systemoilengineering LLC	5	11	120.00%

<sup>120</sup> National Register of Mineral Reserves of Ukraine, Condensate (Issue 47), 2019

<sup>121</sup> National Register of Mineral Reserves of Ukraine, Condensate (Issue 47), 2019

Company	Gas condensate production, thousand tons		
	2017	2018	change in 2018 compared to 2017, %
Poltava Petroleum Company JV	6	6	0.00%
Ukrgezvydobutok PrJSC	4	4	0.00%
Kub-Gaz LLC	4	3	-25.00%
Prom-Energo Product LLC	2	2	0.00%
Kashtan Petroleum LTD JV	1	2	100.00%
Arab Energy Alliance UA	2	1	-50.00%
Nadra-Geoinvest LLC	2	1	-50.00%
Energiiia-95 LLC	2	1	-50.00%
Ukrainska Burova Company LLC	1	1	0.00%
Persha ukraiinska gazonaftova kompaniia LLC	1	0	-100.00%
Skhidny Geology Soyuz LLC	1	0	-100.00%
<b>Total</b>	<b>669</b>	<b>679</b>	<b>1.49%</b>

According to the calculations made by the Independent Administrator, as of January 1, 2019, Ukraine has oil reserves sufficient for 62 years, natural gas reserves - for 38 years, gas condensate reserves - for 59 years (provided the 2018 production rates are maintained).

#### 5.2.4.2 The cost of oil and natural gas extraction

Three sources of information were used in this EITI Report to disclose the value of oil and natural gas extraction:

- ▶ data of the State Statistics Service on the value of goods and services;
- ▶ calculation by the Independent Administrator of the value of extracted products on the basis of open data sources;
- ▶ information on the total revenue provided by the reporting companies during their reporting for the purposes of preparation of this EITI Report<sup>122</sup>.

The data of the State Statistics Service on the output of goods and services reflect the value of the total volume of products that are the result of production activities of business entities (residents) in the reporting period.<sup>123</sup> According to the State Statistics Service, the total output

<sup>122</sup> According to the Law of Ukraine "On Ensuring Transparency in Extractive Industries" of September 18, 2018 No 2545-VIII and the Resolution of the Cabinet of Ministers of September 23, 2020 No 858 "Some Issues of Ensuring Transparency in Extractive Industries", business entities of the extractive industries shall provide information on their activities by filling in a payment report / consolidated payment report

<sup>123</sup> The methodology used by the State Statistics Service for calculating the value of extraction requires to add the value of finished products manufactured by the entity during the reporting period and intended for sale to other business entities, to its own capital construction units and non-production units, as well as the value of works (services) performed on a by-order basis for other business entities and for non-productive units of the business entity, and the cost of the semi-finished products produced by the entity itself, sold to other entities. It also includes changes in the balance of work in progress and the cost of toll raw materials (if any) are included. More details can be found in the methodological clarifications provided by the State Statistics Service, [http://www.ukrstat.gov.ua/metaopus/2018/2\\_02\\_03\\_01\\_2018.htm](http://www.ukrstat.gov.ua/metaopus/2018/2_02_03_01_2018.htm)

of crude oil and natural gas<sup>124</sup> in 2018 amounted to UAH 163.38 billion, or 1.84% of the total output of goods and services in Ukraine.<sup>125</sup>

The Independent Administrator determined the value of oil and natural gas extraction based on open data sources. Obtaining disaggregated information was the purpose of the calculation. Due to the lack of completely unregulated markets for petroleum products in Ukraine, there is no accurate information on the price of oil and natural gas in open data sources. The calculation made by the Independent Administrator was based on the weighted average prices for oil and natural gas in 2018. The obtained calculation results are presented in the table below (**Table 5.33**).

**Table 5.33: The cost of oil and natural gas extracted in Ukraine in 2018**

Type of product	Volume of extraction <sup>126</sup>	Price, UAH/t (UAH/thousand cubic meters)	The cost, UAH million	
			According to the calculation of the Independent Administrator	According to the State Statistics Service <sup>127</sup>
Crude oil, t	1,622,000	1,932.89 <sup>128</sup>	31,351.47	163,383.00
Natural gas, tcm	20,949	8,355.25 <sup>129</sup>	175,034.13	

The data on the total revenue from the sale of marketable products extracted by the companies in 2018, provided by the reporting<sup>130</sup> oil and natural gas extractive companies, are included in the tables below (**Table 5.34** and **Table 5.35**). It is worth noting that according to the Special Obligations Regime (PSO) established by the Cabinet of Ministers, from November 2018 part of natural gas of domestic origin was sold at lower prices than in the unregulated market segment.<sup>131</sup>

<sup>124</sup> Due to the fact that detailed statistics on the output of goods and services are not publicly available by the extractive industries covered by the EITI Report 2018, the aggregated categories of economic activities were used to estimate the output of individual extractive industries. According to NACE-2010, oil and natural gas extraction is included in "economic activity for the extraction of crude oil and natural gas" (NACE-2010 code B06).

<sup>125</sup> State Statistics Service, "Input-output" Table 2018 (in consumer prices), [http://www.ukrstat.gov.ua/operativ/operativ2006/vvp/vitr\\_vip/vitr\\_u/arh\\_vitr\\_u.html](http://www.ukrstat.gov.ua/operativ/operativ2006/vvp/vitr_vip/vitr_u/arh_vitr_u.html)

<sup>126</sup> Volumes of oil and natural gas production are according to Geoinform of Ukraine.

<sup>127</sup> SSSU, "Input-Output" Table for 2018 (in consumer prices), [http://www.ukrstat.gov.ua/operativ/operativ2006/vvp/vitr\\_vip/vitr\\_u/arh\\_vitr\\_u.html](http://www.ukrstat.gov.ua/operativ/operativ2006/vvp/vitr_vip/vitr_u/arh_vitr_u.html)

<sup>128</sup> The price of crude oil is calculated based on the average monthly price of Brent oil in the European spot market, FOB (U.S. Energy Information Administration, <https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=pet&s=rbrte&f=a>) and average annual USD UAH exchange rate (according to the NBU)

<sup>129</sup> Weighted average wholesale price of natural gas in the unregulated market segment in 2018 (net of VAT). NEURC, Results of the natural gas market monitoring in 2018: <http://www.nerc.gov.ua/?id=42238>

<sup>130</sup> As part of the preparation of the EITI Report 2018, a list of accountable companies subject to reconciliation of payments was compiled (for more details, see **Section 8**).

<sup>131</sup> According to the Resolution of the Cabinet of Ministers of October 19, 2018 No 867 "On approval of the Regulation on the imposition of special obligations on natural gas market players to ensure public interests in the natural gas market functioning" accessible through <https://zakon.rada.gov.ua/laws/show/867-2018-%D0%BF#n98>

Table 5.34: Sales revenues of reporting companies in the oil industry in 2018<sup>132</sup>

Company	Volume of extraction, thousand tons	Sales of marketable products, thousand tons	Revenue from sales of marketable products (net of VAT) on the territory of Ukraine, UAH million	Revenue from sales of marketable products (net of VAT) exports, UAH million
Naftogaz of Ukraine NJSC	0.00	0.00	0.00	0.00
Ukrigasvydobuvannya JSC	0.00	0.00	0.00	0.00
Ukrnafta PJSC	1,392.03	1,421.69	19,974.78	0.00
Naftogazvydobuvannya PrJSC	0.00	0.00	0.00	0.00
Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	13.75	56.68	913.65	0.00
Energy Service Company Esco-Pivnich LLC	7.03	6.97	76.82	0.00
Natural resources PrJSC	0.00	0.00	0.00	0.00
Poltava Petroleum Company JV	28.17	31.45	503.52	0.00
Kub-Gaz LLC	0.00	0.00	0.00	0.00
Representative Office of Regal Petroleum Corporation Limited	-	-	-	-
Ukrigasvydobutok PrJSC	-	-	-	-
Systemoilengineering LLC	0.00	0.00	0.00	0.00
Persha ukrainska gazonaftova kompaniia LLC	0.18	0.16	1.23	0.00
Joint Venture UkrKarpatoil LTD LLC	54.76	1.11	14.20	0.00
Nordik Private Enterprise	0.00	0.00	0.00	0.00
JOA of 24.12.1997 No 999/97, Operator - Ukrnafta PJSC Poltavanaftogaz NGVU (22525915)	-	-	-	-
Striynaftogaz LLC	0.00	0.00	0.00	0.00
Energiiia-95 LLC	0.00	0.00	0.00	0.00
Kashtan Petroleum LTD JV	34.00	29.20	372.59	0.00
Zakhidnadraserervice LLC	0.00	0.00	0.00	0.00
Prom-Energo Product LLC	-	-	-	-
Nadra-Geoinvest LLC	0.56	0.39	5.09	0.00
Joint activity agreement of 01/01/1999 No. 35/4 - authorized entity Hals-K PrJSC (31566427)	-	-	-	-
<b>Total</b>	<b>1,530.49</b>	<b>1,547.65</b>	<b>21,861.88</b>	<b>0.00</b>

<sup>132</sup> According to the information provided by the accountable companies in accordance with the Law of Ukraine "On Ensuring Transparency in Extractive Industries" of September 18, 2018 No 2545-VIII and the CMU Resolution of September 23, 2020 No 858 "Some Issues Of Transparency In Extractive Industries"

Table 5.35: Sales revenues of reporting companies in the natural gas industry in 2018<sup>133</sup>

Company	Volume of extraction, mcm	Sales of marketable products, mcm	Revenue from sales of marketable products (net of VAT) on the territory of Ukraine, UAH million	Revenue from sales of marketable products (net of VAT) exports, UAH million
Naftogaz of Ukraine NJSC	0.00	0.00	0.00	0.00
Ukrigasvydobuvannya JSC	15,496.63	13,785.76	69,825.07	0.00
Ukrnafta PJSC	690.81	380.91	3,091.35	0.00
Naftogazvydobuvannya PrJSC	1,648.49	1,645.04	12,591.11	0.00
Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	706.56	615.64	4,985.94	0.00
Energy Service Company Esco-Pivnich LLC	460.33	459.89	3,792.31	0.00
Natural resources PrJSC	204.06	193.28	1,561.47	0.00
Poltava Petroleum Company JV	147.95	158.25	1,335.12	0.00
Kub-Gaz LLC	144.63	142.06	1,084.31	0.00
Representative Office of Regal Petroleum Corporation Limited	-	-	-	-
Ukrigasvydobutok PrJSC	-	-	-	-
Systemoilengineering LLC	214.92	214.71	1,742.48	0.00
Persha ukrainska gazonaftova kompaniia LLC	101.25	100.11	789.94	0.00
Joint Venture UkrKarpatoil LTD LLC	31.71	15.04	115.50	0.00
Nordik Private Enterprise	48.76	48.71	389.53	0.00
JOA of 24.12.1997 No 999/97, Operator - Ukrnafta PJSC Poltavanaftogaz NGVU (22525915)	-	-	-	-
Striynaftogaz LLC	47.02	49.64	411.02	0.00
Energiiia-95 LLC	57.20	57.00	465.09	0.00
Kashtan Petroleum LTD JV	3.00	0.00	0.00	0.00
Zakhidnadraserivce LLC	46.93	46.66	398.13	0.00
Prom-Energo Product LLC	-	-	-	-
Nadra-Geoinvest LLC	57.15	56.56	362.45	0.00
Joint activity agreement of 01/01/1999 No. 35/4 - authorized entity Hals-K PrJSC (31566427)	-	-	-	-
<b>Total</b>	<b>20,107.40</b>	<b>17,969.24</b>	<b>102,940.81</b>	<b>0.00</b>

<sup>133</sup> According to the information provided by the accountable companies in accordance with the Law of Ukraine "On Ensuring Transparency in Extractive Industries" of September 18, 2018 No 2545-VIII and the CMU Resolution of September 23, 2020 No 858 "Some Issues Of Transparency In Extractive Industries"

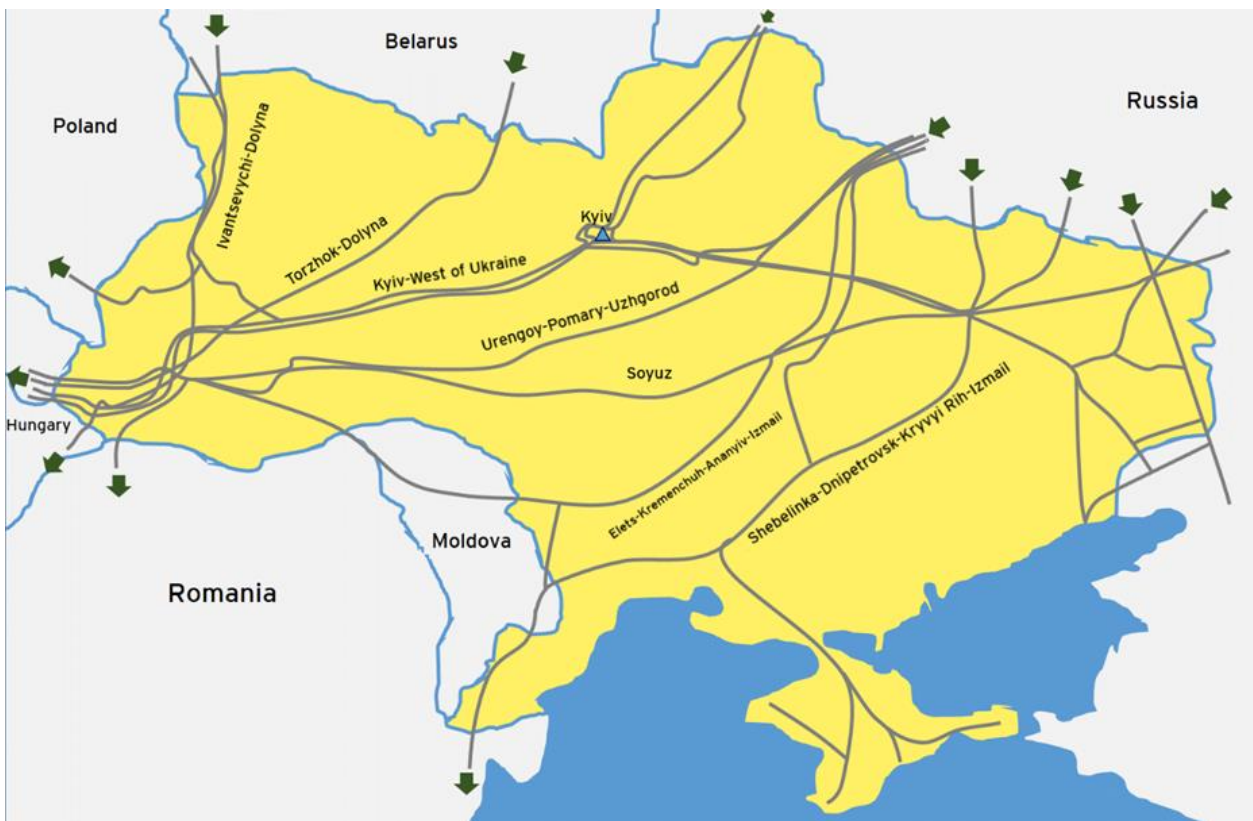


## 5.2.5 Oil and natural gas transportation

### 5.2.5.1 Natural gas transportation

#### Background on the Ukrainian gas transmission system

The gas transmission system (GTS) of Ukraine is one of the most powerful and extensive major gas pipelines networks in the world, with a total length of 33,079 km (**Figure 5.15**). As of the end of 2018, the Ukrainian GTS includes 1,389 gas distribution stations and 57 compressor stations. The GTS entry capacity is 281 bcm, and its exit capacity is 146 bcm.<sup>134</sup>



**Figure 5.15: Ukrainian major gas pipelines diagram**

The Ukrainian GTS is used for distribution and transmission of imported natural gas and natural gas extracted in Ukraine to domestic consumers, and for transit of Russian gas to European consumers.

In 2018, Naftogaz of Ukraine NJSC completed the first phase of its unbundling (i.e. the separation of natural gas transportation activities). At the first stage, storage operations (SSO) were separated from gas transportation operations (TSO) within the Naftogaz Group. According to the Law of Ukraine "On the Natural Gas Market", natural gas transportation activities shall be separate and independent from the supply and production functions. The

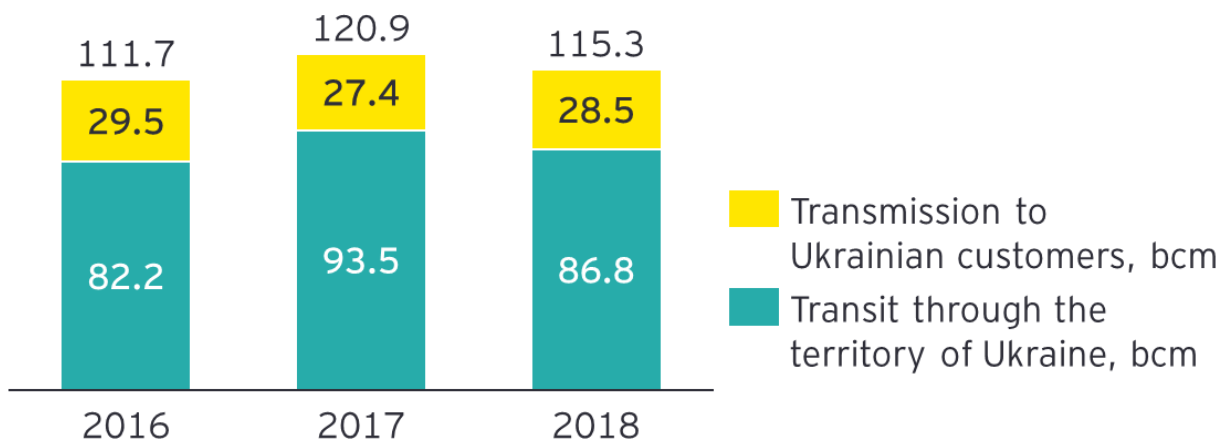
<sup>134</sup> Official site of Gas Transmission System Operator of Ukraine LLC, <https://tsoua.com/gts-infrastruktura/mozhlyvosti-gts/tehnichni-dani/>



Naftogaz unbundling is one of Ukraine's main obligations under the Association Agreement with the European Union.

As part of the first phase, a branch “Gas Storage Operator of Ukraine” was established within Ukrtransgaz JSC. Ukrtransgaz JSC will be responsible for providing natural gas storage services and efficient and uninterrupted operation of 12 Ukrainian underground gas storage facilities (UGS) with a total capacity of 31 bcm. The branch will consolidate all gas storage related assets, contracts, business processes and employees. In addition, operational gas metering, automated enterprise resource planning systems (ERP), internal policies and procedures were separated.<sup>135</sup>

In 2018, the total volume of natural gas transportation to domestic consumers was 28.5 bcm, which is 4.01% more than in the previous year. At the same time, the volume of natural gas transited through the transmission system of Ukraine in 2018 decreased by 7.17% compared to 2017 and amounted to 86.8 bcm (**Figure 5.16**).



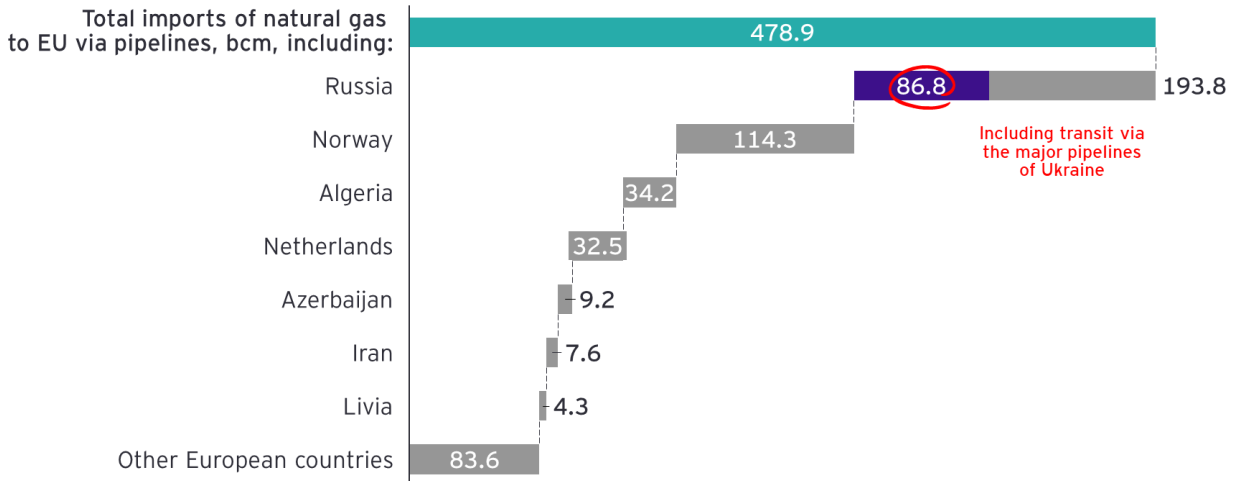
**Figure 5.16: Volumes of natural gas transit through the territory of Ukraine and transmission to Ukrainian customers via major pipelines in 2016-2018<sup>136</sup>**

According to Naftogaz of Ukraine NJSC, the decrease in the volume of natural gas transit through the territory of Ukraine in 2018 is due to the following three factors: (1) decreased reverse supplies of gas imported from Europe to Ukraine; (2) increased utilization of the Nord Stream pipeline capacity; (3) reduced natural gas consumption in Europe in 2018.<sup>137</sup>

<sup>135</sup> Naftogaz of Ukraine NJSC Annual report 2018, <https://naftogaz.com/files/Zvity/Annual-Report-2018-ukr.pdf> ; Official site of Ukrtransgaz JSC, <http://utg.ua/utg/gts/description/>

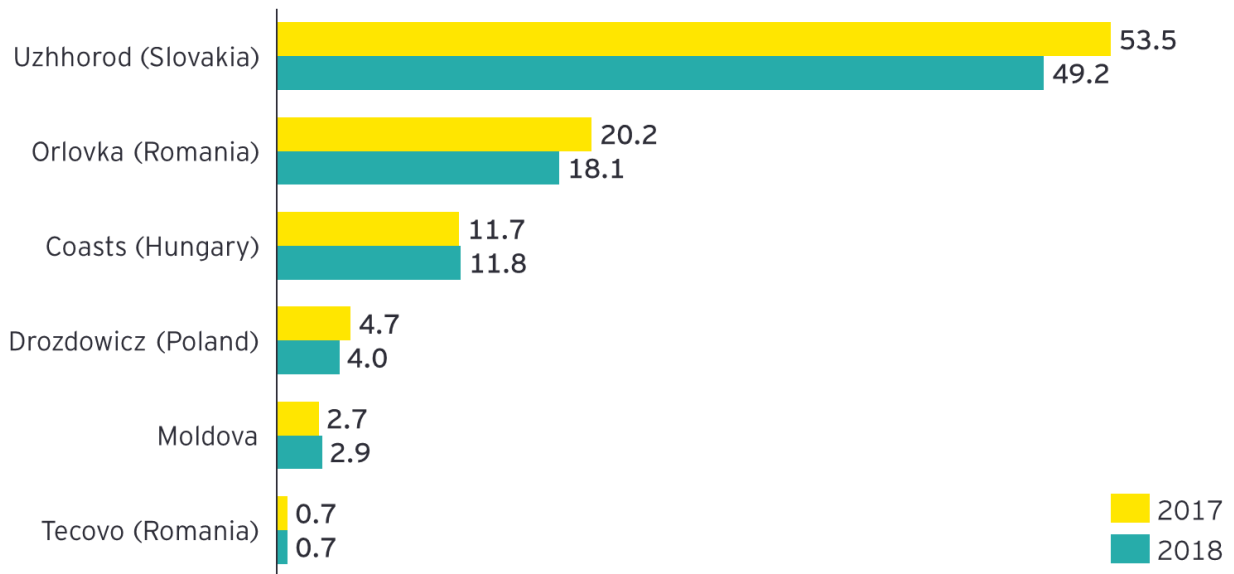
<sup>136</sup> Naftogaz of Ukraine NJSC Annual Report 2018, <https://naftogaz.com/files/Zvity/Annual-Report-2018-ukr.pdf>

<sup>137</sup> Naftogaz of Ukraine NJSC Annual report 2018, <https://naftogaz.com/files/Zvity/Annual-Report-2018-ukr.pdf>



**Figure 5.17: Structure of the total supply of natural gas to EU countries via major gas pipelines in 2018<sup>138</sup>**

In 2018, the Ukrainian GTS was mostly used for transmission of natural gas to Slovakia (49.2 bcm), Romania (18.1 bcm) and Hungary (11.8 bcm) (**Figure 5.18**).



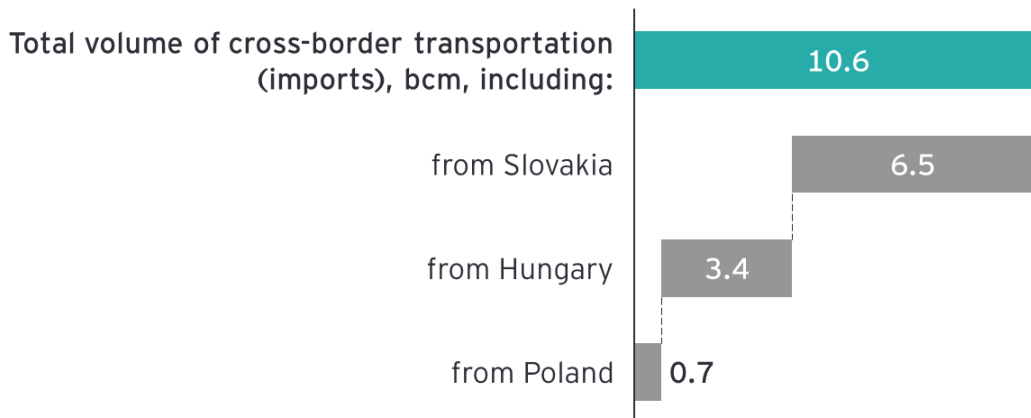
**Figure 5.18: Volumes of natural gas transit flows at the exit points in 2017-2018, bcm<sup>139</sup>**

As of the end of 2018, Ukraine had not imported natural gas for its own needs from Russia for 1,134 days.<sup>140</sup> Natural gas came to Ukraine only from the EU through the cross-border points. Ukraine received a total of 10.6 bcm of gas, which is 24.3% less than the previous year. The largest volume of natural gas came from Slovakia (61.32%), Hungary (32.08%) and Poland (6.60%) (**Figure 5.19**).

<sup>138</sup> BP Statistical Review of World Energy, 68<sup>th</sup> edition, 2018, <https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/energy-economics/statistical-review/bp-stats-review-2019-full-report.pdf>

<sup>139</sup> Naftogaz of Ukraine NJSC Annual Report 2018, <https://naftogaz.com/files/Zvity/Annual-Report-2018-ukr.pdf>

<sup>140</sup> Official site of Ukrtransgaz JSC, <http://utg.ua/utg/gts/description/>



**Figure 5.19: Distribution of natural gas inflow through cross-border points (imports) by countries in 2018<sup>141</sup>**

In addition to transporting natural gas, the gas transmission system operator is also responsible for pumping and storing gas in underground storage facilities (UGS). In 2018, 9.8 bcm of natural gas were pumped into the underground storage facilities, which is 6.52% more than in the previous year. At the same time, the volume of natural gas extracted from the underground storage facilities from January to December 2018 was 65.63% bigger than for the same period in 2017 and amounted to 10.6 bcm. As of January 1, 2019, 13.8 bcm of natural gas were accumulated in Ukraine's underground storage facilities, which is 6.12% less than in 2017<sup>142</sup>.

In view of the fact that natural gas extracted in Ukraine is pumped into the gas transmission system (including underground gas storage facilities) and distributed among a large number of consumers, it is impossible to establish transportation routes in the sense of the EITI standard.

### Tariffs for natural gas transportation services

In 2018, tariffs for natural gas transportation services for internal entry and exit points to / from the gas transmission system for Ukrtransgaz JSC were set in accordance with the Resolution of the National Commission for Regulation of Energy and Utilities (NCREU) of 28.03.2017 No 348 (**Table 5.36**).

**Table 5.36: Temporary tariffs for natural gas transmission via the major pipelines for internal entry and exit points of the GTS of Ukraine<sup>143</sup>**

Name of the point of entry into / exit from the gas transmission system of Ukraine	Tariff for entry point, UAH / tcm per day (net of VAT)	Tariff for exit point, UAH / tcm per day (net of VAT)
Entry points with physical location of natural gas fields of biogas production or other types of gas from alternative source	296.80	-

<sup>141</sup> Ministry of Energy, Report on the Results of Monitoring the Security of Natural Gas Supply, 2018 [http://mpe.kmu.gov.ua/minugol/control/uk/publish/article?art\\_id=245302172&cat\\_id=245131779](http://mpe.kmu.gov.ua/minugol/control/uk/publish/article?art_id=245302172&cat_id=245131779)

<sup>142</sup> Official site of Ukrtransgaz JSC, <http://utg.ua/utg/media/news/2019/01/gts-results-for-2018.html>

<sup>143</sup> NEURC Resolution of 28.03.2017 No 348, <https://www.nerc.gov.ua/?id=24355>

Virtual entry points in the gas distribution system (location of gas inflow from the gas extracting companies or producers of biogas or other types of gas from alternative sources)	296.80	-
Virtual entry points from the group of gas companies	296.80	-
Virtual points in connection with gas storage facility or group of gas storage facilities	0.00	0.00
Points with physical location to / from gas storage facilities	0.00	0.00
Virtual point, in which the transfer of natural gas occurs	-	0.00
Virtual exit point location for the operations of the gas transmission system operator related to the purchase of natural gas by the gas transmission system operator for its own needs and production and technological use	-	0.00
Exit points with physical location to direct consumers	-	322.10
Virtual exit point to the gas distribution system of Vinnytsiagaz PJSC, Gadyachgaz PJSC, Kyivoblgaz PJSC, Mykolaivgaz PJSC, Rivnegaz PJSC, Kharkivgaz PJSC	-	115.35
Virtual exit point to the gas distribution system of Volyngaz PJSC, Dnipropetrovskgas PJSC, Donetskoblgaz PJSC, Ivano-Frankivskgaz PJSC, Kryvorizhgaz PJSC, Lubnygaz PJSC, Lvivgaz PJSC, Melitopolgaz PJSC, Poltavagaz PJSC, Umangaz PJSC, Khersongaz PJSC, Khmelnytskygaz PJSC, Cherkasygaz PJSC, Chernivtsigaz PJSC, Shepetivkagaz PJSC	-	153.80
Virtual exit point to the gas distribution system of Dniprogaz PJSC, Zhytomyrgaz PJSC, Zaporizhgaz PJSC, Kyivgaz PJSC, Kirovogradgaz PJSC, Korostyshivgaz PJSC, Kremenchukgaz PJSC, Odesagaz PJSC, Sumygas PJSC, Ternopilgaz PJSC, Kharkivmiskgaz PJSC, Chernihvgaz PJSC	-	195.25
Virtual exit point to the gas distribution system of Zakarpatgaz PJSC, Luganskgaz PJSC, Mariupolgaz PJSC, Ternopilgaz PJSC, Tysmenytsiagaz PJSC, Novorozdilske SMCHE Sirka SE, Montazhnyk SE, Gazovyk LLC, Gazpostachservice LLC, Kremenets UPRG SE, Spectrgaz LLC	-	76.90

During 2018, the tariffs for natural gas transportation services by major pipelines from the entry point to the exit point at the state border of Ukraine were determined using the procedure specified in the Methodology approved by the NCREU Resolution No 2517.<sup>144</sup> The procedure includes calculation of tariffs based on long-term incentive regulation. The NCREU Resolution No 3157 establishes the parameters for long-term validity, namely the regulatory rate of return and efficiency indicators, for the purposes of incentive regulation for Ukrtransgaz JSC.<sup>145</sup>

In 2018, tariffs for Ukrtransgaz JSC for natural gas transportation services through the major gas pipelines for entry and exit points were determined in accordance with the NCREU Resolution No 3158 and were the same as in the previous year (**Figure 5.20**).

<sup>144</sup> NCREU Resolution of September 30, 2015 No 2517, <https://zakon.rada.gov.ua/laws/show/z1388-15#Text>

<sup>145</sup> NCREU Resolution of December 29, 2015 No 3157, <https://www.nerc.gov.ua/?id=18634>

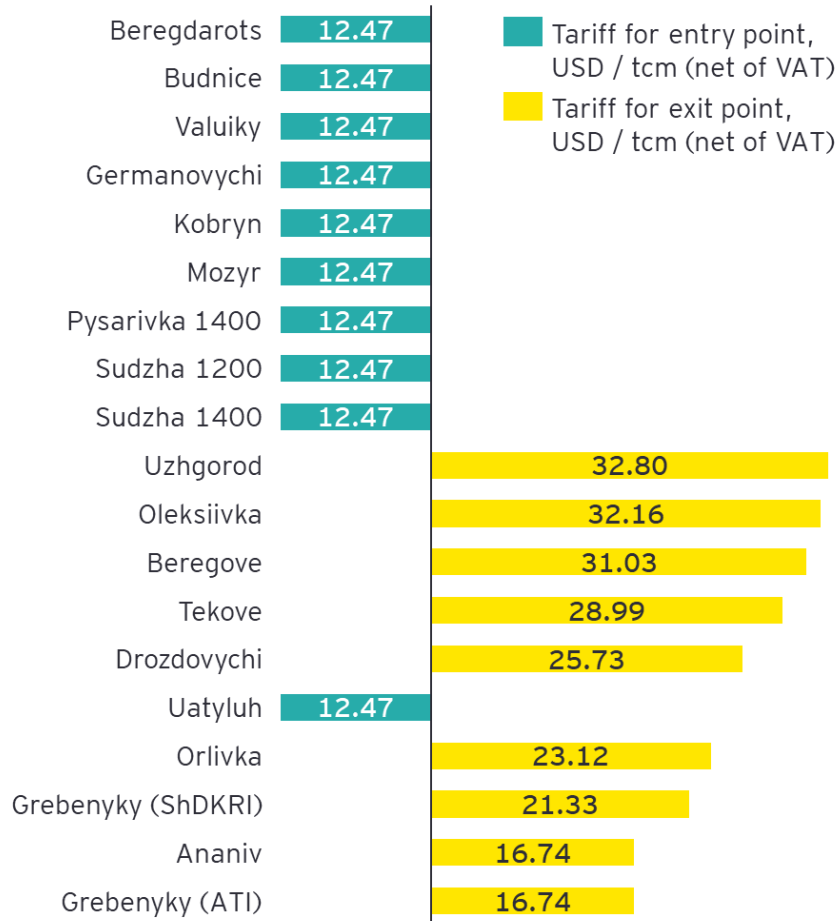


Figure 5.20: Tariffs for transportation of natural gas through the trunk pipelines for the entry points to and exit points from the GTS in 2018, USD/tcm (net of VAT)<sup>146</sup>

### Tariffs for natural gas distribution services

The tariffs for natural gas distribution services effective in 2018 were set up by the NCREU Resolutions No 421-462<sup>147</sup> and No 850<sup>148</sup> (Table 5.37).

Table 5.37: Tariffs for natural gas distribution services during 2018

Nº	Company	Tariff, UAH / tcm (net of VAT)
1	Vinnytsiagaz PJSC	685.10
2	Volyngaz PJSC	713.50
3	Gadyachgaz PJSC	541.60
4	Dniprogaz PJSC	466.20
5	Dnipropetrovskgas PJSC	580.60
6	Donetskoblغاز PJSC	522.60

<sup>146</sup> NEURC Resolution of 29.12.2015 No 3158, <https://zakon.rada.gov.ua/rada/show/v3158874-15#Text>

<sup>147</sup> NCREU Resolution of 24.03.2016 No 421-462, <http://www.nerc.gov.ua/?id=19456> (as amended by NCREU Resolutions of 15.12.2016 No 2263, 2279 - 2320)

<sup>148</sup> NCREU Resolution of 26.05.2016 No 850, <https://zakon.rada.gov.ua/rada/show/v0850874-16#Text> (as amended by NCREU Resolution of 15.12.2016 No 2278)

Nº	Company	Tariff, UAH / tcm (net of VAT)
7	Zhytomyrgaz PJSC	634.90
8	Zakarpagaz PJSC	711.50
9	Zaporizhgaz PJSC	430.20
10	Ivano-Frankivskgaz PJSC	713.10
11	Kyivgaz PJSC	211.90
12	Kyivoblgaz PJSC	567.20
13	Kirovogradgaz PJSC	613.30
14	Korostyshivgaz PJSC	328.80
15	Kremenchukgaz PJSC	220.20
16	Kryvorizhgaz PJSC	295.80
17	Lubnygaz PJSC	699.20
18	Lvivgaz PJSC	722.10
19	Makiyivkagaz PJSC	708.10
20	Mariupolgaz PJSC	571.60
21	Melitopolgaz PJSC	669.20
22	Mykolaivgaz PJSC	730.50
23	Odesagaz PJSC	369.10
24	Poltavagaz PJSC	674.40
25	Rivnegaz PJSC	725.50
26	Sumygas PJSC	540.60
27	Ternopilgaz PJSC	631.90
28	Ternopilmiskgaz PJSC	355.80
29	Tysmenytsiagaz PJSC	710.50
30	Umangaz PJSC	558.50
31	Kharkivgaz PJSC	721.10
32	Kharkivmiskgaz PJSC	269.10
33	Khersongaz PJSC	600.20
34	Khmelnyskygaz PJSC	595.20
35	Cherkasygaz PJSC	316.50
36	Chernivtsigaz PJSC	723.70
37	Chernihivgas PJSC	627.50
38	Shepetivkagaz PJSC	459.60
39	Sirka SE	720.00
40	Montazhnyk SE	724.00
41	Gazovyk LLC	726.90
42	Gazpostachservice LLC	679.90
43	Kremenets UPRG SE	724.10
44	Spectrgaz LLC	151.10

### Tariffs for pumping, storage in and withdrawing natural gas from UGS facilities

During 2018, the methodology for calculating tariffs for natural gas storage in UGS facilities remained unchanged compared to the previous year. The gas storage operators applied the Methodology approved by the Resolution of the NCREU No 1131<sup>149</sup>. However, in August 2018, tariffs for natural gas injection, storage, and withdrawal from the underground storage facilities changed for Ukrtransgaz JSC, in accordance with the NCREU Resolution No 480<sup>150</sup>. Therefore, in the second half of 2018 the following tariffs were applicable (net of VAT):

- ▶ natural gas injection - 64.4 UAH / thousand m<sup>3</sup> per day (in 2017 - 32.9 UAH / tcm)
- ▶ natural gas storage - 0.172 UAH / thousand m<sup>3</sup> per day (in 2017 - 46.2 UAH / tcm)
- ▶ natural gas withdrawal - 67.1 UAH / thousand m<sup>3</sup> per day (in 2017 - 32.9 UAH / tcm)

The new tariffs set a capacity reservation fee instead of payment for the volume of gas stored (injected, withdrawn). An additional point is that the NCREU introduced a system of coefficients applicable to the tariffs depending on the reservation period.<sup>151</sup>.

### Revenues and financial result of the Gas Transmission System Operator

The decrease in the volume of natural gas transit in 2018 compared to the previous year resulted in reduce of Ukrtransgaz's income by 1.70%. In addition, the company's net loss increased from UAH 24,830 million in 2017 to UAH 32,627.8 million in 2018 (**Figure 5.21**).

According to the results of 2018, the total revenue of Ukrtransgaz JSC from its operations was UAH 50,313.3 million and included the following components:

- ▶ revenue from natural gas transportation via the major pipelines - UAH 27,777.3 million;
- ▶ revenue from natural gas storage services - UAH 2,065.6 million;
- ▶ revenue from capacity allocation (at cross-border) - UAH 3,577.4 million;
- ▶ revenue from balancing the system - UAH 16,728.5 million;
- ▶ revenue from other products, goods and services - UAH 164.5 million.

---

<sup>149</sup> NCREU Resolution of 13.06.2016 No 1131, <https://zakon.rada.gov.ua/laws/show/z1035-16#n12>

<sup>150</sup> NCREU Resolution of 19.06.2018 No 480, <https://www.nerc.gov.ua/?id=32643>

<sup>151</sup> Naftogaz of Ukraine NJSC Annual Report 2018, <https://naftogaz.com/files/Zvity/Annual-Report-2018-ukr.pdf>

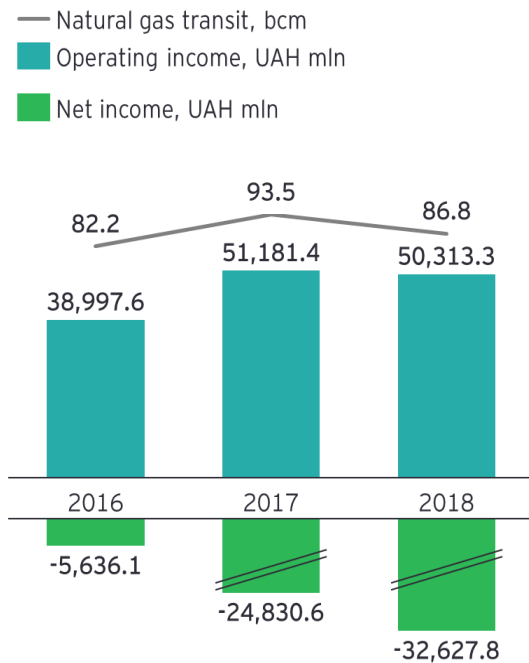


Figure 5.21: Operating income and net profit (loss) of Ukrtransgaz JSC in 2016-2018<sup>152</sup>

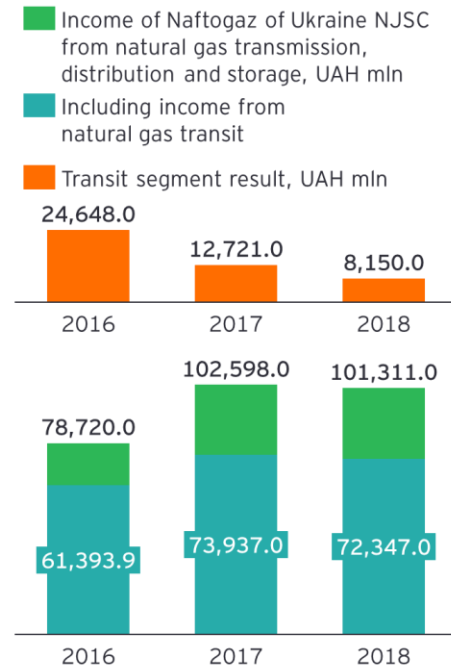


Figure 5.22: Income and financial result of Naftogaz of Ukraine NJSC from natural gas transmission, distribution and storage in 2016-2018<sup>153,154</sup>

As part of the preparation of the EITI Report 2018, Ukrtransgaz JSC provided information on the revenues of the gas transmission system operator by certain categories of services delivered to its customers (**Table 5.38**).

Table 5.38: Revenue of the gas transmission system operator in 2018

Type of service	Revenue amount, UAH thousand
<b>Total income (revenue) from the sale of products (goods, works, services), including:</b>	<b>50,313,342.14</b>
Transportation of natural gas extracted in the territory of Ukraine via major gas pipelines for Ukrainian consumers	7,220,032.96
Transit of natural gas through the territory of Ukraine	20,539,926.47
Storage (injection, withdrawal) of natural gas extracted in the territory of Ukraine	2,065,649.19
Capacity distribution income (cross-border points)	3,577,378.71
Capacity distribution income (internal points)	17,322.56
Other products (goods, works, services), including:	16,893,032.25
<i>gas balancing services</i>	16,728,498.01
<i>customs broker services</i>	62.78

<sup>152</sup> Ukrtransgaz JSC Financial statements for 2016, 2017 and 2018, <http://utg.ua/utg/about-company/reports.html>

<sup>153</sup> Naftogaz of Ukraine NJSC, Financial statements for 2016, 2017 and 2018, <https://www.naftogaz.com/www/3/nakweb.nsf/0/c4775d2495121a4ac2257ad90051f66d>

<sup>154</sup> The result of the transit segment for 2017 was adjusted in the financial statements Naftogaz of Ukraine NJSC for 2018



Type of service	Revenue amount, UAH thousand
<i>sale of agricultural products</i>	51,672.79
<i>activity of sanatoriums</i>	20,412.35
<i>construction and installation works and repair services</i>	2,722.83
<i>provision of motor transport services</i>	242.95
<i>provision of communication services</i>	4,673.60
<i>generation, transportation, supply of thermal energy</i>	6,310.25
<i>provision of operator and pressure support services</i>	21,715.44
<i>housing and utilities works and services</i>	369.76
<i>electricity generation by a solar power plant</i>	1,590.87
<i>other ancillary products, works and services</i>	54,750.61

Requirement 4.4 of the EITI Standard requires the countries to fully disclose the revenues of their gas transmission system operator from natural gas transmission and other services. To comply with the standard, the Independent Administrator additionally requested Ukrtransgaz JSC on the revenues and received a respond with the information on receipts in favor of Ukrtransgaz JSC from the reporting extractive companies for natural gas transmission and transit services (**Table 5.39**).

**Table 5.39: Revenue of Ukrtransgaz JSC for natural gas transmission and transit in 2018<sup>155</sup>**

Name of paying company	Purpose of payment	Volume of natural gas transmission, thousand cubic meters	Amount of payment, UAH thousand
Naftogaz of Ukraine NJSC	Transit	86,776,199.72	20,539,926.47
	Import (guaranteed capacity)	7,001,015.85	2,353,411.95
Ukrigasvydobuvannya JSC	Transportation to consumers of Ukraine	77.07	35.73
Ukrnafta PJSC	Transportation to consumers of Ukraine	121,817.01	18,535.53
Energy Service Company Esco-Pivnich LLC	Transportation to consumers of Ukraine	760.38	25.99
Extracting Company Ukrnaftoburinnya PrJSC	Import (guaranteed capacity)	355,871.12	122,067.44
Kub-Gaz LLC	Transportation	63.54	0.67
Natural Resources PrJSC	-	0.00	0.00
Naftogazvydobuvannya PrJSC	-	0.00	0.00
Poltava Petroleum Company JV	-	0.00	0.00
Ukrgazvydobutok PrJSC	-	0.00	0.00
Persha ukraiinska gazonaftova kompaniia LLC	-	0.00	0.00

<sup>155</sup> The information is obtained from the response of Ukrtransgaz JSC to the request in the course of preparation of this EITI Report

Name of paying company	Purpose of payment	Volume of natural gas transmission, thousand cubic meters	Amount of payment, UAH thousand
Representative Office of Regal Petroleum Corporation Limited	-	0.00	0.00
Joint activity agreement of 19/01/1999 No 35/4 - authorized entity Hals-K PrJSC	-	0.00	0.00
Nadra-Geoinvest LLC	-	0.00	0.00
Energiiia-95 LLC	-	0.00	0.00
Systemoilingenering LLC	-	0.00	0.00
Joint Venture Ukrkarpatoil LTD LLC	-	0.00	0.00
Prom-Energo Product LLC	-	0.00	0.00
Nordik Private Enterprise	-	0.00	0.00
Zakhidnadraserivce LLC	-	0.00	0.00
Stryinaftogaz LLC	-	0.00	0.00
<b>Total, including:</b>		<b>94,255,804.69</b>	<b>23,034,003.78</b>
<i>transit</i>		<i>86,776,199.72</i>	<i>20,539,926.47</i>
<i>Import (guaranteed capacity)</i>		<i>7,356,886.98</i>	<i>2,475,479.38</i>
<i>transmission to domestic consumers</i>		<i>122,718.00</i>	<i>18,597.92</i>

In its response to the request by the Independent Administrator, Ukrtransgaz JSC also provided information on its revenues from natural gas storage (injection, withdrawal) services (**Table 5.40**).

**Table 5.40: Revenues of Ukrtransgaz JSC from natural gas storage (injection, withdrawal) services in 2018<sup>156</sup>**

Name of paying company	Amount of payment, UAH thousand
Ukrigasvydobuvannya JSC	0.00
Naftogaz of Ukraine NJSC	2,161,311.18
Ukrnafta PJSC	14,775.97
Naftogazvydobuvannya PrJSC	0.00
Energy Service Company Esco-Pivnich LLC	222.46
Vydobovna kompaniia Ukrnaftoburinnia PrJSC	19,158.62
Natural Resources PrJSC	2,927.52
Poltava Petroleum Company JV	3,150.96
Kub-Gaz LLC	0.94
Ukrigasvydobutok PrJSC	13.74
Persha ukrainska gazonaftova kompaniia LLC	0.00
Representative Office of Regal Petroleum Corporation Limited	224.19

<sup>156</sup> The information is obtained from the response of Ukrtransgaz JSC to the request in the course of preparation of this EITI Report

Name of paying company	Amount of payment, UAH thousand
Nadra-Geoinvest LLC	336.03
Energiiia-95 LLC	16.60
Systemoilengineering LLC	0.00
Joint Venture Ukrkarpatoil LTD LLC	9,230.63
Prom-Enegro Products LLC	3.98
Nordik Private Enterprise	0.00
Joint activity agreement of 19/01/1999 No 35/4 - authorized entity Hals-K PrJSC (31566427)	0.00
Zakhidnadraserice LLC	374.25
Stryinaftogaz LLC	621.18
<b>Total</b>	<b>2,212,368.25</b>

Moreover, 5 reporting oil and gas companies provided information on the volumes of transmission of extracted natural gas and their payments for the transmission service in 2019. In the reporting period, these companies paid a total of UAH 263,753.76 thousand for the transportation of 883,940.72 thousand m<sup>3</sup> of natural gas. Of these, the total payments in favor of Ukrtransgaz JSC and its branches are UAH 157,698.39 thousand.

**Table 5.41: Expenditures of the reporting oil and gas companies for transportation of the extracted natural gas in 2018<sup>157</sup>**

Name of paying company	Volume of natural gas, mcm <sup>158</sup>	Total transportation costs, thousand UAH	Name of the transportation company	Transportation route <sup>159</sup>
<b>Payments in favour of Ukrtransgaz JSC and its branches</b>				
Ukrigasvydobuvannya JSC	25,351.33	14,164.50	Branch "Operator of gas storage facilities of Ukraine"	Ukrainian territory
Ukrnaftoburinnia PrJSC LLC	405,468.81	124,795.03	Branch "Operator of gas storage facilities of Ukraine"	-
Ukrnafta PJSC	1,658.36	96.72	Branch "UMG Lvivtransgaz"	Poltavagaz PJSC
	28,333.00	14.76		Kyivgaz PJSC
	961.80	23.66	Branch "UMG Kyivtransgaz"	Lvivgaz PJSC
	427.39	8.38	Branch "UMG Prykarpatttransgaz"	Ivano-Frankivskgaz PJSC
	121,740.55	18,516.74	Branch "UMG Kharkivtransgaz"	Dnipropetrovskgaz PJSC
	617.54	36.00	Branch "UMG Cherkasytransgaz"	Poltavagaz PJSC
Energy Service Company Esco-Pivnich LLC	860.18	42.61	Branch "Operator of gas storage facilities of Ukraine"	-
<b>Total, Ukrtransgaz JSC and its branches</b>	<b>585,418.97</b>	<b>157,698.39</b>	-	
<b>Payments in favour of other companies</b>				
Ukrigasvydobuvannya JSC	102.33	59.40	Dnipropetrovskgaz	Dnipropetrovsk region

<sup>157</sup> The information was obtained from the responses of the companies in the course of preparation of this EITI Report

<sup>158</sup> The cases when the company did not provide information on the physical volume of natural gas transportation are marked with a dash "-"

<sup>159</sup> The cases when the company did not provide information on the natural gas transportation route are marked with a dash "-"

Name of paying company	Volume of natural gas, mcm <sup>158</sup>	Total transportation costs, thousand UAH	Name of the transportation company	Transportation route <sup>159</sup>
	343.31	194.70	Kyivoblgaz	Kyiv region
	32.12	23.20	Luganskgaz	Lugansk region
	1,067.07	755.60	Lvivgaz	Lviv region
	1,455.76	981.80	Poltavagaz	Poltava region
	95.43	51.70	Gadyachgaz	Poltava region
	3,339.67	2,408.20	Kharkivgaz	Kharkiv region
	241.85	65.10	Kharkivmiskgaz	The city of Kharkiv
	37.91	12.00	Cherkasygaz	Cherkasy region
Nadra-Geoinvest LLC	5,704.67	4,375.77	Poltavagazvydobuvannya GPU	TDPU PPV gas pipeline
Energy Service Company Esco-Pivnich LLC	131,345.37	23,346.60	Poltavagazvydobuvannya GPU	-
Ukrnafta PJSC	247.58	134.09	Gadyachgaz PJSC	-
	121,740.55	70,682.57	Dnipropetrovskgaz PJSC	-
	427.39	304.77	Ivano-Frankivskgaz PJSC	-
	28,333.00	6.00	Kyivgaz PJSC	-
	661.53	468.43	Lvivgaz PJSC	-
	2,025.74	1,366.16	Poltavagaz PJSC	-
	111.61	60.34	Sumygaz PJSC	-
	4.16	3.00	Kharkivgaz PJSC	-
	1,204.71	755.96	Chernihivgaz PJSC	-
<b>Total, other companies</b>	<b>298,521.76</b>	<b>106,055.37</b>	-	-
<b>Total</b>	<b>883,940.72</b>	<b>263,753.76</b>	-	-

Also, 15 reporting oil and gas companies provided information on costs of other services, including natural gas storage (injection and withdrawal) during 2018 (**Table 5.42**). Altogether, the companies paid UAH 35,121,720.25 thousand for the services other than transmission of natural gas extracted by them. The payments in favor of Ukrtransgaz JSC and its branches amounted to UAH 35,110,635.19 thousand, including UAH 2,302,644.36 thousand for natural gas storage services and UAH 32,807,990.84 thousand for other services.

**Table 5.42: Payments of the reporting oil and gas companies for natural gas storage (injection, withdrawal) and other services in 2018<sup>160</sup>**

Company	Purpose of payment	Name of the business entity that transports the extracted products	Payment amount, thousand UAH (net of VAT)
<b>Payments in favour of Ukrtransgaz JSC and its branches</b>			
Natural Resources PrJSC	Natural gas storage services	Branch "Operator of the gas transmission system of Ukraine"	89.16
	Natural gas injection services	Branch "Operator of gas storage facilities of Ukraine"	120.27
	Natural gas withdrawal services	Branch "Operator of gas storage facilities of Ukraine"	277.2
	Natural gas storage services	Branch "Operator of gas storage facilities of Ukraine"	1,281.71
Poltava Petroleum Company JV	Individual working volume	Ukrtransgaz JSC	188.67
	Natural gas injection services	Ukrtransgaz JSC	1,130.52

<sup>160</sup> The information is obtained from the response of the companies to the request in the course of preparation of this EITI Report page 92 out of 514

Company	Purpose of payment	Name of the business entity that transports the extracted products	Payment amount, thousand UAH (net of VAT)
	For the gas leftovers	Ukrtransgaz JSC	122.06
	Natural gas injection/ withdrawal services	Branch "Operator of the gas transmission system of Ukraine"	1,388.33
	Individual working volume	Branch "Operator of the gas transmission system of Ukraine"	320.86
Naftogaz of Ukraine NJSC	Payment for natural gas storage services	Ukrtransgaz JSC	766,826.74
	Payment for services of individual natural gas storage capacity	Ukrtransgaz JSC	916,939.49
	Payment for natural gas transmission services, under contract No 1602000328 dated 12.02.2016	Ukrtransgaz JSC	30,078,966.34,
	Payment for individual natural gas storage capacity, injection, withdrawal capacity	Branch "Operator of gas storage facilities of Ukraine"	582,724.30
	Payment for natural gas transmission services	Branch "Operator of the gas transmission system of Ukraine"	2,674,696.22
Ukrnafta PJSC	Natural gas storage services	Ukrtransgaz JSC	651.04
	Natural gas withdrawal services		327.62
	Natural gas injection services		1,083.93
	Prepayment for services of individual capacity withdrawal for a day ahead		334.91
	Prepayment for services of individual capacity injection for a day ahead		6,326.74
	Payment for services of individual working volume per month		2,046.40
Nadra-Geoinvest LLC	Individual working volume of storage	Ukrtransgaz JSC	23.20
	Natural gas withdrawal services		359.50
	Natural gas injection services		64.00
Stryinaftogaz LLC	Payment for natural gas withdrawal (injection, storage) under contract No 170000053 dated 02.03.2017	Ukrtransgaz JSC	489.13
Zakhidnadraseriv LLC	Natural gas withdrawal services	Ukrtransgaz JSC	61.58
	Individual working volume		49.76
	Natural gas storage services		13.14
	Injection services		60.41
	Injection services	Branch "Operator of the gas transmission system of Ukraine"	17.46
	Ordered daily capacity per month	Branch "Operator of the gas transmission system of Ukraine"	728.71

Company	Purpose of payment	Name of the business entity that transports the extracted products	Payment amount, thousand UAH (net of VAT)
Naftogazvydobuvannya PrJSC	Additional fee for non-compliance with quality parameters of natural gas	Branch "Operator of the gas transmission system of Ukraine"	0.38
Energiia-95 LLC	Injection services	Branch "Operator of the gas transmission system of Ukraine"	13.60
	Storage services	Branch "Operator of the gas transmission system of Ukraine"	3.00
Persha ukrainska gazonaftova kompaniia LLC	Non-compliance with quality parameters of natural gas	Branch "Operator of gas storage facilities of Ukraine"	42.00
Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	Payment for services of individual working volume	Ukrtransgaz JSC	7,019.22
	Prepayment for services of injection	Ukrtransgaz JSC	9,480.90
	Prepayment for services of withdrawal	Ukrtransgaz JSC	2,699.87
	Payment for leftovers	Ukrtransgaz JSC	627.05
	Payment for the GTS joining service	Branch "UMG Kyivtransgaz"	470.09
	Payment for gas pipeline maintenance		30.13
Energy Service Company Esco-Pivnich LLC	Prepayment for services of withdrawal	Ukrtransgaz JSC	40.35
	Prepayment for services of transportation	Branch "Operator of the gas transmission system of Ukraine"	122.56
	Additional fee for non-compliance with quality parameters of natural gas		7,608.99
	Natural gas volume balancing service		39,663.32
	Storage services		182.11
	Ordered capacity		4,921.29
Kub-Gaz LLC	Storage services	Ukrtransgaz JSC	0.94
Joint Venture Ukrkarpatoil LTD LLC	Storage services	Ukrtransgaz JSC	9,230.63
<b>Total Ukrtransgaz JSC and branches, including:</b>			<b>35,110,635,19</b>
<b>storage (injecting, withdrawal)</b>			<b>2,302,644,36</b>
<b>other services</b>			<b>32,807,990,84</b>
<b>Payments in favour of other companies</b>			
Nordik Private Enterprise	Reception, transportation and transmission of natural gas	Lvivgazvydobuvannya GPU	10,644.05
	Reimbursement of costs for payment for capacity allocation	Ukrigasvydobuvannya JSC	441.00
<b>Total other companies</b>			<b>11,085,05</b>
<b>Total</b>			<b>35,121,720,25</b>

For another 14 reporting oil and gas companies, the Independent Administrator compared the companies' data on payments made to Ukrtransgaz JSC and its subsidiaries for transmission and storage (injection, withdrawal) of the extracted natural gas, and Ukrtransgaz JSC data on payments received for such services from the companies. One reporting company reported no

payments in favor of Ukrtransgaz JSC for natural gas transportation services during the reporting period, however Ukrtransgaz mentioned receiving payments from them.

It is worth noting that reconciling of payments for natural gas transmission and storage services was restricted to some extent due to the lack of clear instructions to the reporting forms. The reporting companies and the gas transmission system operator had no unambiguous understanding of the categories of payments for hydrocarbon transportation services to be included in the reporting form.

**Table 5.43: Discrepancy between the data of the reporting oil and gas companies and Ukrtransgaz JSC on the services of transportation and storage of extracted natural gas in 2018<sup>161</sup>**

Company name	Extracted natural gas transportation services		Storage services (injection, withdrawal)
	Discrepancy in physical volume	Discrepancy in payments	Discrepancy in payments
Ukrigasvydobuvannya JSC <sup>162</sup>	>-100% (-25,274.26 tcm)	>-100% (-14,128.77 UAH thousand)	-
Ukrnafta PJSC	-26.20% (-31,921.63 tcm)	-0.87% (-160.72 UAH thousand)	27.11% (4,005.33 UAH thousand)
Energy Service Company Esco-Pivnich LLC	-13.13% (-99.80 tcm)	-63.95% (-16.62 UAH thousand)	0.00%
Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	-13.94% (-49,597.69 tcm)	-2.23% (-2,727.59 UAH thousand)	36.01% (7,129.78 UAH thousand)
Kub-Gaz LLC	-	×	×
Naftogaz of Ukraine NJSC	-	-	-4.87% (-105,179.36 UAH thousand)
Natural Resources PrJSC	-	-	-39.60% (1,159.18 UAH thousand)
Poltava Petroleum Company	-	-	0.02% (0.52 UAH thousand)
Ukrigasvydobutok PrJSC	-	-	-
Persha ukraiinska gazonaftova kompaniia LLC	-	-	-
Representative Office of Regal Petroleum Corporation Limited	-	-	-
Nadra-Geoinvest LLC	-	-	-32.94% (-110.67 UAH thousand)
Energiiia-95 LLC	-	-	0.00%
Systemoilingenering LLC	-	-	-
Joint Venture Ukrkarpatoil LTD LLC	-	-	0.00%
Prom-Enegro Products LLC	-	-	-0.20% (-2.17 UAH thousand)
Nordik Private Enterprise	-	-	×

<sup>161</sup> Cases when companies did not provide information on payments for storage services (injection, withdrawal), while Ukrtransgaz JSC reported receipts from the same companies, or if it was not possible to compare the categories of payments for reconciliation, marked with a cross "x"

<sup>162</sup> According to the company's explanation, the significant discrepancy in the information provided by Ukrigasvydobuvannya JSC and Ukrtransgaz JSC regarding the total natural gas transportation costs is due to the fact that Ukrigasvydobuvannya JSC provided consolidated information that includes transportation costs by each branch. Ukrigasvydobuvannya JSC has 11 branches, each of which has separate natural gas transportation agreements with Ukrtransgaz JSC

Company name	Extracted natural gas transportation services		Storage services (injection, withdrawal)
	Discrepancy in physical volume	Discrepancy in payments	Discrepancy in payments
Joint activity agreement of 19/01/1999 No 35/4 - authorized entity Hals-K PrJSC (31566427)	-	-	-0.16% (-4,831.20 UAH thousand)
Zakhidnadraservice LLC	-	-	45.93% (171,90 UAH thousand)
Stryinaftogaz LLC	-	-	21.26% (132.05 UAH thousand)

### 5.2.5.2 Oil transportation

#### General information on the Ukrainian major oil pipeline system

The Ukrainian major oil pipeline system transports oil from domestic extractive companies to refineries, transmits imported oil to domestic refineries, and transits oil to EU countries through the territory of Ukraine. Oil transportation services in Ukraine are provided exclusively by Ukrtransnafta JSC. 100% of its authorized capital is owned by Naftogaz of Ukraine NJSC. The structural units of Ukrtransnafta JSC include: the branches of Druzhba Major Oil Pipelines (transmission of oil to Drohobych Oil Refinery and Naftokhimik Prykarpattia), Prydniprovsky Major Oil Pipelines (transmission of oil to Lysychansky Oil Refinery (shut down as of 2017) and Kremenchuk Oil Refinery), and Pivdenni Major Oil pipelines (Kherson Oil Refinery (shut down in 2005), and the Odessa Oil Refinery, which in 2017 was confiscated by the decision of the Suvorov District Court of Odessa in favor of the state).

Overall, the Ukrainian major oil pipelines system includes 19 oil pipelines with a total length of 3,506.6 km (4,767.4 km in one line) and a diameter of up to 1,220 mm. The key technical specification of the system are its input capacity 114 million tons / year, and output capacity 56.3 million tons / year. The total nominal capacity of the tank farms of the system is 1,083 thousand m<sup>3</sup>. The system of oil pipelines also includes the offshore oil terminal "Pivdenny" and 28 oil pumping stations. In 2018, the Odessa - Kremenchuk oil pipeline section and the first stage of the Mozyr - Brody oil pipeline resumed their operations<sup>163</sup> (**Figure 5.23**).

<sup>163</sup> Naftogaz of Ukraine NJSC Annual Report 2018, <https://naftogaz.com/files/Zvity/Annual-Report-2018-ukr.pdf>  
page 96 out of 514





Figure 5.23: The biggest major oil pipelines of Ukraine

In 2018, the total oil transmission volume decreased by 3.75% compared to the previous year and amounted to 15.4 million tons, including 13.3 million tons of oil transit, and 2.1 million tons of oil transmitted to Ukrainian refineries (up 0.2% compared to 2017<sup>164</sup>).

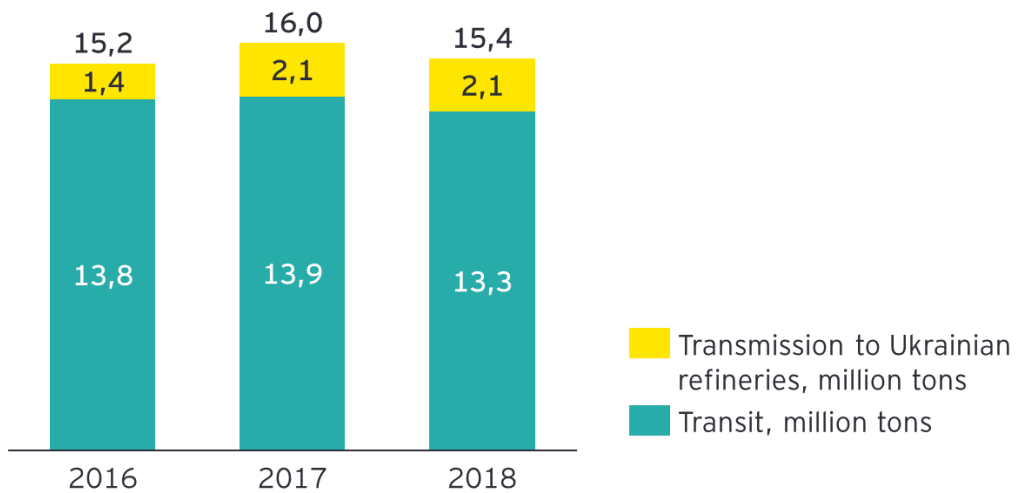


Figure 5.24: Volumes of oil transmission and transit through the major oil pipelines of Ukraine in 2016-2018

<sup>164</sup> Naftogaz of Ukraine NJSC Annual Report 2018, <https://naftogaz.com/files/Zvity/Annual-Report-2018-ukr.pdf> page 97 out of 514

In the reporting period, the general oil transit declining trend continued. In 2018, the volume of oil transit dropped by 4.32%, from 13.9 million tons in 2017 to 13.3 million tons in 2018 (*Figure 5.24*).

### Oil transmission tariffs

During 2018, Ukrtransnafta JSC applied the tariffs for oil transmission via the major pipelines for its 18 routes, approved by the NCREU Resolution No 2362,<sup>165</sup> as in the previous year. The mechanism for calculating tariffs also remained unchanged. They were determined using the Methodology approved in the NCREU Resolution No 993<sup>166</sup> (*Table 5.44*).

**Table 5.44: Tariffs for oil transmission through the major oil pipelines of Ukrtransnafta JSC applied in 2018**

Nº	Transportation route by main oil pipelines	Tariff, UAH per net ton (net of VAT)
1	32 km State border with Belarus – Odesa refinery	201.9
2	Pivdennyi onshore oil terminal – Naftokhimik Prykarpattia refinery	177.4
3	Odesa PZD – Naftokhimik Prykarpattia refinery	169.1
4	Pivdennyi onshore oil terminal – Galychyna refinery	166.8
5	Odesa PZD – Galychyna refinery	160.1
6	nn Mala Pavlivka – Odesa refinery	146.0
7	Gnidyntsi oil pumping station – Odesa refinery	144.8
8	Hlynsko-Rozbyshivska dispatching station – Odesa refinery	133.4
9	32 km State border with Belarus – Naftokhimik Prykarpattia refinery	123.2
10	32 km State border with Belarus – Galychyna refinery	112.6
11	Odesa PZD – Kremenchuk refinery	107.9
12	Dolyna oil pumping station – Galychyna refinery	101.6
13	Pivdennyi onshore oil terminal – Kremenchuk refinery	101.3
14	nn Mala Pavlivka – Kremenchuk refinery	53.4
15	Gnidyntsi oil pumping station – Kremenchuk refinery	52.2
16	Hlynsko-Rozbyshivska dispatching station – Kremenchuk refinery	41.1
17	Dolyna oil pumping station – Naftokhimik Prykarpattia refinery	28.8
18	Hlynsko-Rozbyshivska dispatching station – Gnidyntsi oil pumping station	26.4

It should be noted that in 2018, changes were made to the Procedure for determining tariffs for transportation of oil and petroleum products by major pipelines in order to introduce a mechanism for the gradual recalculation of tariffs for Ukrainian consumers to an economically reasonable level<sup>167</sup>. The changes would prevent significant reduction in oil transportation due to a sharp increase in transportation tariffs. Due to the changes, the customers would get a

<sup>165</sup> NCREU Resolution of 23.12.2016 No 2362, <https://www.nerc.gov.ua/?id=22883>

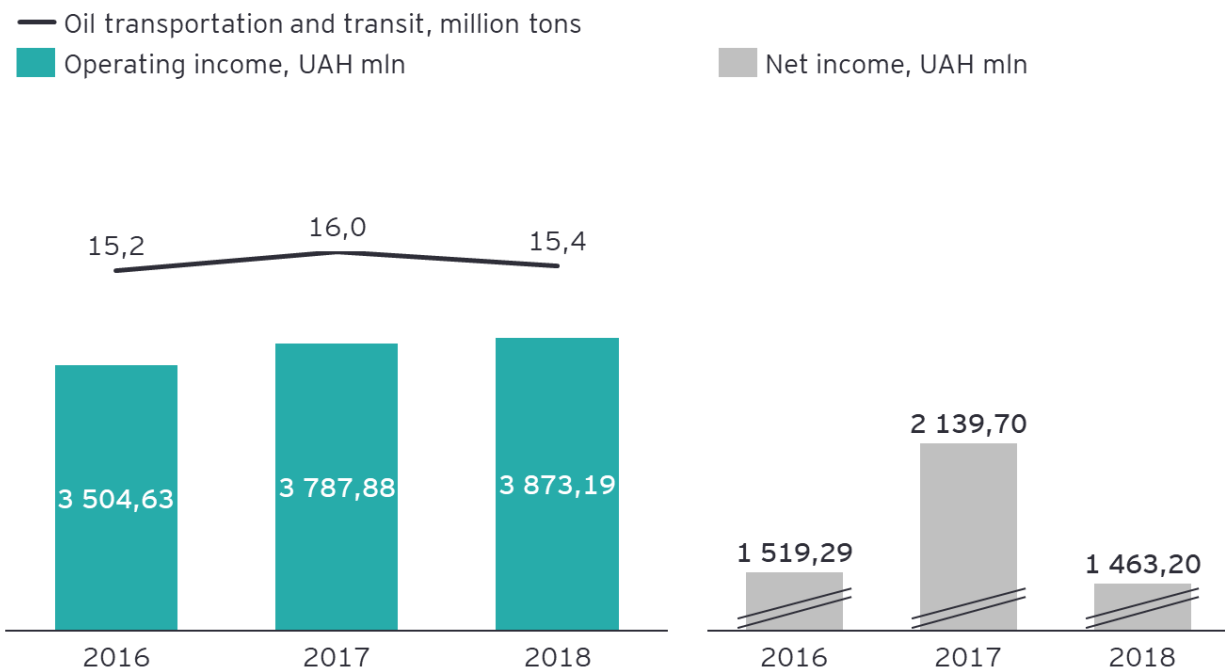
<sup>166</sup> NCREU Resolution of 30.07.1999 No 993, <http://www.nerc.gov.ua/?id=16269>

<sup>167</sup> NCREU Resolution of 04.10.2018 No 1150, <https://zakon.rada.gov.ua/laws/show/v1150874-18#Text>

three-year transition period, to gradually adapt to raising tariffs to the target level.<sup>168</sup> During this period, a simplified procedure will be used to calculate the tariffs for oil transportation via the major pipelines with the annual tariff growth rate.

### Revenues and financial result of the oil transmission system operator

According to Ukrtransnafta JSC financial statements, the company's operating income increased by 2.25% in 2018 compared to the previous year and amounted to UAH 3,873.19 million. In the reporting period, the net profit is UAH 1,463.24 million, which is 31.61% lower than in 2017 (*Figure 5.25*).



*Figure 5.25: Operating income and net income of Ukrtransnafta JSC in 2016-2018<sup>169</sup>*

As part of the preparation of this EITI Report, Ukrtransnafta JSC provided information on physical volumes and revenues from oil transportation service. According to Ukrtransnafta JSC, the reporting companies, namely Ukrnafta PJSC, paid UAH 160,979.00 thousand for the transportation of 2,100.90 thousand tons of oil.

*Table 5.45: Revenue of Ukrtransnafta JSC from oil transmission services by payer in 2018<sup>170</sup>*

Name of company	Physical volume, thousand tons	Total payments, UAH thousand (net of VAT)	Transportation route
Ukrnafta JSC	109.9	2,902.2	Boryslav - Drohobych Refinery
Ukrnafta JSC	248.6	25,259.9	Dolyna - Drohobych Refinery
Ukrnafta JSC	18.3	1,420.3	Oriv - Drohobych Refinery

<sup>168</sup> NCREU, Report on the results of the National Commission for State Regulation of Energy and Utilities for 2018, [https://www.nerc.gov.ua/data/filearch/Catalog3/Richnyi\\_zvit\\_NKREKP\\_2018.pdf](https://www.nerc.gov.ua/data/filearch/Catalog3/Richnyi_zvit_NKREKP_2018.pdf)

<sup>169</sup> Ukrtransnafta JSC, Financial Statements, 2016-2018, <https://www.ukrtransnafta.com/dokument/>

<sup>170</sup> Information from the answers provided by the company

Name of company	Physical volume, thousand tons	Total payments, UAH thousand (net of VAT)	Transportation route
Ukrnafta JSC	72.1	2,962.0	Hlynsko Rozbyshivska - Kremenchuk Refinery
Ukrnafta JSC	467.4	24,398.5	Gnidyntsi - Kremenchug Refinery
Ukrnafta JSC	427.2	22,813.5	Mala Pavlivka - Kremenchug Refinery
Ukrnafta JSC	76.9	7,793.1	Pivdennyi onshore oil terminal - Kremenchuk Refinery
Ukrnafta JSC	680.5	73,429.5	Odessa - Kremenchuk Refinery
<b>Total Ukrnafta JSC</b>	<b>2,100.90</b>	<b>160,979.00</b>	-
Transneft JSC»	9,215.00	2,560,940.70	32 km Mozyr-Brody - Budkovce
Transneft JSC	4,119.80	1,143,180.10	32 km Mozyr-Brody - Feneshlitke
<b>Total Transneft JSC</b>	<b>13,334.80</b>	<b>3,704,120.80</b>	-
<b>Total</b>	<b>15,435.70</b>	<b>3,865,099.80</b>	-

Moreover, two reporting companies, Ukrnafta PJSC and its subsidiary JV Ukrkarpatoil LTD, provided information on their payments for oil transportation services in the reporting period (*Table 5.46*).

The effectiveness of reconciling payments for oil transportation services, as with natural gas transmission, is restricted due to the lack of clear instructions on how extractive companies and the major oil pipeline operator should fill in the reporting forms.

*Table 5.46: Payments made by the reporting oil and gas companies for oil transmission services in 2018<sup>171</sup>*

Paying company	Physical volume, thousand tons	Total cost, UAH thousand	Name of the company that transported the extracted natural gas	Transportation route
Ukrnafta JSC	1,297.90	77,902.30	Ukrtransnafta JSC	Ukrtransnafta JSC - NPK-Galychyna PJSC
Ukrkarpatoil LTD LLC JV	53.30	4,663.20	Ukrnafta PJSC, Nadvirnaftogaz NGVU	Nadvirnaftogaz NGVU - Naftokhimik Prykarpattia PJSC
	62.01	40,699.70	Naftokhimik Prykarpattia PJSC	Naftokhimik Prykarpattia PJSC - Ukrtatnafta PJSC
<b>Total</b>	<b>1,413.21</b>	<b>123,265.20</b>	-	-

JV Ukrkarpatoil LTD also provided information on its oil storage expenditures in 2018 (*Table 5.47*).

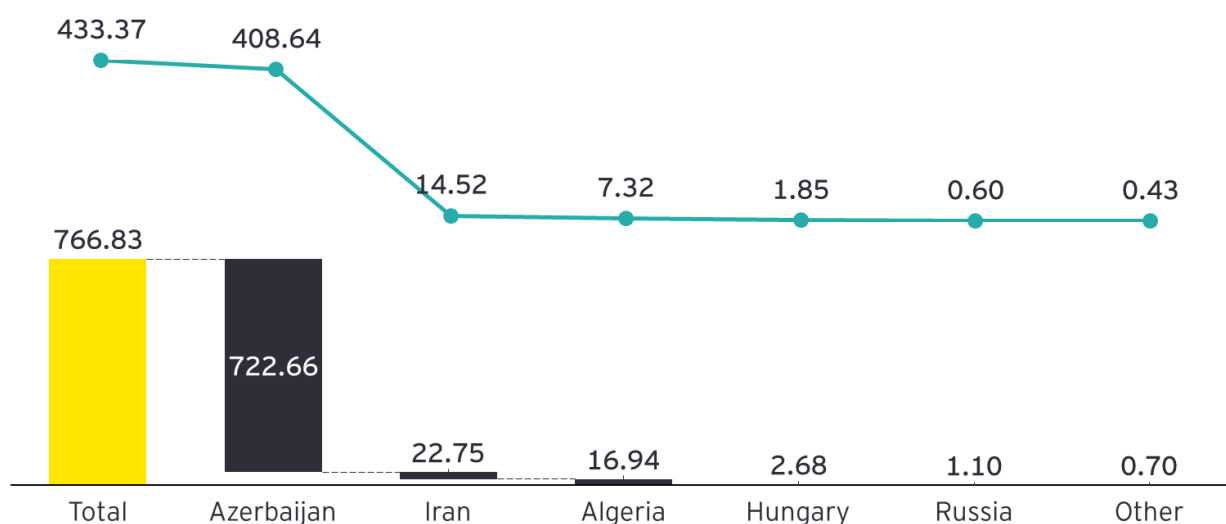
<sup>171</sup> The information is obtained from the responses of the companies

**Table 5.47: Payments of the reporting oil and gas companies for the oil storage service in 2018<sup>172</sup>**

Paying company	Purpose of payment	Name of the company that transported the extracted products	Amount of payment, UAH thousand (net of VAT)
Joint Venture Ukrkarpatoil LTD LLC	Oil storage services	Naftokhimik Prykarpattia PJSC	113,015,190.44 <sup>173</sup>

### 5.2.6 Exports and imports of oil and natural gas

In 2018, Ukraine did not export oil. Oil imports amounted to 766.83 thousand tons in 2018, which is 24.33% less than in 2017. Almost the entire volume of imports (94.24%) came from Azerbaijan (722.66 thousand tons worth USD 408.64 million). Oil was also supplied from Iran (2.97% of imports), Algeria (2.21%), Hungary (0.35%), Russia (0.14%) and others.



**Figure 5.26: Volumes of oil imports by countries in physical and monetary units in 2018<sup>174</sup>**

In 2018, Ukraine did not export oil. Oil imports amounted to 766.83 thousand tons in 2018, which is 24.33% less than in 2017. Almost the entire volume of imports (94.24%) came from Azerbaijan (722.66 thousand tons worth USD 408.64 million). Oil was also supplied from Iran (2.97% of imports), Algeria (2.21%), Hungary (0.35%), Russia (0.14%) and others.

<sup>172</sup> The information is obtained from the responses of the companies

<sup>173</sup> Payments were made under transportation and storage contract, expenses for storage

<sup>174</sup> State Statistics Service, Foreign trade in certain types of goods by country, 2018, [http://www.ukrstat.gov.ua/operativ/operativ2018/zd/e\\_iovt/arh\\_iovt2018.htm](http://www.ukrstat.gov.ua/operativ/operativ2018/zd/e_iovt/arh_iovt2018.htm)

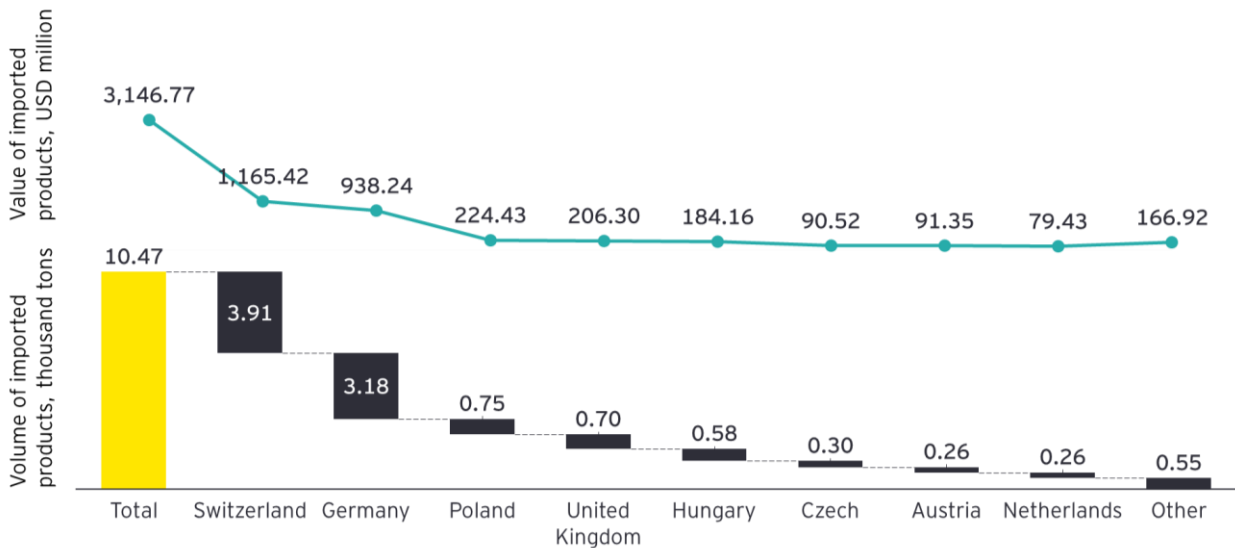


Figure 5.27: Volumes of natural gas imports by countries in physical and monetary units in 2018<sup>175</sup>

### Conclusions to the section

As of January 1, 2019, oil reserves in the territory of Ukraine are 99,986 thousand tons. They are concentrated in 205 fields, and natural gas reserves amount to 804,369 mcm and include 444 deposits. With the current (2018) extraction volumes, Ukraine will have enough gas reserves for 38 years, oil for 62 years, and gas condensate for 59 years.

In 2018, oil extraction (1,622 thousand tons) increased by 7.06% compared to 2017. It was mostly (85.76%) extracted by Ukrnafta PJSC. The volume of natural gas extraction in 2018 also increased to 20,949 mcm, an increase of 2.15% over the previous year. Ukrigasvydobuvannya PJSC extracted 73.97% of the total natural gas production in Ukraine in 2018.

In 2018, imports of oil and natural gas decreased by 24.33% and 24.89%, respectively. Azerbaijan remains the largest oil supplier (94.24% of the total imports), and natural gas imports were mostly from Switzerland (37.29%) and Germany (30.33%).

Natural gas transmission to domestic consumers increased by 4.01% in 2018 compared to the previous year and amounted to 28.5 bcm, and the volume of transit through the Ukrainian gas transmission system dropped by 7.17% to 86.8 bcm. Due to the decrease in the volume of natural gas transit, the Ukrtransgaz JSC income decreased by 1.7% in 2018 to UAH 50,313.3 million.

The volume of oil transmitted to Ukrainian refineries in 2018 did not change compared to 2017 and amounted to 2.1 million tons. However, the volume of oil transit fell by 4.32% and amounted to 13.3 million tons compared to 13.9 million tons in 2017. The operating income of Ukrtransnafta JSC increased by 2.25% compared to the previous year and amounted to UAH 3,873.19 million.

<sup>175</sup> State Statistics Service, Foreign trade in certain types of goods by country, 2018, [http://www.ukrstat.gov.ua/operativ/operativ2018/zd/e\\_iovt/arh\\_iovt2018.htm](http://www.ukrstat.gov.ua/operativ/operativ2018/zd/e_iovt/arh_iovt2018.htm)

## 5.3 Iron ores mining

### 5.3.1 The role of the state in iron ores mining industry

In 2018, only private companies were engaged in iron ores mining. The state-owned enterprises performed exploration, technical testing, and R&D. Such companies were:

- ▶ Directorate of Kryvyi Rih Iron Ore Enrichment Works of Oxidized Ores SE (KGZKOR Directorate SE);
- ▶ The Ukrainian Geological Company SE;
- ▶ Pivdenukrgeologiya CC.

Technical testing and research are the core operations of KGZKOR Directorate SE. The company is under the Ministry of Economic Development and Trade of Ukraine, and was supported with the budget programs funds. Iron ores mining was planned to be the main operating activity of KGZKOR Directorate SE. However, due to lack of funds to complete construction, the company does not currently carry out mining activities and is in process of rehabilitation.

Ukrainian Geological Company SE and Pivdenukrgeologiya CC operate in the field of engineering, geology and geodesy, and provide technical consulting services. The companies report to the State Service of Geology and Subsoil of Ukraine.

*Table 5.48: Use of funds under certain budget iron ore mining programs in 2018, thousand UAH<sup>176</sup>*

Name of budget program	General fund	
	Allocated funds	Funds actually used
Supporting operations of the Kryvyi Rih Iron Ore Enrichment Works of Oxidized Ores	23,850.00	55,586,925.24

### 5.3.2 Iron ores reserves

The iron ores reserves in Ukraine are mostly located in the Kryvyi Rih and Kerch iron ore basins, Bilozirsky, Kremenchuk, and Mariupol iron ores areas. The bulk of iron ores reserves is concentrated on the Ukrainian Crystal Shield in the Kryvyi Rih Iron Ore Basin.

---

<sup>176</sup> Treasury, Annual Report on the Execution of the State Budget of Ukraine for 2018 (Section II.1), <https://www.treasury.gov.ua/storage/app/uploads/public/5c9/df3/be2/5c9df3be25b13686386008.xlsx>



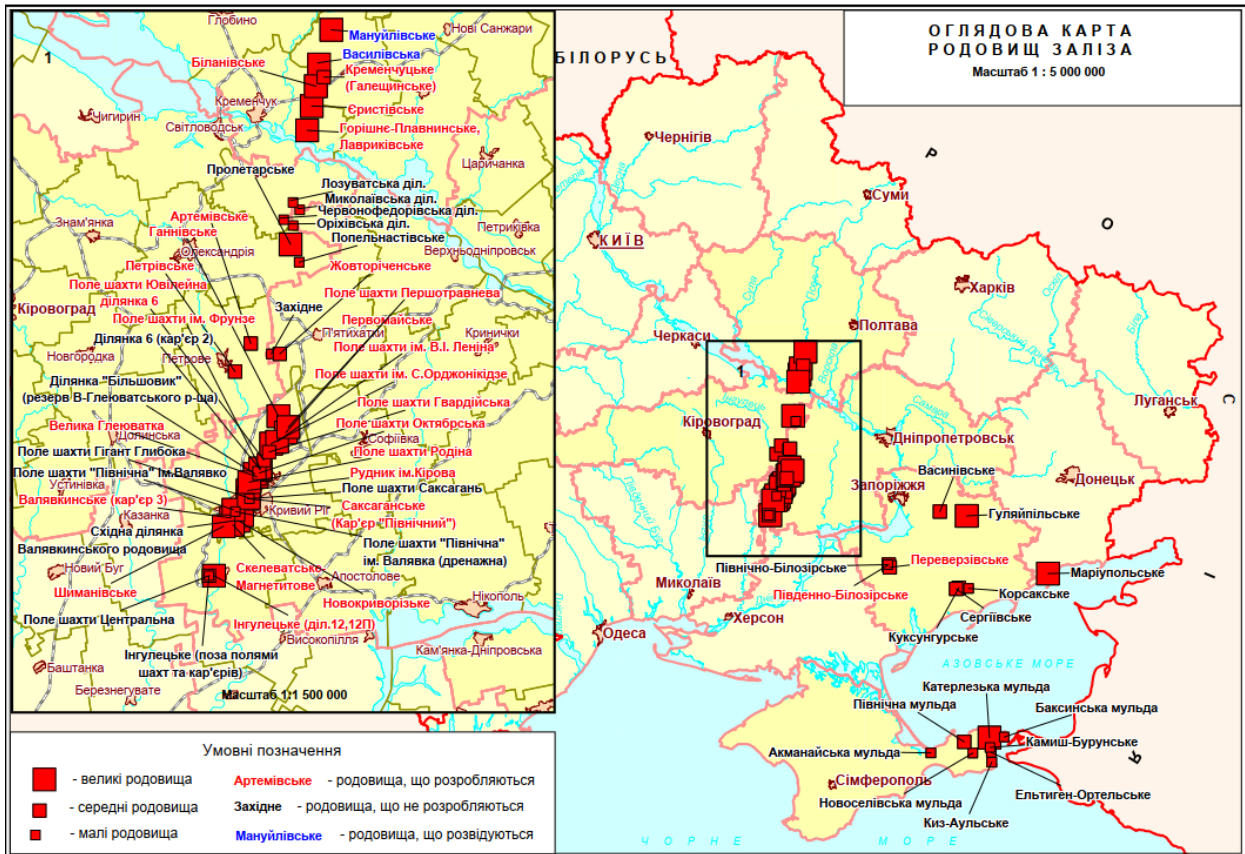


Figure 5.28: Geographical location of iron ore areas

The rich ores of the Kryvyi Rih iron ore basin are mined mainly underground, while iron quartzites are mostly excavated. Brown clay iron ores concentrated in the southern and northern parts of the Kryvyi Rih basin, are not mined due to lack of demand.

Rich ores, easily enriched magnetite and cummingtonite-magnetite quartzites are mined in the Kremenchug iron ores area. In the Bilozirsky ore area, rich ores are mined underground.

The Kerch iron ore basin with its commercial reserves of brown iron ores is located in the northeastern part of the Indolo-Kuban Depression. Since the deposits are located in a temporarily uncontrolled area, the up-to-date information is currently unavailable.

According to Geonadra, as of January 1, 2019, there were 60 iron ores deposits in Ukraine with the total balance sheet reserves of 18,877.24 million tons. More than half of Ukraine's balance sheet reserves are located in Dnipropetrovsk administrative region, 26.96% - in Poltava region, and 15.17% - in Zaporizhia region. A smaller share of the reserves is in the Autonomous Republic of Crimea (4.60%), Kirovohrad (1.74%) and Donetsk (1.50%) administrative regions.



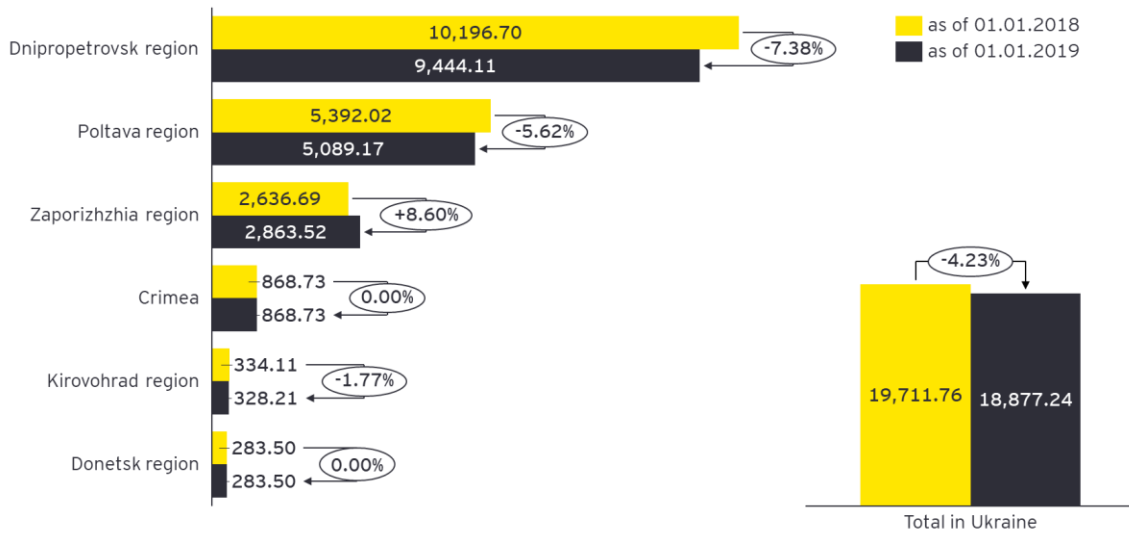


Figure 5.29: Iron ores balance sheet reserves structure by region of Ukraine as of 01.01.2018 and 01.01.2019, million tons<sup>177</sup>

### 5.3.3 Significant explorations

In 2018, the following significant iron ores deposit exploration works were underway in Ukraine:

- ▶ Rudomine LLC tested the poor iron ores reserves of the fifth iron horizon in section No 2 in the Pivdennyi quarry and estimated them as C2 reserves with capacity of 7,990.60 thousand tons.
- ▶ Economics Department of the Academy of Mining Sciences of Ukraine LLC, under the terms of reference issued by Suha Balka PrJSC, took a geological and economic assessment of rich iron ores and magnetite ferrous quartzites reserves in the field of the Juvileina mine at a depth of 500-1580 m.
- ▶ Geological exploration works at 4 deposits: Hulyaypilske, Valyavkynske, Popelnastivske and Chortomlykske deposits are performed by Pivdenukrgeologia CE. In 2018, the works on the sites were under conservation.
- ▶ The Ukrainian Geological Company SE is making a geological survey and assessment of three iron ores deposits in the Middle Pobuzhya: Pishchanske, Saranske, Baibuzivske. From 2011 to 2018, the works were under conservation due to limited funding.

According to the Development of Mineral Resources budget program, in 2018, the State Service of Geology and Subsoil of Ukraine spent UAH 5,808.00 thousand for metallic minerals exploration and prospecting works (other than additional exploration and extension)<sup>178</sup>.

<sup>177</sup> Geoinform of Ukraine, State Balance Sheet of Mineral Reserves of Ukraine, 2018

<sup>178</sup> Report on the implementation of the budget program passport for 2018, <https://bit.ly/3qHieGY>

### 5.3.4 Volumes and the cost of iron ores mining

#### 5.3.4.1 Volumes of iron ores mining

The total volume of iron ores mined in 2018 decreased by 5.32% compared to the previous year and was 152.65 million tons. Since 2014, a downward trend in iron ores mining has been observed. The decrease in the volume of iron ores mined is 13.29% since 2014.

In 2018, the bulk of iron ores was mined in the Dnipropetrovsk region (74.22%, or 113.29 million tons). In second top was Poltava administrative region, where 19.14% or 29.22 million tons of iron ores was mined. Less iron ores was mined in Kirovohrad and Zaporizhia regions - 3.78% and 2.87%, respectively.

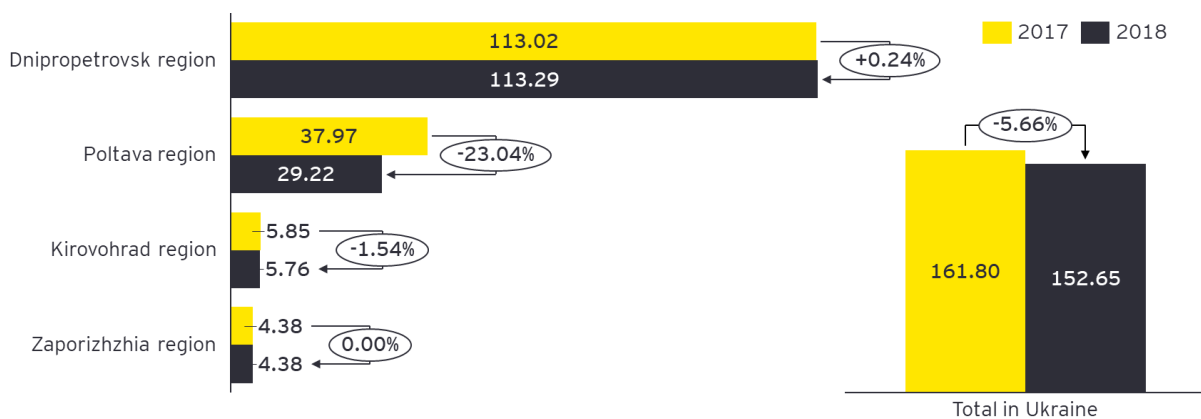


Figure 5.30: Volumes of iron ore mining in Ukraine by region in 2017-2018, million tons<sup>179</sup>

In 2018, iron ores mining was carried out by 11 enterprises in 8 mines and 14 deposits. The largest volume was mined by the following companies: Southern Mining Factory JSC (27,212.40 thousand tons), Ingulets Iron Ores Enrichment Works PrJSC (27,043.14 thousand tons) and Northern Iron Ores Enrichment Works PrJSC (23,503.00 thousand tons).

The largest decline in production demonstrated Ferrexpo Poltava mining PrJSC. The volume of iron ores mined decreased by 9,125.00 thousand tons, or by 34.44% compared to the previous year. And the largest increase in the volume of iron ores mined was observed in Ingulets Iron Ore Enrichment Works PrJSC - by 1,003.04 thousand tons or 3.85% compared to 2017. The detailed information is presented below (**Table 5.49**).

Provided that iron ores mining rate remains at the level of 2018, the balance sheet reserves would be sufficient for 123 years.

<sup>179</sup> Geoinform of Ukraine, Yearbook "Mineral Resources of Ukraine", 2018, [http://geoinf.kiev.ua/M\\_R\\_2018\\_1.pdf](http://geoinf.kiev.ua/M_R_2018_1.pdf)

Table 5.49: Volumes of iron ore mining by enterprise and deposit in 2016-2018<sup>180</sup>

№	Company	Deposit	Production volumes, thousand tons		
			2016	2017	2018
1	ArcelorMittal Kryvyi Rih PJSC	field of the mine named after Artem (former Kirov mine)	755.00	673.00	820.00
		Novokryvorizkw deposit (southern section)	8,764.00	9,526.00	9,373.00
		Valyavkynske deposit (southern section)	11,679.00	11,277.00	11,758.00
2	Mariupol Metallurgical Plant named after Ilyich PJSC <sup>181</sup>	Saksaganske deposit (Pivnichny quarry)	546.10	580.40	733.20
3	Suha Balka PrJSC	Jubileina mine	1,641.60	1,813.60	1,837.00
		mine named after Frunze	988.70	951.50	876.70
4	Central Iron Ore Enrichment Works PrJSC	Velyka Gleyuvatka deposit	4,828.00	5,059.00	4,916.00
		Mine named after Ordzhonikidze	1,312.00	1,279.00	1,209.00
		Petrivske deposit	4,081.00	4,002.00	3,851.00
		Artemivske deposit	1,660.00	1,845.00	1,912.00
5	Ingulets Iron Ore Enrichment Works PrJSC	Inguletske deposit (sites 12, 12P)	27,368.70	26,040.10	27,043.14
6	Southern Iron Ore Enrichment Works JSC	Skelevatsko-Magnetytove deposit	25,823.40	26,918.40	27,212.40
7	Nothern Iron Ore Enrichment Works PrJSC	Pervomaiske deposit	17,129.00	18,236.00	17,567.00
		Hannivske deposit	7,806.00	6,398.00	5,936.00
8	Kryvyi Rih Iron Ore Plant PJSC	Ternivska mine (named after Lenin)	1,200.00	1,201.00	1,084.20
		Hvardiyska mine	1,340.20	1,330.10	1,433.20
		Oktyabrskaya mine	1,187.80	1,077.50	873.60
		Rodina mine	1,233.50	1,243.80	1,354.90
9	Foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC	Pivdenno-Bilozerske deposit	4,220.00	4,119.00	3,940.00
		Pereverzivske deposit	138.00	264.00	439.00
10	Poltava Iron Ore Enrichment Works PrJSC	Horishne-Plavninske-Lavrykivske deposit	27,864.00	26,499.00	17,374.00
11	Yerystiv Iron Ore Enrichment Works LLC	Erystivske deposit	12,989.00	11,471.00	11,841.00

### 5.3.4.2 The cost of iron ore mining

The State Statistics Service provides no publicly available disaggregated data on the value of the products of the iron ores mining industry. The best estimate in the open sources is the value of output of goods and services under the economic activity "Mining of metal ores, other

<sup>180</sup> Geoinform of Ukraine, State Balance Sheet of Mineral Reserves of Ukraine, Iron Ores (Issue 34), 2019

<sup>181</sup> According to Geoinform of Ukraine, in 2018, additional 733.20 thousand tons of iron ores (and 580,40 thousand tons in 2017, 546.10 thousand tons in 2016) were extracted at the Saksaganske deposit (quarry Pivnichny) of Mariupol Metallurgical Plant named after Ilyich PJSC. These volumes are not included in the total volume of extracted iron ores in Ukraine

minerals and quarrying, as well as the provision of ancillary services in the field of mining and quarrying" (KVED-2010 code - B07-B09), with the total value of UAH 212,751 million<sup>182</sup>. However, these data are highly aggregated and cover a number of sectors, including mining of iron ore, manganese ore, titanium ore, refractory clay, refractory clay, quartz sand, building stone.

The Independent Administrator, seeking more detailed information, prepared a request to the State Statistics Service on the volume of sales of products (goods and services) by type of economic activity under KVED-2010. According to the data received from the State Statistics Service, the metal ore mining sector (economic activity B07 "Metal ores mining") sold the products worth a total of UAH 142,962.67 million in 2018. The value of the products of the iron ores mining sector (economic activity B07.1 "Iron ores mining") amounted to UAH 128,674.91 million.

**Table 5.50: Revenues from sales of marketable products of metal ore mining industries in 2018<sup>183</sup>**

Type of economic activity	NACE-2010 code	Revenue from sales of marketable products, UAH million
<b>Total</b>	<b>B07-B09</b>	<b>182,154.74</b>
<b>I. Metal ores mining</b>	<b>B07</b>	<b>142,962.67</b>
1. Iron ore mining	B07.1	128,674.91
2. Non-ferrous metal ores mining	B07.2	14,287.76
<b>II. Extraction of other minerals and quarrying</b>	<b>B08</b>	<b>27,943.81</b>
<b>III. Provision of ancillary services in the field of mining and quarrying</b>	<b>B09</b>	<b>11,248.25</b>

The calculation of the value of the iron ores mined in Ukraine in 2018 by the Independent Administrator was impossible because the metal ore mining industry is export-oriented in Ukraine and because there is a range of iron ores with different level of enrichment.

As part of the preparation of the EITI Report, the reporting companies<sup>184</sup> provided information on their total revenue from the sale of marketable products. Thus, the total revenue of the reporting companies in the iron ores mining industry amounted to UAH 116,809.76 million (net of VAT). The detailed information is presented in the table below (**Table 5.51**).

<sup>182</sup> State Statistics Service, "Input-output" Table 2018 (in consumer prices), [http://www.ukrstat.gov.ua/operativ/operativ2006/vvp/vitr\\_vip/vitr\\_u/arh\\_vitr\\_u.html](http://www.ukrstat.gov.ua/operativ/operativ2006/vvp/vitr_vip/vitr_u/arh_vitr_u.html)

<sup>183</sup> The information in the table was received in response to the Independent Administrator's request to the State Statistics Service

<sup>184</sup> As part of the preparation of the EITI Report 2018, a list of reporting companies subject to reconciliation of payments was identified (for more details, see **Section 8**)

**Table 5.51: Revenues from sales of marketable products produced by the iron ore mining reporting companies in 2018<sup>185</sup>**

Company	Volumes of mining, thousand tons	Sales of marketable products, thousand tons	Revenue from sales of marketable products in the territory of Ukraine (net of VAT), UAH million	Revenue from exports of marketable products (net of VAT), UAH million
Ingulets Iron Ore Enrichment Works PrJSC	28,065.00	11,124.41	13,768.76	4,938.05
Central Iron Ore Enrichment Works PrJSC	12,558.80	4,255.15	138.91	11,199.88
Southern Mining Factory JSC	26,800.50	12,187.34	6,682.34	14,484.15
Northern Iron Ore Enrichment Works PrJSC	24,022.00	10,356.11	16,689.49	9,413.10
Yerystiv Iron Ore Enrichment Works LLC	11,945.00	4,834.81	244.95	8,458.96
Krivoy Rog`s Iron-Ore Combine PJSC	5,799.70	4,320.59	1,559.96	3,430.20
ArcelorMittal Kryvyi Rih PJSC	42,445.30	2,238.69	0.00	3,484.33
Ferrexpo Poltava mining PrJSC	20,911.75	6,987.80	0.00	18,798.46
The foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC	4,552.00	4,464.63	1,740.02	1,778.18
<b>Total</b>	<b>177,100.05</b>	<b>60,769.53</b>	<b>40,824.44</b>	<b>75,985.31</b>

### 5.3.5 Exports and imports of iron ores and iron ores products

In 2018, Ukraine exported 21,207.08 thousand tons of non-agglomerated iron ores and concentrates worth USD 1,257.96 million. The exports decreased by 5.60% compared to 2017 (22,466.24 thousand tons). The destination countries with the largest supply of non-agglomerated iron ores and concentrates include China (29.98%), the Czech Republic (21.52%), Poland (20.96%), Slovakia (13.06%) and others.

<sup>185</sup> According to the information provided by the reporting companies

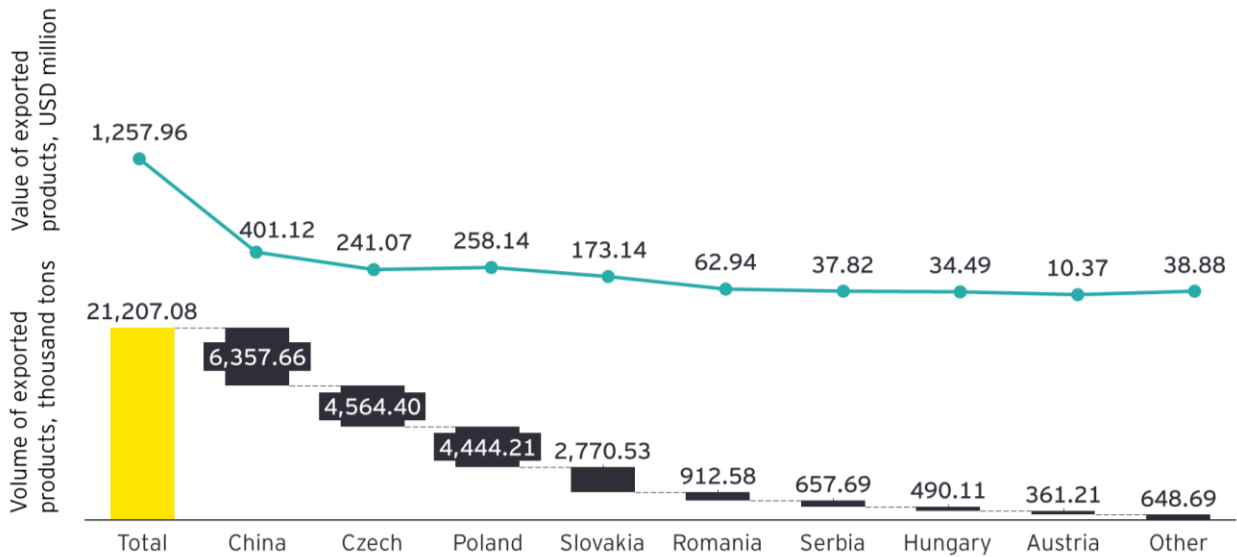


Figure 5.31: Exports of non-agglomerated iron ore and concentrates in physical and monetary units in 2018<sup>186</sup>

The volume of exports of agglomerated ores and iron concentrates reached 15,698.23 thousand tons worth USD 1,611.07 million in 2018. The exports in 2018 increased by 5.06% compared to the previous year. As in 2017, the agglomerated iron ores and concentrates was exported to Austria (16.25%) and China (15.21%), as well as Germany (9.78%) and Slovakia (9.92%).

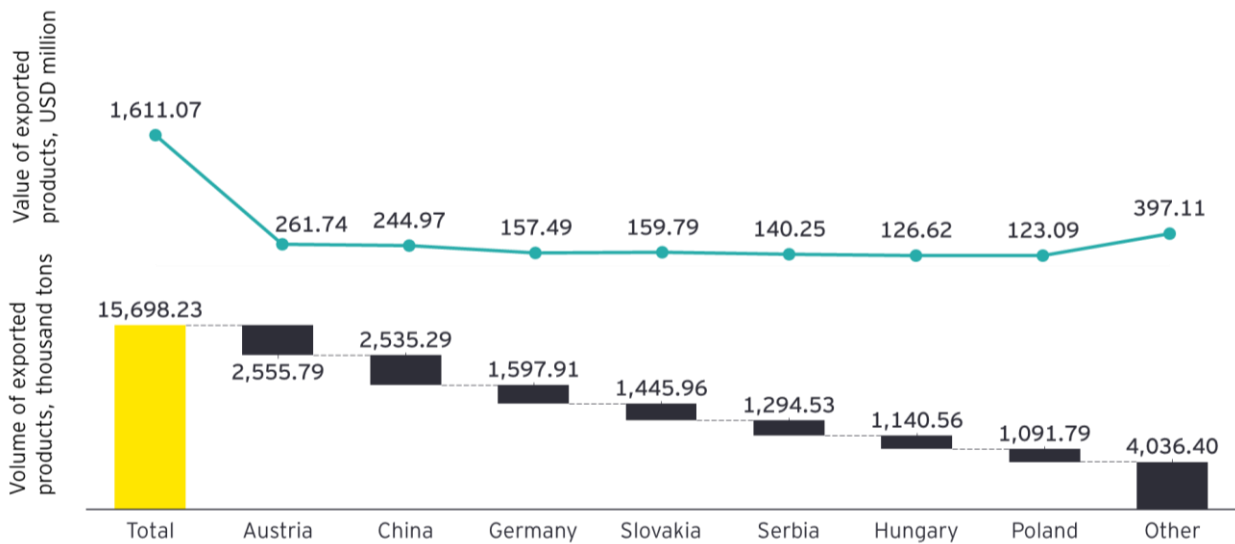


Figure 5.32: Exports of agglomerated iron ore and concentrates in physical and monetary units in 2018<sup>187</sup>

<sup>186</sup> State Statistics Service, Foreign trade in certain types of goods by country, 2018, [http://www.ukrstat.gov.ua/operativ/operativ2018/zd/e\\_iovt/arh\\_iovt2018.htm](http://www.ukrstat.gov.ua/operativ/operativ2018/zd/e_iovt/arh_iovt2018.htm)

<sup>187</sup> State Statistics Service, Foreign trade in certain types of goods by country, 2018, [http://www.ukrstat.gov.ua/operativ/operativ2018/zd/e\\_iovt/arh\\_iovt2018.htm](http://www.ukrstat.gov.ua/operativ/operativ2018/zd/e_iovt/arh_iovt2018.htm)

In 2018, Ukraine imported 109.06 thousand tons of non-agglomerated iron ores and concentrates worth USD 7.98 million. The year to year increase is 53.23%. Russia remained the main supplier, having the predominant share in the volume of imports - 99.80% (108.85 thousand tons). Imports of agglomerated iron ores and concentrates decreased by 98.82% in 2018 compared to 2017 and amounted to 2.67 thousand tons worth USD 316.06 thousand. All imports were from Russia.

**Conclusions to the section**

As of the end of 2018, Ukraine had 60 iron ores deposits with the total balance sheet reserves of 18,877.24 million tons.

In 2018, iron ores were mined by 11 enterprises at 14 deposits. The total production volume amounted to 152.65 million tons, which is 5.32% less than in the previous year. Most iron ores were mined by Southern Mining Factory JSC, Ingulets Iron Ores Enrichment Works PrJSC and Northern Iron Ores Enrichment Works PrJSC.

The volume of exports of non-agglomerated iron ores and concentrates in 2018 was 21,207.08 thousand tons and the volume of exports of agglomerated iron ores and concentrates - 15,698.23 thousand tons. The volume of imports of iron ores and concentrates, both non-agglomerated and agglomerated, remained relatively insignificant - 109.06 thousand tons and 2.67 thousand tons, respectively.

## 5.4 Titanium ores mining

### 5.4.1 Role of the state in titanium ores mining industry

In Ukraine, the titanium ores mining industry includes both public and private sector companies. The country does not yet have an approved sector development strategy. However, the increase in titanium ores mining and output expansion is of strategic importance for Ukraine's economy and exports and provide relative advantages in international markets. According to the Nationwide Mineral Resources Base Development Program of Ukraine for the Period till the Year 2030<sup>188</sup>, the problem of the titanium mining industry in Ukraine is the shortage of ores with fresh ilmenite to get high quality and competitive pigments. The effective operation of such deposits is only possible with construction of new mines and concentrators, which requires significant investment and time.

The state-owned enterprise United Mining and Chemical Company JSC, founded by the Ministry of Development of Economy, Trade and Agriculture of Ukraine, is engaged in titanium ores mining. In May 2018, the company was included in the list of large state-owned objects to be privatized in 2018<sup>189</sup>, however as of January 1, 2019, the company is still in state ownership.

The company taps mineral resources at the Mezhyrichanske and Malyshevsky deposits in the Zhytomyr and Dnipropetrovsk regions, respectively. The company includes two branches: Vilnohirsky Mining and Processing Plant and Irshansky Mining and Processing Plant. According to the United Mining and Chemical Company JSC, the company received no support, no loans or loan guarantees from the state. No budget programs to support the industry were planned or implemented in 2018. According to the information provided by the company, the uncovered loss as of January 1, 2018 was UAH 15,067 thousand, and as of December 31, 2018 - UAH 115,087 thousand.

### 5.4.2 Titanium ores reserves

Ukraine's titanium raw material base is strong. Ukrainian titanium metallogenic province covers the northeastern part of the Ukrainian Crystal Shield, the Dnieper-Donetsk depression and part of the southwestern slope of the Voronezh crystalline massif. The major titanium resources are concentrated in primary deposits, however now titanium is mined only from placer deposits in Ukraine. Currently, commercial titanium production takes place in the coastal-marine placers in the central part of Ukraine (Malyshevsk deposit) and continental placers (Mezhyrichne, Livoberezhne, Pravoberezhne and others that make up the Irshanska group of deposits). The titanium ores raw material base includes more than 40 deposits, including one unique, 13 large and 10 medium deposits.

The key titanium ores reserves in Ukraine are concentrated in the deposits of the following 4 geological categories: (1) Volyn type - primary magmatogenic in gobronorites and tactolites apatite-ilmenite deposits; (2) Irshansky type - one or two mineral component placers; (3)

---

<sup>188</sup> Law of Ukraine of 21.04.2011 "On approval of the Nationwide Mineral Resources Base Development Program of Ukraine for the Period till the Year 2030" <https://zakon.rada.gov.ua/laws/show/3268-17#Text>

<sup>189</sup> According to the Ordinance of the Cabinet of Ministers of Ukraine of May 10, 2018 No 358-r



Malyshevsky type - marine placers with complex rutile-zircon-ilmenite (polymineral) composition; (4) exogenous (residual) ilmenite deposits in the weathering crust.

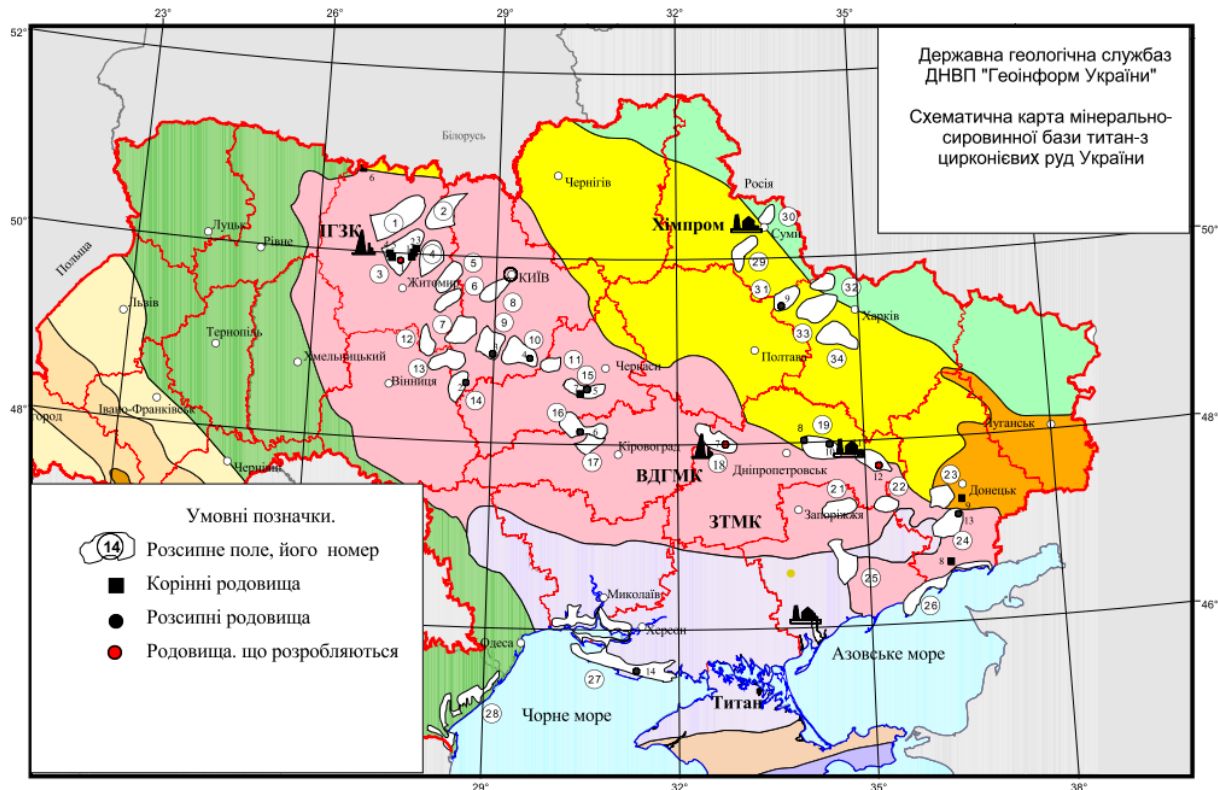


Figure 5.33: Mineral resources base of zirconium-titanium ores in Ukraine <sup>190</sup>

The Order of the Security Service of Ukraine dated 12.08.2005 No 440 determined the information on the balance sheet reserves of titanium ores in Ukraine a state secret. For this reason, no official data of Geonadra on the volume of titanium ores reserves are freely available. According to the US State Geological Survey, as of 2018, Ukraine has 1.02% of the world's proven reserves of titanium or 2,500 thousand tons of rutile and 5,900 thousand tons of ilmenite.

### 5.4.3 Significant explorations

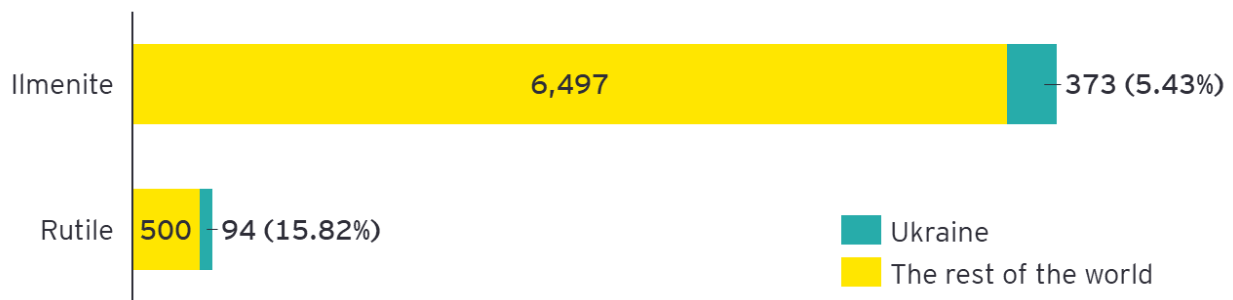
Exploration activities for titanium ores mining are performed by Zhytomyrburozvidka LLC, 90% of which is owned by Nadra of Ukraine NJSC, a state-owned company administered by the Cabinet of Ministers of Ukraine. There is no publicly available information on the scope of exploration work carried out by the company in 2018. Private companies did not publish the data on their exploration work in 2018 either. In addition, during 2018, no special permit was issued for titanium ores geological prospecting and exploration.

<sup>190</sup> State Geology Service of Ukraine, <https://www.geo.gov.ua/wp-content/uploads/2018/06/09titan.pdf>

## 5.4.4 Volumes and the cost of titanium ores mining

### 5.4.4.1 Volumes of titanium ores mining

According to the US Geological Survey, in 2018, the production of titanium concentrates in Ukraine was 6.26% of the world production or 467 thousand tons, including 373 thousand tons of ilmenite concentrate and 94 thousand tons of rutile concentrate. Thus, Ukraine is among the top 15 countries in the world that produce titanium concentrates. In 2018, the production of titanium sponge in Ukraine, according to the US Geological Survey, amounted to 8 thousand tons, while the world production reached 192 thousand tons.



**Figure 5.34: Volumes of titanium concentrate production in Ukraine and the world in 2018, thousand tons<sup>191</sup>**

In 2018, 11 enterprises engaged in titanium ores mining in Ukraine had special permits for subsoil use (titanium ores, apatite-ilmenite ores and zirconium-rutile-ilmenite alluvials and sands). The volume of production of the United Mining and Chemical Company JSC, a state-owned enterprise, was 1,592 tcm of titanium ores and 4,559 tcm of zircon-rutile-ilmenite sands in 2018. In addition, titanium ores were also mined by private companies. The leader is Velta LLC (Birzulivske and Likarivske deposits), followed by Mizhrichensky Mining and Processing Plant LLC (Mezhyrichne deposit), and Demurinsky Mining and Processing Plant LLC (Vovchanske deposit), and Valky-Ilmenit LLC (Valky-Gatskivske and Stremyhorodske deposits).

### 5.4.4.2 The cost of titanium ores mining

The disaggregated data of the State Statistics Service on the value of the titanium ores industry output are not available in public sources. The best publicly available estimate is the output of goods and services produced within the category of economic activity "Extraction of metal ores, other minerals and quarrying, and provision of ancillary services in mining industry and quarrying" (NACE-2010 code B07-B09). The indicator is equal to UAH 212,751 million<sup>192</sup>. This aggregate type of economic activity includes, among others, the titanium ores mining industry.

<sup>191</sup> US Geological Survey, 2020, <https://pubs.usgs.gov/periodicals/mcs2020/mcs2020.pdf>

<sup>192</sup> State Statistics Service, "Input-output" Table 2018 (in consumer prices), [http://www.ukrstat.gov.ua/operativ/operativ2006/vvp/vitr\\_vip/vitr\\_u/arh\\_vitr\\_u.html](http://www.ukrstat.gov.ua/operativ/operativ2006/vvp/vitr_vip/vitr_u/arh_vitr_u.html)

In order to get more detailed data, the Independent Administrator prepared an information request to the State Statistics Service. In response, the data were obtained on the volume of sales (goods and services) by type of economic activity according to NACE-2010. According to the data, the metal ores mining industry (type of economic activity B07 "Metal ores mining") sold products with a total value of UAH 142,962.67 million in 2018. Of these, sales of non-ferrous metal ores (NACE-2010 B07.2), which includes the titanium ores industry, is UAH 14,287.76 million, or 9.99% of the total sales of the entire metal ores mining industry (for more details, see **Section 5.3.4.2**).

As part of the preparation of this EITI Report 2018, the data provided by the reporting companies<sup>193</sup> were used as an alternative source of information. The United Mining and Chemical Company JSC, whose authorized capital is 100% owned by the state, is the largest company in the titanium ores mining industry in Ukraine. According to the data received from the company, the sales of rutile and ilmenite concentrates amounted to 206.41 thousand tons, of which 22.26 thousand tons were sold in Ukraine and 184.15 thousand tons were exported. The revenue of the United Mining and Chemical Company JSC from the sale of marketable products within the territory of Ukraine amounted to UAH 187.85 million (net of VAT) in 2018, while the export income was almost 8 times higher and totaled UAH UAH 1,465.31 million (net of VAT).<sup>194</sup>

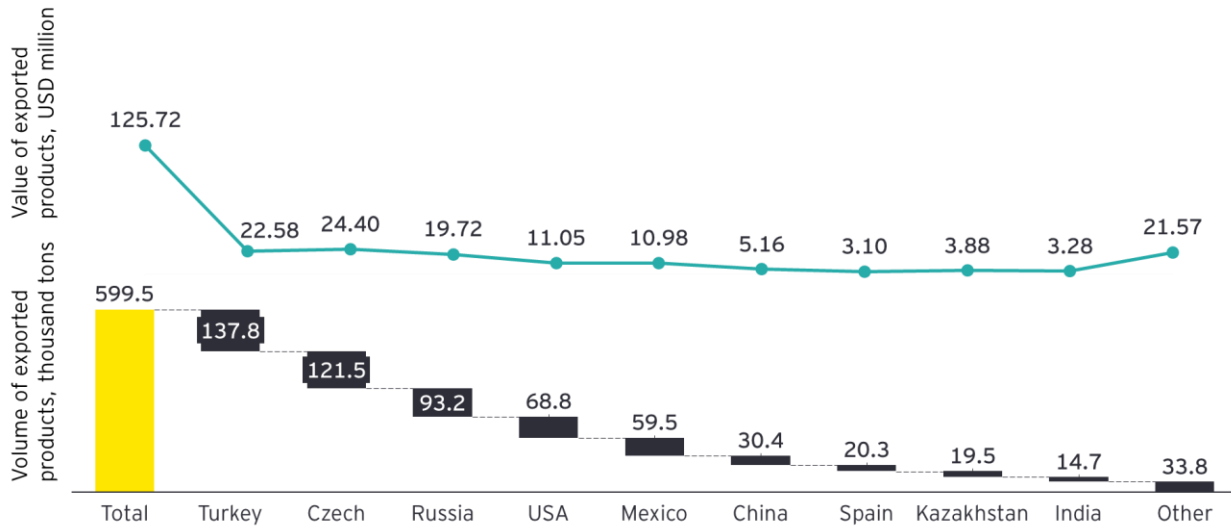
#### 5.4.5 Export and import of titanium ores

In 2018, the volume of exports of titanium ores from Ukraine increased by 2.69% compared to 2017 and amounted to 599.49 thousand tons worth USD 125.72 million. Titanium ores were exported to 36 countries, with the following leaders: Turkey - 22.99% of the total (137.83 thousand tons worth USD 22.58 million), the Czech Republic - 20.27% (121.5 thousand tons worth USD 24.40 million), Russia - 15.54% (93.18 thousand tons worth USD 19.72 million). Other export destinations included the United States (68.85 thousand tons worth USD 11.05 million), Mexico (59.46 thousand tons worth USD 10.98 million), China (30.43 thousand tons worth USD 5.16 million), Spain (20.30 thousand tons worth USD 3.10 million) and other countries.

---

<sup>193</sup> As part of the preparation of the EITI Report 2018, a list of reporting companies subject to reconciliation of payments was drawn up (for more details, see *Section 8*).

<sup>194</sup> According to the information received from the United Mining and Chemical Company JSC received in the process of preparing the EITI Report 2018



**Figure 5.35: Exports of titanium ores and concentrates by country in physical and monetary units in 2018<sup>195</sup>**

The volume of imports of titanium ores amounted to 15.87 thousand tons worth USD 3.14 million in 2018 compared to 0.20 thousand tons worth USD 0.14 million in 2017. Almost all titanium ores and concentrates were imported from Senegal (99.99% of the total), and another supplier was Mozambique (0.01%).

### Conclusions to the section

The titanium ores deposits in Ukraine, being unique in their structure and reserves, are highly important for the Ukrainian economy. The industry requires efficient development of geological exploration and innovative technologies to increase the titanium ores mining and production of titanium sponge and titanium dioxide. With proper support to the industry and the development strategy, Ukraine would be able to become a key player in the international titanium products market.

According to the U.S. Geological Survey, in 2018 the volumes of titanium ores mining in Ukraine reached 467 thousand tons, or 6.26% of world production. 14 of 40 titanium ores deposits are being developed in Ukraine. In 2018, 11 companies in the industry had special subsoil use permits.

In 2018, Ukraine exported titanium ores and concentrates to 36 countries. The total volume of exports is 599.49 thousand tons, or 2.69% more than in 2017. Imports were insignificant, and Ukraine remained a net exporter of titanium ores and concentrates.

<sup>195</sup> State Statistics Service, Foreign trade in certain types of goods by country, 2018, [http://www.ukrstat.gov.ua/operativ/operativ2018/zd/e\\_iovt/arh\\_iovt2018.htm](http://www.ukrstat.gov.ua/operativ/operativ2018/zd/e_iovt/arh_iovt2018.htm)

## 5.5 Manganese ores mining

### 5.5.1 Role of the state in the manganese ores mining industry

The Ukrainian manganese ores mining is represented by three private enterprises, namely Pokrovskiy GZK JSC, Marganets GZK JSC and Lanshaft LLC.

No state programs to support the industry were implemented during 2018.

### 5.5.2 Manganese ores reserves

In Ukraine, significant manganese ore reserves have been found in the northeastern part of the Black Sea basin, where they form the Nikopol manganese ore basin.

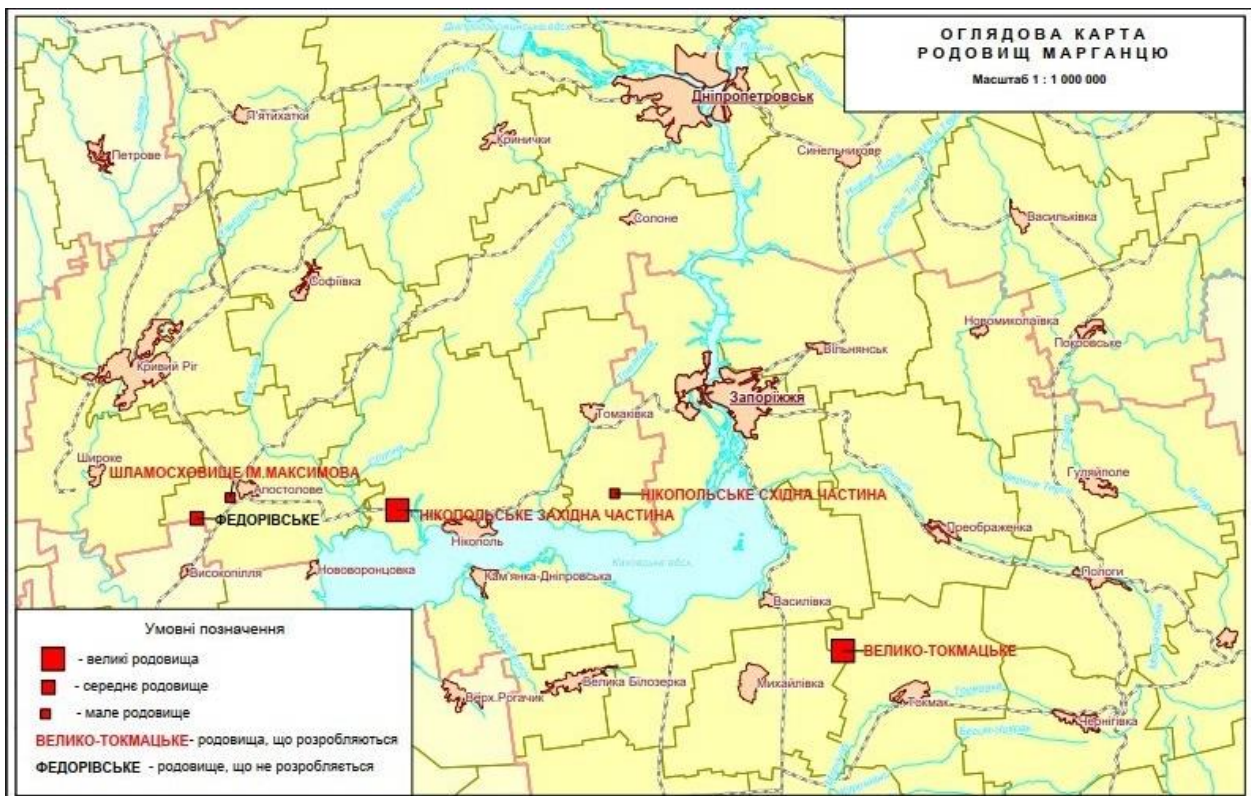
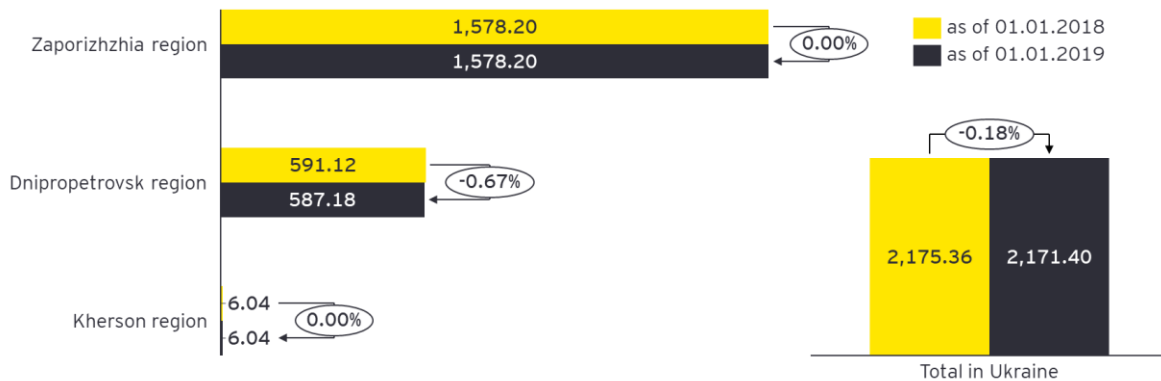


Figure 5.36: Geographical location of manganese ore areas

The thickness of the ore horizon in the basin varies from a few centimeters to 6 m, and the depth varies from 10 to 140 m. In terms of mineral composition, there are three commercial types of manganese ores: oxide, carbonate and oxide-carbonate (mixed). The Nikopol basin includes the Nikopol, Velyko-Tokmatske and Fedorivske deposits. The state balance sheet of mineral reserves also records the reserves of the man-made Maximov Sludge Deposit.



**Figure 5.37: Balance sheet reserves of manganese ore by region of Ukraine as of 01.01. 2018 and 01.01.2019, million tons<sup>196</sup>**

According to Geoinform of Ukraine, the total balance sheet reserves of manganese ores in Ukraine amounted to 2,171.40 million tons as of January 1, 2019. They are mostly located in the territory of Zaporizhia and Dnipropetrovsk administrative regions - 72.68% and 27.04%, respectively. Insignificant reserves of manganese ores also occur in the Kherson region (**Figure 5.37**).

### 5.5.3 Significant explorations

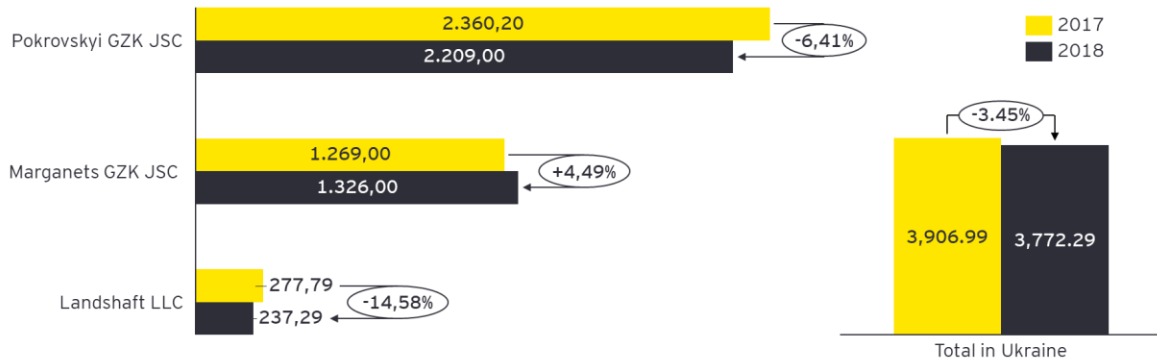
According to the Geoinform of Ukraine, no significant exploration work was carried out on manganese ore deposits during 2018.

### 5.5.4 Volumes and the cost of manganese ores mining

#### 5.5.4.1 Volumes of manganese ores mining

According to Geoinform of Ukraine, a total of 3,772.29 thousand tons of manganese ores were mined in 2018, which is 3.45% less than in 2017. In terms of administrative regions, manganese ore mining was carried out only in the Dnipropetrovsk region by three companies: Pokrovskiyi GZK JSC, Marganets GZK JSC and Lanshaft LLC (**Figure 5.38**).





**Figure 5.38: Dynamics of manganese ore mining in Ukraine in 2017-2018, thousand tons<sup>197</sup>**

Of the three companies, the leader is Pokrovskiy GZK JSC, with 2,209.00 thousand tons of manganese ores (58.56%) mined. The second top is Marganets GZK JSC. It extracted 1,326.00 thousand tons, or 35.15% of the total production. Moreover, it is the only company which demonstrated an increase in volume of production in the reporting period - by 4.49% compared to 2017. Landshaft LLC accounted for 6.29% of the total volume of manganese ores mined in Ukraine.

With the current volumes of production, the Ukrainian balance sheet reserves of manganese ores will be sufficient for 576 years.

#### 5.5.4.2 The value of manganese ores mined

There are no disaggregated data on the value of manganese ores mining in public sources. The best estimate publicly available is the output of goods and services under the economic activity "Extraction of metal ores, other minerals and quarrying, as well as the provision of ancillary services in the mining industry and quarrying" (NACE-2010 code B07-B09), which is UAH 212,751 million<sup>198</sup>.

To obtain the detailed information, the Independent Administrator prepared an information request to the State Statistics Service. In response, the State Statistics Service provided data on the value of sold products (goods and services) by type of economic activity according to NACE-2010. According to the data received, the metal ore mining industry (type of economic activity B07 "Metal ore mining") in 2018 sold products worth UAH 142,962.67 million. Of these, the value of sales of non-ferrous metal ore mining (type of economic activity B07.2 "Non-ferrous metal ore mining"), which includes the manganese ore mining, is UAH 14,287.76 million (for more details, see **Section 5.3.4.2**).

The Independent Administrator performed no calculation of the value of manganese ore mined in the country, as most domestic companies in the industry sell ores with different levels of enrichment.

<sup>197</sup> Geoinform of Ukraine, State Balance Sheet of Mineral Reserves of Ukraine, Manganese Ore (Issue 53), 2018

<sup>198</sup> State Statistics Service, "Input-output" table for 2018 (in consumer prices), for more information, please, see: [http://www.ukrstat.gov.ua/operativ/operativ2006/vvp/vitr\\_vip/vitr\\_u/arh\\_vitr\\_u.html](http://www.ukrstat.gov.ua/operativ/operativ2006/vvp/vitr_vip/vitr_u/arh_vitr_u.html)

As an alternative approach to estimating the value of manganese ore extraction products, the information provided by the reporting companies was used,<sup>199</sup> namely:

- ▶ Marganets GZK JSC;
- ▶ Pokrovskiy GZK JSC.

The total revenue from sales of marketable products of these companies is shown in the table below (*Table 5.52*).

*Table 5.52: Revenue from the sale of marketable products produced by the reporting companies in the manganese ore mining industry in 2018<sup>200</sup>*

Company	Volumes of mining, thousand tons	Sales of marketable products, thousand tons	Revenue from sales of marketable products in the territory of Ukraine (net of VAT), UAH million	Revenue from exports of marketable products (net of VAT), UAH million
Marganets GZK JSC	1,373.30	561.54	1,201.66	0.00
Pokrovskiy GZK JSC	2,315.50	975.81	2,727.56	154.95
<b>Total</b>	<b>3,688.80</b>	<b>1,537.35</b>	<b>3,929.21</b>	<b>154.95</b>

### 5.5.5 Exports and imports of manganese ores

According to the State Statistics Service, the volume of exports of manganese ores and concentrates in 2018 amounted to 59.60 thousand tons worth USD 3.83 million and decreased by 31.13% compared to 2017. The destination countries for manganese ores and concentrates remained the unchanged: they include Hungary - 37.81% of the total (22.54 thousand tons worth USD 1.54 million), Slovakia - 24.96% (14.88 thousand tons worth USD 0.83 million), the Czech Republic - 22.83% (13.61 thousand tons worth USD 0.89 million), Russia - 8.97% (5.35 thousand tons worth USD 0.40 million), Georgia - 4.75% (2.83 thousand tons worth USD 0.12 million), Poland - 0.67% (0.40 thousand tons worth USD 0.05 million).

The volume of imports of manganese ores and concentrates in 2018 also decreased and amounted to 938.95 thousand tons worth USD 182.80 million. The drop in imports was 27.94% in volume, and 18.19% in value. In 2018, as in 2017, the largest trading partner was Ghana - 66.14% of the total Ukrainian imports (621.05 thousand tons). The second top is Russia, which imported 14.59% of the total (136.99 thousand tons), followed by South Africa - 12.46% of the total imports to Ukraine (117.00 thousand tons). Other supplier countries include Brazil, Georgia, India, and the United States.

<sup>199</sup> As part of the preparation of the EITI Report 2018, a list of reporting companies subject to reconciliation of payments was identified (for more details, see **Section 8**).

<sup>200</sup> According to the information provided by the reporting companies



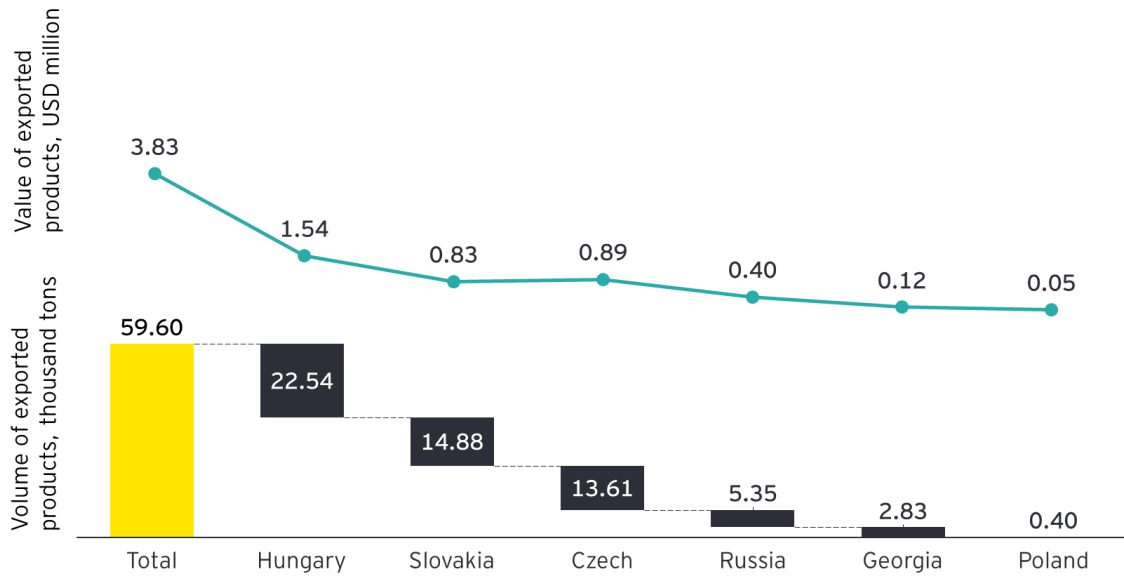


Figure 5.39: Exports of manganese ore and concentrates by country in physical and monetary units in 2018<sup>201</sup>

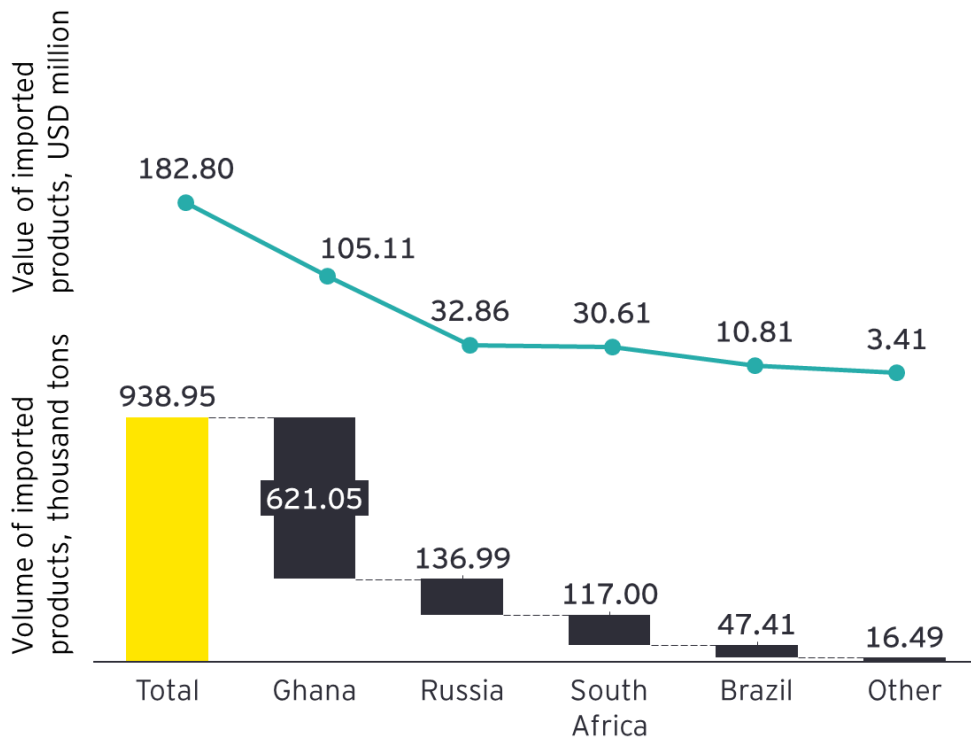


Figure 5.40: Imports of manganese ore and concentrates by country in physical and monetary units in 2018<sup>202</sup>

<sup>201</sup> State Statistics Service, Foreign trade in certain types of goods by country, 2018, [http://www.ukrstat.gov.ua/operativ/operativ2018/zd/e\\_iovt/arh\\_iovt2018.htm](http://www.ukrstat.gov.ua/operativ/operativ2018/zd/e_iovt/arh_iovt2018.htm)

<sup>202</sup> State Statistics Service, Foreign trade in certain types of goods by country, 2018, [http://www.ukrstat.gov.ua/operativ/operativ2018/zd/e\\_iovt/arh\\_iovt2018.htm](http://www.ukrstat.gov.ua/operativ/operativ2018/zd/e_iovt/arh_iovt2018.htm)

**Conclusions to the section**

Ukraine is the second country in the world in terms of its total reserves and the world leader in proven reserves of manganese ores. As of the end of 2018, the total balance sheet reserves amounted to 2,171.40 million tons, the bulk of which is located in the Zaporizhia and Dnipropetrovsk administrative regions.

Manganese ore was mined only in the Dnipropetrovsk region. The total volume of manganese ores mined in 2018 amounted to 3,777.29 thousand tons, which is 3.45% less than in the previous year. The leader is Pokrovskiy GZK JSC, with 2,209.00 thousand tons of manganese ores extracted in 2018.

In 2018, Ukraine remained a net importer of manganese ore and concentrates - 938.95 thousand tons worth USD 182.80 million were imported. The volume of exports amounted to 59.60 thousand tons worth USD 3.83 million.

## 5.6 Fire clays mining

### 5.6.1 The role of the state in fire clays mining industry

In 2018, only private companies were engaged in fire clays mining. No programs to support the refractory clays mining were included in the state budget of Ukraine for 2018.

### 5.6.2 Fire clays reserves

The Ukrainian reserves of fire clays are concentrated mainly in the eastern Ukraine, namely in the Dnieper-Donetsk basin and Donetsk folded structure (depth 1 m to 60 m in the form of layers 0.5 m to 15 m thick). The fire clay deposits are also found in the sedimentary cover of the Ukrainian Shield, where the clays are in the form of layers and lenses, 8-10 cm to 25 m thick.



Figure 5.41: Geographical location of fire clays areas in Ukraine

The volume of the balance sheet reserves of fire clays in Ukraine as of January 1, 2019 amounted to 589.09 million tons. The fire clay balance sheet reserves of are located in five administrative regions of Ukraine: in Donetsk (75.84% of the total reserves in Ukraine), Dnipropetrovsk (10.15%), Cherkasy (7.73%), Zaporizhia (6.06%), and Sumy (0.22%).

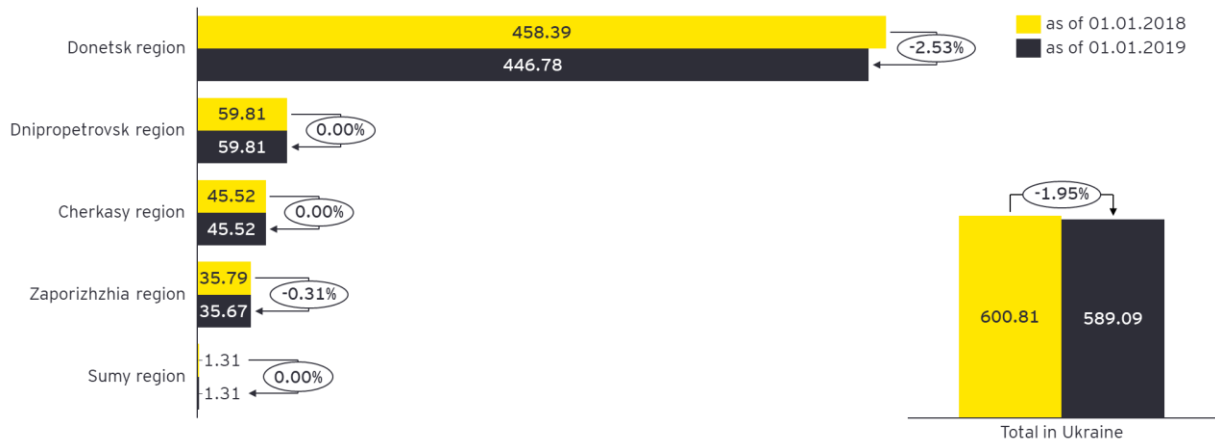


Figure 5.42: Structure of balance sheet reserves of fire clays by administrative region of Ukraine as of 01.01.2018 and 01.01.2019, million tons

### 5.6.3 Significant explorations

No significant exploration work was carried out on fire clays deposits in 2018.

### 5.6.4 Volumes and the cost of fire clays mining

#### 5.6.4.1 Volumes of fire clays mining

The volume of fire clay mined in 2018 amounted to 6,811.85 thousand tons, which is 13.93% more than in 2017. Overall, there is a positive trend towards the growth of fire clay extraction in Ukraine. Compared to 2010, the production of fire clays in 2018 has more than doubled (Figure 5.43).

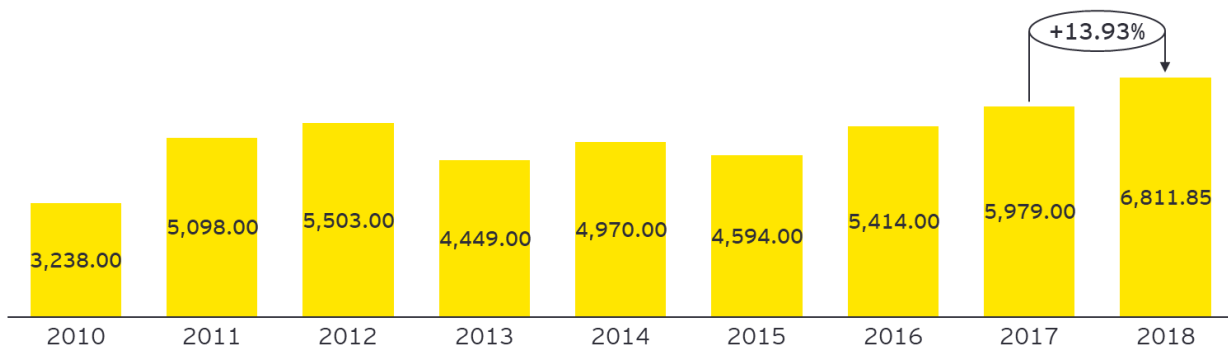


Figure 5.43: Dynamics of fire clays extraction volumes in Ukraine in 2010-2018, thousand tons

13 companies were engaged in fire clays mining in 2018 in Donetsk (12 companies) and Zaporizhzhia (1 company) administrative regions. The bulk of fire clays were extracted from deposits in the Donetsk region (98.49%), and the rest - from the Pologivske deposit in the Zaporizhzhia region (1.51%).

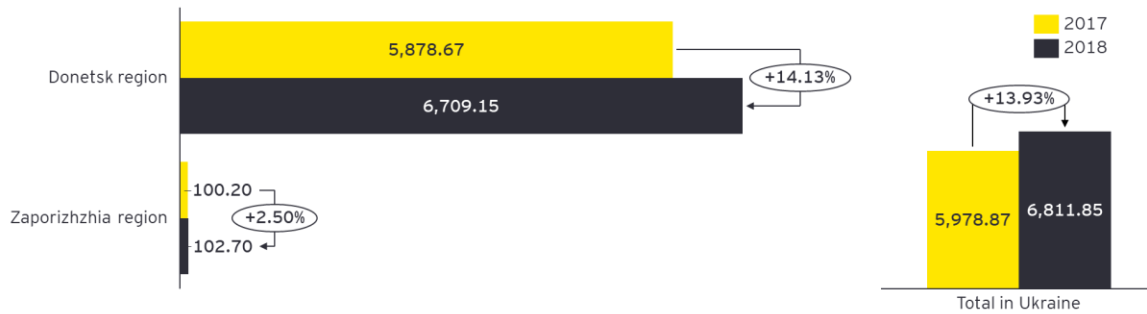


Figure 5.44: Volumes of fire clays mining by region of Ukraine in 2017 - 2018, thousand tons

Provided that the volume of extraction remains at the level of 2018, Ukraine's balance sheet reserves of fire clays would be sufficient for 86 years.

#### 5.6.4.2 The cost of fire clays mining

The disaggregated data on the value of products of the fire clays mining are not available in public sources. The best estimate available in open sources is the production of goods and services under the economic activity "Extraction of metal ores, other minerals and quarrying, as well as the provision of ancillary services in the mining industry and quarrying" (NACE-2010 code - B07-B09), which amounted to UAH 212,751 million<sup>203</sup>.

With the purpose of obtaining more detailed information, the Independent Administrator prepared a request to the State Statistics Service. In response to the request, the data were obtained on the value of sold products by type of economic activity according to NACE-2010. According to these data, the sales under the economic activity "Extraction of other minerals and quarrying" (NACE-2010 code - B08) during 2018 totaled UAH 27,943.81 million. More detailed information is provided in the table below (**Table 5.53**).

The value of sales in the industry "Extraction of sand, gravel, clay and kaolin" (NACE-2010 code - B08.12), which includes the fire clays mining, amounted to UAH 21,157.15 million in 2018.

Table 5.53: Revenue from sales of marketable products of other mining and quarrying industries in 2018, UAH million<sup>204</sup>

Mining and quarrying, including:		NACE-2010 code	Sales of goods, services, UAH million
I.	Mining of other minerals and development of quarrying, including:	B08	27,943.81
1.	Mining of stone, sand and clay, including:	B08.1	24,971.49
A.	Mining of decorative and building stone, limestone, gypsum, chalk and shale	B08.11	3,814.34
B.	Mining of sand, gravel, clay and kaolin	B08.12	21,157.15
2.	Mining of minerals and development of quarries, n.v.i.u.	B08.9	2,972.32

<sup>203</sup> State Statistics Service, "Input-output" table for 2018 (in consumer prices), for more information, please, see [http://www.ukrstat.gov.ua/operativ/operativ2006/vvp/vitr\\_vip/vitr\\_u/arh\\_vitr\\_u.html](http://www.ukrstat.gov.ua/operativ/operativ2006/vvp/vitr_vip/vitr_u/arh_vitr_u.html)

<sup>204</sup> The information presented in the table was received in response to the Independent Administrator's request to the State Statistics Service

### 5.6.5 Exports and imports of fire clays

According to the State Statistics Service, the volume of exports of fire clays fell by 7.25% in 2018 compared to the previous year and amounted to 5,533.66 thousand tons worth USD 237.07 million. In 2019, fire clays were exported from Ukraine to 40 countries, including Spain - 29.86% of the total exports or 1,652.31 thousand tons, Italy - 29.40% or 1,627.07 thousand tons, Russia - 15.14% or 837.69 thousand tons, Poland - 8.42% or 465.95 thousand tons.

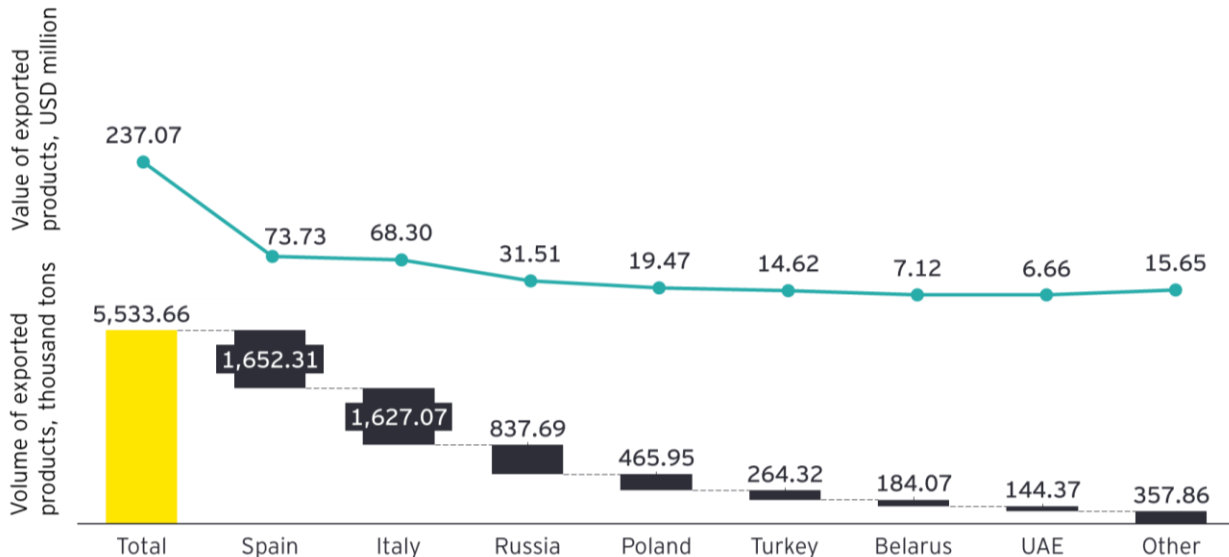


Figure 5.45: Exports of fire clays by country in physical and monetary units in 2018<sup>205</sup>

Imports, as in the previous year, were insignificant compared to exports. 347.73 tons of fire clays were imported, which is 3.36% more than in the previous year. The value of imports of fire clays in 2018 amounted to USD 0.21 million. Imports were made to the following countries: Germany (241.73 tons, worth USD 143.99 thousand), Russia (105.80 tons, worth USD 62.84 thousand), and Great Britain (0.20 tons, worth USD 0.39 thousand).

#### Conclusions to the section

As of the end of 2018, the balance sheet reserves of fire clay reached 589.09 million tons. They are located in five administrative regions, with Donetsk region being the leader - 75.84% of the total balance sheet reserves.

The last 10 years witnessed a positive trend in the volume of fire clays mining in Ukraine. In 2018, the total production amounted to 6,811.85 thousand tons, 98.49% of which was extracted in the Donetsk region.

During the reporting period, 5,533.66 thousand tons of fire clays worth USD 237.07 million were exported, while the volume of imports remained relatively insignificant - 347.73 tons.

<sup>205</sup> State Statistics Service, Foreign trade in certain types of goods by country, 2018, [http://www.ukrstat.gov.ua/operativ/operativ2018/zd/e\\_iovt/arh\\_iovt2018.htm](http://www.ukrstat.gov.ua/operativ/operativ2018/zd/e_iovt/arh_iovt2018.htm)



## 5.7 High-melting clays mining

### 5.7.1 Role of the state in high-melting clays mining industry

Only two private companies were engaged in high-melting clays mining in 2018 - Ceramic-Art LLC in the Donetsk region and Rusinia LLC in the Zakarpattia region. There were no state programs to support the high-melting clay industry in 2018.

### 5.7.2 High-melting clays reserves

The high-melting clays deposits in Ukraine are located mostly on the territory of the Dnieper-Donetsk basin and Donetsk folded structure (layers 0.6 m to 63.5 m thick), Volyn-Podolsk plate (layers and lenses 0.3 m to 27 m thick), Zakarpattia intermountain depression (layers 0.5 m to 18.9 m thick), and Ukrainian shield and its slopes (layers up to 20.6 m thick).

According to the Geoinform of Ukraine, as of January 1, 2019, the state balance sheet mineral reserves of Ukraine records 20 objects of accounting (17 main deposits and 3 objects of accounting). Due to high refractoriness and ductility and other properties, high-melting clays are widely used in the ceramic industry.



Figure 5.46: Map of the location of high-melting clays deposits in Ukraine

As of January 1, 2019, the balance reserves of high-melting clays amounted to 77.32 million tons. In Ukraine, the high-melting clay deposits are located in 8 administrative regions, mostly in Donetsk (65.28% of the total reserves), Zakarpattia (12.36%), and Luhansk (12.08%) regions (Figure 5.47).

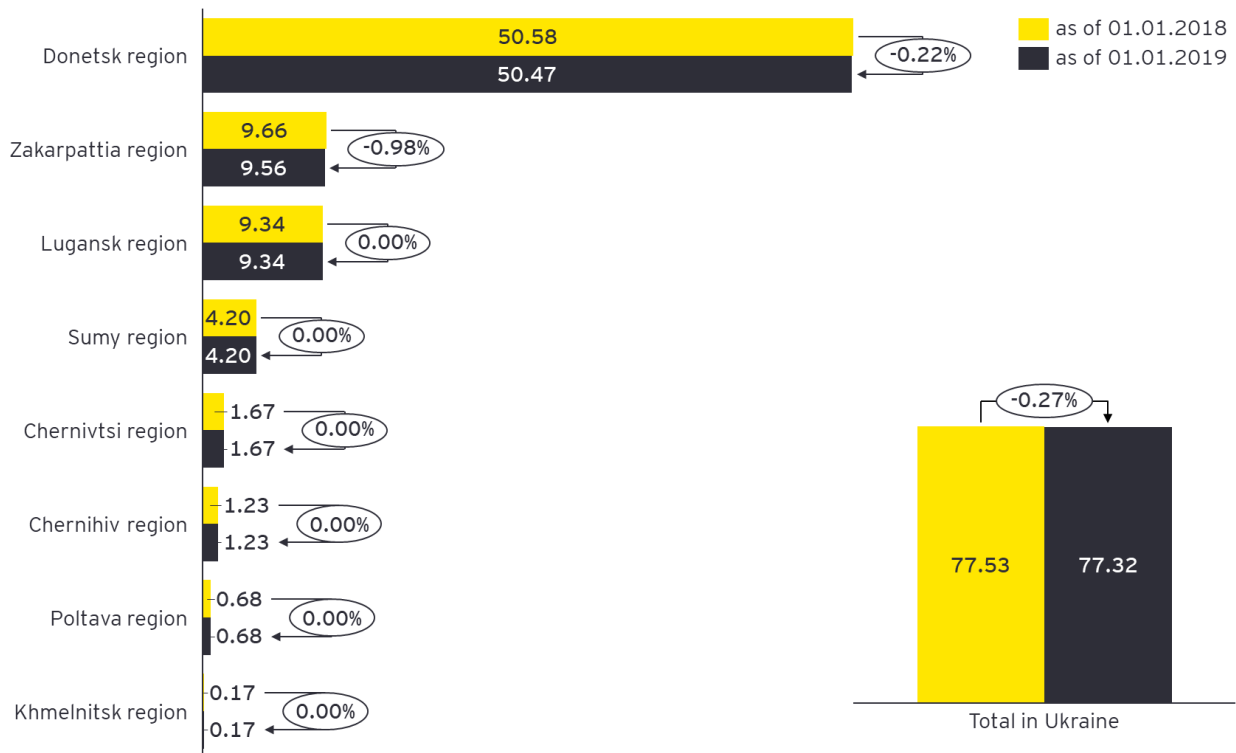


Figure 5.47: Balance sheet reserves of high-melting clays by region of Ukraine as of 01.01.2018 and 01.01.2019, million tons

### 5.7.3 Significant explorations

According to the Geoinform of Ukraine, no exploration work was carried out on high-melting clays deposits in 2018.

### 5.7.4 Volumes and the cost of high-melting clays mining

#### 5.7.4.1 Volumes of high-melting clays mining

In 2018, the volume of high-melting clays mining in Ukraine increased by 0.47% compared to the previous year and amounted to 197.54 thousand tons. From 2005 to 2013, there was a trend to increase the production of high-melting clays, however the military conflict in eastern Ukraine has significantly affected the industry. In 2018, the volume of high-melting clays mining fell more than 4 times compared to 2013.



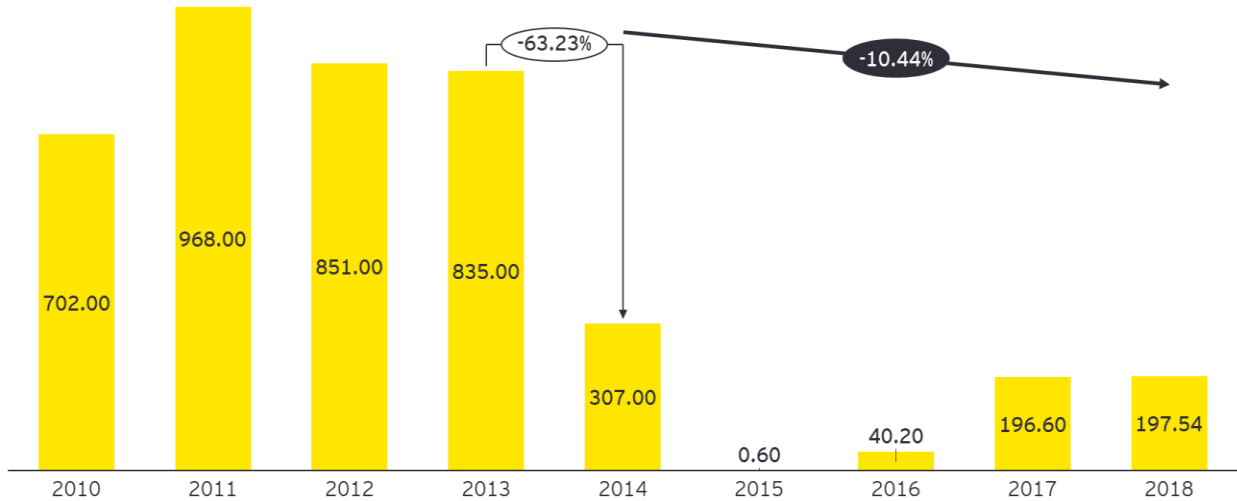


Figure 5.48: Dynamics of high-melting clays mining in 2010-2018, thousand tons

According to Geoinform Ukraine, high-melting clays were mined in 2018 from 2 deposits: the Artemivsk deposit in the Donetsk region (43.93% of the total volume) and the Ivantsiv deposit in the Zakarpattia region (56.07% of the total). Compared to the previous year, the volume of mining in the Donetsk region increased by 26.78%, and in the Zakarpattia region - decreased by 20.57% in 2018.

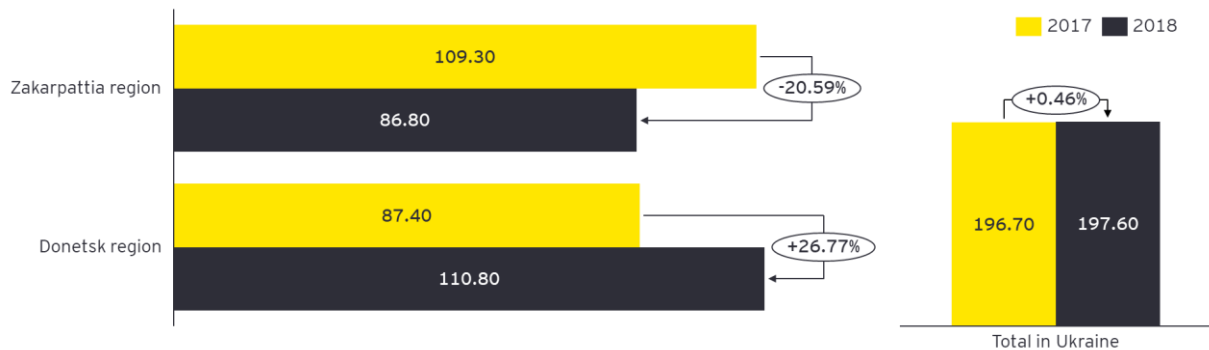


Figure 5.49: Volume of high-melting clays mining by region of Ukraine in 2017-2018, thousand tons

Provided that the volume of high-melting clays production remains at the level of 2018, the reserves of high-melting clays would be sufficient for 391 years.

#### 5.7.4.2 The cost of high-melting clays mining

The disaggregated data on the value of high-melting clays are not available in public sources. The best estimate is the output of goods and services under the economic activity "Extraction of metal ores, other minerals and quarrying, as well as the provision of ancillary services in the field of mining and quarrying" (NACE-2010 code - B07-B09 ), which is UAH 212,751 million<sup>206</sup>.

According to the NACE-2010 classification, the activity "high-melting clays mining" is under the sector "Extraction of other minerals and quarrying" (code B08).

In order to get more detailed information, the Independent Administrator prepared a request to the State Statistics Service. In response to the request, data were obtained on the value of sales by type of economic activity according to NACE-2010. According to these data, the economic activity "Extraction of other minerals and quarrying" (NACE-2010 code - B08) during 2018 sold products worth a total of UAH 27,943.81 million. The cost of sales of the industry "Extraction of sand, gravel, clay and kaolin" (NACE-2010 code - B08.12), which includes the high-melting clays mining sector, amounted to UAH 21,157.15 million in 2018 (for more details, please see in **Section 5.6.4.2**).

#### 5.7.5 Exports and imports of high-melting clays

Information on exports and imports of high-melting clays for 2018 is not available in open sources. The Ukrainian Classification of Goods for Foreign Economic Affairs (UKTZED) is used to account for exports and imports, which does not allow to separate information on exports and imports for a particular category of high-melting clays.

##### **Conclusions to the section**

The balance sheet reserves of high-melting clays in Ukraine of 77.32 million tons are found in 17 main deposits and 3 objects of accounting, as of January 1, 2019. Most of them are located in the Donetsk region.

High-melting clays were mined at 2 deposits: Artemivsk deposit in Donetsk region and Ivantsiv deposit in Zakarpattia region. In 2018, the total volume of high-melting clays production amounted to 197.54 thousand tons.

---

<sup>206</sup> State Statistics Service, "Input-output" table for 2018 (in consumer prices), for more information, please, see: [http://www.ukrstat.gov.ua/operativ/operativ2006/vvp/vitr\\_vip/vitr\\_u/arh\\_vitr\\_u.html](http://www.ukrstat.gov.ua/operativ/operativ2006/vvp/vitr_vip/vitr_u/arh_vitr_u.html)

## 5.8 Quartz sand mining

### 5.8.1 Role of the state in the quartz sand mining industry

The Ukrainian quartz sand mining industry is represented by private sector companies. In 2018, the following enterprises were engaged in quartz sand extraction:

- ▶ Quartz LLC
- ▶ Bronytsky Glass Factory LLC
- ▶ Maryanivsky Glass Factory PJSC
- ▶ Kaolin Azov LLC
- ▶ Rokytno Glass Factory PJSC
- ▶ Novoselivsky Mining and Processing Plant PJSC
- ▶ Georesources LLC
- ▶ Papernyansky Glass Sand Quarry LLC

No government support programs were implemented in the industry during the reporting period.

### 5.8.2 Quartz sand reserves

In Ukraine, quartz sand is one of the glass quartz-containing raw materials and is widespread in the areas of the Dnieper-Donetsk basin and the Donetsk folded structure, the Ukrainian crystal shield. Single deposits are also located within the Crimean folded structure. Quartz sand deposits occur in the form of lenses and layers 2.0 - 3.0 m to 35.0 - 40.0 meters thick. The state balance sheet of mineral reserves accounts for 40 quartz sand deposits.

According to Geoinform of Ukraine, the total balance sheet reserves of quartz sand in Ukraine amounted to 222,343.40 thousand tons as of January 1, 2019. In terms of administrative regions, the largest share of the reserves is located in the Kharkiv region - 94,733.50 thousand tons, or 42.61% of the total. It is followed by Lviv and Donetsk regions, with 13.88% and 12.49% of the total quartz sand reserves, respectively (*Figure 5.50*).

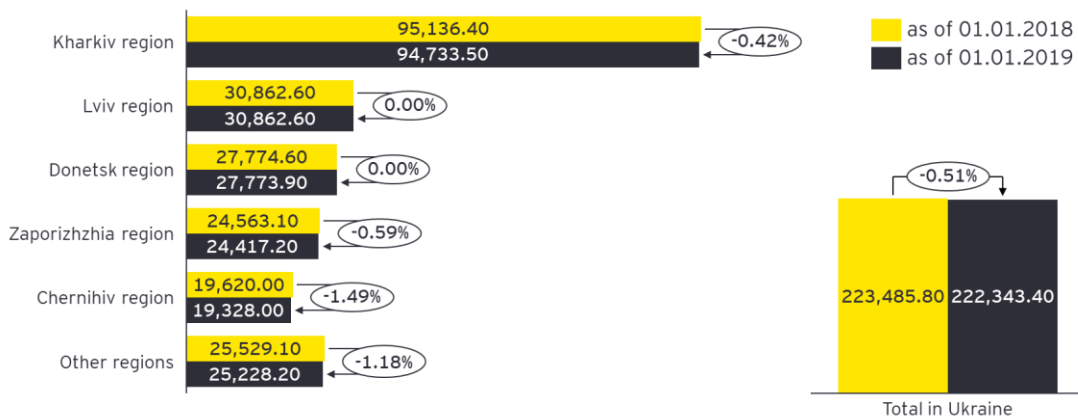


Figure 5.50: Volumes of balance sheet reserves of quartz sand by administrative region of Ukraine as of 01.01.2018 and 01.01.2019, thousand tons<sup>207</sup>

### 5.8.3 Significant explorations

According to the Geoinform of Ukraine, in 2018, Sand-Industry LLC conducted a preliminary geological and economic assessment of the Verzhina quartz sand deposit located in the Gorodnyansky district, the Chernihiv region. The assessment was carried out according to the company's terms of reference and in compliance with the requirements of the current state standard DSTU B B.2.7 - 131:2007 "Quartz sand. Specifications". Following the assessment outcomes, 23,083 thousand tons of the category C2 quartz sand reserves were tested by the State Commission of Ukraine for Mineral Resources.

### 5.8.4 Volumes and the cost of quartz sand mining

#### 5.8.4.1 Volumes of quartz sand mining

According to Geoinform of Ukraine, the year 2018 demonstrated a decrease in quartz sand production by 11.54% compared to the previous year - from 1,125.05 thousand tons to 995.25 thousand tons. The most significant drop was in the Kherson region - by 38.38%. At that time, Kharkiv and Zaporizhzhia regions increased their quartz sand production by 9.10% and 56.00%, respectively (Figure 5.51).

<sup>207</sup> Geoinform of Ukraine, State Balance Sheet of Mineral Reserves of Ukraine, Glass Raw Materials (Issue 83), 2019

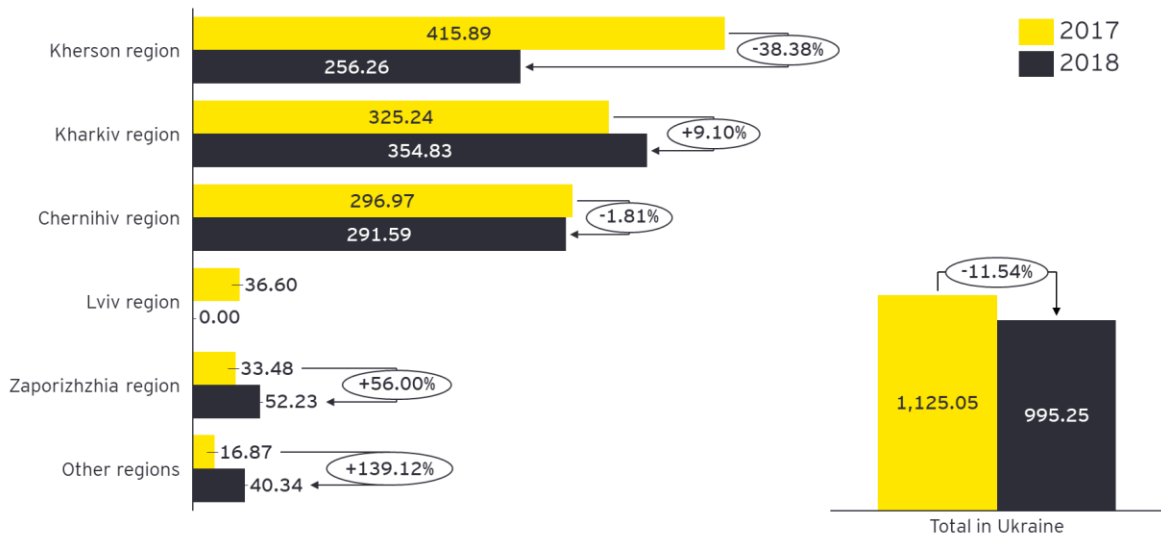


Figure 5.51: Volume of quartz sand mining by region of Ukraine in 2017 - 2018, thousand tons<sup>208</sup>

With the current rate of production, the available balance sheet reserves of quartz sand will be sufficient for 223 years.

#### 5.8.4.2 The cost of quartz sand mining

The disaggregated data on the value of quartz sand mined are not available in public sources. The most approximate publicly available information on the value of the quartz sand mining industry output is the value of goods and services produced within the economic activity "Mining of metal ores, other minerals and quarrying, as well as provision of ancillary services in mining and quarrying" (NACE-2010 code - B07-B09), which amounted to UAH 212,751 million<sup>209</sup>.

To obtain the detailed information, the Independent Administrator submitted a request to the State Statistics Service. In response to the request, the data were obtained on the value of sold products by type of economic activity according to NACE-2010. According to the data, the economic activity "Extraction of other minerals and quarrying" (NACE-2010 code - B08) sales reached the total of UAH 27,943.81 million during 2018. The total sales of the industry "Extraction of sand, gravel, clay and kaolin" (code NACE-2010 - B08.12), which includes the quartz sand mining industry, amounted to UAH 21,157.15 million in 2018 (for more details, please see **Section 5.6.4.2**).

<sup>208</sup> Geoinform of Ukraine, State Balance Sheet of Mineral Reserves of Ukraine, Glass Raw Materials (Issue 83), 2019

<sup>209</sup> State Statistics Service, "Input - Output" Table for 2018 (in consumer prices), the detailed information is available at the link: [http://www.ukrstat.gov.ua/operativ/operativ2006/vvp/vitr\\_vip/vitr\\_u/arh\\_vitr\\_u.html](http://www.ukrstat.gov.ua/operativ/operativ2006/vvp/vitr_vip/vitr_u/arh_vitr_u.html)

### 5.8.5 Exports and imports of quartz sand

The information on the quartz sand exports and imports is not available in open sources, and the Ukrainian Classification of Foreign Trade Commodities (UKTZED), which records data on exports and imports, does not single out information on a separate quartz sand category.

#### **Conclusions to the section**

Quartz sand deposits are widespread in all geostructural regions of Ukraine, its total balance sheet reserves amounted to 222,343.40 thousand tons, as of the end of 2018. Kharkiv administrative region hosts the largest share of the total balance sheet reserves.

The volumes of quartz sand mining remain relatively insignificant - 995.25 thousand tons in 2018. Most quartz sand was mined in the Kherson, Kharkiv and Chernihiv administrative regions.

## 5.9 Building stones mining

### 5.9.1 The role of the state in building stones mining industry

According to Geoinform of Ukraine, the building stone deposits were operated in 2018 by the enterprises of Ukrbudmaterialy, the state corporation of building materials industry; Ukragroprombud, the cooperative state corporation for agro-industrial construction, Ukravtodor State Corporation and others. Some of the deposits are operated by the quarry administrations owned by various ministries and departments, as well as by lease holding companies and small enterprises. In particular, the state's participation in the extraction of building stones is represented by state companies and institutions<sup>210</sup>:

- ▶ State Motor Road Agency OJSC
- ▶ Ukravtodor State Corporation
- ▶ Ukragroprombud Cooperative State Corporation
- ▶ Ministry of Transport and Communications of Ukraine
- ▶ Ukrtransbud State Corporation
- ▶ Regional office of the State Property Fund of Ukraine
- ▶ Department of Industrial Enterprises of the State Administration of Railway Transport of Ukraine SE
- ▶ Ministry of Defense Ukraine
- ▶ Ministry of Agrarian Policy of Ukraine
- ▶ Ukrbudmaterialy State Corporation

More than 200 mining quarries and stone-crushing plants and workshops producing rubble and crushed stone products were recorded in Ukraine in 2018. The quarries and plants with the biggest capacity are owned by the enterprises of Ukrbudmaterialy state corporation; the Ministry of Transport of Ukraine; Ukragroprombud, the cooperative state corporation for agro-industrial construction; and Ukravtodor, the state corporation for construction and repair of highways.

No budget programs to support the building stones mining in 2018 were implemented.

### 5.9.2 Building stones reserves

The territory of Ukraine hosts significant deposits of building stones. They are located mostly within the Ukrainian Shield (metamorphic and igneous rocks), Donetsk folded structure (limestones and sandstones), southwestern part of the Dnieper-Donetsk bowl, Volyn-Podilsky plate (limestones and sandstones), Carpathians and Transcarpathian depression (sandstones,

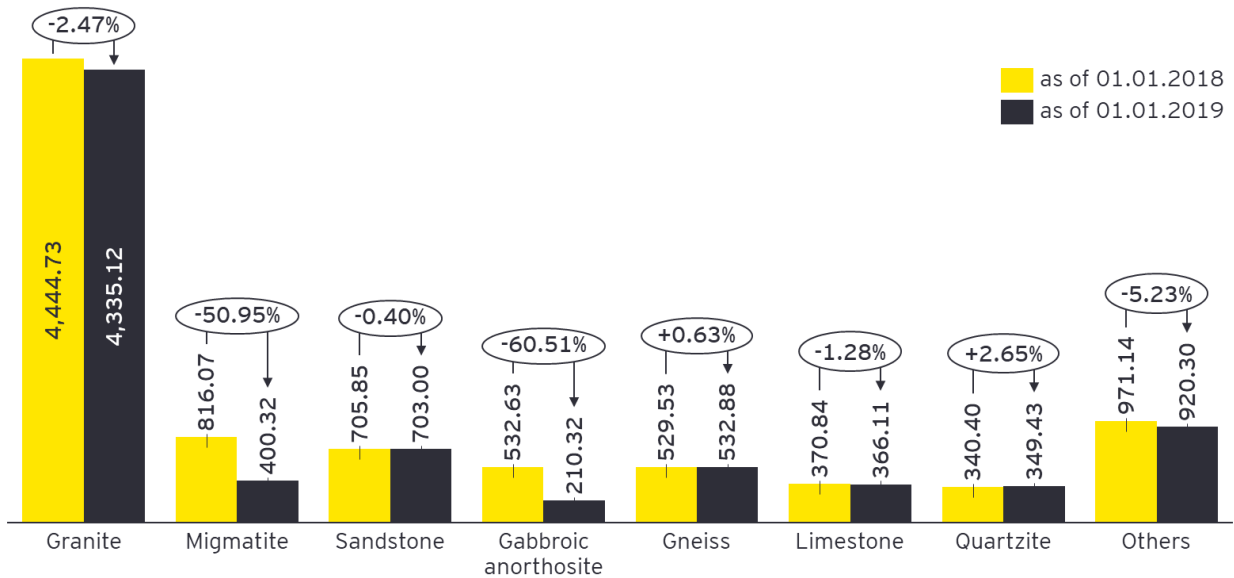
---

<sup>210</sup> Geoinform of Ukraine, State Balance Sheet of Mineral Reserves of Ukraine, Building Stone (Issue 37), 2019  
page 135 out of 514

adensites and other effusive rocks), the Black Sea bowl and in the Crimea mountain structures (gypsum, limestone and sandstone, diorites and basalts).

According to the Geoinform of Ukraine, as of January 1, 2019, there were 929 deposits in Ukraine, including 451 mined deposits. The balance sheet reserves of building stones amounted to 7,817.47 million cubic meters. The volume of the building stones reserves decreased by 10.26% compared to the previous year.

The bulk of the reserves (55.45%) are granite (4,335.12 million cubic meters), 8.99% - sandstone (703.00 million cubic meters), and 6.82% - gneiss (532, 88 million cubic meters). The volumes of migmatite, limestone and quartzite reserves are 5.12% (400.32 million cubic meters), 4.68% (366.11 million cubic meters) and 4.47% (349.43 million cubic meters), respectively.



**Figure 5.52: Balance sheet reserves of building stones by geological and industrial types as of 01.01.2018 and 01.01.2019, mcm<sup>211</sup>**

As of 01.01.2019, the largest volume of building stones reserves was located in the Zhytomyr administrative region (20.50% or 1,602.95 million cubic meters), Zaporizhia (12.46% or 974.33 million cubic meters), and Donetsk administrative region (9.67% or 756.18 million cubic meters). The Kirovograd region hosts 8.16% (639.43 million cubic meters) of the reserves, the Rivne region - 7.57% (591.87 million cubic meters), the Dnipropetrovsk region - 6.49% (507.02 million cubic meters), and Mykolayiv region - 5.83% (455.64 million cubic meters).



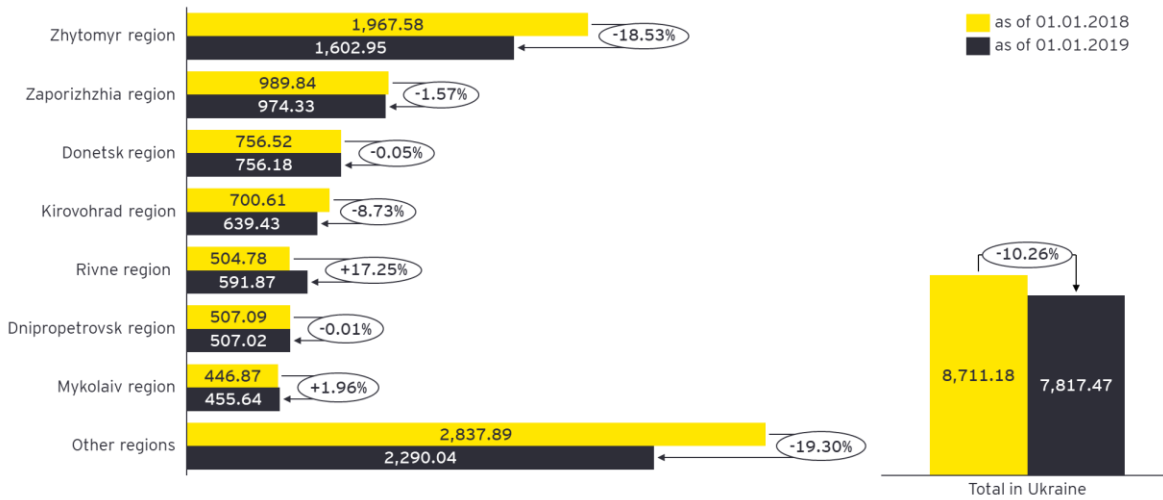


Figure 5.53: Structure of building stone reserves by regions of Ukraine as of 01.01.2019 and 01.01.2020, mcm<sup>212</sup>

### 5.9.3 Significant explorations

According to the Geoinform of Ukraine, no permits were issued in 2018 for subsoil investigations, and exploration work to identify the potential fields of rubble and crushed stone was carried out by commercial structures. The detailed information is not publicly available.

### 5.9.4 Volumes and the cost of mining of building stones

#### 5.9.4.1 Volumes of mining of building stones

27,558.07 thousand cubic meters of building stones were mined in Ukraine in 2018, which is 1.51% more than in 2017.

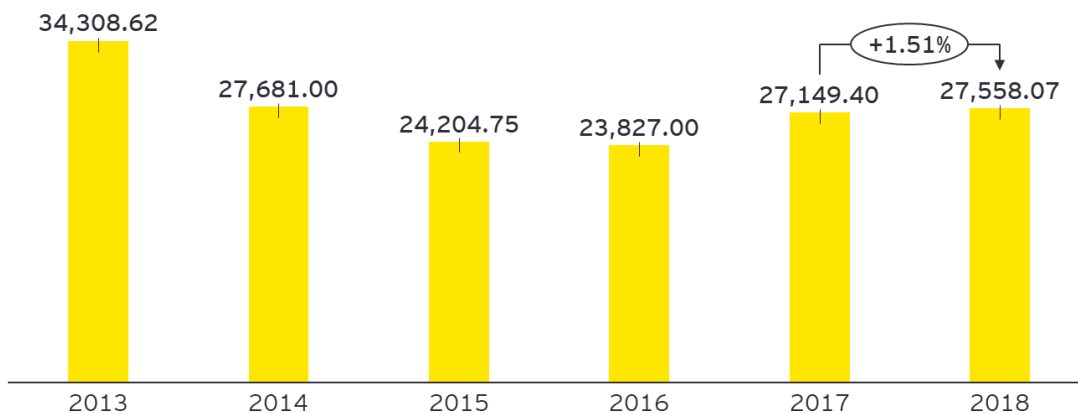
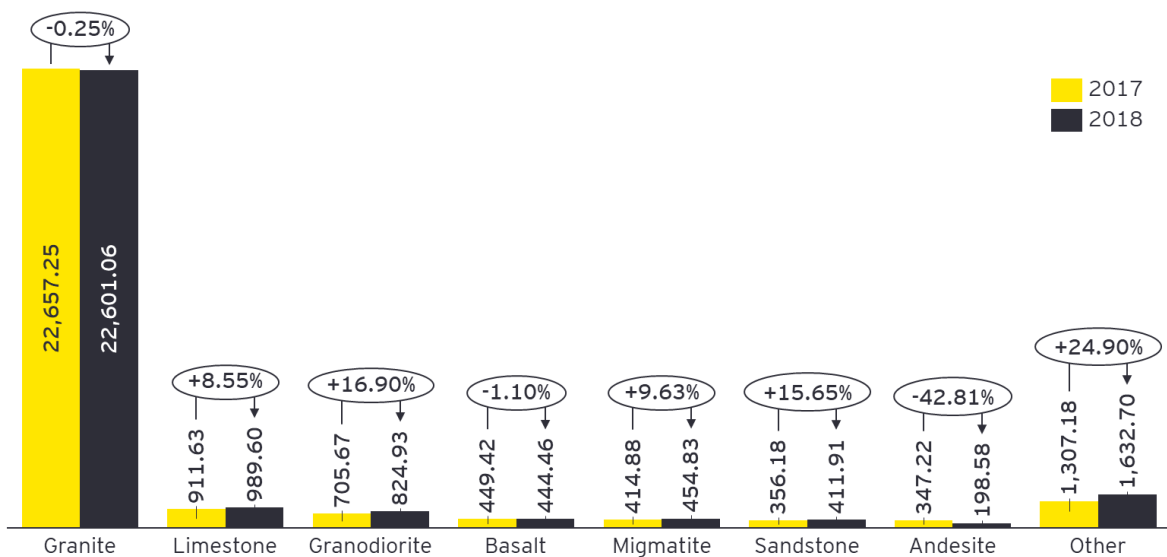


Figure 5.54: Volumes of building stones mining in 2013-2018, thousand tons<sup>213</sup>

<sup>212</sup> Geoinform of Ukraine, State Balance Sheet of Mineral Reserves Of Ukraine, Building Stone (issue 37), 2019

<sup>213</sup> Geoinform of Ukraine, State Balance Sheet of Mineral Reserves Of Ukraine, Building Stone (issue 37), 2019

In 2018, as in 2017, most of the building stones mined (82.01% or 22,601.06 thousand cubic meters) were granite. The second top, in terms of mining, are limestone (3.59% or 989.60 thousand cubic meters) and granodiorite (2.99% or 824.93 thousand cubic meters). And migmatite, basalt and sandstone accounted for 1, 65%, 1.61% and 1.49% of the total production, respectively.



**Figure 5.55: The volume of building stones mining by geological and industrial type in 2018-2019, thousand cubic meters<sup>214</sup>**

In terms of administrative regions, the 2018 leading producers are the same as in 2017 - Zhytomyr region (29.44% or 8,114.43 thousand cubic meters), and Rivne region (13.25% or 3,651.77 thousand cubic meters), and Kyiv region (9.34% or 2,575.00 thousand cubic meters). In 2018, some administrative demonstrated increase in the volume of building stone production: Vinnytsia region - by 18.83%, Kyiv region - by 18.70%, Poltava region - by 13.77%. At the same time, the volume of building stone mined decreased in Zaporizhia region - by 12.95%, Zhytomyr region - by 7.61%, and Rivne region - by 5.64%.

<sup>214</sup> Geoinform of Ukraine, State Balance Sheet of Mineral Reserves Of Ukraine, Building Stone (issue 37), 2019  
page 138 out of 514

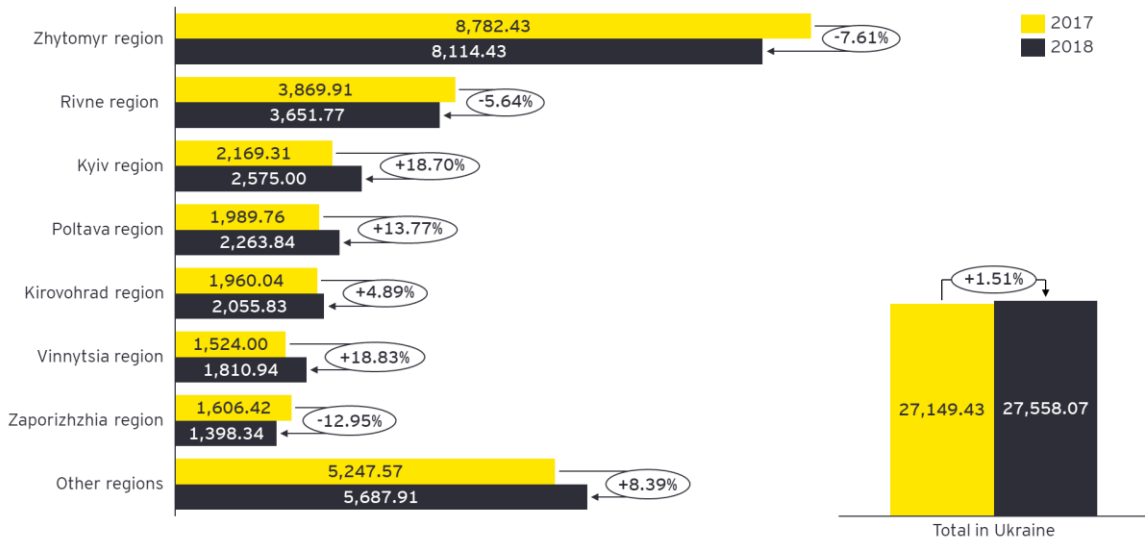


Figure 5.56: Volumes of building stones mining by regions of Ukraine in 2017-2018, thousand cubic meters<sup>215</sup>

#### 5.9.4.2 The cost of building stone mining

As with other minerals, covered by the EITI Report 2018, no disaggregated data on the value of building stone extraction available in public sources. In response to the request to the State Statistics Service, submitted the Independent Administrator prepared, the data were obtained on the value of sales by type of economic activity according to NACE-2010. According to the data, the sales of decorative and building stone, limestone, gypsum, chalk and shale (NACE-2010 code B08.11), which includes the building stone industry, to UAH 3,814.34 million in 2018 amounted (for more details, please, see **Section 5.6.4.2**).

#### 5.9.5 Volumes of export and import of building stone processing products

The volume of exports of building stone processing products, namely pebbles, gravel and rubble, decreased in 2018 by 23.49% compared to the previous year and amounted to 6,615.58 thousand tons, worth USD 46.62 million. The decrease is basically due to the reduction in exports to Belarus, which is the largest trading partner and accounts for 49.15% of the total exports. Pebbles, gravel and rubble are also exported to Russia, Poland, Moldova and other countries.

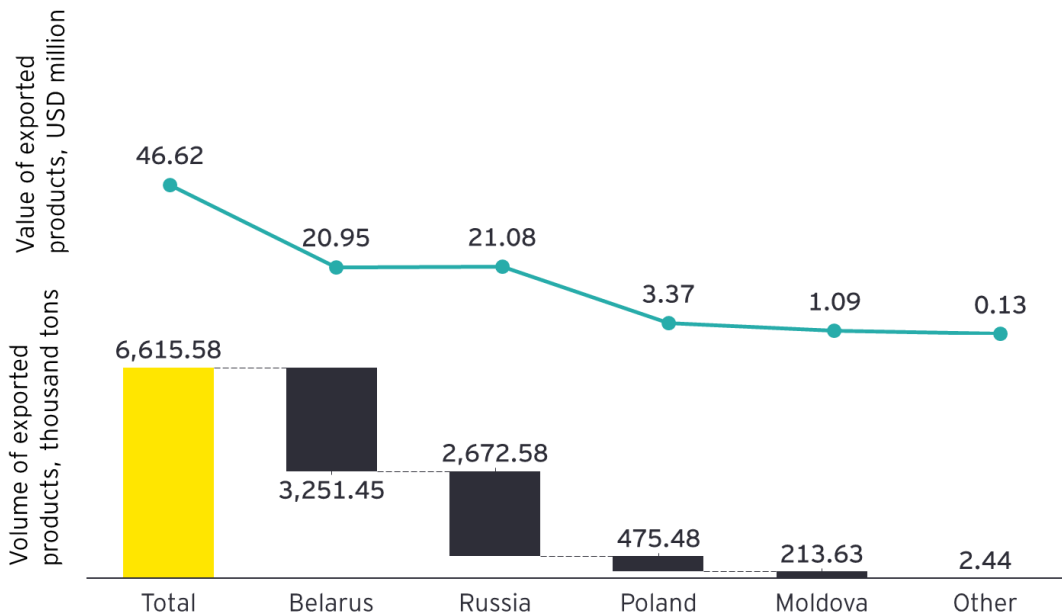


Figure 5.57: Exports of pebbles, gravel, crushed stone by country in volume and in value in 2018<sup>216</sup>

The volume of imports of pebbles, gravel, rubble in 2018 increased by 29.72% compared to 2017 and amounted to 315.22 thousand tons worth USD 14.57 million. There were 27 countries supplying pebbles, gravel and rubble to Ukraine, including Belarus (31.63%) of imports, Turkey (26.90%) and Romania (26.40%) with the largest shares.

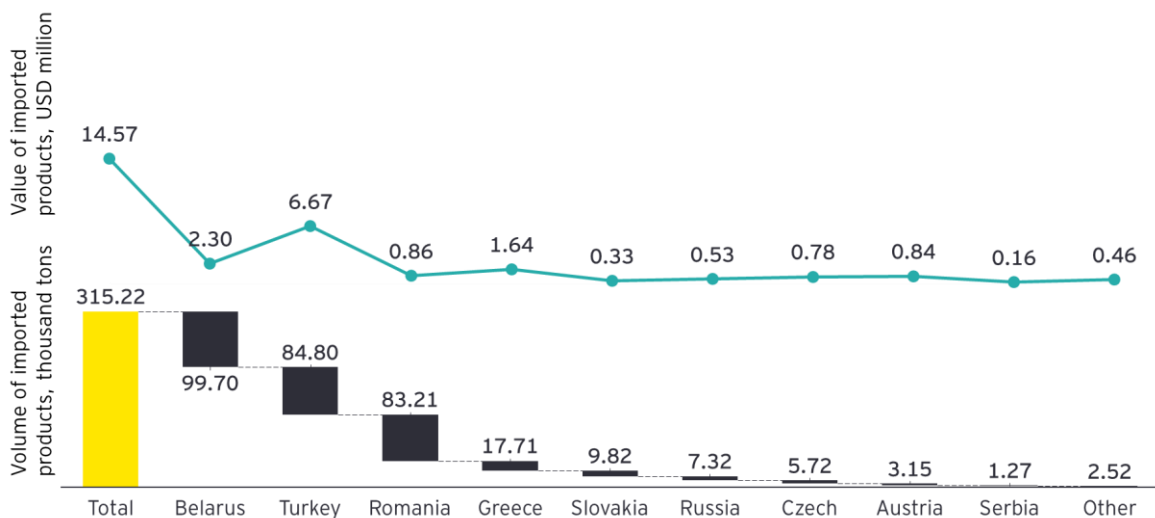


Figure 5.58: Imports of pebbles, gravel, crushed stone by country in volume and in value in 2018<sup>217</sup>

<sup>216</sup> State Statistics Service, Foreign trade in certain types of goods by country, 2018, [http://www.ukrstat.gov.ua/operativ/operativ2018/zd/e\\_iovt/arh\\_iovt2018.htm](http://www.ukrstat.gov.ua/operativ/operativ2018/zd/e_iovt/arh_iovt2018.htm)

<sup>217</sup> State Statistics Service, Foreign trade in certain types of goods by country, 2018, [http://www.ukrstat.gov.ua/operativ/operativ2018/zd/e\\_iovt/arh\\_iovt2018.htm](http://www.ukrstat.gov.ua/operativ/operativ2018/zd/e_iovt/arh_iovt2018.htm)

**Conclusions to the section**

7,817.47 million cubic meters of the balance sheet reserves of building stones were located in the territory of Ukraine as of January 1, 2019, with more than half of the reserves are granite.

The total volume of building stone mined in 2018 amounted to 27,558.07 thousand cubic meters. In terms of administrative regions, Zhytomyr region was the leader in mining.

Ukraine exports and imports building stone processing products, namely pebbles, gravel and rubble. In 2018, the volume of exports amounted to 6,615.58 thousand tons worth USD 46.62 million, and the volume of imports was 315.22 thousand tons worth USD 14.57 million.

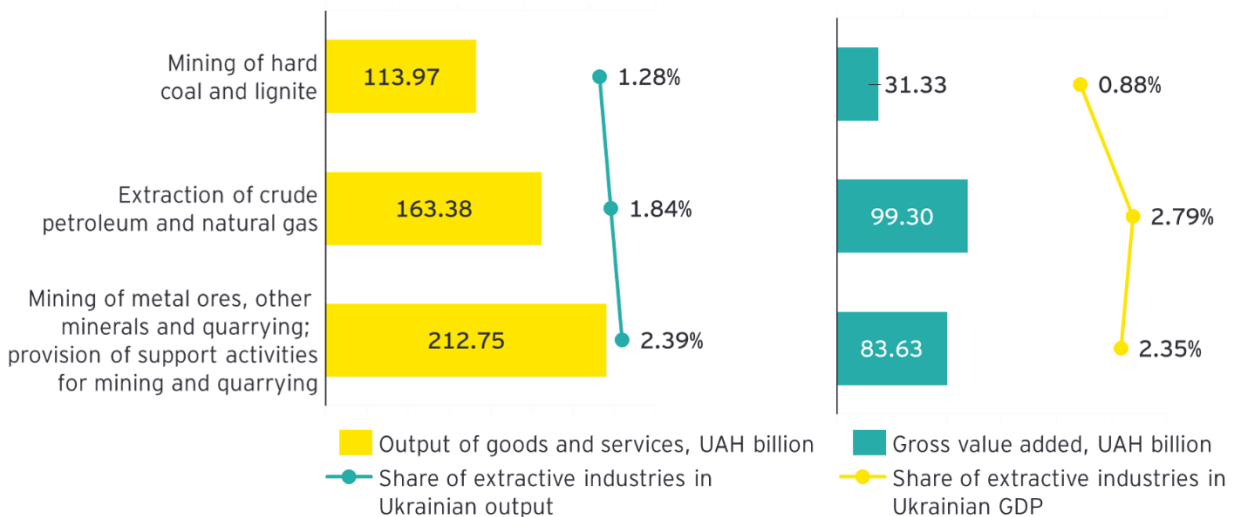
## 5.10 Contribution of extractive industries to Ukrainian economy

### 5.10.1 Contribution to formal sector of economy

#### 5.10.1.1 Contribution to GDP of Ukraine

The value of production of extractive industries (the output value) in 2018 amounted to UAH 490.11 billion. Their direct contribution to the output of products and services in Ukraine amounted to 5.51%, including 1.84% of output in the economy that was generated by the crude oil and natural gas extractive industry and 1.28% generated by the coal and lignite mining industry. Due to the fact that publicly available statistical information of the State Statistics Service does not allow disaggregating data on the output of each separate branch of mining of metals, clays, sand and building stones, only the estimate of their total contribution to the output in Ukraine is possible, which is 2.39% (**Figure 5.59**).

In 2018, the extractive industries generated UAH 214.26 billion in gross value added, which is 6.02% of Ukraine's nominal GDP. The largest contribution to GDP was made by the crude oil and natural gas extractive industry (2.79%). The gross value added indicator outlines the value of the final product of the industry without intermediate consumption, and thus shows how efficient the industry is in terms of generating net value added in the economy. The share of the crude oil and natural gas extracting in Ukraine's GDP is one and a half times higher than its share in the output. So, the oil and gas extractive industry is the most efficient one among other extractive industries.



**Figure 5.59: Contribution of extractive industries to the output and GDP of Ukraine in 2018, bln UAH**

#### 5.10.1.2 Contribution to exports

The contribution of extractive industries to exports in 2018 amounted to 2.93% of the total exports of goods and services from Ukraine. The extractive industries shown in the diagram below (**Figure 5.60**) together exported products worth USD 1,679.85 million. Of these, exports of iron ore (non-agglomerated) are the top in terms of exports: iron ore worth USD 1,257.96 million was exported, which accounted for 2.20% of the total exports of goods and services

from Ukraine. The contribution of all other extractive industries to exports was relatively insignificant.

No natural gas or crude oil was exported in 2018. In addition, the specifics of the classification of goods of foreign economic activity<sup>218</sup>, which is used to account for data on exports and imports in Ukraine, does not allow segregating information on exports of refractory clays and quartz sand.

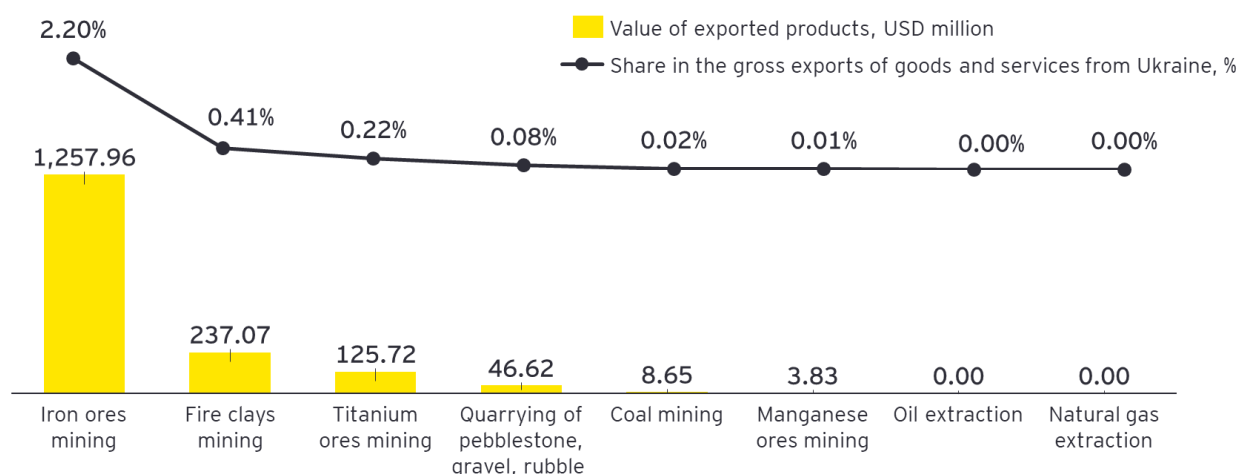


Figure 5.60: Contribution of extractive industries to the export in 2018, mln USD<sup>219</sup>

### 5.10.1.3 Contribution to the state revenues

In 2018, the amount of state revenues<sup>220</sup> from the companies in the reporting extractive industries, according to government agencies (STS, SCS, Ministry of Economy, Geonadra), amounted to UAH 187,938,735.57 thousand. The largest share of the payments to the state among the extractive industries was generated by extraction of oil and natural gas - UAH 151,109,249.38 thousand UAH. The share of payments made by the reporting extractive industries in the tax and non-tax revenues of the Consolidated Budget of Ukraine and the total amount of USC revenues was 13.36% (Table 5.54).

Table 5.54: State revenues from extractive industries in 2018

Extractive industry	Payments by extractive industries, thousand UAH	Share in state revenues, % <sup>221</sup>
Extraction of oil and natural gas	151,109,249.38	10.74%
Coal mining	12,004,442.54	0.85%

<sup>218</sup>Ukrainian classification of products of external trade is used to account for export and import

<sup>219</sup> SSSU, statistical information " External trade of selected types of products by the countries" in 2018, [http://www.ukrstat.gov.ua/operativ/operativ2018/zd/e\\_iovt/arh\\_iovt2018.htm](http://www.ukrstat.gov.ua/operativ/operativ2018/zd/e_iovt/arh_iovt2018.htm)

<sup>220</sup> Revenues of the state include tax and non-tax payments made by mining companies for the benefit of the state, including USC

<sup>221</sup> Calculated by the Independent Administrator based on the information of the State Treasury on Consolidated Budget of Ukraine in 2019 (<https://www.treasury.gov.ua/ua/file-storage/richnij-zvit-pro-vikonannya-derzhavnogo-byudzhetu-ukrayini-za-2018-rik>) and revenues from USC (<https://tax.gov.ua/diyalnist-/pokazniki-roboti/nahodjennya-podatkov-i-zboriv--obovyaz/nahodjennya-koshtiv-edinogo-vnesku/>). Calculation of revenues of the Consolidated budget of Ukraine included tax and non-tax revenues and did not include revenue from capital operations, from the EU, governments of foreign countries, international organizations, donors, purpose funds

Extractive industry	Payments by extractive industries, thousand UAH	Share in state revenues, % <sup>221</sup>
Iron ores mining	13,805,465.95	0.98%
Titanium ores mining	728,918.46	0.05%
Manganese ores mining	815,502.09	0.06%
Transportation of oil and natural gas	9,475,157.14	0.67%
<b>Total</b>	<b>187,938,735.57</b>	<b>13.36%</b>

#### 5.10.1.4 Contribution to capital investments

In 2018, the extractive industries<sup>222</sup> attracted UAH 53,984.58 million of capital investments, which amounted to 9.33% of the total capital investments of all sectors of the Ukrainian economy. Of these, the largest contribution to attracting investment in capital projects was made by the natural gas extractive industry (4.38%) and the iron ore mining industry (2.54%).

Of the total capital investment in all extractive industries, almost half, namely 48.85%, was attracted in Kyiv city, 27.30% - in Dnipropetrovsk region, 9.17% - in Donetsk region, 7.96% - in Poltava region, and the rest - in other Ukrainian regions.

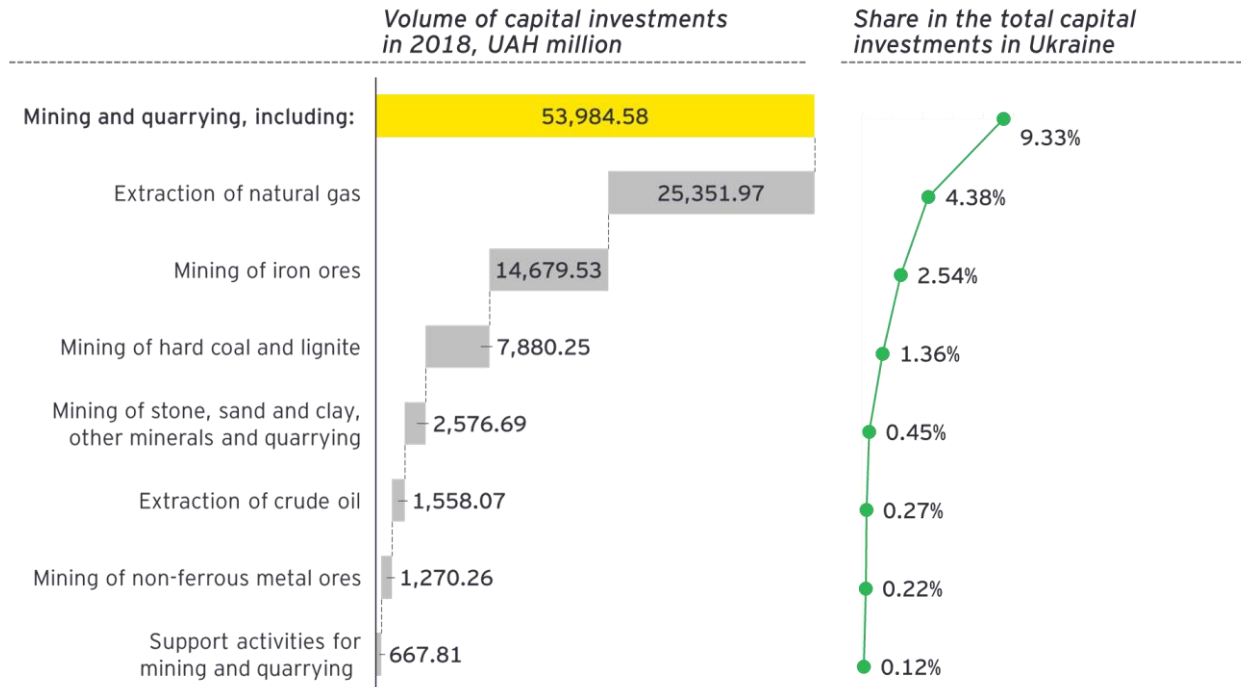


Figure 5.61: Contribution of extractive industries to the capital investments in 2018, mln UAH<sup>223</sup>

<sup>222</sup> Here extractive industries stand for the types of economic activities related to "Extractive industry mining from quarries" - Section B under NACE-2010

<sup>223</sup> SSSU, Statistical information "Capital investments" in 2018, [http://www.ukrstat.gov.ua/operativ/operativ2018/ibd/kin/arh\\_kin\\_r\\_u.htm](http://www.ukrstat.gov.ua/operativ/operativ2018/ibd/kin/arh_kin_r_u.htm)



### 5.10.1.5 Contribution to employment

In 2018, the average number of full-time employees in the extractive industries<sup>224</sup> was 202 thousand people, or 10.91% of all full-time employees in all industries<sup>225</sup> and 2.64% of all full-time employees in Ukraine. More than half of all employees in the extractive industries are working at the enterprises in Dnipropetrovsk (34.54%) and Donetsk regions (22.86%).

The number of full-time employees in the extractive industries continued to decline, albeit at a slower pace: in 2017 it decreased by 8.19% compared to the previous year, and in 2018 - by 5.16%. Such employment dynamics in the extractive industries is significantly affected by the general economic downturn and the loss of control of companies over their extractive assets located in the eastern part of Ukraine in the area of Unified Forces Operations.

At the same time, the extractive industries have a significant impact on the personal income of the population, because, according to the State Statistics Service, the average salary of full-time employees in the extractive industries in 2018 was UAH 12,452, which is 40.46% more than the average salary in Ukraine (UAH 8,865). While the average wage in Ukraine in 2018 increased by 24.79% compared to 2017, in the extractive industries it increased slightly more - by 28.32%.

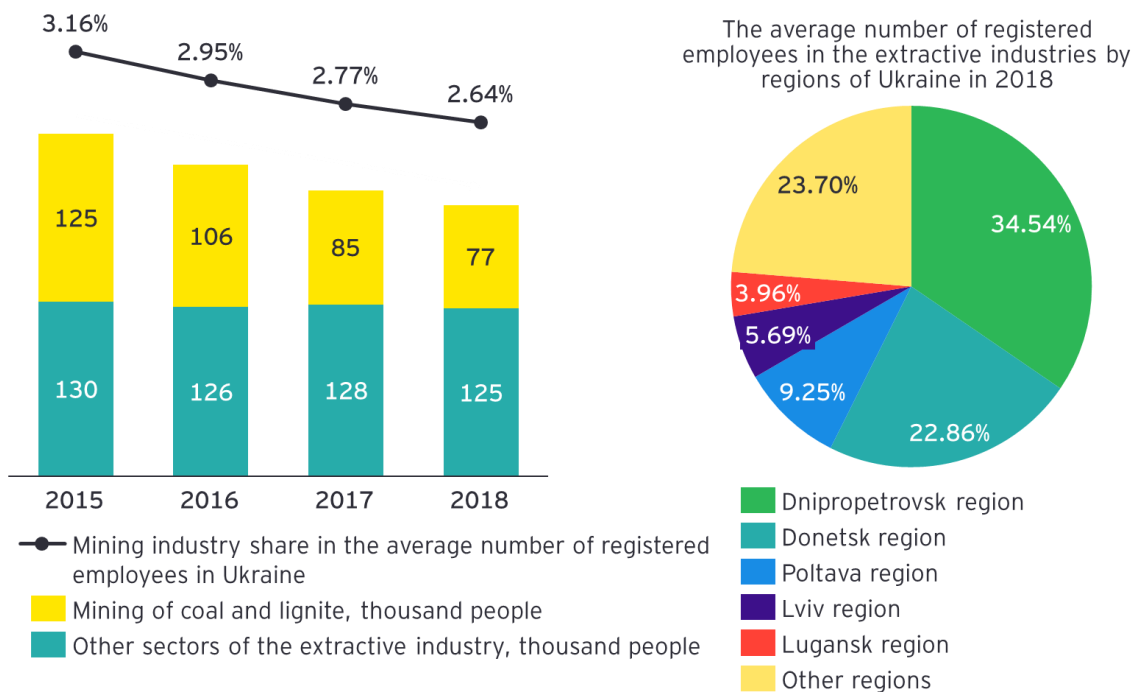


Figure 5.62: Contribution of extractive industries to the creation of jobs in 2018, thousand people<sup>226</sup>

<sup>224</sup> Here, "extractive industries" refers to the types of economic activity that, according to the classification of economic activities NACE-2010, included in section B "Extractive industries and quarrying"

<sup>225</sup> Here, "industry" refers to the types of economic activity that, according to the classification of economic activities NACE-2010, included in sections B, C, D, E

<sup>226</sup> SSSU, Statistical Book "Work in Ukraine in 2018", [http://www.ukrstat.gov.ua/druk/publicat/kat\\_u/2019/zb/08/zb\\_pu2018.pdf.pdf](http://www.ukrstat.gov.ua/druk/publicat/kat_u/2019/zb/08/zb_pu2018.pdf.pdf)

The bulk of full-time employees in the extractive industries, namely 75.25%, are men. The share of women in 2018 was 24.75% (Figure 5.63).

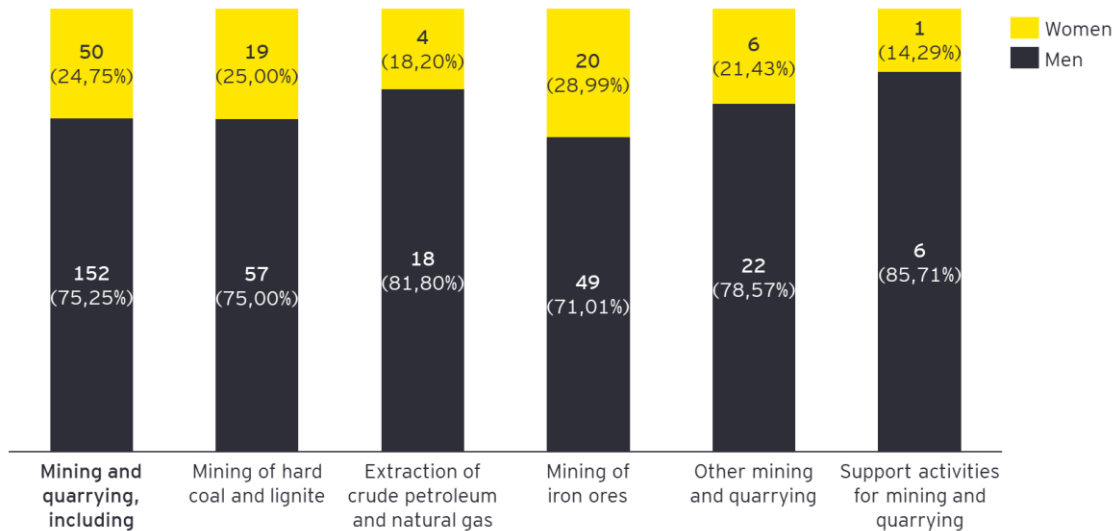


Figure 5.63: The structure of the average number of full-time registered employees in the extractive industries by gender in 2018<sup>227</sup>

### 5.10.2 Contribution to the informal economy

Two sources of information were used to analyze the size of the shadow economy in the extractive industries for the purposes of preparation of this EITI report: a study by the Ministry of Economy on the size of the shadow economy using the loss-making method and the Independent Administrator's own assessment of informal employment based on SSS data.

1. According to the Ministry of Economy, the level of the shadow economy in the extractive industries amounted to 29% of the gross value added of these industries in 2018, which is 9 percentage points less than in 2017

According to the official definition, the "shadow economy" has the following meaning:

*Shadow economy is the economic activity of the business entity that is unregistered in the prescribed manner, which is characterized by minimization of costs for production of goods, works and services, evasion of tax, fees (mandatory payments), statistical questionnaires and statistical reporting, resulting in a violation of statutory norms (minimum wage, working hours, working conditions and safety, etc.).*<sup>228</sup>

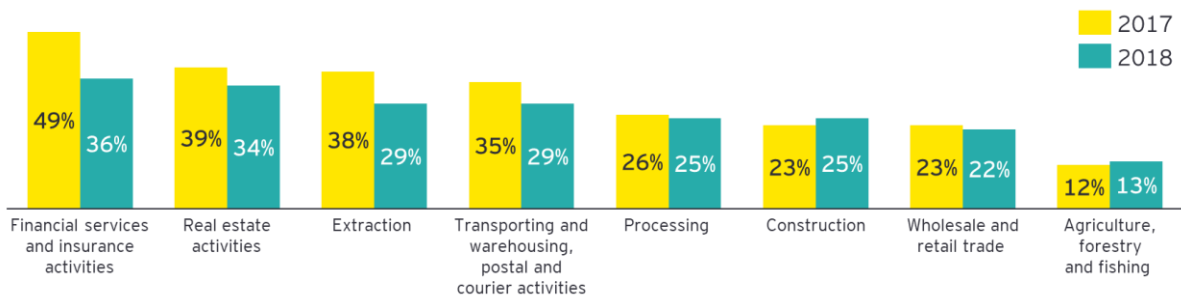
The Ministry of Economy calculates the level of the shadow economy in accordance with the *Guidelines for Calculating the Level of Shadow Economy*, approved by the Ordinance of the Ministry of Economy No 123 of 18.02.2009. The Ministry of Economy estimates the level of shadow economy both on an integrated basis and using various methods, including household

<sup>227</sup> Calculated based on the information from the State Statistics Service on the average number of full-time registered employees in the extractive industries, received in response to a request from the Independent Administrator for the purposes of preparing this EITI Report

<sup>228</sup> The shadow economy concept is defined in accordance with the Order of the Ministry of Economy "On Approval of the Guidelines for Calculating the Shadow Economy Level" No 123 of 18.02.2009

spending - retail trade method, monetary, electric (using electricity consumption data) method, the unprofitable enterprises method.

According to the results of the calculation made by the Ministry of Economy using the unprofitable enterprises method, the level of the shadow economy in the extractive industries in 2018 amounted to 29% of the official gross value added of these industries. In the case of the unprofitable enterprises method, the maximum level of the shadow economy is calculated based on the assumption that all profitable enterprises report only undistorted data in their statements, and all loss making enterprises hide their actual profits and total gross value added in their statements.



**Figure 5.64: Share of shadow economy in extractive and other industries in Ukraine in 2017-2018, based on the loss-making method (in % of gross value added in the industries)<sup>229</sup>**

For comparison, the integrated indicator of the level of the shadow economy in Ukraine amounted to 31% in 2018, which is 1 percentage point less than in 2017. The level of the shadow economy in Ukraine calculated using some other methods was the following:

- ▶ 3 using the household spending - retail trade method - 46% of the official GDP;
- ▶ using the unprofitable enterprises method - 20% of the official GDP;
- ▶ using the monetary method - 24% of the official GDP;
- ▶ using the electricity consumption method - 27% of the official GDP.

2. Based on the data of the State Statistics Service, the share of informally employed population in the extractive industries in 2018 is estimated at 16.8 thousand people or 8.03% of total employment in these industries, assuming that the share of informally employed in the extractive industries corresponds to informally employed throughout the industry as a whole.

According to the State Statistics Service Methodological Guidelines, informal employment means the following:

*Informal employment covers informal jobs in both the formal and informal sectors. Informally employed include the following categories of employed population:*

<sup>229</sup> Ministry of Economy, Overall trends in shadow economy of Ukraine in 2019, <https://www.me.gov.ua/Documents/Download?id=e5906118-6639-4dde-851b-2d9cd318e803>

- ▶ those employed in informal sector enterprises (unregistered self-employed, employers and their employees, family members working for free, etc.);
- ▶ family members working for free at formal sector enterprises;
- ▶ employees working in informal formal sector jobs (persons working under verbal agreement or without any social guarantees, including those who failed to pay a single contribution to the compulsory state social insurance; had no annual leave or paid sick leave)<sup>230</sup>.

In order to estimate the size of the informal sector in the extractive industries, the Independent Administrator calculated the share of the informally employed population in these industries using the State Statistics Service data. The need for calculation is due to the lack of official disaggregated data from the State Statistics Service on the level of informal employment separately in the extractive industries, while such data are available only for the entire industry.

The assumption is made that the share of the informally employed population in the extractive industries is the same as in industry. Of the 16,360.0 thousand people employed in Ukraine, 3,541.3 thousand are informally employed, of which 194.8 thousand are informally employed in industry. The share of informal employment in industry in 2018 was 8.03%. Assuming that the level of informal employment in the extractive industries is the same, the number of informally employed people in these industries was estimated at 16.8 thousand people.

**Table 5.55: Assessment of the share of informally employed in extractive industries in 2018<sup>231</sup>**

Industry	Employed during 2018		
	Total	Including, informally employed	
	thousand	thousand	% of employed
Ukraine	16 360,9	3 541,3	21,64%
Industry <sup>232</sup>	2 426,0	194,8	8,03%
Extractive industry and quarrying <sup>233</sup>	209,4	16,8* *evaluation	8,03%* *assumption

### 5.10.3 Social and charity payments by extractive companies

In order to disclose in the EITI Report 2018 the information on the reporting extractive companies' spending for social and charitable purposes, the data provided by them during the survey were collected.<sup>234</sup> The distribution of the payments by their purpose was carried out by

<sup>230</sup> The concept of informal employment is defined in accordance with the Order of the State Statistics Committee "On Approval of the Methodological Guidelines for Determining Informal Employment" No 16 of 23.01.2013

<sup>231</sup> Share and number of informally employed in the extractive industries were calculated based on SSSU information. Source: (1) Statistical Book "Economic activities of population of Ukraine in 2018",

[http://www.ukrstat.gov.ua/druk/publicat/kat\\_u/2019/zb/07/zb\\_EAN\\_2018.pdf](http://www.ukrstat.gov.ua/druk/publicat/kat_u/2019/zb/07/zb_EAN_2018.pdf); (2) "Statistical Yearly Book of Ukraine in 2018", [http://www.ukrstat.gov.ua/druk/publicat/kat\\_u/2019/zb/11/zb\\_yearbook\\_2018.pdf](http://www.ukrstat.gov.ua/druk/publicat/kat_u/2019/zb/11/zb_yearbook_2018.pdf)

<sup>232</sup> Here industry stand for economic activities under sections B, C, D, E of NACE-2010

<sup>233</sup> Here, "extractive industries" refers to the types of economic activity that, according to the classification of economic activities NACE-2010, included in section B "Extractive industries and quarrying"

<sup>234</sup> The entities of the extractive industries provide information on their activities by filling out a report on payments / consolidated report on payments in accordance with the Law of Ukraine "On Ensuring Transparency in Extractive Industries" of September 18, 2018 No 2545-VIII and the Resolution of the Cabinet of Ministers of September 23, 2020 No 858 "Some Issues of Ensuring Transparency in Extractive Industries"

the Independent Administrator, as the reporting forms approved by the Cabinet of Ministers do not provide for such a division. The following areas were identified:

- ▶ support for local communities;
- ▶ health care;
- ▶ environmental protection;
- ▶ education and science;
- ▶ other.

As a result of completing the report / consolidated report on payments to the state, the information on expenditures for social and charitable purposes was provided by 18 reporting companies, of which 10 operate in oil and natural gas extracting, 6 companies - in iron ore mining and 2 companies - in coal mining. Total payments for social and charitable purposes in 2018, according to these companies, amounted to UAH 448,125.91 thousand.

Ukrainian law does not provide for the concept of "mandatory social spending of mining companies" and does not specify the list of cases in which such spending (other than USC) may be mandatory. Therefore, such categorization is not used in this section.

In terms of purposes, in 2018, more than half of the social and charitable expenses of the reporting companies in the extractive industries were attributed to the category of "Support to local communities" - UAH 355,317.81 thousand, or 79.29%. The more detailed information is presented in the table below (**Table 5.56**).

**Table 5.56: Expenses of the reporting companies for social purposes and charity by the industry and purposes in 2018, thousand UAH (excl. VAT)**

Purpose	Oil and gas	Coal	Metal ores	Total
Health services	6 202,90	272,70	12 500,00	18 975,60
Science and education	1 592,33	4 862,70	4 357,49	10 812,51
Local communities	46 985,32	106 151,90	202 180,59	355 317,81
Environmental protection	0,00	0,00	17 999,86	17 999,86
Other	505,00	464,10	44 051,04	45 020,14
<b>Total</b>	<b>55 285,54</b>	<b>111 751,40</b>	<b>281 088,97</b>	<b>448 125,91</b>

The leader among the reporting companies that disclosed information on their social and charitable expenses in 2018 was DTEK Pavlogradugol PrJSC, whose expenses amounted to UAH 99,927.00 thousand or 22.30% of all companies' payments. The more detailed information by company is presented in the figure below.

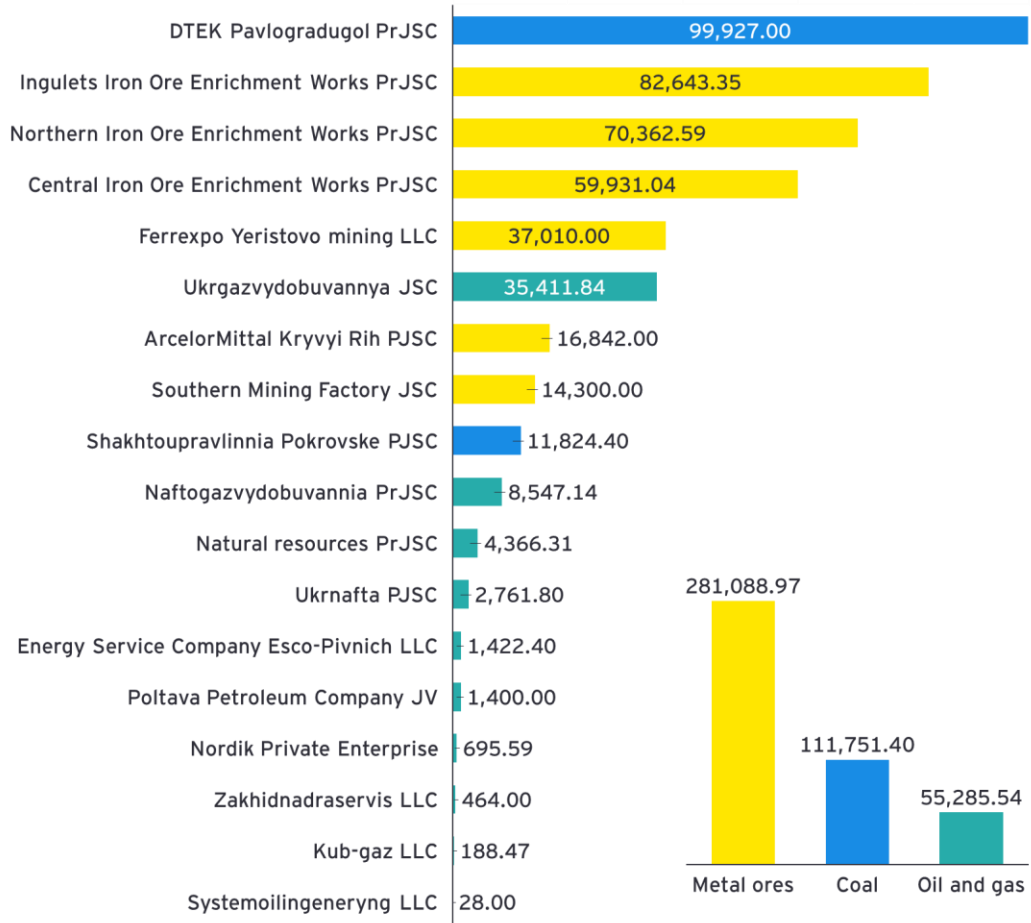


Figure 5.65: Expenses of the reporting companies for social purposes and charity in 2018, thousand UAH

## 5.11 Quasi-fiscal transactions

The EITI Report 2018 discloses information on quasi-fiscal operations of public sector companies, which are payments for social services, public infrastructure, fuel subsidies and national debt service, in accordance with the requirements of the EITI Standard 3.2.

The major type of quasi-fiscal operations in Ukraine in 2018 was the sale of natural gas to households, religious organizations and district heating companies (DH) at prices lower than those for industrial consumers. According to the EITI MSG decision, and based on the available information and recommendations of the Independent Administrator, quasi-fiscal operations that are significant for disclosure in the EITI Report include only the transactions in the gas industry of Ukraine (Minutes of EITI MSG meeting of November 22, 2019). To prepare the EITI Report 2018, a request for quasi-fiscal expenditures was submitted to Naftogaz of Ukraine NJSC (Minutes of the EITI MSG meeting dated December 20, 2020).

### 5.11.1 Quasi-fiscal transactions in gas industry

According to Article 11 of the Law of Ukraine "On the Natural Gas Market", certain actors of the natural gas market were assigned special responsibilities to ensure public interests in the natural gas market. During 2018, the scope and the terms of the special obligations of the natural gas market actors, including Naftogaz of Ukraine NJSC were determined by the Cabinet of Ministers Resolutions No 187 of March 22, 2017 and No 867 of October 19, 2018. The latter determined the approach to setting the retail price for the supply of natural gas to households, religious organizations (except for the volumes used for their production and commercial activities) and producers of heat and electricity for the period up to May 1, 2021<sup>235</sup>.

According to the Naftogaz of Ukraine NJSC, the total quasi-fiscal expenditures amounted to UAH 38,871,381 thousand in the reporting period (*Table 5.57*).

*Table 5.57: Quasi-fiscal operations in the gas extracting industry in 2018<sup>236</sup>*

Indicator	Amount, UAH thousand
Supply of natural gas to natural gas suppliers for the needs of household consumers, religious organizations (except for the volumes used for their production and commercial activities) and heat producers at prices and under conditions determined by the Resolution of Cabinet of Ministers of 22.03.2017 No 187 and 19.10.2018 No 867	10,640,000
Accumulation of receivables of the National Joint-Stock Company "Naftogaz of Ukraine" for the sale of natural gas to the households and heat companies <sup>237</sup>	28,231,381
Borrowings taken by the National Joint Stock Company "Naftogaz of Ukraine" and other public sector entities, which (borrowings) give rise, in case of change of their holder and for other reasons specified in the loan agreement (bond issue prospectus), to obligations for early repayment of the loan.	-

No quasi-fiscal operations were conducted by other accountable companies during 2018.

<sup>235</sup> Resolution of the Cabinet of Ministers of 19.10.2018 No 867 "On imposing special obligations on natural gas market actors to ensure public interests in the functioning of the natural gas market", <https://zakon.rada.gov.ua/laws/show/867-2018-%D0%BF#Text>

<sup>236</sup> The information is obtained from the response of Naftogaz of Ukraine NJSC

<sup>237</sup> The receivables by DH companies as of December 31, 2019

## 5.12 Generation of government revenues from extractive industries by the regions of Ukraine

Almost all tax and non-tax payments made by extractive companies in Ukraine do not have a clearly stated purpose and destined to the State Budget and/or local budgets. The exception is the single social security tax (contribution), which is distributed to the types of compulsory state social insurance in the proportions to be determined by the Cabinet of Ministers<sup>238</sup>. For the detailed information on the destination of taxes and fees to the state or local budgets, please, see **Section 6.5**.

The legal address mentioned in the company's registration records may often not coincide with the actual place of extraction of minerals under special subsoil use permits. Therefore, the Independent Administrator conducted its own assessment of the regional origin of payments in favor of the state made by the accountable extractive companies. The results of the assessment are the estimates of revenues in favor of the state generated in a particular Ukrainian region in 2018. The estimates are approximated values.

The assessment methodology and the major assumptions were as follows:

1. The scope of assessment - receipts from all mining companies of the reporting extractive industries (extraction of natural gas, extraction of oil, coal, iron ore, titanium, manganese mining)<sup>239</sup> for all types of payments made in 2018. The source of information is the data of state bodies (State Tax Service, State Customs Service, Ministry of Economy, Geonadra) on receipts of tax and other payments in favor of the state in 2018, obtained for the purpose of reconciliation within the EITI Report preparation process.
2. The revenues from oil and natural gas transportation (Ukrtransgaz JSC and Ukrtransnafta JSC) and those from Naftogaz of Ukraine NJSC were not decomposed by the regions of Ukraine, as it is impossible to accurately compare the payment of taxes and non-tax payments by these companies with specific regions of Ukraine due to the specifics of their activities.
3. The distribution of revenues from iron, titanium and manganese ores mining by administrative regions of Ukraine was matched with the actual address of business and the amount of taxes and duties paid by the companies. For example, if a company operates exclusively within one administrative region, all payments made by the company are treated as originating in that administrative region. Where the company extracts minerals under several special subsoil use permits located in different administrative regions, such payments were divided by regional origin according to the volume of production in each of the regions.
4. The total revenues from the coal mining companies were distributed by the administrative regions of Ukraine in proportion to the volume of production in physical

---

<sup>238</sup> The effective proportions for the SSC distribution are approved by the Resolution of the Cabinet of Ministers of Ukraine No 675 of November 26, 2014 "On approval of the proportions of the distribution of the single contribution for the purpose of the obligatory state social insurance", <https://zakon.rada.gov.ua/laws/show/675-2014-n>

<sup>239</sup> For more information on determining the list of accountable industries to be reconciled for the purposes of the EITI Report 2018, please see **Section 8**



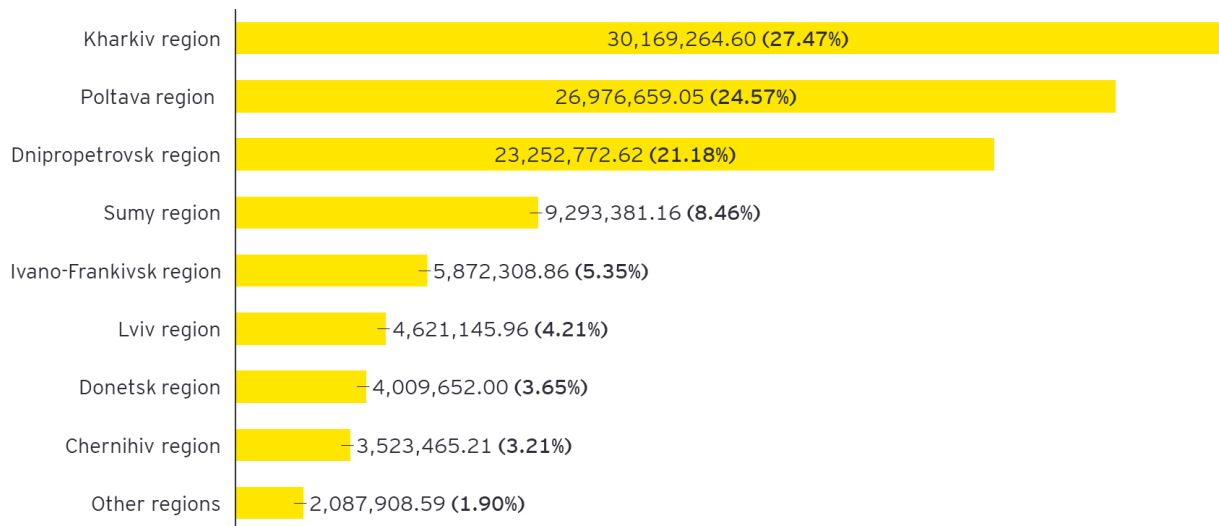
units. For example, it was assumed that since the Dnipropetrovsk region produced 60.1% of the total coal in Ukraine in 2018, 60.1% of the revenues from the coal mining companies can be attributed to the Dnipropetrovsk region. Geonadra (Geoinform of Ukraine) and the Ministry of Energy are the source of information on the regional distribution of production volumes.

5. The total revenues other than revenues from oil extraction and from natural gas extraction were distributed pro rata with the regional structure of the relevant mineral extraction.
6. Where the company is engaged both in oil and natural gas extraction, such payments were distributed among the natural gas and oil production industries in proportion to the amount of rent paid by the company for subsoil use according to the relevant budget classification codes. Since the tax base for rent for the use of subsoil for the extraction of hydrocarbons is the cost of marketable products (oil, condensate and natural gas), the assumption was made that the payments of oil and gas companies should be split into those related to natural gas extraction and those associated with oil production, in proportion to the rent paid by the companies.

This algorithm was used to identify the regional origin of approximately 58.43% of payments from the extractive industries in 2018. The results of the estimation may contain errors, however any other approach would not deliver higher accuracy of outcomes with the available information. Moreover, when a company operates in several administrative regions or produces both oil and natural gas at the same time, it is impossible to make a correct distribution of payments without receiving detailed clarifications from each such company, in particular with regards to the share of extraction of a particular type of mineral in the tax base of the most types of taxes.

Unallocated to the regions of the country the payments of Naftogaz of Ukraine NJSC (36.53% of the total revenues in favor of the state), as well as all payments made by oil and natural gas transportation industry (5.05%) remained non-distributed by the administrative region of Ukraine.

The results of the assessment show that the three Ukrainian administrative regions (Kharkiv, Poltava and Dnipropetrovsk regions), where the main deposits of natural gas, oil and iron ore are located, generated 73.22% of revenues to the state from extractive industries in 2018. The other 24.88% of the revenues fell on 5 administrative regions (Sumy, Ivano-Frankivsk, Lviv, Donetsk, and Chernihiv regions). The rest of the regions of Ukraine generated 1.90% of the total revenues to the state from extractive industries in 2018.



**Figure 5.66: Estimate by the Independent Administrator of the regional origin of payments in favour of the state from the extractive industries of Ukraine in 2018, thousand UAH**

Table 5.58: Independent Administrator`s estimation of the regional origin of payments in favour of the state from the extractive industries in 2018

Name of region	Total, UAH thousand	Including:					
		Oil	Natural gas	Iron ores <sup>240</sup>	Titanium ores	Manganese ores	Coal
Volyn region	121,057.56		85,425.51				35,632.05
Dnipropetrovsk region	23,252,772.62	153,459.51	1,534,713.42	13,046,788.30	486,430.87	814,314.03	7,217,066.50
Donetsk region	4,009,652.00		2,945.71				4,006,706.30
Zhytomyr region	222,088.83			4,050.46	218,038.37		
Zaporizhya region	814,147.40			812,959.34		1,188.06	
Ivano-Frankivsk region	5,872,308.86	4,552,632.06	1,319,676.80				
Kyiv region	50.57				50.57		
Kirovograd region	102,425.61			78,392.26	24,033.35		
Luhansk region	767,708.11	12,788.29	577,358.60				177,561.22
Lviv region	4,621,145.96	1,803,149.22	2,250,520.25				567,476.49
Mykolaiv region	145.61			145.61			
Poltava region	26,976,659.05	1,739,207.75	25,374,321.30	-136,870.01			
Sumy region	9,293,381.16	8,350,754.88	942,626.28				
Kharkiv region	30,169,264.60	703,356.08	29,465,908.52				
Cherkasy region	365.31				365.31		
Chernivtsi region	27,516.83	12,788.29	14,728.54				
Chernihiv region	3,523,465.21	3,414,474.05	108,991.16				
Zakarpattia region	2,945.71		2,945.71				
The Azov Sea Shelf	29,457.07		29,457.07				
<b>Total</b>	<b>109,806,558.05</b>	<b>20,742,610.12</b>	<b>61,709,618.88</b>	<b>13,805,465.95</b>	<b>728,918.46</b>	<b>815,502.09</b>	<b>12,004,442.54</b>

<sup>240</sup> The volume of payments in favour of the state made by the companies of iron ore mining industry is negative for some regions due to the fact that some companies engaged in iron ore mining in these regions in 2018 received a budget refund of the value added tax in cash, which is a total exceeded the amount of payments made by these companies in favour of the state

## 5.13 Environmental impact of extractive industries

### 5.13.1 Monitoring the environmental impact of extractive industries

According to the EITI 6.4 standard, countries are encouraged to disclose information on monitoring the environmental impact of extractive industries. In Ukraine, statistical information on the impact of industrial activities on the environment and the implementation of environmental measures is consolidated by the State Statistics Service of Ukraine. The Independent Administrator analyzed some publications on the amount of waste generated, greenhouse gas emissions and pollutants into the atmosphere, as well as capital investments and expenditures on environmental measures, by the reporting extractive industries in 2018.

According to the State Statistics Service, in the reporting period, the largest amount of waste was generated by metal ore mining industry, namely category A.7 "Metal ore mining waste" (group 13) - 268,127.42 thousand tons.

*Table 5.59: The volume of waste generated in the extractive industries in 2018, thousand tons<sup>241</sup>*

Waste category	Volume of generated waste, thousand tons
A. 4 "Wastes from coal, lignite (brown coal), peat" (group 10)	11,135.28
A. 5 "Wastes from crude oil and natural gas extracting; wastes from oil and gas extracting services (other than exploration)" (group 11)	73.32
A. 7 "Wastes from metal ores mining" (group 13)	268,127.42
A. 8 "Wastes from other minerals mining" (group 14), including:	22,748.94
<i>wastes (rocks, earth) generated during uncovering operations for building stone mining (1411.2.9.01)</i>	170.23
<i>other substandard stone for monuments or building (1411.3.1.08)</i>	0.07
<i>wastes from industrial and technological mining of gravel and sand (1421.2.9.03)</i>	0.60
<i>natural unwashed / washed substandard building sand (1421.3.1.03/1421.3.1.04)</i>	0.06
<i>substandard crushed stone and sand from industrial waste (1421.3.1.08)</i>	0.70
<i>substandard fire clays (1422.3.1.04)</i>	0,05

The metal ore mining industry also generates the largest amount of carbon dioxide emissions - 1,162.30 thousand tons. At the same time, the largest amount of pollutant emissions is produced by coal and lignite mining - 321.40 thousand tons.

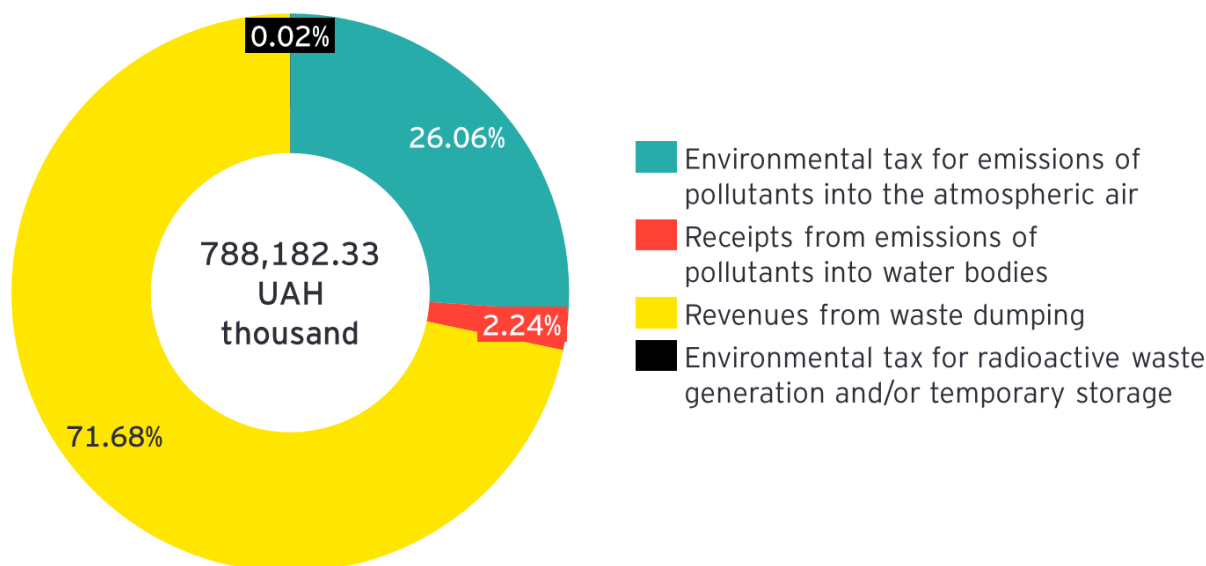
<sup>241</sup> SSS, Waste generation by classification groups of the state waste classifier in 2018, [http://www.ukrstat.gov.ua/operativ/operativ2018/ns/uv\\_zaklass/uv\\_zaklass\\_18u.xls](http://www.ukrstat.gov.ua/operativ/operativ2018/ns/uv_zaklass/uv_zaklass_18u.xls)

**Table 5.60: Volumes of emissions of carbon dioxide and pollutants into the atmosphere from stationary sources by type of economic activity in 2018, thousand tons**

Extractive sector	Carbon dioxide emissions, thousand tons	Pollutant emissions, thousand tons
Coal and lignite mining (NACE code - B05)	327.10	321.40
Metal ores mining (NACE code - B07)	1,162.30	77.90
Other minerals mining (NACE code - B08)	92.90	8.90

### 5.13.2 Environmental expenditures of extractive industries

According to the data of the State Tax Service, received in response to the request, the total revenues of the state by various categories of environmental tax from the reporting extractive industries<sup>242</sup> amounted to UAH 788,182.33 thousand in 2018. The largest share of revenues came from waste disposal - 71.68% or UAH 564,946.67 thousand. (**Figure 5.67**).



**Figure 5.67: Structure of revenues from environmental tax from the reporting industries in 2018**

According to the State Statistics Service In 2018, the current expenditures of the reporting extractive industries reached a total of UAH 6,037,555.30 thousand and capital investments - UAH 1,742,679.20 thousand. In terms of the category of capital investments, the largest share (59.49%) was spent on soil, groundwater and surface water protection and rehabilitation activities. Overall, in terms of the reporting industries, the largest expenditures on environmental protection were made by metal ore mining enterprises - UAH 7,269,776.50 thousand.

<sup>242</sup> The accountable extractives industries include oil and natural gas extraction, coal and iron, manganese, titanium ores mining. Detailed information about payments of accountable extractives industries to the state is listed in **Section 8**

**Table 5.61: Environmental protection expenditures by mining and quarrying industries in 2018<sup>243</sup>**

List of expenditures	Industry				
	Coal and lignite mining	Extracting of crude oil and natural gas	Metal ores mining	Mining of other minerals and quarrying	Total
Current expenditures	189,027.10	121,787.20	5,578,831.90	147,909.10	6,037,555.30
Capital Investments, including:	40,708.10	3,203.30	1,690,944.60	7,823.20	1,742,679.20
<i>atmospheric air protection and climate change issues</i>	406.00	-	103,804.90	6,039.30	110,250.20
<i>return water treatment</i>	5,025.00	193.30	267,600.10	1,783.50	274,601.90
<i>waste management</i>	35,179.30	-	281,944.20	0.40	317,123.90
<i>soil, groundwater and surface water protection and rehabilitation</i>	22.20	3,010.00	1,033,608.50	-	1,036,640.70
<i>other activities</i>	75.60	-	3,986.90	-	4,062.50
<b>Total</b>	<b>229,735.20</b>	<b>124,990.50</b>	<b>7,269,776.50</b>	<b>155,732.30</b>	<b>7,780,234.50</b>

<sup>243</sup> SSS, Expenditures on Environmental Protection by Types of Economic Activity in 2018,

[http://www.ukrstat.gov.ua/operativ/operativ2018/ns/vonsved/vonsved2018xl\\_u.xlsx](http://www.ukrstat.gov.ua/operativ/operativ2018/ns/vonsved/vonsved2018xl_u.xlsx)

State Statistics Service, Capital Environmental Protection Investments by Types of Economic Activity with Distribution by Types of Environmental Measures in 2018,

[http://www.ukrstat.gov.ua/operativ/operativ2016/ns\\_rik/ns\\_rik\\_reg/onps\\_u/kionps\\_ek\\_u.xlsx](http://www.ukrstat.gov.ua/operativ/operativ2016/ns_rik/ns_rik_reg/onps_u/kionps_ek_u.xlsx)

## 6. Statutory and fiscal regulation for extractive industries in 2019

### 6.1 Overview of the regulations applicable to extractive industries

According to Article 13 of the Constitution of Ukraine, the subsoil and natural resources within the territory of Ukraine, natural resources of its continental shelf and the exclusive (maritime) economic zone are the property of the People of Ukraine. Public authorities and local governments exercise these proprietary rights of the Ukrainian people within the limits set by the Constitution.

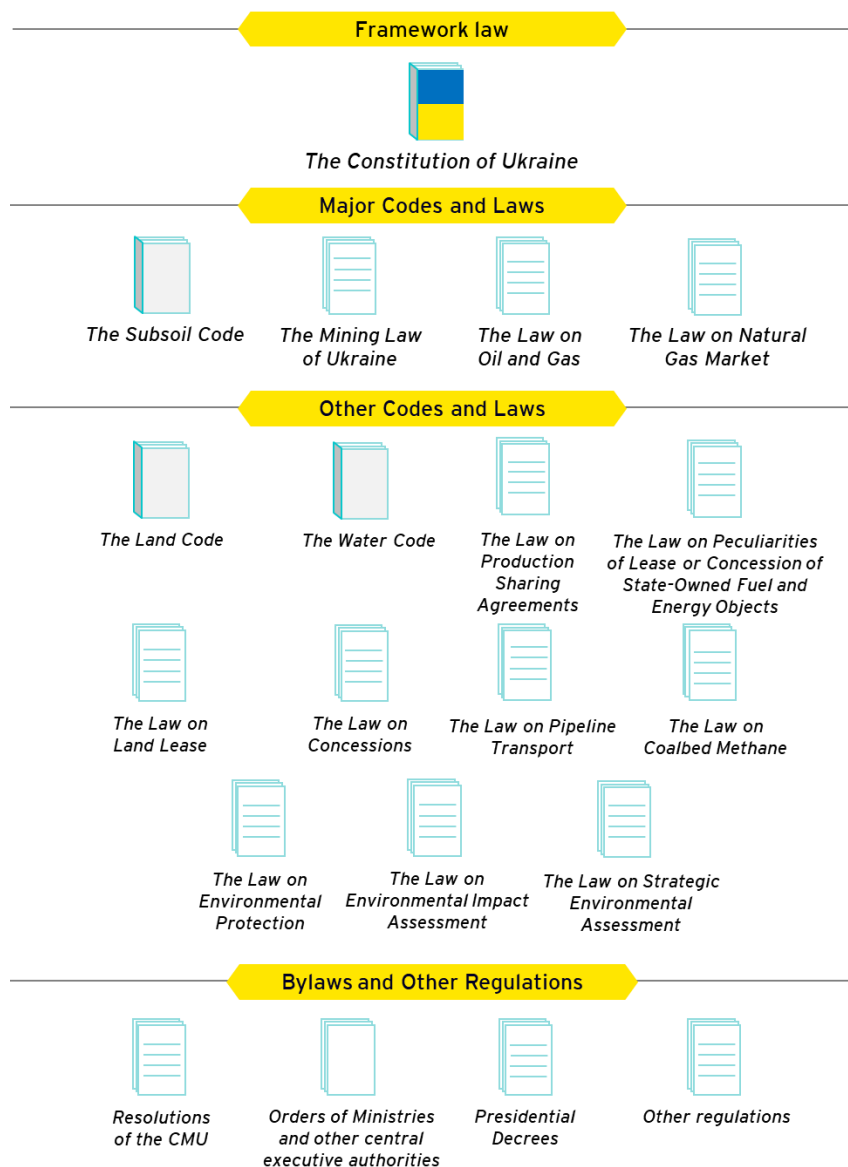


Figure 6.1: Legal framework of extractive industries

to multiple regulations, which may be not fully coherent. In addition to the laws, the relationships in the sector are governed by a plenty of by-laws. The texts of laws and by-laws are available at the web-site of the Parliament: <http://rada.gov.ua/> (this report refers to the links to the regulations available as of 31 December 2018, unless provided otherwise).

This section provides information on the strategic documents for the extractive industry, statutory and tax regulation for mining industries applicable at the end of 2018. If certain rules or regulations had been effective only for a certain period, this fact is indicated separately.

### 6.1.1 Strategic documents in the extractive industry

The main directions for development and reform of the extractive industries in 2018 were determined in the following strategic documents<sup>244</sup>:

#### ***Government Mid-Term Priority Action Plan until 2020 and Government Priority Action Plan***

- ▶ The CMU Regulation dated 03 April 2017<sup>245</sup> approved the Government Mid-Term Priority Action Plan until 2020. To implement it, the CMU approved the Government Priority Action Plans for 2017, 2018, 2019<sup>246</sup> and 2020.<sup>247</sup> These documents outlined the government policy for reforming the extractive industry.
- ▶ Key priority areas for development and economic growth in the energy sector are as follows: increased energy independence, implementation of the EU Third Energy Package principles, reforming the coal sector and developing raw material base.
- ▶ In October 2019, after the Government changed, the new CMU activity program was developed.<sup>248</sup>

#### ***Ukraine's Energy Strategy "Security, Energy Efficiency, Competitiveness" for the period of up to 2035***

- ▶ The Energy Strategy was approved on 18 August 2017<sup>249</sup> in the context of the Sustainable Development Strategy "Ukraine - 2020"<sup>250</sup>, replacing the Energy Strategy of Ukraine until 2030<sup>251</sup>. The 2035 Strategy outlines strategic targets for development of the fuel and energy complex and a milestone program for their achievement.

---

<sup>244</sup> The main areas of mining sector development are also determined in the documents adopted even before the reporting year, e.g., the Resolution of the CMU "On Approval of the Ukrainian Coal Program" No. 1205 dated 19 September 2001, available at: <http://zakon3.rada.gov.ua/laws/show/1205-2001-%D0%BF>; Resolution of the CMU "On the progress of coal industry restructuring" No. 280 dated 28 March 1997, available at: <http://zakon2.rada.gov.ua/laws/show/280-97-%D0%BF>

<sup>245</sup> Resolution of the CMU "On Approving the Government Mid-Term Priority Action Plan until 2020 and the Government Priority Action Plan for 2017" No. 275-p dated 03 April 2017, available at: <https://zakon.rada.gov.ua/laws/show/275-2017-p>

<sup>246</sup> Resolution of the CMU "On approval of the Government Priority Action Plan for 2018" No. 244-p dated 28 March 2018, available at: <https://zakon.rada.gov.ua/laws/show/244-2018-p>, Resolution of the CMU "On Approval of the Government Priority Action Plan for 2019" No. 1106-p dated 18 December 2018, available at: <https://zakon.rada.gov.ua/laws/show/1106-2018-p>

<sup>247</sup> Resolution of the CMU "On Approval of the Government Priority Action Plan for 2020" No. 1133-p dated 9 September 2020, available at: <https://www.kmu.gov.ua/npas/pro-zatverdzhennya-planu-prioritetni-a1133r>

<sup>248</sup> Resolution of the Parliament "On the Program of Activities of the CMU" No. 188-IX dated 4 October 2019, available at: <https://zakon.rada.gov.ua/laws/show/188-ix>

<sup>249</sup> Resolution of the CMU "On approval of the Energy Strategy of Ukraine "Security, Energy Efficiency, Competitiveness" till 2035 No. 605-p dated 18 August 2017, available at: <https://zakon.rada.gov.ua/laws/show/605-2017-p>

<sup>250</sup> Presidential Decree "On Sustainable Development Strategy *Ukraine 2020*" No. 5/2015 of 12 January 2015, available at: <http://zakon2.rada.gov.ua/laws/show/5/2015>

<sup>251</sup> Resolution of the CMU "On Approval of the Energy Strategy of Ukraine till 2030" No. 1071-p of 24 July 2013, available at: <http://zakon5.rada.gov.ua/laws/show/1071-2013-%D1%80>



- ▶ The Strategy stipulates that by 2025 the reform of the energy industry of Ukraine will be completed, while the priority targets for energy security and energy efficiency will be achieved, and the industry's innovation, upgrade and integration with the EU energy sector will be ensured. It also suggests that after 2025 sustainable development of Ukraine's energy sector will be secured through a number of commitments, e.g., more than double reduction in energy intensity of GDP, build-up of new energy generation, increase in the national gas production, adaptation of the GTS in the context of developing of the European natural gas common market, achievement of competitive and transparent coal sector operations, etc. In 2018, to implement the Energy Strategy, the CMU approved an action plan for implementation of the (first) stage of "Reforming the Energy Sector (until 2020)".<sup>252</sup>

### ***The Coal Industry Reform and Development Concept until 2020***

- ▶ The Concept describes the crisis of the coal industry and suggests ways to overcome it and further develop the industry. Reforming the coal industry is considered the most feasible option. According to the Concept, the reform envisages privatization of the prospective coal mining enterprises and liquidation of non-prospective ones.
- ▶ In addition, it is proposed to divide mine reserves into prospective mines with a significant volume of coal reserves capable to reach the break-even point in the shortest time, and non-prospective mines.<sup>253</sup> The Concept and the relevant activity plan for its implementation were approved on 24 May 2017.<sup>254</sup>

### ***The Concept for Ukrainian Gas Industry Development***

- ▶ This Concept<sup>255</sup> and the Action Plan for its implementation<sup>256</sup> aim to increase gas production in Ukraine to reduce dependence on energy imports, attract investment in the energy sector, ensure energy independence of Ukraine, etc.

### ***State Regional Development Strategy for 2021-2027***<sup>257</sup>

- ▶ The main objectives of the strategy in the coal sector are socio-economic transformation of territories where coal mining and coal processing enterprises are in the process of termination; simplification of conditions and incentives to start and run small and medium businesses; and involvement of other coal companies into social initiatives and social projects in such territories.

<sup>252</sup> Resolution of the CMU "On Approval of the Action Plan for Implementation of the Stage "Reforming the Energy Sector (until 2020)" of the Energy Strategy of Ukraine for the Period till 2035 "Security, Energy Efficiency, Competitiveness" No. 497-p of 6 June 2018, available at: <https://zakon.rada.gov.ua/laws/show/497-2018-%D1%80>

<sup>253</sup> According to information from public sources, the CMU approved the Concept ("The Government decided to approve the Coal Industry Reform and Development Concept for the period till 2020 and approved the Plan for its implementation" of 24 May 2017, available at: [http://mpe.kmu.gov.ua/minugol/control/uk/publish/article?art\\_id=245211119&cat\\_id=35109](http://mpe.kmu.gov.ua/minugol/control/uk/publish/article?art_id=245211119&cat_id=35109))

<sup>254</sup> Resolution of the CMU "On Approval of the Coal Industry Reform and Development Concept for the Period till 2020" No. 733-p dated 24 May 2017, available at: <https://zakon3.rada.gov.ua/laws/show/733-2017-%D1%80>

<sup>255</sup> Resolution of the CMU "On Approval of the Ukrainian Gas Extracting Industry Development Concept" No. 1079-p dated 28 December 2016, available at: <http://zakon2.rada.gov.ua/laws/show/1079-2016-%D1%80>

<sup>256</sup> Resolution of the CMU "On Amendments to the Action Plan to Implement the Ukrainian Gas Extracting Industry Development Concept" No. 842-p dated 24 October 2018 has updated the Action Plan, available at: <https://zakon.rada.gov.ua/laws/show/en/842-2018-p#n9>

<sup>257</sup> Resolution of CMU "On approval of the State Regional Development Strategy for 2021-2027" No. 695 dated August 05, 2020, available at: <https://zakon.rada.gov.ua/laws/show/695-2020-n#Text>

### 6.1.2. The Subsoil Code of Ukraine

The **Subsoil Code of Ukraine** No 132/94-VR dated 27 July 1994 is the principal piece of legislation governing the rational use and protection of natural resources. The Code determines the legal status of subsoil minerals, types of minerals, the powers of the central and local governments in regulating the mining relations (i.e. relations connected with the rational use and protection of mineral resources), and also establishes rules for granting subsoil into use and sets the conditions thereof.

In particular, under the Subsoil Code the minerals are divided into minerals of national and local importance.<sup>258</sup> The lists of minerals of national and local importance have been approved by the CMU.<sup>259</sup> According to the lists, natural gas, oil, quartz sand, granite and clay belong to minerals of national importance.<sup>260</sup>

To use the subsoil, a person should obtain a license (the official name to a license is a "special permit for the use of the subsoil"). Notably, the Subsoil Code explicitly prohibits the license holder from any alienation of the rights under the license granted thereby, including through transfer of license to the equity of a legal entity or as a contribution to the joint venture.<sup>261</sup> For more information on the awarding of the licenses, see **Section 6.6.2** of this Report.

For industrial development of a field, a developer also needs to obtain a mining allotment (except for mining allotment for users of oil and gas resources, which was abolished in April 2018,<sup>262</sup> as well as amber subsoil, in accordance with the amendments of December 2019<sup>263</sup>).

Mining allotments to develop mineral deposits of national importance are provided by the State Labor Service.<sup>264</sup> The document certifying the right to use the subsoil is the act of granting the mining allotment. Conducting a geological exploration does not require obtaining a mining allotment.

To determine the commercial value of a field and its mineral deposits, mineral reserve requirements (requirements to quality and quantity of minerals, as well as various development conditions) is made.<sup>265</sup> Mineral reserve requirements are subject to confirmation by the Geology Service or other authorized enterprises, institutions or organizations. The procedure for developing the mineral reserves requirements is set by the Minekoenergo (Ministry of

---

<sup>258</sup> Article 6 of the Subsoil Code of Ukraine

<sup>259</sup> Resolution of the CMU "On approval of mineral and natural resources of state and local importance" No.827 dated 12 December 1994, available at: <http://zakon2.rada.gov.ua/laws/show/827-94-%D0%BF>

<sup>260</sup> List of minerals of national and local importance attributes clay to minerals of national importance, if such clay is a refractory cement raw material, a forming raw material or a raw material for the brewing of iron ore concentrates. Certain varieties of clay (for example, brick and tile raw materials) are listed as minerals of local importance

<sup>261</sup> Paragraph 6 of article 16 of the Subsoil Code of Ukraine

<sup>262</sup> With entry into force of the Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine on Deregulation in the Oil and Gas Industry" No. 2314-VIII dated 01 March 2018, available at: [: https://zakon.rada.gov.ua/laws/show/2314-19#Text](https://zakon.rada.gov.ua/laws/show/2314-19#Text)

<sup>263</sup> According to the Law of Ukraine "On Amendments to Certain Legislation of Ukraine on the Improvement of Legislation on Extraction of Amber and Other Minerals" No. 402-IX dated 19 December 2019, available at: <https://zakon.rada.gov.ua/laws/show/402-20#Text>

<sup>264</sup> Amendments to Article 17 of the Subsoil Code. Also, in December 2019, amendments were made, according to which the State Labor Service provides mining allotments for the development of mineral deposits of local importance. Amendments were made by the Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine on Improving the Legislation on Extraction of Amber and Other Minerals" No. 402-IX dated 19 December 2019, available at: <https://zakon.rada.gov.ua/laws/show/402-20#Text>

<sup>265</sup> Article 45 of the Subsoil Code

Environment).<sup>266</sup> Mineral deposits of a proven field, as well as additionally explored mineral deposits are subject to assessment by the Geology Service or other authorized enterprise, institution or organization. The procedure for the assessment is set by the CMU.<sup>267</sup>

The Subsoil Code also sets out the rights and obligations of the users of mineral resources. The basic rights include carrying out a geological exploration of mineral resources on the granted block, overall development of mineral deposits, and other works, as well as the use of the produced minerals. The key obligations of the subsoil users are to exploit the subsoil solely in accordance with a designated purpose, to ensure the comprehensiveness of a geological exploration, to secure the rational and integrated use and protection of subsoil resources, and to maintain the security of people, property, and the environment.

Works and research activities related to geological exploration of subsoil resources are subject to compulsory state registration<sup>268</sup> and monitoring<sup>269</sup> by the Geology Service. The results of the works and research performed are transferred for permanent storage to the Geoinform of Ukraine SRPE.

Geological information obtained at state expense is considered state property. The procedure and terms for providing public geological information into the use of different types of users of mineral resources, as well as its sale is determined by the **Regulation on the Procedure for providing geological information**<sup>270</sup>.

The fee for the use of geological information obtained at the expense of the state is determined by the Geology Service using the **Methodology for determining the cost of the geological information obtained at state expense**.<sup>271</sup> The geological information obtained at the subsoil user's expense is, to the contrary, deemed the subsoil user's property, and may be sold or transferred for use by such subsoil user, subject to requirements established by the legislation of Ukraine. Disposal of geological information is reported to the Geology Service.<sup>272</sup>

The Geology Service and local governments exercise state control over the rules and regulations for subsoil use being complied with. The State Labor Service and its local bodies supervises the geological studies and their use in accordance with the **Regulations on the procedure for state mining supervision**.<sup>273</sup> State control over the use and protection of subsoil

---

<sup>266</sup> Currently, the Procedure of performing and substantiating the mineral reserves estimation for calculating the deposit value of solid mineral resources is approved by the Order of DKZ No. 300 dated 7 December 2005, available at:

<http://zakon3.rada.gov.ua/laws/show/z0065-06>

<sup>267</sup> Paragraph 4 of Article 45 of the Subsoil Code. In fact, the assessment and appraisal is conducted by the DKZ of the Geology Service in accordance with paragraph 4 of the Resolution of the CMU No. 865 dated 22 December 1994 "On approval of the Procedure for State assessment and appraisal of mineral reserves", available at: <http://zakon3.rada.gov.ua/laws/show/1689-2000-%D0%BF>

<sup>268</sup> Order of the Ministry of Ecology and Natural Resources of Ukraine No. 263 dated 14 June 2013 "On approval of the Procedure for state registration of works and studies related to geological exploration of subsoil", available at: <http://zakon5.rada.gov.ua/laws/show/z1157-13>

<sup>269</sup> Order of the Ministry of Ecology and Natural Resources of Ukraine "On approval of the Procedure for state registration of works and studies related to geological exploration of subsoil" No. 262 dated 14 June 2013, available at: <http://zakon5.rada.gov.ua/laws/show/z1156-13>

<sup>270</sup> The Resolution of the CMU "The issue on managing of geological information" No. 939 dated 07 November 2018, available at: <https://zakon.rada.gov.ua/laws/show/en/939-2018-n>

<sup>271</sup> Resolution of the CMU No. 1075 dated 10 December 2008 "On Approval of the Methodology for estimation of the cost of the geological information obtained at the cost of the state budget", available at: <http://zakon5.rada.gov.ua/laws/show/1075-2008-%D0%BF>

<sup>272</sup> According to The Law of Ukraine "On Amending Certain Legislative Acts of Ukraine on Deregulation of the Oil and Gas industry" No. 23-14-VIII dated 01 March 2018, available at: <http://zakon.rada.gov.ua/laws/show/2314-19>

<sup>273</sup> Resolution of the CMU No. 134 dated 21 February 1995, available at: <http://zakon2.rada.gov.ua/laws/show/134-95-%D0%BF>

is also exercised by the State Ecological Inspection.

In addition, the Subsoil Code contains the provisions regulating a number of other issues, including the matters of geological exploration of mineral resources, state registration of mineral deposits, design and construction of mining facilities, protection of the subsoil resources etc.

In addition, there has been a discussion in Ukraine for many years about the need to develop a new Subsoil Code to modernize its provisions, consolidate the rules of various bylaws, further deregulation in the field of subsoil use, and the introduction of other best European practices. At the end of 2019, drafting of the new Subsoil Code began (see **Section 6.3 of this Report** for details).

### **6.1.3. The Mining Law of Ukraine**

The Mining Law of Ukraine No 1127-XIV dated 10 June 1999 (hereinafter - the "Mining Law") is the principal law regulating the matters of mineral production and mining operations.

Among other things, the Mining Law regulates the location, design and construction of mining enterprises, the main requirements to mining operations, technical safety measures, prevention of emergencies, environmental safety and environmental impact measures, as well as a number of working conditions in the mining industry.

### **6.1.4. The Law of Ukraine "On Oil and Gas"**

The principal law regulating relationships with regard to the use of oil and gas resources, as well as production, transportation, storage and use of oil, gas and their by-products is the **Law of Ukraine "On Oil and Gas"** No2665-III dated 12 July 2001 (hereinafter - "The Law on Oil and Gas").

Oil and gas production facilities include oil and gas wells, gas pipelines (trails), complex gas treatment plants, gas treatment plants, pre-treatment plants, complex oil treatment plants, temporary research and industrial oil and gas treatment plants, pressurized compressor stations and other facilities related to the operation of oil and gas facilities<sup>274</sup>.

The procedure for the use of oil and gas resources in the respective block of oil and gas mineral resources is set by an agreement on the use of oil and gas mineral resources, which is an annex to the relevant license. As a general rule, oil and gas extracted by the user of oil and gas mineral resources is the property of such subsoil user.

Both the Subsoil Code and the Law on Oil and Gas explicitly prohibit the license holder from any kind of alienation of the license-granted rights, including by transferring such rights into the equity of a legal entity or as contributing them into a joint venture.<sup>275</sup> At the same time, the Law on Oil and Gas stipulates that if the use of oil and gas mineral resources occurs under a JAA, co-production agreement, or production cooperation agreement, one of the parties to

---

<sup>274</sup> Article 1 of the Law On Oil and Gas, as amended by the Law Of Ukraine "On Amendments to Certain Legislative Acts of Ukraine on Deregulation in the Oil and Gas Sector" No. 2314-VIII dated 1 March 2018, available at: <https://zakon.rada.gov.ua/laws/show/2314-19#%20n40>

<sup>275</sup> Paragraph 2 of article 14 of the Law of Ukraine On Oil and Gas

such an agreement should have a relevant license.<sup>276</sup> Granting of a license for oil and gas production (industrial development of fields) is carried out taking into account the results of the environmental impact assessment (EIA).<sup>277</sup>

After the expiry of a license, the state property provided to a license holder should be passed back to the state, whereas any property created by the license holder while carrying out its subsoil use activities remains the property of such license holder.

Extension of a license, its renewal and amendment are carried out free of charge.

For the companies and the parties to the cooperation agreements in which the state directly or indirectly owns 50 percent or more, special rules are set with regard to the sale of the produced minerals (see **Section 6.4.4.7 of this Report** for details).

The Law on Oil and Gas also regulates a number of other issues including commercial development of oil and gas deposits, basic requirements for commercial development, environmental protection, special labor conditions, and responsibility for violations in the oil and gas industry.

**Rules for the development of oil and gas fields** have been adopted in implementation of the Law on Oil and Gas, which set the basic requirements for the organization and the development of hydrocarbons' fields, including those related to unconventional hydrocarbons' accumulations, and regulate relations between business entities and central government authorities.<sup>278</sup>

The document regulates, among other things, all stages of development, operation and decommissioning of gas and oil fields, namely the following stages: preparation for development, development, exploration, further exploration, arrangement of gas, gas condensate and oil fields, production of hydrocarbons, production accounting. The Rules also set out the specificities of the control over the development of the fields, the maintenance of documentation during the development of the fields, the basic provisions for occupational safety and security during the performance of all types of work, as well as the environmental safeguards during the development of the fields.

### **6.1.5. Law "On the Natural Gas Market"**

The Law of Ukraine "On the Natural Gas Market" No. 329-VIII dated 9 April 2015 (hereinafter - the "Law on the Natural Gas Market") was adopted in pursuance of Ukraine's international obligations regarding the implementation of the Third Energy Package.

The Law on the Natural Gas Market covers a wide range of issues related to the operation of the natural gas market. The law defines the principles of functioning of the natural gas market and the role of the state in it (in particular, regarding the establishment of technical requirements and licensing of economic activities on the natural gas market), the rules for the

---

<sup>276</sup> Article 49 of the Law On Oil and Gas

<sup>277</sup> Article 12 of the Law On Oil and Gas

<sup>278</sup> Order of the Ministry of Ecology and Natural Resources of Ukraine "On approval of the Rules for the development of oil and gas fields" of 15 March 2017 No. 118, available at: <https://zakon.rada.gov.ua/laws/show/z0692-17>

supply, transportation, distribution and storage of natural gas, as well as the rules for the installation of LNG.

Several important by-laws have been adopted to implement the Law "On the Natural Gas Market", including the Gas Transmission System Code<sup>279</sup> (that regulates the operation of the gas transmission system and applies to gas production companies, among other entities) and the Gas Distribution System Code<sup>280</sup> (that determines the relationships between the gas distribution system operator and the natural gas market subjects). These regulatory acts are key to ensuring the supply of natural gas through the Ukraine's gas transmission and gas distribution systems.

#### 6.1.6. Tax regulations

The extractive industry companies are subject to taxation under the following main regulations:

- ▶ Tax Code of Ukraine No. 2755-VI dated 2 December 2010 sets the list of taxes, levies, and their administration, the rights and obligations of the taxpayers, competencies and powers of the tax authorities, and the responsibilities for violation of tax laws;
- ▶ Customs Code of Ukraine No. 4495-VI dated 13 March 2012 defines the procedure for charging customs duties when moving goods across the customs border of Ukraine;
- ▶ Law of Ukraine "On Customs Tariff of Ukraine" No. 584-VII dated 19 September 2013 sets up the rates of import duty for the goods imported into the customs territory of Ukraine<sup>281</sup>;
- ▶ Law of Ukraine "On Collection of, and Accounting for, the Unified Contribution for Mandatory State Social Insurance Contribution" No. 2464-VI dated 8 July 2010 regulates the procedure for USC collection and accounting;
- ▶ Budget Code of Ukraine No. 2456-VI dated 8 July 2010 establishes the procedure for approval and implementation of budgets, including the procedure for allocation of tax revenues between the state and local budgets.

Certain tax issues are also regulated by the by-laws issued by the CMU, the Ministry of Finance and the State Fiscal Service of Ukraine (SFS).

---

<sup>279</sup> NEURC Resolution "On Approval of the Gas Transmission System Code" No. 2493 dated 30 September 2015, available at: <https://zakon.rada.gov.ua/laws/show/z1378-15/ed20181221#Text>

<sup>280</sup> NEURC Resolution "On Approval of the Gas Transmission System Code" No. 2494 dated 30 September 2015, available at: <https://zakon.rada.gov.ua/laws/show/z1379-15/ed20181228#Text>

<sup>281</sup> New version of the customs tariff has been approved by the Law of Ukraine "On the Customs Tariff of Ukraine" No. 674-IX dated 4 June 2020, available at: <https://zakon.rada.gov.ua/laws/show/674-20#Text>

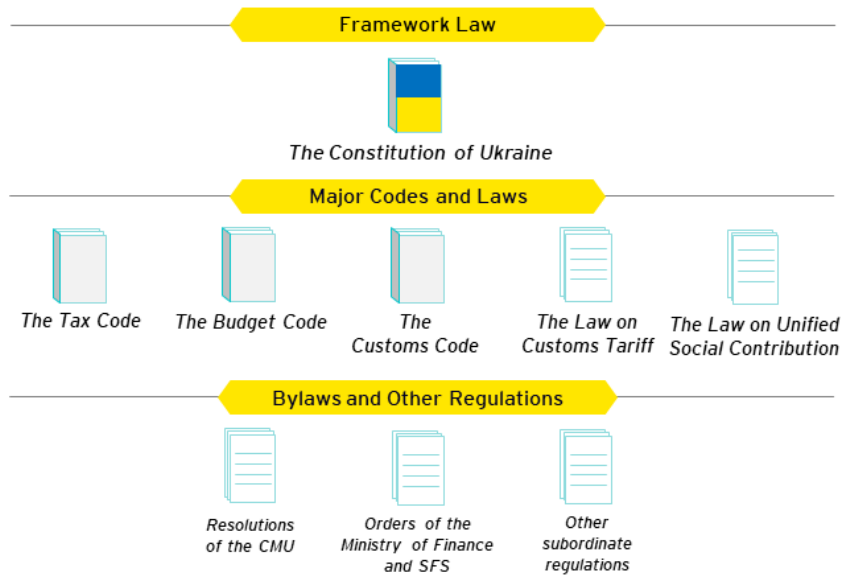


Figure 6.2: Regulatory framework for extractive industries (major tax laws and regulations)

### 6.1.7. Other regulations

**The Law of Ukraine "On Environmental Protection"** No. 1264-XII dated 25 June 1991 sets the basic requirements to the use of natural resources, including minerals. The law determines the responsibilities of the state authorities and local governments, as well as environmental control and supervision procedures.

In addition, the Law sets out the general environmental requirements to be followed while using the natural resources (rational and economical use of natural resources, implementation of measures to prevent spoilage, pollution, and depletion of natural resources, doing business and other operations without violating environmental rights of others, etc.) as well as the measures to ensure environmental safety in the course of various activities.

**The Law of Ukraine "On Pipeline Transport"** No. 192/96-VR dated 15 May 1996 sets the framework for pipeline transportation sector (also addressing some matters of oil and gas production), covering industrial pipelines (connected networks), i.e. non-trunk pipelines within the plants, and the oil and gas pipelines that are the part of petroleum tanks or petroleum plants. Among other things, the Law governs the relations between the entities engaged in pipeline transportation of hydrocarbons and other products and substances from their initial locations, locations of mining (production fields), production or storage to the places of their processing or use, handling and subsequent transportation.

**The Law of Ukraine "On Production Sharing Agreements"** No. 1039-XIV dated 14 September 1999 regulates the process of bidding for PSAs, entering into such agreements, and their performance.<sup>282</sup>

**The Law of Ukraine "On Coalbed Gas (Methane)"** No. 1392-VI dated 21 May 2009 sets the framework for geological exploration of coalbed methane, the conditions of its production and

---

<sup>282</sup> Since 29 December 2019, the obligation to conduct EIA for the draft PSA was abolished (however, obtaining the conclusion of the EIA is mandatory for the relevant planned activities under the PSA); the approval of the draft PSA by the local government on the territory of which the subsoil area is located is no longer necessary, etc.



removal during gas draining-out and its further use, including the access to gas transmission networks.

Land plots for use in mining operations are provided under the procedure prescribed by the land legislation of Ukraine, where the main act is **the Land Code of Ukraine** No. 2768-III dated 25 October 2001 and **the Law of Ukraine "On Land Lease"** No. 161-XIV dated 6 October 1998. To carry out exploration works, a relevant agreement with a landowner or a consent from a person currently using the land plot is required.

The plots indicated in the licenses are limited by certain acreage and depth. The dimensions and boundaries of the plots granted for use should be established by the Geology Service. The maximum land area granted for geological exploration of oil and gas mineral resources cannot exceed 500 km<sup>2</sup>, and 1000 km<sup>2</sup> for the areas of the Black Sea.<sup>283</sup>

Starting from April 2018, institutions and organizations conducting exploration works that are transitioning from research & industrial development to industrial development are allowed to use the land under an agreement on exploration works for the period of formalizing the documents certifying the land use right.<sup>284</sup>

**The Water Code of Ukraine** No. 213/95-VR dated 06 June 1995 regulates the issues related to use of water resources during mining operations. In particular, the Water Code requires obtaining a permit for special water use (i.e. the diversion of water from water bodies using buildings or technical devices, water use and discharge of pollutants into water, including water intake and discharge of harmful substances in water reverse using channels).

**The Laws of Ukraine "On Concessions"** No. 997-XIV dated 16 July 1999 and **"On Peculiarities of Lease or Concession of the State-Owned Facilities of Fuel and Energy Industry Objects"** No. 3687-VI dated 8 July 2011 set the procedure and specifics of lease and concession of the state-owned facilities. On 20 October 2019, the new Law of Ukraine "On Concession" came into force.<sup>285</sup> Under this law, concession agreements cannot be concluded for prospecting, exploration and extraction of minerals.

**The Law of Ukraine "On Environmental Impact Assessment"** No. 2059-VIII of 23 May 2017 defines the legal and organizational framework for carrying out environmental impact assessment, which includes special procedures to be carried out by economic entities to identify the possible impacts of the planned economic activity for the environment. The law determines the list of activities and facilities, for which the assessment is mandatory. They include, but are not limited to, oil and natural gas exploration on the continental shelf, construction of pipelines for oil and gas transportation, mining of minerals of national importance, etc.

**The Law of Ukraine "On Strategic Environmental Assessment"** No. 2354-VIII dated 20 March 2018 governs relations in the field of environmental impact assessment of state

---

<sup>283</sup> Article 19 of the Law On Oil and Gas

<sup>284</sup> Article 97 of the Land Code of Ukraine No. 2768-III dated 15 October 2001, available at: <https://zakon.rada.gov.ua/laws/show/2768-14#Text>, supplemented by the Law of Ukraine "On Amendments to Certain Legislative Acts Of Ukraine on deregulation in the oil and gas sector" No. 2314-VIII dated 1 March 2018, available at: <https://zakon.rada.gov.ua/laws/show/2314-19#n19>

<sup>285</sup> The Law of Ukraine "On Concession" No. 155-IX dated 3 October 2019, available at: <https://zakon.rada.gov.ua/laws/show/155-20/ed20191003#Text>



planning documents (strategies, plans, urban planning documentation, state target programs, etc.), implementation of which will entail performance of activities which require the EIA procedure or an assessment in view of potential environmental consequences. The law defines the subjects, the procedure for conducting strategic environmental assessment, etc.<sup>286</sup>

A number of issues related to mining are governed by numerous by-laws.

**Summary:**

Extractive activities are governed by the Constitution of Ukraine, as well as numerous laws and by-laws.

The key priorities in reforming the regulatory framework are simplification and harmonization of the regulations. This may include adoption of a new Subsoil Code, easing of the licensing system in extractive industries continuing to reform of the coal market, developing and adopting other regulations envisaged by the sectoral strategic documents and the EU standards, and aligning other laws and regulations with the modern extractive industry standards.

It is important to adopt secondary regulations to implement the adopted laws as well as to continue with further reforms aiming to increase transparency in the extractive industries, in particular, in awarding subsoil use licenses and access to subsoil.

Ukraine has significant potential in terms of natural resources, and it is of great importance for Ukraine's economy. Legislation governing the use of natural resources should enable the state and private companies to effectively achieve this potential.

Changes in the legislative field throughout 2018-2019 (including reduction in the number of permits in the field of exploration and production of hydrocarbons, reduction of the number of approvals for granting subsoil into use, approval of the new procedure for providing geological information, implementation of a pilot project introducing electronic auctions for the sale of subsoil use licenses, reduction of deadlines for state authorities' procedural actions when granting subsoil use licenses, etc.) may contribute to investment attractiveness of the Ukrainian extractive sector, although the need for further comprehensive reforms remains of high priority.

---

<sup>286</sup> The Law of Ukraine "On Strategic Environmental Assessment" No. 2354-VIII dated 20 March 2018, available at: <https://zakon.rada.gov.ua/laws/show/2354-19#Text>

## 6.2 Functions and responsibilities of public authorities

Activities of extractive companies are governed by a number of regulatory authorities. The purpose of the regulation is to ensure efficient use of natural resources, preservation and protection of subsoil and environment, as well as safe conduct of mining operations.

The system of authorities in the extractive sector includes state authorities whose powers extend to the entire territory of Ukraine, and local authorities. The diagram below shows the state authorities that regulate the activities of extractive companies.<sup>287</sup>

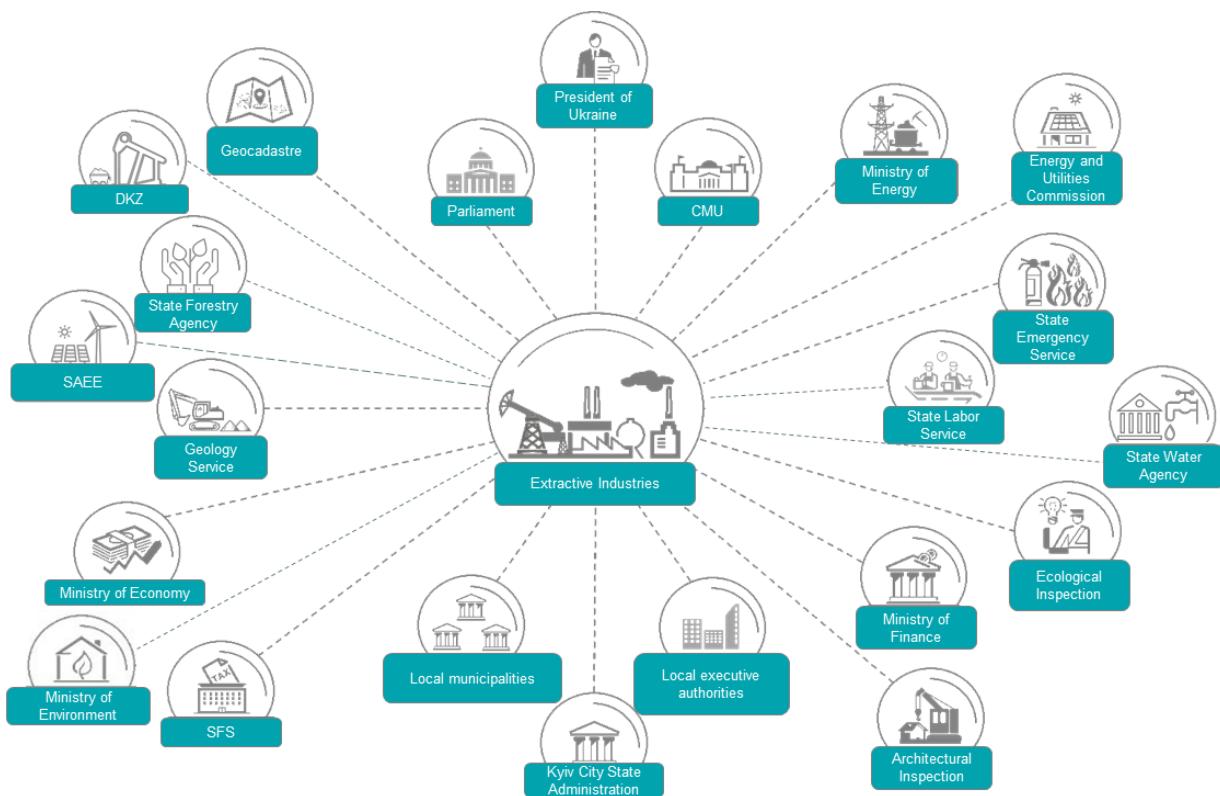


Figure 6.3: State authorities that govern activities of extractive companies as of 31 December 2018

### 6.2.1. Public authorities whose powers extend to the entire territory of Ukraine

- ▶ **Verkhovna Rada of Ukraine** (the Parliament) establishes the main directions of the national policy in the extractive industries and regulates the relations in the industry by adopting laws.
- ▶ **The President of Ukraine** takes part in the legislative process (he has the right to legislative initiative and veto) and participates in the procedures of appointing heads of certain executive bodies.
- ▶ **The Cabinet of Ministers of Ukraine** (the CMU) implements the national policy in and governs the extractive industries. To implement the laws, the CMU adopts resolutions where the rules, procedures and requirements are specified in more details. The CMU's authorities

<sup>287</sup> This section does not include information on state authorities that did not regulate extractive companies in 2018 (for example, the Parliament and the Council of Ministers of the Autonomous Republic of Crimea, etc.)

include creation, reorganization and liquidation of ministries and other central executive bodies. The CMU also coordinates the work of ministries and other central executive bodies. The CMU is accountable to the President of Ukraine and the Parliament, is controlled by, and reports to the Parliament.

The main functions of central executive bodies of Ukraine with regard to mining, ensuring the efficient use of natural resources, preservation and protection of subsoil and environment are distributed as follows:

- ▶ **The Ministry of Energy and Coal Industry of Ukraine** (Ministry of Energy) ensures regulation of a number of issues in the fuel and energy sector, approves the start of commercial development of oil and gas deposits, approves technological projects of industrial and research & industrial development of deposits, conducts, within its powers, auctions for the sale of oil, gas condensate and liquefied gas.<sup>288</sup> Please note that in 2019 the Ministry of Energy and Environmental Protection was established by merging the Ministry of Energy with the Ministry of Environment; however, in 2020 these ministries were divided again<sup>289</sup>.
- ▶ **The Ministry of Ecology and Natural Resources of Ukraine** (Ministry of Environment) ensures regulation of a number of issues, including keeping records of geological surveys, of minerals and their loss, of oil and gas wells; the procedure for the development of mineral reserve conditions, the rules for the development of oil and gas fields; as well as approves the provision of subsoil into use within the territorial waters and the exclusive (marine) economic zone of Ukraine. In addition, the Ministry of Environment has the authority within the environmental impact assessment procedure.
- ▶ **The State Service for Geology and Mineral Resources of Ukraine** (the Geology Service; locally known as Derzhgeonadra) implements state policy on geological survey and efficient use of natural resources<sup>290</sup>, carries out mining supervision, control over geological surveys and compliance by subsoil users with the requirements of subsoil legislation, as well as grants subsoil licenses. In 2019, on the basis of an independent assessment<sup>291</sup>, a decision was made to structurally and functionally reform the Geology Service by (1) transforming it into a pure State Service responsible for geological exploration and preservation of subsoil, as well as (2) equipping a new separate state authority with licensing, control and other functions.<sup>292</sup> As of the date of preparing this Report, the functional survey of the Geology Service is ongoing.<sup>293</sup>

---

<sup>288</sup> Resolution of the CMU "On approval of the Regulation on the Ministry of Energy and Coal Industry of Ukraine" No. 208 dated 29 March 2017, available at: <https://zakon.rada.gov.ua/laws/show/208-2017-%D0%BF>

<sup>289</sup> Resolution of the CMU "Certain Issues on Optimization of the System of Central Executive Bodies" No. 425 dated 27 May 2020, available at: <https://zakon.rada.gov.ua/laws/show/425-2020-%D0%BF#Text>

<sup>290</sup> Resolution of the CMU "On approval of the Regulation on the State Service for Geology and Mineral Resources of Ukraine" No. 1174 dated 30 December 2015, available at: <https://zakon.rada.gov.ua/laws/show/1174-2015-%D0%BF#Text>

<sup>291</sup> Independent assessment of the Association of Geological Surveys of Europe (EuroGeoSurveys), available at: [http://geoinf.kiev.ua/wp/wp-content/uploads/2016/06/SGSSU-Assessment\\_A4\\_UKR.pdf](http://geoinf.kiev.ua/wp/wp-content/uploads/2016/06/SGSSU-Assessment_A4_UKR.pdf)

<sup>292</sup> Order of the Ministry of Ecology and Natural Resources of Ukraine "On the Plan of Priority Actions and Measures of the Ministry of Environment and Central Executive Bodies, whose activities are directed and coordinated by the Cabinet of Ministers of Ukraine through the Minister of Ecology and Natural Resources of Ukraine for 2019" No. 73 dated 19 February 2019, available at: [https://mepr.gov.ua/files/docs/planu/nakaz\\_73.pdf](https://mepr.gov.ua/files/docs/planu/nakaz_73.pdf)

<sup>293</sup> Report on the implementation in the first half of 2019 of the Plan on priority actions and measures of the Ministry of Environment and central executive bodies, whose activities are directed and coordinated by the Cabinet of Ministers through the Minister of Ecology and Natural Resources of Ukraine, available at: <https://mepr.gov.ua/news/33796.html>

- ▶ **State Commission on Mineral Resources (DKZ)** approves and performs revaluation of mineral reserves, sets mineral reserve requirements for calculating the value of mineral reserves, provides technical opinions on feasibility of deposit development based on the estimated mineral reserves and their commercial development, etc.
- ▶ **The National Commission for State Regulation in Energy and Utilities (NEURC)** ensures shaping and implementation of pricing and tariff policies in the energy sector, approves the rules for the supply of natural gas, grants licenses for activities related to the transmission, distribution, storage, supply of natural gas and providing LNG installation services, carries out state regulation, monitoring and control over the activities of business entities in this area. The functions and powers of the NEURC are determined in the Law "On the NEURC". On 13 June 2019 certain provisions of this law were declared unconstitutional<sup>294</sup> and terminated on 31 December 2019.<sup>295</sup>
- ▶ **The State Labor Service of Ukraine** (locally known as Derzhpraci) carries out the function of state mining supervision, grants mining allotments for development of mineral deposits of national importance and other permissive documents related to the performance of hazardous works and the use of hazardous objects.
- ▶ **State Agency on Energy Efficiency and Energy Saving of Ukraine (SAEE)** implements state policy in the field of efficient use of fuel and energy resources. The powers of the State Agency for Energy Efficiency in the field of mineral use include development, coordination and control over implementation of state target programs in the field of efficient use of fuel and energy resources, implementation of public-private partnership in this area, monitoring of efficient use of fuel and energy resources.
- ▶ **The State Ecological Inspection** supervises the rational use and protection of natural resources and compliance with the requirements of special permits for the use of subsoil (subsoil licenses) and other natural resources; takes measures to stop unauthorized subsoil use and development of mineral deposits in violation of the established procedure.<sup>296</sup>
- ▶ **State Agency of Water Resources of Ukraine** (State Water Agency) implements state policy in the field of water management<sup>297</sup>, grants and revokes permits for special water use, implements measures for ecological restoration and care of surface waters, monitors water quality, develops schemes for integrated use and protection of water resources, etc.
- ▶ **State Agency of Forest Resources of Ukraine** (State Forestry Agency)<sup>298</sup> implements state policy in the field of forestry, maintains the state forest cadastre and forest accounting, organizes issuance of special permits for forest use, ensures state forest protection, etc.

---

<sup>294</sup> According to the Decision of the Constitutional Court of Ukraine dated 13 June 2019, in the case No. 1-17 / 2018 (5133/16), available at: <https://zakon.rada.gov.ua/laws/show/v005p710-19>, the NEURC had the characteristics of a central executive body, but was not subordinate to the CMU and did not belong to the system of executive bodies

<sup>295</sup> In December 2019, the Law on the NEURC was amended to eliminate some inconsistencies, including those regarding its legal status (in particular, the Commission was designated as a central executive body with a special status subordinate to and formed by the CMU)

<sup>296</sup> In August 2019, the CMU initiated liquidation of the State Ecological Inspection and instead incorporated the State Environmental Protection Service of Ukraine. However, the relevant decision of the CMU was later cancelled, and the State Ecological Inspection resumed its operation

<sup>297</sup> Resolution of the CMU "On approval of the Regulation on the State Agency of Water Resources of Ukraine" No. 393 dated 20 August 2014, available at: <https://zakon.rada.gov.ua/laws/show/393-2014-n#Text>

<sup>298</sup> Resolution of the CMU "On approval of the Regulation on the State Agency of Forest Resources of Ukraine" No. 521 dated 08 October 2014, available at: <https://zakon.rada.gov.ua/laws/show/521-2014-n#Text>

- ▶ **State Emergency Service (SES)** organizes and provides protection from fire for the companies, institutions, organizations and other facilities under the respective agreements.
- ▶ **The State Service of Ukraine for Geodesy, Cartography and Cadastre (Cadastre Service)** implements state policy in topography, geodesy, cartography, land relations and land management, administers the State Land Cadastre, supervises agro-industry in terms of compliance with land legislation, use and protection of lands of all categories and forms of ownership, soil fertility, etc.
- ▶ **The Ministry of Finance of Ukraine** provides for development and implementation of the state tax, customs, financial, fiscal policy, as well as the public policy to fight crimes in application of tax and customs laws.
- ▶ **The State Fiscal Service of Ukraine (SFS)** in 2018 administered and controlled collection of taxes, customs duties and USC. In 2019 the State Fiscal Service was divided into the State Tax Service (STS) and the State Customs Service (SCS).
- ▶ **The Ministry of Economic Development and Trade of Ukraine (the Ministry of Economy)**, among its other functions, provides for the development and implementation of state policy on management of state property, including the state-owned corporate rights; develops and submits to the CMU the draft decisions on transfer of the state-owned and municipal property, provides methodological and regulatory support for the management of state-owned property. In September 2019, the Ministry of Economy changed its name to **the Ministry of Economic development, Trade and Agriculture**<sup>299</sup>, but its powers in the extractive sector have not changed.
- ▶ **The State Architectural and Construction Inspection** monitors compliance with construction regulations, standards and rules during preparation and construction works, issues and revokes permits for construction works.<sup>300</sup>

### 6.2.2. Public authorities whose powers extend to the local level

The local executive authorities and the local municipalities also have certain functions related to extractive activities and environment protection.

- ▶ **Oblast and Kyiv city State Administrations** decide on the use of natural resources in the territory under their jurisdiction, exercise control over use and protection of subsoil and exercise the powers delegated by district and oblast councils in the extractive sector. In addition, these bodies also exercise powers in the EIA procedure.
- ▶ **Regional councils and Kyiv City Council** provide subsoil and mining allotments for development of mineral deposits of local importance, as well as prepare, approve and implement local programs for development of mineral resources, rational use and

---

<sup>299</sup> Resolution of the CMU "The Issue regarding Ministry of Economic development, Trade and Agriculture" No. 838 dated 06 March 2019, available at: <https://zakon.rada.gov.ua/laws/show/838-2019-%D0%BF#n29>

<sup>300</sup> In 2020, functions of state architectural and construction control over compliance with these rules and regulations were transferred to the State Urban Planning Inspection of Ukraine according to Resolution of the CMU "On Optimization of the Authorities of the State Architectural and Construction Control and Supervision" No. 219 dated 13 March 2020, available at: <https://zakon.rada.gov.ua/laws/show/219-2020-%D0%BF#n9>

protection of subsoil.<sup>301</sup> These bodies approve subsoil use for geological exploration and development of mineral deposits of national importance and for purposes unrelated to extraction of minerals.<sup>302</sup>

- ▶ **Village, rural settlement, city, district councils, and councils of united territorial communities** approve provision of subsoil into use for geological exploration, development of mineral deposits of local importance; implement local development programs approved by regional and Kyiv city councils.

For more information on the powers of the government and local municipalities with regard to the mineral production, see **Annex 3** to this Report.

#### Summary:

In 2018, there was no single state body responsible for development and implementation of state extractive industry policy. Powers in this area were divided between more than ten state bodies and institutions with different subordination.

Also, extractive companies were forced to obtain a number of permits and approvals for their core business from various state agencies and local governments, which created a significant bureaucratic burden for activities of extractive companies.

A significant amount of power to regulate the extractive sector was entrusted to the Geology Service. In 2019, a decision was made to reform it into a pure geological service to separate licensing, control, and other functions. As of the date of this report, the reform is at the stage of reviewing the functions of Derzhgeonadra and intermediate research results are not publicly available.

In 2018, there were positive developments in the reform of government regulation in the extractive sector aimed to reduce the number of permits/approvals and simplify some of the administrative procedures related to oil and gas exploration and production.

<sup>301</sup> On 3 May 2020, the authority to provide mining allotments was transferred to the territorial bodies of the State Labor Service in accordance with the Resolution of the CMU "On Amendments to the Regulations on the procedure for providing allotments" No. 500 dated 12 June 2019, available at: <https://zakon.rada.gov.ua/laws/show/500-2019-%D0%BF#Text>, and Regulations "On the State Labor Service of Ukraine" No. 352 dated 6 May 2020, available at: <https://zakon.rada.gov.ua/laws/show/352-2020-%D0%BF#n11>

<sup>302</sup> Part 3 of Article 9-1 of the Subsoil Code. This paragraph was excluded by the Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine on Improving the Legislation on Extraction of Amber and Other Minerals" No. 402-IX dated 19 December 2019, available at: <https://zakon.rada.gov.ua/laws/show/402-20/ed20191229#n15>



## 6.3 Reforming of the regulatory and fiscal regime of the mining industry in 2018

During 2018, the regulatory and fiscal reforms in the extractive sector continued to be actively implemented, aimed to improve Ukrainian legislation and harmonize it with the EU law.

### 6.3.1 Overview of state reforms in the extractive industries in 2018

Below we describe the main areas of the reforms in the extractive industries during 2018.

#### *Reorganization of Naftogaz of Ukraine NJSC*<sup>303</sup>

- ▶ In order to separate natural gas transmission and storage (injection, withdrawal) and in line with the EU Directive 2009/73/EC (the Third Energy Package), during 2018-2019 Naftogaz of Ukraine NJSC was in the process of restructuring. The restructuring was started in 2016 in accordance with the Restructuring Plan approved by the CMU<sup>304</sup>, for implementation of which the CMU incorporated Main Gas Pipelines of Ukraine PJSC (Mahistralni Gazoprovody Ukrainy) as a future independent GTS operator. In 2019, to ensure independence of the GTS operator, the state's corporate rights in Main Gas Pipelines of Ukraine PJSC were transferred from the Ministry of Energy into governance of the Ministry of Finance.<sup>305</sup>
- ▶ In December 2018, another branch of Ukrtransgaz JSC, Ukrainian Gas Storage Operator, was established<sup>306</sup> to separate the processes related to gas storage<sup>307</sup>.
- ▶ Arbitration disputes between Gazprom PJSC and Naftogaz of Ukraine NJSC, which were considered by the tribunal at the Arbitration Institute of the Stockholm Chamber of Commerce, had a significant impact on the choice of separation model. In particular, as a result of these disputes, losing control over the GTS assets by Naftogaz of Ukraine NJSC or Ukrtransgaz JSC without Gazprom PJSC's consent could create significant financial risks under the then current transit contract between Gazprom PJSC and Naftogaz of Ukraine NJSC.
- ▶ As a result, on 24 July 2018, the Memorandum of Understanding with regard to GTS unbundling was signed between the Supervisory Board of Naftogaz of Ukraine NJSC and the Supervisory Board of Main Gas Pipelines of Ukraine PJSC. The Memorandum provides for the implementation of unbundling of the GTS operator according to the selected OU model, provided that the GTS operator is part of the Naftogaz of Ukraine NJSC group until

<sup>303</sup> Resolution of the CMU "On Some Issues of the Joint Stock Company *Naftogaz of Ukraine National Joint Stock Company*" No. 226 dated 6 March 2019 changed the type of NJSC Naftogaz of Ukraine from a public joint stock company to a private company and renamed it into a joint stock company "Naftogaz of Ukraine National Joint Stock Company" (Naftogaz of Ukraine NJSC), available at: <https://zakon.rada.gov.ua/laws/show/226-2019-n>

<sup>304</sup> The plan for restructuring Naftogaz of Ukraine to unbundle natural gas transportation and storage (injection, withdrawal) functions, approved by the Resolution of the CMU "On unbundling of the natural gas transportation and storage (injection, withdrawal)" No. 496 of 01 July 2016, available at: <http://zakon2.rada.gov.ua/laws/show/496-2016-%D0%BF> (hereinafter the "Restructuring Plan")

<sup>305</sup> The Resolution of the CMU "Issues of Managing the Main Gas Pipelines of Ukraine Joint Stock Company" No. 791-p dated 18 September 2019, available at: <https://www.kmu.gov.ua/ua/npas/pitannya-upravlinnya-akcionernim-tovaristvom-magistralni-gazoprovodi-ukrayini-791180919>

<sup>306</sup> Decision of the single shareholder of Naftogaz NJSC on establishment of the branch "Gas storage operator of Ukraine", available at: <http://utg.ua/img/menu/company/docs/2018/218.pdf>

<sup>307</sup> A year earlier the Operator of GTS of Ukraine branch was created within Ukrtransgaz JSC to accumulate the processes related to transmission and transit of natural gas, according to the Decision of the single shareholder of Naftogaz NJSC, available at: <http://utg.ua/img/menu/company/docs/2017/136-1.pdf>

completion of the transit contract with Gazprom PJSC.<sup>308</sup>

- ▶ On 5 June 2019, the CMU decided, among other things, to transfer the state's management powers over Main Gas Pipelines of Ukraine PJSC to Naftogaz of Ukraine NJSC until 01 January 2020 to ensure transfer of assets without violating the transit contract with Gazprom PJSC.
- ▶ Due to the divergence of views on the unbundling procedure Ukrtransgaz JSC established a separate subsidiary, Ukrainian GTS Operator LLC, which started operating on 01 July 2019.<sup>309</sup> Naftogaz of Ukraine NJSC intended to create the future independent operator on the basis of this subsidiary.
- ▶ On 18 September 2019, the CMU adopted a new Resolution No. 840<sup>310</sup>, which followed the other model for unbundling of natural gas transportation activities, namely, ISO (*Independent System Operator*).<sup>311</sup> According to this model, Ukrainian GTS Operator LLC is defined as the future GTS operator. Further, state-owned assets used to support activities of the GTS operator remain in the management of Ukrtransgaz JSC until completion of the unbundling procedure and shall be transferred into economic management of the GTS Operator starting from 01 January 2020 (title other than ownership).
- ▶ In connection with the adoption of the above Resolution of the CMU, on 31 October 2019, the Parliament adopted the Law<sup>312</sup>, which aimed to bring Ukrainian legislation in line with the selected unbundling model and European standards. Transactions on transfer of property necessary for transportation of natural gas to the new GTS operator were exempted from VAT.<sup>313</sup>
- ▶ In December 2019, the NEURC adopted the regulation on proper certification, licensing and tariffs of the Ukrainian GTS operator.<sup>314</sup>
- ▶ On 01 January 2020, the Ukrainian GTS Operator LLC was transferred from Ukrtransgaz JSC to the ownership and management of Main Gas Pipelines of Ukraine PJSC, 100% owned by the Ministry of Finance.<sup>315</sup> On the same day, the assets of the Ukrainian GTS were transferred into economic management of the Ukrainian GTS Operator LLC under a transfer and acceptance certificate. Hence, the unbundling procedure is completed - the

<sup>308</sup> The Memorandum of Understanding on Separation of Gas Transmission System Operator (Unbundling) between the Supervisory Board of Naftogaz of Ukraine NJSC and the Supervisory Board of Main Gas Pipes of Ukraine PJSC", available at: <http://www.naftogaz.com/files/Information/Mem-SB-Naftogaz-MGU.pdf>

<sup>309</sup> The information on the official website of Naftogaz of Ukraine NJSC, available at: <http://utg.ua/utg/media/news/2019/07/ukrtransgaz-peredav-funkciu-tehnichnoi-eksploatacii-gazotransportnoi-sistemy-ukrainy-dochirni-kompanii.html>

<sup>310</sup> Resolution of the CMU "On Separation of Natural Gas Transmission Related Operations and Ensuring Operations of the Gas Transmission System" No. 840 of 18 September 2019, available at: <https://zakon.rada.gov.ua/laws/show/840-2019-%D0%BF>

<sup>311</sup> Initially unbundling of the independent GTS operator was planned for the OU (Ownership Unbundling) model, and both the operator and the GTS assets were to be removed from the Naftogaz Ukraine group

<sup>312</sup> The Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine in Connection with the Separation of Natural Gas Transmission Activities" No. 264-IX of 31 October 2019, available at: <https://zakon.rada.gov.ua/laws/main/264-IX>

<sup>313</sup> Law of Ukraine "On Amendments to Section XX" Transitional Provisions" of the Tax Code of Ukraine on Creating Conditions for Ensuring Ukraine's Obligation to Separate Natural Gas Transmission Activities" No. 314-IX of 03 December 2019, available at: <https://zakon.rada.gov.ua/laws/main/314-IX>

<sup>314</sup> NEURC Resolution "On Issuance of the License for Natural Gas Transmission to the Ukrainian GTS Operator" No. 3010 dated 24 December 2019, available at: <https://www.nerc.gov.ua/?id=47869>; NEURC Resolution "On the Final Decision on Certification of the Ukrainian GTS Operator" No. 3010 dated 24 December 2019, available at: <https://www.nerc.gov.ua/?id=47870>

<sup>315</sup> The information from the official website of the GTS Operator, available at: <https://tsoua.com/news/anbandling-zaversheni-nezaleznyj-operator-gts-rozpochav-robotu/>



independent GTS operator is separated from the Naftogaz Group and has started its operation.

### ***Liberalization of legislation on licensing/permitting procedures in the oil and gas industry***

- ▶ On 1 April 2018, the Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine on Deregulation in the Oil and Gas Industry" No. 2314-VIII dated 1 March 2018<sup>316</sup> came into force. The law simplifies and shortens permitting procedures in the oil and gas industry.
- ▶ The main novelties of the law are as follows:
  - ▶ Oil and gas subsoil users that received a subsoil license for such use do not need a mining allotment
  - ▶ Oil and gas wells and their related facilities are no longer classified as construction facilities
  - ▶ Upon transition from research & industrial development to industrial development, mining companies are allowed to use the land under the historical agreement on exploration works for the period of formalizing the documents certifying the land use right
  - ▶ Land plots for construction, deployment and operation of oil and gas production and field development facilities can be provided into use by establishing land easements (the possibility to use such land plots without changing their designated purpose)
  - ▶ Extension of a license, its reissuance and amendment are not considered as issuance of a new license and are carried out free of charge
  - ▶ The subsoil user may independently commence the commercial development of oil and gas fields or separate deposits by filing the protocol on approval of the commercial development to the Ministry of Energy (i.e., a separate decision of the Ministry of Energy is no longer necessary)
  - ▶ Works on removal and transfer of soil cover may be carried out without a special permit of the Cadastre Service for such works based on the land management project in case of:
    - ▶ Carrying out drilling and arrangement of oil and gas wells, construction / maintenance / repair / reconstruction of such wells and facilities related to their operation
    - ▶ Carrying out works related to elimination and prevention of emergencies at oil and gas wells and facilities related to their operation

### ***Reforming the procedure for granting licenses and holding auctions for the sale of licenses***

During 2018-2020, the CMU amended the Procedure for granting licenses and the Procedure for holding the auctions for licenses<sup>317</sup> several times. The changes included, among others, the

---

<sup>316</sup> Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine on Deregulation in the Oil and Gas Industry" No. 2314-VIII dated 1 March 2018, available at: <https://zakon.rada.gov.ua/laws/show/2314-19>

<sup>317</sup> Resolution of the CMU "On Amendments to Certain Acts of the CMU" No. 76 of 11 February 2016, available at: <http://zakon2.rada.gov.ua/laws/show/76-2016-%D0%BF/ed20170216/paran63#n63>; Resolution of the CMU "On Amendments

following:

- ▶ From 8 June 2018 to 31 December 2018, legal entities using subsoil were temporarily able to transfer their licenses to their subsidiaries to continue operations on subsoil sites provided into their use under a number of conditions (e.g., the subsoil user could not be a public sector entity, had no outstanding royalty payments, etc.).<sup>318</sup>
- ▶ Introduction of the possibility to conclude contracts for the purchase of (including payment for) subsoil licenses based on the results of the auction with a deferred circumstance - a positive EIA opinion within 6 months.<sup>319</sup>
- ▶ Abolishment of the requirement to obtain approvals from local authorities regarding the list of subsoil sites to be auctioned if such subsoil sites are located on the continental shelf or in the exclusive (maritime) economic zone.
- ▶ The procedure for obtaining / extending a subsoil license was simplified as the consent of the Ministry of Environment was no longer necessary. Instead, from 8 June 2018 the Ministry of Environment may determine the conditions to be met when using subsoil sites and submit proposals or remarks on granting or extending subsoil licenses that the Geology Service must consider when making the relevant decisions. Remarks of the Ministry of Environment serve as grounds to deny extension of the subsoil license.<sup>320</sup>
- ▶ Additional grounds to suspend the license were introduced (including those stipulated by the Law on EIA; absence / failure to implement the EIA conclusion and/or state environmental expert opinion<sup>321</sup>).
- ▶ Timeframes for certain procedural actions were defined or changed, in particular:
  - ▶ Since 8 June 2018, a timeframe for granting a license without an auction was established within 20 working days upon the day of paying the granting fee in full<sup>322</sup>
  - ▶ The deadline for returning documents that do not meet the requirements of the Procedure for granting licenses to the applicant was set at 7 working days from the date of their registration<sup>323</sup>
  - ▶ Certain deadlines were reduced (e.g., the deadline for approval of the list of subsoil sites to be auctioned and the approval of granting a license was shortened from 90 to 45

---

to the Procedures Approved by the Resolutions of the CMU of 30 May 2011, No. 594 and 615, and Abolition of Some Resolutions of the CMU" No. 277 of 06 April 2016, available at: <http://zakon2.rada.gov.ua/laws/show/277-2016-%D0%BF/paran99#n99>, Resolution of the CMU "On Amendments to the Procedures Approved by the Resolutions of the CMU of May 30, 2011 No. 594 and 615" No. 775 of 02 November 2016, available at: <http://zakon2.rada.gov.ua/laws/show/775-2016-%D0%BF/ed20161110/paran15#n15>; Resolution of the CMU "On Some Issues of Implementation of the Pilot Project for the Rehabilitation of Forest Land Damaged as a Result of Illegal Amber Production" No. 1063 of 30 November 2016, available at: <http://zakon2.rada.gov.ua/laws/show/1063-2016-%D0%BF/ed20170216/paran98#n98>

<sup>318</sup> Resolution of the CMU "On Amendments to the Procedures Approved by Resolutions of the CMU dated 30 May 2011 No. 594 and 615" No. 333 dated 25 April 2018, available at: <https://zakon.rada.gov.ua/laws/show/333-2018-n>

<sup>319</sup> Resolution of the CMU No. 333 dated 25 April 2018, available at: <https://zakon.rada.gov.ua/laws/show/333-2018-n>

<sup>320</sup> Resolution of the CMU No. 333 dated 25 April 2018, available at: <https://zakon.rada.gov.ua/laws/show/333-2018-n>

<sup>321</sup> Resolution of the CMU "On Amendments to Certain Resolutions of the CMU" No. 1131 dated 18 December 2018, available at: <https://zakon.rada.gov.ua/laws/show/1131-2018-n>

<sup>322</sup> Paragraph 8 of the Procedure for granting licenses

<sup>323</sup> Resolution of the CMU "On Amendments to the Procedure for Granting Subsoil Licenses" No. 558 of 19 June 2019, available at: <https://zakon.rada.gov.ua/laws/show/558-2019-n>

calendar days<sup>324</sup>; the deadline for extending the payment period for the license fee was shortened from 30 to 15 calendar days).

- ▶ The Commission on subsoil use within the Geology Service was abolished.<sup>325</sup>
- ▶ In February 2020, the CMU adopted Resolution No. 124, which set out a new version of the Procedure for granting subsoil licenses<sup>326</sup>, which:
  - ▶ Provides for the granting of a license (up to 5 years) for the geological survey of amber subsoil, including research & industrial development of deposits with subsequent extraction of amber (industrial development of deposits).
  - ▶ Stipulates that provision for use of subsoil sites containing minerals of local importance in the area of Anti-terrorist Operation / Joint Forces Operation must be agreed with regional state military-civil administrations.
  - ▶ Provides that the license for geological survey, including research & industrial development, may be extended only once, except for licenses for geological survey where work is performed exclusively at the expense of the state budget (previously, it was allowed to extend a geological survey permit twice).
- ▶ On 23 September 2020, the CMU, by Resolution No. 993, approved a new Procedure for conducting auctions for the sale of subsoil licenses<sup>327</sup> (for details, see below). The Resolution replaces the Procedure for conducting auctions for the sale of subsoil licenses, which was approved by Resolution No. 594 dated May 30, 2011.
- ▶ On 25 November 2020, the CMU adopted Resolution No. 1172<sup>328</sup>, according to which a permit is issued to NJSC Naftogaz of Ukraine (and / or a company 100% of which is owned by NJSC Naftogaz of Ukraine) without an auction in the case of geological survey of oil and gas subsoil, including research and industrial development of deposits, with subsequent extraction of oil and gas (industrial development of deposits) on the continental shelf and the exclusive (marine) economic zone, for a period of 30 years.

For details of the procedure for granting licenses valid at the end of 2018, see **Section 6.6.2 of this Report**.

### **Electronic Auctions for Sale of Licenses**

- ▶ At the end of 2018, the CMU adopted the Resolution "On implementation of the pilot project for introduction of electronic auctions for the sale of subsoil licenses"<sup>329</sup>. This procedure

<sup>324</sup> Para. 6 of the Resolution of the CMU "On Approval of the Procedure for Electronic Auctions for the Sale of Small Privatization Objects and Establishment of Additional Conditions of Sale" No. 432 of 10 May 2018, available at: <https://zakon.rada.gov.ua/laws/show/en/432-2018-n>

<sup>325</sup> Resolution of the CMU "On Amendments to the Procedure for Granting Subsoil Licenses" No. 928 of 23 October 2019, available at: <https://zakon.rada.gov.ua/laws/show/928-2019-n#n2>

<sup>326</sup> Resolution of the CMU "On Amendments to the Procedure for Granting Subsoil Licenses" No. 124 dated 19 February 2020, available at: <https://zakon.rada.gov.ua/laws/show/124-2020-%D0%BF#n2>

<sup>327</sup> Resolution of the CMU "On approval of the Procedure for conducting auctions for the sale of subsoil licenses" No. 993 dated September 23, 2020, available at: <https://zakon.rada.gov.ua/laws/show/993-2020-%D0%BF#n10>

<sup>328</sup> Resolution of the CMU "On Amendments to the Procedure for Issuing Subsoil Licenses" No. 1172 dated 25 November 2020, available at: <https://zakon.rada.gov.ua/laws/show/1172-2020-%D0%BF#n8>

<sup>329</sup> Resolution of the CMU "On Implementation Of The Pilot Project For Introduction of Online Auctions for the Sale of Subsoil Licenses" No. 848 of 17 October 2018, available at: <https://zakon.rada.gov.ua/laws/show/848-2018-%D0%BF>

was valid until 1 October 2020.<sup>330</sup>

- ▶ As of the end of 2019, six rounds of electronic auctions were successfully held, where 26 subsoil sites in different regions were sold. The amount of revenues to the state budget from the sale of these subsoil sites amounted to UAH 500 million.<sup>331</sup>
- ▶ In September 2020, the CMU, with Resolution No. 993, approved a new Procedure for conducting auctions for the sale of subsoil licenses<sup>332</sup>, which defines the procedure for sale at auction by electronic bidding on a permanent basis.
- ▶ On 23 September 2020, the CMU approved a new Methodology for determining the starting sale price of a subsoil license at the auction.<sup>333</sup>

### **Implementation of the open door policy in subsoil use**

- ▶ **Subsoil User Investment Atlas:** In December 2019, the Geology Service presented the Subsoil User Investment Atlas, which contains information on promising areas of minerals offered for sale at open auctions<sup>334</sup>. The atlas is available at: <https://www.geo.gov.ua/investicijnij-atlas-nadrokoristuvacha/>
- ▶ **Launch of geological data-room:** In December 2019, the Geology Service launched a geological information data-room, which enables free access to materials (geophysical surveys, geological reports, contour maps, structure data, DKZ protocols) on Okhtyrka, Hrunivska and Ichnianska sites set for a PSA tender, in Geoinform of Ukraine SRPE in a designated room. To do this, the subsoil user had to submit an online request to: <http://www.geo.gov.ua/data-room/>, which was processed during the day, and after its endorsement, the user received an official response with information about the date of his possible visit. The Geology Service plans to introduce this practice on a permanent basis for PSA auctions and tenders.<sup>335</sup>
- ▶ **Subsoil user one-stop shop:** In early February 2020, the Geology Service launched a new service where the Geology Service specialists provide consultations and clarifications on issuing subsoil licenses and procedures for extending the license's validity, its renewal and amendment, to reduce the number of refusals because of incomplete documentation and mistakes in applications. More details at the link: <http://www.geo.gov.ua/yedine-vikno>.
- ▶ **Simplified procedure for recognizing the amount of the subsoil license fee:** In March 2020, the Geology Service launched a license fee calculation and payment center, which can be found at: <http://geoinf.kiev.ua/centr-geologo-ekonomichnix-doslidzhen/>. The center also

<sup>330</sup> Resolution of the CMU "On Amendments to the Resolution of the Cabinet of Ministers of Ukraine dated 17 October 2018, No. 848" No. 960 dated 23 October 2019, available at: <https://zakon.rada.gov.ua/laws/show/960-2019-%D0%BF#n8>

<sup>331</sup> Publication on the web-site of the Geology Service, available at: <http://www.geo.gov.ua/derzhgeonadra-prodala-26-dilyanok-na-pivmilyarda-griven-cherez-sistemu-prozorro/>

<sup>332</sup> Resolution of the CMU "On approval of the Procedure for conducting auctions for the sale of subsoil licenses" No. 993 dated 23 September 2020, available at: <https://zakon.rada.gov.ua/laws/show/993-2020-%D0%BF#n10>

<sup>333</sup> Resolution of the CMU "On Amendments to the Methodology for Determining the Starting Sale Price of a Subsoil License at Auction" No. 915 dated 23 September 2020, available at: <https://zakon.rada.gov.ua/laws/show/915-2020-%D0%BF#n9>

<sup>334</sup> According to the official website of the Geology Service, available at: <https://www.geo.gov.ua/derzhgeonadra-prezentuvana-investicijnij-atlas-nadrokoristuvacha/>, as well <https://www.geo.gov.ua/investicijnij-atlas-nadrokoristuvacha-dopovnili-novimi-obyektami/>

<sup>335</sup> According to the official website of the Geology Service, available at: <https://www.geo.gov.ua/derzhgeonadra-zapuskaye-data-room-po-trom-dilyankam-nominovanim-na-konkurs/?fbclid=IwAR25w8bN6xHK9m5nluS9B1KIF9rmJnMyxAVRWTIHOnqaLwUlqDXRCfBliGI>

calculates the cost of geological information obtained from Geoinform of Ukraine SRPE using state budget funds.

Introduction of the new service is aimed to simplify and speed up issuance of subsoil licenses, as well as creating favorable conditions for potential investors. In particular, after the service is launched, there is no need to contact three different institutions to calculate the amount of a license fee, find geological information and determine its cost.

#### ***Launch of interactive service "Subsoil User E-Account"***

- ▶ In July 2019, the Geology Service and the Ministry of Environment launched a pilot version of a specialized internet portal for subsoil users and representatives of the geological community, where they can register using the integrated electronic identification system, available at: <https://enadra.menr.gov.ua>.
- ▶ Registration in the electronic cabinet should enable the user to quickly access data on mineral resources, conditions of subsoil use, project documentation, statistical and analytical information.
- ▶ When the service is fully implemented, companies will be able to register their applications for the following public services: receiving geological information, obtaining / amending / re-issuing subsoil licenses. Currently, the e-cabinet is in test mode, so it contains limited publicly available information and allows requesting a subsoil license without an auction.

#### ***Reforms in the coal industry***

- ▶ **Optimization of the structure of coal mining enterprises.** To implement the Concept, at the end of 2017 the CMU created the National Coal State Enterprise to be managed by the Ministry of Energy. To optimize the structure of state-owned coal mining enterprises, a certain part of such enterprises must merge into the National Coal State Enterprise. As of the end of 2019, the merge was ongoing, but in 2020 the reorganization process was suspended by the order of the Ministry of Energy No. 121 of 28 February 2020.<sup>336</sup>

In October 2020, the CMU approved the Action Plan for establishment of a joint-stock company with the participation of state-owned coal mining companies and Centerenergo PJSC. Based on the results of the work carried out in accordance with the Plan, the CMU is expected to submit a draft decision on the establishment of a joint stock company, which will receive corporate rights of PJSC Centerenergo and property of coal mining enterprises (mines) into its charter capital.<sup>337</sup>

- ▶ **Moratorium on enforcement measures.** To ensure the possibility of reforms in the sector and to prevent blockade of the coal industry, the Law of Ukraine "On Amendments to Certain Laws of Ukraine on Creating Conditions for Implementation of the State Policy in

---

<sup>336</sup> Order of the Ministry of Energy and Environmental Protection of Ukraine "On the expiration of orders of the Ministry of Energy" No. 121 dated February 28, 2020, available at: <https://mepr.gov.ua/files/docs/nakazy/2020/%D0%9D%D0%B0%D0%BA%D0%B0%D0%B7%20%E2%84%96%20121%20%D0%B2%D1%96%D0%B4%2028.02.2020.pdf>

<sup>337</sup> Order of the CMU "Some issues of formation of a joint-stock company with the participation of state coal mining enterprises and public joint-stock company "Centerenergo" No. 1215-r dated 5 October 2020, available at: <https://zakon.rada.gov.ua/laws/show/1215-2020-p#Text>

the Coal Industry" No. 2658-VIII was adopted on 18 December 2018.<sup>338</sup> This law:

- ▶ Amended the Law of Ukraine "On Enforcement Proceedings" to entitle enforcement officers to suspend proceedings under the Law of Ukraine "On Recovery of Solvency of State Coal Mining Enterprises".<sup>339</sup>
- ▶ Extended the moratorium on enforcement measures against coal mining enterprises until 01 January 2022.
- ▶ **Development of the national strategy.** On 5 August 2020, the CMU approved the National Strategy for Regional Development for 2021-2027.<sup>340</sup> This strategy includes the following:
  - ▶ Promoting implementation of innovative solutions in coal mining, use of the related resources (including methane mine gas, underground gasification of coal, mine water, etc.), creating appropriate conditions for the domestic traditional energy generating sector, stimulating the development of alternative energy;
  - ▶ Determining key activities in the direction of "Social and economic transformation of the territories where coal mining and coal processing enterprises are in the process of closure", including development of the relevant National Action Plan, etc.
- ▶ **Establishment of the Coordination Center for the Transformation of Ukrainian Coal Regions (hereinafter – the "Coordination Center").** The Coordination Center was established to ensure coordinated actions of state authorities, local governments, enterprises, institutions, and organizations aimed to determine (develop) the priorities of the transformation policy of coal regions. The main tasks of the Center are to<sup>341</sup>:
  - ▶ Ensure coordination of actions of executive bodies, local self-government, enterprises, institutions and organizations to determine priorities and improve the coal regions transformation policy;
  - ▶ Identify the steps, arrangements and ways to solve problematic issues that arise during the coal regions transformation policy development and implementation;
  - ▶ Provide support in preparation (development) of coal region transformation projects with the identifying the sources of their funding, assistance in implementation of such projects.
  - ▶ Develop the Ukrainian Coal Industry and Coal Regions Reform Concept and the National Coal Regions Transformation Program until 2027<sup>342</sup>.

### Changes to royalty rates

- ▶ Since 2018, Article 252.20 of the Tax Code was supplemented to read that subsoil royalty

<sup>338</sup> Law of Ukraine "On Amendments to Certain Laws of Ukraine on Creating Conditions for the Implementation of the State Policy in the Coal Industry" No. 2658-VIII dated 18 December 2018, available at: <https://zakon.rada.gov.ua/laws/show/2658-19>

<sup>339</sup> The existence of the grounds envisaged in the Law of Ukraine "On Recovery of Solvency of the State-Owned Coal Mining Enterprises" was added as a separate basis for suspension of enforcement actions (Article 34); the periods of suspension in this case (Article 35) are limited by the period of validity of the circumstances provided for by this law

<sup>340</sup> The CMU Resolution "On approval of the National Regional Development Strategy for 2021-2027" No. 695 dated 05 August 2020, available at: <https://zakon.rada.gov.ua/laws/show/695-2020-n#Text>

<sup>341</sup> The CMU Resolution "On the establishment of the Coordination Center for the Transformation of Ukrainian Coal Regions" No. 391 of 13 May 2020, available at: <https://zakon.rada.gov.ua/laws/show/391-2020-n#Text>

<sup>342</sup> According to the official website of the CMU, available at: <https://www.kmu.gov.ua/news/oleksij-chernishov-vugilni-regioni-potrebuyut-kompleksnoyi-programi-transformaciyi>



for mining under the PSA shall be charged using the following rates<sup>343</sup>:

- ▶ 2% of the value of the commercial output of a mining enterprise, for oil and condensate.
- ▶ 1.25% of the value of the commercial output of a mining enterprise, for natural gas.<sup>344</sup>
- ▶ From 1 January 2018 to 1 January 2023, natural gas extracted from "new wells" drilled in the deposits at the depth of up to and over 5,000 meters will be taxed at the rates of 12% and 6% respectively<sup>345</sup>, which is an important incentive boosting development of the industry. New wells are defined as wells drilled after 01 January 2018 from the day surface of the land (zero meters according to the well design), which is confirmed by the drilling rig commissioning act<sup>346</sup>.
- ▶ Moreover, starting from 2018 subsoil royalty rates for non-mining purposes, namely for storage of natural gas and gaseous products, oil and other liquid petroleum products, increased by 16,7%.<sup>347</sup>
- ▶ Starting from 2019, the Parliament harmonized subsoil royalty rates for the purposes of extracting both oil and gas condensate from the following deposits<sup>348</sup>:
  - ▶ Down to 5,000 meters - 31% of the cost of produced oil and gas condensate
  - ▶ Over 5,000 meters - 16% of the cost of produced oil and condensate

For more details on the fiscal regime in 2018, please see **Section 6.5**.

#### ***Decentralization of part of revenues from royalties for hydrocarbons starting from 2018***

- ▶ The Law of Ukraine "On Amendments to the Budget Code of Ukraine regarding Allocation of the Subsoil Royalty for Oil, Natural Gas, and Gas Condensate Production" No. 1793-VIII, as adopted on 20 December 2016, entered into force on 1 January 2018. The mentioned Law was aimed at partial decentralization of revenues from royalties in favor of local budgets<sup>349</sup>.
- ▶ In particular, the Law provides that starting from 1 January 2018, the revenues from

<sup>343</sup> The Law of Ukraine "On Amendments to the Tax Code of Ukraine and Certain Legislative Acts of Ukraine on Ensuring Balanced Budget Revenues in 2018" No. 2245-VIII dated 7 December 2017, available at: <https://zakon2.rada.gov.ua/laws/show/2245-19>.

<sup>344</sup> Including gas dissolved in oil (petroleum (associated) gas), ethane, propane, butane, coal gas (methane), shale gas, central basin type gas, dense gas reservoirs

<sup>345</sup> The Law of Ukraine "On Amendments to the Tax Code of Ukraine and Certain Legislative Acts of Ukraine on Ensuring Balanced Budget Revenues in 2018" No. 2245-VIII of 7 December 2017, available at:

<https://zakon.rada.gov.ua/laws/show/2245-19/ed20190101> (the incentive rates are provided in Article 252.20 of the Tax Code)

<sup>346</sup> Article 14.1.124-1 of the Tax Code of Ukraine; SFS Letter dated 18 January 2018 No. 1464/7/99-99-12-03-04-17 "On the Features of Paying Royalty in 2018", available at: <http://sfs.gov.ua/podatki-ta-zbori/zagalnoderjavnii-podatki/rentni-plat/listi/72744.html>. Please note that the Law of Ukraine "On Amendments to the Tax Code of Ukraine on Charging Passenger Vehicles with Excise Tax" No. 2611-VIII dated 08 November 2018, available at: <https://zakon.rada.gov.ua/laws/show/2611-19>, corrected a technical error in the wording of the definition (the original version was: "drilling of which started from the bottom surface of the land"), which eliminated obstacles to application of the incentive

<sup>347</sup> The Law of Ukraine "On Amendments to the Tax Code of Ukraine and Certain Legislative Acts of Ukraine on Ensuring Balanced Budget Revenues in 2018" No. 2245-VIII dated 7 December 2017, available at:

<https://zakon.rada.gov.ua/laws/show/2245-19/ed20190101>

<sup>348</sup> The Law of Ukraine "On Amendments to the Tax Code of Ukraine and Some Other Legislative Acts of Ukraine Designed to Improve Administration and Revision of the Rates of Certain Taxes and Duties" No. 2628-VIII dated 23 November 2018, available at: <https://zakon.rada.gov.ua/laws/show/2628-19>. The amendments are made to Article 252 of the Tax Code, available at: <https://zakon.rada.gov.ua/laws/show/2755-17/ed20191020>

<sup>349</sup> The Law of Ukraine "On Amendments to the Budget Code of Ukraine regarding Allocation of the Rental Fee for the Use of Minerals for development of Oil, Natural Gas, and Gas Condensate" No. 1793-VIII dated 20 December 2016, available at: <https://zakon.rada.gov.ua/laws/show/1793-19>

royalties for subsoil use for the extraction of hydrocarbons will be partially allocated to the local budgets based on their location (extraction):

- ▶ 2% - to district budgets;
- ▶ 3% - to budgets of cities of regional significance, budgets of united local communities;
- ▶ 2% - to regional (oblast) budgets;
- ▶ 1% - to local governments' budgets.

### ***Introduction of strategic environmental assessment***

- ▶ On 20 March 2018, the Law of Ukraine "On Strategic Environmental Assessment" was adopted.<sup>350</sup> This Law governs assessment of impact on the environment caused by implementing state planning documents and applies, in particular, to state planning documents that envisage implementation of activities for which the EIA procedure is required.
- ▶ Strategic environmental assessment is carried out prior to submission of the state planning document for approval to ensure environmental protection, integration of environmental requirements into the development and approval of state planning documents.

### ***Adoption of a new procedure for managing geological data***

- ▶ On 07 November 2018, the CMU approved Resolution No. 939<sup>351</sup>, which determines the procedure for disposing (providing for use and selling) of geological information<sup>352</sup> designed to ease investors' access to such information.
- ▶ The procedure foresees digitization of geological data available in Ukraine and creation of a single, publicly available catalog of geological data. The catalog is held by the Geology Service and administered by Geoinform of Ukraine SRPE. In September 2020, the Ministry of Environment approved the Regulation on the Catalog of Details on Geological Data.<sup>353</sup>

Details on geological data transmitted and entered into the catalog will include: its type (secondary or primary), details on its owner, location of development works / mineral deposits, information on creation, acquisition, transfer of title to, or the right to use geological data.

- ▶ The Geology Service is the manager of geological data owned by the state and the holder of the catalog.
- ▶ The use of state-owned secondary (processed) geological data is free of charge. Such geological information must be published at the official website of the Geoinform of Ukraine SRPE and / or provided in electronic copies. The user should only be charged for such

---

<sup>350</sup> The Law of Ukraine "On Strategic Environmental Assessment" No. 2354-VIII of 20 March 2018, available at: <https://zakon.rada.gov.ua/laws/show/2354-19>

<sup>351</sup> Resolution of the CMU "Geological Information Management Issues" No. 939 of 07 November 2018, available at: <https://zakon.rada.gov.ua/laws/show/en/939-2018-n>

<sup>352</sup> Resolution of the CMU "On Approval of the Regulation on the Procedure for Disposal of Geological Information" No. 423 dated 13 June 1995, which determined the status of geological information before the new changes became ineffective, available at:

<https://zakon.rada.gov.ua/laws/show/en/423-95-n>

<sup>353</sup> Order of the Ministry of Environment No. 119 dated 4 April 2020, available at: <https://zakon.rada.gov.ua/laws/show/z1074-20#Text>



geological information if it obtains a subsoil license (as compensation for the state's exploration costs).

- ▶ Sale of geological data is no longer subject to the Geology Service's approval; instead, a notification principle is introduced.
- ▶ It is forbidden to dispose of geological data if any party to the transaction is subject to the Law of Ukraine "On Sanctions".
- ▶ In October 2020, the Geology Service published information on preparations for the launch of the Geological Big Data, which in addition to the Catalog of Details on Geological Information will also contain the State Cadastre of Mineral Deposits and Reserves, and the State Geological Map of Ukraine.<sup>354</sup>

***Changes to administration of "state dividends" and part of net profit on the state share etc. (Law No 465<sup>355</sup> and Law No 466<sup>356</sup>)***

- ▶ The amendments to the procedure for administration of the share of net profit and dividends on the state share introduced by Law No. 465 and Law No. 466 entered into force on 27 February 2020 and 23 May 2020 respectively. These new rules, inter alia, include the following:
  - ▶ The Tax Code has become part of the legislation on the state property management.
  - ▶ The CMU, in its state property management capacity, determines the procedure for transferring part of the net profit (income) to the state budget not only by state unitary enterprises and their associations, but also by the companies whose charter capital includes corporate rights of the state, and companies, 50% and more shares of which are part of the charter capital of companies 100% owned by the state, if such entities decide to pay dividends.
  - ▶ Obligations to pay part of the net profit (income) and dividends on the state share are now equivalent to a taxpayer's monetary obligations. Once a year, specified companies must report to tax authorities on calculation of part of net profit (income), dividends on state share in the manner and terms established by the Tax Code, and shall be liable for failure to submit / late submission of such calculation in the manner prescribed by the Tax Code.
- ▶ Law No 466 provides for a number of changes to the fiscal regime of the extractive industry in terms of royalty - In particular, increase of royalty rates for subsoil use for extraction of ferrous metals, non-ferrous and alloying metals, changes in value and conditions for applying adjustment coefficients to royalty rates.

---

<sup>354</sup> Information from the official website of the Geology Service, available at:

<https://www.geo.gov.ua/?s+=Каталог+відомостей+про+геологічну+інформацію&lang=uk>

<sup>355</sup> The Law of Ukraine "On Amendments to Certain Laws of Ukraine on Improving Tax Administration, Elimination of Technical and Logical Inconsistencies in Tax Legislation" of 16 January 2020 No. 465-IX, available at:

<https://zakon.rada.gov.ua/laws/show/465-20#Text>

<sup>356</sup> The Law of Ukraine "On Amendments to the Tax Code of Ukraine to improve Tax Administration, Elimination of Technical and Logical Inconsistencies in Tax Legislation" of 16 January .2020 No. 466-IX, available at:

<https://zakon.rada.gov.ua/laws/show/466-20#Text>

- ▶ Law No 466 stipulates that in controlled operations, the actual sale price of extracted minerals (mineral raw materials) may not be less than the price determined according to the arm's length principle.

#### ***Adjustments to the procedure for repayment of the state budget debt to Naftogaz of Ukraine NJSC and the procedure for repayment of the debt of Ukrnafta PJSC to the state budget***

- ▶ From 28 November 2020, the Laws of Ukraine "On Amendments to the Law of Ukraine "On the State Budget of Ukraine for 2020" and "On Amendments to Section XX "Transitional Provisions" of the Tax Code of Ukraine on Peculiarities of Tax Administration to Finance Expenditures Specified in paragraphs 31-33 of Article 14 of the Law of Ukraine "On the State Budget of Ukraine for 2020" are effective.
- ▶ The procedure stipulates that state compensation for performance by Naftogaz of Ukraine NJSC of special obligations on the natural gas market shall be paid from the funds received by the state from Ukrnafta PJSC under the existing tax liabilities to the State Budget.

#### ***Resumption of activities of Chornomornaftogaz State JSC***

- ▶ In December 2019, the Law of Ukraine "On Amendments to Certain Legislative Acts Concerning the Extension of Measures Related to the Resumption of Activities of Chornomornaftogaz PJSC" was adopted and entered into force. The law aims to create conditions to resume the company's activities, retain its participation in international courts and ensure energy security of Ukraine.
- ▶ According to the law, bankruptcy cases against Chornomornaftogaz PJSC may not be initiated before 31 December 2022, and the initiated proceedings shall be suspended, except in cases when liquidation is initiated by the owner. Also, seizure and prohibition of alienation of Chornomornaftogaz PJSC's property in enforcement proceedings shall be lifted by 31 December 2022 (except for decisions on USC debt collection, on payment of wages and other payments (compensation) to an employee).<sup>357</sup>

### **6.3.2. Development of draft legislation in extractive industries**

#### ***Draft of the new Subsoil Code***

- ▶ Mining relations are regulated based on the Subsoil Code dated 27 July 1994 (as amended). The drafting of the new Subsoil Code was scheduled back in the National Action Plan for the Implementation of the Economic Reform Program 2010-2014, and several drafts were submitted for public discussion, however none of them was registered with the Parliament.
- ▶ In mid-December 2019, the Geology Service initiated intensive discussion of the concept of the new version of the Subsoil Code with the business community, which continued during 2020. As a result of joint efforts, on 7 December 2020, the Ministry of Environment published a draft of the new Code on its website for public discussion.<sup>358</sup>

---

<sup>357</sup> The Law of Ukraine of 19 December 2019 No. 399-IX "On Amendments to Certain Legislative Acts of Ukraine Concerning the Continuation of Measures Related to the Resumption of Activities of the Chornomornaftogaz" State Joint-Stock Company, available at: <https://zakon.rada.gov.ua/laws/show/399-20#Text>

<sup>358</sup> Available at: <https://mepr.gov.ua/news/36435.html>

- ▶ The published draft envisages, among other things, deregulation in the field of subsoil use by abolishing some of the permits and other documents required by the current Code; possibility to dispose of subsoil use rights; measures to combat so-called "sleeping" licenses; expansion of the list of minerals of local importance to stimulate investment in regional projects and simplify licensing requirements, etc.

#### ***Draft law on strengthening liability for illegal mining***

- ▶ Draft Law "On Amendments to Certain Legislative Acts of Ukraine on Strengthening Liability for Illegal Mining" No. 3576 was registered on 2 June and adopted in the first reading on 4 November 2020.<sup>359</sup> It establishes stricter criminal liability for illegal extraction of minerals of local importance and introduced liability for illegal extraction of minerals in large and especially large amounts, increases penalties and terms for personal restrain/incarceration.
- ▶ The draft law establishes criminal liability not only for individuals but also for legal entities.
- ▶ The draft law envisages investing the State Ecological Inspection with the authority to calculate the amount of damage caused to the state and file claims for compensation of damage caused by unauthorized subsoil use.

#### ***Draft Law "On Amendments to Certain Legislative Acts of Ukraine Concerning Support for the Development of Domestic Subsoil Use Industries"***

The draft law, registered with the Parliament on 5 October 2020, envisages the following<sup>360</sup>:

- ▶ Providing the license holder (except for state enterprises) with the opportunity to sell, use as collateral or otherwise alienate the rights granted under a subsoil license to another legal entity or individual, including through their contribution to the charter capital of an entity created with the license holder's participation and investment into joint activities;
- ▶ Replacing the license for geological exploration with a complex (end-to-end) license, which allows combining mineral exploration with extraction;
- ▶ Changes in the terms of subsoil use (for example, the maximum period for short-term use would increase from 5 to 20 years);
- ▶ Establishing an exhaustive list of conditions for obtaining a license and procedure for obtaining it, etc.

#### ***Draft Law of Ukraine "On the Coal Market"***

- ▶ The first draft was developed in early 2016 by the Ministry of Energy in pursuance of the Action Plan for implementation of the CMU's Program of Activities<sup>361</sup> and the "Ukraine 2020" Strategy for Sustainable Development adopted in 2015.<sup>362</sup> The draft is aimed to

---

<sup>359</sup> Available at: [https://w1.c1.rada.gov.ua/pls/zweb2/webproc4\\_1?pf3511=69003](https://w1.c1.rada.gov.ua/pls/zweb2/webproc4_1?pf3511=69003)

<sup>360</sup> The Draft Law "On Amendments to Certain Legislative Acts of Ukraine Concerning Support for the Development of Domestic Subsoil Use Industries" No. 4187 dated 05 October 2020, available at: [https://w1.c1.rada.gov.ua/pls/zweb2/webproc4\\_1?pf3511=70117](https://w1.c1.rada.gov.ua/pls/zweb2/webproc4_1?pf3511=70117)

<sup>361</sup> Paragraph 267.4 of the Plan of arrangements to implement the Program of the CMU and the Sustainable Development Strategy "Ukraine-2020" in 2015, approved by the Resolution of the CMU No. 213-r dated 4 March 2015., available at: <http://zakon3.rada.gov.ua/laws/show/213-2015-%D1%80>

<sup>362</sup> The draft was published on 10 February 2016 at the official web site of the Ministry of Energy, available at: [http://mpe.kmu.gov.ua/minugol/control/uk/doccatalog/list?currDir=49913&documentList\\_stind=41](http://mpe.kmu.gov.ua/minugol/control/uk/doccatalog/list?currDir=49913&documentList_stind=41)

establish the rules for trading in the market for coal products in the context of phased denationalization of the energy industry.

- ▶ In addition, the draft law provides for the pricing for coal products under market mechanisms (electronic stock exchanges, long-term contracts without state intermediaries, etc.)<sup>363</sup>. In 2017, a working group on coal market liberalization was set up and the work on the bill continued. At the date of this Report, the draft was under development.

#### ***Draft Law of Ukraine "On Certain Issues of Coal Enterprise Indebtedness"***

- ▶ A draft law is registered with the Parliament that establishes conditions for writing-off debts that prospective state-owned coal-mining enterprises have before the budget. The draft is currently available at the website of the Ministry of Energy.<sup>364</sup>

#### ***The Draft Law "On Amendments to the Tax Code of Ukraine and Certain Other Laws of Ukraine on Ensuring Balance of Budget Revenues" No. 4101 dated 15 September 2020<sup>365</sup>, and alternative drafts to it***

- ▶ The draft law proposes a number of changes to the fiscal regime in the mining industry covering royalty, in particular, increased rates for subsoil use for the purposes not related to mining, for special water use and environmental tax.

#### ***Draft Law "On Amendments to the Tax Code of Ukraine to Stimulate Circulation of Subsoil Licenses" No. 4252 of 22 October 2020<sup>366</sup>***

- ▶ The draft law introduces a new tax, namely, the fee for the use of mineral resources. The amount of the fee will depend on the area of the subsoil site and the type of minerals.
- ▶ It also suggests excluding the provisions of the Tax Code on exemption from taxation of transactions with excisable goods related to sale of liquefied gas at specialized auctions for the needs of households under the procedure prescribed by the CMU.

#### ***Draft amendments to the Law on EITI to bring it closer to the updated EITI Standard***

- ▶ The draft law "On Amendments to Certain Legislative Acts of Ukraine Concerning Ensuring Transparency in Extractive Industries" No. 3790 was registered with the Parliament on 3 July 2020.
- ▶ The draft law suggests several amendments to the Law on EITI, including the following:
  - ▶ Subsoil use agreements concluded starting from 1 January 2021 and amendments thereto must be disclosed (however, the draft does not require to disclose the texts of agreements concluded before 1 January 2021, if amended after this date);
  - ▶ The list of minerals of national importance that would be covered by EITI reporting shall be determined by EITI MSG according to the criteria established by the CMU and is approved by the Ministry of Energy;

---

<sup>363</sup> Announcement on the CMU website, . available at:

[http://www.kmu.gov.ua/control/uk/publish/article?art\\_id=249831196&cat\\_id=244276429](http://www.kmu.gov.ua/control/uk/publish/article?art_id=249831196&cat_id=244276429)

<sup>364</sup> The draft Law of Ukraine "On Certain Issues of Coal Enterprise Indebtedness" No. 4152 dated 24 September 2020, available at: [http://w1.c1.rada.gov.ua/pls/zweb2/webproc4\\_1?pf3511=70055](http://w1.c1.rada.gov.ua/pls/zweb2/webproc4_1?pf3511=70055)

<sup>365</sup> Available at: [http://w1.c1.rada.gov.ua/pls/zweb2/webproc4\\_1?pf3511=69946](http://w1.c1.rada.gov.ua/pls/zweb2/webproc4_1?pf3511=69946)

<sup>366</sup> Available at: [https://w1.c1.rada.gov.ua/pls/zweb2/webproc4\\_1?pf3511=70232](https://w1.c1.rada.gov.ua/pls/zweb2/webproc4_1?pf3511=70232)

- ▶ It introduces liability for disclosure of inaccurate information within the EITI;
- ▶ The list of information contained in the EITI reports is expanded to include "other information required to be disclosed in accordance with the EITI Standard";
- ▶ The draft sets the deadline for submitting the report on payments received by recipients of payments (by April 1 of the year following the reporting year);
- ▶ If mining companies cannot report on environmental tax and land fee at the project level, they should report at the level of an administrative-territorial unit (however, the draft law may be further improved in this context as project activities can be carried out in the territory of several administrative-territorial units);
- ▶ EITI reports shall be provided only to the Ministry of Energy, without its duplication to the Independent Administrator;
- ▶ Preliminary approval of the EITI reporting forms by the Independent Administrator would no longer be required, etc.

**Summary:**

Despite the difficult economic and political situation in Ukraine, during 2018 a number of steps have been taken to reform the extractive industries, mostly aimed at fulfilling Ukraine's international commitments to implement the EU Energy Community's Third Energy Package, simplifying regulatory processes for mining companies and stimulating extraction of minerals, including measures envisaged by strategic documents adopted to support the extractive industries reform.

In 2018-2019 a number of actions were taken, and certain important legal acts were adopted to deregulate and improve efficiency of the extractive industries for the economy of Ukraine and fulfill its commitments to international partners. These actions were positively assessed by industry representatives, the reforms were publicly discussed by the stakeholders, while major events were also covered by the media. Such dynamics has positively impacted the image of Ukraine in the international arena and its fulfillment of the requirements of the EITI Standard.

At the same time, part of strategic objectives has not been achieved. Active progress with the reforms remains relevant, as they are necessary to develop efficient solutions to existing industry problems and elimination of shortcomings in current regulations and functioning of Ukrainian extractive industries. Among other things, the issue with optimizing the structure of coal mining enterprises still remains unresolved and needs to be addressed. Development and adoption of a new Subsoil Code is also of high priority. Intensive development of proposals designed to improve Ukrainian regulatory and fiscal environment, their broad public discussions involving all stakeholders, adoption and effective implementation are important for the Ukrainian society.

## 6.4 State participation in extractive industries

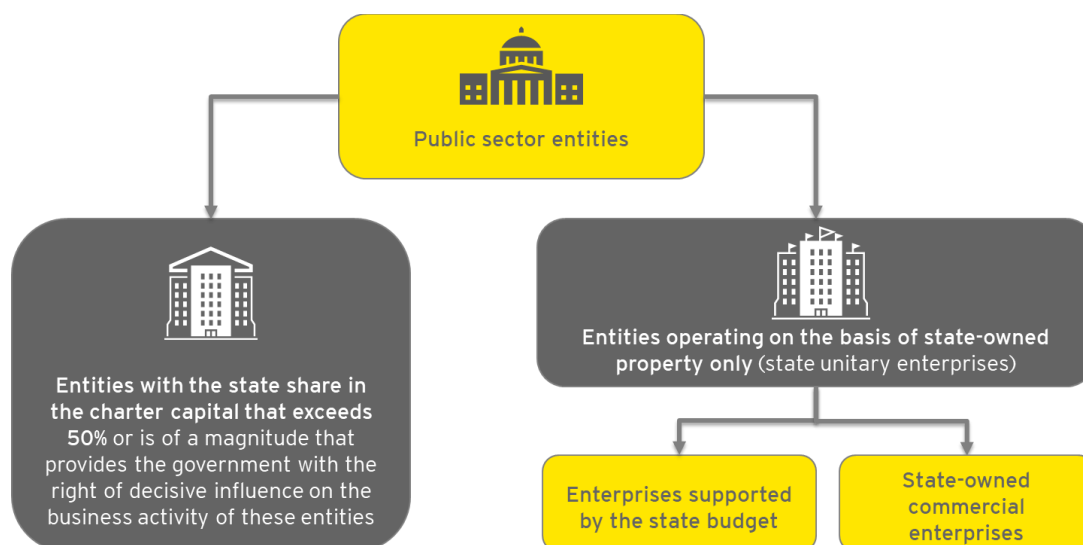
### 6.4.1 State-owned enterprises and some features of their operations

#### 6.4.1.1. Definition of "state-owned enterprises"

Under para. 2.6 of the EITI Standard, where state participation in the extractive industries gives rise to material revenue payments, the countries implementing EITI must disclose an explanation of the prevailing rules and practices regarding the financial relationship between the government and state-owned enterprises (SOEs), e.g., the rules and practices governing transfers of funds between the SOEs and the state, retained earnings, reinvestment and third-party financing. In accordance with Requirement 2.6 of the EITI Standard, a state-owned enterprise (SOE)<sup>367</sup> is a wholly or majority government-owned company that is engaged in extractive activities on behalf of the government.

Ukrainian legislation includes a number of terms that may be relevant to the definition from the EITI Standard.

In particular, Ukrainian legislation contains a definition of "public sector entities", which include entities presented in the figure below<sup>368</sup>:



**Figure 6.4: Public sector entities under the Commercial Code**

A state-owned unitary entity (i.e., a state-owned enterprise established by one founder) is an enterprise formed by a competent state body and within the scope of its management powers. The key features of a state-owned entity as a separate form of an enterprise are as follows:

- ▶ The entity is established under the prescribed procedure that requires the decision of the competent state authority.

<sup>367</sup> In the Ukrainian translation of the EITI Standard, the term "state-owned enterprise (SOE)" refers to the term "state entity (SE)". Since the term of the Standard is wider than the definition of a "state entity" in Ukrainian legislation, for the purposes of this Report, the concept of "state-owned enterprise" (in the EITI Standard) and "state-owned entity" (in Ukrainian legislation) should be distinguished

<sup>368</sup> Paragraph 2 of Article 22 of the Commercial Code of Ukraine No. 436-IV of 16 January 2003, available at: <http://zakon.rada.gov.ua/laws/show/436-15/ed20171106#n181> (hereinafter the "Commercial Code")

- ▶ The functions of the entity's owner are performed by the state authority, whose scope of management includes such an enterprise. In particular, if there is no supervisory board, the head of the enterprise is appointed by such an authority.
- ▶ The entity operates using state-owned property.

A state-owned unitary entity can be either a commercial enterprise or an enterprise supported by the state budget.

A *state-owned commercial enterprise* is a business entity responsible for the consequences of its activities with all its property held under the right of economic management<sup>369</sup>.

An *enterprise supported by the state budget* is established by the decision of the CMU, which determines the nature of the enterprise's activity and the body whose scope of management includes the enterprise. The property and assets are provided to such entity under the right of operational management.<sup>370</sup> The enterprises supported by the state budget are created in specific sectors of economy specified by the Commercial Code, in particular, in which (i) the law permits business activities only by state-owned enterprises; (ii) the major consumer of the products (works, services) (exceeding 50%) is the state; and (iii) cost-ineffective production of socially necessary products (works, services) prevails (over 50%).<sup>371</sup>

Additionally, public sector entities include business companies with more than 50 percent of shares owned by the state, and the companies with 100 percent state ownership.<sup>372</sup>

Ukrainian legislation contains special rules on corporate governance of business companies with more than 50 percent shares owned by the state (see **Section 6.4.2** below).

Moreover, if such companies receive state-owned property, they generally hold it on a special title other than ownership (in particular, property not subject to privatization may be transferred into so-called economic or operational management, with or without entering the property into the company's balance sheet).

Titles of some companies include a reference to their "national" status, but it has no impact on their legal status. Special legal status of public sector entities is determined by state participation in their capital.

Legislation on the management of the companies owned by the state often contains ambiguous or contradictory rules. For example, Naftogaz of Ukraine NJSC and Nadra Ukrainy NJSC are business entities incorporated as joint stock companies, although they had been established by regulatory acts.<sup>373</sup>

---

<sup>369</sup> Economic management means a substantive right in which an entity owns, uses and manages the property entrusted to it by the owner, but may manage certain types of property only with the consent of the owner in the cases provided for by law (Article 136 of the Commercial Code)

<sup>370</sup> Operational management means a substantive right in which an entity owns, uses and manages the property entrusted to it by the owner for the purpose of carrying out non-commercial economic activities. In this case, the owner of the property has the right to remove from the subject of the property the property used for other purposes (Article 137 of the Commercial Code, available at: <http://zakon.rada.gov.ua/laws/show/436-15/ed20171106#n1043>)

<sup>371</sup> Article 76 of the Commercial Code

<sup>372</sup> Article 11 of the Law of Ukraine "On the Management of the State Property Objects" of 21 September 2006, No. 185-V, available at: <http://zakon.rada.gov.ua/laws/show/185-16/ed20170723> (the "Law on Management of State Property")

<sup>373</sup> Resolution of the CMU No. 747 dated 25 May 1998 "On the Establishment of Naftogaz of Ukraine NJSC", available at: <https://zakon.rada.gov.ua/laws/show/747-98-%D0%BF>, Resolution of the CMU No. 1128 of 14 July 2000 "On the Establishment of Nadra Ukrainy NJSC", available at: <http://zakon0.rada.gov.ua/laws/show/1128-2000-%D0%BF>



It is important to underscore the insufficiently defined status of enterprises under the indirect control of the state (e.g., subsidiaries of state-owned enterprises, as well as the enterprises with more than 50% shares belonging to public sector entities).

Such enterprises, among others, include Ukrgazvydobuvannya JSC, Ukrtransgaz JSC, Ukrtransnafta JSC with 100% shares owned by Naftogaz of Ukraine NJSC, and Ukrnafta PJSC with 50%+1 shares owned by Naftogaz of Ukraine NJSC, and the subsidiaries of Nadra Ukrainy NJSC.

Formally, these enterprises **are not covered by the definition of "public sector entities", which does not include the indirect ownership criterion**. At the same time, in separate cases, state authorities exercise certain functions of the owner of such enterprises based on laws or by-laws. Specifically:

- ▶ Reorganization of the subsidiaries of Naftogaz of Ukraine NJSC engaged in transportation via trunk pipelines and storage in underground gas storage facilities, is carried out by the decision of the CMU;
- ▶ Alienation of fixed assets and shares in the charter capital of such enterprises is prohibited, except for the transfer of property for the purpose of performing the functions of the Unified Ukrainian GTS Operator<sup>374</sup>;
- ▶ Business entities with 50% or more shares contributed to charter capitals of the companies 100%-owned by the state must:
  - Pay dividends directly to the State Budget,<sup>375</sup>
  - Publish information on their activities similarly to state unitary enterprises and business companies with more than 50 percent shares owned by the state, under Resolution of the CMU No. 1067 dated 09 November 2016,<sup>376</sup>
  - Publish information on their use of public funds on a web portal containing comprehensive information about the use of public funds as required by the Law of Ukraine "On Openness of Use of Public Funds".<sup>377</sup>
- ▶ Certain acts of the CMU contain provisions that provide for retaining of 100 percent of corporate rights (shares) of some enterprises, whose shares are owned by Naftogaz of Ukraine NJSC, in state ownership, despite their transfer to the charter capital of, or other acquisition by Naftogaz of Ukraine NJSC. In particular, Ukrtransgaz JSC, Ukrgazvydobuvannya JSC, Ukrtransnafta JSC, Ukrnafta PJSC, and a subsidiary of Naftogaz of Ukraine NJSC, Gaz of Ukraine, were included in the list of state-owned entities that are

---

<sup>374</sup> Article 7 of the Law of Ukraine "On Pipeline Transport" dated 15 May 1996 N 192/96-BP, available at: <https://zakon.rada.gov.ua/laws/show/192/96-%D0%B2%D1%80#n57>

<sup>375</sup> Paragraph 5 of Article 11 of the Law of Ukraine "On the Management of State Property Objects" No. 185-V dated 21 September 2006, available at: <https://zakon.rada.gov.ua/laws/show/185-16/ed20200722#n324>

<sup>376</sup> Resolution of the CMU "On Approval of the Procedure for Publication of Information on the Activities of State Owned Unitary Enterprises and Business Companies with More than 50% of Shares Owned by the State, as well as Business Companies with 50 and More Per cent of Shares owned by business companies in which interest of the state constitutes 100 percent" No. 1067 from 09 November 2016, available at: <https://zakon.rada.gov.ua/laws/show/1067-2016-%D0%BF>

<sup>377</sup> The obligation is defined in Resolution of the CMU "On Approval of the Procedure for Publication of Information on Activities of State Unitary Enterprises and Business Companies with More than 50% of Shares Owned by the State, as well as Business Companies with 50% and More of Shares Owned by Entities with 100% Shares owned by the State" No. 1067 dated 09 November 2016 (see above); Law of Ukraine "On Openness of Use of Public Funds" No. 183-VIII of 11 February 2015, available at: <https://zakon.rada.gov.ua/laws/show/183-19>



strategically important for the economy and security of the state under the Resolution of the CMU No. 83 dated 4 March 2015.<sup>378</sup>

- ▶ If such companies receive state-owned property, they generally hold it on a special title other than ownership (in particular, property not subject to privatization may be transferred into so-called economic or operational management, with or without entering the property into the company's balance sheet<sup>379</sup>).

Certain mining companies that meet the specified criteria of indirect control of the state challenged their status as public sector entities. However, the case law in such cases is inconsistent (see, for example, court disputes between Ukrnafta PJSC / Ukgazvydobuvannia JSC and the State Audit Service of Ukraine<sup>380</sup>).

Hence, for full disclosure for the purposes of this Report, MSG decided that state owned enterprises (SOEs) under Requirement 2.6 of the EITI Standard should include enterprises that belong to the public sector of economy and the enterprises with more than 50% shares indirectly owned by the state.

#### 6.4.1.2 Financing the activities of state-owned enterprises

According to Ukrainian legislation, all state-owned enterprises are required to prepare and approve their annual financial plan with quarterly breakdown for each subsequent year<sup>381</sup>. The financial plan determines income to be received and expenditures to be incurred by the enterprise within the framework established by Ukrainian legislation. *Inter alia*, it identifies the amount and purpose of funds to be used for performance of functions of the enterprise during the relevant year in accordance with statutory documents.

Financial plans of state-owned enterprises must be approved before 1 September of the year preceding the planned year, unless otherwise provided by the law:<sup>382</sup>

- ▶ Financial plans of enterprises that are natural monopolies and enterprises whose estimated net profit exceeds UAH 50 million are approved by the CMU (the draft Resolution of the CMU is submitted for approval of the Ministry of Economy and Ministry of Finance by the authority that manages the relevant enterprise);
- ▶ Financial plans of other enterprises are approved by the authorities that manage such enterprises.

Consolidated data from the financial plans of such other enterprises is reported to the Ministry of Finance and is taken into account when forming the state budget. Business entities are

---

<sup>378</sup> Resolution of the CMU "On Approval of the List of State Property Strategic for the Economy and Security of the State" No. 83 dated 4 March 2015, available at: <https://zakon.rada.gov.ua/laws/show/83-2015-n#Text>

<sup>379</sup> E.g., according to paragraph 4.3 of the Charter of Ukrtransgaz JSC (as valid in 2017), the company uses state property that is not subject to privatization in accordance with the law. State-owned property provided into the Company's use or economic management is included in its assets. Within the unbundling procedure, the new GTS operator received GTS assets under the right of economic management without the right of their alienation (for more details on the unbundling procedure, see **Section 6.3.2** of this EITI Report)

<sup>380</sup> See Resolution of the Supreme Court dated 02 October 2018 in Case No. 2a-18853/10/2670, available at: <http://reyestr.court.gov.ua/Review/76906087> (Ukrnafta PJSC, in favor of the Audit Service of Ukraine) and the resolution of the Kyiv Administrative Court of Appeal dated 29 May 2017 in case No. 826/19356/14, available at: <http://www.reyestr.court.gov.ua/Review/66850487> (Ukgazvydobuvannia JSC, in favor of the Company)

<sup>381</sup> Paragraph 1 of Article 75, paragraph 8 of Article 77, Paragraph 3 of Article 89 of the Commercial Code

<sup>382</sup> Paragraph 2 of Article 75 of the Commercial Code; paragraphs 5-6 of the Procedure for Preparation, Approval And Oversight Over The Implementation of the Financial Plan of the Public Sector Entity, approved by the Order of the Ministry of Economy No. 205 of 02 March 2015, available at: <https://zakon.rada.gov.ua/laws/show/z0300-15>

entitled to amend their financial plans no more than twice per year.<sup>383</sup>

In practice, financial plans are often approved with a delay or not approved at all.<sup>384</sup>

Control over timely preparation of financial plans and performance according to indicators in approved financial plans is carried out by the companies' management<sup>385</sup>, which submits information on approval and implementation of financial plans to the Ministry of Economy. In turn, the Ministry of Economy analyzes and summarizes received information and publishes summary indicators of implementation of financial plans on its official website.<sup>386</sup>

Financing of state-owned enterprises may come from various sources, including:

- ▶ State and local budget funds, *inter alia*, in the framework of implementation of targeted budget programs (see **Section 6.4.4.1** of this Report), contributions to the authorized capital (see **Section 6.4.4.4** of this Report);

- ▶ Borrowings, for example, credits / loans or issued bonds.

This type of financing (including provision of guarantees or bail with regard to such obligations) requires approval of the Ministry of Finance, a government authority managing relevant state property, or the Ministry of Economy, depending on borrowing conditions and subordination of the enterprise<sup>387</sup>;

- ▶ Dividends from companies owned by state-owned enterprises<sup>388</sup>;

- ▶ Own funds from business activities, subject to restrictions on distribution of profits, in particular, the obligation to pay dividends / part of net profit to the state budget (for more details, please see **Section 6.4.3** of the Report);

- ▶ Other sources not prohibited by law.

Hence, state-owned enterprises use received income (for distribution of profits, creation of special-purpose funds, refinancing, etc.) according to the financial plan adopted and approved according to the established procedure and subject to special legislative restrictions.

Information on financing practices of reporting state-owned entities during the reporting period

---

<sup>383</sup> Paragraph 8 of the Procedure for Preparation, Approval and Oversight Over The Implementation of the Financial Plan of the Public Sector Entity

<sup>384</sup> Decision of the Accounting Chamber "On consideration of the Report on the results of the audit of the effectiveness of the handling of state budget funds provided by the Ministry of Energy for state support of coal mining enterprises to partially cover the cost of finished coal products" No. 32-2 dated 12 November 2019, [http://www.rp.gov.ua/upload-files/Activity/Collegium/2019/32-2\\_2019/R\\_RP\\_32-2\\_2019.pdf](http://www.rp.gov.ua/upload-files/Activity/Collegium/2019/32-2_2019/R_RP_32-2_2019.pdf), Report on the results of analysis of corporate rights management effectiveness in the oil and gas sector, approved by the decision of the Accounting Chamber No. 8-1 dated 09 April 2019, available at: [https://rp.gov.ua/upload-files/Activity/Collegium/2019/8-1\\_2019/Zvit\\_8-1\\_2019.pdf](https://rp.gov.ua/upload-files/Activity/Collegium/2019/8-1_2019/Zvit_8-1_2019.pdf)

<sup>385</sup> Paragraphs 10-13 of the Procedure for Preparation, Approval and Oversight Over The Implementation of the Financial Plan of the Public Sector Entity

<sup>386</sup> Available at: <https://www.me.gov.ua/Documents/List?lang=uk-UA&id=00bbbf50-cea4-4438-ab49-3e1cef452d14&tag=FinansovePlanuvannia>.

<sup>387</sup> In particular, the Ministry of Finance approves internal long-term (more than 1 year) and external liabilities, and the executive body performing state property management functions (or the Ministry of Economy, if the management functions are performed by the CMU) - internal short-term (up to 1 year) - see Paragraph 2 of the Procedure for approving the attraction of loans by state-owned enterprises, including business entities (except banks), in the authorized capital of which 50 and more percentage of shares (participatory interest) are owned by the state, and provision of guarantees or surety with regard to such obligations, approved by the Resolution of the CMU No. 809 dated 15 June 2011, available at: <https://zakon.rada.gov.ua/laws/show/809-2011-%D0%BF%ED20160906>

<sup>388</sup> The right to establish other business entities on the basis of their property is provided for state-owned enterprises in Article 135 of the Commercial Code

may be found in **Sections 5.1.1** (coal sector), **5.2.1** (oil and gas sector), **5.3.1** (iron ores), **5.4.1** (titanium ores), **5.6.1** (fire clays), **5.7.1** (high-melting clays), **5.8.1** (quartz sand), **5.9.1** (building stones) of this Report.

#### **6.4.1.3. Responsibility of the state for covering expenses of state-owned enterprises**

The state may be responsible for liabilities of such enterprises depending on the level of ownership (direct or indirect) and the legal form of the enterprise concerned, in particular:

- ▶ *State-owned commercial enterprises*: as a general rule, the state and the authority managing the respective enterprise are not responsible for its liabilities.<sup>389</sup>
- ▶ *Enterprises supported by the state budget*: as a general rule, the state represented by the authority managing the respective enterprise bears full subsidiary (additional) responsibility for its liabilities if such enterprise has insufficient funds at its disposal to fulfill its obligations.<sup>390</sup>
- ▶ *Joint-stock companies*: as a general rule, the state bears the risk of losses related to operations of joint-stock companies directly owned by the state within the shares owned by the state (the relevant authority acting on behalf of the state).<sup>391</sup>
- ▶ *Entities indirectly controlled by the state*: as a rule, the state is not responsible for liabilities of these entities, while state-owned enterprises holding shares in these entities bear responsibility for their liabilities on general grounds. In particular, responsibility of shareholders in joint-stock companies or limited liability companies for their liabilities is limited by shares.<sup>392</sup>

Hence, generally, the state (including the authorized state authority) bears no responsibility for covering expenses incurred by state-owned enterprises. Instead, the state is responsible for the obligations of such enterprises as a regular shareholder that invested on the terms of fully paid equity, irrespective of the phases of their project cycle. Ukrainian laws do not prescribe any other features regarding state coverage of such enterprises' costs.

As noted in **Section 6.4.1.1**, there are special rules for enterprises supported by the state budget, but there are no such entities among EITI reporting entities. Instead, the absolute majority of reporting state-owned entities are state-owned commercial enterprises.

According to the information obtained by the Independent Administrator from reporting state-owned entities, no deviations from the above general rules on state's responsibility for such companies' liabilities were identified in 2018.

Separate sections of this Report also contain information on:

---

<sup>389</sup> Article 74 of the Commercial Code

<sup>390</sup> Paragraph 7 of Article 77 of the Commercial Code

<sup>391</sup> Paragraph 2 of Article 80 of the Commercial Code, paragraph 2 of Article 3 of the Law of Ukraine "On Joint Stock Companies". However, the charter capital of any business company cannot be formed at the expense of budgetary funds, property of state-owned enterprises, which are not subject to privatization under the law, as well as property held in operational management of budgetary institutions, unless otherwise provided by law (see paragraph 1 of Article 86 of the Commercial Code)

<sup>392</sup> Moreover, technically, (1) shareholders of an additional liability company bear additional joint responsibility in the amount equal to a share of their contributions multiplied by the common indicator specified in statutory documents; (2) shareholders of a full liability company bear additional joint liability with all property they own, and (3) participants of a limited partnership bear responsibility either only within their contribution (so-called contributors), or additional joint liability with all their property (so-called full members) (see Article 80 of the Commercial Code of Ukraine; Articles 66, 75 of the Law of Ukraine "On Business Companies", Article 56 of the Law of Ukraine "On Limited Liability Companies And Additional Liability Companies"). However, there are no such companies among state-owned EITI reporting entities for the purposes of this EITI Report

- ▶ Rights, duties and responsibility of the state to cover costs incurred under contracts in the extractive industries (joint venture agreements, product sharing agreements) - see **Sections 6.6.4 and 6.6.5**
- ▶ Examples of state support, which could result, among other things, in covering costs of certain state-owned enterprises - see **Section 6.4.4**.

#### 6.4.2. State policy in public sector entities' management

The specifics of public property management<sup>393</sup>, including regulation of financial relations between the state and the entities partially or fully owned by the state are stipulated in the Law of Ukraine "On Management of State Property Objects" No. 185-V dated 21 September 2006. Such specifics are also determined by separate provisions of the Ukrainian Constitution, the Commercial Code of Ukraine, the Civil Code of Ukraine, the Laws of Ukraine "On Protection of Economic Competition", "On Business Companies", "On Leasing State and Municipal Property", "On Joint-Stock Companies", the Law on Oil and Gas, etc.

State property management functions are performed by state authorities, including the CMU, ministries, and other central executive bodies, including the Ministry of Energy, the Ministry of Economy, the Geology Service, and the State Property Fund of Ukraine. Generally, there are more than 80 management entities in Ukraine<sup>394</sup>.

To increase the efficiency of management, there are several databases and information portals maintained by the state authorities in Ukraine, for example:

- 1) State property register (which includes equity owned by the state in business entities), formed by the State Property Fund of Ukraine based on information exchange with management authorities. The register is available at the [URL](#).
- 2) The register of contracts with the heads of public sector entities, which is maintained by the Ministry of Economy, available at the [URL](#).
- 3) Portal of state enterprises on the website of the Ministry of Economy (Pro.Zvit), which consolidates information on the companies' status and financial results, available at the [URL](#).
- 4) Information on results of monitoring effectiveness of state property management<sup>395</sup> carried out by the Ministry of Economy, available per quarter at the [URL](#).
- 5) Consolidated general indicators of implementing financial plans by public sector entities formed by the Ministry of Economy, available per quarter at the [URL](#).

The above databases contain information on public sector entities (therefore, they do not include enterprises that are indirectly owned by the state by more than 50%).

According to the State Enterprises Portal, in total there were 3,747 state enterprises in 2018, 1,891 of which are actually operating.

---

<sup>393</sup> These objects include, among others, property transferred to state-owned enterprises and corporate rights owned by the government and contributed to the charter capital of business companies

<sup>394</sup> Basic principles of implementation of property policy in relation to the public sector economic entities, available at: <https://www.kmu.gov.ua/ua/news/minekonomrosvitku-rozrobilo-politiku-vlasnosti-u-derzhavnomu-sektori-ekonomiki>

<sup>395</sup> The Procedure for oversight over functions of state property management and criteria for measuring effectiveness of state property management approved by the Regulation of the CMU dated 19 June 2007 No. 832, available at: <https://zakon.rada.gov.ua/laws/show/832-2007-%D0%BF#Text>

Development and implementation of state ownership policy is one of the requirements of the IMF Memoranda on Economic and Financial Policies and of the acts of the CMU (e.g., the Resolution of the CMU No. 662-r dated 27 May 2015) in the context of the reform of state-owned entities.

As part of reforming corporate governance of state-owned enterprises, the CMU adopted several documents describing strategic vision of the state as to which state-owned enterprises should remain state-owned in the long run (strategically important for the state, such as Naftogaz of Ukraine NJSC), and which state-owned enterprises should be subject to concession, privatization or liquidation.<sup>396</sup>

At the end of 2018, in accordance with the OECD Guidelines on Corporate Governance of State-Owned Enterprises, the CMU approved Basic Principles of State Policy of Ownership with regard to State-Owned Enterprises<sup>397</sup>. This document states that only the enterprises performing functions directly assigned to the state will remain in state ownership, if such functions cannot be fully performed by entities other than public entities. These entities, in particular:

- ▶ Are natural monopolies not subject to any special privatization conditions
- ▶ Maintain state security or engage in other activities that are vital to society and cannot be fully implemented by non-state-owned entities

Also, corporate governance of public sector entities should be based on the following principles:

- ▶ Exclusivity of state ownership
- ▶ Clear goals for activities
- ▶ Parity in governing state-owned and commercial companies
- ▶ Separation of owner's and regulator's functions
- ▶ Professionalism in managing business entities
- ▶ Transparency of activities to reduce corruption risks
- ▶ Social responsibility

In particular, the reform envisaged creation of supervisory boards as governing bodies of public sector entities that meet certain criteria.<sup>398</sup> In addition, in accordance with the Basic Principles, separate ownership policies were approved for certain enterprises of particular importance to

---

<sup>396</sup> Publication on the CMU's website on the strategic vision of managing state-owned enterprises, available at:

<https://www.kmu.gov.ua/ua/news/250107939>. All lists of state-owned enterprises are available at:

<http://www.me.gov.ua/Documents/MoreDetails?lang=uk-UA&id=f9b47f2c-50ae-41b3-abea-117ff9c4fab8&title=PrezentatsiiniMateriali>;

Detailed information on the reform of SOE governance (including interim results) is available on the CMU's website: <https://www.kmu.gov.ua/ua/diyalnist/reformi/ekonomichne-zrostannya/prodazh-neeefektivnogo-derzhavnogo-majna>

<sup>397</sup> Available at: <https://www.kmu.gov.ua/ua/news/minekonomrozvitku-rozrobilo-politiku-vlasnosti-u-derzhavnomu-sektori-ekonomiki>

<sup>398</sup> Resolution of the CMU "Some Issues of Management of State Unitary Enterprises and Business Companies with More than 50 Per cent of Shares Owned by the State" No. 142 dated 10 March 2017, available at:

<https://zakon.rada.gov.ua/laws/show/142-2017-%D0%BF/ed20191121#Text>. The entities in which the supervisory board is to be established are those for which at least one of the following criteria is met: (1) the value of the assets exceeds UAH 2 billion, according to the latest annual financial statements; (2) net income exceeds UAH 1.5 billion, according to the latest annual financial statements; (3) charter capital of the newly established entity exceeds UAH 2 billion; (4) 10 or more shareholders are holders of ordinary shares of the respective company

the Ukrainian economy.

Regarding Naftogaz of Ukraine NJSC, identified by the reform as a strategically important entity, the CMU approved the following regulations:

- ▶ Basic Principles of State Ownership<sup>399</sup>, which should specify the objectives and priorities of state's ownership of this enterprise, the expected results of its operations, and the basic corporate governance principles. The document defines the state's strategic vision of corporate governance of Naftogaz of Ukraine NJSC;
- ▶ Regulations on Supervisory Board Formation Principles.<sup>400</sup>

In 2019, the Accounting Chamber analyzed the efficiency of state's management of corporate rights in the oil & gas sector for 2017.<sup>401</sup> The relevant report of the Accounting Chamber notes a number of deficiencies, e.g., non-approval of the financial plan of Naftogaz of Ukraine NJSC for 2018, failure to ensure eligibility of the company's supervisory board throughout the year, etc.

In February 2019, the OECD published a report on the state of implementation of corporate governance reforms in Ukraine's hydrocarbon sector, noting positive developments in the reform, including practice of establishing supervisory boards and hiring independent members of supervisory boards.<sup>402</sup> At the same time, the OECD underscored that the changes are slowing down each year.

### 6.4.3. Payments made by the state-owned enterprises in favor of the state

The main type of payment made by the state-owned enterprises in favor of the state, in addition to taxes, are dividends and the share of net profit transferred to the state budget. To increase control over their payment, in 2020 these payments were included into the Tax Code (see **Section 6.3 of this Report** for more details).

#### *Payment of the share of net profit by state unitary entities*

In 2018, state unitary entities had to transfer 75% of their net profit for the relevant period to the state budget.<sup>403</sup> State unitary entities submitted a calculation of the net profit to the SFS, and the paid portion of the net profit was accumulated in the General-purpose fund of the State budget. In 2019 the net profit share was increased to 90%.

---

<sup>399</sup> Resolution of the CMU "On Approving Fundamental Principles of Exercising State Ownership with respect to Naftogaz of Ukraine NJSC" No. 351 dated 26 April 2017, available at: <https://zakon.rada.gov.ua/laws/show/351-2017-%D0%BF>; In 2020, the CMU approved a new Resolution "Some issues NJSC Naftogaz of Ukraine No. 982 dated 21 November 2020, which approved a new ownership policy of NJSC Naftogaz of Ukraine and repealed the previous resolution, available at: <https://zakon.rada.gov.ua/laws/show/982-2020-%D0%BF#n12>

<sup>400</sup> Resolution of the CMU "The Issue of Formation of the Supervisory Board of Naftogaz of Ukraine NJSC" No. 232 dated 29 March 2017, available at: <https://zakon.rada.gov.ua/laws/show/232-2017-n>

<sup>401</sup> Report on the results of analyzing the efficiency of state management of its corporate rights in the oil & gas sector, approved by the decision of the Accounting Chamber dated 9 April 2019 No. 8-1, available at: [https://rp.gov.ua/upload-files/Activity/Collegium/2019/8-1\\_2019/Zvit\\_8-1\\_2019.pdf](https://rp.gov.ua/upload-files/Activity/Collegium/2019/8-1_2019/Zvit_8-1_2019.pdf); information on further actions taken to address the report's findings: <https://rp.gov.ua/FinControl/FinReactions/?id=520>

<sup>402</sup> The OECD report issued on 14 February 2019, available at: <https://www.oecd.org/daf/ca/Ukraine-Hydrocarbons-SOE-Review-UKR.pdf> (pp. 103-105)

<sup>403</sup> The procedure for the payment to the state budget of a part of the net profit (income) by state unitary entities and their associations, approved by the Resolution of the CMU No 138 dated 23 February 2011, available at: <https://zakon.rada.gov.ua/laws/show/138-2011-%D0%BF/ed20191217#Text>



### ***Dividends of the business entities with a state share in their charter capital***

As a rule, the companies with the corporate rights of the state in their charter capital must allocate at least 30% of the net profit as dividends<sup>404</sup>. Historically, this obligation was imposed on mentioned entities regardless of whether they made a decision to distribute dividends for the year. However, in 2020 this requirement was declared unconstitutional and lost effect.<sup>405</sup>

Dividends are calculated in proportion to the size of the state share in the charter capital of the said business entities and must be paid to the State budget no later than 1 July of the year following the reporting year. The business companies, 50% and more of the shares of which are contributed to the charter capital of business entities with a 100% state share, must also pay dividends directly to the State budget.<sup>406</sup>

The basic rate for allocation of the share of profit as dividends based on the results of financial and economic operations in the corresponding year is established by the CMU. For 2018 the basic rate was 75%.<sup>407</sup>

Untimely payment of dividends may result in application of a penalty calculated based on the double rate of the National Bank of Ukraine.<sup>408</sup>

### ***Dividends of the entities owned by the companies with a state participation***

The companies, whose 50% or more shares are in the charter capital of the business entities with a 100% state participation, are required to pay dividends directly to the State Budget of Ukraine in accordance with the rules established by the Law of Ukraine "On Management of State Property Objects".<sup>409</sup>

Ambiguous wording of the rule led to litigations over whether it applies to the companies, 50% or more shares of which were obtained other than through a contribution to the charter capital.

In particular, in 2013 Ukgazvydobuvannia JSC and Ukrtransgaz JSC - business entities with Naftogaz of Ukraine NJSC as a sole shareholder - successfully appealed the decision of Naftogaz of Ukraine NJSC to pay part of their net profit to the State Budget, claiming that their shares are not in the charter capital of Naftogaz of Ukraine NJSC.<sup>410</sup>

As a result:

- ▶ In 2018, Ukgasvydobuvannya JSC decided to pay dividends as a result of 2017 in favor of NJSC Naftogaz of Ukraine<sup>411</sup>

<sup>404</sup> Paragraph 5 of Article 11 of the Law on Management of State Property

<sup>405</sup> Decision of the Constitutional Court of Ukraine dated 22 July 2020 in case No. 3-313 / 2019 (7438/19), available at: <https://zakon.rada.gov.ua/laws/show/va08p710-20#Text>

<sup>406</sup> Paragraph 5 of Article 11 of the Law on Management of State Property

<sup>407</sup> Resolution of the CMU "On approval of the basic standard for distributing the share of profits to pay dividends as a result of financial and economic activities in 2017 of companies with the corporate rights of the state in their charter capital" dated 28 February 2018 No. 139, available at: <https://zakon.rada.gov.ua/laws/show/139-2018-%D0%BF#Text>

<sup>408</sup> The Order of the Ministry of Economy "On Approval of the Procedure for Accrual of Penalty on the amount of dividends on the state share untimely paid by a company whose charter capital includes the corporate rights of the state and a company, 50 and more percent of shares (interest) of which are in the charter capital of a company, where the state owns 100 percent of shares" No. 725 dated 02 July 2013, available at: <http://zakon2.rada.gov.ua/laws/show/z1830-13>

<sup>409</sup> Paragraph 5 of Article 11 of the Law on Management of State Property

<sup>410</sup> Decision of the Supreme Commercial Court of Ukraine in case No. 10/10255/13 dated 13 August 2013, available at: <http://www.reyestr.court.gov.ua/Review/33042667>; Resolution of the Higher Economic Court of Ukraine dated 24 June 2014 in case No. 910/18227/13, available at: <http://www.reyestr.court.gov.ua/Review/39532348>

<sup>411</sup> Available at: <https://ugv.com.ua/uk/page/ukrgazvidobuvanna-u-2019-roci-splatilo-60-svogo-dohodu-u-vigladi-podatkiv-i-dividendiv>.

- ▶ Due to unprofitability, Ukrtransgaz JSC decided not to distribute dividends for 2018-2019<sup>412</sup>
- ▶ According to the results of 2017, Ukrtransnafta JSC, 100% shares of which remain in state ownership and were transferred to the charter capital of Naftogaz of Ukraine NJSC by the decision of the CMU<sup>413</sup>, distributed dividends in favor of the shareholder, Naftogaz of Ukraine NJSC.<sup>414</sup>

The amounts of net profit shares and dividends paid by EITI reporting entities to the state budget in 2018 may be found in **Annex 8 (Section 17.9)** of this Report.

#### 6.4.4. State payments to state-owned enterprises

The legislation of Ukraine (including the Commercial Code of Ukraine<sup>415</sup> and the Mining Law<sup>416</sup>) allows for provision of state support to business entities to create favorable organizational and economic conditions for business development.

##### 6.4.4.1 Government support to extractive industries

Government support to extractive industries may include provision of funds to extractive companies under the programs approved by the relevant Law on the State Budget. Such provision takes place in accordance with the procedure approved by the CMU for each program individually.

The Budget Code of Ukraine stipulates that the main administrators of state funds must develop a procedure for using such funds under the programs provided for in the state budget, and the CMU or other administrator shall approve it, subject to consent of the Ministry of Finance. The procedures for the programs specified in the relevant Law on the State Budget for the first time, shall be approved within 30 days from its entry into force.<sup>417</sup>

Information on budget programs active in 2018 (including references to their procedures) may be found in **Sections 5.1.1, 5.2.1 and 5.3.1** of this Report.

##### 6.4.4.2 Subventions to local budgets for provision of benefits and housing subsidies to households (for mutual settlements between enterprises involved in electricity and natural gas supply services)

On 1 January 2018, the new procedure for the provision of subventions from the state budget to local budgets for paying benefits and housing subsidies to the households, including for the purposes of covering part of electricity and natural gas bills (including transmission,

---

<sup>412</sup> Decision of the shareholder No. 267 dated 26 April 2019, available at: <http://utg.ua/img/menu/company/docs/2019/267.pdf> , No. 395 dated 11 June 2020, available at: <http://utg.ua/img/menu/company/docs/2020/395.pdf>

<sup>413</sup> Order of the CMU "On establishment of Ukrtransnafta OJSC No. 256-r dated 23 June 2001, available at: <http://zakon3.rada.gov.ua/laws/show/256-2001-%D1%80>.

<sup>414</sup> Available at: <https://www.ukrtransnafta.com/wp-content/uploads/2018/08/Рішення-№181-від-03.08.2018-Дивіденди-за-2017-нерозподілений-прибуток.pdf>

<sup>415</sup> Articles 16, 26, 48 of the Commercial Code

<sup>416</sup> Articles 9, 29, 43, 48 of the Mining Law of Ukraine

<sup>417</sup> Paragraph 7 of Article 20 of the Budget Code



distribution and supply services) became effective.<sup>418</sup> The procedure sets a new mechanism for passing subventions from the state budget to local budgets to provide benefits and housing subsidies to the households to pay for utilities and abolish the clearing mechanism previously in place.

The subvention for paying part of electricity bills is transferred from the revenues to the general fund of the state budget from the excise tax on electricity produced within the customs territory of Ukraine for the previous month and if the amount of the excise tax received is insufficient - from the general fund of the state budget according to the decision of the Ministry of Finance<sup>419</sup>. At the same time, the new procedure<sup>419</sup> includes no details on the sources of funds for natural gas subventions.

The new subvention mechanism provides for the following stages:<sup>420</sup>

1. The key spending units of local budgets shall prepare monthly by the 10th day of the next period, the information on the amounts of accrued benefits and housing subsidies to the households to pay for electricity and natural gas, as well as acts of reconciliation of payments for the services with electricity and natural gas providers. The specified information and documents shall be submitted to the relevant financial bodies of district state administrations, executive bodies of city councils (cities of regional significance), and amalgamated territorial communities.
2. The enterprises engaged in providing electricity supply or natural gas transmission, distribution and supply services, shall prepare registers of volumes of consumed electricity and natural gas and the relevant services whose cost shall be transferred, in accordance with the actual volumes of consumed electricity and natural gas and provided services, in the amount that does not exceed the accrued benefits and subsidies,<sup>421</sup> and submits them to the financial authorities referred to in paragraph 2 above, and the key spending units of the local budgets.
3. The financial bodies specified in paragraph 2, shall use the received information to prepare on a monthly basis registers of the amounts to be transferred, and submit them to financial bodies of regional and Kyiv city state administrations, the departments of the State Treasury Service in the regions and the city of Kyiv.
4. The financial bodies of the regional (oblast) and Kyiv city state administrations shall aggregate the registers and provide them to the Main Departments of the Treasury, which in turn submit the relevant data from the registers on the actually accrued amounts of benefits and subsidies to the State Treasury Service.

---

<sup>418</sup> The CMU Resolution "On approval of the Procedure for financing local budget expenditures for the implementation of measures to implement state the social protection programs with subventions from the state budget" No 256 of 04 March 2002 (expired on 01.01.2020), available at: <https://zakon.rada.gov.ua/laws/show/256-2002-%D0%BF/ed20181218#Text> It is worth noting that the abolition of the resolution from 01 January 2020 is part of a comprehensive subsidies monetization reform

<sup>419</sup> Paragraph 14 of item 8-1 of the CMU Resolution No 256 of 4 March 2002. The paragraph was deleted by the CMU Resolution "On Amendments to the Procedure for funding the expenses of local budgets for implementation of measures for implementation of the state social protection programs with subventions from the state budget" No 834 of 06 September 2019, available at: <https://zakon.rada.gov.ua/laws/show/834-2019-%D0%BF/ed20190906#Text>

<sup>420</sup> The described mechanism includes no information on public authorities that did not actually exercise their functions in 2018 (for example, the Council of Ministers of the ARC, the Ministry of Finance of the ARC, etc.)

<sup>421</sup> According to paragraph 5 of Resolution No 256 of 04 March 2002, the amount of electricity and natural gas consumed and the relevant services provided, specified in the register, may exceed the amount of the accrued benefits and subsidies, if the consumer has unused subsidies in previous months that can be used for payment for the services

5. The Treasury shall transfer the subvention within one month, but not later than the 20th day of the month following the reporting period.
6. The financial bodies of regional (oblast) state administrations shall provide, within the amounts received from the Treasury, payment orders to the bodies of the State Treasury Service on transfer of these funds to the accounts of district budgets, budgets of cities of regional significance, amalgamated territorial communities in accordance with the actual obligations to cover benefits and subsidies of the relevant budgets as of the date of their payment.
7. The amounts of subventions received by local budgets shall be transferred to the accounts of the key spending units of funds opened in the territorial offices of the State Treasury Service.
8. After the subventions are transferred to the accounts of the key local budget spending units, the latter shall pay to the enterprises engaged in providing the relevant services within two operational days. The payments shall be made to the current accounts with a special mode of use, opened within the Treasury, and payments for electricity shall be made to the similar accounts that are opened in an authorized bank.
9. The funds received by the enterprises engaged in providing electricity and natural gas supply services shall be used for their intended purpose, including:<sup>422</sup>
  - ▶ The enterprises having a license to supply natural gas, shall use the funds received to:
    - ▶ pay for natural gas to wholesalers and owners of natural gas resources (including Naftogaz of Ukraine NJSC);
    - ▶ pay for natural gas distribution and transmission services to gas distribution system operators and the gas transmission system operator.
  - ▶ The enterprises having a license for the distribution of natural gas, shall spend the funds received from other providers, to:
    - ▶ pay for natural gas to wholesalers and owners of natural gas resources (including Naftogaz of Ukraine NJSC);
    - ▶ pay for natural gas transmission services to the gas transmission system operator and / or
    - ▶ pay liabilities on national taxes and fees (except for personal income tax), including value added tax within the accruals for the amount of planned tariff revenue established by the NEURC for the planned period.
  - ▶ The enterprises having a license to transmit natural gas, shall use the funds received from other providers, to:
    - ▶ pay for natural gas to wholesalers and owners of natural gas resources (including NJSC Naftogaz of Ukraine) and / or

---

<sup>422</sup> According to the CMU Resolution No 834 of 06 September 2019, the electricity suppliers were excluded from the list of providers, which are obliged to use the received funds for the intended purposes

- ▶ pay the liabilities on national taxes and fees (except for personal income tax).
- ▶ The natural gas wholesalers (including NJSC Naftogaz of Ukraine) shall use the funds received from other suppliers only to:
  - ▶ purchase natural gas from domestic producers and / or
  - ▶ pay monetary liabilities on national taxes and fees (except for personal income tax) and
  - ▶ pay in 2018 their monetary obligations on dividends (income) accrued on shares (stakes) of companies having state property in their authorized capital, in the amount of not more than UAH 3 billion subject to prior payment to NJSC Naftogaz of Ukraine the balance of dividends due in 2018.<sup>423</sup>
- ▶ The domestic natural gas producers shall use the proceeds to pay monetary liabilities on national taxes and fees (except for personal income tax).
- ▶ The electricity producers shall use the received funds to pay:
  - ▶ for natural gas, distribution and transmission of natural gas supplied by coal mining (coal supply) companies, supplied fuel oil and / or
  - ▶ monetary liabilities on national taxes and fees (except for personal income tax).<sup>424</sup>
- ▶ The coal mining companies shall use the funds received from electricity producers and / or coal supply companies exclusively to pay monetary obligations on national taxes and fees (including personal income tax).<sup>425</sup>
- ▶ The coal supply companies shall use the funds received from electricity producers to:
  - ▶ pay for coal supplied by coal mining companies and / or
  - ▶ pay monetary liabilities on national taxes and fees (except for personal income tax)<sup>426</sup>.

The procedure for conducting the relevant settlements using the subvention has been approved by the Ministry of Finance.<sup>427</sup>

In 2018, the State Budget provided UAH 70.99 billion for this subvention, and UAH 69.97 billion was actually paid.<sup>428</sup>

---

<sup>423</sup> Amended by the CMU Resolution "On Amendments to paragraph 8-1 of the Procedure for financing local budget expenditures for the implementation of measures to implement the state social protection programs using subventions from the state budget" No 1071 of 12 December 2018, available at: <https://zakon.rada.gov.ua/laws/show/1071-2018-%D0%BF#Text>

<sup>424</sup> Paragraph 15 of item 8-1 of the CMU Resolution No 256 of 04 March 2002 was deleted by the CMU Resolution No 834 of 06 September 2019

<sup>425</sup> Paragraph 16 of item 8-1 of the CMU Resolution No 256 of 04 March 2002 was deleted by the CMU Resolution No 834 of 06 September 2019

<sup>426</sup> Paragraph 17 of item 8-1 of the CMU Resolution No 256 of 04 March 2002 was deleted by the CMU Resolution No 834 of 06 September 2019

<sup>427</sup> Order of the Ministry of Finance "On approval of the Procedure for the Treasury calculations provided for in paragraphs 8, 8-1 of the Procedure for financing local budget expenditures for the implementation of state social protection programs through subventions from the state budget, approved by the Cabinet of Ministers of 4 March 2002 No 256, and interaction of participants of such calculations" No 1 of 04 January 2018, available at: <https://zakon.rada.gov.ua/laws/show/z0064-18#Text>

<sup>428</sup> Report on execution of the Ukraine State Budget for 2018, the website of the State Treasury Service of Ukraine, available at: <https://www.treasury.gov.ua/ua/file-storage/richnij-zvit-pro-vikonannya-derzhavnogo-byudzhetu-ukrayini-za-2018-rik?page=2>

Please note that in September 2019, the described above mechanism was amended to resume financing and repayment of local budget debts to electricity, water and sewerage companies for benefits provided to households and housing subsidies, which arose in connection with the introduction of the electricity market.<sup>429</sup> The amendments stipulate that the funds for benefits and subsidies shall be transferred to the current bank accounts of the companies.

In addition, in October 2019, another procedure was introduced for the payment of utilities subsidies to households, including for electricity and natural gas.<sup>430</sup> The procedure governs payment of utilities subsidies provided outside the subvention procedure. Introduction of this procedure is part of the complex reform on monetization of subsidies.

#### 6.4.4.3 Provision of state guarantees for companies' borrowings

According to the Budget Code, the state guarantees for 2018 could be provided based on:

- ▶ Decision of the CMU - to secure partial payment of debt obligations by business entities that are Ukrainian residents.<sup>431</sup>
- ▶ International agreements of Ukraine - to secure full or partial payment of debt obligations by business entities that are Ukrainian residents.

Such guarantees are provided exclusively within the amounts and for the areas provided by the relevant Law on the State Budget.<sup>432</sup> On behalf of the CMU, relevant agreements concerning its decisions are executed by the Minister of Finance.<sup>433</sup>

Guarantees must be provided on terms of remuneration, timeliness, and enforcement of obligations<sup>434</sup>. The Budget Code sets out the mandatory terms of the guarantee agreement.<sup>435</sup>

The Ministry of Finance, as instructed by the CMU, enters into relevant agreements and maintains the Register of State Guarantees provided during the budget period.<sup>436</sup> Information on state guarantees provided since 2004 is published at the web-site of the Ministry of Finance<sup>437</sup>: <https://mof.gov.ua/uk/reestr-derzhavnih-garantij>.

<sup>429</sup> The information posted on the CMU website, available at: <https://www.kmu.gov.ua/npas/pro-vnesennya-zmin-do-poryadku-finansuvannya-vidatkov-miscevih-byudzhetiv-na-zdijsnennya-zahodiv-z-vikonannya-derzhavnih-program-socialnogo-zahistunaselelnnya-za-rahunok-subvencii060919>

<sup>430</sup> The procedure was introduced by the new version of the Regulations "On the Procedure for allocating utilities subsidies" approved by the CMU Resolution of 21 October 1995 No 848, available at: <https://zakon.rada.gov.ua/laws/show/848-95-%D0%BF/ed20200101#Text>. The Resolution is set out in a new wording in accordance with the Resolution of the Cabinet of Ministers of Ukraine "On Amendments and Repeal of Certain Resolutions of the Cabinet of Ministers of Ukraine" No 807 of 14 August 2019, available at: <https://zakon.rada.gov.ua/laws/show/807-2019-%D0%BF/ed20191001#n14>

<sup>431</sup> As of 2018, the CMU could provide state guarantees to ensure full payment of debt obligations. However, starting from 2019 it could only provide such guarantees for *partial* payments

<sup>432</sup> Paragraph 1 of Article 17 of the Budget Code

From the date of entry into force of the Law of Ukraine "On Amendments to the Law of Ukraine on the State Budget of Ukraine for 2020" No. 553-IX dated 13 April 2020 and in the period up to 01 January 2021 the provisions of subparagraph 1 of paragraph 1 of Article 17 on determining the maximum amount of the state guarantees are not applicable, available at: <https://zakon.rada.gov.ua/laws/show/553-20#Text>

Law of Ukraine "On the State Budget of Ukraine for 2020" No. 294-IX dated 14 November 2019, temporarily defined the different procedure, available at: <https://zakon.rada.gov.ua/laws/show/294-20#Text>

<sup>433</sup> Law of Ukraine "On Amendments to the Budget Code of Ukraine" No. 293-IX dated 14 November 2019, available at: <https://zakon.rada.gov.ua/laws/show/293-20#Text>

<sup>434</sup> Paragraph 3 of Article 17 of the Budget Code

<sup>435</sup> Paragraph 3 of Article 17 of the Budget Code

<sup>436</sup> Paragraph 4 of Article 18 of the Budget Code

<sup>437</sup> Starting from 2020, the Register of State Debt and State-Guaranteed Debt and the Register of State Guarantees are maintained by the Debt Agency of Ukraine. The Ministry of Finance maintains the Register of local borrowings and local guarantees. Information from the relevant registers is published monthly on the official websites of the Debt Agency of Ukraine and the Ministry of Finance.

The information on the state guarantees granted to companies covered by this Report in 2018 is given in **Sections 5.1.1, 5.2.1**.

#### **6.4.4.4 Increase of charter capital of state-owned enterprises**

As a shareholder (participant) of state-owned enterprises, the state takes part in the management of such enterprises, which includes, among others, adopting decisions on increase in the charter capital to cover cash deficits.

For example, in 2015 the CMU decided to increase the charter capital of NJSC Naftogaz of Ukraine by UAH 29.7 billion through additional private placement of shares. The Ministry of Finance, as instructed by the CMU, purchased such shares on behalf of the state through issuance of domestic government bonds for this purpose.

According to information provided by EITI reporting entities, charter capitals of state-owned enterprises were not increased in 2018.

#### **6.4.4.5 Restrictions on foreclosure of state-owned enterprises**

In 2018, it was forbidden to initiate foreclosure over state-owned enterprises and business companies with at least 25% shares owned by the state, under decisions subject to execution by the State Executive Service.<sup>438</sup>

As an exception, the moratorium did not apply to forced sale of property to pay off debts to Naftogaz of Ukraine NJSC and its subsidiaries licensed to supply natural gas<sup>439</sup>, unless relevant items were not subject to privatization<sup>440</sup> (which included a great number of state-owned mining enterprises<sup>441</sup>).

At the same time, if the decision of the court to recover funds from entities subject to the moratorium is not executed within 6 months from the date the enforcement proceedings commenced, its execution is carried out at the expense of the budget program to enforce court decisions<sup>442</sup>.

#### **6.4.4.6 Compensation by the State of expenditures related to performance of special obligations assigned to natural gas market subjects**

Pursuant to Article 11 of the Law of Ukraine "On the Natural Gas Market"<sup>443</sup>, in exceptional cases and for a specified period, special obligations determined by the CMU upon consultation

---

<sup>438</sup> Article 1 of the Law of Ukraine "On the Introduction of Moratorium on the Forced Sale of Property", No 2864-III of 29 November 2001, available at: <https://zakon.rada.gov.ua/laws/main/2864-14>

<sup>439</sup> Resolution of the CMU "On approval of the Procedure for the forced sale of property to repay debts to the "National Joint Stock Company "Naftogaz of Ukraine" PJSC and its subsidiaries that supplied natural gas on the basis of a license No. 749 dated 04 October 2017, available at: <https://zakon.rada.gov.ua/laws/show/749-2017-%D0%BF#Text>

<sup>440</sup> The exception for the indebtedness to Naftogaz of Ukraine NJSC does not extend to the enterprises to which the state has a duly confirmed debt for compensation of the difference in the tariffs for heat energy and heating services that have been produced, transported to and supplied to the public (Article 1 of the said law)

<sup>441</sup> See Law of Ukraine "On the List of Objects of State Property that Are Not Subject to Privatization" of 07 July 1999 No. 847-XIV, available at: <https://zakon.rada.gov.ua/laws/show/847-14/ed20170611>

<sup>442</sup> Law of Ukraine "On State Guarantees for the Enforcement of Judgments" of 05 June 2012 No. 4901-VI, available at: <https://zakon.rada.gov.ua/laws/show/4901-17#Text>. Such funds shall be transferred by the State Treasury within 3 months from the day of receipt of the required documents and information and shall be considered as losses of the state budget

<sup>443</sup> Law of Ukraine "On the Natural Gas Market" No. 329-VIII of 09 April 2015, available at: <https://zakon.rada.gov.ua/laws/show/329-19/ed20161101>

with the Energy Community Secretariat might be assigned to natural gas market subjects to protect public interests in functioning of the natural gas market.

Paragraph 2 of Article 3 of the Law of Ukraine "On State Aid to Business Entities" and paragraph 2 of the Resolution of the CMU No. 420 of 23 May 2018 "On Approval of the List of Services of General Economic Interest"<sup>444</sup> expressly state that compensation of reasonable expenses incurred due to providing services related to operation of the natural gas market (that is, fulfillment of obligations assigned to natural gas market subjects) is not covered by the above law<sup>445</sup>. However, based on the definition of services related to operation of the natural gas market in this law, such compensation qualifies as state support.<sup>446</sup>

In 2018, the CMU adopted the Resolution "On Approving the Regulation on Assignment of Special Obligations to Natural Gas Market Subjects to Ensure Public Interests in the Functioning of the Natural Gas Market".<sup>447</sup> The Resolution assigned special obligations to the following natural gas market subjects:

- 1) Business companies with 100% shares owned by the state or another business company wholly owned by the state, namely, Ukragazvydobuvannya JSC and Chornomornaftogaz JSC, are obliged to sell self-produced gas in favor of Naftogaz of Ukraine NJSC under the conditions specified in the Regulations, to generate natural gas resource for needs of domestic consumers, religious organizations (except for the volumes used for their commercial activities) and the state enterprise of Ukraine "International Children's Center "Artek" (hereinafter "public needs") and heat producers (for all categories of natural gas use);
- 2) Naftogaz of Ukraine NJSC<sup>448</sup> is obliged to purchase natural gas from the above entities and sell it to (1) natural gas suppliers for public needs; (2) for public needs, if in the relevant period the supply of gas is not carried out by another supplier (subject to certain conditions); (3) heat producers (within specific categories);
- 3) Heat energy producers must supply gas for public needs and report on its use under the conditions specified by this Regulation; and for suppliers separately defined by this

---

<sup>444</sup> Law of Ukraine "On State Aid to Business Entities" No. 1555-VII dated 01 July 2014, available at: <https://zakon.rada.gov.ua/laws/show/1555-18#Text>, Resolution of the CMU "On approval of the list of services of general economic interest" No. 420-2018-n dated 23 May 2018, available at: <https://zakon.rada.gov.ua/laws/show/420-2018-%D0%BF#n9>

<sup>445</sup> Please note that in August 2017, the Energy Community initiated a case against Ukraine No. ECS-2/17 due to potential non-compliance of the terms of assigning special obligations with the requirements for public service obligations, in particular, in terms of transparency, proportionality and non-discrimination, and according to preliminary conclusions, supply of natural gas under these rules constitutes illegal state aid. On 24 August 2020, the case was closed due to the changes in the Ukrainian legislation governing the disputed relations, available at: <https://www.energy-community.org/legal/cases/2017/case0217UE.html>

<sup>446</sup> Subparagraph 14 of paragraph 1, Article 1 of the Law of Ukraine "On State Aid to Business Entities" No. 1555-VII dated 01 July 2014, available at: <https://zakon.rada.gov.ua/laws/show/1555-18#Text>, defines services of general economic interest as services related to meeting particularly important general needs of citizens, which cannot be provided on a commercial basis *without government support*

<sup>447</sup> Resolution of the CMU "On approval of the Regulations on imposing special obligations on natural gas market entities to ensure public interests in the process of functioning of the natural gas market" No. 867 dated 19 October 2018, available at: <https://zakon.rada.gov.ua/laws/show/867-2018-%D0%BF/ed20191207#Text>. The special obligations provided by this resolution were to be valid until 01 May 2020, but the CMU extended the resolution until 01 August 2020, and in terms of gas supply for heat energy producers - until 01 May 2021

<sup>448</sup> By the decision of Naftogaz of Ukraine's authorized bodies and upon CMU's approval, special obligations assigned to Naftogaz of Ukraine may be performed by other companies controlled by Naftogaz of Ukraine in the meaning of the Law of Ukraine "On protection of economic competition" No. 2210-III dated 11 January 2001 (available at: <https://zakon.rada.gov.ua/laws/show/2210-14#Text>)



Regulation - the obligation to conclude a contract for supply of natural gas with the domestic consumer / religious organization, whose gas consumption facilities located within the territory of the licensed activity;

- 4) Gas distribution system operators must provide information necessary to ensure continuous supply of natural gas for public needs.

From 1 January to 1 November 2018, a similar resolution on the assignment of special obligations No. 187 dated 22 March 2017<sup>449</sup> was in force. However, it did not oblige Naftogaz of Ukraine NJSC to supply natural gas directly for public needs.

Gas supply is carried out under the conditions determined by the relevant resolution on assignment of special obligations.

Also, other entities engaged in development of natural gas may also voluntarily assume the obligation provided for in paragraph 1 above with respect to any volume of gas produced. In this case, the relevant rules of this Regulation will apply to such entities.

At the same time, part 7 of Article 11 of the Law of Ukraine "On the Natural Gas Market" entitles the natural gas market subject entrusted with special obligations to compensation of economically justified expenses it incurs, net of income received in the process of fulfilling such obligations, taking into account the permissible level of profit set forth by the procedure approved by the CMU. The sources of funding the compensation and procedure for determining its amount are mandatory components of the CMU's decision to impose special obligations (see Part 4 of Article 11 of the law).

Despite the above, a number of resolutions imposing special obligations already adopted at the date of this Report<sup>450</sup> lacked any provisions on the procedure for compensating expenses to the relevant obliged entities, which led to several litigation proceedings.<sup>451</sup>

At the same time, attempts to address the above situation took place in 2020. In particular,

---

<sup>449</sup> Resolution of the CMU "On Approval of the Regulation on Assignment of Special Obligations on Natural Gas Market Subjects to Ensure Public Interests in the Functioning of the Natural Gas Market" No. 187 dated 22 March 2017, available at: <https://zakon.rada.gov.ua/laws/show/187-2017-%D0%BF/ed20181101#n7>

<sup>450</sup> In 2018, the following resolutions were adopted by the CMU:

(1) Resolution No. 834 of 10 October 2018 "On imposition of a special obligation to ensure public interest in the functioning of the natural gas market", available at: <https://zakon.rada.gov.ua/laws/show/834-2018-%D0%BF#Text>, which assigns Naftogaz Ukraine NJSC with the obligation to supply gas for the benefit of enterprises producing thermal energy, whose property has been arrested in criminal proceedings and transferred under the management of the National Agency for Detection, Investigation and Management of Assets Obtained from Corruption and Other Crimes as single property complexes

(2) Resolution No. 867 of 19 October 2018, "On Approval of the Regulation on the Imposition of Special Obligations on Natural Gas Market Subjects to Ensure Public Interests in the Functioning of the Natural Gas Market", available at: <https://zakon.rada.gov.ua/laws/show/867-2018-%D0%BF#Text> which repeals Resolutions of the CMU No. 187 and No. 834. This Resolution is effective since 01 November 2018 and will remain in force until 01 May 2020. The Regulation on determining the price of sale / supply of natural gas stipulated in Resolution No. 867 has been expanded by Resolution of the CMU No. 293 of 03 April 2019 "Certain issues of activities of Naftogaz of Ukraine NJSC", available at:

<https://zakon.rada.gov.ua/laws/show/293-2019-%D0%BF#Text>

<sup>451</sup> For example, there was an administrative case initiated upon Naftogaz of Ukraine NJSC's claim against the CMU regarding the CMU's inaction being unlawful due to its failure to identify sources of financing and the procedure for determining the compensation to be paid to the natural gas market subjects vested with special obligations under the Resolution of the CMU No. 187. The case was decided in favor of Naftogaz NJSC: see Resolution of the District Administrative Court of the City of Kyiv dated 19 July 2017 in case No. 826/6066/17, available at: <http://reyestr.court.gov.ua/Review/67846832> (left unchanged after appeal and cassation, see the ruling of the Supreme Court dated 21 August 2019, available at: <http://reyestr.court.gov.ua/Review/83800030>)



several amendments to the Law of Ukraine "On the State Budget of Ukraine for 2020"<sup>452</sup> and Transitional Provisions of the Tax Code<sup>453</sup>, which entered into force on 28 November 2020, stipulate that the following funds of the special fund of the State budget will be directed, among others, to pay compensation to Naftogaz of Ukraine NJSC:

- ▶ Receipts from Ukrnafta PJSC corresponding to payments of corporate profit tax, royalty and value added tax debt generated as of 1 August 2020 and unpaid prior to the date of settlements.
- ▶ Receipts corresponding to payments of corporate profit tax liabilities that have arisen and/or will arise for Ukrnafta PJSC as a result of natural gas supplies in favour of Naftogaz of Ukraine NJSC.
- ▶ Receipts corresponding to payments of Ukrnafta PJSC's value added tax liabilities charged on natural gas supplies in favour of Naftogaz of Ukraine NJSC.
- ▶ Receipts corresponding to payments of corporate profit tax liabilities that have arisen and/or will arise for Naftogaz of Ukraine NJSC as a result of receiving the compensation and other business activity in 2020-2021.

The procedure of assigning funds to implement the above measures will be developed by the CMU.

Information on quasi-fiscal transactions related to performance of special obligations may be found in **Section 5.11.1 of this Report**.

#### **6.4.4.7 Sale of natural gas and oil for the benefit of Naftogaz of Ukraine NJSC**

According to Article 4-1 of the Law of Ukraine "On Oil and Gas", enterprises with at least 50% shares owned by the state, as well as business companies with at least 50% shares are contributed into the charter capital of other business companies where the state is a shareholder with controlling interest, as well as subsidiaries, representative offices and branches of such enterprises and companies, parties to joint venture agreements and / or persons authorized by joint venture agreements concluded with the mentioned enterprises (for example, Ukrnafta PJSC), shall on a monthly basis sell self-produced crude oil and gas condensate extracted under oil & gas subsoil licenses (except the volumes used for their own technological needs), as well as liquefied natural gas, exclusively through stock exchange auctions.

For such a sale, the CMU sets a starting price, below which sale of crude oil and gas condensate of business entities' own production is not allowed. If the price at which crude oil and gas condensate is sold at stock exchange auctions is lower than the minimum starting price, business entities that are obliged to use the minimum price must pay a fine equal to the

---

<sup>452</sup> Law of Ukraine "On Amendments to the Law of Ukraine "On the State Budget of Ukraine for 2020" No. 1006-IX dated 17 November 2020, available at: <https://zakon.rada.gov.ua/laws/show/1006-20#n20>. Part of these funds (positive balance as a result of all planned settlements between companies and the budget) is also intended for the coal industry restructuring and the SARS-CoV-2 (COVID-19) response. The calculation of such compensation will be carried out in accordance with the procedure approved by the CMU

<sup>453</sup> Law of Ukraine "On Amendments to Section XX "Transitional Provisions" of the TCU on the features of tax administration to finance expenditures specified in paragraphs 31-33 of Article 14 of the Law of Ukraine "On State Budget of Ukraine for 2020" No. 1005-IX dated 17 November 2020, available at: <https://zakon.rada.gov.ua/laws/show/1005-IX#Text>

difference between the starting and actual sales price to the state budget.

Further, if crude oil and/or gas condensate is not fully/partially sold during regular and additional exchange auctions (including if the latter auction was not held), the corresponding volumes of crude oil/gas should be sold to Naftogaz of Ukraine NJSC at the starting price.

If the starting price exceeds the market price, payments in favor of oil/gas entities may be considered state aid. However, in practice, there are problems with implementation of the regulations regarding sale of hydrocarbons.<sup>454</sup>

#### 6.4.4.8 State aid review

The Law of Ukraine "On State Aid to Business Entities"<sup>455</sup> stipulates that state support measures should be reviewed by the Antimonopoly Committee of Ukraine (the "AMCU") to identify the measures qualifying as state aid, which is subject to review for its permissibility for competition.

According to the law, state aid may be provided in various forms (e.g., in the form of subsidies, guarantees, increase in the state share of the charter capital of business entities, tax benefits, compensation of losses, etc.).<sup>456</sup>

The criteria for permissibility of state aid may be set by the CMU for certain categories of state aid. For instance, in December 2019 the draft resolution of the CMU "On Approval of the Criteria for Permissibility of State Aid to Companies in the Coal Industry" was presented for public discussion<sup>457</sup>, but has not been adopted as of the date of the Report.

Any new state aid, as well as on-going state aid if its conditions significantly change, can only be granted after a positive decision of the AMCU. State aid granted contrary to the requirements of the law is considered illegal and is fully repayable to the state or may be terminated by the AMCU.

---

<sup>454</sup> See, for example, publications on the official site of Ukrnafta JSC:

<https://www.ukrnafta.com/ukrnafta-znovu-ne-zmogla-realizuvati-vsyu-naftu-ta-kondensat-na-derzhavnih-aukcziyah>;

<https://www.ukrnafta.com/v-2019-rocz-chvert-nafty-ukrnafty-zalyshylas-neprodanoyu>;

<https://www.ukrnafta.com/aukczion-z-prodazhu-nafti-i-kondensatu-ne-vidbuvsya-cherez-vidsutnist-pokupcziv>

<sup>455</sup> Law of Ukraine "On State Aid to Business Entities" 01 July 2014 No. 1555-VII, available at:

<https://zakon.rada.gov.ua/laws/show/1555-18>

<sup>456</sup> According to Article 4 of the Law "On State Aid to Business Entities" No. 1555-VII dated 01 July 2014, available at:

<https://zakon.rada.gov.ua/laws/show/1555-18#Text> state aid may be provided in the form of subsidies and grants, subsidies, tax incentives, deferral of taxes or payment of taxes in instalments, write-off of debts (including debts for public services rendered), write-off of penalties, compensation of losses incurred by business entities, provision of guarantees, loans on preferential terms, reduction of financial liabilities of business entities to the state social insurance funds, provision directly or indirectly to entities of goods / services at prices below market, or purchase of goods / services of business entities at prices above market, sale of state property at prices below market, increase of state share in the charter capital of entities or increase in the value of public shares on the terms that are unacceptable to private investors

<sup>457</sup> Draft Resolution of the CMU "On Approval of the Criteria for Permissibility of State Aid to Coal Companies", available at:

<https://amcu.gov.ua/news/opriyudnyuetsya-proekt-regulyatornogo-aktu-proekt-postanovi-kmu-pro-zatverdzhennya-kriteriyiv-ocinki-dopustimosti-derzhavnoyi-dopomogi-subyektam-gospodaryuvannya-u-vugilnij-galuzi> analysis of the impact of the regulatory act, available at: <https://amcu.gov.ua/zakonodavstvo/regulyatorna-diyalnist/opriyudnennya-regulyatornih-aktiv/opriyudnyuetsya-analiz-vplivu-regulyatornogo-aktu-proyekt-postanovi-kmu-pro-zatverdzhennya-kriteriyiv-ocinki-dopustimosti-derzhavnoyi-dopomogi-subyektam-gospodaryuvannya-u-vugilnij-galuzi>

The draft law provides for some exceptions, e.g., for aid related to provision of services of general economic interest<sup>458</sup> (these include services related to operation of the natural gas market provided within the scope of special obligations).

The AMCU maintains the Register of State Aid Programs available at: <http://pdd.amc.gov.ua/registry/registryofstateaid/list>.

The AMCU publishes annual reports on state aid granted to business entities based on the information provided by public authorities and local governments<sup>459</sup> and discloses all its decisions related to state aid cases, on the State Aid Portal: <http://pdd.amc.gov.ua/registry/registryofdecision/list>.

#### **6.4.5. Functions of state-owned enterprises and payments to such enterprises**

The legislation of Ukraine does not provide for a comprehensive list of functions to be performed by state-owned enterprises. Such functions are most often specified by the charters of the respective enterprises.

State-owned enterprises are not entitled to collect any taxes.

In some cases, the entities are assigned with obligations that are not specified in their statutory documents. In particular, Ukgazvydobuvannya JSC and Chornomornaftogaz JSC are obliged to carry out the monthly sale of natural gas of its own production to Naftogaz of Ukraine to secure natural gas reserves (see **Section 6.4.4.6** of this Report).

For companies and the parties to joint venture agreements in which the state directly or indirectly holds 50% or more, are also required to sell oil, gas condensate of their own production and liquefied gas at stock exchange auctions. Unless the full volume of these products is disposed of at such auctions, the remainder of crude and gas condensate oil must be sold to Naftogaz of Ukraine (for more details, see **Section 6.4.4.7** of this Report).

As a rule, mining companies make payments to state-owned enterprises for rendered services or performed work. As there is no aggregated information about such payments or any exhaustive list of such possible payments in the legislation, below are certain types of payments that are significant for the Ukrainian economy.

A separate group of payments includes payments within corporate relations between state-owned entities (as founders or participants) and mining companies owned by them.

##### **6.4.5.1 Payments for transportation of oil and gas**

The payments for transportation of oil and gas, which the companies make to Ukrtransnafta JSC and Ukrtransgaz JSC, represent one of the most important payment flows in favor of state-owned enterprises. Such payments are made based on contracts with these enterprises.

Model contracts on provision of gas transportation and storage services are approved by

---

<sup>458</sup> Resolution of the CMU No. 420 of 23 May 2018 "On Approval of the List of Services of General Economic Interest", available at: <https://zakon.rada.gov.ua/laws/show/420-2018-n#n9>

<sup>459</sup> Report of the Antimonopoly Committee of Ukraine "On Aid Provided to Business Entities", available at: <http://pdd.amc.gov.ua/main/infographicsreport/reports?typeld=122>

NEURC<sup>460</sup>.

The tariffs for transportation of oil by trunk oil pipelines, as well as transportation of gas through trunk and transboundary gas pipelines are established by the NEURC. In particular, the following resolutions were effective in 2018:

- ▶ Resolution of the NEURC "On setting the tariffs for oil transportation by trunk pipelines of Ukrtransnafta JSC for Ukrainian consumers".<sup>461</sup>
- ▶ Resolution of the NEURC "On setting tariffs for Ukrtransgaz JSC for services of natural gas transmission via cross-border gas pipelines in entry and exit points"<sup>462</sup> and
- ▶ Resolution of the NEURC "On setting the general tariff for natural gas transportation, tariffs for transportation of natural gas by the main and distribution pipelines".<sup>463</sup>

Information related to applicable tariffs, business companies' expenses on oil & gas transportation, income received by operators of oil and gas transmission systems and other payments related to transportation in 2018 may be found in **Section 5.2.5** of this Report.

#### 6.4.5.2 Performance of prospecting, exploration, pilot works and rendering geological exploration services

Extractive companies need to receive certain services related to exploration and development of minerals. For example, the extension of the license for geological exploration, geological exploration with pilot commercial development and extraction of minerals is only possible if there is a positive report of a state expert review of the reports on geological exploration of the subsoil, as well as other geological materials<sup>464</sup> (cancelled in 2020).

Such services were provided, among others, by specialized state geological enterprises, institutions and organizations within the scope of management of the Geology Service. Such enterprises included, among others, the state geological enterprise "Heoekspertyza" and the state geophysical enterprise "Ukrheofizyka". The list of such enterprises is published on the official site of the Geology Service.<sup>465</sup>

These state-owned enterprises can also provide other services, for example:

- ▶ The State Geological Enterprise "Heoekspertyza" provided services on assessment

<sup>460</sup> NEURC Resolution "On approval of the Standard contract for storage (injection, selection) of natural gas" No. 2499 dated 30 September 2015, available at: <https://zakon.rada.gov.ua/laws/show/z1385-15/ed20181122#Text>

NEURC Resolution "On Approval of the Standard Contract for Natural Gas Transmission" No. 2497 dated 30 September 2015, available at: <https://zakon.rada.gov.ua/laws/show/z1383-15/ed20181228#Text>

<sup>461</sup> Resolution of the NEURC "On setting tariffs for oil transportation by the trunk pipelines of Ukrtransnafta PJSC for Ukrainian consumers" No. 2362 dated 23 December 2016, available at: <http://zakon.rada.gov.ua/laws/show/v2362874-16>. The Resolution expired on 11 October 2019 following adoption of the Resolution of the NEURC "On setting tariffs for oil transportation by the trunk pipelines of Ukrtransnafta PJSC for Ukrainian consumers for the transitional period" No. 2108 dated 11 October 2019, available at: <https://zakon.rada.gov.ua/laws/show/v2108874-19#Text>

<sup>462</sup> Resolution of the NEURC No. 3158 dated 29 December 2015, available at: <http://zakon.rada.gov.ua/rada/show/v3158874-15/>

<sup>463</sup> Resolution of the NEURC No. 3159 dated 29 December 2015, available at: <https://zakon.rada.gov.ua/rada/show/v3159874-15#Text>. This Resolution was abolished by the Resolution of the NEURC "On setting temporary tariffs for Ukrtransgaz JSC of natural gas transportation services and its entry and exit points for the first year of the second regulatory period and recognizing as invalid some resolutions of the NEURC" No. 2001 dated 21 December 2018, available at: <https://zakon.rada.gov.ua/rada/show/v2001874-18>

<sup>464</sup> Paragraph 27 of the Resolution of the CMU "On approval of the Procedure for granting subsoil licenses" No. 615 dated 30 May 2011, available at: <https://zakon.rada.gov.ua/laws/show/615-2011-%D0%BF/ed20191121#Text>

<sup>465</sup> Available at: <http://www.geo.gov.ua/state-geological-enterprises/>

(determination) of the value of geological information, expert opinion on geological materials, design documents, and cost estimates, etc.

- ▶ The State Research and Production Enterprise "Geoinform of Ukraine" (Geoinform of Ukraine SRPE) provides services on preparation of certificates on the conditions of the mineral resource base of the region, preparation of a package of geological documents for obtaining licenses, expert examination of geological materials based on the results of additional exploration and revaluation, processing of stock geological materials, etc. performed by geological enterprises, services on determining the initial sale price of subsoil licenses at an auction, amount of the fee for prolongation of the license, etc.<sup>466</sup>
- ▶ The State Geophysical Company "Ukrgeofizika" is the main provider of geophysical services in Ukraine, including seismic and geophysical research and works in wells, seismic information processing and interpretation, ore and engineering geophysics, etc.<sup>467</sup>
- ▶ State Enterprise "Ukrainian State Geological Prospecting Institute" provides services on geological and economic assessment of mineral reserves, expert assessment of oil and gas potential of objects prepared for drilling, creation of projects (technological schemes) for field development, etc.<sup>468</sup>

#### 6.4.5.3 Payments in favor of state-owned enterprises in the context of corporate relations

State-owned enterprises as shareholders (participants) of mining companies (including other state-owned enterprises) can exercise several 'corporate rights' in such companies, including:

- The right to receive a certain share of profits (dividends) (subject to restrictions imposed on companies whose 50% or more shares are in the charter capital of business entities with 100% state participation - see **Section 6.4.3** above), as well as a share of assets in such enterprises if they liquidate according to the law. Dividends are distributed under the decision of the general meeting of shareholders (participants).
- The right to participate in management of such enterprises, including, *inter alia*, making decisions on liquidation, increase/decrease of charter capital and (where applicable) withdraw from the participants of the enterprise, which triggers a repayment of the share in the charter capital (for instance, participants of the LLC are so entitled).

Information on dividends paid in 2018 to reporting state-owned entities is set out in **Annex 8**.

State-owned enterprises may increase charter capitals of other state-owned enterprises by either funds or property, based on either the decision of the general meeting of participants or according to the law.

Based on the information provided by reporting entities, no payments in connection with increase/decrease of the charter capital in state-owned enterprises took place in 2018.

---

<sup>466</sup> Available at: <http://geoinf.kiev.ua/posluhy/>

<sup>467</sup> Available at: <http://ukrgeofizika.com.ua/>

<sup>468</sup> Available at: <http://ukrdqri.gov.ua/uk/areas/perelik-poslug/>

**Summary:**

For the purposes of this Report, the state-owned enterprises (SOEs) in accordance with Requirement 2.6 of the EITI Standard were considered enterprises in which the state directly or indirectly holds more than 50% of the shares.

The principal payments made by extractive enterprises with a state share to the state budget, except for taxes, are the dividends and distribution of the share of net profit. Current legislation contains uncertainty as to the obligation of certain enterprises that are indirectly controlled by the state to pay dividends directly to the State Budget.

The state may provide government support to state-owned enterprises in accordance with the approved financing programs. In addition, the state may provide state guarantees for debt obligations of state-owned enterprises, provide funds to increase their charter capital, etc.

During 2018 the state continued funding certain state-owned enterprises by providing subventions to local budgets for settlements with certain enterprises of the extractive industries. Once granted, these subventions were credited to the treasury accounts of such enterprises for further use according to the designated purpose, including paying individual taxes. At the same time, the procedure for granting the subventions has changed compared to 2017.

State-owned enterprises of the extractive industry receive payments for rendered services and performed work in the same way as private extractive enterprises. Significant payment flows to entities indirectly owned by the state are from the charges for transportation of oil and natural gas by the trunk and transboundary pipelines of Ukraine. The state regulates the provision of such services separately, including the price policy of such enterprises.

The state may impose special obligations on certain enterprises with direct or indirect state participation (for example, with regard to sale of gas by Ukgazvydobuvannya JSC to Naftogaz of Ukraine NJSC for the households' needs, or sale of mined products by certain state-owned enterprises exclusively on stock exchange auctions, etc.).

Also, state-owned enterprises, acting in corporate relations, may make payments in favor of mining companies (including other state-owned enterprises) in the form of dividends (except for dividends paid directly to the State budget), contributions to increase the charter capital, etc., as well as receive payments from such companies - for example, in the event of a reduction of the charter capital, liquidation or withdrawal of a participant.

## 6.5 Fiscal regime for extractive industries



### Overview of taxes payable by extractive companies

In 2018, the major taxes for companies operating in extractive industries were **VAT, CIT, and production royalty**. In addition, the companies operating in extractive industries were subject to certain taxes and other mandatory payments<sup>469</sup> that are not industry-specific. The companies that operate the trunk pipeline facilities and provide (arrange for) transportation services through such pipelines also pay the transportation royalty (except transportation of natural gas).<sup>470</sup>

Below is the general information about the taxes, levies, and fees paid by the companies of extractive industries and the distribution of taxes paid between budgets at different levels. Unless otherwise is explicitly specified below, this section describes the tax rules effective as of 31 December 2018.

Information on actual receipts of significant payments, which is determined by the MSG in accordance with the requirements of the EITI standard and paid by companies of the extractive industries in 2018, is provided in **Section 7.2.2.** and **Annex 8** of this Report.



### Corporate income tax

In 2018, CIT was paid at 18%.

In 2018, the amount of profit subject to CIT for the majority of companies of the extractive industries was determined by adjusting the financial result before tax (profit or loss), stated in the company's financial statements prepared under the national accounting standards or the IFRS, by a number of differences determined under the rules of the Tax Code.<sup>471</sup>

The Tax Code does not establish any special rules for determining taxable profits for the companies of the extractive industries and persons engaged in activities in extractive industries on the basis of JAA.

CIT for production sharing agreement ("PSA") should have been calculated under special rules. The amount of taxable profit under a PSA was calculated based on the value of profit production less the amount of USC and the expenses that are not compensated (not subject to compensation) by the cost recovery production. Other income of the investor is not subject to CIT. CIT on other activities that are not related to PSA was to be paid by the investor in accordance with the general rules.<sup>472</sup>

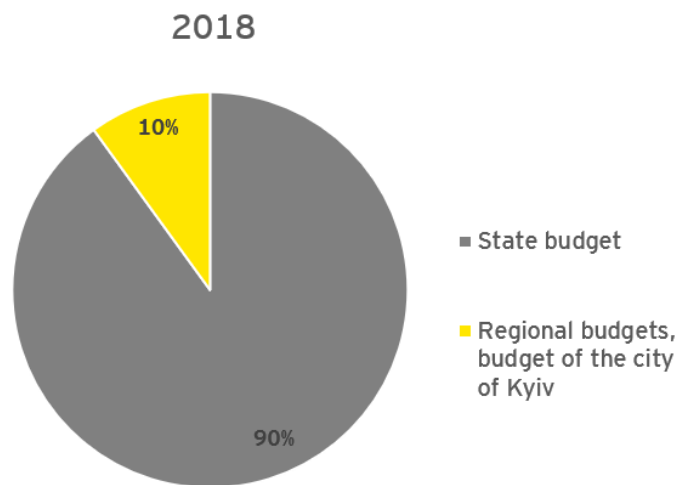
<sup>469</sup> Such as: non-production royalties, customs duty, excise tax, land fee, property tax on property other than land, environmental tax, special water use levy, PIT, military levy and USC

<sup>470</sup> Para 256-1.1. of the Tax Code

<sup>471</sup> Para 134.1.1. of the Tax Code

<sup>472</sup> Section XVIII of the Tax Code





**Figure 6.5: Allocation of CIT (paid by private enterprises) between the budgets of various levels (general Budget Code rule)<sup>473</sup>**

The Budget Code envisaged, that 90% of the corporate income tax paid by the **private enterprises** and 100% of the corporate income tax paid by the **state-owned enterprises** to be transferred to the general fund of the State budget of Ukraine.<sup>474</sup>



#### Royalty payments related to extractive activities

In 2018, a national tax - "rental fee" - was in effect. The tax included production royalty, non-production royalty, transportation royalty, as well as the fees for the special use of water.



#### Production royalty

In 2018, the extractive industry companies, owners of the licenses<sup>475</sup>, paid production royalty.

**The object of taxation** was the volume of commodity products of the companies of the extractive industries – the extracted minerals (mineral raw materials) (hereinafter – "minerals") in the corresponding tax period, recognized in accordance with the standard adopted by the sector regulations.<sup>476</sup> **The taxable base** was the value of the volume of minerals extracted in the tax period.<sup>477</sup>

In order to calculate the tax liability, the taxpayer had to determine the following essential details for the relevant tax period: the amount of minerals extracted, its value, the tax rate and the adjusting factor (see the figure below).

**The tax rate and the adjusting factor** for the respective type of minerals were set by the provisions of the Tax Code.<sup>478</sup>

<sup>473</sup> The Budget Code also sets special rules for CIT and other taxes' allocation between the Autonomous Republic of Crimea and city of Sevastopol. Due to aggressor state's occupation of Crimea, these special rules were not actually working in 2018, therefore, we do not cover these in the Report

<sup>474</sup> Para 29.2. of the Budget Code

<sup>475</sup> Para 252.1. of the Tax Code

<sup>476</sup> Para 252.3. of the Tax Code

<sup>477</sup> Para 252.6 of the Tax Code

<sup>478</sup> Section IX of the Tax Code



**Figure 6.6: Calculation of the production royalty, 2018**

The specifics of calculating the production royalty for hydrocarbons (oil, natural gas, gas condensate, etc.) and for the other minerals covered by this Report are as follows.



#### Hydrocarbon minerals

The tax base for production royalty on hydrocarbon production is the value of the commercial products, i.e. the hydrocarbons produced in the reporting period (with certain exceptions) calculated according to the special rules:<sup>479</sup>

- ▶ **For natural gas:** The Ministry of Economy calculated the average customs value of imported natural gas in the course of its import customs clearance for the tax period (the given value was published by the Ministry of Economy on its official website).<sup>480</sup>
- ▶ **For natural gas** that is sold to the Naftogaz of Ukraine NJSC for the purposes of creating reserves of natural gas to be used for the needs of the households: the value was determined as the price specified in the contracts for the sale and purchase of natural gas between the production royalty payer and Naftogaz of Ukraine NJSC in the reporting period.
- ▶ **For oil and condensate:** the Ministry of Economy calculated the average price of a barrel of Urals oil determined according to information from an international agency (UralsMediterranean and UralsRotterdam quotations), converted into UAH per tonne (at the NBU rate as of the 1<sup>st</sup> day of the month following the end of the tax (reporting) period (the given value was published by the Ministry of Economy on its official website).<sup>481</sup>

The rates of production royalty were set by the Tax Code.<sup>482</sup>

The rates of production royalty under a PSA were specified in the PSA. However, they could not be lower than the rates set by Section IX of the Tax Code at the time of signing the PSA. Starting 2018, the new special royalty rates were introduced: in terms of PSA, the production royalty for oil and condensate constitutes 2% of the value of the commercial products of the mining enterprise, and the production royalty for natural gas – 1.25% of the value of the commercial products of the mining enterprise.<sup>483</sup>

<sup>479</sup> Para 252.8. of the Tax Code

<sup>480</sup> Para 252.8. of the Tax Code

<sup>481</sup> Para 252.8. of the Tax Code

<sup>482</sup> Para 252.20 of the Tax Code

<sup>483</sup> Para 252.20 of the Tax Code

Table 6.1: The rates of the production royalty for hydrocarbons in 2018

Object of taxation	Rate
<b>Oil</b>	
extracted from deposits located at depths of under 5,000 m	29%
extracted from deposits located at depths of over 5,000 m	14%
<b>Condensate</b>	
extracted from deposits located at depths of under 5,000 m	45%
extracted from deposits located at depths of over 5,000 m	21%
<b>Natural gas</b> (of any origin)	
extracted from deposits located at depths of under 5,000 m	29%
extracted from deposits located at depths of over 5,000 m	14%
extracted from deposits in subsoil fields located within the continental shelf and/or the exclusive (maritime) economic zone of Ukraine	11%
extracted from deposits located at depths of under 5,000 meters, sold for households' needs	29%
extracted from deposits located at depths of over 5,000 meters, sold for households' needs	14%
produced under JAA	70%

Compared to 2017 rates, in 2018 royalty rates for extracting oil, condensate and natural gas did not change.

From January 1, 2018, a stimulating royalty rate was introduced for extracting natural gas, produced from new wells in the amount of 12% of the deposits that are fully or partially located at depths of under 5000 meters, and 6% of the deposits that are fully or partially located at a depth of over 5000 meters. In 2019, royalty rates for extracting oil were standardized.<sup>484</sup>

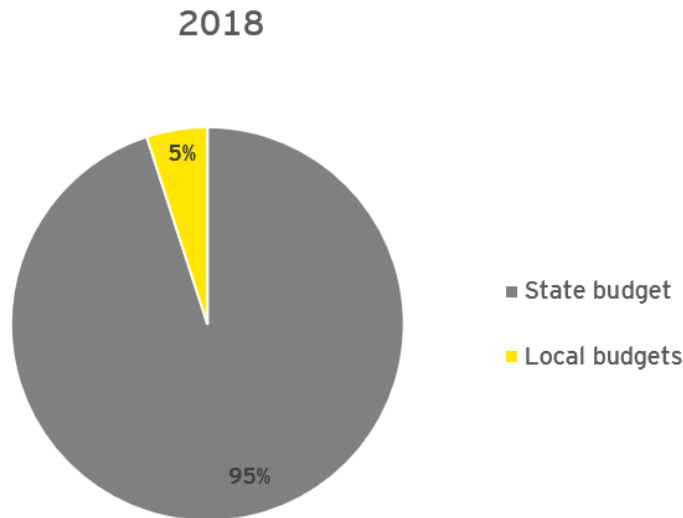
When calculating a production royalty, adjusting coefficients (0.01 to 0.97) should apply depending on the type of the mineral and the extraction conditions.<sup>485</sup>

In 2018, 5% of the production royalty for extracting hydrocarbons were transferred to the general fund of the **local budgets**, which was distributed depending on the location (place of extraction) of the respective natural resources. The amount of 95% of this tax was transferred to the **State budget**, except for the payments made for the use of natural resources within the continental shelf or exclusive (marine) economic territory of Ukraine, which had to be remitted to the State budget in full.<sup>486</sup>

<sup>484</sup> Paragraph 50 of the Law of Ukraine "On Amendments to the Tax Code of Ukraine and Some Other Legislative Acts of Ukraine on Improving the Administration and Revision of Rates of Individual Taxes and Charges" No. 2628-VIII dated 23 November 2018, available at: <https://zakon.rada.gov.ua/laws/show/2628-19/>

<sup>485</sup> Para 252.22 of the Tax Code

<sup>486</sup> Para 29.2 of the Budget Code



**Figure 6.7: Allocation of production royalty for hydrocarbons between the budgets of various levels under the Budget Code**

**Other minerals except for hydrocarbon**

The value of minerals other than hydrocarbons was calculated at the higher of the two values: at actual selling prices or at the estimated cost of the mineral.

**Determination of the actual selling price of the mineral:<sup>487</sup>**

- ▶ As a general rule, the amount of income from the sale of minerals for the tax period was reduced by the amount of the costs determined according to the exhaustive list of expenses stipulated in the Tax Code.<sup>488</sup> In 2018, the costs included the cost of delivering products to the consumer and the cost of pre-sale preparation of goods.<sup>489</sup>
- ▶ The unit cost of a certain type of extracted mineral was calculated as the ratio of the amount of income from the sale of the extracted mineral (minus the cost) and the volume (amount) of the corresponding type of sold mineral, which is determined according to the accounting records of finished product stocks of such payer.<sup>490</sup>

$$\text{Value} = \frac{\text{Income from sales of the mineral} - \text{Expenses (according to the provisions of the Tax Code)}}{\text{Volume (amount) of extracted mineral}}$$

**Figure 6.8: The formula for determining the actual value of mineral sales**

**Determining the value of the mineral at the estimated cost:<sup>491</sup>**

<sup>487</sup> Para 252.8 of the Tax Code  
<sup>488</sup> Para 252.8 of the Tax Code  
<sup>489</sup> Para 252.8 of the Tax Code  
<sup>490</sup> Para 252.10 of the Tax Code  
<sup>491</sup> Para 252.16 of the Tax Code

- ▶ The estimated cost of the unit of the relevant type of the commercial product should be determined using the formula specified in the Tax Code, which takes into account the payer's costs related to production of the relevant type of minerals,<sup>492</sup> the profitability indicator of the mining company, and the amount of the minerals produced in the reporting period. The profitability indicator of the mining company is calculated in the documents of Geological and Economic Assessment of the mineral resources of the subsoil section, approved by the Geology Service.

$$\text{Value} = \frac{\text{Expenses (according to the provisions of the Tax Code)} + \left( \text{Expenses (according to the provisions of the Tax Code)} \times \text{Profitability ratio} \right)}{\text{Volume (amount) of extracted mineral}}$$

**Figure 6.9: The formula for determining the estimated cost of minerals**

- ▶ If primary mineral processing resulted in the new products, mining companies had determined the amount of the royalty for each new product taking into consideration the tax liabilities for the amount of the relevant type of the extracted mineral that was used for creating new products, net of the tax liabilities that arise from previous operations with this type of minerals.<sup>493</sup>
- ▶ If the extracted minerals have not been sold or if the extracted minerals, in order to bring them into civil circulation, are subject to some technological operations, which are not part of the primary processing, the taxable base was determined at the estimated cost.
- ▶ Government subsidies provided to the taxpayer were disregarded when determining the value of the extracted minerals.<sup>494</sup>

**Table 6.2: Rates of production royalty for minerals other than hydrocarbons in 2018**

Object of taxation	Rate
<b>Ore minerals (metal-containing (metal) minerals, including ores)</b>	
ferrous (other than iron ore), colored and alloying metals, uraniferous, and other than uraniferous ores of ferrous, colored and alloying metals	5 %
iron ore	8 %
<b>Energy minerals</b>	
coking coal	1.5 %
energy coal	0.75 %
anthracite	1 %
brown coal	1 %
<b>Non-energy, non-ore (non-metal-containing (non-metal) minerals, including quartz sand, fire clay, high-melting clay, limestone, granite, gneiss and others)</b>	5 %

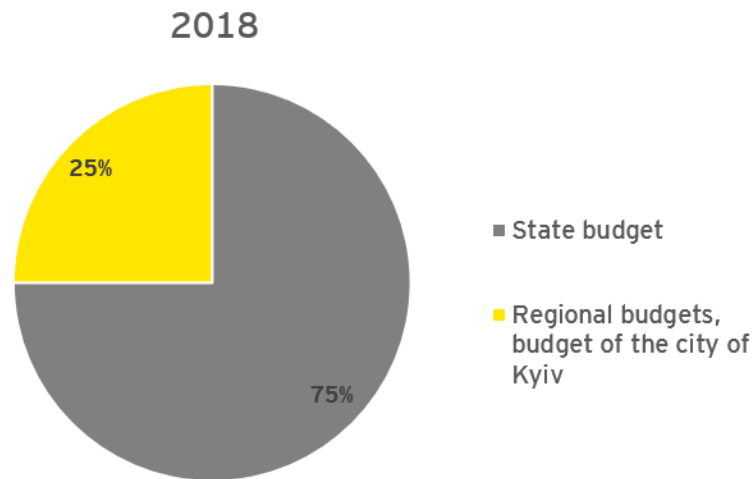
When calculating production royalty payments, adjusting coefficients apply depending on the type of material and conditions of extraction.

<sup>492</sup> Calculated in accordance with paragraphs 252.11.-252.15. Tax Code (in UAH)

<sup>493</sup> Para 252.14. Tax Code

<sup>494</sup> Para 252.13. Tax Code

Royalties for extracting minerals of the national importance were distributed among the budgets as follows:<sup>495</sup>



**Figure 6.10: Allocation of production royalty for non-hydrocarbon minerals of national importance between the budgets of various levels**

Royalty for the extraction of minerals of local importance was paid to the local budgets in full.<sup>496</sup>

Starting 2019, the production royalty for the extraction of minerals of the national importance will be distributed among the budgets as follows: 70% will be transferred to the State budget and 30% – to the regional budgets and the budget of the city of Kyiv<sup>497</sup>.

 **Non-production royalty**

Companies that use the subsoil for storage of oil, gas, liquid or gaseous petroleum products were required to pay non-production royalty for underground space at the following rates:<sup>498</sup>

- ▶ Storage of natural gas - UAH 0.49 for tcm of active space (in 2017 – UAH 0.42 for tcm) of active space;
- ▶ Storage of oil and other liquid petroleum products - UAH 0.49 for cm (in 2017 – UAH 0.42 for cm).

The amounts of non-production royalty were **fully transferred to the local governments' budget.**<sup>499</sup>

<sup>495</sup> Para 29.2.5 of the Budget Code

<sup>496</sup> Para 64.1. of the Budget Code

<sup>497</sup> Law of Ukraine of 22 November 2018 № 2621-VIII "On Amendments to the Budget Code of Ukraine", available at: <https://zakon.rada.gov.ua/laws/show/2621-19#n68>

<sup>498</sup> Para 253.5 of the Tax Code

<sup>499</sup> Para 69.1.3 of the Budget Code

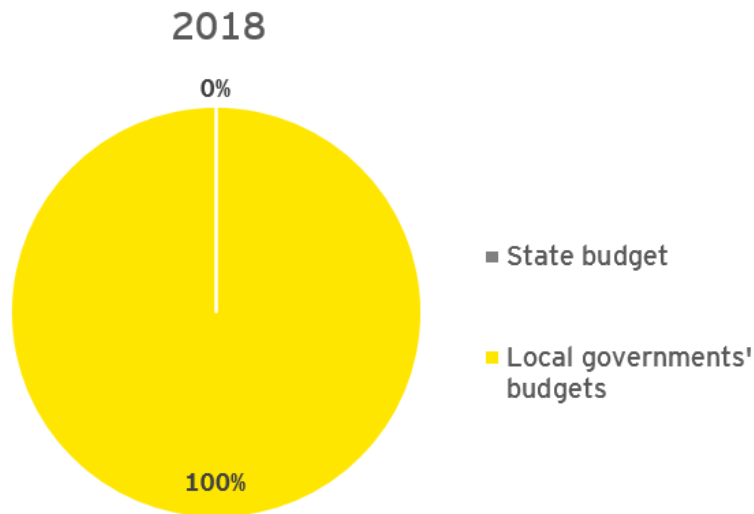


Figure 6.11: Allocation of non-production royalty between the budgets of various levels under the Budget Code



Royalty for transportation of petroleum and petroleum products through trunk pipeline facilities and oil-product pipelines in the territory of Ukraine, pipeline transit of ammonia through the territory of Ukraine

The **object** of taxation with royalty for transportation of petroleum and petroleum products was the actual volume of petroleum and petroleum products transmitted through the territory of Ukraine during the tax period.<sup>500</sup>

The companies that operate the trunk pipeline facilities and provide (arrange for) cargo transportation services through such pipelines should pay the transportation royalty at the following **rates**:<sup>501</sup>

Object of taxation	Rate in 2018
Transportation of 1 ton of petroleum or petroleum products	USD 0.56
Transit transportation of 1 ton of ammonia for 100 km	USD 2.4

In the case of change in tariffs, **an adjusting coefficient** should apply to the rates of royalty, except for the royalty rate for ammonia transit and oil transportation through main pipelines for consumers in Ukraine.

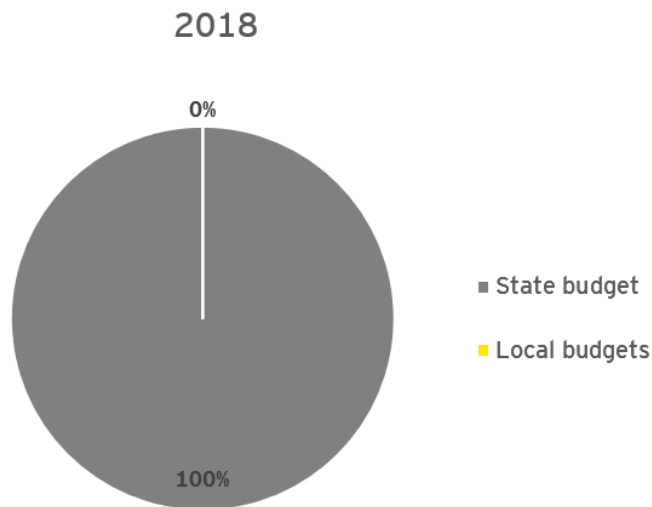
The royalty for transportation of petroleum and petroleum products through the trunk pipeline facilities and oil-product pipelines in 2018 was **transferred in full to the general fund of the State budget**.<sup>502</sup>

<sup>500</sup> Para 256-1.2 of the Tax Code

<sup>501</sup> Para 256-1.3 of the Tax Code

<sup>502</sup> Para 29.2.12 of the Budget Code





*Figure 6.12: Allocation of transportation royalty between the budgets of various levels under the Budget Code*



#### VAT

Supplies, import and export of goods, and supply of services in the customs territory of Ukraine are subject to VAT.<sup>503</sup>

VAT for the companies operating in extractive industries is charged at rates of 20% and 0%, and some transactions are not subject to VAT.

Imports of other products of extractive industries are taxed at rate 20% VAT on general terms. Export of such products was subject to 0% VAT rate.<sup>504</sup>

The supply of coal and/or coal refining products - commodity items 2701, 2702, 2703 00 00 00, 2704 00 in accordance with Ukrainian Classification of Goods for Foreign Economic Activities is temporarily VAT exempt until 2019.<sup>505</sup> At the same time, the taxpayer may refuse to use the this benefit or suspend its use for one or more reporting periods by filing an application.

The negative difference between the VAT payable and VAT receivable was refunded to a taxpayer. As the Ukrainian ore mining industry is majorly export-oriented (unlike the oil and gas industry), ore mining companies often have considerable VAT refund amounts.

There is a number of VAT exemptions for the PSAs: imports of goods and services for the purposes of PSA and for the import of minerals produced in the exclusive (maritime) economic zone of Ukraine. For multilateral PSAs, there was a special tax credit recognition by the PSA operator and individual investors under the PSA.<sup>506</sup>

In 2018, an electronic VAT administration system was in place. The system provides for the setting up of special VAT accounts to keep track of the VAT amounts, the Unified Tax Invoices

<sup>503</sup> Section V of the Tax Code

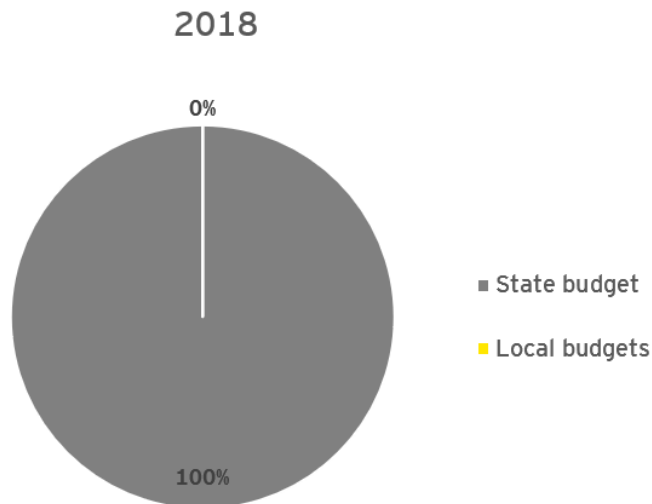
<sup>504</sup> Para 195.1.1 of the Tax Code

<sup>505</sup> Para 45, subsection 2 of section XX of the Tax Code

<sup>506</sup> Article 337 of the Tax Code

Registry, drafting and registration of VAT invoices in electronic form, filing VAT statements electronically by all taxpayers etc.

In 2018, VAT was paid to the General Fund of the State Budget in full.<sup>507</sup>



*Figure 6.13: Allocation of VAT between the budgets of various levels under the Budget Code*



#### Customs duty

**Customs duty** is charged for imports and exports of certain goods from / into the territory of Ukraine.<sup>508</sup>

Imports of gas, oil, condensate, coal, and manganese ores were not subject to the import duty. Import duty at the rate of 1-2% was levied on imports of titanium ore.<sup>509</sup> Import duty rates for imports from the EU were reduced to 0%, including the import duty rate for titanium ores (Ilmenite and others).<sup>510</sup>

Exports of natural gas in gaseous or liquefied state, except for exports to member states of the Energy Community, were subject to export duty at the rate of 35% of the customs value, but not below UAH 400 per tcm / tonne.<sup>511</sup> Export duty also applies to waste and scrap of ferrous and non-ferrous metals (including titanium) at 15%.<sup>512</sup> Exports of oil and other products of the extractive industries are not charged with export duty.

For the PSA, there was a number of exemptions from import and export duties.<sup>513</sup>

In 2018, the import and export duties was paid to the general fund of the State budget in full,<sup>514</sup>

<sup>507</sup> Para 29.2.6 of the Budget Code

<sup>508</sup> Chapter IX the Customs Code

<sup>509</sup> Law of Ukraine "On the Customs Tariff of Ukraine" No. 584-VII dated 19 September 2013 (Groups 01-72), available at: <https://zakon.rada.gov.ua/laws/show/584%D0%B0-18/ed20180101>

<sup>510</sup> See, in particular, the official Ministry of Economy's notification on import duty rates in 2018 at <https://goo.gl/7w53Ab>

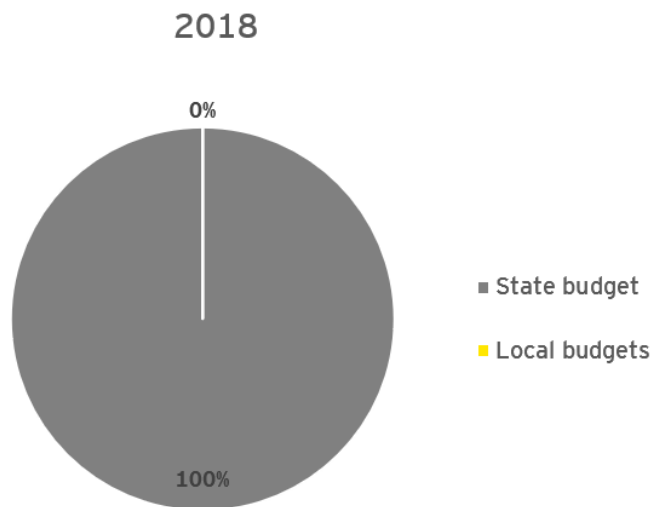
<sup>511</sup> Law of Ukraine dated 3 June 2008 No. 309-VI "On Amendments to Certain Legislative Acts of Ukraine", available at: <https://zakon.rada.gov.ua/laws/show/309-17/ed20180307>

<sup>512</sup> Law of Ukraine "On the rates of export duties on scrap of alloyed ferrous metals, scrap non-ferrous metals and semi-finished products with their use" dated 13 December 2006, No. 441-V, available at: [Http://Zakon.Rada.Gov.Ua/Laws/Show/441-16](http://Zakon.Rada.Gov.Ua/Laws/Show/441-16).

<sup>513</sup> Chapter XVIII the Tax Code

<sup>514</sup> Para 29.2.9 and 29.2.10 of the Budget Code

import duty on petroleum products – to the special fund of the State budget in full.<sup>515</sup>



*Figure 6.14: Allocation of customs duties between the budgets of various levels under the Budget Code*



#### Excise tax

Excise tax<sup>516</sup> is an indirect tax levied on the imports and sale in Ukraine of imported and domestically produced excisable goods.

The excise tax did not apply to the sale of crude oil and gas. Imports and sale of liquefied locally produced natural gas is subject to excise duty at the rate of EUR 3.67 per 1000 liters. Imports and sale of petroleum products were subject to excise duty at rates depending on the type of petroleum products and the volume of import/sale.<sup>517</sup>

In 2018, the System for electronic administration of the sale of fuel (including petroleum products and liquefied gas) and the Single register of excise bills were in place.<sup>518</sup>

Excise tax on excisable goods produced in Ukraine and imported into the customs territory of Ukraine was paid **to the general fund of the State budget in full**,<sup>519</sup> except for excise tax on fuel and vehicles produced in Ukraine and imported into the customs territory of Ukraine, which was transferred in the amount of 50% to a special fund of the State budget in 2018.<sup>520</sup> At the same time, 13.44% of the amount of the excise tax on fuel produced in Ukraine and imported into the customs territory of Ukraine in the manner prescribed by the Cabinet of Ministers of Ukraine was transferred to the general fund of local governments' budgets in 2018 and 2019, as an exception.<sup>521</sup>

<sup>515</sup> Para 29.3.3. of the Budget Code

<sup>516</sup> Section VI of the Tax Code

<sup>517</sup> Para 215.3.4 of the Tax Code

<sup>518</sup> Para 231-232 of the Tax Code

<sup>519</sup> Para 29.2.7. of the Budget Code

<sup>520</sup> Para 41 of the Budget Code

<sup>521</sup> Para 42 of the Budget Code

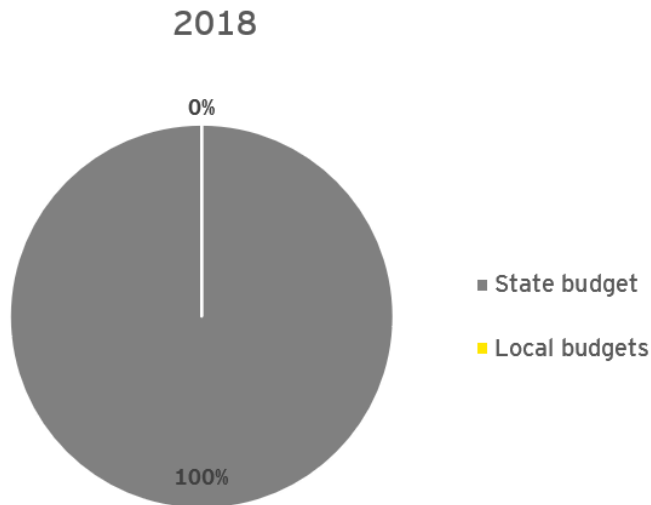


Figure 6.15: Allocation of excise tax between the budgets of various levels under the Budget Code



Land fee

The land fee<sup>522</sup> (as a component of the property tax, which is a local tax) is charged in the forms of land tax and land rent fee for state- and municipally-owned land plots. Companies, involved in extraction of natural resources and their transportation through the pipeline facilities, pay the land fee on general grounds.

The taxable base is regulatory monetary valuation of land plots, adjusted for indexation coefficient or the area of land plots (if no valuation carried out). The amount of land use fee depended on several factors, including location, functionality, and availability of the regulatory monetary valuation of the land.

In 2018, the marginal land tax rate and the maximum amount of the land rent fee varied depending on above features of the land plot, but have not changed compared to 2017.

In 2018, land fee was paid in full to the local budgets (local governments' budgets).<sup>523</sup>

Starting 2018, land fee for the land plots provided to mining companies for the extraction of mineral resources and the development of mineral deposits, have been paid at the rate of 25% of the tax calculated under the rules of the Tax Code.<sup>524</sup>



Property tax on property other than land

This tax is a component of the property tax, charged by the owners of residential and non-residential real estate and calculated based on the area of each particular item of real estate.<sup>525</sup>

The object of taxation is the residential and non-residential real estate facility. The taxable base was the total area of a facility, including its parts. Industrial buildings, in particular, industrial

<sup>522</sup> Section XII of the Tax Code

<sup>523</sup> Para 64.1.19 of the Budget Code

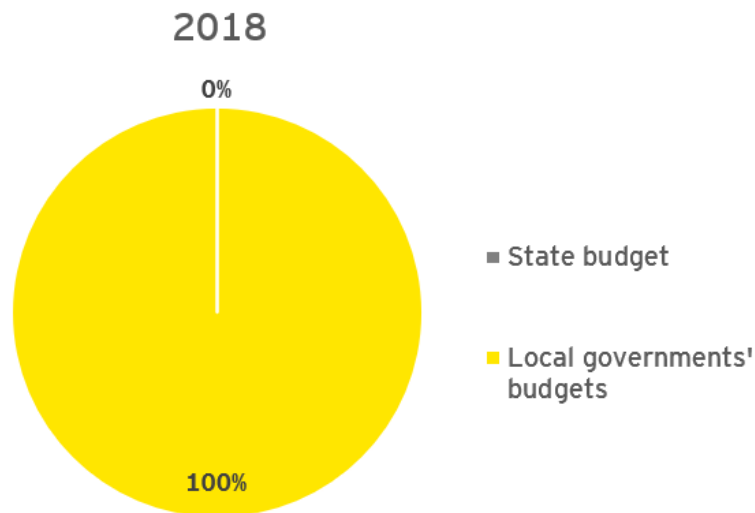
<sup>524</sup> Para 284.4 of the tax Code

<sup>525</sup> Section XII of the Tax Code of Ukraine

facilities, manufacturing departments, warehouses of industrial companies, are not subject to this tax.

In 2018, the tax rates did not change. The rate had to be no more than 1.5% of the minimum wage per square meter.<sup>526</sup> Local governments have the authorities to ease the tax.

In 2018, the amount of the tax collected was transferred **to the local budgets (local governments' budgets) in full.**<sup>527</sup>



**Figure 6.16: Allocation of land fee and property tax on property other than land between budgets of different levels under the Budget Code**



**Environmental tax**

The companies engaged in the emission of pollutants into the air, discharges of pollutants into water bodies or disposal of waste (with some exceptions) should pay the environmental tax.<sup>528</sup> The environmental tax rates depend on the type of the source and object of pollution, the type and concentration of waste etc. In 2018, the rates of environmental tax increased at 11,2% comparing to the previous year.

The object and base of taxation were volumes and types of pollutants. Under the Tax Code, the tax rate for disposal of waste falling under the definition of “moderately hazardous non-toxic waste from the mining industry” was significantly lower than the rate applicable to the remaining moderately hazardous waste included in group IV. In 2018, the tax rate for mining waste amounted to UAH 0,49 per tonne, while the rest of the taxpayers had to apply the rate of UAH 5,00 per tonne.<sup>529</sup> For comparison, in 2017 these rates were at level UAH 0.44 per tonne and UAH 4.50 respectively. Hence, the environmental tax for disposal of moderately hazardous industrial waste was ten times lower for mining companies as compared to companies operating in other industries.

In 2019, the carbon tax rate was raised to UAH 10.00 per tonne (for comparison, in 2018 the

<sup>526</sup> Para 266.5.1 of the Tax Code

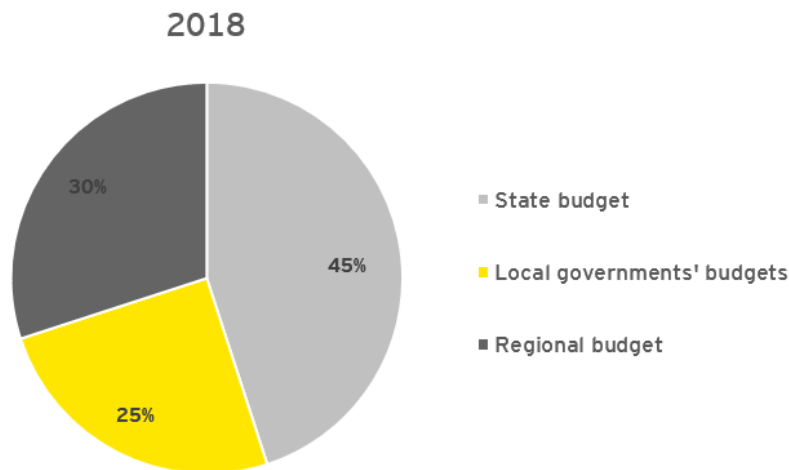
<sup>527</sup> Para 64.1.19 of the Budget Code

<sup>528</sup> Section VIII of the Tax Code

<sup>529</sup> Para 246.2 of the Tax Code

rate was only UAH 0.41 per tonne). At the same time, the environmental tax is not charged for the volumes of emission not exceeding 500 tonnes per year.<sup>530</sup>

According to the provisions of the Budget Code, as a general rule, 45% of the environmental tax paid was transferred to the State budget, and the rest 55% was distributed between local special funds of local budgets of different levels.<sup>531</sup>



**Figure 6.17: Allocation of environmental tax between the budgets of various levels (general rule)**



**Special water use levy**

In 2018, this type of the fee<sup>532</sup> was charged on the actual amount of water used by water users and the volume of water losses in their water supply systems. The rates were set in a detailed list depending on a number of factors (region, intended use of water, etc.). In 2018, the rates increased by approximately 16.8% as compared to 2017.

According to general rule, 45% of the rent paid for special water use was transferred to the general fund of the State budget, 10% – to the special fund of the State budget, 45% – to local budgets<sup>533</sup> (except for rent for special water use of water objects of local importance, which was included in the local government budgets at the place of tax registration of the rent payer).<sup>534</sup>

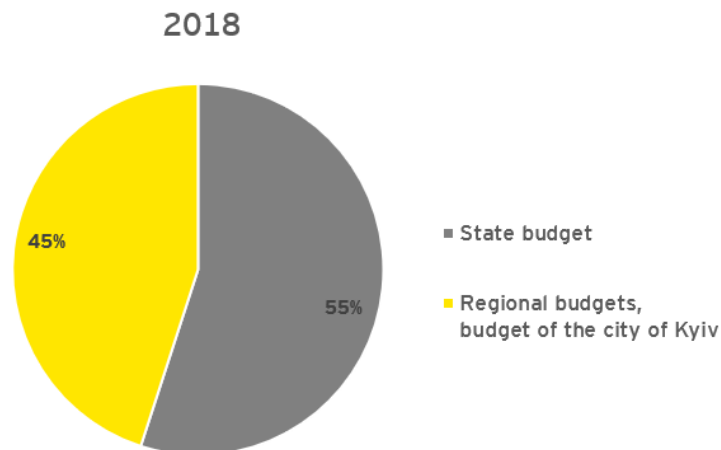
<sup>530</sup> Para 48 and 49 of the Law of Ukraine "On Amendments to the Tax Code of Ukraine and Some Other Legislative Acts of Ukraine on Improving the Administration and Revision of Rates of Individual Taxes and Duties" of 23 November 2018 No. 2628-VIII, available at: <https://zakon.rada.gov.ua/laws/show/2628-19/>

<sup>531</sup> Para 29.2.16-1 and 69-1.1.4-1 of the Budget Code

<sup>532</sup> Para 255 of the Tax Code

<sup>533</sup> Para 29.2.4 of the Budget Code

<sup>534</sup> Para 64.1.30 of the Budget Code

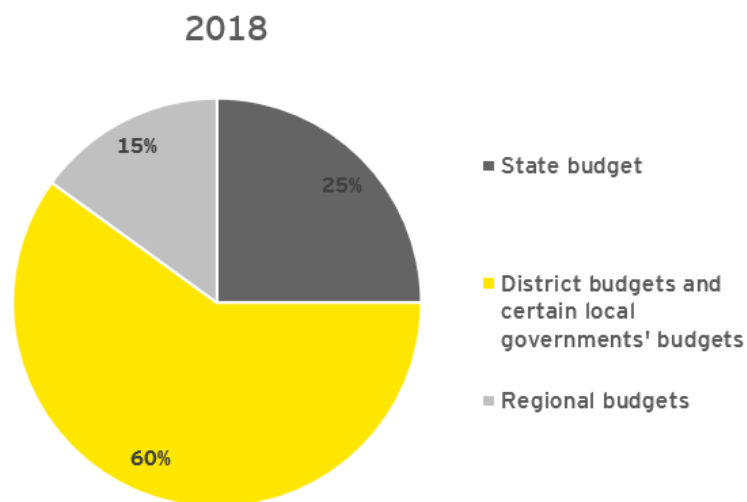


**Figure 6.18: Allocation of special water use levy (rent fee) between the budgets of various levels (general Budget Code rule)<sup>535</sup>**

**Personal income tax**

The object and the taxable base were the total (monthly) income of individuals. Personal income tax<sup>536</sup> is a tax levied on income at 18%. Mining companies should accrue, withdraw and pay income tax on wages and other compensation payments to their employees on general grounds.

According to the Budget Code, 25% of the PIT paid was transferred to the State budget; the other 75% was distributed between local budgets at different levels.<sup>537</sup> PIT paid on the territory of Kyiv was distributed as follows: 60% – to the State budget, 40% – to the budget of Kyiv.



**Figure 6.19: Allocation of PIT between budgets of various levels (general Budget Code rule)**

<sup>535</sup> The exception is the special water use levy for water from water objects of local importance, which is fully allocated to local budgets.

<sup>536</sup> Section IV of the Tax Code

<sup>537</sup> Paragraph 29.2.1 of the Budget Code

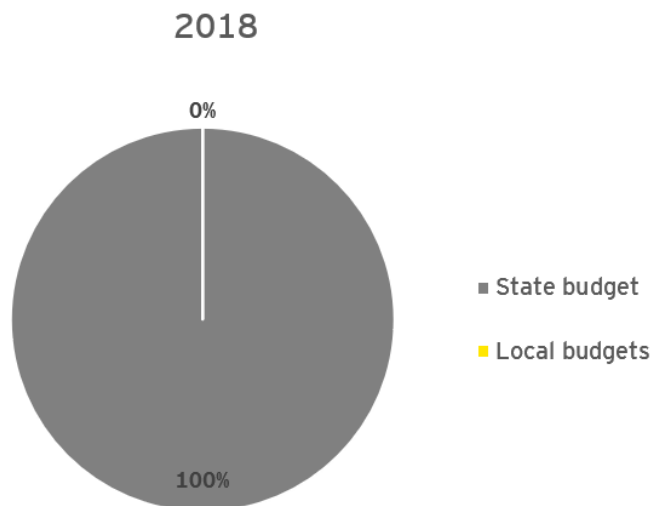




**Military levy**

In 2018, a military levy<sup>538</sup> introduced in 2014 continued was charged on personal income at a rate of 1.5%. Companies operating in extractive industries acted as tax agent for such a tax.

Military levy paid was transferred to the general fund of the state budget in full.



*Figure 6.20: Allocation of military levy between the budgets of various levels*



**Unified social contribution**

The unified social contribution (hereinafter the "USC") was calculated based on the following specifics:

- ▶ Unified rate for the calculation of USC by the employer was 22% of the tax base, except for the special rates for disabled persons, which remained at the 2014 level (8.41%, 5.3%, and 5.5%);
- ▶ The maximum amount of monthly income from which the USC is paid is fixed at the level of 15 subsistence minimums established by law (for 2018 this amount was UAH 55,845<sup>539</sup>).<sup>540</sup>

The funds paid as USCs and the financial sanctions related to late payment/failures to pay USC are not transferred to the state budget of Ukraine or any other government budgets of other levels and cannot be used for the purposes not specified in the legislation on compulsory state social insurance.<sup>541</sup>

<sup>538</sup> Subsection 10, Section XX of the Tax Code

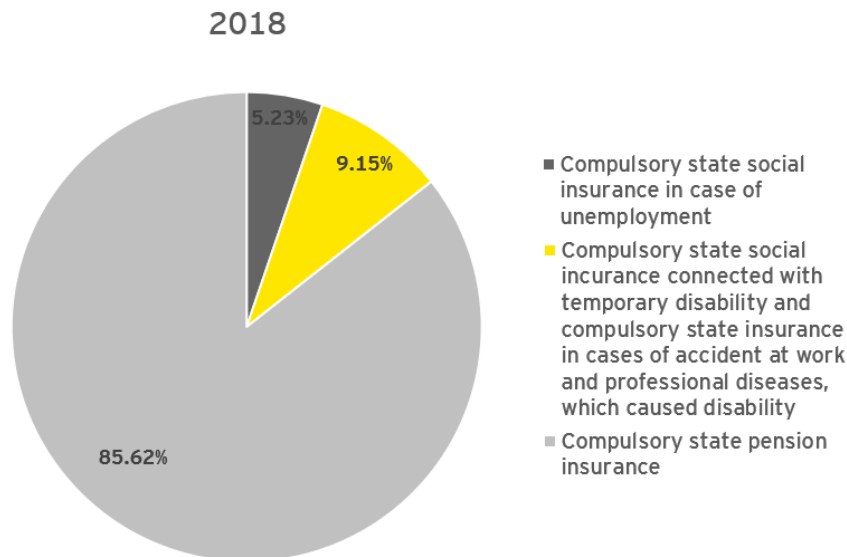
<sup>539</sup> Article 8 of the Law of Ukraine "On the State Budget of Ukraine for 2018" dated 7 December 2017 No. 2246-VIII. Available at: <https://zakon.rada.gov.ua/laws/show/2246-19/ed20171207>

<sup>540</sup> Para 1.4. of the Law of Ukraine "On Collection and Accounting of the Unified Contribution for Compulsory State Social Insurance" (Edition as of 01.01.2018) from 08 July 2010 № 2464-VI. Available at: <https://zakon.rada.gov.ua/laws/show/2464-17/ed20180101>

<sup>541</sup> Article 8 of the Law of Ukraine "On Collection and Accounting of the Unified Contribution to Compulsory State Social Insurance" No. 2464-VI of 8 July 2010, available at: <http://zakon.rada.gov.ua/laws/show/2464-17>

The USCs paid shall be distributed by types of compulsory state social insurance in proportions approved by the CMU and agreed with the parties of the social dialogue.<sup>542</sup>

In 2018, USC paid were distributed in three directions (with some exceptions provided for by the relevant Resolution of the CMU)<sup>543</sup>, as shown in the figure below.



*Figure 6.21: Allocation of paid USC for the relevant directions, %*

### ***Fiscal regime of contracts in extractive industries***

JAA and PSA are subject to registration as separate taxpayers. In addition the JAA or PSA participant responsible for calculating and paying taxes to the budget during the performance of the agreement shall be additionally registered as a taxpayer and keep records for JAA or PSA activities separately from other business operations of the company that is a party to the partnership contract or PSA. For the PSA, the law provides for special rules of taxation, including a number of benefits. Taxation of the JAA also has certain specifics, though without any benefits to JAA participants. For more information on JAA and PSA taxation, see **Section 6.6.4**.

### ***Other payments (bonuses)***

There is no payment classified as “bonus” among the mandatory payments required by the Ukrainian legislation. A payment is charged for granting a license (for more details, see **Section 6.6.2**).

The PSA may contain provisions on the investor's obligation to pay a bonus, for example, for signing the PSA or deposit discovery. Starting 2018, the law obliges the investors to disclose information about premiums and bonuses in the Report on received payments.

<sup>542</sup> Article 8 of the Law of Ukraine “On Collection and Accounting of the Single Contribution to Compulsory State Social Insurance” No. 2464-VI of 8 July 2010, available at: <http://zakon.rada.gov.ua/laws/show/2464-17>

<sup>543</sup> Resolution of the CMU “On Approving the Proportion of Distributing a Single Contribution to Compulsory State Social Insurance” No. 675 of 26 November 2014, available at: <https://zakon.rada.gov.ua/laws/show/675-2014-n>

**Summary:**

Extractive companies are subject to both general taxes and levies (e.g., CIT, VAT, USC) and industry-specific taxes (e.g., production royalties, royalties for transportation of petroleum and petroleum products).

In 2018, the rules for calculating taxes did not change significantly compared to 2017, except for changes of the rates of certain taxes:

- ▶ The non-production royalty for the use of subsoil has increased. The fee for the storage of natural gas, oil and other liquid petroleum products constituted UAH 0.49 per tcm of active volume (for comparison, in 2017 this rate was UAH 0.42).
- ▶ In 2019, production royalty rates for oil and condensate were unified at 31% from the deposits located at depth of under 5,000 m and to 16% for the deposits located at depth of over 5,000m.
- ▶ The royalty rates for special water use increased by 16.8%.
- ▶ The environmental tax rates increased by 11.2%.
- ▶ In 2018, coal or certain coal refining products supply operations in the customs territory of Ukraine continued to be temporarily exempt from VAT.

In 2018, most of the tax revenues were allocated to the State budget.

Starting 2018, 5% of the revenues from production royalty for hydrocarbons have been transferred to the local budgets, 55% of the amount of environmental tax was distributed among the local budgets at various levels. These changes can be considered as a positive move, that may improve the financial position of relevant local budgets and the dialogue between mining companies and local communities in the long run.

The amendments to the effective tax law came into force in 2018, aimed at the introduction of a favorable tax regime, improving investment attractiveness and stimulating production.

Starting 2018, an incentive rate has been introduced for the use of subsoil for natural gas extracted from new wells in the amount of 12% for deposits that are fully or partially located at depths of under to 5,000m and 6% for deposits located at depths of over 5000m. In addition, special royalty rates for PSAs of 2% for oil and condensate and 1.25% for natural gas were re-established.

Starting 2018, the land fee for the land provided to mining companies with the aim of extracting minerals and developing mineral deposits in amount of 25% of the tax calculated under the rules of the Tax Code.

## 6.6 Regulatory regime for extractive industries

### 6.6.1. Registry of licenses

The information about the licenses and their holders is available online at the Geoinform of Ukraine SRPE's website at: <http://geoinf.kiev.ua/specdozvoli/>.

The search engine allows searching valid, invalid and suspended licenses.

The information available includes information about the license holder, characteristics of the subsoil plot granted for use (its location, geographic coordinates, area, volume of minerals in place at the date of issuing the license, the degree of subsoil development, mineral approbation data), the license registration number, granting date, license validity and expiry term, and type of minerals. The system also contains information about the grounds under which a license was granted, type of subsoil use under the license, the designated purpose of subsoil use, special conditions of the license, reference details of the agreement for subsoil use, the source of financing and the amount of the fee paid for the license.

The website of Geoinform of Ukraine SRPE also allows a standalone access to the directory of license applications, at the following link: <http://geoinf.kiev.ua/zayavy-na-otrymannya-spedozvoliv-na-korystuvannya-nadramy/>. The information in the directory of applications includes the date of its receipt, name and EDRPOU code, and address of the applicant, type of subsoil use, minerals, name of the object applied for, the grounds and stage of application processing (including an indication of whether the license was received through or off the auction), as well as the number and date of issuance of the relevant license (if granted).

Database of licenses for subsoil use was launched on the Unified State Portal of Open Data on 19 July 2019. The Database is updated every six months<sup>544</sup>.

On 24 October 2019, as part of state cadastres' integration, a new layer with information on issued subsoil licenses was added to the Public Cadastral Map, which may be accessed through the State Information Geological Fund of Ukraine SE at: <http://newmap.land.gov.ua>. Information on licenses may be also found on the website of the "Mineral Resources of Ukraine" project in the "Interactive maps of mineral deposits" section<sup>545</sup>.

As of the date of this Report, the registry of licenses contains information about 151 licenses issued during 2018, of which two are invalid, six are annulled, while the rest are valid.

---

<sup>544</sup> Available at: <https://data.gov.ua/dataset/f0b36102-1b92-4442-895d-a0d839c4d86b>

<sup>545</sup> Available at: <http://minerals-ua.info/golovna/interaktivni-karti-rodovishh-korisnix-kopalin/>

## 6.6.2. Procedure for granting licenses

A person who wishes to carry out geological exploration of mineral resources or mining in the territory of Ukraine is required to obtain a license per each type of subsoil use within a particular block.

Licenses are granted for the following types of subsoil use and for the following maximum periods, accordingly<sup>546</sup>:

Type of subsoil use	License period
Geological exploration of deposits of mineral resources of local importance	3 years
Geological exploration of mineral deposits and geological exploration (including research and industrial development) of mineral deposits of national importance <i>This type of subsoil use enables users to extract only limited volume of minerals from the field to determine the commercial value of the field and calculate mineral reserves</i>	5 years
Geological exploration of oil and gas subsoil, including research and industrial development of oil and gas fields, within the continental shelf and exclusive (marine) economic zone of Ukraine	10 years
Extraction of minerals <i>In addition to the actual production, this type of subsoil use allows the license holder to prospect and explore new occurrences of oil and gas within the block allotted to the user</i>	20 years
Extraction of oil and gas within the continental shelf and exclusive (marine) economic zone of Ukraine	30 years
Geological exploration of oil and gas subsoil, including research and industrial development of fields, with further production of oil and gas (industrial development of fields):  This type of subsoil use allows to extract oil, gas and related useful components from field after its research and industrial development.	
<ul style="list-style-type: none"> <li>on land</li> </ul>	20 years
<ul style="list-style-type: none"> <li>on the continental shelf and within the exclusive (marine) economic zone of Ukraine</li> </ul>	30 years

<sup>546</sup> Paragraphs 5, 7 of the Procedure for granting licenses. By the Resolution of the CMU "On Amendments to the Procedure for Granting Licenses for Subsoil Use" dated 19 February 2020 No. 124 the geological exploration of amber subsoil, including research and industrial development with subsequent amber extraction (industrial development of a field) was included in the list of types of subsoil use. Available at: <https://zakon.rada.gov.ua/laws/show/124-2020-%D0%BF#Text> License for geological exploration of amber subsoil, including research and industrial development of deposits with subsequent extraction of amber (industrial development of deposits) is valid for 5 years

Type of subsoil use	License period
Construction and operation of underground facilities unrelated to extraction of minerals, including underground storage facilities for oil, gas and other minerals/materials, facilities for disposal of hazardous substances, production waste, and sewage discharge	20 years
Construction and operation of underground oil or gas storage facilities	50 years
Implementation of PSA	For the term of the agreement (up to 50 years)
Creation of geological territories and objects of significant scientific, cultural, sanitary and recreational value (scientific test sights, geological reserves, natural sanctuaries, objects of natural interest, health and recreational institutions, etc.) in terms of their geological exploration and preservation <sup>547</sup>	Unlimited

As a rule, licenses are granted as a result of a the license auction.<sup>548</sup> However, the effective regulations also set certain exceptions for granting licenses without an auction. More detailed information about such cases is provided below.

In certain cases, the term of the licenses may be extended<sup>549</sup>, but the extended license cannot exceed the terms set for the respective type of subsoil use. For the extension of contract, mining companies should pay a fee<sup>550</sup> (except for cases of renewal of licenses for hydrocarbons).

### **Criteria for granting and reissuing licenses**

One of the requirements for granting licenses is the applicant's technical expertise, logistical and financial capabilities for subsoil use.<sup>551</sup>

However, for most cases, the Ukrainian legislation does not contain clear requirements to technical criteria to be used when a decision to grant the license is made.

One of the documents the applicant must file to participate in the license auction is the reference-letter that proves the applicant has a sufficient number of qualified employees and technical resources to ensure implementation of the work program.<sup>552</sup> Yet, the "sufficient

<sup>547</sup> In addition to the above types of use of subsoil, the Procedure for granting licenses stipulates certain specifics of the validity of the license for geological exploration and oil and gas production

<sup>548</sup> Paragraph 2 of the Procedure for granting licenses

<sup>549</sup> Paragraph 14 of the Procedure for granting licenses

<sup>550</sup> Paragraph 14 of the Procedure for granting licenses

<sup>551</sup> This principle is provided for in Article 12 of the Law on Oil and Gas. However, such principle is not directly provided for other minerals

<sup>552</sup> Paragraph 8 of the Procedure for holding license auctions

number" of employees or resources is not defined in the law. From 24 October 2018, after introduction of auctions through electronic auctions, this criterion was not applied.

Financial criteria are actually limited to the obligation to pay the fee for granting a license.

The Procedure for granting licenses provides for **a list of grounds for termination of the license and refusal to issue (reissue) or extend it.**<sup>553</sup>

In 2018, the list of grounds for refusal to grant a license and its extension was supplemented with the availability of comments from the Ministry of Environment regarding the case of granting a license in light of environmental legislation. At the same time, refusal of the Ministry to approve provision of subsoil into use was removed from this list.<sup>554</sup>

New grounds for suspension of a license were added, including the grounds stipulated in the Law of Ukraine "On EIA"; absence of /failure to align with the EIA conclusion and/or conclusion of the state ecological expert on mining activities, geological study of oil and gas subsoil with subsequent extraction; the grounds stipulated in the Law of Ukraine "On sanctions".<sup>555</sup>

Also, the list of bodies entitled to initiate the suspension of a license was extended to include the Ministry of Environment. In case the suspension and/or revocation of the license is recognized as illegal (groundless) by an effective court decision, the term of the license and, accordingly, the term of the subsoil use must be extended by the Geology Service for the time of such suspension and/or revocation.

A license may contain special conditions for subsoil use, e.g., with regard to the type, volume or terms of works in the subsoil plot, rules and standards of using subsoil, quality of products or works, technology of development and processing of minerals, radiation control of extracted raw materials, etc. Presence of these conditions in a subsoil license and in some cases – their list may be checked at: <http://geoinf.kiev.ua/specdozvoli/>. Some of the conditions are often not publicly available (for example, conditions contained in letters from public authorities, numbers of which are indicated in the register). Typically, the special conditions reflect the requirements listed in the approval documents issued by executive bodies and local governments. Additionally, depending on the region there may be an established practice when the approval is provided subject to conclusion of agreements with subsoil users related to funding social and/or infrastructural needs of the region where the subsoil use is planned (see below for more details on such practice).

Certain conditions on subsoil use and development may be found in the materials of feasibility studies of raw minerals' conditions. Such materials are not publicly available.

---

<sup>553</sup> Paragraph 19, 15, 22 of the Procedure for granting licenses

<sup>554</sup> These changes were made in accordance with the CMU Resolution "On Amendments to the Procedures Approved by Resolutions of the Cabinet of Ministers of Ukraine of 30 May 2011 No. 594 and 615" No. 333 of 25 April 2018, available at: <https://zakon.rada.gov.ua/laws/show/333-2018-%D0%BF/ed20181228#n109>

<sup>555</sup> The CMU Resolution "On Amendments to Certain Resolutions of the Cabinet of Ministers of Ukraine" No. 1131 of 18 December 2018, available at: <https://zakon.rada.gov.ua/laws/show/1131-2018-n>, The CMU Resolution No. 333 of 25 April 2018, available at: <https://zakon.rada.gov.ua/laws/show/333-2018-n>

Also, the Procedure for granting licenses allows the extension of a subsoil license for the holder with the royalty debt, but in that case a requirement of limited disposal of extracted minerals must be added to special conditions of the license.<sup>556</sup>

### ***Legal framework for granting licenses***

The procedure for granting licenses is regulated, in addition to the Subsoil Code and the Law on Oil and Gas, by a number of by-laws, including the Procedure for granting licenses, the Procedure for holding the auctions for licenses, the Methodology for determining the initial sale price at the auction on subsoil licenses.<sup>557</sup> From 24 October 2018, the legal framework for granting licenses was supplemented by the Interim procedure for a pilot project on electronic auctions for the sale of subsoil licenses (the "**Interim procedure**"<sup>558</sup>). However, in 2018 electronic auctions under the new procedure have not been held.

### ***The procedure for awarding the licenses through auction (according to the rules valid until 24 October 2018)***

In fact, in 2018, the Procedure for holding license auctions effective in 2017 (with subsequent changes) was applied. In particular, during 2018 the following changes were introduced to the Procedure:<sup>559</sup>

- ▶ Introduction of the possibility to conclude contracts for acquisition of (including payment for) subsoil licenses with a postponing condition until receipt of the positive EIA opinion within 6 months upon the results of the auction.
- ▶ Abolishment of the requirement to obtain approvals from local authorities regarding the list of subsoil plots to be auctioned if such subsoil plots are located on the continental shelf or in the exclusive (maritime) economic zone.
- ▶ Simplification of the procedure for obtaining / extending a subsoil license as the consent of the Ministry of Environment is no longer necessary. Instead, from 8 June 2018 the Ministry of Environment may determine the conditions to be met when using subsoil plots and submit proposals on the list of subsoil plots with their subsequent publication.
- ▶ Timeframes for certain procedural actions were shortened, namely:
  - ▶ For approval of the list of subsoil plots - from 90 to 45 calendar days
  - ▶ For procedural actions of the Ministry of Environment - from 30 days (for approval) to 15 working days (for submission of proposals)
  - ▶ For extending payment period for the license fee from 30 to 15 calendar days

---

<sup>556</sup> Paragraph 14 of Procedure for granting licenses

<sup>557</sup> Resolution of the CMU "On approval of Methodology for determining the initial sale price at the auction for subsoil license" No. 1374 dated 15 October 2004, available at: <https://zakon.rada.gov.ua/laws/show/1374-2004-%D0%BF/ed20110906#Text>

<sup>558</sup> Resolution of the CMU "On Implementation Of The Pilot Project For Introduction of Online Auctions for the Sale of Subsoil Licenses" No. 848 of 17 October 2018, available at: <https://zakon.rada.gov.ua/laws/show/848-2018-%D0%BF/ed20191130#Text>

<sup>559</sup> Resolution of the CMU "On Amendments to the Procedures Approved by Resolutions of the Cabinet of Ministers of Ukraine of 30 May 2011 No. 594 and 615" No. 333 dated 25 April 2018, available at: <https://zakon.rada.gov.ua/laws/show/333-2018-%D0%BF/ed20181228#n109>



- ▶ Extension of the deadline for deciding on the bidder's admission to the auction / rejection of its application from 30 to 40 days from the date of submitting such application.

Thus, according to the Procedure, auctions for the sale of licenses are organized by the Geology Service. The auction committee responsible for auction management and compliance with auction requirements is also approved by the Geology Service.

The procedure for determining the list of plots, licenses for which are to be auctioned, is not clearly regulated.

The Geology Service prepares proposals with regard to the list of blocks for an auction based on the applications submitted by potential bidding companies.<sup>560</sup> However, there are no legal requirements to such application, the procedure for its registration and consideration.

Before holding the auction, the plots for the use of which the licenses will be auctioned must be agreed upon with the following state authorities and local governments: the Council of Ministers of the Autonomous Republic of Crimea, the relevant regional, Kyiv or Sevastopol city councils, district, city, settlement, village councils, as well as the Ministry of Environment.<sup>561</sup> As noted above, starting from 8 June 2018, the Ministry provides proposals for the list of subsoil plots instead of approvals.

Such approvals and proposals are received, i.a., following the silent consent principle. This means, that if no proposal is received from the Ministry of Environment within 15 working days, and within 45 days – from other bodies, the consent is deemed provided. However, the fact of filing or receiving by the entity of approvals on subsoil use by other public bodies does not guarantee that the plot would be put up for auction and the bidder will be admitted to this auction. The final decision of whether the auction takes place or not, and whether the plot is put on the auction list, is taken by the Geology Service.

Before the auction, the Geology Service should determine the initial sale price of the license to be auctioned, which is calculated under to the approved methodology based on the value of the reserves and resources of mineral deposits or the subsoil areas<sup>562</sup> of mineral resources, and should be at least 2 percent of the total net profit for the whole period of field or block development, net of capital investments.<sup>563</sup>

When calculating the initial price for a license, a number of factors are considered. These are set out and approved by the State Commission on Mineral Resources with respect to a particular field or block:

- ▶ Discounted estimated annual income from sales of commodity products net of exploitation costs, taxes and other payments to the state;

---

<sup>560</sup> Para.6 of the Procedure for holding license auctions

<sup>561</sup> The necessity to receive an approval from either authority depends on the type of subsoil use. In particular, the Ministry of Environment approves licenses for all types of use, while approvals from district, city, settlement and village councils are necessary for the use of minerals of local importance

<sup>562</sup> The methodology for determining the value of reserves and deposits of mineral resources or the plot that are granted for use, approved by the CMU No. 1117 dated 25 August 2004, available at: <http://zakon3.rada.gov.ua/laws/show/1117-2004-%D0%BF> (hereinafter the link is not separately indicated)

<sup>563</sup> Paragraph 6 of the Methodology for determining the initial price at the auction for a subsoil license, approved by the CMU No. 1374 dated 15 October 2004

- ▶ Estimated capital investments into construction, including the purchase of geological information;
- ▶ Period of development of the field or block;
- ▶ Category of exploration of a particular field or block etc.<sup>564</sup>

The basic information for determination of the initial sale price includes the results of previously conducted feasibility studies, protocols on approval of reserves by the State Commission on Mineral Resources, state registries of mineral reserves, acts and protocols of mineral resource appraisal for the objects identified by the Geology Service, protocols of approval of the prospective reserves, and actual technical and economic indicators of mining companies or analogous facilities, as approved by the Geology Service.<sup>565</sup> As of the date of this EITI Report, most of the sources and information listed above are not publicly available. In 2020, the new Methodology to increase the transparency of calculating the initial price of licenses was approved.<sup>566</sup>

90 calendar days before the day of the auction, the Geology Service should post the announcement of the auction in the "Governmental Courier" newspaper and on the Geology Service's official website. The announcement should indicate basic information about the auction and the license (such as the name and location of the block, type of subsoil use and the period for which the license is granted the initial price of the license, etc.).

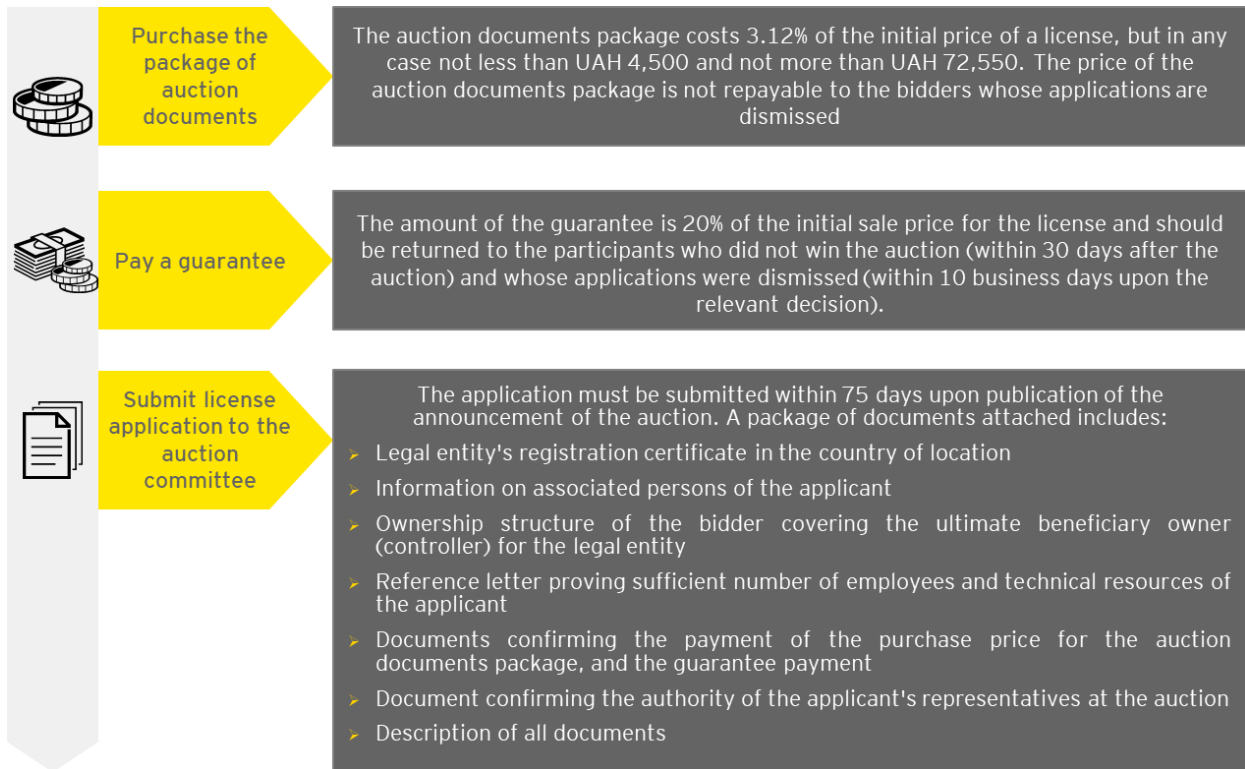
The actions the applicant must take to participate in the auction, are presented in the chart below:

---

<sup>564</sup> Paragraph 3 of the Methodology for determining the initial price at the auction for a subsoil license, approved by the CMU No. 1374 dated 15 October 2004

<sup>565</sup> Paragraph 5 of the Methodology for determining the initial price at the auction for a subsoil license, approved by the CMU No. 1374 dated 15 October 2004

<sup>566</sup> Resolution of the CMU "On amending Methodology for determining the initial price at the auction for subsoil license" No. 915 dated 23 September 2020, available at: <https://zakon.rada.gov.ua/laws/show/915-2020-%D0%BF#n5>



**Figure 6.22: Step-plan of actions to participate in an auction for a license**

The Geology Service is obliged to publish on its official website, in particular, the information on registration of applications declaring the intention to take part in the auction, on acceptance or dismissal of the application, and a list of auction winners, as well as ensure live broadcasting of the auction.

As of the date of this EITI Report, the information for 2018, which is available at the official website of the Geology Service consists only of auctions results.<sup>567</sup>

The Geology Service also requests (i) the SFS to confirm that the bidders have no outstanding tax liabilities as of the last reporting period; and (ii) law enforcement authorities and entities responsible for financial monitoring to identify entities engaged in terrorist activities in Ukraine. If no reply is provided to these requests within 30 days, the outstanding tax liabilities are deemed absent, and the entity is deemed non-engaged in terrorist activities in Ukraine.<sup>568</sup>

An auction is arranged if at least two candidates for the purchase of a license are registered. The auction step depends directly on the initial price for the license and should be determined by the Procedure for holding the auctions for licenses (for example, the step for an auctioned license with an initial price between UAH 1,000,000 to UAH 2,999,999 is UAH 20,000; between UAH 3,000,000 and UAH 4,999,999 - UAH 30,000 etc.).

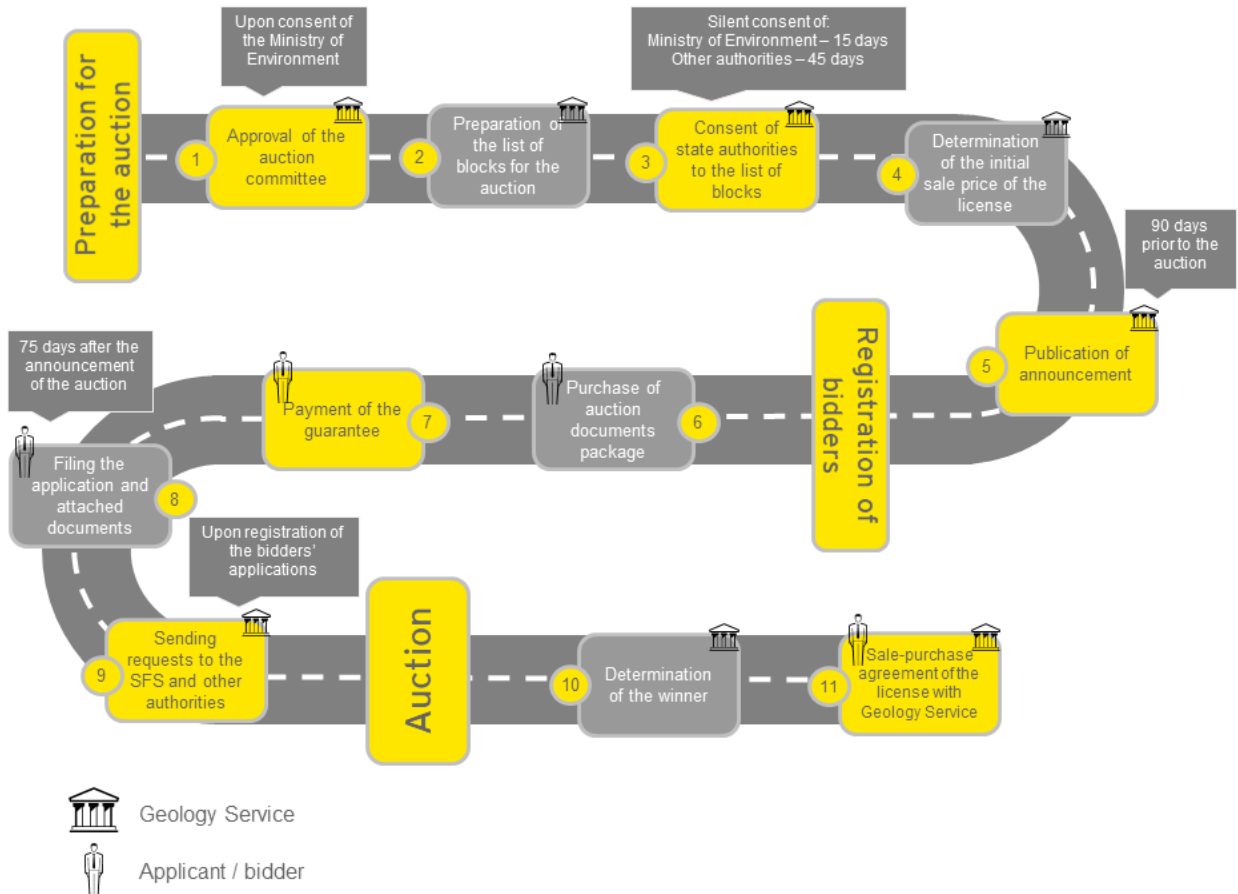
The bidder who agrees to pay the highest price wins the auction. After the auction, the winner should enter into a sale and purchase agreement or a sale and purchase agreement with a

<sup>567</sup> Available at: <http://www.geo.gov.ua/rezultati-aukcioniv/>

<sup>568</sup> Para. 8 of the Procedure for Holding Auctions for the Sale of Licenses

suspensive condition and pay the final price for the awarded license less the guarantee already paid.

For the reference, the procedure for awarding licenses through an auction, which applied until 24 October 2018, is presented in the diagram below.



**Figure 6.23:** The procedure for awarding licenses through an auction

**Annex 6** contains information on the license auctions held during 2018, including information on their winners.

Please note that from 24 October 2018 to 1 October 2020, an experimental procedure for the sale of subsoil licenses by holding e-auctions at Prozorro.Sales was introduced<sup>569</sup>. The first electronic auctions took place in 2019. After the successful implementation of the experimental project of the CMU, the CMU approved a new procedure, which established auctions for selling subsoil licenses via electronic bidding on a permanent basis.<sup>570</sup>

**The procedure for granting licenses without an auction**

In certain cases, explicitly indicated in the procedure for granting licenses<sup>571</sup>, licenses can be granted without holding an auction, including, but not limited to<sup>572</sup>, if it is either:

<sup>569</sup> According to the Interim procedure

<sup>570</sup> Resolution of the CMU "On approval of the Procedure for conducting auctions for the sale of subsoil licenses" No. 993 dated September 23, 2020, available at: <https://zakon.rada.gov.ua/laws/show/993-2020-%D0%BF#n250>

<sup>571</sup> Procedure for granting licenses

<sup>572</sup> In total, as of the end of 2019 there were 12 grounds for granting licenses off-auction

- ▶ Production of minerals, if the applicant performed the geological exploration of the mineral block as well as the appraisal or approbation of mineral reserves (except oil and gas) on the basis of the license at its own expense;<sup>573</sup>
- ▶ Increase of the minerals production made by a holder of a valid license, achieved by expanding the boundaries of the licensed area. In this case, the license is given without an auction, provided that the adjacent land has not already been granted into use and the expansion comprises of less than 50 % of reserves identified in the previously awarded license;
- ▶ Geological exploration and production of minerals of local importance;
- ▶ Geological exploration undertaken at the expense of the state;
- ▶ Performance of PSAs etc.

The procedure to obtain the license under the no-auction procedure includes the following steps:

- ▶ Submission to the Geology Service of an application with a package of attachments stipulated by relevant regulations. Such package may include an explanatory note describing the capacities of the company and other required information, the directory of geographic coordinates of corner points of the mineral block, an overview map, copies of results of an EIA certified by the applicant (report on EIA, report on the public discussion and conclusion on EIA), etc. The final package of the documents to be submitted to the Geology Service to obtain the license depends on the type of subsoil use and the particular case in respect of which the license may be granted without an auction. The template of an application for the license without an auction may be found on the official website of the Geology Service<sup>574</sup>;
- ▶ From 8 June 2018, receipt by the Geology Service of proposals from the Ministry of Environment concerning granting licenses and possible conditions for subsoil use in the proposed areas in terms of compliance with environmental legislation or comments on the permit<sup>575</sup> (for example, regulatory restrictions on subsoil use activities in the territory which is planned for such activities, non-compliance with the requirements of environmental legislation to maintain the proper state of the environment during the subsoil use);<sup>576</sup>
- ▶ Receipt of confirmation regarding the absence of a state tax debt as of the latest reporting period from the SFS and confirmation on non-involvement in terrorist activities in Ukraine received from the law enforcement authorities and entities responsible for financial monitoring;

---

<sup>573</sup> Changes to the Procedure for granting licenses clarify that such geological exploration must have been carried out under the license (see paragraph 8 as amended by the Resolution of the CMU No. 1131 dated 18 December 2018)

<sup>574</sup> Available at: <http://www.geo.gov.ua/forms-samples-of-documents/>

<sup>575</sup> In accordance with paragraph 25 of the Procedure for granting licenses, the Geology Service shall inform Ministry of Environment on the receipt of applications for licenses and annexes thereto and simultaneously send the copies of the documents within 5 working days from the date of their registration. Ministry of Environment shall send the proposals or comments to the Geology Service within 15 working days from the date of receipt of the mentioned documents

<sup>576</sup> The full list of cases when Ministry of Environment sends its comments is stipulated by paragraph 25 of the Procedure for granting licenses

- ▶ Consent of the local governments of providing subsoil into use.<sup>577</sup> The consent does not foresee the presence of the applicant. The consent is not required for the provision of subsoil within PSAs, as well as within the continental shelf and the exclusive (marine) economic zone of Ukraine;
- ▶ Payment of a license fee in the amount of the initial sale price of an auction for the license calculated using the approved methodology<sup>578</sup> (except for the licenses for PSAs where the license fee is 1 percent of the initial sale price of an auction).

The mentioned proposals/remarks, confirmations and consents are received, i.a., in accordance with the silent consent principle.

Licenses are granted to applicants according to decisions of the Geology Service (except for licenses under PSAs, which are awarded following the procedure contained in such agreements, as submitted by the Interagency commission on organization and conclusion of PSAs). The Geology Service decides within 30 calendar days upon receiving all approvals required by the Procedure for granting licenses and proposals/remarks from the Ministry of Environment. Proposals and remarks of the Ministry of Environment are obligatory for consideration by the Geology Service when making decisions.

The license may not be granted without an auction if the person, particularly, (i) fails to comply with the program of works at the mineral block already provided into its use under a license; or (ii) is identified to have violated the rules for subsoil use proven by the audit report, notification, or an order of the relevant state authority in the field of subsoil use, until remedied.

The license shall be granted within 20 working days after the full receipt of payment of the license fee. The term of payment of the fee may be extended by the Subsoil Use Commission<sup>579</sup> under certain conditions.

For reference, the procedure for granting licenses without an auction is presented in the diagram below.

---

<sup>577</sup> Consent on providing subsoil with minerals of national importance by local governments was excluded in accordance with the new version of the Procedure for granting licenses, approved by Resolution of the CMU No. 124 dated 19 February 2020, available at: <https://zakon.rada.gov.ua/laws/show/124-2020-%D0%BF/ed20200225#n9>

<sup>578</sup> The Methodology for determining the initial sale price at the auction for subsoil licenses

<sup>579</sup> The Subsoil Use Commission was formed by the Geology Service or the Council of Ministers of the ARC in order to pre-review the materials on granting, extending, suspending, renewing, reissuing, revoking permits and making changes to them. The commission formed by the Geology Service included specialists from the Secretariat of the CMU, ministries and other central executive bodies, and the regulations on its operations and membership were approved by the Geology Service upon the consent of the Ministry of Environment. From 21 November 2019, the aforesaid Commission was abolished and the authority to extend the term of paying the license fee and extend the term of license was vested in the Geology Service - please see the CMU Resolution "On Amendments to the Procedure of Granting Licenses" No. 928 of 23 October 2019, available at <https://zakon.rada.gov.ua/laws/show/928-2019-n#n2>

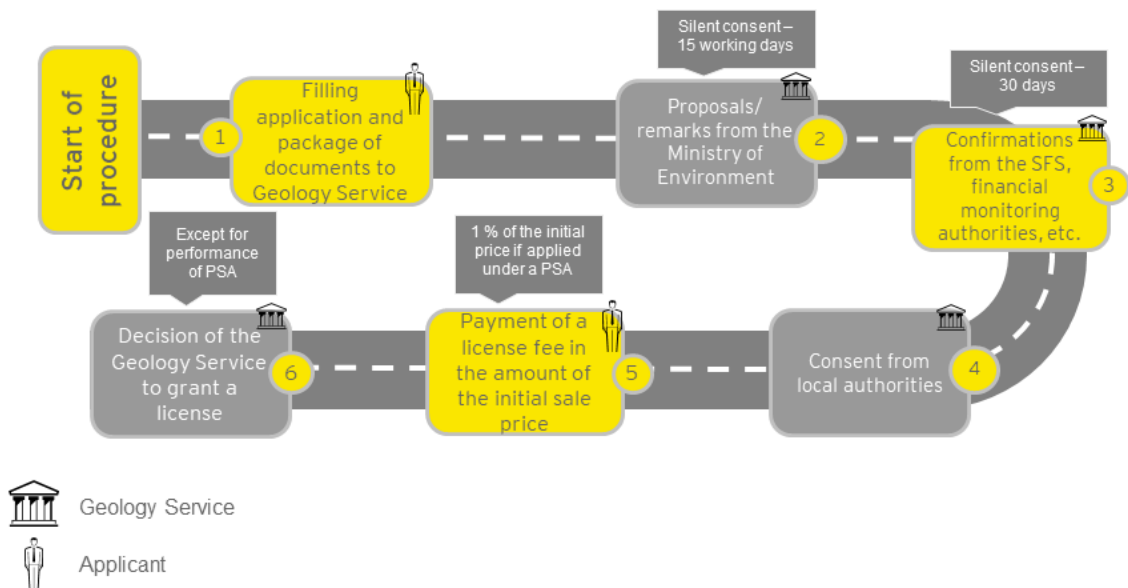


Figure 6.24: Procedure for granting licenses without an auction

### Amending and reissuing the awarded licenses

A license cannot be transferred (donated, sold or otherwise alienated) to the person or entity other than the license holder. Moreover, the law prohibits any contribution of a license into the equity of the entities incorporated by license holders or to use licenses as their contribution to a joint venture.<sup>580</sup> At the same time, in certain cases the granted licenses may be amended or reissued. In particular, the license is amended in the following cases<sup>581</sup>:

- ▶ Changes to special conditions and other information included into the license;
- ▶ Decrease of the block's area at the initiative of the subsoil user or the relevant state authorities;
- ▶ Discovery of information related to new features, quality, or amount of minerals in the course of the subsoil use;
- ▶ Discovery of misprints or obvious errors in the license.
- ▶ Establishment by way of separation from a subsoil user of a legal entity, for the purpose of continuing activities on the subsoil area provided into its use, under a number of conditions (including the following: such subsoil user is not a public sector entity, holds at least 50% in the share capital of the newly established entity, has no tax debt of royalty related to the subsoil use, did not violate the conditions of subsoil use, etc.), if such amendments were agreed by the Ministry of Environment<sup>582</sup> (similar provision was abolished in 2016);
- ▶ Establishment of a business company, 100% of which is owned by the state, as a result of reorganization by merger.<sup>583</sup>

<sup>580</sup> Paragraph 6 of Article 16 of the Subsoil Code; paragraph 2 of Article 14 of the Law on Oil and Gas, available at: <http://zakon.rada.gov.ua/laws/show/2665-14/ed20171218#o143>

<sup>581</sup> Paragraph 17 of the Procedure for granting licenses

<sup>582</sup> See sub-paragraph 7 of paragraph 17 of the Procedure for granting licenses

<sup>583</sup> Please note that in the future, under the Resolution of the CMU No. 698 of 26 June 2019, this list is supplemented by another reason - the reorganization of a state enterprise by joining another state enterprise.

The license is amended based on the subsoil user's (or its legal successor, where amended due to a merger or joining) application and supporting documents, including an explanatory note describing the grounds for the amendment.<sup>584</sup> The Geology Service may refuse the amendment in case of the subsoil user's failure to comply with conditions of subsoil use indicated in license or corresponding agreement; decision-making by the authorized bodies on restriction of subsoil use; submission by the applicant of incomplete or inaccurate documents, or documents that do not meet the requirements established by the Procedure for granting licenses.

The license may be reissued in the following cases:<sup>585</sup>

- ▶ If such reissuance is provided for in the Law of Ukraine "On the licensing system in the field of business activities";
- ▶ Succession of the legal entity (subsoil user) as a result of reorganization through the change in business type of the entity;
- ▶ Obtainment of an IPG of a state-owned coalmine (license holder) into lease or concession by the legal entity (not holding the license), which thus effectively becomes a subsoil user.

The Geology Service reissues the license on a new pre-printed form or provides a motivated refusal within 30 calendar days upon receipt of the application.

#### ***Agreement on the terms and conditions of subsoil use***

Regardless of whether the auction or non-auction procedure is followed to grant a license, the Geology Service and a subsoil user becoming a license holder should enter into an agreement on the terms and conditions of subsoil use. The Procedure for granting licenses and the Law on Oil and Gas provide that such an agreement is an integral part of a license. For more details, see **Section 6.6.4** of the Report.

---

<sup>584</sup> Paragraph 17 of the Procedure for granting licenses

<sup>585</sup> Paragraph 16 of the Procedure for granting licenses



### 6.6.3. Availability of the information about the beneficial owners of extractive companies

#### - *The concept of beneficial owner for the purposes of the EITI Report*

According to the requirement of 2.5.f of the EITI Standard, a beneficial owner of a company means an individual who directly or indirectly owns or controls the corporate entity.

Ukrainian law defines the ultimate beneficial owner (hereinafter referred to as the "**beneficial owner**") as follows:<sup>586</sup>

- ▶ for legal (corporate) entities - any individual who exerts decisive influence (direct or indirect)<sup>587</sup> on the operations of a legal entity (including through the control / ownership chain);
- ▶ for trusts established in accordance with the legislation of the country of their incorporation - the founder, trustee, defender (if any), beneficiary or group of beneficiaries, as well as any other individual exerting decisive influence (direct or indirect) over the activities of the trust (including through the control/ownership chain);
- ▶ for other similar legal entities - an individual who has a status equivalent to or similar to the individuals specified for trusts.

An individual, who has a formal right to 25 % or more of the authorized capital or voting rights in a legal entity, but is a commercial agent, nominal owner or nominal holder, or just an intermediary for such right, is not considered as a beneficiary.

For the purposes of preparation of EITI reports, the concept of beneficial owner is used in the meaning defined in the Law of Ukraine "On Ensuring Transparency in Extracting industries".

#### - *The Unified state register*

Ukraine is one of the countries where the obligation to disclose information about the beneficial owners of all legal entities is established during the state registration of a legal entity/changes to a legal entity's record, namely, by the Law of Ukraine "On state registration of legal entities, individual entrepreneurs and public organizations".<sup>588</sup>

---

<sup>586</sup> Paragraph 30 part 1 of Article 1 of the Law of Ukraine "On Prevention and Counteraction to Legalization (Laundering) of Proceeds from Crime, Financing of Terrorism and Financing of the Proliferation of Weapons of Mass Destruction" No. 361-IX of 16 August 2020 (hereinafter - the Law "On Prevention and Counteraction to Legalization (Laundering) of Proceeds"), <https://zakon.rada.gov.ua/laws/show/361-20#n6>

<sup>587</sup> Direct ownership by an individual of at least 25 % of the authorized (composed) capital or voting rights of a legal entity is a sign of direct decisive influence on the legal entity's operations. The signs of indirect decisive influence on the legal entity's operations include the ownership by an individual of **at least 25 %** of the authorized (composed) capital or voting rights of a legal entity through related persons or legal entities, trusts or other similar legal entities, or exerting decisive influence through realization of the right to control, own, use or dispose of all assets or their parts, the right to receive income from the operations of a legal entity, trust or other similar legal entity, the right for the decisive influence on the formation of membership, voting results of management bodies as well taking legal steps that enable determining the basic conditions of business operations of a legal entity, or the operations of a trust or other similar legal entity, make binding decisions that have a decisive impact on the operations of a legal entity, trust or other similar legal entity, regardless of formal ownership

<sup>588</sup> Subparagraph 9 of paragraph 2 of Article 9 of the Law of Ukraine "On state registration of legal entities, individual entrepreneurs and public organizations" No. 755-IV dated 15 May 2003, available at: <https://zakon.rada.gov.ua/laws/show/755-15#n160>. According to the amendments made by the Ministry of Justice of Ukraine to the registration form on 29 August 2018, in case of any amendments to the legal entity's record in the USR, the information about the beneficial owner of the legal entity must be re-submitted

This information is included in the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Organizations (the "USR") and available online on the official website of the Ministry of Justice of Ukraine<sup>589</sup> and the Unified State Portal of Open Data.<sup>590</sup>

These resources also contain public information about the participants (founders) of all legal entities registered in Ukraine, the size of the registered capital of such legal entities, and the percentage of shares of their participants (founders) in the registered capital.

As of the date of this EITI Report, the following information on the beneficial owners of legal entities (including on the beneficial owners of the legal entities' founders, if they are legal entities) is published within the USR:

- ▶ surname, name, patronymic (if any);
- ▶ date of birth;
- ▶ country of citizenship;
- ▶ number and series of passport of the citizen of Ukraine or of the foreigner's passport document;
- ▶ place of residence;
- ▶ taxpayer registration number (if any);
- ▶ full name and identification code (for a resident) of the founder of the legal entity where that person is the beneficial owner;
- ▶ nature and extent (level, degree, share) of beneficial ownership: benefits, interests, influence (such information is mandatory for disclosure in the USR starting from 28 April 2020<sup>591</sup>).

According to the changes made by the Ministry of Justice of Ukraine to the registration form on 29 August 2018, in case of any amendments to the legal entity's record in the USR, information about the beneficial owner of the legal entity must be re-submitted.<sup>592</sup>

In 2020, the USR was updated to improve its functionality as well as the mechanism for providing and verifying data on beneficial owners,<sup>593</sup> including:

- 1) additional control mechanisms and security modules were introduced, including control of the availability of a scanned copy of the submitted document;
  - 2) a new separate column "ultimate beneficial owner" improves the quality of beneficial owners' data by structuring and separating them clearly from the founders, which, in turn, enables placing information in separate blocks while providing information from the USR or making the data publicly available.
- *Measures to eliminate disadvantages of disclosing information about beneficial owners, including its verification*

---

<sup>589</sup> Available at: <https://usr.minjust.gov.ua/ua/freesearch>

<sup>590</sup> Available at: <https://data.gov.ua/dataset/1c7f3815-3259-45e0-bdf1-64dca07ddc10>

<sup>591</sup> Article 9 of the Law of Ukraine "On state registration of legal entities, individual entrepreneurs and public associations" No. 755-IV dated 15 May 2003, available at: <https://zakon.rada.gov.ua/laws/show/755-15/ed20200428#n160>

<sup>592</sup> Order of the Ministry of Justice of Ukraine No. 3268/5 of 18 November 2016 "On approval of forms of applications in the field of state registration of legal entities, individual entrepreneurs and public associations", available at: <https://zakon.rada.gov.ua/laws/show/z1500-16/>

<sup>593</sup> The information on the official website of the Ministry of Justice, available at: <https://minjust.gov.ua/news/ministry/denis-malyuska-minyust-zapuskae-onovleniy-edr>

The information published in the USR does not always fully meet the requirements of the Standard (for example, the information about the country of citizenship, date of birth, place of residence, nature and extent of possession is not always complete), including for technical reasons (for example, due to heterogeneity and different rules of storing information in the database during different periods of running the USR<sup>594</sup>). In addition, Ukrainian law does not require disclosing information regarding the status of politically exposed persons.<sup>595</sup>

Historically, legal entities often provide incomplete or inaccurate disclosure about their beneficial owners in the USR, e.g., they disclose information only to the level of nominal owners or managers of trusts.

As a result, one of the tasks of the Open Government Partnership Initiative was to introduce a mechanism for verifying information on beneficial owners.

In implementation of the action plan of this Initiative new rules on the disclosure of information on beneficial owners and its regular updating were adopted in December 2019 (effective from 28 April 2020), the list of documents for submission for this purpose was expanded, and the requirement to confirm the information on beneficial owner was established on an annual basis with increase of fines for failure to comply with these requirements.

In particular, for the purposes of additional confirmation of the accuracy of information about the beneficial owners (including verification of their identities), the law requires the following documents to be submitted along with the application:

- 1) the ownership structure in the prescribed form, which allows to identify all beneficial owners, including the control relationship between them, or the absence of such beneficial owners;
- 2) an extract, certificate or other document certifying the registration of the founder of the legal entity (if the founder is a non-resident);
- 3) a notarized copy of the document certifying the identity of the beneficial owner.

As a result of the above changes, the application form for state registration of a legal entity for the purposes of submission of the above information, which is used from 01.01.2020, no longer contains separate information about the legal entities through which an indirect influence on the legal entity is exercised.<sup>596</sup>

Update of information on beneficial owners under the new rules will be launched three months after approval of the form and content of the ownership structure. As of the date of this Report, the draft form and content of the ownership structure is under development – in July 2020,

---

<sup>594</sup> The information on the implementation of the action plan for the implementation of the Open Government Partnership Initiative in 2018-2020 (as of 01 July 2020), available at: <https://www.kmu.gov.ua/storage/app/sites/1/17-civik-2018/partnerstvo/info-ogp-2018-2020-20200701.pdf>

<sup>595</sup> The Law of Ukraine " On Prevention and Counteraction to Legalization (Laundering) of Proceeds" defines politically exposed persons as individuals who are national or foreign public figures and figures performing public functions in international organizations. However, such information is not publicly open and is used for financial monitoring purposes

<sup>596</sup> Form 5 as amended by the Order of the Ministry of Justice No. 2824/5 "On approval of application forms in the field of state registration of legal entities, individual entrepreneurs and public organizations" of 29 August 2018 as amended by the Order of the Ministry of Justice No. 1716/5 of 19 May 2020, available at: <https://zakon.rada.gov.ua/laws/show/z1500-16/ed20201001#Text>

the Ministry of Finance announced of the active discussion and finalization of its development.<sup>597</sup>

- *The Global Beneficial Ownership Register*

In 2017 Ukraine took an important step towards increasing transparency by joining the Global Beneficial Ownership Register and became the first state that officially announced its readiness to provide beneficial ownership data to the register<sup>598</sup>.

In May 2017, with the aim to establish and develop cooperation on provision of information to the registry, the Ministry of Justice of Ukraine, the State Agency for E-Government, Transparency International Ukraine and the OpenOwnership consortium signed a Memorandum of Understanding.<sup>599</sup> In May 2017, the CMU also amended regulations to provide for free transfer of information on beneficial owners to the Global Register of Beneficiary Owners.<sup>600</sup>

The information on the beneficiary owners of Ukrainian companies contained in the USR is already partially available in the Global Register of Beneficiary Owners<sup>601</sup>, with integration will be required to transfer the information in full. Further data transformation to achieve full compliance with *the Beneficial Ownership Data Standard* is identified within the next steps in the Initiative "Partnership "Open Government" in 2018-2020.<sup>602</sup>

- *The Unified State Register of Electronic Declarations*

Starting 2017, the information about state officials who are beneficial owners (controllers) of the legal entities has become available in the Unified state register of declarations of persons authorized to perform functions of the state or local governments.<sup>603</sup>

In particular, the declarant must provide information on any securities or any other corporate rights, including shares in charter or other equivalent capitals of companies, enterprises, or organizations registered in Ukraine or abroad, as well as separate information on legal entities where the declarant or its family members are beneficial owners.<sup>604</sup>

According to the decision of the Constitutional Court of Ukraine No 13-r/2020 of 27 October 2020,<sup>605</sup> the legal provisions on open round-the-clock access to the Single State Register of

---

<sup>597</sup> Notification on the official website of the Ministry of Finance, available at:

[https://mof.gov.ua/uk/news/v\\_minfini\\_obgovorili\\_vimogi\\_do\\_formi\\_ta\\_zmistu\\_strukturi\\_vlasnosti\\_iuridichnikh\\_osib-2305](https://mof.gov.ua/uk/news/v_minfini_obgovorili_vimogi_do_formi_ta_zmistu_strukturi_vlasnosti_iuridichnikh_osib-2305)

<sup>598</sup> Resolution of the CMU "Some Issues of Providing Information from the United State Register of Legal Entities, Individual Entrepreneurs and Public Organizations" No. 593 dated 8 September 2016 as amended by the Resolution of the CMU No. 339 dated 18 May 2017, available at: <http://zakon.rada.gov.ua/laws/show/593-2016-%D0%BF/ed20170520>. Information at the official web-site of OpenOwnership, available at: <https://www.openownership.org/news/ukraine-becomes-the-first-country-to-integrate-with-openownership/>

<sup>599</sup> Memorandum of Understanding between the Ministry of Justice, the State Agency for E-Government, Transparency International Ukraine, and the OpenOwnership consortium that provided for the transmission of relevant information to the Global Register by the end of 2017, available at: [https://ti-ukraine.org/wp-content/uploads/2017/05/220517\\_memorandum.pdf](https://ti-ukraine.org/wp-content/uploads/2017/05/220517_memorandum.pdf)

<sup>600</sup> Resolution of the CMU No. 593 "Certain Issues of Provision of Information from the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Organizations" of 08 September 2016 No. 593, available at: <https://zakon.rada.gov.ua/laws/show/593-2016-n>

<sup>601</sup> Available at: <https://register.openownership.org>

<sup>602</sup> Information on the implementation of the action plan for the implementation of the Initiative "Partnership "Open Government" in 2018 - 2020 (as of 01.07.2020), available at: <https://www.kmu.gov.ua/storage/app/sites/1/17-civik-2018/partnerstvo/info-ogp-2018-2020-20200701.pdf>

<sup>603</sup> Unified State Register of Electronic Declarations of persons authorized to fulfill functions of the state or local governments, available at: <https://public.nazk.gov.ua>

<sup>604</sup> See paragraph 4, 5, 5-1 of paragraph 1 of Article 46 of the Law of Ukraine "On Prevention of Corruption" No. 1700-VII dated 14 October 2014, available at: <https://zakon.rada.gov.ua/laws/show/1700-18/ed20191225>

<sup>605</sup> <https://zakon.rada.gov.ua/laws/show/v013p710-20#Text>

Declarations were declared unconstitutional. Access to the registry was temporarily suspended. Subsequently, in pursuance of the Ordinance of the Cabinet of Ministers No 1363-r of 29.10.2020,<sup>606</sup> access to the register was restored. Thus, as of the date of this Report, the legal status of the register of declarations is ambiguous.

- *Database of issuers of securities*

The information about the owners of 5 percent or more of the shares in joint stock companies is available in the database of issuers posted on the website of the Agency for Development of Stock Market Infrastructure of Ukraine at <http://smida.gov.ua/db/emitent>.

This database contains, among others, information on stock exchanges on which the shares of all issuers registered in Ukraine are placed. In addition, a list of all stock exchanges registered in Ukraine is available on the official website of the National Commission on Securities and Stock Market.<sup>607</sup>

---

<sup>606</sup> Ordinance of the Cabinet of Ministers of Ukraine "Some issues of operations of the National Agency for the Prevention of Corruption" No. 1363-r of 29 October 2020, available at: <https://www.kmu.gov.ua/npas/deyaki-pitannya-diyalnosti-nacionalnogo-agentstva-z-pitan-zapobigannya-korupciyi-i291020-1363>

<sup>607</sup> Available at: <https://www.nssmc.gov.ua/register/litsenzuvannia-ta-reestratsiia/stock-exchanges/>.

## 6.6.4. The contracts in the extractive industries

### *a. Legislation on disclosure of contracts in the extractive industries*

Starting 2016, the Geology Service is obliged to publish both the issued licenses and the relevant agreements on conditions for subsoil use, that are an integral part of such licenses. The Geology Service published 142 agreements that relate to 2018. Three more agreements concluded in 2018 were published during 2019-2020 (for more details, see **Section 6.6.1. "Registry of licenses"** of the Report).<sup>608</sup>

According to the Law of Ukraine "On the Transparency of the Use of Public Funds"<sup>609</sup>, the administrators and recipients of state and local public funds, as well as state- and municipally-owned enterprises are required to disclose information on the agreements concluded within the reporting period.<sup>610</sup> However, the published information does not include the text of the agreements.

Moreover, the EITI Law was adopted in 2018, providing for the mandatory disclosure of "essential" terms<sup>611</sup> and extracts from the agreements related to mineral extraction, such as agreements on conditions for subsoil use, PSAs, joint venture agreements and other agreements which envisage project activity. The EITI Law does not provide explicit disclosure requirements for such information on the agreements concluded or amended before the law entered into force (i.e., before 16 November 2018).

The Draft Law No. 3790, dated 3 July 2020, aims to align the EITI Law with the updated EITI Standard. It provides for the disclosure of information on the abovementioned agreements and the texts of the agreements themselves concluded since 1 January 2021 as well as amendments to them.<sup>612</sup>

### *b. Subsoil use agreement*

The basic contractual document defining the terms and conditions of subsoil use is an agreement on the terms and conditions of subsoil use.

The agreement is concluded between the Geology Service and the license holder and is considered an integral part of the latter in accordance with the Procedure for granting licenses and the Law of Ukraine on Oil and Gas.<sup>613</sup> The agreement should contain provisions on technical, technological, organizational, financial, economic, social, and environmental

---

<sup>608</sup> See official website of the Geology Service, available at: <http://www.geo.gov.ua/vidani-specialni-dozvoli-na-koristuvannya-nadrami-z-ugodami-pro-umovi-koristuvannya-nadrami/>

<sup>609</sup> The Law of Ukraine "On the Transparency of the Use of Public Funds" No. 183-VIII dated 11 February 2015, available at: <http://zakon.rada.gov.ua/laws/show/183-19>

<sup>610</sup> See the website of the Public Fund's Single Web Portal, available at: <https://spending.gov.ua/web/quest>

<sup>611</sup> According to the EITI Law, the essential terms of subsoil use agreements include the following: (1) the name of the agreement, its number, date of conclusion, name of the parties; (2) the date of entry into force and duration of the agreement; (3) the subject of the agreement; (4) the rights and obligations of the parties regarding the use of subsoil, other rights on natural resources; (5) guarantees of stability of legislation (if any); (6) conditions regarding the peculiarities of making payments; (7) operational commitments, including programs of works; (8) commitments on environmental measures; (9) requirements for safety and labor protection of employees and involved contractors and their employees; (10) social obligations, including provisions on participation in local infrastructure development and provisions on the use of works, goods and services performed, supplied or provided by business entities that are registered within the territorial community on the territory of which the activities in the extractive industries are carried out, requirements for holding public hearings

<sup>612</sup> The Draft Law "On Amendments to Certain Legislative Acts of Ukraine on Ensuring Transparency in Extractive Industries" No. 3790 dated 3 July 2020, available at: [http://w1.c1.rada.gov.ua/pls/zweb2/webproc4\\_1?pf3511=69368](http://w1.c1.rada.gov.ua/pls/zweb2/webproc4_1?pf3511=69368)

<sup>613</sup> Article 28 of the Law on Oil and Gas

obligations of the parties as well as the procedure that would govern the relations between them in the process of subsoil use on the block granted by the license.

The essential terms of the subsoil use agreement are, among others, a program of works to be performed by the license holder, the sources of funding for the works, the provisions on the title to geological information obtained as a result of subsoil use etc.

The framework agreements on terms and conditions of subsoil use are approved by the Geology Service and published on its official website at <http://www.geo.gov.ua/primirni-ugodi-pro-umovi-koristuvannya-nadrami/>.<sup>614</sup>

Starting 2016, the Geology Service is obliged to publish the concluded subsoil use agreements. Scan copies of a considerable number of licenses and respective subsoil use agreements are available on the official website of the Geology Service. However, as of the date of this Report, 145 licenses granted in 2018 and relevant subsoil use agreements were published, while in total 151 licenses were granted in 2018 (see **Section 6.6.1. "Registry of licenses"** of the Report). Also, particular terms for subsoil use and development of mineral deposits can be found in respective feasibility studies for mineral reserve conditions. However, these materials are not publicly available.

### ***c. Production sharing agreements***

Under the PSA Law, the PSA envisages that the State represented by the CMU assigns an investor to perform prospecting, exploration and production of mineral resources (that may include oil, gas, and condensate) for a specified period, while the investor undertakes the work at its own expense and risk.

The investor is entitled to compensate its PSA-related costs in the form of a portion of the extracted production ("cost recovery production"). The quarterly percentage of cost recovery production may not exceed 70 % of the total amount of production extracted until full reimbursement of the investor's costs. The rest of the production ("profit production") is shared among the investors and the State in accordance with the terms of the PSA. Until shared, all extracted production is deemed to be owned by the State.

As a rule, a PSA is concluded based on the tender results. At the same time, the legislation also provides for cases when PSAs are concluded without a tender. More detailed information on such cases is provided in this section below.

The agreement may be concluded for up to 50 years with a possible extension at the request of the investor.

**The criteria for PSA conclusion.** According to the Law on PSA, an agreement may be concluded with a party which has the appropriate financial, economic and technical capabilities or the appropriate qualifications for subsoil use.<sup>615</sup> At the same time, the law provides no details on how the presence/absence of the relevant capabilities should be determined and which qualifications are needed to confirm party's compliance with the established criteria.

---

<sup>614</sup> The latest version of template subsoil use agreement was adopted by the Order of the Geology Service No. 182 dated 09 July 2019

<sup>615</sup> According to Article 4 of the Law on PSA, taking into account the definition of the investor (party to a PSA) in Article 1 of the Law on PSA



Moreover, when the PSA tender is held, the applicant must submit, i.a., information about his own experience in subsoil use to participate in the tender. However, the legislation does not specify the extent of the experience sufficient for tender participation.

**The procedure for concluding a PSA based on the results of the tender.** The tender may be initiated by the investor by applying to the CMU or the Interagency Commission for the organization of the conclusion and implementation of PSA (hereinafter – the Interagency Commission) with a relevant proposal. In this case, the investor shall be notified of the results of consideration of his proposal within three months.

A tender for the conclusion of PSA shall be conducted if at least one of the following conditions is met:<sup>616</sup>

- ▶ Further development of mineral deposits is unprofitable for subsoil users and the state due to objective factors.
- ▶ Lack of state funding and technical capabilities for the development of new large mineral deposits, which development ensures the overall level of mining in Ukraine, required for the social development and economic security of Ukraine.
- ▶ The need to prevent losses of fuel, energy and mineral resources in the subsoil.
- ▶ The need to provide the regions with their own fuel and energy raw materials, creation of new jobs in areas where employment is low.
- ▶ The need to introduce innovative technologies, advanced technical equipment to ensure effective search, exploration and development of promising unexplored mineral deposits.
- ▶ The need to develop mineral deposits, where the development is carried out in particularly difficult conditions, and so on.

The tender shall be conducted based on the CMU's decision, based on the Interagency Commission's submission, which indicates the basic information about the tender (for example, the term and procedure of the tender, subsoil area for which the PSA tender is announced, the minimum amount of investment, the application deadline, the list of the tender documentation, the exhaustive list of materials (documents) and the information which should be submitted by the tender participants). Also, the decision shall specify all essential terms of the state regarding conditions and performance of works specified in the PSA.

The Interagency Commission shall publish the announcement of the tender in the official Ukrainian printed media and exercise other powers to organize the tender (for example, accept applications for participation in the tender) within two months after making the decision.

A bidder should submit an application within the period established by the CMU's decision on holding the tender, if he wishes to take part.<sup>617</sup>

---

<sup>616</sup> Part 2 of Article 6 of the Law on PSA

<sup>617</sup> The application shall include, inter alia, brief information about the applicant's experience in the field of subsoil use, as well as information about the technical and financial capabilities to perform the work and the technologies that will be applied in subsoil use, the work plan in the subsoil area, the size and types of investment, additional proposals for fulfilling the conditions of the tender, etc.



The participation in the tender requires payment of the fee, its amount and the relevant procedure shall be stipulated in the CMU's decision on the tender.<sup>618</sup>

All timely applications shall be registered, subsequently considered and evaluated by the Interagency Commission according to the following key criteria:

- ▶ the degree of rationality of the conditions of use of natural resources provided by the work plan for the subsoil area;
- ▶ efficiency of technological solutions for the works;
- ▶ ensuring optimal environmental protection measures;
- ▶ investment attractiveness;
- ▶ adequacy of financial solvency and international experience of the participant to implement the work plan and the investments.<sup>619</sup>

When making a decision, CMU shall take into account proposals of the Interagency Commission on determining the winner of the tender. CMU shall made the decision on the winner within three months from the deadline for submission of bids (application).

The results of the tender shall be published in the official Ukrainian printed media and communicated to each participant of the tender.

**The procedure for concluding a PSA without a tender.** Concluding a PSA without a tender is possible in the following cases:

- ▶ If the subsoil area to be the subject matter of PSA contains insignificant reserves of minerals, which is certified by the opinions of the relevant state bodies – upon decisions of CMU and the local government.
- ▶ If the subsoil user-PSA applicant has a subsoil license and started activities under his license's conditions (regardless of the number of licenses and the subsoil areas) – upon the CMU's decision.<sup>620</sup>

The CMU's decision to conclude a PSA without a tender shall be made based of the subsoil user's application to the Interagency Commission with a proposal to conclude a PSA (bilateral or multilateral) with copies of subsoil licenses and documents confirming its legal status and financial capabilities, as well as based on the proposals of the Interagency Commission on the possibility of concluding a PSA. The relevant decision shall be made within three months from the date of registration by the working body of the Interagency Commission of the subsoil user's application.

As a general rule, the PSA shall be concluded with the winner of the tender/subsoil user within 12 months from the date of publication of the tender results/from the date of the CMU's decision on concluding the PSA without holding the tender.

---

<sup>618</sup> Pursuant to Part 5 of Article 7 of the Law on PSA, the fee for participation in the tender held shall not be refunded to the participants

<sup>619</sup> Part 10 of Article 7 of the Law on PSA

<sup>620</sup> Part 5 of Article 6 of the Law on PSA

The investor shall draft the PSA, except for some cases when Interagency Commission drafts it upon the CMU's decision. The draft PSA was subject to an EIA (before the December changes<sup>621</sup>) and mandatory examination on financial, legal and other issues specified by the Interagency Commission. In addition, the PSA draft shall be agreed on with the local government on which territory the subsoil area transferred for use in accordance with the PSA is located.<sup>622</sup>

The PSA draft shall be endorsed by the parties in terms of essential terms that were not previously taken into account by the participants in the tender and investor proposals. The list of essential terms of PSA is specified in Articles 8 and 9 of the Law on PSA.

The Interagency Commission shall register the initial and the final versions of the PSA. After registration of the final draft, it shall be submitted to the parties to the PSA for signing. The decision to sign the agreement by the state is made by CMU upon the availability of the decision of the Interagency Commission and endorsement by the local government, on which territory the subsoil area transferred for use under the agreement is located.

A license for the purposes of the PSA performance is granted without an auction. The State should facilitate granting the other permits and licenses to PSA investors and their contractors.

The CMU or a central executive body authorized thereby should supervise the implementation of the PSA under the procedure and on the terms specified in the PSA and the PSA Law. At least once every five years the CMU jointly with the central executive body authorized by the CMU should organize and conduct a comprehensive audit of compliance with the conditions stipulated by the PSA.

The state guarantees that the legislation valid at the time of entry into the PSA will apply to investors during the term of the agreement, save for the case when the new legislation reduces or abolishes taxes, simplifies the conduct of business, etc. The stability clause does not apply to changes in laws governing issues of defense, national security, public order, and environmental protection.

**Current PSAs:** there was no activity under PSAs in 2018.

---

<sup>621</sup> In December 2019, the requirement to take an environmental impact assessment for a PSA project was replaced by the obligation to carry out such an assessment for the purpose of performing the planned activities under PSA in cases provided by law. The amendments were made by the Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine on Improving the Legislation on Extraction of Amber and Other Minerals" No. 402-IX of 19 December 2019, available at: <https://zakon.rada.gov.ua/laws/show/402-20/ed20191229#n114>

<sup>622</sup> In December 2019, the requirement to agree on the draft PSA with the relevant local government was eliminated by the Law of Ukraine No. 402-IX of 19 December 2019, available at: <https://zakon.rada.gov.ua/laws/show/402-20/ed20191229#n114>

As of the end of 2018, the information is available on the following PSAs signed between the State of Ukraine represented by the CMU and:

Investor	Block	Signing date
Vanco International Limited	Prykerchenska <sup>623</sup>	19 October 2007
Shell Exploration and Production Ukraine Investments (IV) B.V. (left the project in 2015 <sup>624</sup> ) Nadra Yuzivska LLC	Yuzivska <sup>625</sup>	24 January 2013
Chevron Ukraine B.V. (In 2014 Chevron informed of unilateral termination of the PSA <sup>626</sup> ) Nadra Oleska LLC	Oleska <sup>627</sup>	5 November 2013
ENI Ukraine Shallow Waters B.V. EDF Shallow Waters SAS Vody Ukrainy LLC State Joint-Stock Company Chornomornaftogaz JSC	Abikha, Kavkazka, Mayachna block, structure Subbotina <sup>628</sup>	27 November 2013

After Shell Exploration and Production Ukraine Investments IV B.V. had left the project on the shale block of Yuzivska in 2015, a new tender for investors was announced. In 2016, Yuzgaz B.V. was announced as the winner.<sup>629</sup> However, the CMU refused to approve the transfer of the participation share in the PSA.<sup>630</sup> Yuzgaz B.V. challenged the decision of the CMU through court proceedings and the courts declared the Resolution of the CMU unlawful<sup>631</sup>. In December 2018, the CMU approved a transfer of 90% share of participation in the PSA in favor of Yuzgaz B.V.<sup>632</sup> In December 2020, the CMU decided an acquisition of 100% of the share capital of Nadra Yuzivska LLC, owned by NJSC Nadra of Ukraine (99%) and its subsidiary - Ukrainian Geological Research and Production Center (1%), by NJSC Naftogaz of Ukraine.<sup>633</sup> To complete the acquisition, it is necessary to obtain a permit for concentration from the Antimonopoly Committee of Ukraine.

<sup>623</sup> For more details on signing the PSA, see the link: <http://tsn.ua/groshi/kabmin-domovivsyia-pro-rozrobku-shelfu.html>

<sup>624</sup> <http://ua.interfax.com.ua/news/general/299606.html>

<sup>625</sup> For more details on signing the PSA, see the link: <http://zakon2.rada.gov.ua/laws/show/576-2013-%D1%80>

<sup>626</sup> <http://ua.korrespondent.net/business/economics/3456069-Chevron-vidmovylasia-vid-proektu-z-osvoiennia-oleskoi-ploschi-zmi>

<sup>627</sup> For more details on signing the PSA, see the link:

[http://www.kmu.gov.ua/control/uk/publish/article?art\\_id=246879555&cat\\_id=244276429](http://www.kmu.gov.ua/control/uk/publish/article?art_id=246879555&cat_id=244276429)

<sup>628</sup> For more information on signing the JAA, see:

[http://www.kmu.gov.ua/control/uk/publish/article?art\\_id=246879555&cat\\_id=244276429](http://www.kmu.gov.ua/control/uk/publish/article?art_id=246879555&cat_id=244276429)

<sup>629</sup> See <http://nadraukrayny.com.ua/?p=681>.

<sup>630</sup> See <http://ua.interfax.com.ua/news/general/381004.html>

<sup>631</sup> Ruling of the Higher Administrative Court of Ukraine dated 04 July 2017, available at:

<http://www.reyestr.court.gov.ua/Review/67684356>

<sup>632</sup> The Resolution of the CMU "The issue of transferring rights and obligations of the investor under the Production Sharing Agreement" No. 1089-p dated 18 December 2018, available at: <https://zakon.rada.gov.ua/laws/show/1089-2018-%D1%80>

<sup>633</sup> Order of the CMU "On some issues of acquisition of the share of corporate rights by the joint-stock company NJSC Naftogaz of Ukraine" dated 16 December No. 1574-r, available at: <https://zakon.rada.gov.ua/laws/show/1574-2020-%D1%80#Text>

**New PSA tenders:** In February 2019, the CMU announced PSA tenders for 9 sites.<sup>634</sup> In July 2019, the following winners were awarded: WELL KO LLC, Oil & Gas overseas trading B. V. and Oil and Gas Exploitation LLC, Ukrainian Energy LLC, Geo Alliance Partnership LLC and Geo Alliance Partnership B.V., Vydobuvna kompaniia Ukrnaftoburinnia PrJSC, Ukgazvydobuvannya JSC, and Vermilion Ukraine Exploration B. V.<sup>635</sup> On 23 October 2020, negotiations and work on the preparation of the texts of the relevant PSAs are still ongoing.<sup>636</sup>

On March 6, 2019, a tender was announced for the conclusion of a PSA for the Dolphin site.<sup>637</sup> The Interagency commission awarded *Trident Black Sea*, however in September 2019, the Cabinet of Ministers revoked the tender before the *Trident Black Sea* was announced the winner.<sup>638</sup> According to the public sources, on 26 February 2020 the Geology Service announced the restart of the tender for the Dolphin site.<sup>639</sup>

In August 2019, 3 additional tenders for PSAs were announced.<sup>640</sup> The winners of the tenders are York Energy (UK) Holdings Limited, as well as EP Ukraine B.V. - for 2 sites.<sup>641</sup>

**Publication of PSA.** The list of essential conditions of PSA is stipulated by Articles 8 and 9 of the Law on PSA. At the same time, as of 2018, the law does not require disclosing the content of the PSA, and the texts of the concluded PSAs are not freely available. When requested by non-governmental organizations to provide the text of such agreements for review, public authorities reply that the information about the agreement cannot be disclosed because it is

<sup>634</sup> Pursuant to the Resolution of the CMU of 18 December 2018

No. 1179, available at: <https://zakon.rada.gov.ua/laws/show/1179-2018-%D0%BF>,

No. 1180, available at: <https://zakon.rada.gov.ua/laws/show/1180-2018-n>,

No. 1182, available at: <https://zakon.rada.gov.ua/laws/show/1182-2018-%D0%BF>,

No. 1183, available at: <https://zakon.rada.gov.ua/laws/show/1183-2018-%D0%BF>,

No. 1184, available at: <https://zakon.rada.gov.ua/laws/show/1184-2018-%D0%BF>,

No. 1186, available at: <https://zakon.rada.gov.ua/laws/show/1186-2018-%D0%BF>,

No. 1187, available at: <https://zakon.rada.gov.ua/laws/show/1187-2018-%D0%BF>,

No. 1188, available at: <https://zakon.rada.gov.ua/laws/show/1188-2018-%D0%BF>,

No. 1189, available at: <https://zakon.rada.gov.ua/laws/show/1189-2018-%D0%BF>, to carry out tenders for conclusion of PSAs

with regard to Varvinska, Rusanivska, Buzivska, Zinkivska, Ivanivska, Balakliiska, Sofiivska, Berestyanska, Ugnivska fields, the Ministry of Energy and Coal Industry published respective tender announcements in the official Ukrainian gazette, available at:

[http://mpe.kmu.gov.ua/minugol/control/uk/publish/article?art\\_id=245343998&cat\\_id=193804&fbclid=IwAR0w3R6K7rRvZyO-a6ucrp8J4us7W37qaT1Ux-JVAfFuQGjt2pwDuhOAm1U](http://mpe.kmu.gov.ua/minugol/control/uk/publish/article?art_id=245343998&cat_id=193804&fbclid=IwAR0w3R6K7rRvZyO-a6ucrp8J4us7W37qaT1Ux-JVAfFuQGjt2pwDuhOAm1U)

<sup>635</sup> Resolution of the CMU "On Determining the Winners of Tenders for the Conclusion of Hydrocarbon Sharing Agreements" No. 507-r of 05 July 2019, available at:

<https://www.kmu.gov.ua/ua/npsa/pro-viznachennya-peremozhciv-konkursiv-na-ukladennya-ugod-pro-rozpodil-vuglevodni-m-050719>

<sup>636</sup> Information from official web-site of the Ministry of Energy and Coal Industry, available at:

[http://mpe.kmu.gov.ua/minugol/control/publish/article?art\\_id=245483553](http://mpe.kmu.gov.ua/minugol/control/publish/article?art_id=245483553)

<sup>637</sup> The CMU Resolution "On holding a tender for the conclusion of an agreement on the distribution of hydrocarbons to be extracted within the Dolphin site" No. 271 of 6 March 2019, available at <https://zakon.rada.gov.ua/laws/show/271-2019-%D0%BF/ed20191008#Text>. The resolution also contains a reference to another CMU Resolution, which canceled the tender

<sup>638</sup> The information about the winner of the tender is available at: <https://expro.com.ua/novini/mjvdomcha-komsya-pdtrimala-zayavku-trident-black-sea-na-dlyanku-shelfu-delfn>, <https://expro.com.ua/novini/mjvdomcha-komsya-pdtrimala-zayavku-trident-black-sea-na-dlyanku-shelfu-delfn>

<sup>639</sup> The information from the official website of the Geology Service, available at: <https://www.geo.gov.ua/derzhgeonadra-anonsuvali-perezapusk-konkursu-po-dilyanci-delfin/?hilite=%27%D0%B4%D0%B5%D0%BB%D1%8C%D1%84%D1%96%D0%BD%27>

<sup>640</sup> In pursuance of the CMU resolutions of 18 December 2018 No. 1178 available at

<https://zakon.rada.gov.ua/laws/show/1178-2018-n>, No. 1181, available at <https://zakon.rada.gov.ua/laws/show/1181-2018-n>, No. 1185, available at:

<https://zakon.rada.gov.ua/laws/show/1185-2018-n> on holding tenders for concluding agreements on distribution of hydrocarbons to be extracted within the Ichnia, Okhtyrka, and Grunivtsi sites the Ministry of Energy and Coal Industry placed announcements on the tenders in the Ukrainian official printed media - the newspaper *Governmental Courier*, available at: [http://mpe.kmu.gov.ua/minugol/control/publish/article?art\\_id=245388585](http://mpe.kmu.gov.ua/minugol/control/publish/article?art_id=245388585)

<sup>641</sup> According to the Ordinance of the Cabinet of Ministers "On awarding the winners of tenders for the conclusion of hydrocarbons distribution agreements" dated 29 April 2020 No. 484-p, available at: <https://zakon.rada.gov.ua/laws/show/484-2020-%D1%80#Text>

confidential and official.<sup>642</sup> As of the date of this Report, the Committee for Compliance with the Aarhus Convention is considering the appeal of public interest environmental law organization *Environment People Law* about preventing the public from exercising the right to access environmental information due to non-disclosure of the PSA of Yuzivska and Oleska areas in 2013.<sup>643</sup>

**The fiscal regime for PSAs:** A PSA is taxed according to the special rules set by the Tax Code and the agreement itself. During the term of the PSA, almost all the taxes that the investor is subject to (other than CIT, VAT, and production royalty) are replaced with the distribution of products. The investors are also required to withhold/charge and pay PIT and the USC of the wages and other payments to their employees and to pay fees and duties for the services provided by the state bodies. The Tax Code provides for a number of tax and regulatory benefits for investors under PSAs. The state guarantees that investor's rights and obligations in fulfilling certain PSA tax obligations will be determined by the legislation in force at the time of concluding such PSA (except for legislation that abolishes taxes/fees or reduces their size).

In addition, as of the date of this EITI Report, two draft laws have been registered in the Parliament, which provide additional benefits for PSA investors with significant investments and regulate the peculiarities of accounting for PSA transactions.<sup>644</sup>

## 6.6.5. Other contracts in extractive industries

### 1. Joint activity agreements

An extractive company holding a license may enter into joint activity agreements (JAAs) with other companies.

The JAA does not give rise to the right to use the subsoil but only governs the civil relations between the parties to such JAA.

Under JAAs, parties operate jointly without setting up a separate legal entity to attain a certain goal. The terms of JAAs, including the coordination of the joint activities of the participants or the performance of their joint activities, the legal status of assets contributed to the joint activity, the coverage of expenses and losses of the parties, sharing of profits of joint activity, and other conditions are negotiated by the parties.<sup>645</sup> The Ukrainian legislation does not contain any specific requirements for JAAs in the field of subsoil use, except for the prohibition to contribute licenses to the joint activity.<sup>646</sup>

---

<sup>642</sup> The appeals and responses by the state bodies to them are available at:

[https://www.unece.org/fileadmin/DAM/env/pp/compliance/C2015-118\\_Ukraine/Add.1-23.pdf](https://www.unece.org/fileadmin/DAM/env/pp/compliance/C2015-118_Ukraine/Add.1-23.pdf)

<sup>643</sup> The case materials are available at: <http://www.unece.org/environmental-policy/conventions/public-participation/aarhus-convention/tfwg/envppcc/envpppubcom/acc2014118-ukraine.html>

<sup>644</sup> Draft Law "On amending Section XX "Transitional Provisions" of the Tax Code of Ukraine on peculiarities of taxation of business entities implementing investment projects with significant investments" No. 3761 dated 1 July 2020, available at: [http://w1.c1.rada.gov.ua/pls/zweb2/webproc4\\_2?id=&pf3516=3761&skl=10](http://w1.c1.rada.gov.ua/pls/zweb2/webproc4_2?id=&pf3516=3761&skl=10); Draft Law "On amending Tax Code of Ukraine to improve taxation of investors under production sharing agreements" No. 3791 dated 3 July 2020, available at: [http://w1.c1.rada.gov.ua/pls/zweb2/webproc4\\_1?pf3511=69369](http://w1.c1.rada.gov.ua/pls/zweb2/webproc4_1?pf3511=69369).

<sup>645</sup> Chapter 77 of the Civil Code of Ukraine No. 435-IV dated 16 January 2003, available at: <http://zakon.rada.gov.ua/laws/show/435-15/ed20171215#n5314>

<sup>646</sup> Paragraph 9 of Article 16 of the Subsoil Code of Ukraine

**Conclusion of Joint Operating Agreement (JOA).** The conclusion of a JOA with state-owned enterprises and companies, the state's share in the capital of which exceeds 50%, requires the approval of the Cabinet of Ministers. The procedure for concluding a JOA is as follows:

- ▶ The enterprise shall apply to the governing body whose management sphere it belongs to.
- ▶ Within a month from the date of receipt of the relevant application, the governing body shall prepare a draft decision of the Cabinet of Ministers of Ukraine in coordination with the Ministry of Economy, the Ministry of Finance, the State Property Fund of Ukraine, and the Ministry of Justice of Ukraine.
- ▶ This draft decision shall specify the essential terms of the contract, which is proposed to agree, namely: in terms of ensuring increased efficiency of use of state property, protection of property interests of the state, preventing the alienation of state property, etc.<sup>647</sup>
- ▶ After the CMU approves the draft decision submitted by the governing body, the parties may enter into a JOA on the terms established in the process of interagency endorsement.

State authorities managing the companies in question should provide the Ministry of Economy with the information about the JAAs performance progress on a quarterly basis. The Ministry of Economy summarizes the information and submits its opinions and proposals to the CMU.<sup>648</sup>

**Publication of JOA.** The law does not require the publication of signed JOAs, and their texts are not freely available. At the same time, according to the Law of Ukraine "On Ensuring Transparency in Extracting industries", the Ministry of Energy shall publish information on the essential conditions of the JOA along with extracts from such agreements on its official website.<sup>649</sup> In addition, the payments to the benefit of the state in course of implementation of the JOA shall be reported by all extractive industry companies that are parties to JOA.<sup>650</sup>

Information regarding JAAs active in 2018, please see **Section 5.2.1** of this Report.

**The fiscal regime.** For VAT purposes, two or more persons engaged in joint activities without establishing a legal entity are deemed separate taxpayers. Economic relations between the parties to the joint activity are deemed equal to the relations based on individual civil contracts.

Accounting of results of joint activity is done by a taxpayer (a resident or a permanent establishment of a non-resident) authorized to do so by other parties under the terms of the JAA and should be ring-fenced from accounting of other activities of such taxpayer. The authorized taxpayer is responsible for the administration of VAT and production royalty under the JAA.<sup>651</sup> Ring-fenced CIT accounting and administration of JAA is not carried out and each of the participants in the JAA must keep its own CIT accounting and administration.

---

<sup>647</sup> Paragraph 3 of the Procedure for concluding by state enterprises, institutions, organizations, as well as business companies with more than 50 percent of the state's share in their authorized capital, joint operating agreements, commission, power of attorney and property management agreements, approved by CMU Resolution No. 296 of 11 April .2012, available at: <http://zakon.rada.gov.ua/laws/show/296-2012-%D0%BF>

<sup>648</sup> Paragraph 3 of the Resolution of the CMU "On approval of the Procedure for state enterprises, institutions, organizations and commercial companies, whose authorized capital includes more 50 percent of the state share to enter the cooperation agreements, commission agreements, agency and property management agreements" No. 296 dated 11 April 2012, available at: <http://zakon0.rada.gov.ua/laws/show/296-2012-%D0%BF>

<sup>649</sup> Paragraph 3 of Part 1 Article 5, Part 2 Article 11 of the Law on EITI

<sup>650</sup> Part 4 of Article 6 of the Law on EITI

<sup>651</sup> Sections II, III, V, XI of the Tax Code of Ukraine



## 2. Concession contracts for state and municipal property

The concession is a special form of a public-private partnership.<sup>652</sup> Under the concession contract, state authorities or local governments may grant certain mining facilities (e.g., ore enriching plants) into operation to private parties. Such private parties (concessionaires) thus will get the right to operate such facilities (particularly, for production of minerals), earn profits and obtain products received as a result of performance of such contract.

While the concession contract does not give the right to subsoil use, it is still directly related to extractive activities. Under a concession contract, a concessionaire should carry on the activities strictly specified therein and use the conceded facilities solely for its designated purpose (i.e., for extractive activities), while the facility owner (concessor) can inspect if the concessionaire complies with these and other contract terms, and terminate it should the concessionaire violate any of them.

**Legal framework for conclusion of concession contracts.** In 2018 the concession was governed by the Law of Ukraine "On Concessions".<sup>653</sup> More specific regulations of lease and concession of state-owned facilities related to production and processing of coal and brown coal are provided for in the Law of Ukraine "On Peculiarities of Lease or Concession of State-Owned Fuel and Energy Industry Objects".<sup>654</sup> On 20 October 2019, the new Law of Ukraine "On Concession" entered into force<sup>655</sup>, the provisions of which do not apply to the projects on prospecting, exploration and extraction of mineral resources<sup>656</sup> and exclude special rules regarding concession in fuel and energy industry from the above law.

**The procedure for conclusion of concession contracts in extractive industries before the entry into force of the new Law of Ukraine "On Concessions".** The first step is the CMU approval of the list of particular state-owned facilities that may be provided into concession, upon the recommendation of the relevant central executive body. The list of municipally owned facilities that may be granted into concession should be approved by the relevant local authorities at their plenary sessions only.

The list of state enterprises that may be transferred into concession was adopted by the CMU in 2017 as part of SOE corporate governance reform.<sup>657</sup> The Ministry of Economy has published on its official website the specified list (as amended in 2017-2018), among which there are no enterprises related to the extractive industries.<sup>658</sup>

---

<sup>652</sup> Article 5 of the Law of Ukraine "On Public Private Partnership" No. 2404-VI dated 1 July 2010, available at: <https://zakon.rada.gov.ua/laws/show/2404-17/ed20191020#Text>

<sup>653</sup> The Law of Ukraine "On Concessions" No. 997-XIV dated 16 July 1999, available at: <https://zakon.rada.gov.ua/laws/show/997-14/ed20191020#Text>

<sup>654</sup> The Law of Ukraine "On Peculiarities of Lease or Concession of Fuel and Energy Industry Objects" No. 2269-XII dated 10 April 1992, available at: <http://zakon0.rada.gov.ua/laws/show/3687-17>.

<sup>655</sup> Law of Ukraine "On Concession" No. 155-IX dated 03 October 2019, available at: <https://zakon.rada.gov.ua/laws/show/155-20>

<sup>656</sup> Paragraph 6 of the Article 2 of the Law of Ukraine "On Concession" No. 155-IX dated 03 October 2019, available at: <https://zakon.rada.gov.ua/laws/show/155-20>.

<sup>657</sup> Publication at the CMU's website related to strategic vision of SOE corporate governance, available at: <https://www.kmu.gov.ua/ua/news/250107939>. All lists of state-owned enterprises is available at: <http://www.me.gov.ua/Documents/MoreDetails?lang=uk-UA&id=f9b47f2c-50ae-41b3-abea-117ff9c4fab8&title=PrezentatsiiniMateriali>.

<sup>658</sup> The list of state-owned entities that may be transferred into concession in 2018 is available at: <https://www.me.gov.ua/Documents/Detail?lang=uk-UA&id=f9b47f2c-50ae-41b3-abea-117ff9c4fab8&title=PrezentatsiiniMateriali>.

The decision on granting a concession of a state-owned facility based on the tender should be adopted by the CMU or its authorized executive body. The decision on the feasibility of granting the fuel and energy facility into concession should be approved by the Ministry of Energy, after which organizational and technical preparation of the facility for transfer is conducted.

The tender procedure for the right to obtain the facility into concession is organized and carried out by the authorized body of the CMU or local authority (hereinafter - the "authorized body") and in the case of granting the fuel and energy facility into concession by the Ministry of Energy.

The authorized body shall announce a concession tender and publish information about it in the official Ukrainian printed media or in the relevant printed media of the local self-government body. The announcement of the tender for the fuel and energy complex facility can be published on the official website of the Ministry of Energy. These announcements shall include the following information: the object of the concession, the amount of the registration fee, the term of the concession, the deadline for submission of applications for participation in the concession tender, etc.

The bidder seeking to participate in the tender shall submit an application within 60 (30 - for the fuel and energy complex facility) calendar days from the date of announcement of the tender.

The application should contain information on the applicant's compliance with the established technical and financial criteria. The application should indicate, inter alia, the following:

- ▶ The data confirming the capability of the bidder to ensure adequate financing of its concession activities (to confirm this capability, the bidder - a resident of Ukraine shall submit a balance sheet, a statement on financial results and their use, a statement on financial and property status of the company, and a breakdown of receivables and payables indicating the date of their occurrence<sup>659</sup>);
- ▶ The information on the availability of the expertise and the capacity to arrange technological and organizational support for such activities. At the same time, the law does not specify the required expertise and how the capacity to ensure the specified concession activity shall be determined;
- ▶ In order to participate in the tender for the fuel and energy complex facility, the information confirming compliance with the qualification requirements specified in the tender announcement shall be also included. The law does not contain any indicative list of qualification requirements to the applicants;

As a general rule, the applicant is not allowed to participate in the tender if he fails to include all necessary information in his application, if the information submitted is incomplete or false.<sup>660</sup> However, if the applicant submitted an application for a tender for a fuel and energy complex facility, his application in such cases may be rejected with the possibility of its re-

---

<sup>659</sup> Paragraph 24 of the Regulation "On conducting a concession tender and concluding concession agreements on objects of state and communal property that are granted for concession", approved by the Resolution of the Cabinet of Ministers of Ukraine No. 642 of April 12, 2000, available at: <https://zakon.rada.gov.ua/laws/show/642-2000-%D0%BF#Text>. The resolution was terminated by the CMU Resolution No. 1047 of 04 December 2019, available at: <https://zakon.rada.gov.ua/laws/show/1047-2019-%D0%BF#Text>

<sup>660</sup> According to Part 2 of Article 7 of the Law on Concessions



submission within the prescribed period in case of elimination of the relevant circumstances that led to the rejection.

Also, the applicant for registration for participation in the tender shall pay a registration fee in the amount specified in the call for bids. The amount of the registration fee can be from 1 to 10 non-taxable minimum incomes, and for fuel and energy facilities - from 1 to 1,000 non-taxable minimum incomes.<sup>661</sup> The registration fee is non-refundable. The availability of fee payment certificate is the basis for providing the applicant with tender documents.

The tender commission, established by the authorized body, shall consider the submitted applications, documents and materials with proposals on the terms of the concession and prepare opinion on determining the winner. The concession tender shall be awarded to the applicant who offered the best conditions for the concession.

As a general rule, the main criteria for determining the winner of the concession tender, among others, include the following:

- ▶ the most beneficial and reliable project financing arrangement (at the concession facility construction or reconstruction stages);
- ▶ the amount of concession facility maintenance cost, which provides for optimal profitability from the operation of the concession facility, its sustainability;
- ▶ the shortest concession facility recoupment time;
- ▶ the shortest construction or reconstruction concession facility time;
- ▶ the best conditions for using the concession facility for the purposes of providing services to meet public needs;
- ▶ maximum possible use of employees that are Ukrainian citizens in concession activities.<sup>662</sup>

Instead, when conducting a tender for a fuel and energy complex facility, the tender commission shall consider the following criteria: the amount of the concession fee, the investment project performance indicators, including the amount of the investment, technological process upgrading and production development program, the extent of social guarantees.<sup>663</sup>

The conclusions of the tender commission shall be submitted to the authorized body, which based on the results of their consideration, decides on the winner of the concession tender with whom the concession agreement shall be concluded within 3 months from the date of publication of the tender results.<sup>664</sup>

If after the call for bids, only one applicant has applied, the concession agreement may be concluded by the authorized body with such applicant by agreeing on the essential terms of the

---

<sup>661</sup> According to Part 3 of Article 7 of the Law on Concessions and Part 1 of Article 8 of the Law of Ukraine "On Peculiarities of Lease or Concession of State-Owned Fuel and Energy Complex Facilities"

<sup>662</sup> Paragraph 32 of the Regulation "On conducting a concession tender and concluding concession agreements on objects of state and communal property that are granted for concession", approved by the CMU Resolution No. 642 of 12 April 2000, available at: <https://zakon.rada.gov.ua/laws/show/642-2000-%D0%BF#Text>. The resolution was terminated by the CMU Resolution No. 1047 of 04.12.2019, available at: <https://zakon.rada.gov.ua/laws/show/1047-2019-%D0%BF#Text>

<sup>663</sup> According to Part 12 of Article 8 of the Law of Ukraine "On Peculiarities of Lease or Concession of State-Owned Fuel and Energy Complex Facilities"

<sup>664</sup> According to Part 6 of Article 8 of the Law on Concessions

agreement with him. The list of essential conditions of the concession agreement is determined by Article 10 of the Law on Concession, and with regard to the fuel and energy complex facility - also by Article 9 of the Law on Peculiarities of Lease or Concession of State-Owned Fuel and Energy Facilities.

The concession agreement shall be concluded for the term specified in the agreement, which shall be not less than 10 years and not more than 50 years. After a concession agreement is concluded, it shall be registered.

The extractive companies that received an integral property complex under the concession contract may enjoy a simplified procedure for obtaining various permits. A similar simplified procedure also applies to the cases where there are lease contracts for the IPGs of state coal mining companies.

The concessionaire should record the facilities received into concession on its balance sheet indicating that such property is received in concession. Granting facilities into concession does not involve transfer of ownership over the facility to the concessionaire and does not terminate the right of state or municipal ownership to such facilities.

Concession fees are recorded to the state or local government revenue. The amounts of concession fees are set according to the Methodology for calculation of concession fees determined by the CMU.<sup>665</sup>

In 2018, the law did not require to disclose the contents and conditions of concession contracts, so the texts of concession contracts were not publicly available. As well as for the JAA, the information on the essential terms of these agreements, together with extracts from them is subject to disclosure in accordance with the new EITI Law. The Register of concession contracts maintained by the State Property Fund is accessible at <http://www.spfu.gov.ua/ua/content/spf-rent-concessions/> and contains information on the following contracts in the coal industry:

**Table 6.3: The valid concession contracts in the extractive industries (as of the end of 2018)**

Registration date	Registration No	Concessor	Concessionaire	Property granted into concession and its location	Concession fee	Duration of the concession contract
8 February 2012	006	the Ministry of Energy	DTEK Rovenkyanthracite LLC	IPG SC Rovenkyantratsyt	17082812 - for 1 <sup>st</sup> quarter	From 30 December 2011 for 49 years
8 February 2012	007	the Ministry of Energy	DTEK Sverdlovanthracite LLC	IPG SC Sverdlovantratsyt	13058227 - for 1 <sup>st</sup> quarter	From 30 December 2011 for 49 years
5 June 2012	008	the Ministry of Energy	DV naftogazovydobuvna kompaniia LLC	IPG SC Teploelektrotsentral - Eskhar	819340,30 - for 1 <sup>st</sup> quarter	From 20 April 2012 for 49 years till 19 April 2061

<sup>665</sup> Methodology for calculation of concession fees, determined by the CMU No. 639 dated 12 April 2000, available at: <http://zakon0.rada.gov.ua/laws/show/639-2000-%D0%BF>. The Resolution was abolished by the Resolution of the CMU "On approval of the Methodology for calculating concession payments" No. 706 dated 12 August 2020, available at: <https://zakon.rada.gov.ua/laws/show/706-2020-%D0%BF#n56>.

According to the new Law of Ukraine "On Concessions", the authority to maintain the Register of concession contracts was transferred to the Ministry of Economy, after which the concession contracts ceased to be publicly available. On 27 May 2020, the CMU adopted a Resolution<sup>666</sup> by which the Register of concession contracts was removed from the list of data sets to be disclosed in the form of open data.

### **Fiscal regime**

The legislation does not provide for any special tax regime for concession contracts where state or municipal property is granted in concession (with certain exceptions). A concessionaire should record the assets received into concession on its balance sheet and operate them on its own, pay all the taxes and levies, applicable under the law.

The lease or concession fees where an IPG of the state or municipal enterprise (or their divisions) is leased or granted into concession are VAT exempt.<sup>667</sup>

### **6.6.6. Use of local component in extractive industries**

The Ukrainian legislation does not require the use of a local content as a prerequisite for granting a license. However, as it follows from sample texts, subsoil use agreements oblige a subsoil user to use predominantly Ukrainian goods and services, in so far as their price and quality, as compared to international prices and quality, are technically, technologically, and economically practicable, and would not impair production or environmental safety.

The PSA Law additionally stipulates that a PSA should include the investor's obligations to:

- ▶ Give preferences to products, goods, works, services, and other material valuables of Ukrainian origin, other conditions (pricing, performance, quality, and conformity with international standards) being equal;
- ▶ Ensure the preferential employment (recruitment) of Ukrainian citizens to work in the territory of Ukraine for the purposes specified in the PSA, and arranging for their training as indicated in the agreement.

Under the Law of Ukraine "On Concessions", the concessionaire is obliged (i) to use domestically produced technologies, materials, equipment production at the facility granted in concession, unless otherwise is provided by the agreement, (ii) to conclude employment agreements (contracts) in accordance with the law, mostly with employees - citizens of Ukraine.

As of the end of 2018, Ukrainian laws did not impose any obligations on the companies or state authorities to disclose the information related to the local component as a mandatory provision of the relevant agreement, and such information is not publicly available.

At the same time, by virtue of the EITI Law adopted in 2018, the Ministry of Energy will be obliged to publish on its official website information on the essential terms and conditions of subsoil use agreements, PSAs, JAAs, which will include information on social obligations, including the provisions on:

---

<sup>666</sup> Resolution of the CMU "On Amendments to Annex to the Regulations on Data Sets to be Disclosed in the Form of Open Data" No. 405 dated 27 May 2020, available at: <https://zakon.rada.gov.ua/laws/show/405-2020-%D0%BF/ed20200529#n2>.

<sup>667</sup> See Article 196.1.15 of the Tax Code

- ▶ participation in the development of local infrastructure;
- ▶ use of works, goods and services performed, supplied or provided by business entities registered within the territorial community where extracting activities are carried out.

### **6.6.7. Cooperation between extractive companies and local communities**

In accordance with paragraph (a) of Requirement 6.1 of the EITI Standard, where material social expenditures by companies are mandated by law or the contract with the government that governs the extractive investment, implementing countries must disclose these transactions.

The Ukrainian legislation contains no notion of "mandatory social expenditures of extractive companies" and provides no list of cases where such expenditures of extractive companies (other than the payment of a USC) may be mandatory.

The EITI Law adopted in 2018 obliges business entities operating in the extractive industries to disclose information on participation in social projects or programs and the total amount of payments for each social project or program with a separate identification of those implemented in the locations of production facilities.<sup>668</sup> At the same time, the definition of "social project or program" is absent in the Law.

#### ***Partial participation in the development of local infrastructure***

In accordance with the legislation on urban development activities, an individual/entity that intends to develop a land plot in a certain locality and filed a corresponding application, is obliged to participate in the creation and development of engineering, transport, and social infrastructure of the locality (this requirement does not apply, among others, to construction of engineering, transport infrastructure and energy objects).<sup>669</sup>

Such participation takes place by transferring funds from the applicant to the relevant local budget for creation and development of the said infrastructure based on the agreement concluded with the local government. The maximum amount of partial participation in case of construction of non-residential buildings is 10% of their budget cost. However, this requirement applies to all companies, not just mining companies.

In September 2019, the Parliament adopted the law abolishing partial participation contributions as of 2021.<sup>670</sup>

#### ***Financing of social and infrastructure needs by extractive companies***

Extractive companies can enter into agreements with local governments and undertake to finance social or infrastructure needs of the region's community where the extractive activities are carried out.

The procedure for issuance of licenses provides that mining companies must obtain approval

---

<sup>668</sup> Paragraph 1 of the Article 6 of the EITI Law

<sup>669</sup> Article 40 of the Law of Ukraine "On Regulation of Urban Development" No. 3038-VI of 17 February 2011 available at: <http://zakon.rada.gov.ua/laws/show/3038-17/ed20171218#n595>.

<sup>670</sup> The Law of Ukraine "On amendment of certain legislative acts of Ukraine with regard to support of investment activity in Ukraine" No. 132-IX dated 20 September 2019, available at: <https://zakon.rada.gov.ua/laws/show/132-ix>. The transition period provides for decreased maximum amount of participation to 4% for non-residential construction, as well as participation in monetary form only.

of, among others, the local governments, i.e., regional<sup>671</sup>, district, city, rural settlement, village<sup>672</sup> councils (depending on the type of minerals and the purposes of subsoil use). The legislation does not specify the procedure for local governments to follow when considering a request for such approvals. The local governments determine such procedures independently based on the needs of a particular region.

The local governments may:

- ▶ Approve the procedure for considering subsoil use issues in the region at the level of local legislation referring to general norms of local government legislation<sup>673</sup>, for instance:
  - ▶ The Poltava Regional Council approved (and further updated)<sup>674</sup> the procedure for its decision-making when considering license approvals and / or provision (re-issuance) of mining allotments. According to the procedure, agreements with local authorities on funding local community's social facilities (in subsoil area location) and the amount of funding directed to social infrastructure for the preceding and current years are taken into account when deciding on the possibility to provide subsoil into use;
  - ▶ The Chernihiv Regional Council adopted the procedure for approval of requests for subsoil licenses<sup>675</sup>, which entitles the permanent commission of the Regional Council to monitor and oversight the progress in implementation of subsoil users' social agreements. Information on participation in the social and economic development of local communities in previous and current years is included into the list of mandatory information that shall be presented in the application.
- ▶ Make decisions on each of the approvals separately:
  - ▶ The Rivne Regional Council does not specify the approval conditions regarding the provision of subsoil for use in its decisions.<sup>676</sup> At the same time, the Permanent Commission of the Council, which is authorized to advise the Regional Council on approvals, provides business entities with recommendations on conclusion of social agreements on a selective basis.<sup>677</sup>
  - ▶ The Chernihiv Regional Council in its decisions on approving the issuance of licenses for oil and gas production obliged business entities to conclude social and economic agreements with local councils corresponding to the location of respective subsoil,

<sup>671</sup> Subparagraph 2 of paragraph 9 of the Procedure for granting licenses

<sup>672</sup> Subparagraph 3 of paragraph 9 of the Procedure for granting licenses

<sup>673</sup> See, for example, Articles 33, 43, 44 of the Law of Ukraine "On Local Governments in Ukraine" No. 280/97-BP dated 21 May 1997, available at: <http://zakon.rada.gov.ua/laws/show/280/97-%D0%B2%D1%80/ed20171231#n632>

<sup>674</sup> See "The procedure for consideration by the regional council of issues on the use of subsoil in the territory of the Poltava region" adopted by the decision of the nineteenth session of the regional council of the seventh convocation of 12 April 2018, available at: <http://www.oblrada.pl.ua/ses/7/19/717-.pdf>. On 19 October 2018 the procedure has changed, according to the decision of the regional council No. 899, available at: <https://oblrada-pl.gov.ua/uploads/nadra1.pdf>.

<sup>675</sup> Decision of the Chernihiv Oblast Council "On Adoption of the Procedure for Approval of Subsoil Licenses by the Chernihiv Oblast Council" No. 34-12 / VII dated 28 March 2018, available at: [https://chor.gov.ua/images/Razdely/Norm\\_docum/Rishennia/7\\_skiykannia/12\\_sesiya/Dodatok\\_34.pdf](https://chor.gov.ua/images/Razdely/Norm_docum/Rishennia/7_skiykannia/12_sesiya/Dodatok_34.pdf).

<sup>676</sup> Decision of the Rivne Regional Council No. 1482 dated 30 August 2019, available at: <https://ror.gov.ua/rishennya-oblasnoyi-radi-7-sklikannya/1482-pro-pogodzhennya-nadannya-nadr-u-koristuvannya-tovarist>; Decision No. 1483 dated 30 August 2019, available at: <https://ror.gov.ua/rishennya-oblasnoyi-radi-7-sklikannya/1483-pro-pogodzhennya-nadannya-nadr-u-koristuvannya-tovarist>; Decision No. 1484, dated 30 August 2019, available at: <https://ror.gov.ua/rishennya-oblasnoyi-radi-7-sklikannya/1484-pro-pogodzhennya-nadannya-nadr-u-koristuvannya-derzhavn>.

<sup>677</sup> Recommendations of the Standing Commission of the Regional Council on ecology, natural resource use, environmental protection and liquidation of the consequences of the Chernobyl accident No. 6,7,8 dated 27 August 2019, available at: <https://ror.gov.ua/postiina-komisija-z-pitan-ekologiyi-prirodokoristuvannya-oho>.

effectively providing funding for social and economic development of those territories<sup>678</sup>.

Typically, mass media reports on agreements that include social expenditures by extractive companies do not include explanations as to whether such agreements were concluded with the aim to obtain approvals from local governments of specific licenses.<sup>679</sup> In 2018, legislation did not oblige extractive companies to publish their social and economic agreements with local communities or to indicate the motivation for their conclusion (in particular, whether this was a condition for obtaining certain licenses).

#### Summary:

Regulatory regime of extractive activities is complicated and was historically not transparent enough, particularly at the license awarding stage.

In 2018, Ukraine implemented the initiatives to increase transparency and simplify permitting procedures in the extractive industry. Such initiatives include, in particular:

- ▶ Adoption of the Law on EITI which implements EITI in Ukraine from 2018 as the first mandatory reporting period
- ▶ Implementation of the experimental procedure for conducting sales of subsoil licenses via electronic auctions
- ▶ Amendments to a number of regulatory acts regarding simplification of licensing/permitting procedures in the oil and gas industry (abolition of mining allotments for oil and gas, reduction of the number of approvals, reduction of deadlines for state authorities to perform procedural actions, etc.)

Throughout 2019-2020, legislation governing receipt of subsoil licenses in extractive industries continued to evolve. However, there is still a pressing need for further reforms to improve transparency in extractive industries, including:

- ▶ Public disclosure of information on data used to determine prices for licenses.
- ▶ Ensuring publication of all subsoil licenses and annexes thereto (including agreements on conditions of the subsoil use, special conditions of subsoil use specified in the licenses).
- ▶ Ensuring open access to the text of PSAs, concession agreements, joint venture agreements and other subsoil use agreements concluded with extractive companies.
- ▶ Ensuring that complete information on the beneficial owners of extractive companies is included in the Unified State Register of Legal Entities, individual Entrepreneurs and

<sup>678</sup> Decisions of the Chernihiv Regional Council, available at:

<https://chor.gov.ua/component/k2/item/7746-pro-pohodzhennia-nadannia-spetsialnoho-dozvolu-na-korystuvannia-n>,  
<https://chor.gov.ua/component/k2/item/7745-pro-pohodzhennia-nadannia-spetsialnoho-dozvolu-na-korystuvannia-n>,  
<https://chor.gov.ua/component/k2/item/7744-pro-pohodzhennia-nadannia-spetsialnoho-dozvolu-na-korystuvannia-n>.

<sup>679</sup> E.g., see <http://petrovo.kr-admin.gov.ua/1652-pidpisano-ugodu-pro-sotsialno-ekonomichne-partnerstvo.html>,  
<http://styknews.info/novyny/ekonomika/2013/04/22/dtek-ta-ivano-frankivska-oda-pidpysaly-ugodu-pro-sotspartnerstvo-na-72-m>,  
<http://www.gorodok-vlada.gov.ua/node/26424>

Public Organizations as required by the EITI Standard (namely, on the status of a politically exposed person, the nature and extent of beneficial ownership, etc.).

- ▶ Clear identification of financial and technical criteria applied to auction participation applicants for receiving subsoil licenses and tenders for conclusion of PSA.
- ▶ Approval and improvement of regulations implementing the EITI Law (e.g., procedure to hold persons failing to fulfill obligations under the EITI Law liable, improvements to the template report on payments to the state and report on payments received).
- ▶ Simplification of access to material payments of extractive companies, including the tax payments (currently, the access to the SFS database related to such payments involves certain technical issues).
- ▶ Strengthened role of the local community in relations with extractive companies, in particular, by empowering them with more mechanisms of control over the companies' activities concerning local community interests (especially due to abolishing some local government approvals for subsoil licenses), developing a unified approach to concluding agreements on cooperation between communities and extractive companies, disclosing their texts, and public control over implementation of such agreements.



## 6.7 Budget process in Ukraine

The Budget Code of Ukraine sets out the detailed procedure for preparation, adoption, execution, reporting on execution of the State and municipal budgets, as well as control over compliance with budget laws ("budget process"). In 2018 the budget process consisted of the four stages (please refer to the Figure below):<sup>680</sup>

- 1) preparation of the draft budgets;
- 2) review of the draft and approval of the law on the State budget of Ukraine (decision on the local budget);
- 3) execution of the budget, including introducing amendments to the law on the State budget of Ukraine (decision on the local budget);
- 4) preparation, review of the budget execution report and taking decision on it.

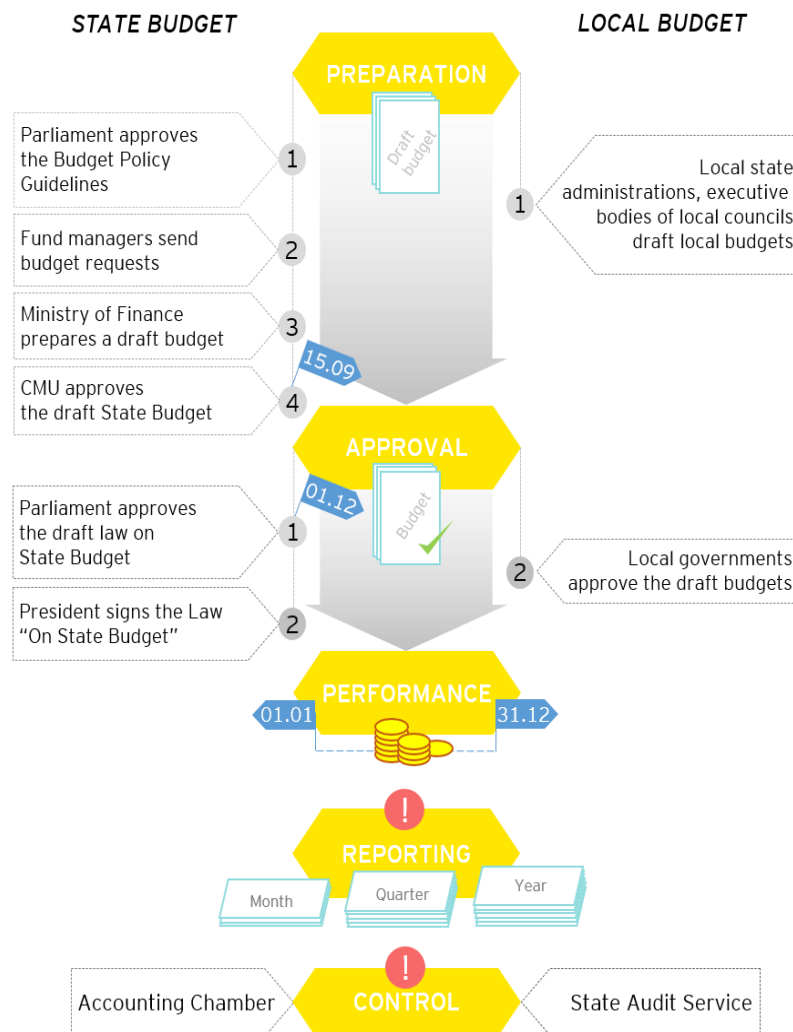


Figure 6.25: Budget process in Ukraine

<sup>680</sup> Article 19 of the Budget Code

**Highlights of the preparation, consideration and approval of the draft State budget for 2018:**

- ▶ In 2017, in order to implement the medium-term budget planning in the following years, the amendments to the Budget Code were introduced, which obliged the Ministry of Finance to elaborate and submit by 01 June 2017 to the CMU a revamped forecasted State budget of Ukraine for 2018 and 2019 and draft of the Main Directions of the Budget Policy for 2018-2020. The CMU was to review and approve the documents within two weeks of their submission.<sup>681</sup>
- ▶ On June 14, 2017, the Cabinet of Ministers of Ukraine approved<sup>682</sup> the Main Directions of the Budget Policy for 2018-2020 and submitted the document to the Parliament for approval along with the draft resolution of the Parliament "On the Main Directions of the Budget Policy for 2018-2020" on 15 June 2017. During the session on July 12, 2017, the Parliament's committee on budgets decided to recommend the Parliament to take note of the draft Main Directions of the Budget Policy for 2018-2020, approved by the CMU, and deliver proposals of the MPs and the Parliament's committees on the draft Main Directions of the Budget Policy for 2018-2020 to the CMU for elaboration and taking them into consideration during preparation of the draft law on the State budget of Ukraine for 2018.<sup>683</sup>
- ▶ Administrators of public funds prepared and submitted to the Ministry of Finance their budget requests with proposals and justifications of the amounts of state funds necessary for their activities.
- ▶ Based on the analysis of budget requests, the Ministry of Finance developed a draft State budget.
- ▶ The CMU approved the draft State budget<sup>684</sup> and submitted it with appropriate supporting documents to the Parliament and the President of Ukraine on 15 September 2017 in accordance of the provisions of the Budget Code.<sup>685</sup>
- ▶ The Parliament considered and approved the Law on State budget of Ukraine under a special procedure<sup>686</sup> on 7 December 2017, which was later than the established statutory deadline (1 December of the year preceding the year in planning).<sup>687</sup> The Law on the State budget was signed by the President of Ukraine on 30 December 2017.

---

<sup>681</sup> Law of Ukraine "On Amendments to Section VI "Final and Transitional Provisions" of the Budget Code of Ukraine on Introduction of Medium-Term Budget Planning" No. 1974-VIII of 23 March 2017, available at:

<https://zakon.rada.gov.ua/laws/show/1974-19#n2>

<sup>682</sup> Order of the CMU dated June 14, 2017 No 411-r "On Approval of the Draft Main Directions of Budget Policy for 2018-2020", available at: <https://www.kmu.gov.ua/npas/250079263>

<sup>683</sup> Conclusion of the Parliament's Committee on budgets on the Draft Resolution of the Parliament "On the Main Directions of Budget Policy for 2018-2020", received from the CMU on June 15, 2020, available at:

[http://w1.c1.rada.gov.ua/pls/zweb2/webproc4\\_1?pf3511=62047](http://w1.c1.rada.gov.ua/pls/zweb2/webproc4_1?pf3511=62047)

<sup>684</sup> Decree of the CMU No. 695 dated 15 September 2017, available at: <https://zakon.rada.gov.ua/laws/show/695-2017-%D0%BF#Text>

<sup>685</sup> Article 37 of the Budget Code

<sup>686</sup> Chapter 27 of the Law of Ukraine "On the Rules of Parliamentary Procedure of the Verkhovna Rada of Ukraine" No 1861-VI dated 10 February 2010, available at: <http://zakon3.rada.gov.ua/laws/show/1861-17>.

<sup>687</sup> In practice, however, the deadlines are often not met. For example, the Law on State budget for 2017 was adopted on 21 December 2016, for 2016 - on 25 December 2015

***Procedure of preparation, review and approval of the draft local budgets for 2018:***

- ▶ Within a week from the date of approval by the CMU of the draft State budget, the Ministry of Finance ensured that the local state administrations and executive bodies of relevant local councils receive the calculations of the forecast amounts of interbudget transfers, their calculation methods, organizational and methodological requirements, and other indicators for preparing draft local budgets.
- ▶ Local state administrations, executive bodies of relevant local councils prepared draft local budgets and draft decisions on relevant local budgets;
- ▶ Prior to consideration of the draft decision on the local budget at the session of the respective local council, it was approved by the local state administration or the executive body of the respective local council;
- ▶ Local budgets were approved by the decision of the relevant local council before December 25 of the year preceding the year in planning;
- ▶ Within two weeks after the official publication of the Law on the State budget, the volume of inter-budget transfers was adjusted in accordance with the approved state budget.

***Execution of budgets for 2019 and introducing amendments to them***

- ▶ Budget was executed from 01 January to 31 December of the calendar year according to the schedule (annual, quarterly, monthly).
- ▶ The State budget could be amended by the Parliament at the initiative of the President of Ukraine, MPs, or the CMU in cases specified by the budget law, including when there is an observable deviation from the forecast indicators considered when approving the State budget.<sup>688</sup> The draft law amending the Law on the State budget was considered by the Parliament subject to availability of an expert opinion of the Ministry of Finance.
- ▶ The amendments to the Law “On the State Budget of Ukraine” should be made exclusively by the Laws on amendments to the Law “On the State Budget of Ukraine”.<sup>689</sup> During 2018, changes to the State Budget were adopted four times.
- ▶ The decision to amend a local budget could be adopted by the relevant local council on the basis of the official opinion of the local financial authority.

***Preparation and review of the budget execution report for 2018***

- ▶ The state and local budgets execution reports were prepared on operational, monthly, quarterly and annual basis.<sup>690</sup> Specific features of each type of the reports were established by the budget law.
- ▶ The CMU submitted the Annual Report on the implementation of the State budget to the President of Ukraine, the Parliament, and the Accounting Chamber no later than 1 April of the year following the reporting year. Within two weeks, the Accounting Chamber prepared and submitted its findings on the use of the state funds to the Parliament, also assessing

---

<sup>688</sup> Article 160 of the Law of Ukraine “On the Rules of Parliamentary Procedure of the Verkhovna Rada of Ukraine”, available at <https://zakon.rada.gov.ua/laws/show/1861-17/>, Article 52 of the Budget Code of Ukraine

<sup>689</sup> Article 52 of the Budget Code of Ukraine

<sup>690</sup> Article 58 of the Budget Code of Ukraine

the efficiency of such use, and providing recommendations on how to tackle the identified violations. The Parliament considered the Annual Report on Budget Execution under a special procedure.<sup>691</sup>

At all stages of the budget process, state funds were audited and analyzed in terms of their efficiency and compliance with the budget legislation. Control over the state revenues and expenditures and their use was exercised by the Accounting Chamber,<sup>692</sup> which published the respective reports on its website.<sup>693</sup>

The integrated information and analytical system "Transparent Budget" provided access to the information on public funds at all stages of their planning and usage, including main budget indicators, to inform the general public in an accessible form about the main targets, objectives and priorities of the budget policy, sources of the budget, justification of budget expenditures, planned and achieved results of the usage of budget funds.<sup>694</sup> Using the Public Fund's Single Web Portal, it is also possible to track the state public expenses in real time (it is possible to search for public funds' managers, specific transactions, regions, etc.).<sup>695</sup>

The state financial control designed to verify the compliance with budget legislation, including the audit of legitimate and effective use of state or municipal funds and property and the implementation of budget programs should be performed by the State Audit Service of Ukraine.<sup>696</sup>

### Summary

The procedures for preparing, approving, performing and reporting on the performance of the state and local budgets, as well as the control over compliance with budget laws is regulated by the Budget Code of Ukraine.

For budget process in 2018 was quite common severe centralization of decision-making in the budget process and inability to trace the use of specific payments from the extractive companies upon their transfer to the budgets. This reduced the ability of local communities to cover their needs and may discourage the communities to cooperate with extractive companies.

In 2017, the amendments to the Budget Code launched the transition to the medium-term budget planning, which in the long run may strengthen the link between strategic and budget planning, increase transparency and accountability of the budget process, support and implement reforms in the medium term.

<sup>691</sup> Articles 161-162 of the Law of Ukraine "On the Rules of Parliamentary Procedure of the Verkhovna Rada of Ukraine"

<sup>692</sup> The Law of Ukraine "On the Accounting Chamber" No. 576-VIII of 2 July 2015, available at:

<https://zakon.rada.gov.ua/laws/show/1861-17#n1283>

<sup>693</sup> Available at: <https://rp.gov.ua/FinControl/FinReports?id=342>

<sup>694</sup> The Concept was approved by the Order of the Cabinet of Ministers dated 11 February 2016 No. 92-r, accessible via: [E-data \(edata.gov.ua\)](http://edata.gov.ua)

<sup>695</sup> <https://spending.gov.ua/new/>

<sup>696</sup> Regulation on the State Audit Service of Ukraine approved by the Resolution of the CMU No. 43 dated 3 February 2016, available at: <http://zakon4.rada.gov.ua/laws/show/43-2016-%D0%BF>

On 6 December 2018, the Parliament passed a law introducing medium-term budget planning. The law was aimed at improving the regulation of relations arising in the process of budget execution, reporting on their implementation and monitoring compliance with budget legislation. Also, the law introduced amendments to the local budget planning processes from 1 January 2020 (in terms of forecasting).

In addition, state support was provided for coal mining enterprises to partially cover the costs of finished commercial coal products with the proceeds of the special fund of the State budget in 2018. From the most recent trends transfer of 5% of the production royalty for hydrocarbon to local budgets starting from 1 January 2018 is also notable.

## 7. Environmental impact of extractive industries

### 7.1 Legal regulation of relations related to environmental protection

Environment preservation and reproduction, its protection from the negative economic impacts (hereinafter - "environmental activities") is regulated by environmental legislation, legislation on nature management.

#### *1. The Constitution of Ukraine and international treaties*

The key environment protection provisions are enshrined in the **Constitution of Ukraine**, according to which ensuring environmental safety and maintenance of ecological balance is one of the main responsibilities of the state.

The Constitution stipulates that land, subsoil, atmospheric air, water and other natural resources within the territory of Ukraine are objects of property rights of the Ukrainian people. On behalf of the Ukrainian people, the rights of the owner are exercised by the state authorities and local self-government bodies within the limits set by the Constitution.

The environmental law and the relevant part of the Ukrainian national legislation are based on the **existing international treaties, agreements and conventions ratified by the Verkhovna Rada**, including the Association Agreement between Ukraine and the EU (in terms of environmental protection provisions),<sup>697</sup> Declaration of the UN Conference on Human Environment,<sup>698</sup> Convention on Environmental Impact Assessment in a Transboundary Context,<sup>699</sup> etc.

When an international agreement, whose binding nature has been approved by the Verkhovna Rada, establishes the rules other than those contained in the Ukrainian legislation, the rules of the international agreement shall prevail.<sup>700</sup>

#### *2. Laws and bylaws*

The main content of the legal regulation of public relations regarding environmental protection, rational use and reproduction of natural resources and environmental safety is determined by the **laws of Ukraine**. They are the basis for the development of the relevant subsector environmental legislation.

The basic law regulating social relations in the process of environmental activities and determining the foundations of organization of environmental protection is the **Law of Ukraine "On Environmental Protection"**<sup>701</sup> (hereinafter - "the Law on EP"). The purpose of the law is to regulate relations in the field of protection, use and reproduction of natural resources,

---

<sup>697</sup> Association Agreement between Ukraine, of the one part, and the European Union, the European Atomic Energy Community and their Member States, of the other part, of 21 March 2014, [https://zakon.rada.gov.ua/laws/show/984\\_011/ed20151130](https://zakon.rada.gov.ua/laws/show/984_011/ed20151130)

<sup>698</sup> Declaration of the United Nations Conference on the Human Environment of 16 June 1972,

[https://zakon.rada.gov.ua/laws/show/995\\_454#Text](https://zakon.rada.gov.ua/laws/show/995_454#Text)

<sup>699</sup> Convention on Environmental Impact Assessment in a Transboundary Context of 19 March 1999,

[https://zakon.rada.gov.ua/laws/show/995\\_272#Text](https://zakon.rada.gov.ua/laws/show/995_272#Text)

<sup>700</sup> Article 71 of the Law of Ukraine "On Environmental Protection" No. 1264-XII of 25 June 1991,

<https://zakon.rada.gov.ua/laws/show/1264-12#n759>

<sup>701</sup> Law of Ukraine "On Environmental Protection" No. 1264-XII of 25 June 1991, <https://zakon.rada.gov.ua/laws/show/1264-12#Text>

environmental safety, prevention and elimination of negative impacts of economic and other activities on the environment, conservation of natural resources, etc.<sup>702</sup>

**The Codes** such as the Subsoil Code of Ukraine, the Land Code of Ukraine,<sup>703</sup> the Forest Code of Ukraine<sup>704</sup> and the Water Code of Ukraine<sup>705</sup> also play an important role in the environmental legislation framework.

For example, the Subsoil Code of Ukraine is designed to regulate mining relations to ensure rational, integrated use of subsoil, subsoil protection, ensuring the safety of people, property and the environment while using the subsoil, as well as protection of the rights and legitimate interests of companies, institutions, organizations and citizens.<sup>706</sup> According to the Subsoil Code of Ukraine, **subsoil is the exclusive property of the Ukrainian people and shall be provided for use only.**<sup>707</sup> The Subsoil Code provides for the issuance of subsoil licenses. In some cases, including in case of violation of the law, the Subsoil Code of Ukraine requires the termination of the right to use subsoil and determines the procedure for such termination.<sup>708</sup>

The Land, Forest and Water Codes of Ukraine regulate relations that arise in the process of exercising the rights to the relevant natural resources, establish responsibilities of the users of natural resources, define public administration measures and liability for violations of land, forest and water legislation, etc.

Also, a number of other laws of Ukraine determine the basic principles of state policy and regulate certain issues in the field of environmental protection:

- 1) The Law "On Environmental Impact Assessment" No 2059-VIII of 23 May 2017<sup>709</sup> (hereinafter - "the Law on EIA"),
- 2) The Law "On Environmental Audit" No 1862-IV of 24 June 2004<sup>710</sup> (hereinafter - "the Law on Environmental Audit"),
- 3) The Law "On Strategic Environmental Assessment" No 2354-VIII of 20 March 2018<sup>711</sup> (hereinafter - "the Law on Strategic Environmental Assessment"),
- 4) The Law "On Permit System in the Field of Economic Activities" No 2806-IV of 06 March 2005<sup>712</sup>,
- 5) The Law "On Oil and Gas" No 2665-III of 12 July 2001,
- 6) The Law "On Protection of Atmospheric Air" No 2707-XII of 16 October 1992<sup>713</sup>,
- 7) The Law "On Waste" No 2707-XII of 05 September 1998<sup>714</sup>,

<sup>702</sup> Article 1 of the Law of Ukraine "On Environmental Protection"

<sup>703</sup> Available at: <https://zakon.rada.gov.ua/laws/show/2768-14/ed20201016>

<sup>704</sup> Available at: <https://zakon.rada.gov.ua/laws/show/3852-12/ed20200703#Text>

<sup>705</sup> Available at: <https://zakon.rada.gov.ua/laws/show/213/95-%D0%B2%D1%80#Text>

<sup>706</sup> Article 2 of the Subsoil Code of Ukraine, <https://zakon.rada.gov.ua/laws/show/132/94-%D0%B2%D1%80#Text>

<sup>707</sup> Article 4 of the Subsoil Code of Ukraine, <https://zakon.rada.gov.ua/laws/show/132/94-%D0%B2%D1%80#n27>

<sup>708</sup> Article 26 of the Subsoil Code of Ukraine, <https://zakon.rada.gov.ua/laws/show/132/94-bp#n219>

<sup>709</sup> The Law of Ukraine "On Environmental Impact Assessment" No. 2059-VIII of 23 May 2017,

<https://zakon.rada.gov.ua/laws/show/2059-19#Text>

<sup>710</sup> The Law "On Environmental Audit" No. 1862-IV of 24 June 2004, <https://zakon.rada.gov.ua/laws/show/1862-15#Text>

<sup>711</sup> The Law "On Strategic Environmental Assessment" No. 2354-VIII of 20 March 2018,

<https://zakon.rada.gov.ua/laws/show/2354-19/print1513861440318984#Text>

<sup>712</sup> The Law "On Permit System in the Field of Economic Activities" No. 2806-IV of 06 September 2005,

<https://zakon.rada.gov.ua/laws/show/2806-15#Text>

<sup>713</sup> The Law "On Protection of Atmospheric Air" No. 2707-XII of 16 October 1992, <https://zakon.rada.gov.ua/laws/show/2707-12#Text>

<sup>714</sup> The Law "On Waste" No. 2707-XII of 5 September 1998, <https://zakon.rada.gov.ua/laws/show/187/98-bp#Text>



- 8) The Law "On the Basic Principles (Strategy) of the State Environmental Policy of Ukraine till 2030" No 2697-VIII of 28 February 2019<sup>715</sup>,
- 9) The Law "On the List of Permits in the Field of Economic Activities" No 3392-VI of 19 April 2011<sup>716</sup> etc.

**By-laws** are also important in the field of nature management, including, the resolutions of the Verkhovna Rada,<sup>717</sup> the ordinances of the Cabinet of Ministers,<sup>718</sup> decrees of the President of Ukraine, orders of ministries, etc.

As responsibilities in the field of environmental protection are assigned to different branches of government, the environmental issues are also regulated by **other non-profile laws and regulations** (for example, the Tax Code of Ukraine establishes the procedure for collecting environmental tax and rent, etc.).

## 7.2. The right to use nature and the obligation to protect the environment

According to the Constitution, individuals and businesses have the right to use natural resources. The nature management rights in Ukraine, which are most often acquired by mining companies, include subsoil use rights, land use rights, water use rights, etc. The key principles of nature management include special use, planning and duration, licensing and limitation, etc.

The natural resources shall be used in economic activities according to the **special use** procedure, which envisages providing natural resources based on **subsoil licenses**.<sup>719</sup>

Under the special use procedure, mining companies may obtain permits for subsoil use, special water use, use of forest resources, permits for emissions of pollutants into the atmosphere from stationary sources, waste management operations, etc.<sup>720</sup> In practice, most such permits are issued free of charge.<sup>721</sup> At the same time, a fee is charged for the issuance of subsoil licenses.

Therefore, mining companies obtain the right to use natural resources based on subsoil licenses. At the same time, they have a number of obligations related to the rational use of natural resources, prevention of negative environmental impacts, which are defined below.

---

<sup>715</sup> The Law "On the Basic Principles (Strategy) of the State Environmental Policy of Ukraine till 2030" No. 2697-VIII of 28 February 2019,

<https://zakon.rada.gov.ua/laws/show/2697-19#Text>

<sup>716</sup> The Law "On the List of Permits in the Field of Economic Activities" No. 3392-VI of 03 July 2020,

<https://zakon.rada.gov.ua/laws/show/3392-17#Text>

<sup>717</sup> "On the Main Directions of the State Policy of Ukraine in the Field of Environmental Protection, Use of Natural Resources and Ensuring Environmental Safety" No. 188/98-BP1 of 5 March 1998, "On the State of Compliance with Environmental Legislation in Carrying out Activities Related to Subsoil Use in Ukraine" No. 1310-IV2 of 20 November 2003, etc.

<sup>718</sup> "On Approval of the Concept of the National Environmental Policy of Ukraine up to 2020" No. 880-r4 of 17 October 2007, "On Approval of the Regulations on the State Environmental Monitoring System" No. 391 of 30 March 1998, etc.

<sup>719</sup> Article 38 of the Law on EP No. 1264-XIII of June 25, 1991, <https://zakon.rada.gov.ua/laws/show/1264-12#n498>

<sup>720</sup> The Law of Ukraine "On the List of Permitting Documents in the Field of Economic Activities" No. 3392-VI of 19 May 2011, <https://zakon.rada.gov.ua/laws/show/3392-17/ed20200703#Text>

<sup>721</sup> Permission for emissions of pollutants into the atmosphere by stationary sources and permission for special water use are free. Also, as of today, there is no procedure in the legislation for issuing a permit for waste management operations. According to Article 4-1 of the Law of Ukraine "On the Permit System in the Field of Economic Activities", permit documents shall be issued free of charge, unless otherwise provided by law, <https://zakon.rada.gov.ua/laws/show/2806-15#n92>

### **1. Obligation to comply with environmental legislation and rational use of natural resources.**

According to the environmental legislation, the use of natural resources shall be carried out in compliance with the mandatory environmental requirements. The Law on EP specifies the following requirements:<sup>722</sup>

- ▶ rational and economical use of natural resources based on the widespread use of new technologies;
- ▶ implementation of measures to prevent damage, pollution, depletion of natural resources, negative impacts on the environment;
- ▶ implementation of measures for the reproduction of renewable natural resources, etc.

### **2. Obligation to rehabilitate the disturbed lands as a result of mining companies activities.**

The lands that have undergone changes in the structure of the terrain, the ecological condition of soils and parent rocks and in the hydrological regime as a result of mining and exploration works are subject to reclamation.<sup>723</sup> **Reclamation of disturbed lands** is a set of organizational, technical and biotechnological measures aimed at restoring soil cover, improving the condition and productivity of disturbed lands,<sup>724</sup> to be carried out at the expense of individuals and legal entities, whose initiative or fault resulted in the soil cover disturbance.<sup>725</sup> The appropriate remediation measures shall be provided for in the working land management plan, in the mining facilities construction plans.

Also, the land remediation plan for the land disturbed during the search, exploration and extraction of minerals is an essential condition of PSA.<sup>726</sup> The obligation to re-cultivate land is established by other legislation.<sup>727</sup>

The Cadastre Service exercises state control over the fulfillment of conditions for removal, preservation and use of the fertile layer of soil during mining, geological exploration works related to soil disturbance, timely reclamation of disturbed lands in the amounts provided by the working land management plan.<sup>728</sup>

---

<sup>722</sup> Article 40 of the Law on EP, <https://zakon.rada.gov.ua/laws/show/1264-12#n498>

<sup>723</sup> Article 166 of the Land Code of Ukraine

<sup>724</sup> In particular, in accordance with the Law of Ukraine "On Land Protection", when conducting mining, exploration and other works related to soil disturbance, the separated soil mass shall be removed, stored, preserved and transferred back to disturbed or unproductive land plots in accordance with working land management projects. The volume of soil to be removed and separately stored shall be determined in the working land management projects. Reclamation of land plots shall be carried out by layer-by-layer application of the removed soil mass and the parent rock if needed on low-yielding land plots or plots without soil cover in a way that ensures the highest productivity of reclaimed lands

<sup>725</sup> Article 52 of the Law of Ukraine "On Land Protection", <https://zakon.rada.gov.ua/laws/show/962-15#Text>

<sup>726</sup> Article 8 of the Law of Ukraine "On Product Sharing Agreement"

<sup>727</sup> Article 50 of the Subsoil Code of Ukraine, Art. 166 of the Land Code of Ukraine, articles 18, 46, 52, 55 of the Law of Ukraine "On Land Protection", <https://zakon.rada.gov.ua/laws/show/962-15#Text>, article 54 of the Law of Ukraine "On Land Management", <https://zakon.rada.gov.ua/laws/show/858-15#Text>

<sup>728</sup> Article 18-1 of the Law of Ukraine "On Land Protection", <https://zakon.rada.gov.ua/laws/show/962-15#Text>

### **3. *Obligation to make payments related to the acquisition of the right to use nature and tax payments.***

In connection with the use of nature and subject to the types of natural resources, the scope of rights and restrictions established by the relevant special permits, mining companies that are holders of such permits may pay the following taxes:

- 1) **rent** for the use of natural resources, namely:
  - a. use of subsoil for mining purposes;
  - b. use of subsoil for purposes not related to the extraction of minerals;
  - c. special use of water;
  - d. special use of forest resources.
- 2) **environmental tax** as compensation for damage caused to the environment due to its pollution as a result of:
  - a. emissions of pollutants into the atmosphere by stationary sources of pollution;
  - b. discharges of pollutants directly into water bodies;
  - c. placement of waste in specially designated places or facilities (except for the placement of certain types of waste as secondary raw materials in their own territories);
  - d. generation of radioactive waste (including already accumulated);
  - e. temporary storage of radioactive waste by their producers beyond the period established by the special conditions of the license.

The rules of charging rent and environmental tax, as well as their distribution between the budgets of different levels are set out in section 6.5 of this Report.

### **4. *Obligation to compensate for the damage to the environment and the cost of its remediation due to violations of environmental legislation in the course of economic activities.***

The obligation is stipulated by the Law on EP<sup>729</sup> and a number of special legislation in the field of natural resources, including the Water Code,<sup>730</sup> the Law on Atmospheric Air Protection, the Law on Waste, the Procedure for Issuing Subsoil Licenses,<sup>731</sup> etc.

Certain permits for the use of natural resources contain special obligations for the restoration of the environment. In particular, subsoil licenses (in agreements on the conditions of subsoil use) require, in case of suspension of the license, to carry out work in the subsoil area related

---

<sup>729</sup> Article 12 Of the Law on EP

<sup>730</sup> Article 111 of the Water Code stipulates the obligation for individuals and businesses to compensate for damages caused by them as a result of violations of water legislation, in the amount and in a manner prescribed by the legislation of Ukraine and the elimination of harmful effects of their activities

<sup>731</sup> Article 21 of the Procedure for granting subsoil licenses

to the prevention of emergencies or remediation of its consequences, as well as to take measures to eliminate violations, which caused the suspension of the license.<sup>732</sup>

An addition, the Procedure for issuing permits for special water use requires inclusion on the permit of information on environmental measures aimed at protecting water, reducing pollution and ensuring the rational use of water and other natural resources etc., and deadlines for their implementation.<sup>733</sup>

### 7.3 The system of bodies entrusted with the functions of ensuring compliance with legislation on nature management and environmental protection

Environmental protection management means the exercise of the functions of monitoring, research, strategic environmental assessment, environmental impact assessment, control, forecasting, programming, information and other executive and administrative activities in this field.<sup>734</sup>

The purpose of the environmental protection management is the implementation of legislation, monitoring compliance with environmental safety requirements, ensuring effective and comprehensive environment protective measures, rational use of natural resources, achieving coherence of state and public bodies in the field of environmental protection.

The formation of the basic principles of the environmental protection state policy is entrusted to the Parliament of Ukraine, the Verkhovna Rada of the ARC. Some powers are also vested in local councils.

State administration in the field of environmental protection is carried out by the CMU, the Council of Ministers of the ARC, central public authorities, local councils and executive bodies of village, town, city councils, and local state administrations in accordance with Ukrainian legislation.

The key **specialty authorized bodies** whose activities have an impact on the extractive sector are the **Ministry of Environment** and its subordinate central executive bodies:

- ▶ The State Ecological Inspection of Ukraine
- ▶ The Geology Service
- ▶ The State Agency of Water Resources of Ukraine
- ▶ The State Agency of Forest Resources of Ukraine

The compliance with land legislation, land use and protection, soil fertility, etc. Is also monitored by the Cadastre Service.

For the detailed information on the main powers of the above bodies, including in the field of environment, see **Section 6.2** and **Annex 3** to this Report.

---

<sup>732</sup> Exemplary subsoil use agreements are available at the website of the Geology Service:

<https://www.geo.gov.ua/primirni-ugodi-pro-umovi-koristuvannya-nadrami/>

<sup>733</sup> The list of environmental measures in the license, available at: <https://zakon.rada.gov.ua/laws/show/z0887-17#Text>

<sup>734</sup> Article 16 of the Law on EP

## 7.4 The extractive industry environmental impact monitoring and management

### 7.4.1 The state environmental monitoring system

The state environmental monitoring system is introduced to ensure the collection, processing, storage and analysis of information on the condition of the environment, forecasting its changes and developing scientifically sound recommendations for effective management decisions.<sup>735</sup> The system is implemented in accordance with the Concept of the State Program for Environmental Monitoring, approved by the Cabinet of Ministers of Ukraine.<sup>736</sup>

The procedure for the state monitoring of the environment is determined by the Cabinet of Ministers of Ukraine.<sup>737</sup>

The Ministry of Environment is responsible for the methodological support for the integration of the components of the monitoring system. Monitoring of the condition of the environment, the level of its pollution is performed by specially authorized state bodies in accordance with the Regulations on the state environmental monitoring system<sup>738</sup> and procedures and regulations on state monitoring of certain components of the environment (water,<sup>739</sup> air,<sup>740</sup> land<sup>741</sup>). Companies, institutions and organizations, whose activities cause or may cause the deterioration of the environment, are also obliged to perform such observations and share analytical materials based on their observations to the relevant government bodies free of charge.

While some information on the condition of the environment is publicly available,<sup>742</sup> as of the date of preparation of the Report there is no full-fledged integrated information system on the condition of the environment and the results of state environmental monitoring in Ukraine.

---

<sup>735</sup> Article 22 of the Law on EP

<sup>736</sup> Ordinance of the CMU "On Approval of the Concept of the State Environmental Monitoring Program", available at: <https://zakon.rada.gov.ua/laws/show/992-2004-p#Text>

<sup>737</sup> Resolution of the CMU "On Approval of the Regulations on the State Environmental Monitoring System" No. 391 of 30 March 1998, available at: <https://zakon.rada.gov.ua/laws/show/391-98-n#Text>

<sup>738</sup> According to the CMU Resolution, which determines the procedure for such monitoring, environmental monitoring shall be carried out by the Ministry of Economy, Ministry of Environment, State Agency of Ukraine on Exclusion Zone Management, Derzhgeonadra, Ministry of Regional Development, State Space Agency, as well as State Emergency Service, State Forest Agency, State Water Agency, Cadastre Service and their territorial bodies, enterprises, institutions and organizations within their management, oblast, Kyiv and Sevastopol city state administrations, as well as the executive body of the Autonomous Republic of Crimea on environmental protection

<sup>739</sup> The CMU Resolution "On approval of the Procedure for state monitoring of waters" No. 758 of 19 September 2018, available at: <https://zakon.rada.gov.ua/laws/show/758-2018-%D0%BF#Text>

<sup>740</sup> The CMU Resolution "Some issues of state monitoring in the field of air protection" No. 827 of 14 August 2019, available at: <https://zakon.rada.gov.ua/laws/show/827-2019-%D0%BF#Text>

<sup>741</sup> Resolution of the CMU "On Approval of the Regulations on Land Monitoring" No. 661 dated 20 August 1993, available at: <https://zakon.rada.gov.ua/laws/show/661-93-%D0%BF#Text>; Order of the Ministry of Agrarian Policy of Ukraine "On Approval of the Regulations on Monitoring of Soil on Agricultural Lands" No. 51 dated February 26, 2004, available at: <https://zakon.rada.gov.ua/laws/show/z0383-04#Text>

<sup>742</sup> For example, analytical reviews, references, etc. on the state of the environment of certain regions and other information is available in the section "Environmental Monitoring" on the website of the Ministry of Environment (<https://mepr.gov.ua/timeline/Ekologichniy-monitoring.html>), the information on state monitoring of surface waters published by the State Water Agency in the open data format (<https://data.gov.ua/dataset/ee2bc3b0-42d4-4f19-8d96-913cd9d1f02a>), as well as an interactive map "Monitoring and Environmental Assessment of Water Resources of Ukraine" (<http://monitoring.davr.gov.ua/EcoWaterMon/GDKMap/Index>), electronic register of logging tickets on the website of the State Forestry Agency (<https://lk.ukrforest.com/forest-tickets/index>), etc.

In some regions of Ukraine, regional environmental monitoring automated information systems are being tested,<sup>743</sup> and the lessons from their implementation can be used to develop a national database.

#### 7.4.2 Maintenance of natural resource databases

To ensure accounting for and recording of quantitative, qualitative and other characteristics of natural resources, the volume, nature and mode of their use, the **state cadasters** of natural resources are maintained in accordance with the procedures determined by the Cabinet of Ministers.<sup>744</sup>

For example, the **state land cadaster** functions as a single state geoinformation system with the information about the lands located within the borders of Ukraine, the designated use of land plots, restrictions on use of the lands, as well as data on quantitative and qualitative characteristics of lands, their assessment, distribution of land between owners and users. The state land cadaster is the basis for maintaining other natural resource cadasters.<sup>745</sup>

Access to the information of the state land cadaster can be obtained directly through the Public cadastral map (access via [the link](#)).

According to the legislation, the deposits, including man-made, reserves and manifestations of minerals are subject to registration in **the State Cadaster of Mineral Deposits and Manifestations of Minerals** and the **State Balance Sheet of Reserves of Minerals**, which is maintained in accordance with the order established by the Cabinet of Ministers.<sup>746</sup>

The State Cadaster of Mineral Deposits and Manifestations of Minerals shall contain information on each deposit included in the State Fund of Mineral Deposits, on the quantity and quality of mineral reserves and their components, mining, hydrogeological and other conditions of deposit development and its geological and economic assessment, as well as information about each manifestation of minerals.<sup>747</sup>

The information on deposits can be obtained directly through the Public Cadastral Map, including the data on licenses issued by the Geology Service, information on locations of mineral concentration and oil and gas wells.

---

<sup>743</sup> For example, the Ecological Monitoring Center at the Dnipropetrovsk regional council (<https://ecomonitoring.info/>), which collects and regularly updates on its site the information on air pollution, meteorological parameters, water parameters, gamma radiation and noise load in the region; automated environmental monitoring system in Donetsk region (<http://193.110.113.83:8091/aseMDR/WFWater.aspx>), which collects information on monitoring of atmospheric air, surface waters, sea water, soils, groundwater, green plantation zones

<sup>744</sup> The CMU Resolution "On Approval of the Regulation on Regional Cadastres of Natural Resources" No. 1781 of December 2001, available at: <https://zakon.rada.gov.ua/laws/show/1781-2001-n#Text>

<sup>745</sup> Article 193 of the Land Code of Ukraine, available at: <https://zakon.rada.gov.ua/laws/show/2768-14#n1792>

<sup>746</sup> Article 42 of the Subsoil Code, the CMU Resolution "On Approval of the Procedure for State Accounting for Deposits, Reserves and Manifestations of Minerals" No. 75 of 31 January 1995, available at: <https://zakon.rada.gov.ua/laws/show/75-95-n#Text>

<sup>747</sup> Article 43 of the Subsoil Code

According to the provisions of the Water Code of Ukraine, in order to systematize the state water accounting data and determine the water resources available for use, the **State Water Cadaster**<sup>748</sup> shall be maintained (available at: <http://geoportal.davr.gov.ua:81/#parcelSidebar>, <https://data.gov.ua/dataset/b0896a29-d898-486f-84ee-18c0c6737634>).

**The State Forest Cadaster** for the territory of Ukraine is maintained in order to effectively organize the protection and conservation of forests, the rational use of the forest fund of Ukraine, forest reproduction, the implementation of systematic control over qualitative and quantitative changes in forests. The State Forest Cadaster shall be maintained based on the State Land Cadaster.<sup>749</sup>

In fact, the data on forests can be obtained by viewing the layer "Forests" on the public cadastral map, where one can get information about the code of the enterprise that manages the forest site; the forestry number; the name of forestry; the name of the forest site (forest tract).<sup>750</sup>

The legislation also provides for the maintenance of **regional cadasters**. Regional cadasters of natural resources are a systematic summary of information on quantitative, qualitative and other characteristics of all natural resources found within the territory of the Autonomous Republic of Crimea, regions, cities of Kyiv and Sevastopol, as well as the scope, nature and mode of their use.<sup>751</sup>

Additionally, the following sets of open data are freely available on the State Geoinfo website:

- ▶ Register of oil and gas wells (accessible via [the link](#))
- ▶ Interactive maps of special subsoil use permits (accessible via [the link](#))
- ▶ State Geological Map of Ukraine (accessible via [the link](#))
- ▶ Electronic catalog of the geological materials fund (accessible via [the link](#))
- ▶ Protocols for approval (testing) of mineral reserves and resources (accessible via [the link](#)) etc.

According to the Law on EP, the facilities that adversely affect or may affect the state of the environment, the types and quantities of harmful substances discharged in the environment, types and volumes of harmful physical and biological impacts on it are subject to state registration.<sup>752</sup> Also, the environmental information on the objects that are the biggest

---

<sup>748</sup> Article 27 of the Water Code of Ukraine, <https://zakon.rada.gov.ua/laws/show/213/95-pp#n348>

<sup>749</sup> Article 49 of the Forest Code of Ukraine, <https://zakon.rada.gov.ua/laws/show/3852-12#n387>

<sup>750</sup> The information on the official website of the State Agency of Forest Resources of Ukraine, available at:

[http://dklg.kmu.gov.ua/forest/control/uk/publish/article?art\\_id=205115&cat\\_id=32888](http://dklg.kmu.gov.ua/forest/control/uk/publish/article?art_id=205115&cat_id=32888)

<sup>751</sup> The CMU Resolution "On Approval of the Regulations on Regional Cadastres of Natural Resources" No. 1781 of December 28, 2001, available at: <https://zakon.rada.gov.ua/laws/show/1781-2001-%D0%BF#Text>

<sup>752</sup> Article 24 of the Law on EP



polluters of the environment shall be delivered through quarterly informing the public via the media about such objects and the condition of the environment in the area of their impact.<sup>753</sup>

The website of the Ministry of Environment posts the information on the TOP-100 largest pollutants in 2017-2018 (access to the link [2017](#) or [2018](#)), as well as environmental data sets (for example, the list of objects that are the largest polluters in Ukraine in terms of emissions into the atmosphere, waste generation, discharges of polluted wastewater into water bodies, etc.; access via [the link](#)). At the same time, some materials on environmental pollutants are not publicly available in full or not updated in 2018.

Thus, the Ukrainian legislation sets the requirements for the collection, processing and public access to information on natural resources and the ecological state of the environment. Some of this information is published and freely available, however the practical implementation of the legal requirements needs to be improved.

### 7.4.3 Measures to minimize the negative impact on the environment

#### *Environmental Impact Assessment (hereinafter - EIA)*

EIA is carried out in order to prevent environmental damage from economic activities, ensure environmental safety, environmental protection, rational use and reproduction of natural resources in the making decisions on economic activities that may have a significant impact on the environment, taking into account national, community and individual interests.

On 23 May 2017, in order to meet the obligations under the Association Agreement with the EU and in accordance with Directive 2011/92/EU on the assessment of the environmental impact of certain public and private projects, the Verkhovna Rada adopted the Law on EIA, which came into force on 18 December 2017 and which:

- ▶ replaces the ecological impact examination procedure with the EIA procedure (with the previously issued results of ecological impact examination remain valid and have the status of an EIA conclusion)<sup>754</sup>;
- ▶ introduces a new permit - an EIA opinion, which must be obtained before the start of the planned activity (as opposed to the conclusion of the state ecological impact examination, which was obtained in the process of activity).

The Law on EIA specifies the list of planned activities that require obtaining an EIA opinion. The list includes extraction of minerals of national importance; extraction, storage and processing of hydrocarbons; construction of pipelines for oil and gas transmission, etc. When determining the need for EIA, the criteria for determining the planned activities and facilities that are not

---

<sup>753</sup> The Order of the Ministry of Environment "On Approval of the Regulations on Quarterly Informing the Population through the Media about the Facilities that are the Biggest Polluters of the Environment" No. 397 of 1 November 2005, available at: <https://zakon.rada.gov.ua/laws/show/z1510-05#Text>

<sup>754</sup> The procedure for ecological impact examination was stipulated by the Law of Ukraine "On Ecological Impact Examination" No. 45/95-VR of 09 February 1995, <https://zakon.rada.gov.ua/laws/show/45/95-bp#o222>, which was replaced with the Law on EIA

subject to EIA are taken into account.<sup>755</sup> Compared to the previous law, the list of the planned activities that are not subject to EIA has been significantly expanded.

In addition to the core activities, mining companies usually have to conduct EIA for the related planned activities, such as plant reconstruction, waste disposal, construction of infrastructure facilities, etc.

The EIA procedure includes the following steps:

- 1) notification of the Ministry of Environment / authorized territorial body (oblast, city Kyiv, Sevastopol state administrations, executive body of the ARC on ecology and natural resources) about the planned activity (with the possibility for the public to provide its comments / suggestions);
- 2) preparation of an EIA report by the business entity;
- 3) conducting a mandatory public discussion of the EIA report (with no criteria established with regard to which extent the public opinion shall be taken into consideration)<sup>756</sup>;
- 4) analysis by the Ministry of Environment or the authorized territorial body of the information<sup>757</sup> and free issuance of an EIA opinion, which determines the admissibility / justifies the inadmissibility of the planned activity and determines the environmental conditions of its implementation;
- 5) taking into account the EIA opinion in the decision with regard to the planned activities (including for the purposes of issuing a subsoil license).

All documents required under the EIA procedure are subject to publication in the Unified Register of EIA at <http://eia.menr.gov.ua>.

Carrying out any planned economic activity is prohibited if the subsoil user failed to fully ensure the compliance with the environmental conditions provided for in the EIA opinion.

A business entity bears disciplinary, administrative, civil and criminal liability for non-compliance with the environmental conditions of the EIA opinion.

Also, the activities that are carried out in violation of the legislation on EIA, may be:

- ▶ temporarily prohibited (suspended) - the operations of the enterprise or its individual shops (sections) and units of equipment is suspended till the environmental conditions stipulated in the EIA opinion are implemented;
- ▶ terminated - the operations of the enterprise or its separate shops (sections) and units of equipment is completely terminated.<sup>758</sup>

The decision on temporary prohibition (suspension) or termination of operations is made by the court in a lawsuit filed by the State Ecological Inspection of Ukraine.

---

<sup>755</sup> The CMU Resolution "On approval of criteria for determining the planned activities that are not subject to environmental impact assessment, and criteria for determining extensions and changes in activities and facilities that are not subject to environmental impact assessment" No. 1010 of 13 December 2017, <https://zakon.rada.gov.ua/laws/show/1010-2017-n>

<sup>756</sup> See the CMU Resolution "On approval of the Procedure for holding public hearings in the process of environmental impact assessment" No. 989 of 13 December 2017, <https://zakon.rada.gov.ua/laws/show/989-2017-n>

<sup>757</sup> See also the CMU Resolution "On approval of the Procedure for transfer of documentation for issuing an opinion on environmental impact assessment and financing of environmental impact assessment and the Procedure for maintaining the Unified Register of Environmental Impact Assessment" of 13 December 2017 No. 1026, <https://zakon.rada.gov.ua/laws/show/1026-2017-%D0%BF/ed20191224#Text>

<sup>758</sup> Article 16 of the Law on EIA

Given the duration of the procedure for obtaining an EIA opinion, from 8 June 2018, the by-law introduced the possibility of concluding agreements on the purchase (including payment) of subsoil licenses with a deferred circumstance - till a positive EIA opinion within 6 months from the date of registration of notification of the planned activities.<sup>759</sup>

Temporarily, in case of submitting documents for obtaining a special subsoil use permit before 1 September 2019, subsoil users had the right to obtain a license (or extend the existing license) before obtaining a positive EIA opinion, however the obligation to obtain it was included in the special conditions of such permission.

In addition, from 29 December 2019, the obligation to conduct EIA for PSA projects was abolished - so, the investor is obliged to conduct EIA of the planned activities before it is carried out, but after the PSA is concluded.<sup>760</sup>

### **Strategic environmental assessment**

In 2015,<sup>761</sup> Ukraine ratified the Protocol on Strategic Environmental Assessment<sup>762</sup> to the Convention on Environmental Impact Assessment in a Transboundary Context.<sup>763</sup> Ratification of the Protocol and implementation of the strategic environmental assessment procedure were envisaged by the National Environmental Action Plan for 2011-2015<sup>764</sup> and the National Program for Adaptation of the Legislation of Ukraine to the Legislation of the European Union.<sup>765</sup>

The initiative stipulates that the parties, on an individual or collective basis, shall take all appropriate and effective measures to prevent significant harmful transboundary impacts as a result of the planned activity, as well as to reduce and control it.

On 20 March 2018, the Law on Strategic Environmental Assessment<sup>766</sup> was adopted, which regulates relations in the field of environmental impact assessment of state planning documents, and applies to state planning documents relating, inter alia, to energy and providing for the implementation of activities subject to EIA procedure.

The strategic environmental assessment is carried out in the process of developing a state planning document before its submission for approval, and the implementation of the assessment is the responsibility of the customer (usually an executive body or local government).

According to the Law, the stages of strategic environmental assessment include:

- ▶ determining the scope of strategic environmental assessment,
- ▶ preparation of a strategic environmental assessment report,

---

<sup>759</sup> Paragraph 26, The procedure for conducting auctions for the sale of licenses

<sup>760</sup> Article 11 of the Law on PSA

<sup>761</sup> <https://zakon.rada.gov.ua/laws/show/562-19#n2>

<sup>762</sup> Protocol on the Strategic Environmental Assessment of May 21, 2003,

[https://zakon.rada.gov.ua/laws/show/995\\_b99/ed20150701#Text](https://zakon.rada.gov.ua/laws/show/995_b99/ed20150701#Text)

<sup>763</sup> Convention on Environmental Impact Assessment in a Transboundary Context of 19 March 1999,

[https://zakon.rada.gov.ua/laws/show/995\\_272#Text](https://zakon.rada.gov.ua/laws/show/995_272#Text)

<sup>764</sup> <https://zakon.rada.gov.ua/laws/show/577-2011-p>

<sup>765</sup> <https://zakon.rada.gov.ua/laws/show/1629-15#Text>

<sup>766</sup> <https://zakon.rada.gov.ua/laws/show/2354-19/print1513861440318984#Text>

- ▶ conducting public discussions and consultations,
- ▶ taking into account the strategic environmental assessment report, the results of public discussion and consultations, informing about the approval of the state planning document and monitoring the impacts of its implementation on the environment, including public health.

#### 7.4.4 Monitoring compliance with environmental legislation

The objective of monitoring in the field of environmental protection is to ensure compliance with the requirements of environmental legislation by all state bodies, enterprises, institutions and organizations, regardless of ownership and subordination, as well as citizens.

##### *Monitoring by the State Ecological Inspection of Ukraine*

According to the Constitution, one of the main tasks of the state is to ensure environmental safety and maintain ecological balance. The state exercises continuous monitoring over compliance with environmental legislation.

In particular, the **State Ecological Inspection of Ukraine** carries out state supervision (monitoring) of the state bodies, local self-government bodies and business entities over their compliance with the requirements of the legislation:

- ▶ on ecological safety, including on fulfillment of conditions of EIA opinions, opinions of the state ecological examination;
- ▶ on protection of lands, subsoil, including on use and protection of subsoil;
- ▶ regarding the availability of permits, limits and quotas for special use of natural resources, compliance with their conditions;
- ▶ on waste management, etc.

Within the scope of its competences the **State Ecological Inspection of Ukraine** carries out inspections within the approved plans<sup>767</sup> (including documentary ones) using instrumental and laboratory control; draws up, according to the legislation, acts on the results of state supervision (monitoring), provides obligatory instructions on elimination identified violations of the law and monitors their implementation and performs laboratory measurements (tests).

Until 2017, the State Ecological Inspection of Ukraine conducted inspections under a special procedure,<sup>768</sup> which was repealed due to its inconsistency with the Law of Ukraine "On Basic Principles of State Supervision (Monitoring) in the Field of Economic Activities" No 877-V of 5 April 2007 (hereinafter - the Law on Basic Principles of State Supervision").<sup>769</sup> Therefore, in 2018, the State Ecological Inspection of Ukraine conducted its inspections based on the Regulation "On the State Ecological Inspection of Ukraine" and the Law on Basic Principles of

---

<sup>767</sup> The inspection plans for 2019 are posted on the official website of the State Environmental Inspection of Ukraine, available at: <https://www.dei.gov.ua/posts/160>

<sup>768</sup> The Order of the Ministry of Environmental Protection of Ukraine "On approval of the Procedure for organizing and conducting inspections of business entities for compliance with environmental legislation" No. 464 of 10 September 2008, available at: <https://zakon.rada.gov.ua/laws/show/z0018-09#Text>

<sup>769</sup> The Law of Ukraine "On Basic Principles of State Supervision (Monitoring) in the Field of Economic Activity" No. 877-V of 5 April 2007, <https://zakon.rada.gov.ua/laws/show/877-16#Text>

State Supervision, which has some gaps and does not take into account the specifics of the environmental sphere.

The law establishes general requirements to state supervision (monitoring), determines the key aspects of planned and unscheduled measures for state supervision (monitoring), sets up the rights and obligations of the state supervision (monitoring) body, business entity, establishes liability for violations of legislation, etc.

The Law on Basic Principles of State Supervision establishes the liability of a business entity for non-compliance with instructions, orders or other executive documents that prescribe actions to eliminate violations of the law identified during the state supervision (monitoring), in the form of penalties charged under the procedure stipulated by law.<sup>770</sup> According to the Regulation on the State Ecological Inspection of Ukraine, it has a powerful mandate to eliminate violations of environmental and other legislation, including the following:

- ▶ issues to executive authorities and local governments:
  - ▶ instructions to suspend or revoke permits, licenses, certificates, conclusions, decisions, limits, quotas, approvals, certificates for special use of natural resources, emissions and discharges of pollutants into the environment, handling of hazardous chemicals, as well as on setting standards permissible levels of harmful effects on the environment;
  - ▶ requirements to bring their decisions on issues within the competence of the State Ecological Inspection of Ukraine in line with the law;
- ▶ applies for suspension of subsoil licenses in case of violation of the requirements of the legislation on environmental protection during subsoil use;
- ▶ draws up protocols on administrative offenses and considers cases on administrative offenses, imposes administrative penalties;
- ▶ claims for harm, damages and losses caused to the state as a result of violation of the legislation on matters within its competence, and estimates their amount, appeals to the court with the appropriate claims;
- ▶ takes measures in accordance with the law to stop the unauthorized use of subsoil and construction of mineral deposits area in violation of the established procedure, etc.

The official website of the State Ecological Inspection of Ukraine contains a list of questions to business entities asked during the inspection,<sup>771</sup> penalties and methods of estimating losses and damages in case of violation,<sup>772</sup> the results of inspections<sup>773</sup> (however, there is no access to the results of scheduled inspections for 2018).

---

<sup>770</sup> Article 12 of the Law on Basic Principles of State Supervision, <https://zakon.rada.gov.ua/laws/show/877-16#n383>

<sup>771</sup> The list of questions: <https://www.dei.gov.ua/posts/744>

<sup>772</sup> The penalties and methods of estimating losses and damages, available at: <https://www.dei.gov.ua/posts/690>

<sup>773</sup> Information on the official website of the State Environmental Inspection of Ukraine, section "Activities" - "Results of inspections", <https://www.dei.gov.ua/>, as well as on the Inspection Portal: <https://inspections.gov.ua/>

### **Environmental audit**

Environmental audit in Ukraine is conducted to ensure compliance with the environmental legislation in the process of economic and other activities.

According to the Law "On Environmental Audit",<sup>774</sup> the environmental audit is an independent process of assessment of the environmental auditee in order to establish compliance of certain activities, measures, conditions, environmental management system and the relevant information with the requirements of Ukrainian legislation on environmental protection and other criteria of environmental audit.

The environmental auditee can be:

- ▶ enterprises, institutions and organizations, their branches and representative offices or associations, individual production units, other economic facilities;
- ▶ environmental management systems;
- ▶ other objects provided by law.

Environmental audits can be mandatory or voluntary.

Mandatory environmental audit is carried out at the request of the relevant executive bodies or local governments with regard to objects or activities that pose a high environmental risk,<sup>775</sup> in the following cases:

- ▶ bankruptcy;
- ▶ privatization, concession of objects of increased ecological danger, except for the cases specified by law;
- ▶ transfer or acquisition into state or communal ownership;
- ▶ transfer of state or communal property for long-term lease;
- ▶ creation of joint ventures on the basis of state and communal property;
- ▶ environmental insurance of facilities;
- ▶ termination of the PSA in accordance with the law;
- ▶ in other cases provided by law.

Environmental audit shall be conducted by certified environmental auditors.<sup>776</sup> It is designed to:

- ▶ collect reliable information on the environmental aspects of the production activities of the environmental auditee and use it as a basis for the environmental audit opinion;

---

<sup>774</sup> Article 1 of the Law on Environmental Audit

<sup>775</sup> The list was approved by the CMU Resolution of 28 August 2013 No. 808 "On approval of the list of activities and facilities that pose a high environmental risk", however in February 2019 the resolution based on the CMU Resolution of January 23, 2019 No. 128, <https://zakon.rada.gov.ua/laws/show/128-2019-%D0%BF#n159>. In the by-laws, the wording "facilities or activities that pose an increased risk" has been replaced with the words "types of planned activities and facilities that may have a significant impact on the environment and are subject to EIA", but the relevant changes have not been made in the Law "On Environmental Audit"

<sup>776</sup> Regulations on certification of environmental auditors approved by the Order of the Ministry of Environment of 29 January 2007 No. 27, <https://zakon.rada.gov.ua/laws/show/z0295-07#n200>

- ▶ establish compliance of environmental auditees with the requirements of the legislation on environmental protection and other criteria of ecological audit;
- ▶ assess the impact of the activities of the environmental auditee on the state of the environment;
- ▶ assess the effectiveness, completeness and validity of measures taken to protect the environment by the environmental auditee.

The results of the environmental audit shall be presented in the form of an **environmental audit report**, which shall contain audit opinion on the identified non-compliance of the environmental characteristics of the auditee with the requirements of regulations.<sup>777</sup> Such opinion shall be taken into account when determining the conditions for privatization of state-owned objects engaged in the activities that pose a high environmental risk; environmental insurance of facilities carrying out such activities; transfer or acquisition of state-owned objects and in other cases provided by law.

According to the law, violation of the rules of environmental audit may result in disciplinary, administrative or criminal liability, but as of today, no liability for violation of the rules of mandatory environmental audit has been established.

#### 7.4.5 Sanctions in case of violation of nature management rules and environmental legislation

Violation of environmental legislation can result in various negative consequences for the user of natural resources, including deprivation of the right to use nature resources, bringing to the appropriate type of legal liability.

##### *Deprivation of the right to use nature*

One of the main principles of the state policy on the permit system in the field of economic activities is the environment protection.<sup>778</sup> In case of non-compliance with the legislation on nature management or environmental legislation, the business entity may be deprived of the right to use natural resources.

As for **subsoil licenses**, they can be suspended by the Geology Service directly or upon the request of the Ministry of Environment, State Labor Service of Ukraine, Ministry of Health, State Ecological Inspection of Ukraine, local governments, State Fiscal Service in the case of:

- ▶ violation by the subsoil user of the conditions of subsoil use provided by the permit or agreement on the conditions of use of the subsoil area;
- ▶ emergence, as a result of works related to the use of the subsoil area, of direct threat to life or health of workers or the population;
- ▶ non-compliance with the recommendations of EIA opinion;

---

<sup>777</sup> The environmental audit opinion is a professional assessment of the environmental auditee, made up by the environmental auditor, which is based on the evidences of the environmental audit and is the main component of the environmental audit report. The environmental audit opinion is an official document certified by the signature and seal of the environmental auditor.

<sup>778</sup> Article 3 of the Law of Ukraine "On the permit system in the sphere of economic activities", available at: <https://zakon.rada.gov.ua/laws/show/2806-15#n53>



- ▶ lack of EIA opinion on mining minerals.

The right to use subsoil during the implementation of the PSA may be limited, temporarily prohibited (suspended) or terminated only by the Cabinet of Ministers of Ukraine, in the event of an imminent threat to human life and health or the environment under the procedure prescribed by the PSA.<sup>779</sup>

After the termination of the permit, the subsoil user must stop the works in the subsoil area provided to him for use.

Also, the subsoil user may be denied an extension of the special subsoil use permit or even issuing such a permit, in particular, in case of any comments from the Ministry of Environment about non-compliance with the requirement of the environmental legislation to maintain the proper condition of the environment during subsoil use.

With regard to the **permit for special water use**, the grounds for termination of the right to special water use by revoking the permit are, inter alia, violation of the conditions of special water use and water protection, in respect of which the State Ecological Inspection of Ukraine previously issued an order to eliminate them within a reasonable time. The Geology Service shall appeal to the administrative court with a claim for the application of a response measure in the form of revocation of the permit on the above grounds.<sup>780</sup>

Also, the reason for the refusal to issue a permit for special water use is the negative opinion issued by the Geology Service or the Ministry of Health.<sup>781</sup> The right to special water use shall be terminated by the body that issued the permit for special water use.

With regard to the **permit for emissions of pollutants into the atmosphere**, the economic or other activities related to the violation of conditions and requirements for emissions of pollutants into the air and the extent of impacts of physical and biological factors on its condition provided by the permits may be limited, temporarily prohibited (suspended) or terminated in accordance with the law.<sup>782</sup> At the same time, the procedure for conducting and paying for the work related to the issuance of permits for emissions of pollutants into the atmosphere by stationary sources; registering enterprises, institutions, organizations and citizens - entrepreneurs who have received such permits<sup>783</sup> (adopted instead of the Regulations on the procedure for issuing permits for emissions of pollutants into the atmosphere by stationary sources<sup>784</sup>) does not contain such grounds for termination of activities as non-compliance with environmental legislation.

There are no regulations on issuance of permits for operations in the field of waste management and special use of forest resources.

---

<sup>779</sup> Part 2 Article 17 of the Law on PSA

<sup>780</sup> Article 55 of the Water Code of Ukraine, available at: <https://zakon.rada.gov.ua/laws/show/213/95-bp#n542>

<sup>781</sup> Article 49 of the Water Code of Ukraine, available at: <https://zakon.rada.gov.ua/laws/show/213/95-bp#n493>

<sup>782</sup> Article 12 of the Law of Ukraine "On Protection of Atmospheric Air", available at:

<https://zakon.rada.gov.ua/laws/show/2707-12#n122>

<sup>783</sup> The CMU Resolution "On approval of the Procedure for conducting and paying for work related to the issuance of permits for emissions of pollutants into the atmosphere by stationary sources, registering enterprises, institutions, organizations and citizens - entrepreneurs who received such permits" No. 302 of 13 March 2002, available at:

<https://zakon.rada.gov.ua/laws/show/302-2002-n#Text>

<sup>784</sup> The CMU Resolution "On approval of the Regulations on the procedure for issuing permits for emissions of pollutants into the atmosphere by stationary sources" No. 364 of 29 May 1995, available at: <https://zakon.rada.gov.ua/laws/show/364-95-n#Text>

So, one of the significant consequences of violation of environmental legislation for mining companies may be termination or restriction of the right to use subsoil.

### ***Liability for violation of environmental legislation***

The Law on EP stipulates that violation of the legislation of Ukraine on environmental protection entails disciplinary, civil, administrative and criminal liability.<sup>785</sup>

Thus, the responsibility for violating the legislation on environmental protection shall be borne by persons guilty of:

- ▶ violation of citizens' rights to an ecologically safe environment;
- ▶ violation of environmental safety standards;
- ▶ violation of the requirements of the legislation on environmental impact assessment, including the submission of a knowingly false EIA opinion or EIA report;
- ▶ failure to take into account the results of the EIA in the prescribed manner and non-compliance with the environmental conditions specified in the EIA opinion;
- ▶ excessive, emergency and volley emissions and discharges of pollutants and other harmful effects on the environment;
- ▶ exceeding the limits and violating other requirements for the use of natural resources;
- ▶ unauthorized special use of natural resources;
- ▶ failure to take measures to prevent and eliminate the environmental impacts of accidents and other harmful effects on the environment;
- ▶ non-compliance with the ordinances of the bodies exercising state monitoring in the field of environmental protection and resistance to their representatives;
- ▶ refusal to provide timely, complete and reliable information on the state of the environment, as well as on the sources of pollution, concealment of cases of accidental pollution of the environment or falsification of such information;
- ▶ violation of the requirements of the legislation of Ukraine in the implementation of strategic environmental assessment, etc.

Enterprises, institutions, organizations and citizens are obliged to compensate the damage caused by them as a result of violation of environmental legislation, based on a court decision upon the claim of the State Ecological Inspection of Ukraine, which estimates the amount of damage in accordance with the established methodology.

Administrative and criminal liability for environmental offenses and crimes is established in the relevant codes.

***The application of the disciplinary, administrative or criminal liability measures does not release the perpetrators from compensation for damage caused by environmental pollution and deterioration of natural resources.*** Illegally extracted resources and products made from them are subject to free seizure, and instruments of crime shall be confiscated.

---

<sup>785</sup> Article 68 of the Law on EP

**Conclusions to the section**

The relations related to environmental protection are regulated by a large number of laws and regulations, including in the field of extraction, which are aimed at ensuring the rational use of resources and environmental protection. Some provisions of the legislation are outdated and need to be improved, including the improvement of state monitoring mechanisms, the adoption of a procedure for issuing special permits for waste disposal, and so on.

Special nature management rights impose on mining companies a number of responsibilities related to ensuring the rational use of natural resources and nature restoration (including land reclamation, compensation for environmental damage, elimination of negative impacts, payment of rent and / or environmental tax).

The public administration measures in the field of environment include state monitoring of the environment, accounting for natural resources, ensuring the obligation to conduct environmental audits, strategic environmental assessment, environmental impact assessment, etc.

There is no single state body responsible for the environment in Ukraine. As of 2018, the specially authorized bodies in the field of environment included the Ministry of Environment, the State Ecological Inspection of Ukraine, and the State Committee for Geodesy, the State Water Agency, etc.

In case of violation of the legislation in the field of environmental protection by economic entities, the legislation provides for such sanctions as deprivation of the right to use nature and the imposition of civil, administrative and criminal liability.



## 8. Reconciliation of tax and other payments



Ernst & Young Audit Services LLC  
Khreschatyk Street, 19A  
Kyiv, 01001, Ukraine  
Tel: +380 (44) 490 3000  
Fax: +380 (44) 490 3030  
www.ey.com/ua

ТОВ «Ернст енд Янг Аудиторські Послуги»  
Україна, 01001, Київ  
вул. Хрещатик, 19А  
Тел.: +380 (44) 490 3000  
Факс: +380 (44) 490 3030

## Report of factual findings

Ministry of Energy of Ukraine,

EY was selected as the Independent Administrator in accordance to the agreement with the Ministry of Energy of Ukraine and the Statement of Work, prepared the 2018 Ukraine EITI Report.

This Report of factual findings summarizes results of reconciliation of tax and other payments to the state made by extractive companies in 2018. Results of performed procedures are provided in **Sections 8.1-8.4** below.

Considering that procedures, performed by EY, do not constitute audit or a review of the financial statements in accordance with International Standards on Auditing or International Standards on Review Engagement, we do not express any assurance on taxes and other payments to the state made by extractive companies in 2018.

Our report was prepared solely for the purpose as set forth in the first paragraph of this report and relates only to the amounts of tax and other payments to the state made by extractive companies as specified in **Sections 8.1-8.4** below and does not extend to any financial statements of the extractive companies in Ukraine.

*Ernst & Young Audit Services LLC*

June 24, 2021

## 8.1 Determining the scope of reconciliation in the EITI Report

### 8.1.1 Determining the list of extractive industries for reconciliation in the EITI Report

The list of extractive industries, included in the scope of reconciliation of payments within the EITI Report 2018, was made up based on the data obtained in response to the request to the State Tax Service on the revenues of the state by type of economic activity. The data analysis determined that 95.60% of tax and other payments to the benefit of the state from all extractive industries accounted for four extractive industries (extraction of crude oil and natural gas, coal and iron ore mining), and oil and natural gas transportation in 2018.

The revenues in favor of the state from other extractive industries are relatively insignificant, however the EITI MSG members decided (Minutes of the EITI MSG meeting dated November 20, 2020) also to include titanium and manganese in the scope of reconciliation within the EITI Report 2018. The main reasons were the economic importance of the industries, as well as the government's plans to privatize Ukraine's main titanium extractive enterprises. Basically, the titanium and manganese ore mining are part of the type of economic activity "Mining of other non-ferrous metal ores", with 1.06% in the total payments made by of mining industries for the benefit of the state in 2018.

*Table 8.1: Tax and other payments in favour of the state from the companies in the extractive industries in 2018*

NACE-2010 code	Type of economic activity	Revenues in favour of the state in 2018	
		UAH thousand	% of the total payments
B06.20	Natural gas extraction	55,185,425.30	49.65%
B06.10	Crude oil extraction	19,014,144.21	17.11%
B05.10	Coal mining	11,480,705.67	10.33%
H49.50	Pipeline transport	10,846,596.26	9.76%
B07.10	Iron ores mining	9,728,735.75	8.75%
B08.11	Mining of decorative and building stone, limestone, gypsum, chalk and clay shale	1,614,401.82	1.45%
B07.29	Mining of ores of other non-ferrous metals	1,175,075.17	1.06%
B08.12	Mining of sand, gravel, clay and kaolin	985,531.56	0.89%
B08.93	Salt extraction	657,907.34	0.59%
B07.21	Mining of uranium and thorium ores	277,756.68	0.25%
B08.99	Extraction of other minerals and quarrying, providing other individual services	99,047.49	0.09%
B08.92	Peat mining	72,610.22	0.07%
B08.91	Mining of mineral raw materials for chemical industry and production of mineral fertilizers	5,371.67	0.005%
<b>Total</b>		<b>111,143,309.14</b>	<b>100%</b>

Therefore, the following extractive industries<sup>786</sup> (hereinafter - the accountable industries) were subject to reconciliations of payments within the EITI Report 2018:

- ▶ natural gas extraction;
- ▶ crude oil extraction;
- ▶ coal mining;
- ▶ transportation of oil and natural gas;
- ▶ iron ores mining;
- ▶ titanium ores mining;
- ▶ manganese ores mining.

According to the State Tax Service, the received tax and other payments in favor of the state from the companies of the above accountable industries amounted to UAH 107,430,682.36 thousand or 96.66% of total revenues from all extractive industries. The revenues from extractive industries that were not subject to reconciliation of payments within the EITI Report 2018 were insignificant and amounted to UAH 3,712,626.78 thousand or 3.34% of the total revenues.

### **8.1.2 Determining the list of types of payments for reconciliation in the EITI Report**

In order to determine the list of the most significant types of tax and other payments in favor of the state, the inquiries for information were sent to the following government agencies (following the decision of EITI MSG of November 20, 2020):

- ▶ State Tax Service (STS);
- ▶ State Customs Service (SCS);
- ▶ Ministry of Economy;
- ▶ Geonadra.

The inquiries requested information by the types of payment and mining companies in the accountable industries. The inquiry distribution list of companies was formed based on the list of enterprises that had special permits for subsoil use. To create the list, the open data of Geonadra were used, including the special permit database posted on the official website of Geoinform of Ukraine DNVP.

According to the decision of the EITI MSG (Minutes of the EITI MSG meeting of December 14, 2020), the significance<sup>787</sup> threshold for the revenues by type of tax and other payments was set at 2%. Given the defined significance threshold, and guided by the requirements of the EITI standard (including Instruction No 13 on determining the significance, reporting thresholds and accountable entities), and based on the analysis of information received from the government agencies, the following list of payments (hereinafter - significant payments) included in the scope of reconciliation within the EITI Report 2018 was made up:

- ▶ Personal income tax, Budget Revenue Classification Code (BRCC) code - 11010000;  
The payment includes a military fee; personal income tax paid by tax agents on the taxpayer's income in the form of wages, and other subtypes of personal income tax.
- ▶ Corporate income tax, BRCC code - 11020000;

---

<sup>786</sup> In this section, the extractive industries also refer to the oil and natural gas transportation industry.

<sup>787</sup> The significance threshold refers to the minimum value as a percentage of the total amount of all tax and other payments in favor of the state, at which payments are included in the scope of reconciliation within the EITI Report 2018



- ▶ Production royalty, BRCC code - 13030000;  
This payment includes production royalty for the extraction of minerals of national importance; production royalty for the extraction of natural gas; production royalty for oil extraction; production royalty for the extraction of gas condensate and other subtypes of production royalty;
- ▶ Value added tax on goods and services, produced in Ukraine (excluding budget reimbursement of VAT), BRCC code - 14060000 (excluding 14060200);
- ▶ Budget reimbursement of value added tax, BRCC code - 14060200;
- ▶ Value added tax on goods imported into Ukraine, BRCC code - 14070000;
- ▶ Unified social contribution (hereinafter - SSC / unified contribution), BRCC code - 71010000.

Additional types of payments were included in the above-mentioned list of significant payments 2018, following the decision of EITI MSG (Minutes of the EITI MSG meeting of November 20, 2020). The payments were included in the list basically because of their importance for filling local budgets. Despite their relatively low share in all aggregate payments to the state made by the mining companies, the following tax payments were included in the scope of reconciliation within the EITI Report 2018:

- ▶ Property tax, BRCC code - 18010000;  
The payment includes land tax on legal entities; rent from legal entities and other subtypes of payments.
- ▶ Environmental tax, BRCC code - 19010000.

Also, the following non-tax payments were added to the scope of reconciliation to highlight the relationship between the companies with state participation and the state:

- ▶ Dividends and payment of the share of net profit, BRCC codes - 21010000, 21010500;  
This type of payment consists of two payments:
  - The part of the net profit (income) of the state or municipal unitary enterprises and their associations, which is withdrawn to the relevant budget, and dividends (income) accrued on the shares (stakes, units) of business entities with the state or municipal participation in their authorized capital, BRCC code - 21010000;
  - Dividends (income) accrued on shares (stakes, units) of business entities with state participation in their authorized capital, BRCC code - 21010500.
- ▶ Fee for granting and extending the validity of special permits for subsoil use and funds from the sale of such permits, BRCC code - 22012100.

Excise tax on excisable goods (products) produced in Ukraine was not included in the list of significant tax payments. First, the share of this payment in total revenues in favor of the state from the companies in the reporting extractive industries is below the established significance threshold and amounts to UAH 2,643,927.56 thousand or 1.41%, and therefore does not affect the completeness of the overall reconciliation. Second, this tax payment is not directly related to mining activities, so it is insignificant for the EITI Report 2018.

The table below presents information on the total revenues in favor of the state from all companies in the reporting extractive industries by significant types of payments (**Table 8.2**).

**Table 8.2: Revenues from all companies of the reporting industries in favour of the state in terms of material types of payments in 2018**

Budget classification code	Name of payment	Government agencies that control the collection of revenues for the benefit of the state	Revenues in 2018	
			UAH thousand	%
14060000 (without 14060200)	Value added tax on goods and services, produced in Ukraine (excluding budget reimbursement of VAT)	STS	45,745,360.42	24.34%
13030000	Production royalty	STS	41,961,786.44	22.33%
11020000	Corporate income tax	STS	41,150,374.92	21.90%
21010000, 21010500	Dividends and payment of a share of net profit	STS, Ministry of Economy	28,947,838.98	15.40%
14070000	Value added tax on goods imported into Ukraine	SCS	19,430,513.65	10.34%
14060200	Budget reimbursement of value added tax	STS	(11,478,294.70)	(6.11%)
11010000	Personal income tax	STS	8,207,886.49	4.37%
71010000	Unified social contribution	STS	8,193,564.13	4.36%
18010000	Property tax	STS	1,399,667.57	0.74%
19010000	Environmental tax	STS	788,182.32	0.42%
22012100	Fees for granting or extending special permits for the use of subsoil and revenues from the sale of such permits	Geology Service	658,153.09	0.35%
<b>Total, material types of payments</b>			<b>185,005,033.30</b>	<b>98.44%</b>
<b>Immaterial types of payments</b>			<b>2,933,702.26</b>	<b>1.56%</b>
<b>Total, all types of payments</b>			<b>187,938,735.57</b>	<b>100.00%</b>

Overall, the total revenues in favor of the state from the companies in the reporting extractive industries by 11 significant payments amounted to UAH 185,005,033.30 thousand in 2018 or 98.44% of the amount of revenues for all types of payments.

All types of significant payments, except for unified social contribution, go to the State budget or the subnational budgets in certain proportions<sup>788</sup>. The unified contribution is split into types of compulsory state social insurance in the proportions approved by the Cabinet of Ministers of Ukraine<sup>789</sup>. For more details on the distribution of significant types of payments see **Section 6.5**.

<sup>788</sup> The budget revenue classification was approved by the Order of the Ministry of Finance No 11 of 14.01.2011 "On Budget Classification", <https://zakon.rada.gov.ua/rada/show/v0011201-11#n25>

<sup>789</sup> The proportions applied to split the Single social contribution SSC are approved by the Resolution of the Cabinet of Ministers of Ukraine No 675 of November 26, 2014 "On approval of the proportions of the distribution of the single contribution to the obligatory state social insurance", <https://zakon.rada.gov.ua/laws/show/675-2014-n>

The funds paid by companies in the reporting extractive industries are credited directly to the budget accounts within the Treasury of Ukraine<sup>790</sup>. The state bodies that provided information on the payments<sup>791</sup> are not engaged in their collection, but are responsible only for the full and timely receipt of revenues to the state budget according to the budget classification codes:

- ▶ **The State Tax Service** administers and monitors the collection of taxes, fees, charges and SSC, so it has information on the bulk of revenues for the benefit of the state.
- ▶ **The State Customs Service** organizes and accounts for and administers customs and other payments within its mandate.
- ▶ **The Ministry of Economy** ensures the receipt of dividends (income) accrued on shares in the entities with state participation in their authorized capital (budget classification code 21010500).
- ▶ **Geonadra** ensures revenues to the state budget under the following types of payments:
  - Fees for granting or extending special permits for the use of subsoil and revenues from the sale of such permits (budget classification code 22012100);
  - Payment for the right to use geological information created (purchased) at the expense of the state budget;
  - The cost of the auction documentation package for participation in the auction for the sale of special permits for subsoil use that have not been returned.

**Table 8.2** indicates the state body that monitors the collection of the revenue in favor of the state, for each significant type of payment.

The total amounts of revenues, for all types of payments and for significant types of payments, the collection of which is entrusted to the State Tax Service, State Customs Service, the Ministry of Economy and Geonadra, are presented in **Table 8.3**.

**Table 8.3: Distribution of revenues from all companies of the reporting extractive industries in favour of the state in 2018 by government agencies that control the collection of payments**

Government agency that controls the collection of revenues for the benefit of the state	Revenues by all types of payments	Revenues by material types of payments
STS	138,865,886.54	135,947,084.81
SCS	19,430,513.65	19,430,513.65
Ministry of Economy	28,969,281.75	28,969,281.75
Geology Service	673,053.62	658,153.09
<b>Total</b>	<b>187,938,735.57</b>	<b>185,005,033.30</b>

<sup>790</sup> Parts 2, 4 of Article 45 of the Budget Code

<sup>791</sup> The so-called budget revenue collection monitoring bodies. See paragraph 39 Part 1 of Article 2, Part 3 of Article 45 of the Budget Code; The list of budget classification codes by budget revenue collection monitoring body is approved by the Cabinet of Ministers of February 16, 2011 No 106 "Some issues of accounting for taxes, fees, charges and other budget revenues": <https://zakon.rada.gov.ua/laws/show/106-2011-%D0%BF>

The scope of reconciliation within the Ukraine EITI Report 2018 includes the following types of tax and other payments:

1. Personal income tax;
2. Corporate income tax;
3. Production royalty;
4. Value added tax on goods and services, produced in Ukraine (excluding budget reimbursement of VAT);
5. Budget reimbursement of value added tax;
6. Value added tax on goods imported into Ukraine;
7. Unified social contribution;
8. Property tax;
9. Environmental tax;
10. Dividends and payment of a share of net profit;
11. Fees for granting or extending special permits for the use of subsoil and revenues from the sale of such permits.

### **8.1.3 Determining the list of reporting companies for reconciliation in the EITI Report**

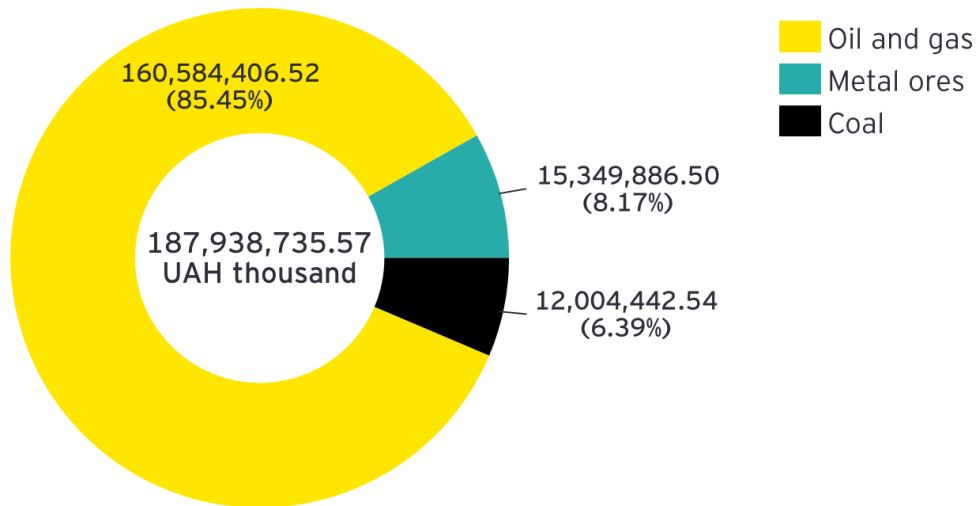
In order to determine the list of extractive companies whose tax and other payments to the state are subject to reconciliation within the EITI Report 2018, the Independent Administrator analyzed the data provided by government agencies on receipts by significant types of payments by mining companies. As with the definition of the list of types of payments subject for reconciliation in the EITI Report, the list of companies the information on which was requested from the government agencies was made up based on the register of subsoil users in Ukraine, including the Geonadra database of special subsoil use permits, published on the Geoinform of Ukraine official website.

Overall, the oil and gas industry<sup>792</sup> was the leader in terms of all types of payments to the state with the largest share of UAH 160,584,406.52 thousand or 85.45% of the total revenues. In second top was the metal ore mining industry<sup>793</sup>, which accounted for UAH 15,349,886.50 thousand or 8.17%. The coal mining companies paid a total of UAH 12,004,442.54 thousand or 6.39% of the total payments.

---

<sup>792</sup> For the purposes of payments reconciliation, the companies belonging to the Crude Oil Extraction, Natural Gas Extraction, Oil and Natural Gas Transportation sectors were merged into the category Oil and Gas Companies or the companies of Oil and Gas sector

<sup>793</sup> For the purposes of payments reconciliation, the companies belonging to the Iron ore mining, Manganese ore mining and Titanium ore mining were merged into the category Metal ores sector



*Figure 8.1: Revenues in favour of the state from the companies of the reporting industries by all types of payments in 2018, thousand UAH*

As a summary, according to the State Tax Service, State Customs Service, Ministry of Economy and Geonadra, the total revenue in favor of the state from all the companies in the reporting extractive industries in 2018 amounted to UAH 187,938,735.57 thousand, including UAH 185 005 033.30 thousand - the significant types of payments defined in the previous section.

In order to determine the list of companies included in the scope of reconciliation within the EITI Report 2018, according to the EITI MSG decision (Minutes of the EITI MSG meeting of November 20, 2020), a significance threshold of UAH 99 million was set. In compliance with the requirements of the EITI Standard for assessing the significance of revenues and taking into account the defined significance threshold, and based on the results of the feasibility study, the list of 53 companies was formed whose revenues in favor of the state were the most significant and subject to reconciliation in the EITI Report 2018 (hereinafter - the reporting companies). The list of the companies is presented in **Annex 2**.

According to government agencies, the amount of receipts for significant types of payments from 53 reporting companies amounted to 183,404,729.34 thousand UAH or 97.59% of the total receipts for all types of payments from all companies in the reporting extractive industries.

The list of 11 significant payments to the state in 2018 includes budget reimbursement of value added tax, which is accounted for as a negative number. According to the State Tax Service, the amount of budget reimbursement of VAT to the reporting companies amounted to UAH (11,376,594.24) thousand in 2018. In other words, the amount of revenues from the reporting extractive companies by significant types of payments in 2018 net of the budget reimbursement of VAT amounted to UAH 194,781,323.58 thousand (**Table 8.4**).

The steps for assessing the significance of the revenues in favor of the state and identifying significant types of payments and reporting companies covered by the reconciliation within the EITI Report 2018 are presented below (**Figure 8.2**).

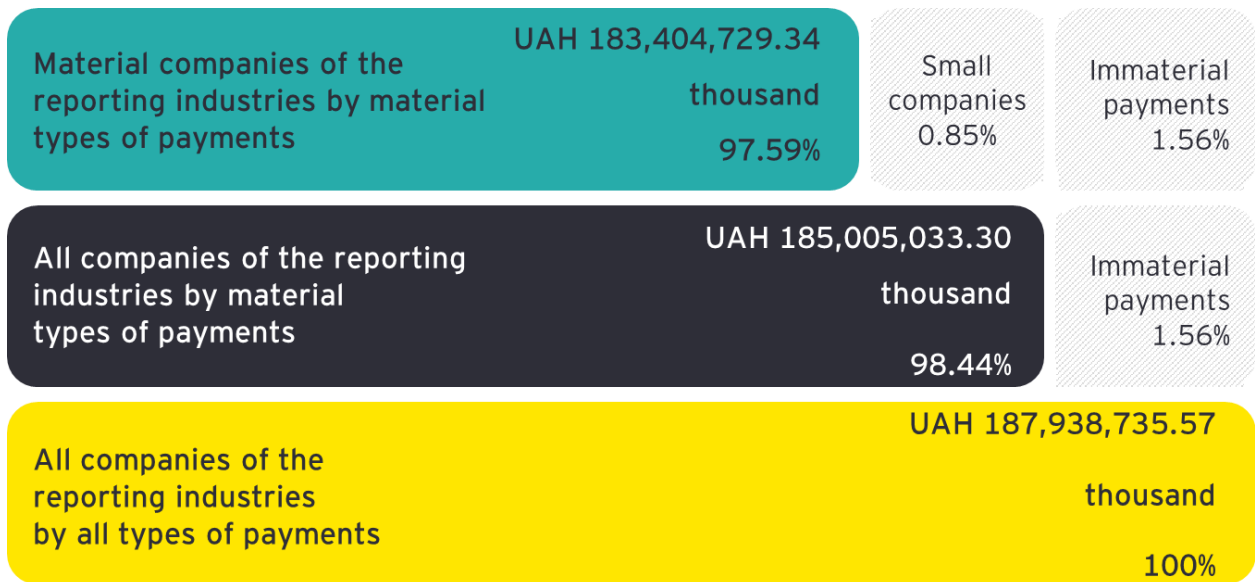


Figure 8.2: Stages of materiality assessment of revenues from extractive companies, covered by the scope reconciliation in EITI Report 2018

Table 8.4: Revenues from reporting companies in favour of the state by material types of payments in 2018, thousand UAH

NN	EDRPOU code / tax number	Payer	Industry	Revenue (without budget reimbursement of VAT)	Budget reimbursement of VAT)	Revenues by all material types of payments
<b>Oil and natural gas, including transportation:</b>				<b>156,575,463.40</b>	-	<b>156,575,463.40</b>
1	20077720	Naftogaz of Ukraine NJSC	Oil and gas	68,657,019.15	-	68,657,019.15
2	30019775	Ukrigasvydobuvannya JSC	Oil and gas	42,012,209.17	-	42,012,209.17
3	135390	Ukrnafta PJSC	Oil and gas	16,529,681.89	-	16,529,681.89
4	30019801	Ukrtransgaz JSC	Oil and gas	8,316,941.78	-	8,316,941.78
5	32377038	Naftogazvydobuvannya PrJSC	Oil and gas	6,213,319.33	-	6,213,319.33
6	33152471	Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	Oil and gas	3,855,684.45	-	3,855,684.45
7	30732144	Energy Service Company Esco-Pivnich LLC	Oil and gas	2,446,238.06	-	2,446,238.06
8	33100376	Natural Resources PrJSC	Oil and gas	1,384,671.82	-	1,384,671.82
9	31570412	Ukrtransnafta JSC	Oil and gas	922,380.61	-	922,380.61
10	20041662	Poltava Petroleum Company JV	Oil and gas	1,022,858.53	-	1,022,858.53
11	30694895	Kub-Gaz LLC	Oil and gas	695,507.48	-	695,507.48
12	26333503	Representative Office of Regal Petroleum Corporation Limited	Oil and gas	691,145.15	-	691,145.15
13	25635581	Ukrigasvydobutok PrJSC	Oil and gas	618,615.36	-	618,615.36
14	38203132	Systemoilengineering LLC	Oil and gas	546,104.13	-	546,104.13
15	36050166	Persha ukraiinska gazonaftova kompaniia LLC	Oil and gas	430,934.43	-	430,934.43
16	23152126	Joint Venture Ukrkarpatoil LTD LLC	Oil and gas	303,622.41	-	303,622.41
17	33862865	Nordik Private Enterprise	Oil and gas	366,189.82	-	366,189.82
18	403739509	Joint activity agreement of 24/12/1997 № 999/97 - operated by Poltavanaftogaz OPMO of Ukrnafta PJSC (22525915)	Oil and gas	271,522.45	-	271,522.45
19	39454684	Stryinaftogaz LLC	Oil and gas	231,666.66	-	231,666.66
20	24186185	Energiiia-95 LLC	Oil and gas	222,771.50	-	222,771.50

NN	EDRPOU code / tax number	Payer	Industry	Revenue (without budget reimbursement of VAT)	Budget reimbursement of VAT)	Revenues by all material types of payments
21	23703371	Kashtan Petroleum LTD JV	Oil and gas	196,892.01	-	196,892.01
22	36282935	Zakhidnadraserbis LLC	Oil and gas	178,612.54	-	178,612.54
23	31747429	Prom-Energo Product LLC	Oil and gas	164,552.54	-	164,552.54
24	35602704	Nadra-Geoinvest LLC	Oil and gas	155,158.01	-	155,158.01
25	534663345	Joint activity agreement of 01/01/1999 No. 35/4 - authorized entity Hals-K PrJSC (31566427)	Oil and gas	141,164.12	-	141,164.12
<b>Metal ores:</b>				<b>26,478,949.26</b>	<b>(11,376,594.24)</b>	<b>15,102,355.02</b>
26	24432974	ArcelorMittal Kryvyi Rih PJSC	Iron ores	8,957,902.97	(5,862,580.22)	3,095,322.74
27	191000	Southern Mining Factory JSC	Iron ores	3,685,155.78	(504,738.22)	3,180,417.56
28	191023	Northern Iron Ore Enrichment Works PrJSC	Iron ores	3,241,354.86	-	3,241,354.86
29	191282	Ferrexpo Poltava mining PrJSC	Iron ores	2,288,788.51	(2,058,080.75)	230,707.75
30	190905	Ingulets Iron Ore Enrichment Works PrJSC	Iron ores	1,942,913.51	(205,036.36)	1,737,877.15
31	190977	Central Iron Ore Enrichment Works PrJSC	Iron ores	1,519,581.47	(1,340,584.95)	178,996.52
32	191307	Krivoj Rog`s Iron-Ore Combine PJSC	Iron ores	1,154,576.76	(61,142.18)	1,093,434.58
33	36716128	United Mining and Chemical Company JSC	Titaneum ores	873,727.77	(263,523.33)	610,204.44
34	191218	The foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC	Iron ores	866,183.68	(53,544.46)	812,639.22
35	190928	Pokrovskiy GZK JSC	Manganese ores	683,077.04	-	683,077.04
36	191329	Suha Balka PrJSC	Iron ores	509,974.83	-	509,974.83
37	35713283	Ferrexpo Yeristovo mining LLC	Iron ores	412,702.94	(812,304.03)	(399,601.09)
38	190911	Marganets GZK JSC	Manganese ores	343,009.14	(215,059.74)	127,949.41
<b>Coal:</b>				<b>11,726,910.92</b>	<b>-</b>	<b>11,726,910.92</b>
39	178353	DTEK Pavlogradugol PrJSC	Coal	6,875,757.39	-	6,875,757.39
40	13498562	Shakhtoupravlinnia Pokrovske PJSC	Coal	1,591,455.50	-	1,591,455.50
41	37014600	DTEK Dobropolyeugol LLC	Coal	898,085.83	-	898,085.83



NN	EDRPOU code / tax number	Payer	Industry	Revenue (without budget reimbursement of VAT)	Budget reimbursement of VAT)	Revenues by all material types of payments
42	32323256	Lvivvughiliya SE	Coal	521,775.34	-	521,775.34
43	33426253	Selydivvuhillia SE	Coal	344,313.36	-	344,313.36
44	32087941	Myrnogradugol SE	Coal	209,246.13	-	209,246.13
45	32320594	Pervomayskvuhilla SE	Coal	209,135.00	-	209,135.00
46	32359108	Lysychanskvuhillya PJSC	Coal	187,111.06	-	187,111.06
47	31599557	Vuhilna Kompaniia Krasnolymanska SE	Coal	167,240.10	-	167,240.10
48	34032208	Shakhtoupravlinnia Pivdenodonbaske No 1 SE	Coal	134,217.76	-	134,217.76
49	32281519	Krasnolimanske LLC	Coal	139,812.83	-	139,812.83
50	33839013	Toretskvugillya SE	Coal	125,181.50	-	125,181.50
51	5508186	DTEK Mine Komsomolets Donbassa PJSC	Coal	113,184.59	-	113,184.59
52	36028628	Bilozerska mine SLC	Coal	110,869.93	-	110,869.93
53	40695853	Mine named after M. S. Surgai SE	Coal	99,524.61	-	99,524.61
<b>Total, reporting companies (within the scope of the revenue reconciliation)</b>				<b>194,781,323.58</b>	<b>(11,376,594.24)</b>	<b>183,404,729.34</b>
<b>Other companies (not within the scope of revenue reconciliation)</b>				<b>1,702,004.42</b>	<b>(101,700.46)</b>	<b>1,600,303.97</b>
<b>TOTAL, COMPANIES OF REPORTING INDUSTRIES</b>				<b>196,483,328.00</b>	<b>(11,478,294.70)</b>	<b>185,005,033.30</b>

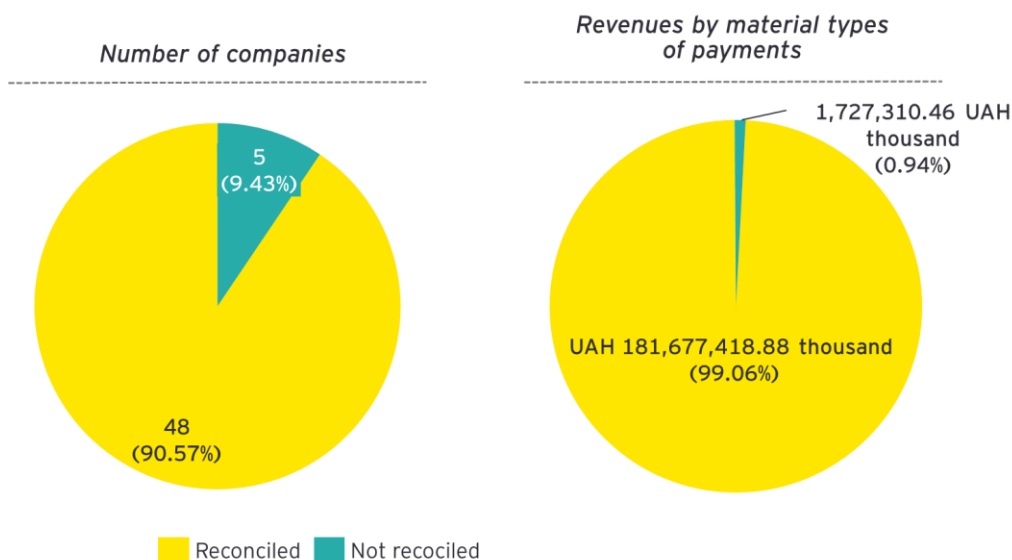
## 8.2 Summary of payments reconciliation

### 8.2.1 Completeness of reconciliation

Inquiries were sent to the State Tax Service, the State Customs Service, the Ministry of Economy and the State Committee for Geodesy to obtain information on revenues from the extractive industries. Subsequently, all these government agencies provided relevant data on the payments to the state in 2018.

As a result of assessing the significance of revenues in favor of the state and identifying significant types of payments and reporting companies in 2018, 53 mining companies were determined for reconciliation. According to the government agencies, they paid the total of UAH 183,404,729.34 thousand by all types of significant payments to the favour of the state. Out of 53 reporting companies, 48 companies provided information on payments to the state in 2018<sup>794</sup>.

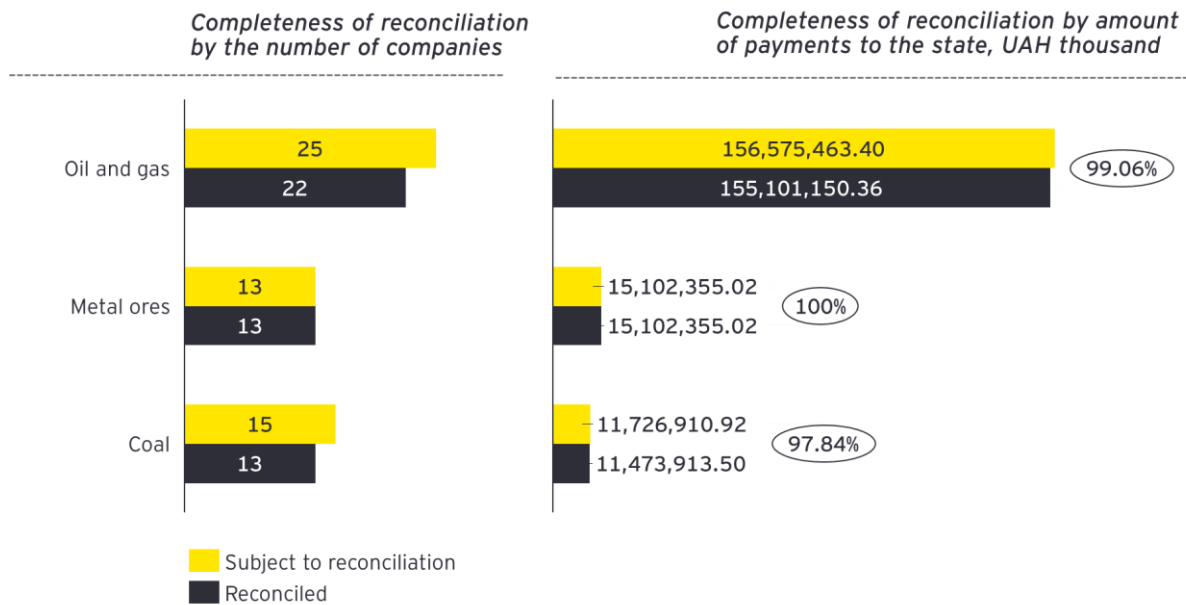
Thus, the data on revenues in favor of the state from 48 reporting mining companies in the amount of UAH 181,677,418.88 thousand were reconciled. As a result, the completeness of the reconciliation in terms of the revenues amounted to 99.06% in 2018. The revenues from the reporting mining companies that did not provide information for reconciliation amounted to UAH 1,727,310.46 thousand or 0.94% of the total revenues from all reporting companies. For comparison, the completeness of the reconciliation of payments within the EITI Report 2017 was 98.39%, which indicates an increase in the involvement of companies in the reporting process for the purposes of preparation of the EITI Report 2018. The percentage of unreconciled payments in 2018 is relatively insignificant (<1%) and almost twice lower than in the EITI Report 2017.



**Figure 8.3: The number of companies and the amount of revenues by material types of payments (including budget reimbursement of VAT) reconciled in 2018**

<sup>794</sup> For more information about the status of reporting by the accountable companies, please see *Annex 11* page 305 out of 514

In terms of the reporting industries, 100% completeness of the reconciliation was achieved for the metal ores mining industry - all 13 reporting companies provided information on tax and other payments to the state, which allowed reconciliation of all revenues from the significant companies in this industry. The second best is oil and natural gas industry with 22 reporting companies that provided reporting information (out of 25), which enabled a reconciliation of 99.06% of the total significant revenues. The smallest share of tax and other payments was reconciled for coal mining - out of 15 companies, 13 reporting companies provided the reporting information, with 97.84% of revenues reconciled. The detailed information on the payments of the companies that did not provide data for reconciliation within the EITI Report 2018 is provided in **Annex 10**.



**Figure 8.4: Completeness of reconciliation by the amount of revenues in favour of the state and the number of the reporting companies of extractive industries in 2018**

In terms of ownership, UAH 139,349,804.30 thousand (according to state agencies) or all 100% of the significant revenues in favor of the state were reconciled for the companies directly or indirectly owned by the state. For private sector companies, in terms of payments to the state, the completeness of the reconciliation was 96.08% in 2018, with UAH 42,327,614.58 thousand reconciled. Of all 53 reporting companies, 37 companies are private companies and 16 are directly or indirectly owned by the state. The data for reconciliation were provided by all 16 state-owned companies and 32 out of 37 private sector companies. The detailed information on the completeness of the reconciliation in terms of extractive industries and ownership of the companies is presented in **Table 8.5**.

Of the total revenues UAH 183,404,729.34 thousand in favor of the state received from 53 reporting companies:

- ▶ 97.32% or UAH 178,484,520.03 thousand of revenues accounted for 41 companies that were reconciled and whose financial statements for 2018 had been audited, according to the information provided by them;

- ▶ 1.74% or UAH 3,192,898.85 thousand of revenues accounted for 7 companies that were reconciled and which did not provide information on the audit or were not audited in 2018;
- ▶ 0.94% or UAH 1,727,310.46 thousand of revenues accounted for 5 companies that did not reply to the inquiry for information for the purposes of preparation of the EITI Report, so no information on the audit was available.

The detailed information on the availability of the audited statements of the reporting extractive companies and the link to public financial statements (if any) is provided in **Annex 11**.

**Table 8.5: Completeness of reconciliation of revenues in favour of the state from the reporting mining companies in 2018 by mining industries and by type of ownership**

Industry	State ownership / private ownership <sup>795</sup>	Amount of revenues			Number of companies		
		Subject to reconciliation, UAH thousand	Reconciled, UAH thousand	Completeness of reconciliation by revenues, %	Subject to reconciliation	Reconciled	Completeness of reconciliation by number of companies, %
Oil and gas	<b>Total, including:</b>	<b>156,575,463.40</b>	<b>155,101,150.36</b>	<b>99.06%</b>	<b>25</b>	<b>22</b>	<b>88.00%</b>
	State	136,741,855.01	136,741,855.01	100.00%	6	6	100.00%
	Private	19,833,608.39	18,359,295.35	92.57%	19	16	84.21%
Metal ores	<b>Total, including:</b>	<b>15,102,355.02</b>	<b>15,102,355.02</b>	<b>100.00%</b>	<b>13</b>	<b>13</b>	<b>100.00%</b>
	State	610,204.44	610,204.44	100.00%	1	1	100.00%
	Private	14,492,150.58	14,492,150.58	100.00%	12	12	100.00%
Coal	<b>Total, including:</b>	<b>11,726,910.92</b>	<b>11,473,913.50</b>	<b>97.84%</b>	<b>15</b>	<b>13</b>	<b>86.67%</b>
	State	1,997,744.85	1,997,744.85	100.00%	9	9	100.00%
	Private	9,729,166.07	9,476,168.65	97.40%	6	4	66.67%
<b>ALL INDUSTRIES</b>	<b>TOTAL, INCLUDING:</b>	<b>183,404,729.34</b>	<b>181,677,418.88</b>	<b>99.06%</b>	<b>53</b>	<b>48</b>	<b>90.57%</b>
	STATE	139,349,804.30	139,349,804.30	100.00%	16	16	100.00%
	PRIVATE	44,054,925.04	42,327,614.58	96.08%	37	32	86.49%

<sup>795</sup> «State ownership» means directly or indirectly owned by the state

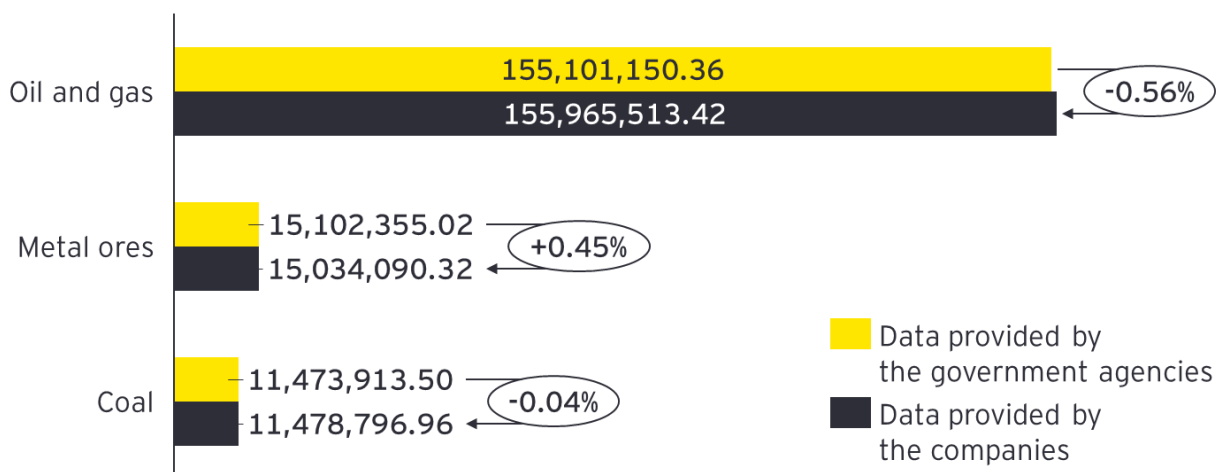
## 8.2.2 Key results of reconciliation

### The general findings of the reconciliation

48 out of 53 reporting mining companies provided information for the purposes of reconciling tax and other payments in favor of the state within the EITI Report 2018. According to government agencies, the total amount of revenues in favor of the state by significant types of payments from 48 companies amounted to UAH 181,677,418.88 thousand. According to the companies' primary data, they paid UAH 145,077,173.67 thousand of tax and other payments in favor of the state in 2018.

Based on the findings of the initial reconciliation, the identified discrepancies between the data of government agencies and those of the reporting companies was studied and the final data on the revenues in favor of the state were clarified. Thus, according to the final data of the reporting mining companies, they paid UAH 182,478,400.70 thousand in favor of the state in 2018. The initial discrepancy in the amount of UAH 36,600,245.21 thousand or 20.15% was significantly reduced and the final discrepancy was UAH (800,981.82) thousand or (0.44%).

In terms of extractive industries, the largest discrepancy after reconciliation and adjustments, both in absolute and percentage terms, remained in extraction of oil on natural gas - UAH (864,363.07) thousand or (0.56%). It is basically due to the difference in the significant payment "Dividends and payment of the share of net profit" (code 21010000, 21010500) by Naftogaz of Ukraine NJSC in the amount of UAH (899,992.61). Metal ores mining is the second top thousand in terms of the volume of discrepancy - UAH 68 264.70 thousand or 0.45%. The smallest discrepancy between the data provided by the government agencies and those submitted by the reporting companies in 2018 as in the previous year was for coal mining, amounting to UAH (4,883.46) thousand or (0.04%).



**Figure 8.5: The results of the final reconciliation of revenues in favour of the state in 2018 by extractive industries, thousand UAH**

In terms of significant types of payments, the largest discrepancy between the data of the government agencies and the reporting mining companies, both in absolute and percentage terms, was demonstrated by the type of payment "Dividends and payment of the share of net profit" - UAH (899,992.70) thousand or (3.11%), with almost all the discrepancy originating

from Naftogaz of Ukraine UAH - UAH (899,992.61) thousand. The second place largest difference in absolute terms was for the "Value added tax on goods and services, produced in Ukraine (excluding budget reimbursement of VAT)" with the total discrepancy of UAH 47,962.17 thousand or 0.11%.

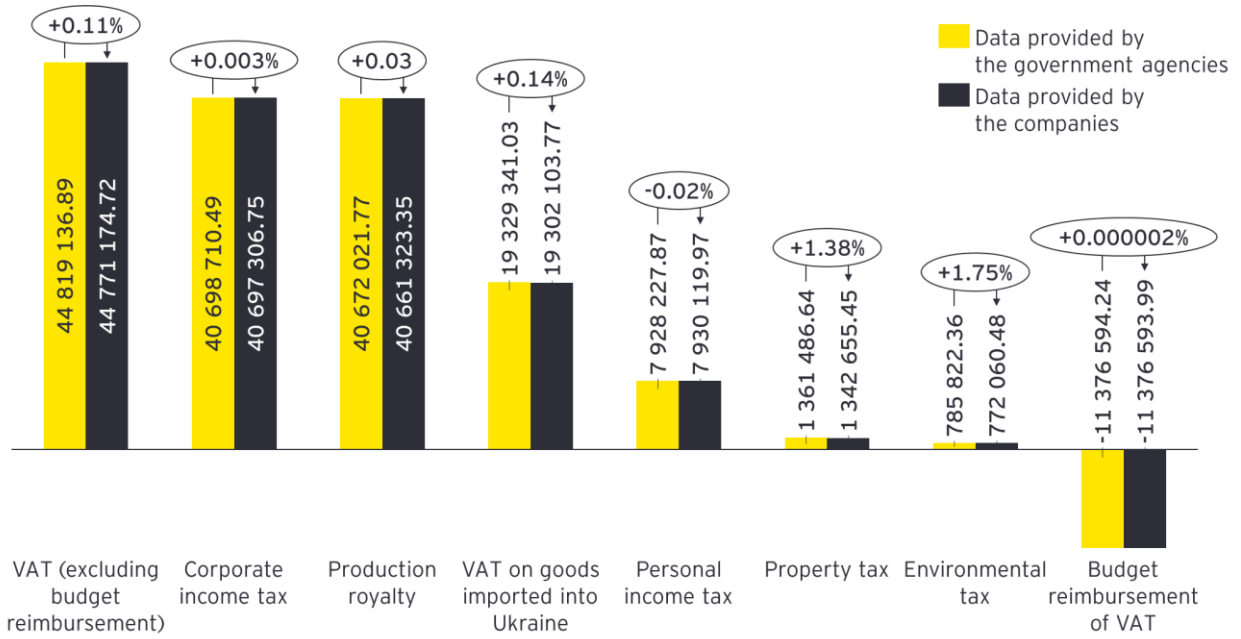


Figure 8.6: The results of final reconciliation of revenues in favour of the state in 2018 by material tax payments, UAH thousand

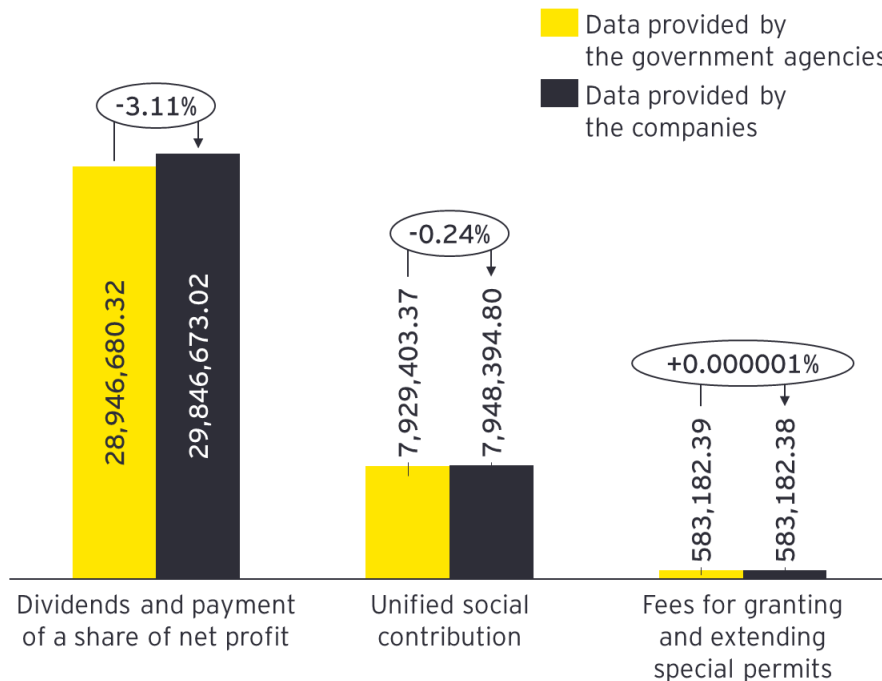


Figure 8.7: The results of final reconciliation of revenues in favour of the state in 2018 by material non-tax types of payments, UAH thousand

In terms of ownership of the reporting companies, the discrepancies between the data of government agencies and the companies that are directly and indirectly owned by the state, significantly exceeded the differences between the government agencies and the privately owned companies. In 2018, the discrepancy for the private companies amounted to UAH 58,742.38 thousand or 0.14%, while for companies with direct and indirect state ownership - UAH (859,724.20) thousand or (0.62%).

The detailed information on the results of the general reconciliation by reporting mining companies is provided in **Annex 8**.

### **The results of reconciliation by individual project activity (special permits)**

According to the results of the reconciliation in terms of special permits, 48 reporting mining companies that provided data for the reconciliation of payments for 2018, had a total of 521 special permits for subsoil use. The largest number of special permits was held by Ukgazvydobuvannia JSC and Ukrnafta PJSC - the total of more than 300 special permits. The data on the accrued rent for subsoil use in terms of special permits were provided by 39 companies in their initial responses, and 9 companies provided only the total amount of payments at the company level.

The detailed information on the results of the reconciliation by individual project activity (special permits) by the reporting mining companies is presented in **Annex 9**.

### **The results of the study of differences in the results of reconciliation at the company level**

The reconciliation between the data provided by the government agencies and those provided by the 48 reporting mining companies, revealed significant discrepancies<sup>796</sup>. In order to investigate the identified discrepancies and their further adjustment where they are due to the errors in the initial data, the Independent Administrator asked 37 companies for clarifications.

The study identified the most common causes of discrepancies:

- ▶ Non-inclusion of personal income tax and levy (consisting of personal income tax (PIT) and military duty), value added tax (VAT) and budget reimbursement of VAT in the Statement of payments in favor of the state given that the Law on EITI and the draft instruction on filling in the reporting forms requires the companies to disclose information on all tax and other payments, other than personal income tax and VAT;
- ▶ Non-inclusion by the companies in the total amount of a certain tax of smaller sub-payments of the same tax. The data of the government agencies on a particular type of payment paid were more aggregated, while the companies providing data on individual small sub-payments paid as part of this aggregate payment. Mostly, the following tax underpayments were not included:

---

<sup>796</sup> The decision of the EITI MSG (Minutes of the EITI MSG meeting dated November 20, 2020) set the significance threshold between the data of the government agencies and the data of the companies in the amount of 5% of the payment amount. In addition, the absolute framework was set:

- The discrepancy is not significant if it is less than UAH 1,000 (regardless of the size of the difference in percentage);
- The discrepancy is significant if it is more than UAH 1,000,000 (regardless of the size of the percentage discrepancy).



- Code 13031100 - production royalty for the purpose of oil extraction, accrued before January 1, 2018, repayment of the tax debt and repayment of erroneously or overpaid amounts before December 31, 2017;
  - Code 13031200 - production royalty for the purpose of natural gas extraction, accrued before January 1, 2018, repayment of tax debt and return of erroneously or overpaid amounts before December 31, 2017;
  - Code 13031300 - production royalty for the purpose of gas condensate extraction, accrued before January 1, 2018, repayment of tax debt and return of erroneously or overpaid amounts before December 31, 2017;
  - Code 18010100 - tax on real estate, other than land, paid by legal entities that are owners of residential real estate;
  - Code 18010400 - tax on real estate, other than land, paid by legal entities that are owners of non-residential real estate;
  - Code 18011100 - transport tax on legal entities.
- ▶ Non-inclusion by companies in the total amount of taxes paid of the amounts of fines (penalties) paid because of the violation of the requirements of tax legislation in terms of transfer of the amounts of relevant tax liabilities to the budget;
  - ▶ Difference in the way of accounting for value added tax (VAT) on goods imported into the customs territory of Ukraine between applied by the government agencies and the accountable companies. The payments under code 14070000 "Value added tax on goods imported into Ukraine" shall be paid by companies without using an electronic VAT invoice, so the information on these payments is not displayed in the Taxpayer's Electronic Account. The VAT on goods imported into Ukraine shall be paid to a deposit account opened with the State Treasury Service of Ukraine for the State Customs Service of Ukraine. A possible reason for the discrepancy is that the government agencies' data included payments that were actually debited from the State Customs Service account, while the companies providing data on all cash receipts to the personal account during the reporting period;
  - ▶ The companies' peculiarities of accounting for paid tax liabilities and technical / methodological errors.

The detailed results of the study of the identified significant discrepancies and adjustments to the data (general reconciliation) is provided in **Annex 12**.

### **The results of the study of differences in the results of the reconciliation by project activity**

According to the Tax Code of Ukraine, extractive companies are required to keep separate records of costs and revenues for each type of minerals and for each subsoil object for which a special permit has been issued<sup>797</sup>. At the same time, the Ukrainian legislation does not require accounting for and declaration of land fees and environmental tax by project activity. Because of this regulatory gap, reconciliation of the payments in terms of special permits is impossible due to the lack of the required data with mining companies and the relevant government

---

<sup>797</sup> Pursuant to paragraph 2 of Article 252 of the Tax Code, extractive companies that pay rent for the use of subsoil for the purpose of extraction of minerals shall, for tax purposes, maintain separate financial accounting and tax accounting for the costs and revenues for each type of mineral resources and for each subsoil object, a special permit for subsoil use has been granted for.

agencies. Therefore, the reconciliation for each individual project activity (special permit) was carried out only for the production royalty<sup>798</sup>. At the same time, in accordance with Requirement 4.7 of the EITI Standard, the reconciliation of land fees and environmental tax was performed at the company level.

The main difference between the reconciliation for each individual project activity (special permits) and the reconciliation at the company level is that the reconciliation in terms of special permits was carried out on the basis of accrued payments, not paid during 2018. First of all, this is due to the fact that government agencies can break down the production royalty under special permits only for accrued payments using tax returns. The paid amounts can technically be broken down only by oblast and local budget, however some special permits apply to the areas within two or more administrative oblasts, so the revenues from one special permit can be distributed between the local budgets of several administrative regions.

The results of the reconciliation of the accrued production royalty in terms of special permits revealed significant<sup>799</sup> discrepancies for 26 out of 48 accountable mining companies. The most common causes were:

- ▶ Lack of clear methodological explanations in the draft instructions for filling in the Report on payments in favor of the state on how to properly reflect the accrued and paid amounts by special permits;
- ▶ The difference in the way the government agencies and the reporting mining companies account for accrued production royalty by;
- ▶ Failure of the mining companies, while filling in the Report on payments in favor of the state, to include the rent for the use of subsoil for extraction of other minerals of national importance (BRCC code - 13030100).

---

<sup>798</sup> The reconciliation was carried out for the following types of production royalty:

- production royalty for the purpose of oil extraction (payment code 13030700);
- production royalty for the purpose of natural gas extraction (payment code 13030800);
- production royalty for the purpose of gas condensate extraction (payment code 13030900);
- production royalty for the purpose of mining minerals of national importance (payment code 13030100).

<sup>799</sup> The decision of the EITI MSG (Minutes of the EITI MSG meeting dated November 20, 2020) set a significance threshold for the difference between the data of the government agencies and data of the companies at 5% of the payment amount. In addition, the EITI MSG set the absolute framework:

- The discrepancy is not significant if it is less than UAH 1,000 (regardless of the size of the difference in percentage)
- The discrepancy is significant if it is more than UAH 1,000,000 (regardless of the size of the difference in percentage)

Table 8.6: The results of reconciliation of revenues in favour of the state in 2018 by extractive industries

Industry	Initial data, UAH thousand			Final data, UAH thousand		
	Data provided by government agencies	Data provided by companies	Discrepancy	Data provided by government agencies	Data provided by companies	Discrepancy
Oil and gas	155,101,150.36	118,419,282.96	36,681,867.40	155,101,150.36	155,965,513.42	(864,363.07)
Metal ores	15,102,355.02	16,871,494.88	(1,769,139.86)	15,102,355.02	15,034,090.32	68,264.70
Coal	11,473,913.50	9,786,395.83	1,687,517.67	11,473,913.50	11,478,796.96	(4,883.46)
<b>Total</b>	<b>181,677,418.88</b>	<b>145,077,173.67</b>	<b>36,600,245.21</b>	<b>181,677,418.88</b>	<b>182,478,400.70</b>	<b>(800,981.82)</b>

Table 8.7: The results of reconciliation of revenues in favour of the state in 2018 by company ownership

State ownership <sup>800</sup> / private ownership	Initial data, UAH thousand			Final data, UAH thousand		
	Data provided by government agencies	Data provided by companies	Discrepancy	Data provided by government agencies	Data provided by companies	Discrepancy
State	139,349,804.30	103,745,944.26	35,603,860.04	139,349,804.30	140,209,528.50	(859,724.20)
Private	42,327,614.58	41,331,229.41	996,385.17	42,327,614.58	42,268,872.20	58,742.38
<b>Total</b>	<b>181,677,418.88</b>	<b>145,077,173.67</b>	<b>36,600,245.21</b>	<b>181,677,418.88</b>	<b>182,478,400.70</b>	<b>(800,981.82)</b>

<sup>800</sup> «State ownership» means directly or indirectly owned by the state

Table 8.8: The results of reconciliation of revenues in favour of the state in 2018 by types of payments

Type of payment	Initial data, UAH thousand			Final data, UAH thousand		
	Data provided by government agencies	Data provided by companies	Discrepancy	Data provided by government agencies	Data provided by companies	Discrepancy
Personal income tax	7,928,227.87	5,552,180.14	2,376,047.72	7,928,227.87	7,930,119.97	(1,892.11)
Corporate income tax	40,698,710.49	40,439,623.37	259,087.12	40,698,710.49	40,697,306.75	1,403.74
Production royalty	40,672,021.77	39,161,279.95	1,510,741.81	40,672,021.77	40,661,323.35	10,698.41
Value added tax on goods and services, produced in Ukraine (excluding budget reimbursement of VAT)	44,819,136.89	39,387,772.43	5,431,364.46	44,819,136.89	44,771,174.72	47,962.17
Budget reimbursement of value added tax	(11,376,594.24)	(7,153,467.07)	(4,223,127.17)	(11,376,594.24)	(11,376,593.99)	(0.25)
Value added tax on goods imported into Ukraine	19,329,341.03	18,162,385.42	1,166,955.62	19,329,341.03	19,302,103.77	27,237.26
Property tax	1,361,486.64	1,299,347.84	62,138.79	1,361,486.64	1,342,655.45	18,831.19
Environmental tax	785,822.36	770,160.69	15,661.67	785,822.36	772,060.48	13,761.88
Dividends and payment of a share of net profit	28,946,680.32	333,187.75	28,613,492.57	28,946,680.32	29,846,673.02	(899,992.70)
Fees for granting or extending special permits for the use of subsoil and revenues from the sale of such permits	583,182.39	1,050.62	582,131.77	583,182.39	583,182.38	0.01
Unified social contribution	7,929,403.37	7,123,652.52	805,750.85	7,929,403.37	7,948,394.80	(18,991.43)
<b>Total</b>	<b>181,677,418.88</b>	<b>145,077,173.67</b>	<b>36,600,245.21</b>	<b>181,677,418.88</b>	<b>182,478,400.70</b>	<b>(800,981.82)</b>

## 8.3 Results of reconciliation for each type of tax payments

### 8.3.1 Personal income tax

As the result of reconciliation the amount of payments in favour of the state of personal income tax from extractive companies, according to the government agencies was UAH 7,928,227.87 thousand and according to extractive companies - UAH 7,930,119.97 thousand in 2018. Total discrepancy between these taxpayers' and government agencies' data, based on the initial request was UAH 2,376,047.72 thousand. The discrepancy after reconciliation was UAH (1,892.11) thousand.

*Table 8.9: Reconciliation of revenues from personal income tax in 2018, UAH thousand*

Personal income tax	Initial data	Adjustments	Final data after reconciliation
<b>Extractive industries, total</b>			
Reported by government agencies	7,928,227.87	0.00	7,928,227.87
Reported by companies	5,552,180.14	2,377,939.83	7,930,119.97
Discrepancy	2,376,047.72	(2,377,939.83)	(1,892.11)
<b>Oil and gas extraction</b>			
Reported by government agencies	3,049,850.83	0.00	3,049,850.83
Reported by companies	2,332,729.83	716,434.37	3,049,164.19
Discrepancy	717,121.00	(716,434.37)	686.64
<b>Metal ores mining</b>			
Reported by government agencies	2,602,840.58	0.00	2,602,840.58
Reported by companies	1,464,841.96	1,139,091.79	2,603,933.76
Discrepancy	1,137,998.61	(1,139,091.79)	(1,093.18)
<b>Coal mining</b>			
Reported by government agencies	2,275,536.46	0.00	2,275,536.46
Reported by companies	1,754,608.35	522,413.67	2,277,022.02
Discrepancy	520,928.11	-522,413.67	(1,485.56)

### 8.3.2 Corporate income tax

As the result of reconciliation the amount of payments in favour of the state of corporate income tax from extractive companies, according to government agencies was UAH 40,698,710.49 thousand and according to extractive companies - UAH 40,697,306.75 thousand in 2018. Total discrepancy between these taxpayers' and government agencies' data, based on the initial request was UAH 259,087.12 thousand. The discrepancy after reconciliation was UAH 1,403.74 thousand.

*Table 8.10: Reconciliation of revenues from corporate income tax in 2018, UAH thousand*

Corporate income tax	Initial data	Adjustments	Final data after reconciliation
<b>Extractive industries, total</b>			
Reported by government agencies	40,698,710.49	0.00	40,698,710.49
Reported by companies	40,439,623.37	257,683.38	40,697,306.75
Discrepancy	259,087.12	(257,683.38)	1,403.74
<b>Oil and gas extraction</b>			
Reported by government agencies	27,705,153.40	0.00	27,705,153.40
Reported by companies	27,620,286.27	83,463.49	27,703,749.75
Discrepancy	84,867.14	(83,463.49)	1,403.65
<b>Metal ores mining</b>			
Reported by government agencies	10,599,263.41	0.00	10,599,263.41
Reported by companies	10,427,031.11	172,232.65	10,599,263.76
Discrepancy	172,232.30	(172,232.65)	(0.35)
<b>Coal mining</b>			
Reported by government agencies	2,394,293.68	0.00	2,394,293.68
Reported by companies	2,392,306.00	1,987.24	2,394,293.24
Discrepancy	1,987.68	(1,987.24)	0.44

### 8.3.3 Production royalty

As the result of reconciliation the amount of payments in favour of the state of production royalty from extractive companies, according to government agencies was UAH 40,672,021.77 thousand and according to extractive companies - UAH 40,661,323.35 thousand in 2018. Total discrepancy between these taxpayers' and government agencies' data, based on the initial request was UAH 1,510,741.81 thousand. The discrepancy after reconciliation was UAH 10,698.41 thousand.

*Table 8.11: Reconciliation of revenues from production royalty in 2018, UAH thousand*

Production royalty	Initial data	Adjustments	Final data after reconciliation
<b>Extractive industries, total</b>			
Reported by government agencies	40,672,021.77	0.00	40,672,021.77
Reported by companies	39,161,279.95	1,500,043.40	40,661,323.35
Discrepancy	1,510,741.81	(1,500,043.40)	10,698.41
<b>Oil and gas extraction</b>			
Reported by government agencies	37,127,901.03	0.00	37,127,901.03
Reported by companies	35,618,394.92	1,498,675.41	37,117,070.33
Discrepancy	1,509,506.12	(1,498,675.41)	10,830.71
<b>Metal ores mining</b>			
Reported by government agencies	3,156,450.31	0.00	3,156,450.31
Reported by companies	3,156,525.54	(0.20)	3,156,525.34
Discrepancy	(75.23)	0.20	(75.03)
<b>Coal mining</b>			
Reported by government agencies	387,670.42	0.00	387,670.42
Reported by companies	386,359.50	1,368.19	387,727.69
Discrepancy	1,310.92	(1,368.19)	(57.27)

### 8.3.4 Value added tax on goods and services produced in Ukraine (excluding budget reimbursement of VAT)

As the result of reconciliation the amount of payments in favour of the state of value added tax on goods and services produced in Ukraine (excluding budget reimbursement of VAT) from extractive companies, according to government agencies was UAH 44,819,136.89 thousand and according to extractive companies - UAH 44,771,174.72 thousand in 2018. Total discrepancy between these taxpayers' and government agencies' data, based on the initial request was UAH 5,431,364.46 thousand. The discrepancy after reconciliation was UAH 47,962.17 thousand.

**Table 8.12: Reconciliation of revenues from value added tax on goods and services produced in Ukraine (excluding budget reimbursement of VAT) in 2018, UAH thousand**

Value added tax	Initial data	Adjustments	Final data after reconciliation
<b>Extractive industries, total</b>			
Reported by government agencies	44,819,136.89	0.00	44,819,136.89
Reported by companies	39,387,772.43	5,383,402.29	44,771,174.72
Discrepancy	5,431,364.46	(5,383,402.29)	47,962.17
<b>Oil and gas extraction</b>			
Reported by government agencies	41,349,129.70	0.00	41,349,129.70
Reported by companies	36,510,971.55	4,790,202.45	41,301,174.00
Discrepancy	4,838,158.15	(4,790,202.45)	47,955.70
<b>Metal ores mining</b>			
Reported by government agencies	129,185.88	0.00	129,185.88
Reported by companies	123,831.98	5,353.26	129,185.24
Discrepancy	5,353.90	(5,353.26)	0.64
<b>Coal mining</b>			
Reported by government agencies	3,340,821.30	0.00	3,340,821.30
Reported by companies	2,752,968.90	587,846.58	3,340,815.48
Discrepancy	587,852.40	(587,846.58)	5.82



### 8.3.5 Budget reimbursement of value added tax

As the result of reconciliation the amount of budget reimbursement of value added tax of extractive companies, according to government agencies was UAH (11,376,594.24) thousand and according to extractive companies - UAH (11,376,593.99) thousand in 2018. Total discrepancy between these taxpayers' and government agencies' data, based on the initial request was UAH (4,223,127.17) thousand. The discrepancy after reconciliation was UAH (0.25) thousand.

*Table 8.13: Reconciliation of budget reimbursement of value added tax in 2018, UAH thousand*

Budget reimbursement of VAT	Initial data	Adjustments	Final data after reconciliation
<b>Extractive industries, total</b>			
Reported by government agencies	(11,376,594.24)	0.00	(11,376,594.24)
Reported by companies	(7,153,467.07)	(4,223,126.92)	(11,376,593.99)
Discrepancy	(4,223,127.17)	4,223,126.92	(0.25)
<b>Oil and gas extraction</b>			
Reported by government agencies	0.00	0.00	0.00
Reported by companies	0.00	0.00	0.00
Discrepancy	0.00	0.00	0.00
<b>Metal ores mining</b>			
Reported by government agencies	(11,376,594.24)	0.00	(11,376,594.24)
Reported by companies	(7,153,467.07)	(4,223,126.92)	(11,376,593.99)
Discrepancy	(4,223,127.17)	4,223,126.92	(0.25)
<b>Coal mining</b>			
Reported by government agencies	0.00	0.00	0.00
Reported by companies	0.00	0.00	0.00
Discrepancy	0.00	0.00	0.00

### 8.3.6 Value added tax on goods imported into Ukraine

As the result of reconciliation the amount of payments in favour of the state of value added tax on goods imported into Ukraine from extractive companies, according to government agencies was UAH 19,329,341.03 thousand and according to extractive companies - UAH 19,302,103.77 thousand in 2018. Total discrepancy between these taxpayers' and government agencies' data, based on the initial request was UAH 1,166,955.62 thousand. The discrepancy after reconciliation was UAH 27,237.26 thousand.

**Table 8.14: Reconciliation of revenues from value added tax on goods imported into Ukraine in 2018, UAH thousand**

VAT on goods imported into Ukraine	Initial data	Adjustments	Final data after reconciliation
<b>Extractive industries, total</b>			
Reported by government agencies	19,329,341.03	0.00	19,329,341.03
Reported by companies	18,162,385.42	1,139,718.35	19,302,103.77
Discrepancy	1,166,955.62	(1,139,718.35)	27,237.26
<b>Oil and gas extraction</b>			
Reported by government agencies	13,860,120.39	0.00	13,860,120.39
Reported by companies	13,235,818.01	632,331.15	13,868,149.15
Discrepancy	624,302.38	(632,331.15)	(8,028.76)
<b>Metal ores mining</b>			
Reported by government agencies	5,094,385.14	0.00	5,094,385.14
Reported by companies	4,549,987.20	507,214.82	5,057,202.02
Discrepancy	544,397.94	(507,214.82)	37,183.12
<b>Coal mining</b>			
Reported by government agencies	374,835.50	0.00	374,835.50
Reported by companies	376,580.21	172.39	376,752.60
Discrepancy	(1,744.71)	(172.39)	(1,917.10)

### 8.3.7 Property tax

As the result of reconciliation the amount of payments in favour of the state of property tax from extractive companies, according to government agencies was UAH 1,361,486.64 thousand and according to extractive companies - UAH 1,342,655.45 thousand in 2018. Total discrepancy between these taxpayers' and government agencies' data, based on the initial request was UAH 62,138.79 thousand. The discrepancy after reconciliation was UAH 18,831.19 thousand.

*Table 8.15: Reconciliation of revenues from property tax in 2018, UAH thousand*

Property tax	Initial data	Adjustments	Final data after reconciliation
<b>Extractive industries, total</b>			
Reported by government agencies	1,361,486.64	0.00	1,361,486.64
Reported by companies	1,299,347.84	43,307.60	1,342,655.45
Discrepancy	62,138.79	(43,307.60)	18,831.19
<b>Oil and gas extraction</b>			
Reported by government agencies	350,589.29	0.00	350,589.29
Reported by companies	325,128.22	25,075.45	350,203.67
Discrepancy	25,461.08	(25,075.45)	385.62
<b>Metal ores mining</b>			
Reported by government agencies	937,672.37	0.00	937,672.37
Reported by companies	901,276.62	17,955.93	919,232.55
Discrepancy	36,395.75	(17,955.93)	18,439.82
<b>Coal mining</b>			
Reported by government agencies	73,224.97	0.00	73,224.97
Reported by companies	72,943.00	276.22	73,219.22
Discrepancy	281.97	(276.22)	5.75

### 8.3.8 Environmental tax

As the result of reconciliation the amount of payments in favour of the state of environmental tax from extractive companies, according to government agencies was UAH 785,822.36 thousand and according to extractive companies - UAH 772,060.48 thousand in 2018. Total discrepancy between these taxpayers' and government agencies' data, based on the initial request was UAH 15,661.67 thousand. The discrepancy after reconciliation was UAH 13,761.88 thousand.

*Table 8.16: Reconciliation of revenues from environmental tax in 2018, UAH thousand*

Environmental tax	Initial data	Adjustments	Final data after reconciliation
<b>Extractive industries, total</b>			
Reported by government agencies	785,822.36	0.00	785,822.36
Reported by companies	770,160.69	1,899.79	772,060.48
Discrepancy	15,661.67	(1,899.79)	13,761.88
<b>Oil and gas extraction</b>			
Reported by government agencies	59,824.23	0.00	59,824.23
Reported by companies	58,912.07	917.85	59,829.92
Discrepancy	912.17	(917.85)	(5.68)
<b>Metal ores mining</b>			
Reported by government agencies	670,145.65	0.00	670,145.65
Reported by companies	656,334.82	(0.04)	656,334.78
Discrepancy	13,810.82	0.04	13,810.86
<b>Coal mining</b>			
Reported by government agencies	55,852.48	0.00	55,852.48
Reported by companies	54,913.80	981.98	55,895.78
Discrepancy	938.68	(981.98)	(43.30)

## 8.4 Reconciliation of non-tax payments

### 8.4.1 Dividends and payment of a share of net profit

As the result of reconciliation the amount of payments in favour of the state of dividends and payment of a share of net profit from extractive companies, according to government agencies was UAH 28,946,680.32 thousand and according to extractive companies - UAH 29,846,673.02 thousand in 2018. Total discrepancy between these taxpayers' and government agencies' data, based on the initial request was UAH 28,613,492.57 thousand. The discrepancy after reconciliation was UAH (899,992.70) thousand.

**Table 8.17: Reconciliation of revenues from dividends and payment of a share of net profit in 2018, UAH thousand**

Dividends and payment of a share of net profit	Initial data	Adjustments	Final data after reconciliation
<b>Extractive industries, total</b>			
Reported by government agencies	28,946,680.32	0.00	28,946,680.32
Reported by companies	333,187.75	29,513,485.27	29,846,673.02
Discrepancy	28,613,492.57	(29,513,485.27)	(899,992.70)
<b>Oil and gas extraction</b>			
Reported by government agencies	28,635,785.52	0.00	28,635,785.52
Reported by companies	0.00	29,535,778.13	29,535,778.13
Discrepancy	28,635,785.52	(29,535,778.13)	(899,992.61)
<b>Metal ores mining</b>			
Reported by government agencies	309,688.20	0.00	309,688.20
Reported by companies	332,598.75	(22,910.55)	309,688.20
Discrepancy	-22,910.55	22,910.55	0.00
<b>Coal mining</b>			
Reported by government agencies	1,206.61	0.00	1,206.61
Reported by companies	589.00	617.69	1,206.69
Discrepancy	617.61	(617.69)	(0.08)

#### 8.4.2 Fees for granting and extending special permits for the use of subsoil and revenues from the sale of such permits

As the result of reconciliation the amount of payments in favour of the state of fees for granting and extending special permits for the use of subsoil and revenues from the sale of such permits from extractive companies, according to government agencies was UAH 583,182.39 thousand and according to extractive companies - UAH 583,182.38 thousand in 2018. Total discrepancy between these taxpayers' and government agencies' data, based on the initial request was UAH 582,131.77 thousand. The discrepancy after reconciliation was UAH 0.01 thousand.

**Table 8.18: Reconciliation of revenues from fees for granting and extending special permits for the use of subsoil and revenues from the sale of such permits in 2018, UAH thousand**

Fees for granting and extending special permits	Initial data	Adjustments	Final data after reconciliation
<b>Extractive industries, total</b>			
Reported by government agencies	583,182.39	0.00	583,182.39
Reported by companies	1,050.62	582,131.76	583,182.38
Discrepancy	582,131.77	(582,131.76)	0.01
<b>Oil and gas extraction</b>			
Reported by government agencies	290,327.64	0.00	290,327.64
Reported by companies	1,050.62	289,277.02	290,327.64
Discrepancy	289,277.02	(289,277.02)	0.00
<b>Metal ores mining</b>			
Reported by government agencies	195,457.61	0.00	195,457.61
Reported by companies	0.00	195,457.61	195,457.61
Discrepancy	195,457.61	(195,457.61)	0.00
<b>Coal mining</b>			
Reported by government agencies	97,397.13	0.00	97,397.13
Reported by companies	0.00	97,397.13	97,397.13
Discrepancy	97,397.13	(97,397.13)	0.00

### 8.4.3 Unified social contribution




As the result of reconciliation the amount of payments in favour of the state of unified social contribution from extractive companies, according to government agencies was UAH 7,929,403.37 thousand and according to extractive companies - UAH 7,948,394.80 thousand in 2018. Total discrepancy between these taxpayers' and government agencies' data, based on the initial request was UAH 805,750.85 thousand. The discrepancy after reconciliation was UAH (18,991.43) thousand.

*Table 8.19: Reconciliation of revenues from unified social contribution in 2018, UAH thousand*

Unified social contribution	Initial data	Adjustments	Final data after reconciliation
<b>Extractive industries, total</b>			
Reported by government agencies	7,929,403.37	0.00	7,929,403.37
Reported by companies	7,123,652.52	824,742.28	7,948,394.80
Discrepancy	805,750.85	(824,742.28)	(18,991.43)
<b>Oil and gas extraction</b>			
Reported by government agencies	2,672,468.30	0.00	2,672,468.30
Reported by companies	2,715,991.48	(25,924.85)	2,690,066.63
Discrepancy	(43,523.18)	25,924.85	(17,598.33)
<b>Metal ores mining</b>			
Reported by government agencies	2,783,860.12	0.00	2,783,860.12
Reported by companies	2,412,533.96	371,327.09	2,783,861.05
Discrepancy	371,326.16	(371,327.09)	(0.93)
<b>Coal mining</b>			
Reported by government agencies	2,473,074.94	0.00	2,473,074.94
Reported by companies	1,995,127.07	479,340.04	2,474,467.11
Discrepancy	477,947.87	(479,340.04)	(1,392.17)



## 9. Recommendations for improving the EITI reporting process




### 9.1 Analysis of the implementation the previous Ukraine EITI Report recommendations<sup>801</sup>

Recommendation	Degree of importance	Comments
<p>Improve the regulatory support for EITI:</p> <ul style="list-style-type: none"> <li>▶ Amendments to the bylaws (Resolutions of the Cabinet of Ministers) to detail the procedure for collecting information for the EITI Report and determine the responsible persons of state bodies and accountable organizations</li> </ul>	 High	<p>The recommendation is partially taken into account:</p> <ul style="list-style-type: none"> <li>▶ The Resolution of the Cabinet of Ministers of Ukraine "Some Issues of Ensuring Transparency in Extractive Industries" No 858 of 23 September 2020 approved the reporting forms in line with the EITI Law, however the forms contain a number of shortcomings in the amount of information requested;</li> <li>▶ The order of the Ministry of Energy "On approval of the Regulations on the multi stakeholder group for the implementation of the Extractive Industries Transparency Initiative" No 580 of September 8, 2020 defines the procedure for establishing, organizing the work and powers of the MSG.</li> </ul> <p>A number of by-laws relating to prosecutions for breaches of EITI legislation have not yet been adopted. Some wording of the EITI Law, including in the case of comparisons with other legislation (e.g. the Subsoil Code), may create legal uncertainty and / or complicate the information collection process. In this regard, the Verkhovna Rada of Ukraine registered a draft law amending the EITI Law No 3790 of July 3, 2020, which was developed, inter alia, to address the gaps in the EITI Law.</p> <p>Other gaps not addressed by this draft law may be identified during the application of the EITI Law (some of such other gaps are presented in this report).</p>
<p>Facilitate access to information on the key EITI aspects (publication):</p> <ul style="list-style-type: none"> <li>▶ Technical information on mineral reserves, especially titanium ores.</li> </ul>	 High	<p>The recommendation is not taken into account</p>
<p>Implement an effective system for planning and managing the process of</p>		<p>The recommendation is not taken into account</p> <ul style="list-style-type: none"> <li>▶ The work on preparation of the EITI Report 2019 began with a significant delay, which complicates</li> </ul>




<sup>801</sup> EITI Report for 2018 and EITI Report for 2019 were published in 2021. For this reason the analysis of the execution of recommendations in both Reports was conducted in comparison to recommendations provided in the last published EITI Report for 2017.




Recommendation	Degree of importance	Comments
<p>preparing the next EITI reports, namely:</p> <ul style="list-style-type: none"> <li>▶ Search and allocate financial and human resources for the preparation of the EITI report by the end of Q1 of the current year</li> <li>▶ Approve the scope and terms of reference for the preparation of the future EITI report by the end of Q1 of the current year</li> <li>▶ Run a tender to choose an Independent Administrator by the end of Q2 of the current year</li> </ul>	<p>High</p>	<p>the implementation of the Initiative in the long run and makes it impossible to meet the regulatory deadline for publication of the EITI Report 2019 (by November 30, 2020).</p> <ul style="list-style-type: none"> <li>▶ The EITI Law does not regulate the timing of searching resource for the preparation of the EITI Report.</li> </ul>
<p>Establish an effective system for prompt receipt of information from the State Tax Service, clarify some figures and explain discrepancies</p>	<p> High</p>	<p>The recommendation is partially taken into account:</p> <ul style="list-style-type: none"> <li>▶ The EITI Law required the recipient to disclose a statement of payments received. However, formally the State Tax Service does not meet the definition of "recipient of payments", as it is the body that controls the collection of budget revenues but does not receive them. Such shortcomings in the wording of the EITI Law create legal uncertainty and complicate the actual process of gathering information.</li> <li>▶ The law does not clearly define the possibility of clarifying the information provided by the State Tax Service and / or obtaining explanations for discrepancies.</li> <li>▶ In its annual progress report 2019, the MSG suggests signing a memorandum between the Ministry of Energy and the State Tax Service in order to establish an information exchange process within the EITI, but as far as the Independent Administrator is aware, this initiative has not been implemented.</li> <li>▶ Currently, the Law on does not set deadlines for the disclosure of the report on received payments. The draft law on amendments to the EITI Law No 3790 of July 3, 2020, which was developed, inter alia, to address some gaps in the EITI Law, sets up the deadlines for disclosure of information by recipients of payments. Since the changes are currently at the draft stage, the Independent Administrator cannot claim that the relevant gap has been completely eliminated.</li> </ul>
<p>Introduce a unified methodology for estimating mineral reserves, which would be harmonized with the best</p>	<p> High</p>	<p>The recommendation is not taken into account</p>

Recommendation	Degree of importance	Comments
<p>world practices, for example, on the basis of the International Template for Reporting of Exploration Results, Mineral Resources and Mineral Reserves (CRIRSCO Template). This, in turn, would increase the transparency of data on the current state of reserves, allow reliable assessment of data on mineral assets of mining companies in public offering of shares, obtaining bank guarantees and lending and, ultimately, increase the investment attractiveness of mining sectors in Ukraine.</p>		
<p>Approve by-laws, including on data collection templates for project reporting under the EITI Standard</p>	<p> Medium</p>	<p>The recommendation is partially taken into account:</p> <ul style="list-style-type: none"> <li>▶ The Resolution of the Cabinet of Ministers of Ukraine “Some Issues of Ensuring Transparency in Extractive Industries” No 858 of September 23, 2020 approved reporting forms under the EITI Law, which provide for project reporting on (i) subsoil rent for mining minerals, (ii) land fees and (iii) environmental tax.</li> <li>▶ At the same time, the legislation does not provide for the provision of project information by the recipients of payments, which in practice might make the reconciliation of payments at the project level impossible.</li> </ul>
<p>Consider the introduction of appropriate regulatory changes to the budget system of Ukraine so that the cash flow from mining companies can be tracked (both on the way to the state budget and at the stage of redistribution through intergovernmental transfers to local budgets).</p>	<p> Medium</p>	<p>The recommendation is not taken into account</p>
<p>Continue work on the implementation of an information system that would allow companies and government agencies to provide the EITI related information in electronic form.</p>	<p> Medium</p>	<p>The recommendation is partially taken into account:</p> <ul style="list-style-type: none"> <li>▶ Specific deadlines or responsibilities for the development and implementation of the information system are not set by the EITI Law or by any by-laws adopted to implement it.</li> <li>▶ Despite the fact that an electronic platform for EITI reporting<sup>802</sup> was presented in December 2019, the</li> </ul>


<sup>802</sup> <https://mepr.gov.ua/news/34296.html>

Recommendation	Degree of importance	Comments
		platform is currently being finalized and is not freely accessible. Reporting for 2018 and 2019 will be carried out without the use of this system.
Unify and simplify access to information on mineral extraction	 Medium	The recommendation is not taken into account
Make the disaggregated information on the cost of products of individual extractive industries publicly available	 Medium	The recommendation is not taken into account
Ensure the disclosure by the gas transmission system operator and the main oil pipeline system operator of disaggregated information on transportation volumes and revenues from transportation by paying companies	 Medium	The recommendation is not taken into account.

## 9.2 Recommendations of the Independent Administrator to improve the EITI reporting process


№	Recommendation	Priority	Comment
1.	Supplement the information to be disclosed by the accountable entities in accordance with the EITI Law and the reporting forms with other information required to comply with the EITI Standard	 High	<p>According to the EITI Law, the accountable organizations shall submit the information on payments in the amount and on the forms approved by the Cabinet of Ministers of Ukraine. As of the date of this report, the EITI reporting forms were approved by the Resolution of the Cabinet of Ministers of Ukraine No 858 of September 23, 2020.</p> <p>The content and the scope of the requested data according to the EITI reporting forms significantly affect the completeness of information disclosure in accordance with the EITI Standard, the quality of the EITI Report and the speed of its preparation. It should be noted that <b>the reporting companies and relevant public authorities in most cases provided all necessary additional information requested by the Ministry of Energy and the Independent Administrator.</b></p> <p>At the same time, since the EITI Report 2020 will be prepared using the electronic EITI system that is to be launched, it is necessary to eliminate the shortcomings of the reporting forms approved by the Cabinet of Ministers of Ukraine. The completeness of the information requested automatically will determine the effectiveness of the electronic system. If the reporting forms are not improved, the Ministry or the Independent Administrator will still have to request some information from the mining companies manually to meet the requirements of the EITI Standard.</p> <p>The EITI Law does not require collection of certain information (and it is not mentioned in the current reporting forms either) that is needed to meet the following requirements of the EITI Standard:</p> <ol style="list-style-type: none"> <li>1) <b>Requirements 2.5</b> (for example, the status of "politically significant person,"<sup>803</sup> details on the level of ownership and how control is exerted);</li> <li>2) <b>Requirements 2.6 and 4.5</b> (for example, on the amount of grants, subsidies, subventions, reinvested earnings, details on attracting external financing (through borrowing or capital) or government guarantees, state responsibility for liabilities of mining companies, changes</li> </ol>



<sup>803</sup> For example, in accordance with the Law of Ukraine "On Prevention and Counteraction to Legalization (Laundering) of Proceeds from Crime, Financing of Terrorism and Financing of Proliferation of Weapons of Mass Destruction" No 361-IX of August 16, 2020, accessible via: <https://zakon.rada.gov.ua/laws/show/361-20#n6>



N°	Recommendation	Priority	Comment
			<p>in the size of the state share during the reporting period, etc.);</p> <p>3) <b>Requirements 4.1</b> (for example, on the amount of payments of personal income tax, value added tax, VAT refund from the budget; inclusion of information on fines, payments not related to mining activities, etc.)</p> <p>4) <b>Requirements 6.1</b> (for example, due to the lack of definition of the term "social project," the information on environmental costs may not be collected in full);</p> <p>5) <b>Requirements 6.2</b> (information on quasi-fiscal transactions is missing in the reporting forms).</p> <p>The draft law No 3790 will make the list of information required for the preparation of EITI report open by supplementing it with "other information required to be disclosed in accordance with the EITI Standard."<sup>804</sup> If the draft law is approved, it is recommended to include all necessary information in EITI reporting forms.</p>
2.	<p>Clarify that in terms of public authorities, the "recipients of payments" are "bodies that control the collection of budget revenues" by the budget classification codes, which are the payments to be tracked for the purposes of the EITI Law</p>	<p> High</p>	<p>The Ukrainian law includes no definition of the concept "public authority, government of the Autonomous Republic of Crimea or local government <i>receiving</i> payments."</p> <p>In accordance with the budget legislation of Ukraine, taxes, fees and other revenues of the state budget are credited directly to the single treasury account of the State Treasury Service of Ukraine (hereinafter - the "<b>Treasury of Ukraine</b>"). The Treasury of Ukraine provides treasury servicing of budget funds and accounting of all expenditures of and revenues to the state budget of Ukraine. Therefore, formally, the Treasury of Ukraine can be considered a "recipient of payments" in the terminology of the EITI Law.</p> <p>In accordance with the budget legislation of Ukraine, taxes, fees and other revenues of the state budget are credited directly to the single treasury account of the State Treasury Service of Ukraine (hereinafter - the "Treasury of Ukraine"). It provides treasury servicing of budget funds and accounting of all expenditures and revenues of the state budget of Ukraine. Thus, formally, the Treasury of Ukraine can be considered a "recipient of payments" in the terminology of the Law on EITI.</p> <p>At the same time, according to the letter of the Treasury of Ukraine No 14-06-06/19697 dated 05.11.2020, it has no information available on payments with details at the level of an</p>

<sup>804</sup> Draft Law on Amendments to Certain Legislative Acts of Ukraine Concerning Ensuring Transparency in Extractive Industries No 3790 of July 3, 2020

[http://w1.c1.rada.gov.ua/pls/zweb2/webproc4\\_1?pf3511=69368](http://w1.c1.rada.gov.ua/pls/zweb2/webproc4_1?pf3511=69368)

N°	Recommendation	Priority	Comment
			<p>individual mining company, so the data from the Treasury are insufficient to prepare an EITI report.</p> <p>Currently, the Independent Administrator has always received the information on payments from the bodies that <b>exert control</b> over the collection of budget revenues by budget classification codes of budget revenues, namely: STS, State Customs Service, Geology Service and the Ministry of Economy, in accordance with the Budget Code of Ukraine and the CMU Resolution No 106 of 16 February 2011. However, such bodies do not <i>receive</i> the relevant payments (they do not have the right to accumulate such receipts on their own accounts), but only exercise control over the correctness and timeliness of their collection.</p> <p>The efficiency of the electronic EITI system after it is launched will also depend, among other things, on a clear definition of the payment recipients who are required to report on the payments received.</p> <p>Therefore, in order to harmonize the provisions of the EITI Law with the Ukrainian budget legislation, the Independent Administrator recommends amendments to the EITI Law and other Ukrainian laws and regulation (including those that guide the operations of the relevant authorities).</p>
3.	Legislate a deadline for the disclosure of reports on payments received by recipients of payments, in view of the time required to prepare the EITI Report (including reconciliation of payments) (see below)	 High	<p>According to the EITI Law, the recipients of payments shall:</p> <ul style="list-style-type: none"> <li>submit reports on the received payments to the Ministry of Energy and the Independent Administrator by sending an electronic version, and if this is impracticable - in paper form by mail with a list of enclosures;</li> <li>place electronic versions of the reports on received payments on their own websites (if available) or in an electronic reporting submission and analysis system (if available).</li> </ul> <p>At the same time, the EITI Law does not set a deadline for such submission and / or placement.</p> <p>The EITI Law stipulates that at the request of the Ministry of Energy and the Independent Administrator, the recipients of payments are required to provide full <i>information on payments</i> within a period not exceeding 15 working days from the date of receipt of the request. However, "information on payments" is not identical to "report on payments received".</p> <p>The lack of a deadline for the disclosure of the report on payments received may create additional barriers to obtaining the necessary information from the recipients of payments.</p>


Nº	Recommendation	Priority	Comment
			This gap is eliminated by draft law No 3790, which stipulates that the report on payments received shall be submitted by April 1 of the year following the reporting year. However, as of the date of this Report, the draft law has not been considered by the Verkhovna Rada.
4.	Provide the Independent Administrator with the opportunity to further request and clarify not only the “information on payments” but also other information necessary for the preparation of the EITI Report and required for disclosure in accordance with the EITI Law	 High	According to Art. 5 of the EITI Law, mining companies are required to: <ul style="list-style-type: none"> <li>- disclose their report on payments to the benefit of the state (or a consolidated report);</li> <li>- disclose information on the essential terms of subsoil use agreements along with the relevant extracts from such agreements;</li> <li>- provide information <i>on payments</i> at the request of the Ministry of Energy and the Independent Administrator.</li> </ul> The recipient of payments shall disclose information on payments by: <ul style="list-style-type: none"> <li>- submitting a report on received payments to the Ministry of Energy and the Independent Administrator;</li> <li>- providing information on payments at the request of the Ministry of Energy and the Independent Administrator.</li> </ul> So, formally the Independent Administrator has no right to request additional information not related to payments that is necessary for the preparation of the EITI Report and disclosure of which is required by the EITI Law and / or reporting forms approved by the CMU (e.g. data on extraction volumes, beneficial owners, subsoil use agreements, financing of state-owned enterprises, etc.). Although in practice public authorities provided this information on a voluntary basis, the lack of such a right is a formal shortcoming. <p>In addition, the EITI Law does not provide for the possibility of clarifying the information provided by the recipients of payments and / or obtaining explanations for discrepancies identified during the preparation of the EITI Report, which in practice may complicate the payment reconciliation process.</p>
5.	Establish a clear obligation to disclose the essential terms of subsoil use agreements concluded and / or amended <u>before</u> the EITI Law efficiency	 High	The EITI Law provides for the mandatory disclosure of the essential terms of subsoil use agreements, namely: subsoil use agreements, PSAs, Joint Operating Agreements and other agreements under which the project activity is carried out (including the hydrocarbons transmission via pipelines). In particular, the law requires: <ul style="list-style-type: none"> <li>- the business entities operating in the extractive industries</li> <li>- to provide the Ministry of Energy with information on the</li> </ul>



N°	Recommendation	Priority	Comment
	<p>date, and ensure the actual disclosure of such information on the website of the Ministry of Energy</p>		<p>essential terms of subsoil use agreements along with the relevant extracts from such agreements;</p> <ul style="list-style-type: none"> <li>- the Ministry of Energy - to publish information about the agreements on its official website.</li> </ul> <p>The EITI Law explicitly requires the Ministry of Energy and Geology Service to publish information only on those agreements that were concluded or amended after the EITI Law Efficiency date (i.e. after November 16, 2018).</p> <p>Also, the transitional provisions of the EITI Law require providing / publishing information on the essential terms of subsoil use agreements (other than agreements on conditions of subsoil use) within 90 days of the EITI Law Efficiency date, however, the law does not specify the period the information shall cover. This creates uncertainty regarding the obligation to disclose the material terms of agreements concluded / amended in the periods before 16.11.2018.</p> <p>As of the date of preparation of this report, the information on the essential terms of subsoil use agreements has not yet been published on the official website of the Ministry of Energy.<sup>805</sup></p>
<p>6.</p>	<p>Bring the EITI Law in line with the updated Requirement 2.4 of the EITI Standard, including the obligation to disclose the full text of subsoil use agreements to be concluded and / or amended on 1 January 2021 or later</p>	<p> High</p>	<p>As noted above, the EITI Law does not require the full disclosure of subsoil use agreements, but is limited to information on the essential terms and conditions of such agreements and the relevant extracts from them. This does not meet requirement 2.4 of the EITI Standard.</p> <p>This issue is partially addressed by the draft law No 3790, which requires the disclosure of the texts of subsoil use agreements, if they are concluded on January 1, 2021 or later, as well as amendments thereto. At the same time, the draft law does not require to disclose the texts of agreements concluded before January 1, 2021, if they are amended after that date. As of the date of this Report, the draft law has not been considered by the Verkhovna Rada.</p>
<p>7.</p>	<p>Approve the by-laws to implement the EITI Law to ensure that violations of the EITI Law can be prosecuted</p>	<p> High</p>	<p>The EITI Law establishes liability for (1) failure to meet the time limits for disclosure or non-disclosure, (2) provision of incomplete information, (3) violation of the procedure for disclosure of information provided by the law.</p> <p>The Independent Administrator sees the following shortcomings in these provisions of the EITI Law:</p>

<sup>805</sup> Official web-site of the Ministry of Energy:


[http://mpe.kmu.gov.ua/minugol/control/uk/publish/officialcategory?cat\\_id=245328319](http://mpe.kmu.gov.ua/minugol/control/uk/publish/officialcategory?cat_id=245328319)





N°	Recommendation	Priority	Comment
			<p>The law does not explicitly establish the deadline and procedure for providing information by mining companies at the request of the Ministry of Energy and the Independent Administrator, the deadline for disclosure of payment reports, so the liability provisions cannot apply in case of non-compliance.</p> <p>The law does not provide for liability for providing false / inaccurate information.</p> <p>In addition, as of the date of this Report, the prosecution is impossible because the Cabinet of Ministers has not approved the following documents:</p> <p>The form of the protocol on violation of the Law on ensuring transparency in extractive industries (Part 2 of Article 14 of the EITI Law);</p> <p>The procedure for consideration by the central executive body that ensures the development of the state policy in the field of energy and coal industry, of the cases of violation of the Law on transparency in the extractive industries (paragraph 6 of the Transitional Provisions of the EITI Law).</p>
8.	<p>Introduce an effective system for planning and managing the preparation of the following EITI reports:</p> <ul style="list-style-type: none"> <li>▶ Search and allocation of financial and human resources for the preparation of the EITI report by the end of Q1 of the current year</li> <li>▶ approval of the scope and terms of reference for the preparation of the next EITI report by the end of Q1 of the current year</li> <li>▶ conducting a tender and</li> </ul>	 High	<p>Practice shows that the best option may be to set clear deadlines for the completion of each stage of preparation of the Report (determination of the scope, approval of the terms of reference, conclusion of an agreement with the Independent Administrator, etc.).</p> <p>The EITI report preparation takes at least five months. Unfortunately, at the date of this Report, the EITI Law provides for a very short deadline for the preparation of the EITI Report due to the fact that it is only three months between the deadline for disclosure of the report on payments for the benefit of the state (September 1) and the deadline for completion of the EITI report (November 30). The situation is also complicated by the regulatory gaps described above, including the lack of deadlines for the disclosure of reports on payments received, the shortcomings of the reporting forms, the ambiguity of the "recipient of payments" status.</p>




№	Recommendation	Priority	Comment
	selecting an Independent Administrator by the end of Q2 of the current year		
9.	Facilitate access to information on key EITI aspects, including to technical information on mineral reserves, especially titanium ores	 High	<p>Much of the information on mineral reserves still has the status "confidential", "for official use", or there are other restrictions that prevent its disclosure in the EITI Report.</p>
10.	Introduce a unified methodology for estimating mineral reserves, which is harmonized with the best world practices, for example, based on the International Reporting Template for the Public Reporting of Exploration Results, Mineral Resources and Mineral Reserves (CRIRSCO Template).	 High	<p>From the point of view of investment attractiveness, high resource potential and low investment risks are the key factors in the success of exploration and development projects. One of the main risks for investors is the risk of unproved results of exploration, resources and reserves presented by subsoil users in their public reports.</p> <p>In order to reduce this investment risk, the international standards for public reporting on the results of exploration, mineral resources and mineral reserves, compatible with the CRIRSCO Template, are widely used in the world. The CRIRSCO template is based on the best reporting standards of the countries and regions, such as JORC Code (Australia), SAMREC Code (South Africa), PERC Reporting Standards (Europe), CIM Guidance (Canada), SME Guidance (USA), Certification Code (Chile). These public reporting standards are recognized and accepted in all global capital markets.</p> <p>According to the State Commission of Ukraine on Mineral Reserves,<sup>806</sup> the current classification of reserves in Ukraine is comparable to CRIRSCO and UNFC-2009, but is less detailed. In particular, some detailed classes of off-balance sheet reserves in the Ukrainian classification fall into the larger category of "Mineral Resources".</p> <p>The introduction of a universal system of mineral reserves valuation and public reporting on them in Ukraine, which would be compatible with the international standards, would increase the transparency of data on the current state of reserves, would allow to get a reliable assessment of mineral assets of mining companies</p>



<sup>806</sup> National classification of mineral reserves and resources of the state fund of subsoil of Ukraine and possibilities of its harmonization to the international oil standards on audit of reserves and their exchange estimation. Presentation by Nadra of Ukraine NJSC, 2013

N°	Recommendation	Priority	Comment
			<p>in public offering, obtaining bank guarantees and lending and, ultimately, would significantly help increase the investment attractiveness of the Ukraine's extractive industries.</p>
11.	<p>Consider conducting a separate study to identify possible additional quasi-fiscal transactions specific to Ukrainian mining companies to include information on such transactions in the EITI reporting forms and to comply with requirement 6.2 of the EITI Standard.</p>	<p style="text-align: center;">             Medium         </p>	<p>The EITI standard with its requirement 6.2 focuses on the disclosure of information on quasi-fiscal expenditures of state-owned enterprises in the EITI Report. According to the Standard, quasi-fiscal expenditures include arrangements whereby such enterprises undertake public social expenditure and take into account payments for social services, public infrastructure, fuel subsidies and national debt service, etc. beyond the national budget process.</p> <p>The standard also states that MSG should develop a reporting process with a view to achieving a level of transparency commensurate with other payments and revenue streams, and should include SOE subsidiaries and joint ventures. When defining the concept of quasi-fiscal expenditures, it is recommended to take into account the relevant IMF's definition.</p> <p>In 2011, the budget law of Ukraine introduces its own definition of quasi-fiscal transactions ("QFT"). These are transactions performed by public authorities, local governments, the NBU, the funds of compulsory state social and pension insurance, business entities of the public and municipal sectors of the economy, which are not reflected in the budget indicators, but may lead to a decrease in budget revenues and / or require additional future budget expenditures.</p> <p>The CMU has determined a list of QFTs so that the Ministry of Finance could identify and assess the QFT-related risks.<sup>807</sup> Three transactions on the list relate to the extractive sector (two of which are related to Naftogaz of Ukraine's performance of special obligations in the natural gas market) and are reflected in the EITI Report.</p> <p>At the same time, in order to increase the efficiency of QFT reporting, the Independent Administrator recommends conducting research to identify other transactions of extractive companies that may have quasi-fiscal features other than those identified by the CMU, with the prospect of their inclusion in the CMU resolution and / or EITI reporting forms. A similar recommendation is contained in the report "Second Validation of</p>

<sup>807</sup> Ordinance of the Cabinet of Ministers of August 1, 2012 No 692-r, accessible via: <https://zakon.rada.gov.ua/laws/show/692-2012-%D1%80#Text>

N°	Recommendation	Priority	Comment
			Ukraine: Draft assessment by the EITI International Secretariat" dated 05.01.2021.
12.	Remove from the legislation of Ukraine (for example, the Subsoil Code, the Law on Oil and Gas) the outdated references to the Procedure for ensuring transparency in extractive industries, approved by the Cabinet of Ministers, and bring them in line with the EITI Law	 Medium	<p>In addition to the EITI Law, the issue of information disclosure is partially regulated by other pieces of legislation. For example, in accordance with paragraph 4-1 of Part 1 of Art. 24 of the Subsoil Code, subsoil users are required to provide and publish information on national and local taxes and fees, other payments, as well as production (economic) activities necessary to ensure transparency in the extractive industries, in accordance with the procedure approved by the Cabinet of Ministers. Article 20 of the Law on Oil and Gas also contains a similar requirement.</p> <p>According to Art. 11 of the Subsoil Code, public administration bodies in the field of geological exploration, use and protection of subsoil shall provide and publish information on the state of geological exploration, subsoil use and protection to the extent necessary to ensure transparency in extractive industries under the procedure established by the Cabinet of Ministers of Ukraine.</p> <p>These legal requirements actually refer to the Procedure for Ensuring Transparency in Extractive Industries, approved by the Cabinet of Ministers of December 2, 2015 No 1039, which expired on September 25, 2020, when the Cabinet of Ministers approved the reporting forms under the EITI Law.</p>
13.	Improve the data collection process for project reporting under the EITI Standard by amending the EITI Law and the reporting forms	 Medium	<p>The decision of the International Secretariat launched the gradual shifting of all countries under the EITI Standard to the disclosure in their annual reports of information disaggregated by individual projects.</p> <p>The Resolution of the Cabinet of Ministers of Ukraine "Some Issues of Ensuring Transparency in Extractive Industries" No 858 of September 23, 2020 approved the reporting forms under the EITI Law, which provide for project reporting on (i) subsoil rent for mineral extraction, (ii) land use fees and (iii) environmental tax.</p> <p>At the same time, the legislation does not provide for the possibility of providing project information by the recipients of payments, which makes the reconciliation of payments at the project level impracticable.</p> <p>In addition, the tax legislation of Ukraine does not require any declaration of land fees and environmental tax for individual project activities, which significantly complicates the preparation the report on payments by mining companies in this regard. As of the date of this report, the draft law No 3790 tries to address this situation by introducing reporting on the said payments by</p>

Nº	Recommendation	Priority	Comment
			<p>administrative territorial unit. The Independent Administrator proposal is to elaborate the relevant provisions of the draft law No 3790 in view of the fact that the project activities can be carried out on the territory of several administrative territorial units.</p>
14.	<p>Consider introducing appropriate regulatory changes to the budget system of Ukraine so that the movement of payments from mining companies can be tracked (both on the way to the state budget and at the stage of redistribution through intergovernmental transfers to local budgets)</p>	<p> Medium</p>	<p>The objective is to make the information on the share of payments from mining companies that actually operate in the region, in the total revenues of local budgets (including due to transfers) available to the general public.</p> <p>The ability to track local budget revenues actually received from the mining companies operating in the region will help increase transparency and efficiency in the use of funds by the regions.</p>
15.	<p>Continue work on the implementation of an information system that would allow companies and government agencies to provide EITI related information in electronic form</p>	<p> Medium</p>	<p>Specific deadlines or responsibilities for the development and implementation of the information system are not set by the EITI Law or any by-laws adopted to implement it.</p> <p>Although the EITI electronic reporting platform was presented in December 2019, the platform is still being finalized and is not freely available at the time of preparation of this Report.</p>
16.	<p>Unify and simplify access to information on mineral extraction</p>	<p> Medium</p>	<p>The information on the volume of mining is accumulated by several government agencies - State Statistics Service, Geology Service, Ministry of Energy and the State Tax Service. However, only part of the information available to the state is freely available. Publicly available information is usually very aggregated (total production volumes in the country for a calendar year). In addition, there may be significant discrepancies between the information from different authorities.</p> <p>The methodology and approaches for determining the volume of production should be unified and the detailed information on the volume of production in Ukraine, including by region, should be freely accessible.</p>

Nº	Recommendation	Priority	Comment
17.	Make disaggregated information on the cost of products of individual extractive industries publicly available	 Medium	<p>The information from the State Statistics Service on the value of products (output) of the industries of Ukrainian economy is publicly available only in an aggregated form and usually combines several industries. So, the information on the cost of production separately for each extractive industry covered by the EITI Report is not publicly available.</p> <p>The availability of disaggregated information for each extractive industry covered by the EITI Report will increase the transparency and quality of the report.</p>
18.	Ensure the disclosure by the gas transmission system operator and the main oil pipeline system operator of disaggregated information on transportation volumes and revenues from transportation by paying companies	 Medium	<p>Disclosure in the EITI Report of natural gas and oil transportation volumes and revenues of the gas transmission system operator and the main oil pipeline system operator from the provision of transportation services, individually by extractive companies using such services would meet the requirements of the EITI Standard.</p> <p>Disclosure of disaggregated information on transportation volumes and transportation revenues (transportation costs of extractive companies) by the gas transmission system operator and the main oil pipeline system operator on the one hand and by the extractive companies on the other hand would enable verification of information.</p>

## 10. Annex 1. List of state authorities and institutions surveyed within the scope of EITI Report 2018

### *Central executive bodies*

1. Ministry of Energy of Ukraine (previously - Ministry of Energy and Environmental Protection of Ukraine. In 2020, according to the CMU`s decision, Ministry of Environmental Protection and Natural Resources was established, and the Ministry of Energy and Environmental Protection was renamed to the Ministry of Energy<sup>808</sup>);
2. Ministry of Economic Development, Trade and Agriculture of Ukraine (previously - Ministry of Economic Development and Trade of Ukraine, which was renamed to the Ministry of Economic Development, Trade and Agriculture in September 2019<sup>809</sup>);
3. Ministry of Finance of Ukraine;
4. State Tax Service of Ukraine;
5. State Customs Service of Ukraine;
6. State Service for Geology and Mineral Resources of Ukraine;
7. State Statistics Service of Ukraine;
8. State Treasury Service of Ukraine.

---

<sup>808</sup> CMU`s Resolution No. 425 of 27 May 2020, 'Some issues of optimizing the system of central executive bodies' access mode: <https://zakon.rada.gov.ua/go/425-2020-%D0%BF>

<sup>809</sup> CMU`s Resolution No. 838 of 11 September 2019, 'Issues of Ministry of Economic Development, Trade and Agriculture' access mode: <https://zakon.rada.gov.ua/laws/show/838-2019-n#n29>

## 11. Annex 2. List of extractive companies included into the scope of reconciliation in EITI Report

According to the decision of MSG (MSG Minutes of the meeting dated 20 November 2020) 53 companies were included in the scope of reconciliation within the framework of the EITI Report for 2018. Unless otherwise stated in the text, contextual information, including on state involvement in the extractive industries, applies only to companies that have been identified as material and included in the scope of reconciliation.

Nº	Companies/Taxpayers	Sector	Business entity of the public sector of the economy in accordance with the law	Owner <sup>810</sup>	The name of the legal entity or state body through which the state holds a share in the share capital of the company	General rule regarding the state responsibility on liability of state-owned companies <sup>811</sup>
1	Ukrigasvydobuvannya JSC	Oil and gas	No	State (indirect ownership)	Naftogaz of Ukraine NJSC - 100% (there were no changes in the reporting period)	The state is not responsible for JSC's liability whilst Naftogaz of Ukraine NJSC carries the risk of loss related JSC's activity only within its share value
2	Naftogaz of Ukraine NJSC	Oil and gas	Yes	State (direct ownership)	State represented by the Cabinet of Ministers of Ukraine - 100% (there were no changes in the reporting period)	The state carries the risk of loss related to activities of Naftogaz of Ukraine NJSC, within its share value

<sup>810</sup> For the purposes of the EITI 2019 Report, MSG decided to consider state-owned enterprises (SOEs) in accordance with Requirement 2.6 of the EITI Standard, enterprises belonging to the public sector of the economy and enterprises in which the state indirectly owns more than 50% of shares (particles). More details on the definition of "state-owned enterprises" in section 6.4.1.

<sup>811</sup> The question of the responsibility of the state (the body to whose sphere of management the enterprise belongs) for the obligations of enterprises with state participation is described in more detail in Section 6.4.1 of this Report.



№	Companies/Taxpayers	Sector	Business entity of the public sector of the economy in accordance with the law	Owner <sup>810</sup>	The name of the legal entity or state body through which the state holds a share in the share capital of the company	General rule regarding the state responsibility on liability of state-owned companies <sup>811</sup>
3	Ukrnafta PJSC	Oil and gas	No	State (indirect ownership)	Naftogaz of Ukraine NJSC - 50% + 1 share (there were no changes in the reporting period)	The state is not responsible for PJSC's liability whilst Naftogaz of Ukraine NJSC carries the risk of loss related JSC's activity only within its share value
4	Naftogazvydobuvannya PrJSC	Oil and gas	No	Private	-	-
5	Energy Service Company Esco-Pivnich LLC	Oil and gas	No	Private	-	-
6	Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	Oil and gas	No	Private	-	-
7	Natural resources PrJSC	Oil and gas	No	Private	-	-
8	Poltava Petroleum Company JV	Oil and gas	No	Private	-	-
9	Kub-Gaz LLC	Oil and gas	No	Private	-	-
10	Ukrnazvydobutok PrJSC	Oil and gas	No	Private	-	-
11	Persha ukrainska gazonaftova kompaniia LLC	Oil and gas	No	Private	-	-
12	Representative Office of Regal Petroleum Corporation Limited	Oil and gas	No	Private	-	-
13	Nadra-Geoinvest LLC	Oil and gas	No	Private	-	-
14	Energiia-95 LLC	Oil and gas	No	Private	-	-
15	Systemoilingenering LLC	Oil and gas	No	Private	-	-
16	Stryinaftogaz LLC	Oil and gas	No	Private		
17	Zakhidnadoraservis LLC	Oil and gas	No	Private		

№	Companies/Taxpayers	Sector	Business entity of the public sector of the economy in accordance with the law	Owner <sup>810</sup>	The name of the legal entity or state body through which the state holds a share in the share capital of the company	General rule regarding the state responsibility on liability of state-owned companies <sup>811</sup>
18	Joint Venture Ukrkarpatoil LTD LLC	Oil and gas	No	State (indirect ownership)	Ukrnafta PJSC - 100% (there were no changes in the reporting period)	The state and Naftogaz of Ukraine NJSC are not responsible for LLC's liability and Ukrnafta PJSC carries the risk of loss related to activities of LLC, within its share value
19	Kashtan Petroleum LTD JV	Oil and gas	No	Private	Ukrnafta PJSC - 55% (there were no changes in the reporting period)	-
20	Prom-Energo Product LLC	Oil and gas	No	Private	-	-
21	Nordik Private Enterprise	Oil and gas	No	Private	-	-
22	Joint activity agreement of 24/12/1997 № 999/97 - operated by Poltavanaftogaz OPMO of Ukrnafta PJSC (22525915)	Oil and gas	No	Private	-	
23	Joint activity agreement of 01/01/1999 No. 35/4 - authorized entity Hals-K PrJSC (31566427)	Oil and gas	No	Private	-	-
24	ArcelorMittal Kryvyi Rih PJSC	Iron ores	No	Private	-	-
25	Northern Iron Ore Enrichment Works PrJSC	Iron ores	No	Private	-	-
26	Southern Mining Factory JSC	Iron ores	No	Private	-	-

№	Companies/Taxpayers	Sector	Business entity of the public sector of the economy in accordance with the law	Owner <sup>810</sup>	The name of the legal entity or state body through which the state holds a share in the share capital of the company	General rule regarding the state responsibility on liability of state-owned companies <sup>811</sup>
27	Central Iron Ore Enrichment Works PrJSC	Iron ores	No	Private	-	-
28	Ferrexpo Poltava mining PrJSC	Iron ores	No	Private	-	-
29	Ingulets Iron Ore Enrichment Works PrJSC	Iron ores	No	Private	-	-
30	Krivoy Rog`s Iron-Ore Combine PJSC	Iron ores	No	Private		-
31	The foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC	Iron ores	No	Private	-	-
32	Suha Balka PrJSC	Iron ores	No	Private	-	-
33	Ferrexpo Yeristovo mining LLC	Iron ores	No	Private	-	-
34	United Mining and Chemical Company JSC	Titanium ores	Yes	State (direct ownership)	State represented by the Ministry for Development of Economy, Trade and Agriculture - 100% (there were no changes in the reporting period)	The state carries the risk of loss related to JSC's activities within its (the Ministry for Development of Economy, Trade and Agriculture) share value
35	Pokrovskiy GZK JSC	Manganese ores	No	Private	-	-
36	Marganets GZK JSC	Manganese ores	No	Private	-	-
37	DTEK Pavlogradugol PrJSC	Coal	No	Private	-	-
38	Shakhtoupravlinnia Pokrovske PJSC	Coal	No	Private	-	-

№	Companies/Taxpayers	Sector	Business entity of the public sector of the economy in accordance with the law	Owner <sup>810</sup>	The name of the legal entity or state body through which the state holds a share in the share capital of the company	General rule regarding the state responsibility on liability of state-owned companies <sup>811</sup>
39	DTEK Dobropolyeugol LLC	Coal	No	Private	-	-
40	Bilozerska mine SLC	Coal	No	Private	-	-
41	Krasnolimanske LLC	Coal	No	Private	-	-
42	Selydivvuhillia SE	Coal	Yes	State (direct ownership)	State represented by the Ministry of energy of Ukraine - 100% (there were no changes in the reporting period)	The state and the Ministry of energy of Ukraine are not responsible for SE's liability
43	Lvivvughiliya SE	Coal	Yes	State (direct ownership)	State represented by the Ministry of energy of Ukraine - 100% (there were no changes in the reporting period)	The state and the Ministry of energy of Ukraine are not responsible for SE's liability
44	DTEK Mine Komsomolets Donbassa PJSC	Coal	No	Private	-	-
45	Vuhilna Kompaniia Krasnolymanska SE	Coal	Yes	State (direct ownership)	State represented by the Ministry of energy of Ukraine - 100% (there were no changes in the reporting period)	The state and the Ministry of energy of Ukraine are not responsible for SE's liability
46	Myrnohradugol SE	Coal	Yes	State (direct ownership)	State represented by the Ministry of	The state and the Ministry of energy of Ukraine are

№	Companies/Taxpayers	Sector	Business entity of the public sector of the economy in accordance with the law	Owner <sup>810</sup>	The name of the legal entity or state body through which the state holds a share in the share capital of the company	General rule regarding the state responsibility on liability of state-owned companies <sup>811</sup>
					energy of Ukraine - 100% (there were no changes in the reporting period)	not responsible for SE's liability
47	Pervomayskvuhilla SE	Coal	Yes	State (direct ownership)	State represented by the Ministry of energy of Ukraine - 100% (there were no changes in the reporting period)	The state and the Ministry of energy of Ukraine are not responsible for SE's liability
48	Lysychanskvuhillya PJSC	Coal	Yes	State (direct ownership)	State represented by the Ministry of energy of Ukraine - 100% (there were no changes in the reporting period)	The state and the Ministry of energy of Ukraine are not responsible for SE's liability
49	Shakhtoupravlinnia Pivdenodonbaske No 1 SE	Coal	Yes	State (direct ownership)	State represented by the Ministry of energy of Ukraine - 100% (there were no changes in the reporting period)	The state and the Ministry of energy of Ukraine are not responsible for SE's liability
50	Toretskvugillya SE	Coal	Yes	State (direct ownership)	State represented by the Ministry of energy of Ukraine - 100%	The state and the Ministry of energy of Ukraine are not responsible for SE's liability

№	Companies/Taxpayers	Sector	Business entity of the public sector of the economy in accordance with the law	Owner <sup>810</sup>	The name of the legal entity or state body through which the state holds a share in the share capital of the company	General rule regarding the state responsibility on liability of state-owned companies <sup>811</sup>
					(there were no changes in the reporting period)	
51	Mine named after M. S. Surgai SE	Coal	Yes	State (direct ownership)	State represented by the Ministry of energy of Ukraine - 100% (there were no changes in the reporting period)	The state and the Ministry of energy of Ukraine are not responsible for SE's liability
52	Ukrtransgaz JSC	Transportation	No	State (indirect ownership)	Naftogaz of Ukraine NJSC - 100% (there were no changes in the reporting period)	The state is not responsible for PJSC's liability whilst Naftogaz of Ukraine NJSC carries the risk of loss related JSC's activity only within its share value
53	Ukrtransnafta JSC	Transportation	No	State (indirect ownership)	Naftogaz of Ukraine NJSC - 100% (there were no changes in the reporting period)	The state is not responsible for PJSC's liability whilst Naftogaz of Ukraine NJSC carries the risk of loss related JSC's activity only within its share value

## 12. Annex 3. Powers of state authorities of Ukraine in the field of mineral resource production in 2018

State authority	Main functions/powers in mineral resource production sector	Subordination to the state authority	Laws and regulations
Verkhovna Rada (Parliament) of Ukraine	<ol style="list-style-type: none"> <li>1) Adopting the laws;<sup>812</sup></li> <li>2) Setting out the main lines of state policy;<sup>813</sup></li> <li>3) Approving the national programs for development of extractive industries;<sup>814</sup></li> </ol>	Elected body	Constitution of Ukraine Law of Ukraine "On Rules of Parliamentary Procedure of the Verkhovna Rada of Ukraine" <sup>815</sup> Subsoil Code Mining Law Law on Oil and Gas Law of Ukraine "On Environmental Protection"
President of Ukraine <sup>816</sup>	<ol style="list-style-type: none"> <li>1) Participating in the legislative process (legislative initiative right, signing / veto of laws adopted by the Parliament);</li> <li>2) Issuing decrees and orders that are mandatory on the territory of Ukraine.</li> </ol>	Elected body	Constitution of Ukraine
Cabinet of Ministers of Ukraine	<ol style="list-style-type: none"> <li>1) Procuring financial, pricing, investment and tax policy, as well as policy in the areas of environmental safety and use of natural resources;</li> <li>2) Performing state management</li> </ol>	Accountable to the President of Ukraine and Verkhovna Rada of Ukraine; is controlled by and reports to the Verkhovna Rada of	Constitution of Ukraine Law of Ukraine "On the Cabinet of Ministers of Ukraine" <sup>817</sup>

<sup>812</sup> According to subparagraph 5 of paragraph 1 of Article 92 of the Constitution of Ukraine, the principles of the use of natural resources may only be set out by laws of Ukraine. Apart from the Constitution of Ukraine, the main laws governing oil and gas production sector are Subsoil Code of Ukraine No. 132/94-BP of 27 July 1994, Law of Ukraine "On Oil and Gas" No. 2665-III of 12 July 2001, Mining Law of Ukraine No. 1127-XIV of 6 October 1999, Law of Ukraine "On Production Sharing Agreements" No. 1039-XIV of 14 September 1999, and other laws

<sup>813</sup> Resolution of the Verkhovna Rada of Ukraine "On Main Tasks of the State Policy of Ukraine on Environmental Protection, Use of Natural Resources and Ensuring Ecological Safety" No. 188/98-BP of 5 March 1998, available at: <http://zakon3.rada.gov.ua/laws/show/188/98-%D0%B2%D1%80>.

<sup>814</sup> Law of Ukraine "On Approval of the National Program for Development of the Mineral Resources Base of Ukraine for the Period until 2030" No. 3268-VI of 21 April 2011

<sup>815</sup> Law of Ukraine "On Rules of Parliamentary Procedure of the Verkhovna Rada of Ukraine" No. 1861-VI of 10 February 2010

<sup>816</sup> The President of Ukraine does not formally belong to any branch of government (legislative, executive, judicial)

<sup>817</sup> Law of Ukraine "On the Cabinet of Ministers of Ukraine" No. 2591-VI of 7 October 2010, available at:

<http://zakon.rada.gov.ua/laws/show/794-18/ed20171111>

State authority	Main functions/powers in mineral resource production sector	Subordination to the state authority	Laws and regulations
	<p>in the field of protection and rational use of land, subsoil, water resources, other natural resources, directing and coordinating the work of ministries and other executive bodies;</p> <p>3) Adopting decisions on establishment, reorganization and liquidation of ministries and other central state authorities upon request of the Prime Minister of Ukraine;</p> <p>4) Issuing mandatory resolutions and orders;</p> <p>5) Participating in the legislative process (legislative initiative right);</p> <p>6) Implementing state policy in the oil and gas industry;</p> <p>7) Adopting decisions regarding Imposing special obligations onto the natural gas market players in order to ensure public interests in the natural gas market;</p> <p>8) Performing state management in the field of geological exploration, use and protection of mineral resources;</p> <p>9) Concluding PSAs and monitoring their implementation by the state;</p> <p>10) Performing state regulation of mining and state management in the field of environmental protection;</p> <p>11) Keeping the Unified Register of EIA, determining the procedure for holding public hearings in the process of EIA, transferring of documentation for issuing an opinion on EIA, and the procedure for financing EIA.</p>	<p>Ukraine</p>	<p>Subsoil Code</p> <p>Mining Law</p> <p>Law on Oil and Gas</p> <p>Law of Ukraine "On the Natural Gas Market"</p> <p>Law of Ukraine "On Environmental Protection"</p> <p>Law of Ukraine "On Pipeline Transport"</p> <p>PSA Law</p>



State authority	Main functions/powers in mineral resource production sector	Subordination to the state authority	Laws and regulations
Ministry of Energy and Coal Industry of Ukraine	<ol style="list-style-type: none"> <li>1) Setting out main directions of fuel and energy sector development;</li> <li>2) Developing draft laws and other regulations on issues within its competence;</li> <li>3) Approving technical projects of industrial and pilot development, complex projects of their arrangement;</li> <li>4) Adopting decisions on commencement of pilot and commercial development of an oil and gas field or deposit;</li> <li>5) Approving projects for liquidation or conservation of coal mining companies managed by the Ministry;</li> <li>6) Accounting for the state-owned property under its management and conducting control over its efficient use and preservation ;</li> <li>7) Ensuring safety of fuel and energy enterprises (in particular, monitoring safety of natural gas supply, accounting for accidents that occurred at such enterprises, approving measures for their prevention, etc.);</li> <li>8) Participating in development of procedures and conditions for privatization of fuel and energy enterprises;</li> <li>9) Approving the National Action Plan;</li> </ol>	<p>Directed and coordinated by the CMU</p> <p>(the Ministry is a central executive body that ensures development and implementation of state policy in energy, nuclear, coal, peat, and oil and gas sectors)</p>	<p>Regulation on the Ministry of Energy and Coal Industry of Ukraine<sup>819</sup></p> <p>Law on Oil and Gas</p> <p>Law of Ukraine "On the Natural Gas Market"</p> <p>Law of Ukraine "On coalbed gas (methane)"</p> <p>Law of Ukraine "On peculiarities of lease or concession of fuel and energy complex objects in state ownership"</p> <p>Procedure for registration of draft PSAs and state registration of PSAs<sup>820</sup></p>

<sup>819</sup> Decree of the President of Ukraine "On Regulation of the Ministry of Energy and Coal Industry of Ukraine" No. 382/2011 of 6 April 2011, available at: <http://zakon2.rada.gov.ua/laws/show/382/2011>, on 22 June 2019, the Decree became ineffective on the basis of the Decree of the President of Ukraine No. 419/2019 dated 20 June 2019, available at: <https://zakon.rada.gov.ua/laws/show/419/2019#Text>. In 2017, a new Regulation of the Ministry of Energy and Coal Industry of Ukraine was approved by the resolution of the CMU No. 208 dated 29 March 2017, available at: <https://zakon.rada.gov.ua/laws/show/208-2017-%D0%BF%ed20170329#Text>, on 29 April 2020, the resolution became invalid on the basis of the Resolution of the CMU No. 298 dated 22 April 2020, available at: <https://zakon.rada.gov.ua/laws/show/298-2020-%D0%BF#n5>

<sup>820</sup> Order of the Ministry of Energy and Coal industry of Ukraine "On approval of the Procedure for registration of draft production sharing agreements and state registration of production sharing agreements " No. 602 dated 12 September 2017, available at: <https://zakon.rada.gov.ua/laws/show/z0242-18#Text>

State authority	Main functions/powers in mineral resource production sector	Subordination to the state authority	Laws and regulations
	10) Developing and approving rules for safety of supply of natural gas, etc.; 11) Designating the GTS operator of Ukraine; 12) Approving granting of licenses for geological exploration and mining gas (methane) of coal fields in cases specified by the law; 13) Adopting decisions on the feasibility of granting fuel and energy objects into lease or concession and monitoring the use of transferred objects, monitoring compliance with the terms of the concession agreement by the concessionaire; 14) Registering of the first and final versions of draft PSAs, carrying out state registration of PSAs. <sup>818</sup>		
Ministry of Ecology and Natural Resources of Ukraine	1) Ensuring development and implementation of state policy in the field of environmental protection, reproduction and protection of natural resources, organizing of environment monitoring; 2) Establishing the legal framework for a range of issues including monitoring of geological exploration works, accounting for volumes of produced minerals, depleted deposits, mining losses, and oil and gas wells, procedure for approving a provision of subsoil resources into use; 3) Approving the procedure for developing mineral reserve	Directed and coordinated by the CMU (the Ministry is a central executive body responsible for development and implementation of state policy in the field of environmental protection and environmental security)	Subsoil Code Law of Ukraine "On Environmental Protection" Law on Oil and Gas Law of Ukraine "On EIA" Regulation on the Ministry of Ecology and Natural Resources of Ukraine <sup>822</sup> Resolution of the CMU "Geological information management issues"

<sup>818</sup> Until 2 February 2018, this power was exercised by the Ministry of Ecology and Natural Resources of Ukraine in accordance with the Order of the Ministry of Ecology and Natural Resources of Ukraine "On approval of the Procedure for registration of draft production sharing agreements and state registration of production sharing agreements" No. 40 dated 5 February 2013

<sup>822</sup> Resolution of the CMU "On approval of the Regulation of the Ministry of Ecology and Natural Resources of Ukraine" No. 32 dated 21 January 2015, available at: <https://zakon.rada.gov.ua/laws/show/32-2015-%D0%BF/ed20181110#Text>

State authority	Main functions/powers in mineral resource production sector	Subordination to the state authority	Laws and regulations
	<p>conditions, rules for development of oil and gas fields, procedure for digitization of geological information, regulation on the catalog of geological data, procedure for the operation of the State Repository of Geological Data and Stone Material and procedure for transferring primary geological information to it;</p> <p>4) Approving provision of subsoil into use within the territorial waters and the exclusive (marine) economic zone of Ukraine<sup>821</sup>;</p> <p>5) Participating in the EIA procedure.</p>		
State Service for Geology and Mineral Resources of Ukraine (Geology Service)	<ol style="list-style-type: none"> <li>1) Implementing state policy on geological exploration and rational use of subsoil resources;</li> <li>2) Organizing and coordinating work on geological exploration on the basis of state complex or targeted programs, intersectoral and sectoral plans, projects, regulations and rules;</li> <li>3) Exercising state control over geological exploration of subsoil (state geological control) and its rational and efficient use, in particular, over the accounting of oil, gas and related components;</li> <li>4) Keeping state records of fields, deposits, and</li> </ol>	Directed and coordinated by the CMU through the Minister of Ecology and Natural Resources of Ukraine (central executive body responsible for implementation of state policy in geological exploration of subsoil and its rational and efficient use)	Subsoil Code Law on Oil and Gas Law of Ukraine "On Coalbed Gas (Methane)" Law of Ukraine "On the State Geological Service of Ukraine" <sup>824</sup> Regulation on the State Service for Geology and Mineral Resources of Ukraine <sup>825</sup> The Procedure for Granting Licenses

<sup>821</sup> Was excluded from the powers of the Ministry of Environment in accordance with the Resolution of the CMU No. 333 dated 25 April 2018, available at: <https://zakon.rada.gov.ua/laws/show/333-2018-%D0%BF/ed20181228#n64> (entered into force on 8 June 2018). Instead of approving, the Ministry of Environment provides proposals and comments on granting of subsoil licenses.

<sup>824</sup> Law of Ukraine "On the State Geological Service of Ukraine" No. 1216-XIV dated 4 November 1999, available at <https://zakon.rada.gov.ua/laws/show/1216-14/ed20121118#Text>

<sup>825</sup> Resolution of the CMU "On approval of the Regulation of the State Service for Geology and Mineral Resources of Ukraine" No. 1174 dated 30 December 2015, available at <https://zakon.rada.gov.ua/laws/show/1174-2015-%D0%BF/ed20181110#Text>

State authority	Main functions/powers in mineral resource production sector	Subordination to the state authority	Laws and regulations
	<p>occurrences of minerals<sup>823</sup>, and maintaining the state cadastre of fields and occurrences of minerals, as well as the state balance of deposits of minerals;</p> <p>5) Registering and accounting for works and researches related to geological exploration of subsoil;</p> <p>6) Issuing, cancelling, suspending, extending and renewing the licenses;</p> <p>7) Supervising compliance with the norms, standards, and other requirements for the geological exploration and use of subsoil, the conditions of subsoil licenses, and agreements on the conditions of subsoil use;</p> <p>8) Maintaining a catalog of geological information.</p>		
State Commission of Ukraine on Mineral Resources	<ol style="list-style-type: none"> <li>1) Carrying out scientific and technical activities related to conducting state expert appraisal of geological raw materials for the exploration and use of subsoil and evaluation of mineral reserves at the request of subsoil users;</li> <li>2) Setting the conditions on mineral raw material for reserves calculation;</li> <li>3) Conducting state expert appraisal of geological information on mineral reserves calculation;</li> <li>4) Participating in complex state expert appraisal of projects for industrial fields development, renovation of existing mining and processing complexes and</li> </ol>	Operates within the Geology Service  (institution that carries out scientific and technical activities related to conducting state expert inspection of geological materials for exploration and use of subsoil and evaluation of mineral reserves)	Regulations on the State Commission of Ukraine on Mineral Resources <sup>826</sup>

<sup>823</sup> Resolution of the CMU "On approval of the Procedure for state accounting of fields, deposits, and occurrences of minerals" No. 75 dated 31 January 1995, available at: <https://zakon.rada.gov.ua/laws/show/75-95-%D0%BF/ed20130723#Text>

<sup>826</sup> Resolution of the CMU "On approval of the Regulations on the State Commission of Ukraine on Mineral Resources" No. 1689 dated 10 November 2000, available at: <https://zakon.rada.gov.ua/laws/show/1689-2000-%D0%BF/ed20110906#Text>

State authority	Main functions/powers in mineral resource production sector	Subordination to the state authority	Laws and regulations
	<p>their liquidation; checking the validity, effectiveness and quality of design decisions of mining companies on completeness of proven mineral reserves.</p>		
<p>National Energy and Utilities State Regulation Commission (NEURC)</p>	<ol style="list-style-type: none"> <li>1) Participating in the development and implementation of a unified state policy in the areas of functioning of the markets for natural gas, oil, and petroleum products, etc.</li> <li>2) Approving the methodology of setting transportation tariffs for natural gas, for entry and exit points, of the services on distribution, storage (injection, withdrawal) of natural gas in relation to the gas storage facilities to which the regulated access regime is applied, of the LNG installation services; as well as setting tariffs that must ensure the necessary investments into gas transportation and distribution systems, gas storage facilities, and LNG facility;</li> <li>3) Setting tariffs for transportation of natural gas through transboundary gas pipelines;</li> <li>4) Approving rules for supply of natural gas;</li> <li>5) Certifying operators of the transmission system and the gas transportation system;</li> <li>6) Licensing of activities related to transportation, distribution, storage, supply</li> </ol>	<p>Accountable to the President of Ukraine; reporting to the Verkhovna Rada of Ukraine</p> <p>(in accordance with the Regulation on the NEURC)</p> <p>(independent state collegial body that exercises regulation, monitoring and control over the activities of business entities in energy and utility sector)</p>	<p>Law of Ukraine "On Commission for State Regulation of Energy Sector and Utilities"<sup>827</sup></p> <p>Law of Ukraine "On the Natural Gas Market"</p> <p>Law of Ukraine "On Coalbed Gas (Methane)"</p> <p>Regulation on the National Energy and Utilities State Regulation Commission<sup>828</sup></p>

<sup>827</sup> Law of Ukraine "On the National Commission for State Regulation of Energy Sector and Utilities" No. 1540-VIII dated 11 June 2017, available at: <https://zakon.rada.gov.ua/laws/show/1540-19/ed20180610>

<sup>828</sup> Decree of the President of Ukraine "On Approving Regulation on National Energy and Utilities State Regulation Commission" No. 715/2014 of 10 September 2014 available at: <http://zakon0.rada.gov.ua/laws/show/715/2014>

State authority	Main functions/powers in mineral resource production sector	Subordination to the state authority	Laws and regulations
	<p>of natural gas and provision of LNG facility services;</p> <p>7) Approving rules for the "last hope" supplier as part of the rules for natural gas supply, including rules for determination of the price of natural gas supplied by such a supplier;</p> <p>8) Monitoring the level of transparency in the activities of natural gas market players, in particular, the level of wholesale natural gas prices, as well as ensuring compliance of the natural gas market players (except for consumers) with the obligations to publish information;</p> <p>9) Developing and approving codes on transmission and distribution systems of electric energy, gas transportation and distribution systems, codes on gas storage and LNG facilities;</p> <p>10) Establishing the minimum standards and quality requirements to consumer services and natural gas supply;</p> <p>11) Conducting state control over compliance with legislation and licensing conditions by entities that operate in the fields of energy and utilities via conducting inspections.</p>		
State Labor Service	<p>1) Performing state management in the field of geological exploration, use and protection of mineral resources;</p> <p>2) Granting mining allotments for</p>	<p>Directed and coordinated by the CMU through the Minister of Social Security of Ukraine (central executive body, which ensures the</p>	<p>Subsoil Code Mining Law Law on Oil and Gas Law of Ukraine "On High-Risk Objects"<sup>830</sup> Regulation on the</p>

<sup>830</sup> Law of Ukraine "On high-risk objects" No 2245-III of 18 January 2001, available at: <http://zakon3.rada.gov.ua/laws/show/2245-14>

State authority	Main functions/powers in mineral resource production sector	Subordination to the state authority	Laws and regulations
	<p>development of mineral deposits of state importance and registering mining allotments for the development of mineral deposits of local importance;</p> <p>3) Performing state mining supervision of safe mining works; of coal, oil and gas, ore, and non-ore mining enterprises during construction, operation, liquidation, and conservation of mining objects and enterprises;<sup>829</sup></p> <p>4) Supervising (controlling) compliance with requirements of subsoil use licenses concerning state mining supervision;</p> <p>5) Organizing the state technical expert examination of safety of mining operations;</p> <p>6) Conducting selective checks of the availability and performance of the projects and plans of geological exploration of minerals, development of mineral resources deposits;</p> <p>7) Approving projects of research and industrial development of mineral deposits of national importance, provision of subsoil into use for peat development, as well as plans for the development of mining operations of the enterprise;</p> <p>8) Terminating the subsoil use related works in case of</p>	<p>implementation of state policy in the areas of industrial safety, labor protection, state mining supervision, state regulation in the field of safe handling of industrial explosives, etc.)</p>	<p>State Labor Service<sup>831</sup></p> <p>Regulation on the Procedure for State Mining Supervision<sup>832</sup></p> <p>Regulation on the Procedure for Granting Mining Allotments<sup>833</sup></p> <p>The Procedure for Granting Licenses</p>

<sup>829</sup> State mining supervision is the supervision over companies', organizations', and citizens' compliance with laws, rules and regulations, applicable to works related to geological exploration, use and protection of subsoil resources, and also the use and processing of raw minerals (paragraph 1 of the Regulation on the Procedure for State Mining Supervision)

<sup>831</sup> Resolution of the CMU "On approval of the Regulation of the State Labor Service of Ukraine" No. 96 dated 11 February 2015, available at: <https://zakon.rada.gov.ua/laws/show/96-2015-%D0%BF/ed20170901#Text>

<sup>832</sup> Resolution of the CMU "On Approval of the Regulation on the Procedure for State Mining Supervision" No. 134 dated 21 February 1995, available at: <http://zakon0.rada.gov.ua/laws/show/134-95-%D0%BF>.

<sup>833</sup> Resolution of the CMU "On Approval of the Regulation on the Procedure for Issuing of Mining Allotments" No. 59 of 27 January 1995, available at: <https://zakon.rada.gov.ua/laws/show/59-95-%D0%BF/ed20160304#Text>

State authority	Main functions/powers in mineral resource production sector	Subordination to the state authority	Laws and regulations
	violations of geological exploration of mineral resources, etc.		
State Agency on Energy Efficiency and Energy Saving of Ukraine	<ol style="list-style-type: none"> <li>1) Performing state regulation in the field of geological exploration, extraction and use of coalbed gas (methane) from undeveloped deposits;</li> <li>2) Performing state supervision and control over compliance with the legislation in the field of geological exploration, extraction and use of coalbed gas (methane);</li> <li>3) Developing, coordinating and controlling the implementation of state target programs in the field of efficient use of fuel and energy resources, coordinating sectoral, regional and local programs in this field;</li> <li>4) Implementing public-private partnership in the field of efficient use of fuel and energy resources;</li> <li>5) Monitoring the effective use of fuel and energy resources.</li> </ol>	Directed and coordinated by the CMU through the Minister of Regional Development, Construction, Housing and Communal Services (central executive body, which implements state policy in the field of efficient use of fuel and energy resources, energy saving, renewable energy sources and alternative fuels)	Law of Ukraine "On Coalbed Gas (Methane)" Regulations on the State Agency on Energy Efficiency and Energy Saving of Ukraine <sup>834</sup>
State Ecological Inspection of Ukraine	<ol style="list-style-type: none"> <li>1) Performing state supervision over compliance with regulations on environmental safety, regulations on the use and protection of subsoil, the availability of licenses, limits and quotas for the special use of natural resources, compliance with their requirements;</li> <li>2) Performing supervision and</li> </ol>	Directed and coordinated by the CMU through the Minister of Ecology and natural resources of Ukraine (central executive body responsible for implementation of state policy in supervision (control) in the field of environmental protection,	Subsoil Code Law of Ukraine "On Environmental Protection" Regulation on the State Ecological Inspection of Ukraine <sup>835,836</sup> The Procedure for Granting Licenses

<sup>834</sup> Resolution of the CMU "On approval of the Regulations on the State Agency on Energy Efficiency and Energy Saving of Ukraine" № 676 dated 26 November 2014, available at: <https://zakon.rada.gov.ua/laws/show/676-2014-%D0%BF/ed20170902#Text>

<sup>835</sup> Decree of the President of Ukraine "On Regulations on the State Ecological Inspection of Ukraine" No. 454/2011 dated 13 April 2011, available at: <https://zakon.rada.gov.ua/laws/show/454/2011/ed20110413#Text> (On 22 June 2019, Decree become invalid based on the Presidential Decree No. 419/2019 dated 20 June 2019, available at: <https://zakon.rada.gov.ua/laws/show/454/2011/ed20110413#Text>)

<sup>836</sup> Resolution of the CMU "On Approval of the Regulation on the State Ecological Inspection of Ukraine" No. 275 dated 19 April 2017, available at: <https://zakon.rada.gov.ua/laws/show/275-2017-%D0%BF/ed20181228#Text>



State authority	Main functions/powers in mineral resource production sector	Subordination to the state authority	Laws and regulations
	control over compliance with the requirements of subsoil licenses; 3) Taking measures to discontinue unauthorized use of subsoil and construction at the location of mineral deposits in violation of the established procedure; 4) Hearing disputes over subsoil use.	rational and efficient use, restoration and protection of mineral resources)	
State Agency of Water Resources of Ukraine	1) Issuing and revoking permits for special water use; 2) Implementing measures for ecological restoration and care of surface waters; 3) Monitoring water quality; 4) Developing schemes for integrated use and protection of water resources; 5) Analyzing and summarizing reports of water users on the use of water resources, checking their reliability; 6) Approving water supply standards.	Directed and coordinated by the CMU through the Minister of Ecology and natural resources of Ukraine (central executive body that implements state policy in the field of development of water management and hydraulic reclamation of land, management, use and reproduction of surface water resources)	Water Code of Ukraine Regulations on the State Agency of Water Resources of Ukraine <sup>837</sup>
State Agency of Forest Resources of Ukraine	1) Organizing the issuance in the prescribed manner of licenses for the use of forest resources; 2) Maintaining the state forest cadastre and forest accounting; 3) Monitoring forests; 4) Ensuring the functioning of the state forest protection.	Directed and coordinated by the CMU through the Minister of Agrarian Policy and Food (central executive body that implements state policy in the field of forestry and hunting)	Forest Code of Ukraine Regulations on the State Agency of Forest Resources of Ukraine <sup>838</sup>
State Emergency Service of Ukraine	1) Filing with the Minister of internal affairs proposals concerning list of enterprises, branches of economy and	Directed and coordinated by the CMU through the Minister of Internal Affairs (central executive body	Code of Civil Protection of Ukraine Law of Ukraine "On

<sup>837</sup> Resolution of the CMU "On approval of the Regulations on the State Agency of Water Resources of Ukraine" No. 393 dated 20 August 2014, available at: <https://zakon.rada.gov.ua/laws/show/393-2014-n#Text>

<sup>838</sup> Resolution of the CMU "On approval of the Regulations on the State Agency of Forest Resources of Ukraine" No. 521 dated 08 October 2014, available at: <https://zakon.rada.gov.ua/laws/show/521-2014-n#Text>

State authority	Main functions/powers in mineral resource production sector	Subordination to the state authority	Laws and regulations
	<p>territories subject to continuous and statutory rescue maintenance, as well as procedures of performing such maintenance;</p> <p>2) Organizing and providing protection against fires for companies, institutions, organizations, and other objects on the basis of the agreements.</p>	<p>responsible for implementation of state policy in civic protection, protection of civilians and territories from emergency situations and prevention of their occurrence, liquidation of consequences of emergency situations, rescue activity, firefighting, fire and technogenic safety, activity of rescue services, and hydrometeorological activities)</p>	<p>High-Risk Objects"<sup>839</sup> Regulation on the State Emergency Service of Ukraine<sup>840</sup></p>
State Service of Ukraine for Geodesy, Cartography and Cadastre	<p>1) Performing state supervision in the field of land management;</p> <p>2) Coordinating topographic, geodetic and cartographic activities;</p> <p>3) Maintaining and administering the State Land Cadastre and its information interaction with other information systems;</p> <p>4) Filing applications to limit or stop the land development in the case of mineral resources production, geological exploration, prospecting and other works in violation of land legislation.</p>	<p>Directed and coordinated by the CMU through the Minister of Agrarian Policy and Food (central executive body that implements, in particular, state policy in the matter of topography, geodesy, cartography, land relations, land management, state supervision of the agro-industry)</p>	<p>Land Code of Ukraine Regulations on the State Service of Ukraine for Geodesy, Cartography and Cadastre<sup>841</sup></p>
State Fiscal Service of Ukraine	<p>1) Performing administration of taxes and duties paid by taxpayers (including royalty for the use of subsoil for the extraction of minerals) and control over their payment to</p>	<p>Directed and coordinated by the CMU through the Minister of Finance (the Service is a central executive body that implements, among</p>	<p>Tax Code of Ukraine Regulations on the State Fiscal Service of Ukraine<sup>842</sup> The Procedure for Granting Licenses</p>

<sup>839</sup> Law of Ukraine "On high-risk objects" No 2245-III of 18 January 2001, available at: <http://zakon3.rada.gov.ua/laws/show/2245-14>

<sup>840</sup> Resolution of the CMU "On approving Regulation on the State Emergency Service of Ukraine" No. 1052 of 16 December 2015, available at: <https://zakon.rada.gov.ua/laws/show/1052-2015-%D0%BF/ed20180328#Text>

<sup>841</sup> Resolution of the CMU "On the State Service of Ukraine for Geodesy, Cartography and Cadastre" No. 15 dated 14 January 2015, available at: <https://zakon.rada.gov.ua/laws/show/15-2015-%D0%BF/ed20170829#Text>

<sup>842</sup> Resolution of the CMU "On approval of the regulations on the State Fiscal Service of Ukraine" No. 236 dated 21 May 2014, available at: <https://zakon.rada.gov.ua/laws/show/236-2014-%D0%BF/ed20160827#Text>

State authority	Main functions/powers in mineral resource production sector	Subordination to the state authority	Laws and regulations
	budgets; 2) Issuing binding orders and exercising control over their implementation; 3) Providing information upon request of the Geology Service on the existence of an outstanding debt for payment of state taxes and fees for the purposes related to the process of granting, prolonging, amending a license. 4) Performing supervision and control over compliance with the requirements of a license; 5) Performing financial expertise of PSA projects.	others, state tax policy)	
Ministry of Economic Development and Trade of Ukraine	1) Developing and ensuring implementation of state policy in state-owned property management and state industrial policy; 2) Preparing and reporting to the CMU of a draft list of state-owned property that can be transferred into concession; 3) Providing methodological and legislative support related to the issues of state-owned property management; 4) Developing proposals regarding the development and implementation of state pricing policy.	Directed and coordinated by the CMU (central executive body responsible for development and implementation of state policies in economic, social development and trade fields, in industrial and investment aspects, in cross-border economic activities regulation, in technical regulation, in standardization and metrology, in state-owned property management, in stimulating the entrepreneurship)	Resolution of the CMU "On the issues of Ministry of Economic Development and Trade" <sup>843</sup> Law of Ukraine "On Public-Private Partnership" <sup>844</sup> Law of Ukraine "On Management of State-owned Property"
State Architectural and Construction Inspection of Ukraine	1) Issuing and withdrawing permits for carrying out construction works; 2) Checking the completed works' compliance with requirements of state construction	Directed and coordinated by the CMU through the Vice-Prime-Minister of Ukraine - Minister of Regional Development, Construction, Housing	Regulation on the State Architectural and Construction Inspection of

<sup>843</sup> Resolution of the CMU "On issues of the Ministry of Economic Development and Trade" No. 459 of 20 August 2014, available at: <http://zakon2.rada.gov.ua/laws/show/459-2014-%D0%BF>.

<sup>844</sup> Law of Ukraine "On Public-Private Partnership" No 2404-VI dated 01 July 2010, available at: <https://zakon.rada.gov.ua/laws/show/2404-17#Text>

State authority	Main functions/powers in mineral resource production sector	Subordination to the state authority	Laws and regulations
	<p>regulations, standards, and rules;</p> <p>3) Issuing binding notifications, particularly concerning cease of preparatory and construction works if those are not carried out in compliance with statutory requirements.</p>	<p>and Communal Services (central executive body responsible for implementation of state policy in state architectural and construction control and supervision)</p>	<p>Ukraine<sup>845</sup></p> <p>Procedure of Exercising State Architectural and Construction Control<sup>846</sup></p> <p>Procedure for Exercising State Architectural and Construction Supervision<sup>847</sup></p>
<p>Oblast (region), Kyiv city state administrations</p>	<p>1) Deciding on the use of natural resources within their jurisdiction;</p> <p>2) Controlling over the use and protection of subsoil;</p> <p>3) Approving the production of mineral resources of local importance and peat with special technical means;</p> <p>4) Performing the powers delegated by district and regional councils, in particular on ensuring the efficient use of natural resources;</p> <p>5) Exercising powers in the field of EIA.</p>	<p>Local state administrations and their heads are accountable to the President of Ukraine and the CMU and are controlled by and report to the CMU.</p> <p>Local state administrations are controlled by and report to the relevant district and oblast (region) councils with regard to the powers delegated to them by relevant district and oblast (region) councils, and with regard to execution of the decisions of the councils on these matters.</p> <p>The Mayor of Kyiv as the head of the Kyiv City State</p>	<p>Constitution of Ukraine</p> <p>Subsoil Code</p> <p>Law of Ukraine "On Environmental Protection"</p> <p>Law of Ukraine "On Local State Administrations"<sup>848</sup></p> <p>The Law of Ukraine "On the Capital of Ukraine - the Hero City of Kyiv"<sup>849</sup></p>

<sup>845</sup> Resolution of the CMU "On Approving Regulation on State Architectural and Construction Inspection of Ukraine" No. 294 of 9 July 2014, available at: <http://zakon0.rada.gov.ua/laws/show/294-2014-%D0%BF>; Decree of the President of Ukraine "On Regulation on State Architectural and Construction Inspection of Ukraine" No. 439/2011 of 8 April 2011, available at: <http://zakon0.rada.gov.ua/laws/show/439/2011>. (The decree became invalid on the basis of Presidential Decree No. 419/2019 of June 20, 2019)

<sup>846</sup> Resolution of the CMU "On Approving the Procedure of Performing State Architectural and Construction Control" No. 553 of 23 May 2011., available at: <http://zakon2.rada.gov.ua/laws/show/553-2011-%D0%BF/ed20151006>. (From March 18, 2020, the Resolution will be suspended until the start of operation of the State Inspectorate of Urban Planning according to the Resolution of the CMU No. 219 dated March 13, 2020, available at: <https://zakon.rada.gov.ua/laws/show/219-2020-%D0%BF#Text>)

<sup>847</sup> Resolution of the CMU "On Approving the Procedure of Performing State Architectural and Construction Supervision" No. 698 of 19 August 2015, available at: <http://zakon3.rada.gov.ua/laws/show/en/698-2015-%D0%BF/ed20150819> (From March 18, 2020, the powers will be transferred to the State Inspectorate of Urban Planning in accordance with the Resolution of the CMU No. 219 dated March 13, 2020, available at: <https://zakon.rada.gov.ua/laws/show/219-2020-%D0%BF#Text>)

<sup>848</sup> Law of Ukraine "On Local State Administrations" No. 586-XIV of 9 April 1999, available at: <http://zakon2.rada.gov.ua/laws/show/586-14>

<sup>849</sup> Law of Ukraine "On the Capital of Ukraine - the Hero City of Kyiv" No. 401-XIV of 15 January 1999, available at: <http://zakon5.rada.gov.ua/laws/show/401-14>

State authority	Main functions/powers in mineral resource production sector	Subordination to the state authority	Laws and regulations
		Administration when exercising his/her executive powers is accountable to the President of Ukraine and the CMU and is controlled by and reports to the CMU.	
Oblast (region), Kyiv, city councils	<ol style="list-style-type: none"> <li>1) Providing mineral resources into use for the development of minerals of local importance;</li> <li>2) Approving the provision of subsoil resources into use for the purposes of geological exploration and production of mineral resources deposits of state importance and for the purposes unrelated to production of mineral resources;<sup>850</sup></li> <li>3) Distributing royalties for subsoil resource use among the relevant local budgets;</li> <li>4) Issuing mining allotments (for development of mineral fields of local importance);<sup>851</sup></li> <li>5) Developing, approving, and executing local programs for the development of mineral resources base, rational use and protection of the subsoil resources;</li> <li>6) Exercising control over the use and protection of subsoil resources.</li> </ol>	<p>The authorities and officials of local self-government bodies report to and are controlled by and accountable to the territorial communities.</p> <p>When exercising powers of local self-government, the Kyiv City State Administration is, as an executive body, controlled by, accountable to, and reports to the Kyiv City Council.</p>	<p>Constitution of Ukraine</p> <p>Law of Ukraine "On the Local Self-Governance in Ukraine"<sup>852</sup></p> <p>Law of Ukraine "On the Capital of Ukraine - the Hero City of Kyiv"</p> <p>Subsoil Code</p>
Village, rural settlement, city,	<ol style="list-style-type: none"> <li>1) Approving allocation of rights to use subsoil for the purposes</li> </ol>	The authorities of local self-government bodies	Constitution of Ukraine

<sup>850</sup> From December 2019, the powers is excluded from the competence of he body in accordance with the Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine to Improve Legislation on Amber and Other Minerals" No. 402-IX dated 19 December 2019, available at: <https://zakon.rada.gov.ua/laws/show/402-20/ed20191229#n15>

<sup>851</sup> From May 2020, the powers will be transferred to the territorial bodies of the State Labor Service in accordance with the Resolution of CMU "On Amendments to the Regulations on the Procedure for Granting Mining Allotments and the Regulations on the State Labor Service of Ukraine" No. 352 dated 6 May 2020, available at: <https://zakon.rada.gov.ua/laws/show/352-2020-%D0%BF#n11>

<sup>852</sup> Law of Ukraine "On the Local Governments in Ukraine" No. 280/97-BP of 21 May 1997, available at: <http://zakon3.rada.gov.ua/laws/show/280/97-%D0%B2%D1%80>.

State authority	Main functions/powers in mineral resource production sector	Subordination to the state authority	Laws and regulations
<p>and district councils</p>	<p>of geological exploration and production of mineral deposits of local importance;</p> <p>2) Carrying out local programs for the development of mineral resources base, efficient use and protection of the subsoil resources;</p> <p>3) Coordinating projects of liquidation and conservation of mining enterprises;</p> <p>4) Approving the terms of the tender for each oil and gas subsoil area;</p> <p>5) Exercising control over the use and protection of subsoil;</p> <p>6) Making submissions to the Geology Service in order to suspend the license for the use of oil and gas subsoil.</p>	<p>report to and are controlled by and accountable to the territorial communities.</p> <p>The executive authorities of village, rural settlement, city, and city district councils are controlled by and report to the relevant councils; they are controlled by the relevant executive authorities when exercising powers delegated by executive authorities.</p>	<p>Law of Ukraine "On the Local Self-Government in Ukraine"</p> <p>Subsoil Code</p> <p>Law of Ukraine on Oil and Gas</p> <p>Mining Law</p>

### 13. Annex 4. Beneficial owners of reporting entities according to the information from the Unified State Registry

#### Notes

- ▶ The information below corresponds with the information from the Unified State Registry (USR) as of 09 December 2020.
- ▶ The USR does not provide information about beneficial owners of state and municipal enterprises, because such enterprises do not have beneficial owners according to the law. At the same time, the USR provides information on founders (participants) of state and municipal enterprises, including state executive bodies managing those. Although the information on the absence of beneficial owners is stated inconsistently (there might be cases where it is indicated that a beneficial owner is absent, whereas there are also cases where no information on a beneficial owner is indicated), this does not have a negative impact on the disclosure of information on beneficial owners. The table contains information that corresponds to the USR.
- ▶ Some entities (such as non-resident representative offices, joint venture agreements) are not included in the USR, and therefore information about the beneficial owners of such entities cannot be obtained through the USR.
- ▶ A statement "No information in the USR" means that the information on beneficial owner of the respective entity is not indicated in the USR (including such of state enterprises).
- ▶ This section does not contain information about the owners of substantial shareholding in the companies.
- ▶ This section also includes the persons designated as beneficial owners of the founders of enterprises.

No.	Code EDRPOU	Name	Beneficial owner of the company
1.	30019775	Ukrgezvydobuvannya JSC	No ultimate beneficial owner
2.	20077720	Naftogaz of Ukraine NJSC	The founder is the CMU
3.	00135390	Ukrnafta PJSC	No ultimate beneficial owner
4.	32377038	Naftogazvydobuvannia PrJSC	DTEK OIL GAZ B.V., NGD Holdings B.V. - Rinat Akhmetov, Ukraine
5.	30732144	Energy Service Company Escopivnich LLC	Brociti Investments Limited, Zlochevska Anna, Ukraine, Zlochevska Karina, Ukraine
6.	33152471	Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	No ultimate beneficial owner
7.	33100376	Natural resources PrJSC	No ultimate beneficial owner
8.	20041662	Poltava Petroleum Company JV	No ultimate beneficial owner

No.	Code EDRPOU	Name	Beneficial owner of the company
9.	30694895	Kub-gaz LLC	Brociti Investments Limited, Zlochevska Anna, Ukraine, Zlochevska Karina, Ukraine
10.	25635581	Ukrغازvydobutok PrJSC	Private limited company Smart Energy B.V., Limited Liability Company Pelidona Services LTD, Limited Liability Company Lovitia Investments LTD, Smart Energy LLC - Vadym Novynskyy, Ukraine
11.	36050166	Persha ukraiinska gazonaftova kompaniia LLC	Brociti Investments Limited, Zlochevska Anna, Ukraine, Zlochevska Karina, Ukraine
12.	26333503	Representative Office of Regal Petroleum Corporation Limited	No information in the USR
13.	35602704	Nadra-Heoinvest LLC	Guzenko Oleksandr, Ukraine Guzenko Tetyana, Ukraine
14.	24186185	Energiiia-95 LLC	Gasolinum LLC - Vitalii Danilov, Ukraine Enerdzhi Aktyv LLC - Ihor Kotvitskyi, Ukraine
15.	38203132	Systemoilinzhenierinh LLC	Brociti Investments Limited, Zlochevska Anna, Ukraine, Zlochevska Karina, Ukraine
16.	23152126	UkrCARPATOIL LTD JV LLC	No information available on USR. According to the company, ultimate beneficial owner is absent
17.	23703371	Kashtan Petroleum LTD JV	No information in the USR
18.	31747429	Prom-Energo Product LLC	Regal Petroleum Corporation (Ukraine) Limited LLC, Regal Group Services LTD, Regal Petroleum (Jersey) LTD, Regal Petroleum PLC, Pelidon Services LTD, Lovitia Investments LTD - Vadym Novynskyy, Ukraine
19.	33862865	Nordic PE	Kozitsky Zinoviy, Ukraine
20.	24432974	ArcelorMittal Kryvyyi Rih PJSC	Lakshmi Niwas Mittal, India
21.	00191023	Northern GZK PrJSC	SCM (System Capital Management) Limited (Cyprus), SCM Holdings Limited (Cyprus), Private Limited Liability Company Metinvest B.V. (Netherlands) - Akhmetov Rinat, Ukraine
22.	00191000	Southern GZK PJSC	Akhmetov Rinat, Ukraine



No.	Code EDRPOU	Name	Beneficial owner of the company
23.	00190977	Central GZK PrJSC	Metinvest B.V., Metinvest Management B.V. - Akhmetov Rinat, Ukraine
24.	00191282	Ferrexpo Poltava mining PrJSC	Ferrexpo PLC, United Kingdom
25.	00190905	Ingulets Iron Ore Enrichment Works PrJSC	Akhmetov Rinat, Ukraine
26.	00191307	Krivoj Rog`s Iron-Ore Combine PJSC	Akhmetov Rinat, Ukraine
27.	00191218	The foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC	There are no individuals who meet the status of the ultimate beneficial owner
28.	00191329	Suha Balka PrJSC	Oleksandr Yaroslavsky, Ukraine
29.	35713283	Ferrexpo Yeristovo mining LLC	Ferrexpo PLC, United Kingdom, is a joint stock company, the shares of which are traded on the stock exchange, so the ultimate beneficial owner - an individual is absent
30.	36716128	United Mining and Chemical Company JSC	No information in the USR (because the company is state-owned)
31.	00190928	Pokrovsk GZK PJSC	No ultimate beneficial owner. No information
32.	00190911	Marganets GZK JSC	No ultimate beneficial owner
33.	00178353	DTEK Pavlogradugol PrJSC	DTEK Energy LLC, DTEK Energy B.V., DTEK Holdings Limited, DTEK Oil & Gas B.V. - Akhmetov Rinat, Ukraine
34.	13498562	Shakhtoupravlinnia Pokrovske PJSC	No information in the USR. According to the company, "there are no owners who own 25 percent or more of the company"
35.	37014600	DTEK Dobropolyeugol LLC	Akhmetov Rinat, Ukraine
36.	33426253	Selydivuhillia SE	No ultimate beneficial owner
37.	32323256	Lvivvughiliya SE	There are no individuals who meet the status of the ultimate beneficial owner
38.	05508186	DTEK Mine Komsomolets Donbassa PrJSC	DTEK Energy B.V. - Akhmetov Rinat, Ukraine
39.	31599557	Vuhilna kompaniia Krasnolymanska SE	No information in the USR
40.	32087941	Myrnohradugol SE	No information in the USR
41.	32320594	Pervomayskvuhilla SE	No information in the USR

No.	Code EDRPOU	Name	Beneficial owner of the company
42.	32359108	Lysychanskvuhillia PJSC	No ultimate beneficial owner
43.	34032208	Shakhtoupravlinnia Pivdenodonbaske No. 1 SE	No information in the USR
44.	33839013	Toretskvugillya SE	No information in the USR
45.	40695853	Mine named after M. S. Surgai SE	No information in the USR
46.	32363486	Krasnodonvuhillia PrJSC	Akhmetov Rinat, Ukraine
47.	30019801	Ukrtransgaz JSC	No ultimate beneficial owner
48.	31570412	Ukrtransnafta JSC	No ultimate beneficial owner
49.	39454684	Stryynaftohaz LLC	No information in the USR. According to the company, its beneficial owners are the founders of the company: Kurochkin Oleg, Ukraine Petrushko Yuriy, Ukraine Gryniv Petro, Ukraine
50.	36282935	Zakhidnadraserbis LLC	Kozitsky Zinoviy, Ukraine
51.	32281519	Krasnolimans'ke LLC	Ukrdoninvest LLC (30775586) - Kropachov Vitaliy, Ukraine
52.	403739509	Joint activity agreement of 24 December 1997 No. 999/97. Authorised entity - NGVU "Poltavanaftogaz" PJSC "Ukrnafta" (22525915)	No information in the USR

## 14. Annex 5. Information on mineral reserves classification

In practice, two classifications of mineral reserves are used in the extractive Industries:

- 1) **Classification by the extent of feasibility study** (according to the Classification of inventories and resources of minerals of the state fund of subsoil approved by the Resolution of the Cabinet of Ministers of Ukraine of May 5, 1997 No. 432, Instruction for application of Classification of inventories and resources of minerals of the state fund of subsoil to geological economically studying of resources of perspective sites and inventories of oil and gas deposits" approved by the Order of State commission of Ukraine on inventories of minerals of July 10, 1998 No. 46):
  - Balance sheet (extractable) reserves, production of which is feasible and they should meet the specifications established at the time of calculation of reserves in the subsoil;
  - Conditionally balance sheet and off-balance sheet reserves, the effectiveness of production of which at the moment of evaluation cannot be precisely established or production and use of which at the moment of evaluation is not feasible;
  - Indivisible balance reserves, the initial geo-economical assessment of which is provided with the use of the assumed technological and economic data.
- 2) **Classification by the extent of geological study**
  - Classification of the reserves of hard formations by the extent of exploration (according to the Instruction on How to use the Classification of reserves and mineral resources of the State Fund of Deposits to coal, iron ore, and other fields)):
    - A, B and C1 (explored and studied at different level of details)
    - C2 (estimated)
  - Classification of oil and gas reserves by the extent of exploration (according to the Instruction on How to use the Classification of reserves and mineral resources of the State Fund of Deposits to geological and economic study of potential resource sites and oil and gas reserves, approved by the Resolution of the State Commission for Mineral Resources No 46 dated 10.07.1998):
    - Proven resources - A (fully explored), B (studied on the basis of industrial inflows of oil or gas), C1 (studied based on the results of pilot development and testing);
    - Prospective resources - C2 (studied based on the results of wells testing and exploration), C3 (their specific mineral-yield of a seam is estimated based on the available information about the fields in the area);
    - Inferred resources - D1 (inferred resources within large regional structures with proven oil and gas presence), D2 (inferred resources, with oil and gas presence not yet proven).
  - United Nations framework classification
    - Code 111 ( Proved Mineral Reserves) - reasonably assured resources with feasible production;
    - Codes 121 + 122 (Probable Mineral Reserves) - probable and pre-feasibility mineral resources;
    - Codes 211, 221 + 222 - Feasibility and Pre-Feasibility Mineral Resources and according to the Classification by the industrial purpose;
    - Codes 331, 332, 333, 334 - measured, indicated, inferred and reconnaissance mineral resources assigned to reserves with indeterminate industrial purpose

## 15. Annex 6. Auctions for the sale of special permits for subsoil use in 2018<sup>853</sup>

The results of auctions for the sale of special permits for the use of subsoil, which took place in 2018

No	Object of subsoil use				Auction participants	The winning bidder
	Name of subsoil area	Type of minerals	Type of deposit usage	Location of subsoil area		
Results of the I auction that took place on 09.08.2018						
1	Subsoil area in village Yaruga, where the source Biliy Kamin is located	mineral drinking water	geological exploration including pilot commercial works	Vinnytsya region, Mogyliv Podilsk district	1) Bagatstva dobrykh sprav LLC 2) podilskiyi krai LLC	Bagatstva dobrykh sprav LLC
2	Waterintake, where well № 7047-1 is located	mineral underground water	geological exploration including pilot commercial works	Zaporizhzhia region Berdyank	1) Azovprodtorg LLC 2) Gumin O.O. Private Entrepreneur	Azovprodtorg LLC
3	East area of Bukhivske field	gabbro	geological exploration including pilot commercial works	Zhytomyr region, Malynskiy district	1) Polissya-C LLC 2) Granite LTD LLC T	Polissya-C LLC
4	Cherlenivska area	clay	geological exploration including pilot commercial works	Chernivtsy region, Novoselytskiy district	1) Cherlenivskiy brick factory PE 2) Snyachivtorg LLC	Cherlenivskiy brick factory PE
5	Strumok area	granite	geological exploration including pilot commercial works	Zhytomyr region, Korostenskiy district	1) Uzhomyrgranite LLC 2) Gradikom LLC	Uzhomyrgranite LLC»
Results of the II auction that took place on 25.10.2018						

<sup>853</sup> The Annex is based on information from Geology Service

No	Object of subsoil use				Auction participants	The winning bidder
	Name of subsoil area	Type of minerals	Type of deposit usage	Location of subsoil area		
1	Chernytska area	natural gas, condensate	geological exploration including pilot commercial works	Stryiskiy district of Lviv region	1) Stryinaftogaz LLC 2) Nadra Energy LLC	Stryinaftogaz LLC
2	Lypovetska area	natural gas, condensate	geological exploration including pilot commercial works	Yavorivskiy district of Lviv region	1) Kalan PE 2) Nadra Energy LLC 3) Ukrgasvydobuvannya JSC	Ukrgasvydobuvannya JSC
Results of the III auction that took place on 27.12.2018						
1	Onytkivska area	sand and sand-pebble material	geological exploration including pilot commercial works	Vinnytsya region Tyvrivskiy district	1) CommercialProduction Firm Win-Granite LLC 2) Trust-V PE	Trust-V PE
2	Mogyliiv-Podil'ska area	rotten stone	geological exploration including pilot commercial works	Vinnytsya region, Mogyliiv Podil'sk district	1) Podil'sky minerals LLC 2) Budivelnik Polidliya PE	Podil'sky minerals LLC
3	Southern area of Balakviske field	Graphite ore/ graphite	production	Kirovograd region, Petrivskiy district	1) Project Mining Company KFN LLC 2) Rozvytok Pobuzzhya LLC	Rozvytok Pobuzzhya LLC

## 16. Annex 7. Information on selected indicators of interbudgetary transfers (other subventions) from the State budget to local budgets of Ukraine in 2018<sup>854</sup>

Budget code Local budget name of the administrative territorial unit		Provision of subsidies for electricity, natural gas, heat, water supply and drainage, rent (maintenance of houses, buildings and houses adjoining areas), apartment building management, removal of solid household waste and liquid sewage, fees for the installation, maintenance and replacement of commercial metering of water and heat, customer service for consumers of utilities provided in apartment buildings under individual contracts	
		approved by Verkhovna Rada for reporting period, with changes, UAH	completed for reporting period (year), UAH
02100000000	Budget of Vinnytsia region	3 311 582 900,00	3 497 827 275,94
03100000000	Budget of Volyn region	2 068 391 900,00	2 010 506 192,50
04100000000	Budget of Dnipropetrovsk region	54 55 127 500,00	5 353 083 151,48
05100000000	Budget of Donetsk region	3 279 461 300,00	3 279 461 300,00
06100000000	Budget of Zhytomyr region	2 855 953 700,00	2 586 630 156,03
07100000000	Budget of Zakarpatya region	1 404 613 600,00	1 416 182 649,39
08100000000	Budget of Zaporizhzhia region	2 905 733 700,00	2 656 123 310,91
09100000000	Budget of Ivano-Frankivsk region	3 116 304 100,00	2 871 923 629,07
10100000000	Budget of Kyiv region	3 506 492 600,00	3 814 780 033,65
11100000000	Budget of Kirovohrad region	1 858 567 600,00	1 845 412 939,09
12100000000	Budget of Luhansk region	1 406 662 400,00	1 406 662 400,00
13100000000	Budget of Lviv region	5 161 894 000,00	4 948 395 555,15

<sup>854</sup> State Treasury Service of Ukraine. Information on the implementation of inter-budget transfers (other grants and subventions) from the State Budget of Ukraine to local budgets, available at:

<https://www.treasury.gov.ua/storage/app/uploads/public/5c9/dfc/76b/5c9dfc76b7c5b074485523.xls>

14100000000	Budget of Mykolaiv region	1 458 654 300,00	1 309 567 730,71
15100000000	Budget of Odesa region	1 331 020 200,00	1 442 940 303,71
16100000000	Budget of Poltava region	3 899 448 400,00	3 771 105 612,38
17100000000	Budget of Rivne region	2 284 490 100,00	2 217 604 570,76
18100000000	Budget of Sumy region	3 247 513 600,00	2 967 592 114,30
19100000000	Budget of Ternopil region	2 588 169 500,00	2 655 954 137,80
20100000000	Budget of Kharkiv region	4 824 532 400,00	4 861 475 368,55
21100000000	Budget of Kherson region	1 450 268 700,00	1 365 910 249,67
22100000000	Budget of Khmelnytsky region	2 986 220 400,00	2 859 919 596,15
23100000000	Budget of Cherkasy region	3 186 396 700,00	3 202 292 351,52
24100000000	Budget of Chernivtsi region	1 418 450 500,00	1 418 450 500,00
25100000000	Budget of Chernihiv region	2 747 076 700,00	2 747 069 162,28
26000000000	Budget the City of Kyiv	3 239 621 400,00	3 469 662 424,52
<b>Total</b>		<b>70 992 648 200,00</b>	<b>69 976 532 715,56</b>

## 17. Annex 8. Consolidated database on tax and other payments by reporting companies of extractive industries that provided information for EITI Report, in 2018

### 17.1 Personal income tax

*Reconciliation of revenues from personal income tax in 2018 (oil and natural gas extraction, including transportation), UAH thousand*

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy	Reported by government agencies	Reported by companies	Discrepancy
Naftogaz of Ukraine NJSC	277,742.04	256,389.12	21,352.92	277,742.04	277,742.04	0.00
Ukrigasvydobuvannya JSC	893,799.09	888,843.00	4,956.09	893,799.09	893,799.09	0.00
Ukrnafta PJSC	653,967.02	0.00	653,967.02	653,967.02	653,967.02	0.00
Naftogazvydobuvannya PrJSC	15,148.51	15,148.51	0.00	15,148.51	15,148.51	0.00
Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	16,469.62	16,469.62	0.00	16,469.62	16,469.62	0.00
Energy Service Company Esco-Pivnich LLC	39,719.04	3,055.31	36,663.73	39,719.04	39,719.04	0.00
Poltava Petroleum Company JV	25,952.41	25,952.41	0.00	25,952.41	25,952.41	0.00
Natural resources PrJSC	19,297.26	19,296.24	1.02	19,297.26	19,296.24	1.02
Systemoilengenering LLC	2,685.00	2,685.00	0.00	2,685.00	2,685.00	0.00
Kub-Gaz LLC	10,415.92	9,638.80	777.12	10,415.92	10,417.73	(1.81)
Joint Venture Ukrkarpatoil LTD LLC	887.07	0.00	887.07	887.07	887.07	0.00
Persha ukraiinska gazonaftova kompaniia LLC	2,535.37	2,535.40	(0.03)	2,535.37	2,535.40	(0.03)
Zakhidnadoraservis LLC	1,704.27	1,704.27	0.00	1,704.27	1,704.27	0.00
Nordik Private Enterprise	3,963.16	3,963.16	0.00	3,963.16	3,963.16	0.00
Energiiia-95 LLC	137.51	137.60	(0.09)	137.51	137.60	(0.09)
Stryinaftogaz LLC	2,474.87	2,474.87	0.00	2,474.87	2,474.87	0.00
Nadra-Geoinvest LLC	710.61	658.00	52.61	710.61	712.79	(2.18)



Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy	Reported by government agencies	Reported by companies	Discrepancy
Kashtan Petroleum LTD JV	954.31	881.00	73.31	954.31	954.31	0.00
Joint activity agreement of 01/01/1999 No. 35/4 - authorized entity Hals-K PrJSC (31566427)	463.52	463.52	0.00	463.52	463.52	0.00
Ukrtransgaz JSC	874,556.88	873,867.00	689.88	874,556.88	873,867.00	689.88
Ukrtransnafta JSC	206,267.35	208,567.00	(2,299.65)	206,267.35	206,267.51	(0.16)
Joint activity agreement of 24/12/1997 № 999/97 - operated by Poltavanaftogaz OPMO of Ukrnafta PJSC (22525915)	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>3,049,850.83</b>	<b>2,332,729.83</b>	<b>717,121.00</b>	<b>3,049,850.83</b>	<b>3,049,164.19</b>	<b>686.64</b>

*Reconciliation of revenues from personal income tax in 2018 (coal mining), UAH thousand*

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy	Reported by government agencies	Reported by companies	Discrepancy
DTEK Pavlogradugol PrJSC	836,300.87	836,339.00	(38.13)	836,300.87	836,339.00	(38.13)
Shakhtoupravlinnia Pokrovske PJSC	297,306.64	22,915.00	274,391.64	297,306.64	297,306.00	0.64
DTEK Dobropolyeugol LLC	181,587.84	184,236.00	(2,648.16)	181,587.84	182,811.78	(1,223.94)
Lvivvughiliya SE	243,736.89	211,756.00	31,980.89	243,736.89	243,736.89	0.00
Selydivuhillia SE	162,208.93	0.00	162,208.93	162,208.93	162,207.38	1.55
Pervomayskvuhilla SE	99,108.80	99,593.00	(484.20)	99,108.80	99,108.80	0.00
Bilozerska mine SLC	38,469.41	38,469.50	(0.09)	38,469.41	38,469.50	(0.09)
Myrnohradugol SE	98,146.09	98,150.00	(3.91)	98,146.09	98,150.00	(3.91)
Lysychanskvuhillya PJSC	87,202.52	87,202.00	0.52	87,202.52	87,202.00	0.52
Shakhtoupravlinnia Pivdenodonbaske No 1 SE	60,370.82	4,628.00	55,742.82	60,370.82	60,370.82	0.00
Mine named after M. S. Surgai SE	46,046.85	46,046.85	0.00	46,046.85	46,046.85	0.00
Toretskvugillya SE	59,132.62	59,356.00	(223.38)	59,132.62	59,356.00	(223.38)
Vuhilna Kompaniia Krasnolymanska SE	65,918.18	65,917.00	1.18	65,918.18	65,917.00	1.18
<b>Total</b>	<b>2,275,536.46</b>	<b>1,754,608.35</b>	<b>520,928.11</b>	<b>2,275,536.46</b>	<b>2,277,022.02</b>	<b>(1,485.56)</b>

Reconciliation of revenues from personal income tax in 2018 (metal ores mining), UAH thousand

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy	Reported by government agencies	Reported by companies	Discrepancy
ArcelorMittal Kryvyi Rih PJSC	697,379.52	697,379.00	0.52	697,379.52	697,379.00	0.52
Southern Mining Factory JSC	228,452.71	18,541.51	209,911.20	228,452.71	228,452.71	0.00
Northern Iron Ore Enrichment Works PrJSC	201,083.72	15,486.00	185,597.72	201,083.72	201,083.72	0.00
Ingulets Iron Ore Enrichment Works PrJSC	177,324.49	13,651.00	163,673.49	177,324.49	177,324.49	0.00
Ferrexpo Poltava mining PrJSC	254,694.77	0.00	254,694.77	254,694.77	254,694.77	0.00
Central Iron Ore Enrichment Works PrJSC	164,231.89	12,641.25	151,590.64	164,231.89	164,231.89	0.00
The foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC	173,623.97	0.00	173,623.97	173,623.97	173,623.97	0.00
Krivoj Rog`s Iron-Ore Combine PJSC	248,415.96	249,283.90	(867.93)	248,415.96	249,283.90	(867.93)
Ferrexpo Yeristovo mining LLC	54,652.29	54,877.00	(224.71)	54,652.29	54,877.00	(224.71)
Suha Balka PrJSC	100,497.51	100,498.00	(0.49)	100,497.51	100,498.00	(0.49)
United Mining and Chemical Company JSC	116,494.11	116,494.11	0.00	116,494.11	116,494.11	0.00
Pokrovskiy GZK JSC	98,465.50	98,465.50	0.00	98,465.50	98,465.50	0.00
Marganets GZK JSC	87,524.14	87,524.70	(0.56)	87,524.14	87,524.70	(0.56)
<b>Total</b>	<b>2,602,840.58</b>	<b>1,464,841.96</b>	<b>1,137,998.61</b>	<b>2,602,840.58</b>	<b>2,603,933.76</b>	<b>(1,093.18)</b>

## 17.2 Corporate income tax

*Reconciliation of revenues from corporate income tax in 2018 (oil and natural gas extraction, including transportation), UAH thousand*

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy	Reported by government agencies	Reported by companies	Discrepancy
Naftogaz of Ukraine NJSC	11,128,193.67	11,128,193.68	(0.01)	11,128,193.67	11,128,193.68	(0.01)
Ukrigasvydobuvannya JSC	7,860,352.90	7,860,352.00	0.90	7,860,352.90	7,860,352.00	0.90
Ukrnafta PJSC	1,788,116.49	1,779,653.00	8,463.49	1,788,116.49	1,788,116.49	0.00
Naftogazvydobuvannya PrJSC	1,885,388.74	1,810,388.74	75,000.00	1,885,388.74	1,885,388.74	0.00
Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	691,861.40	691,861.40	0.00	691,861.40	691,861.40	0.00
Energy Service Company Esco-Pivnich LLC	261,967.59	261,967.59	0.00	261,967.59	261,967.59	0.00
Poltava Petroleum Company JV	105,511.02	105,511.02	0.00	105,511.02	105,511.02	0.00
Natural resources PrJSC	284,175.16	283,194.69	980.47	284,175.16	283,194.69	980.47
Systemoilgeneryng LLC	135,796.38	135,796.38	0.00	135,796.38	135,796.38	0.00
Kub-Gaz LLC	130,079.42	130,079.50	(0.08)	130,079.42	130,079.50	(0.08)
Joint Venture Ukrkarpatoil LTD LLC	0.00	0.00	0.00	0.00	0.00	0.00
Persha ukrainska gazonaftova kompaniia LLC	54,516.74	54,516.70	0.04	54,516.74	54,516.70	0.04
Zakhidnadraserbis LLC	31,151.84	31,163.44	(11.60)	31,151.84	31,163.44	(11.60)
Nordik Private Enterprise	81,265.23	81,265.23	0.00	81,265.23	81,265.23	0.00
Energiiia-95 LLC	37,444.29	37,444.30	(0.01)	37,444.29	37,444.30	(0.01)
Stryinaftogaz LLC	53,829.59	53,829.59	0.00	53,829.59	53,829.59	0.00
Nadra-Geoinvest LLC	11,186.98	11,187.00	(0.02)	11,186.98	11,187.00	(0.02)
Kashtan Petroleum LTD JV	20,013.96	19,580.00	433.96	20,013.96	19,580.00	433.96
Joint activity agreement of 01/01/1999 No. 35/4 - authorized entity Hals-K PrJSC (31566427)	0.00	0.00	0.00	0.00	0.00	0.00

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy	Reported by government agencies	Reported by companies	Discrepancy
Ukrtransgaz JSC	2,813,998.91	2,813,999.00	(0.09)	2,813,998.91	2,813,999.00	(0.09)
Ukrtransnafta JSC	330,303.08	330,303.00	0.08	330,303.08	330,303.00	0.08
Joint activity agreement of 24/12/1997 № 999/97 - operated by Poltavanaftogaz OPMO of Ukrnafta PJSC (22525915)	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>27,705,153.40</b>	<b>27,620,286.27</b>	<b>84,867.14</b>	<b>27,705,153.40</b>	<b>27,703,749.75</b>	<b>1,403.65</b>

Reconciliation of revenues from corporate income tax in 2018 (coal mining), UAH thousand

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy	Reported by government agencies	Reported by companies	Discrepancy
DTEK Pavlogradugol PrJSC	2,378,183.55	2,376,815.00	1,368.55	2,378,183.55	2,378,183.55	0.00
Shakhtoupravlinnia Pokrovske PJSC	14,463.39	14,463.00	0.39	14,463.39	14,463.00	0.39
DTEK Dobropolyeugol LLC	0.00	0.00	0.00	0.00	0.00	0.00
Lvivvughiliya SE	1,200.69	582.00	618.69	1,200.69	1,200.69	0.00
Selydivuhillia SE	0.00	0.00	0.00	0.00	0.00	0.00
Pervomayskvuhilla SE	20.00	20.00	0.00	20.00	20.00	0.00
Bilozerska mine SLC	0.00	0.00	0.00	0.00	0.00	0.00
Myrnohradugol SE	45.00	45.00	0.00	45.00	45.00	0.00
Lysychanskvuhillya PJSC	23.00	23.00	0.00	23.00	23.00	0.00
Shakhtoupravlinnia Pivdenodonbaske No 1 SE	26.92	27.00	(0.08)	26.92	27.00	(0.08)
Mine named after M. S. Surgai SE	131.12	131.00	0.12	131.12	131.00	0.12
Toretskvugillya SE	0.00	0.00	0.00	0.00	0.00	0.00
Vuhilna Kompaniia Krasnolymanska SE	200.00	200.00	0.00	200.00	200.00	0.00
<b>Total</b>	<b>2,394,293.68</b>	<b>2,392,306.00</b>	<b>1,987.68</b>	<b>2,394,293.68</b>	<b>2,394,293.24</b>	<b>0.44</b>

## Reconciliation of revenues from corporate income tax in 2018 (metal ores mining), UAH thousand

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy	Reported by government agencies	Reported by companies	Discrepancy
ArcelorMittal Kryvyi Rih PJSC	2,443,845.10	2,443,845.00	0.10	2,443,845.10	2,443,845.00	0.10
Southern Mining Factory JSC	2,779,648.93	2,779,648.93	0.00	2,779,648.93	2,779,648.93	0.00
Northern Iron Ore Enrichment Works PrJSC	1,994,982.02	1,943,857.00	51,125.02	1,994,982.02	1,994,982.02	0.00
Ingulets Iron Ore Enrichment Works PrJSC	948,738.59	948,739.00	(0.41)	948,738.59	948,739.00	(0.41)
Ferrexpo Poltava mining PrJSC	974,708.68	970,400.26	4,308.43	974,708.68	974,708.68	0.01
Central Iron Ore Enrichment Works PrJSC	547,982.89	501,738.00	46,244.89	547,982.89	547,982.89	0.00
The foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC	233,408.19	163,082.00	70,326.19	233,408.19	233,408.19	0.00
Krivoj Rog`s Iron-Ore Combine PJSC	198,396.01	198,396.01	0.00	198,396.01	198,396.01	0.00
Ferrexpo Yeristovo mining LLC	224.79	0.00	224.79	224.79	224.79	0.00
Suha Balka PrJSC	48.34	45.00	3.34	48.34	48.34	0.00
United Mining and Chemical Company JSC	161,163.17	161,163.17	0.00	161,163.17	161,163.17	0.00
Pokrovskiy GZK JSC	238,194.65	238,194.65	0.00	238,194.65	238,194.65	0.00
Marganets GZK JSC	77,922.06	77,922.10	(0.04)	77,922.06	77,922.10	(0.04)
<b>Total</b>	<b>10,599,263.41</b>	<b>10,427,031.11</b>	<b>172,232.30</b>	<b>10,599,263.41</b>	<b>10,599,263.76</b>	<b>(0.35)</b>

## 17.3 Production royalty

*Reconciliation of revenues from production royalty in 2018 (oil and natural gas extraction, including transportation), UAH thousand*

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy	Reported by government agencies	Reported by companies	Discrepancy
Naftogaz of Ukraine NJSC	0.00	0.00	0.00	0.00	0.00	0.00
Ukrasvydobuvannya JSC	19,952,921.16	19,942,148.00	10,773.16	19,952,921.16	19,942,148.00	10,773.16
Ukrnafta PJSC	9,024,365.92	7,785,010.00	1,239,355.92	9,024,365.92	9,024,365.92	0.00
Naftogazvydobuvannya PrJSC	1,944,551.45	1,944,553.45	(2.00)	1,944,551.45	1,944,553.45	(2.00)
Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	1,641,262.34	1,641,269.74	(7.40)	1,641,262.34	1,641,269.74	(7.40)
Energy Service Company Esco-Pivnich LLC	1,340,712.95	1,340,712.95	0.00	1,340,712.95	1,340,712.95	0.00
Poltava Petroleum Company JV	540,805.73	540,805.73	0.00	540,805.73	540,805.73	0.00
Natural resources PrJSC	630,744.96	630,744.96	0.00	630,744.96	630,744.96	0.00
Systemoilgeneryng LLC	253,122.23	253,122.23	0.00	253,122.23	253,122.23	0.00
Kub-Gaz LLC	334,906.75	335,159.60	(252.85)	334,906.75	335,159.60	(252.85)
Joint Venture Ukrkarpatoil LTD LLC	297,629.41	272,113.00	25,516.41	297,629.41	297,629.24	0.17
Persha ukrainska gazonaftova kompaniia LLC	231,267.57	231,268.00	(0.43)	231,267.57	231,268.00	(0.43)
Zakhidnadraserbis LLC	79,484.90	79,484.90	0.00	79,484.90	79,484.90	0.00
Nordik Private Enterprise	110,522.61	110,522.61	0.00	110,522.61	110,522.61	0.00
Energii-95 LLC	135,160.62	135,160.60	0.02	135,160.62	135,160.60	0.02
Stryinaftogaz LLC	99,804.93	99,804.93	0.00	99,804.93	99,804.93	0.00
Nadra-Geoinvest LLC	126,920.70	126,620.60	300.10	126,920.70	126,620.60	300.10
Kashtan Petroleum LTD JV	115,060.76	112,789.00	2,271.76	115,060.76	115,060.76	0.00
Joint activity agreement of 01/01/1999 No. 35/4 - authorized entity Hals-K PrJSC (31566427)	22,098.61	22,098.61	0.00	22,098.61	22,098.61	0.00





Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy	Reported by government agencies	Reported by companies	Discrepancy
Ukrtransgaz JSC	15,011.93	14,992.00	19.93	15,011.93	14,992.00	19.93
Ukrtransnafta JSC	15.03	14.00	1.03	15.03	15.03	0.00
Joint activity agreement of 24/12/1997 № 999/97 - operated by Poltavanaftogaz OPMO of Ukrnafta PJSC (22525915)	231,530.45	0.00	231,530.45	231,530.45	231,530.45	0.00
<b>Total</b>	<b>37,127,901.03</b>	<b>35,618,394.92</b>	<b>1,509,506.12</b>	<b>37,127,901.03</b>	<b>37,117,070.33</b>	<b>10,830.71</b>

*Reconciliation of revenues from production royalty in 2018 (coal mining), UAH thousand*

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy	Reported by government agencies	Reported by companies	Discrepancy
DTEK Pavlogradugol PrJSC	205,593.56	205,594.00	(0.44)	205,593.56	205,594.00	(0.44)
Shakhtoupravlinnia Pokrovske PJSC	119,681.10	119,681.00	0.10	119,681.10	119,681.00	0.10
DTEK Dobropolyeugol LLC	40,169.82	40,170.00	(0.18)	40,169.82	40,170.00	(0.18)
Lvivvughiliya SE	1,830.27	2,031.00	(200.73)	1,830.27	1,830.27	0.00
Selydivuhillia SE	1,460.98	1,488.00	(27.02)	1,460.98	1,488.00	(27.02)
Pervomayskvuhilla SE	50.00	50.00	0.00	50.00	50.00	0.00
Bilozerska mine SLC	7,163.45	7,163.50	(0.05)	7,163.45	7,163.50	(0.05)
Myrnohradugol SE	2,157.34	2,187.00	(29.66)	2,157.34	2,187.00	(29.66)
Lysychanskvuhillya PJSC	888.28	889.00	(0.72)	888.28	889.00	(0.72)
Shakhtoupravlinnia Pivdenodonbaske No 1 SE	460.00	460.00	0.00	460.00	460.00	0.00
Mine named after M. S. Surgai SE	764.38	764.00	0.38	764.38	764.00	0.38
Toretskvugillya SE	370.30	370.00	0.30	370.30	370.00	0.30
Vuhilna Kompaniia Krasnolymanska SE	7,080.92	5,512.00	1,568.92	7,080.92	7,080.92	0.00
<b>Total</b>	<b>387,670.42</b>	<b>386,359.50</b>	<b>1,310.92</b>	<b>387,670.42</b>	<b>387,727.69</b>	<b>(57.27)</b>

*Reconciliation of revenues from production royalty in 2018 (metal ores mining), UAH thousand*

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy	Reported by government agencies	Reported by companies	Discrepancy
ArcelorMittal Kryvyi Rih PJSC	118,230.98	118,231.00	(0.02)	118,230.98	118,231.00	(0.02)
Southern Mining Factory JSC	210,753.08	210,753.08	0.00	210,753.08	210,753.08	0.00
Northern Iron Ore Enrichment Works PrJSC	479,915.42	479,915.00	0.42	479,915.42	479,915.00	0.42
Ingulets Iron Ore Enrichment Works PrJSC	437,238.80	437,239.00	(0.20)	437,238.80	437,238.80	0.00
Ferrexpo Poltava mining PrJSC	290,838.94	290,794.08	44.86	290,838.94	290,794.08	44.86
Central Iron Ore Enrichment Works PrJSC	341,724.67	341,724.65	0.02	341,724.67	341,724.65	0.02
The foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC	194,160.15	194,315.00	(154.85)	194,160.15	194,315.00	(154.85)
Krivoy Rog`s Iron-Ore Combine PJSC	335,846.09	335,846.09	0.00	335,846.09	335,846.09	0.00
Ferrexpo Yeristovo mining LLC	249,741.90	249,707.80	34.10	249,741.90	249,707.80	34.10
Suha Balka PrJSC	186,104.45	186,104.00	0.45	186,104.45	186,104.00	0.45
United Mining and Chemical Company JSC	147,075.93	147,075.93	0.00	147,075.93	147,075.93	0.00
Pokrovskiy GZK JSC	114,006.91	114,006.91	0.00	114,006.91	114,006.91	0.00
Marganets GZK JSC	50,812.97	50,813.00	(0.03)	50,812.97	50,813.00	(0.03)
<b>Total</b>	<b>3,156,450.31</b>	<b>3,156,525.54</b>	<b>(75.23)</b>	<b>3,156,450.31</b>	<b>3,156,525.34</b>	<b>(75.03)</b>

## 17.4 Value added tax of goods and services produced in Ukraine (excluding budget reimbursement of VAT)

*Reconciliation of revenues from value added tax of goods and services produced in Ukraine (excluding budget reimbursement of VAT) in 2018 (oil and natural gas extraction, including transportation), UAH thousand*

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy	Reported by government agencies	Reported by companies	Discrepancy
Naftogaz of Ukraine NJSC	16,699,147.13	16,699,147.12	0.01	16,699,147.13	16,699,147.12	0.01
Ukrigasvydobuvannya JSC	11,092,995.47	11,130,931.00	(37,935.53)	11,092,995.47	11,092,995.47	0.00
Ukrnafta PJSC	4,013,532.94	0.00	4,013,532.94	4,013,532.94	4,013,532.94	0.00
Naftogazvydobuvannya PrJSC	2,293,488.29	2,293,488.29	0.00	2,293,488.29	2,293,488.29	0.00
Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	931,430.98	931,572.65	(141.67)	931,430.98	931,572.65	(141.67)
Energy Service Company Esco-Pivnich LLC	770,439.36	0.00	770,439.36	770,439.36	770,439.36	0.00
Poltava Petroleum Company JV	322,130.84	322,130.84	0.00	322,130.84	322,130.84	0.00
Natural resources PrJSC	429,164.90	429,164.90	0.00	429,164.90	429,164.90	0.00
Systemoilengineering LLC	150,881.96	150,881.96	0.00	150,881.96	150,881.96	0.00
Kub-Gaz LLC	209,313.57	209,266.10	47.47	209,313.57	209,266.10	47.47
Joint Venture Ukrkarpatoil LTD LLC	4,173.68	0.00	4,173.68	4,173.68	4,173.68	0.00
Persha ukraiinska gazonaftova kompaniia LLC	140,216.24	140,216.20	0.04	140,216.24	140,216.20	0.04
Zakhidnadoraservis LLC	63,305.31	63,305.31	0.00	63,305.31	63,305.31	0.00
Nordik Private Enterprise	72,291.21	72,291.21	0.00	72,291.21	72,291.21	0.00
Energiiia-95 LLC	49,883.82	49,883.80	0.02	49,883.82	49,883.80	0.02
Stryinaftogaz LLC	72,194.85	72,194.85	0.00	72,194.85	72,194.85	0.00
Nadra-Geoinvest LLC	15,653.52	11,550.00	4,103.52	15,653.52	11,550.00	4,103.52
Kashtan Petroleum LTD JV	59,840.91	59,880.00	(39.09)	59,840.91	59,880.00	(39.09)

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy	Reported by government agencies	Reported by companies	Discrepancy
Joint activity agreement of 01/01/1999 No. 35/4 - authorized entity Hals-K PrJSC (31566427)	118,130.32	118,130.32	0.00	118,130.32	118,130.32	0.00
Ukrtransgaz JSC	3,609,702.45	3,565,717.00	43,985.45	3,609,702.45	3,565,717.00	43,985.45
Ukrtransnafta JSC	191,219.96	191,220.00	(0.04)	191,219.96	191,220.00	(0.04)
Joint activity agreement of 24/12/1997 № 999/97 - operated by Poltavanaftogaz OPMO of Ukrnafta PJSC (22525915)	39,992.00	0.00	39,992.00	39,992.00	39,992.00	0.00
<b>Total</b>	<b>41,349,129.70</b>	<b>36,510,971.55</b>	<b>4,838,158.15</b>	<b>41,349,129.70</b>	<b>41,301,174.00</b>	<b>47,955.70</b>

**Reconciliation of revenues from value added tax of goods and services produced in Ukraine (excluding budget reimbursement of VAT) in 2018 (coal mining),  
UAH thousand**

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy	Reported by government agencies	Reported by companies	Discrepancy
DTEK Pavlogradugol PrJSC	2,275,498.78	2,275,499.00	(0.23)	2,275,498.78	2,275,499.00	(0.23)
Shakhtoupravlinnia Pokrovske PJSC	586,656.50	0.00	586,656.50	586,656.50	586,656.50	0.00
DTEK Dobropolyeugol LLC	441,095.60	441,096.00	(0.40)	441,095.60	441,096.00	(0.40)
Lvivvughiliya SE	4,895.38	8,573.00	(3,677.62)	4,895.38	4,895.38	0.00
Selydivvuhillia SE	533.09	531.00	2.09	533.09	531.00	2.09
Pervomayskvuhilla SE	104.88	105.00	(0.12)	104.88	105.00	(0.12)
Bilozerska mine SLC	19,544.90	19,544.90	0.00	19,544.90	19,544.90	0.00
Myrnohradugol SE	220.00	220.00	0.00	220.00	220.00	0.00
Lysychanskvuhillya PJSC	757.03	757.00	0.03	757.03	757.00	0.03
Shakhtoupravlinnia Pivdennodonbaske No 1 SE	4,871.63	0.00	4,871.63	4,871.63	4,867.70	3.93
Mine named after M. S. Surgai SE	680.00	680.00	0.00	680.00	680.00	0.00
Toretskvugillya SE	62.06	62.00	0.06	62.06	62.00	0.06
Vuhilna Kompaniia Krasnolymanska SE	5,901.45	5,901.00	0.45	5,901.45	5,901.00	0.45
<b>Total</b>	<b>3,340,821.30</b>	<b>2,752,968.90</b>	<b>587,852.40</b>	<b>3,340,821.30</b>	<b>3,340,815.48</b>	<b>5.82</b>

*Reconciliation of revenues from value added tax of goods and services produced in Ukraine (excluding budget reimbursement of VAT) in 2018 (metal ores mining), UAH thousand*

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy	Reported by government agencies	Reported by companies	Discrepancy
ArcelorMittal Kryvyi Rih PJSC	0.00	0.00	0.00	0.00	0.00	0.00
Southern Mining Factory JSC	(770.05)	0.00	(770.05)	(770.05)	(770.05)	0.00
Northern Iron Ore Enrichment Works PrJSC	29,338.49	0.00	29,338.49	29,338.49	29,338.49	0.00
Ingulets Iron Ore Enrichment Works PrJSC	0.00	0.00	0.00	0.00	0.00	0.00
Ferrexpo Poltava mining PrJSC	0.00	0.00	0.00	0.00	0.00	0.00
Central Iron Ore Enrichment Works PrJSC	0.61	0.00	0.61	0.61	0.00	0.61
The foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC	0.04	0.00	0.04	0.04	0.00	0.04
Krivoj Rog`s Iron-Ore Combine PJSC	4,372.82	4,372.82	0.00	4,372.82	4,372.82	0.00
Ferrexpo Yeristovo mining LLC	0.00	0.00	0.00	0.00	0.00	0.00
Suha Balka PrJSC	96,242.26	119,459.00	(23,216.74)	96,242.26	96,242.26	0.00
United Mining and Chemical Company JSC	1.56	0.00	1.56	1.56	1.56	0.00
Pokrovskiy GZK JSC	0.16	0.16	0.00	0.16	0.16	0.00
Marganets GZK JSC	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>129,185.88</b>	<b>123,831.98</b>	<b>5,353.90</b>	<b>129,185.88</b>	<b>129,185.24</b>	<b>0.64</b>

## 17.5 Budget reimbursement of value added tax

*Reconciliation of revenues from budget reimbursement of value added tax in 2018 (oil and natural gas extraction, including transportation), UAH thousand*

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy	Reported by government agencies	Reported by companies	Discrepancy
Naftogaz of Ukraine NJSC	0.00	0.00	0.00	0.00	0.00	0.00
Ukrigasvydobuvannya JSC	0.00	0.00	0.00	0.00	0.00	0.00
Ukrnafta PJSC	0.00	0.00	0.00	0.00	0.00	0.00
Naftogazvydobuvannya PrJSC	0.00	0.00	0.00	0.00	0.00	0.00
Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	0.00	0.00	0.00	0.00	0.00	0.00
Energy Service Company Esco-Pivnich LLC	0.00	0.00	0.00	0.00	0.00	0.00
Poltava Petroleum Company JV	0.00	0.00	0.00	0.00	0.00	0.00
Natural resources PrJSC	0.00	0.00	0.00	0.00	0.00	0.00
Systemoilingenerynng LLC	0.00	0.00	0.00	0.00	0.00	0.00
Kub-Gaz LLC	0.00	0.00	0.00	0.00	0.00	0.00
Joint Venture Ukrkarpatoil LTD LLC	0.00	0.00	0.00	0.00	0.00	0.00
Persha ukraiinska gazonaftova kompaniia LLC	0.00	0.00	0.00	0.00	0.00	0.00
Zakhidnadoraservis LLC	0.00	0.00	0.00	0.00	0.00	0.00
Nordik Private Enterprise	0.00	0.00	0.00	0.00	0.00	0.00
Energiiia-95 LLC	0.00	0.00	0.00	0.00	0.00	0.00
Stryinaftogaz LLC	0.00	0.00	0.00	0.00	0.00	0.00
Nadra-Geoinvest LLC	0.00	0.00	0.00	0.00	0.00	0.00
Kashtan Petroleum LTD JV	0.00	0.00	0.00	0.00	0.00	0.00
Joint activity agreement of 01/01/1999 No. 35/4 - authorized entity Hals-K PrJSC (31566427)	0.00	0.00	0.00	0.00	0.00	0.00





Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy	Reported by government agencies	Reported by companies	Discrepancy
Ukrtransgaz JSC	0.00	0.00	0.00	0.00	0.00	0.00
Ukrtransnafta JSC	0.00	0.00	0.00	0.00	0.00	0.00
Joint activity agreement of 24/12/1997 № 999/97 - operated by Poltavanaftogaz OPMO of Ukrnafta PJSC (22525915)	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

*Reconciliation of revenues from budget reimbursement of value added tax in 2018 (coal mining), UAH thousand*

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy	Reported by government agencies	Reported by companies	Discrepancy
DTEK Pavlogradugol PrJSC	0.00	0.00	0.00	0.00	0.00	0.00
Shakhtoupravlinnia Pokrovske PJSC	0.00	0.00	0.00	0.00	0.00	0.00
DTEK Dobropolyeugol LLC	0.00	0.00	0.00	0.00	0.00	0.00
Lvivvughiliya SE	0.00	0.00	0.00	0.00	0.00	0.00
Selydivvuhillia SE	0.00	0.00	0.00	0.00	0.00	0.00
Pervomayskvuhilla SE	0.00	0.00	0.00	0.00	0.00	0.00
Bilozerska mine SLC	0.00	0.00	0.00	0.00	0.00	0.00
Myrnohradugol SE	0.00	0.00	0.00	0.00	0.00	0.00
Lysychanskvuhillya PJSC	0.00	0.00	0.00	0.00	0.00	0.00
Shakhtoupravlinnia Pivdenndonbaske No 1 SE	0.00	0.00	0.00	0.00	0.00	0.00
Mine named after M. S. Surgai SE	0.00	0.00	0.00	0.00	0.00	0.00
Toretskvugillya SE	0.00	0.00	0.00	0.00	0.00	0.00
Vuhilna Kompaniia Krasnolymanska SE	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

Reconciliation of revenues from budget reimbursement of value added tax in 2018 (metal ores mining), UAH thousand

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy	Reported by government agencies	Reported by companies	Discrepancy
ArcelorMittal Kryvyi Rih PJSC	(5,862,580.22)	(5,862,580.00)	(0.22)	(5,862,580.22)	(5,862,580.00)	(0.22)
Southern Mining Factory JSC	(504,738.22)	0.00	(504,738.22)	(504,738.22)	(504,738.22)	0.00
Northern Iron Ore Enrichment Works PrJSC	0.00	0.00	0.00	0.00	0.00	0.00
Ingulets Iron Ore Enrichment Works PrJSC	(205,036.36)	0.00	(205,036.36)	(205,036.36)	(205,036.36)	0.00
Ferrexpo Poltava mining PrJSC	(2,058,080.75)	0.00	(2,058,080.75)	(2,058,080.75)	(2,058,080.75)	0.00
Central Iron Ore Enrichment Works PrJSC	(1,340,584.95)	0.00	(1,340,584.95)	(1,340,584.95)	(1,340,584.95)	0.00
The foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC	(53,544.46)	0.00	(53,544.46)	(53,544.46)	(53,544.46)	0.00
Krivoy Rog`s Iron-Ore Combine PJSC	(61,142.18)	0.00	(61,142.18)	(61,142.18)	(61,142.18)	0.00
Ferrexpo Yeristovo mining LLC	(812,304.03)	(812,304.00)	(0.03)	(812,304.03)	(812,304.00)	(0.03)
Suha Balka PrJSC	0.00	0.00	0.00	0.00	0.00	0.00
United Mining and Chemical Company JSC	(263,523.33)	(263,523.33)	0.00	(263,523.33)	(263,523.33)	0.00
Pokrovskiy GZK JSC	0.00	0.00	0.00	0.00	0.00	0.00
Marganets GZK JSC	(215,059.74)	(215,059.74)	0.00	(215,059.74)	(215,059.74)	0.00
<b>Total</b>	<b>(11,376,594.24)</b>	<b>(7,153,467.07)</b>	<b>(4,223,127.17)</b>	<b>(11,376,594.24)</b>	<b>(11,376,593.99)</b>	<b>(0.25)</b>

## 17.6 Value added tax of goods imported into Ukraine

*Reconciliation of revenues from value added tax of goods imported into Ukraine in 2018 (oil and natural gas extraction, including transportation), UAH thousand*

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy	Reported by government agencies	Reported by companies	Discrepancy
Naftogaz of Ukraine NJSC	11,865,344.73	11,865,229.60	115.13	11,865,344.73	11,865,229.60	115.13
Ukrigasvydobuvannya JSC	1,193,980.42	1,210,481.00	(16,500.58)	1,193,980.42	1,193,980.42	0.00
Ukrnafta PJSC	18,700.91	0.00	18,700.91	18,700.91	18,700.91	0.00
Naftogazvydobuvannya PrJSC	60,028.02	50,029.03	9,999.00	60,028.02	60,028.02	0.00
Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	563,689.83	0.00	563,689.83	563,689.83	571,949.05	(8,259.22)
Energy Service Company Esco-Pivnich LLC	25,368.69	0.00	25,368.69	25,368.69	27,211.90	(1,843.21)
Poltava Petroleum Company JV	6,827.72	6,814.41	13.31	6,827.72	6,814.41	13.31
Natural resources PrJSC	9,096.67	9,096.67	0.00	9,096.67	9,096.67	0.00
Systemoilengineering LLC	1,370.71	0.00	1,370.71	1,370.71	1,370.71	0.00
Kub-Gaz LLC	232.71	0.00	232.71	232.71	299.45	(66.74)
Joint Venture Ukrkarpatoil LTD LLC	0.00	0.00	0.00	0.00	0.00	0.00
Persha ukraiinska gazonaftova kompaniia LLC	0.00	0.00	0.00	0.00	0.00	0.00
Zakhidnadoraservis LLC	44.30	44.30	0.00	44.30	44.30	0.00
Nordik Private Enterprise	94,078.89	94,123.00	(44.11)	94,078.89	94,123.00	(44.11)
Energiia-95 LLC	0.00	0.00	0.00	0.00	0.00	0.00
Stryinaftogaz LLC	0.00	0.00	0.00	0.00	0.00	0.00
Nadra-Geoinvest LLC	0.00	0.00	0.00	0.00	0.00	0.00
Kashtan Petroleum LTD JV	0.00	0.00	0.00	0.00	0.00	0.00



Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy	Reported by government agencies	Reported by companies	Discrepancy
Joint activity agreement of 01/01/1999 No. 35/4 - authorized entity Hals-K PrJSC (31566427)	0.00	0.00	0.00	0.00	0.00	0.00
Ukrtransgaz JSC	21,034.08	0.00	21,034.08	21,034.08	18,978.00	2,056.08
Ukrtransnafta JSC	322.71	0.00	322.71	322.71	322.71	0.00
Joint activity agreement of 24/12/1997 № 999/97 - operated by Poltavanaftogaz OPMO of Ukrnafta PJSC (22525915)	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>13,860,120.39</b>	<b>13,235,818.01</b>	<b>624,302.38</b>	<b>13,860,120.39</b>	<b>13,868,149.15</b>	<b>(8,028.76)</b>

*Reconciliation of revenues from value added tax of goods imported into Ukraine in 2018 (coal mining), UAH thousand*

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy	Reported by government agencies	Reported by companies	Discrepancy
DTEK Pavlogradugol PrJSC	122,999.79	124,480.61	(1,480.82)	122,999.79	124,480.61	(1,480.82)
Shakhtoupravlinnia Pokrovske PJSC	237,921.88	238,359.00	(437.12)	237,921.88	238,359.00	(437.12)
DTEK Dobropolyeugol LLC	12,521.37	12,521.00	0.37	12,521.37	12,521.00	0.37
Lvivvughiliya SE	359.99	187.60	172.39	359.99	359.99	0.00
Selydivvuhillia SE	0.00	0.00	0.00	0.00	0.00	0.00
Pervomayskvuhilla SE	0.00	0.00	0.00	0.00	0.00	0.00
Bilozerska mine SLC	1,032.47	1,032.00	0.47	1,032.47	1,032.00	0.47
Myrnohradugol SE	0.00	0.00	0.00	0.00	0.00	0.00
Lysychanskvuhillya PJSC	0.00	0.00	0.00	0.00	0.00	0.00
Shakhtoupravlinnia Pivdenodonbaske No 1 SE	0.00	0.00	0.00	0.00	0.00	0.00
Mine named after M. S. Surgai SE	0.00	0.00	0.00	0.00	0.00	0.00
Toretskvugillya SE	0.00	0.00	0.00	0.00	0.00	0.00
Vuhilna Kompaniia Krasnolymanska SE	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>374,835.50</b>	<b>376,580.21</b>	<b>(1,744.71)</b>	<b>374,835.50</b>	<b>376,752.60</b>	<b>(1,917.10)</b>

*Reconciliation of revenues from value added tax of goods imported into Ukraine in 2018 (metal ores mining), UAH thousand*

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy	Reported by government agencies	Reported by companies	Discrepancy
ArcelorMittal Kryvyi Rih PJSC	4,179,677.32	4,147,806.00	31,871.32	4,179,677.32	4,179,677.32	0.00
Southern Mining Factory JSC	84,593.04	0.00	84,593.04	84,593.04	68,482.35	16,110.69
Northern Iron Ore Enrichment Works PrJSC	195,719.72	132,409.00	63,310.72	195,719.72	132,409.00	63,310.72
Ingulets Iron Ore Enrichment Works PrJSC	75,251.25	80,709.80	(5,458.55)	75,251.25	80,709.80	(5,458.55)
Ferrexpo Poltava mining PrJSC	333,112.60	0.00	333,112.60	333,112.60	337,780.65	(4,668.05)
Central Iron Ore Enrichment Works PrJSC	94,358.50	55,044.00	39,314.50	94,358.50	94,358.50	0.00
The foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC	64,663.77	64,601.13	62.64	64,663.77	64,601.13	62.64
Krivoy Rog`s Iron-Ore Combine PJSC	5,244.11	0.00	5,244.11	5,244.11	5,244.11	0.00
Ferrexpo Yeristovo mining LLC	13,768.76	45,943.40	(32,174.64)	13,768.76	45,943.40	(32,174.64)
Suha Balka PrJSC	1,531.32	1,531.00	0.32	1,531.32	1,531.00	0.32
United Mining and Chemical Company JSC	15.78	0.00	15.78	15.78	15.78	0.00
Pokrovskiy GZK JSC	24,506.11	0.00	24,506.11	24,506.11	24,506.11	0.00
Marganets GZK JSC	21,942.87	21,942.87	0.00	21,942.87	21,942.87	0.00
<b>Total</b>	<b>5,094,385.14</b>	<b>4,549,987.20</b>	<b>544,397.94</b>	<b>5,094,385.14</b>	<b>5,057,202.02</b>	<b>37,183.12</b>

## 17.7 Property tax

*Reconciliation of revenues from property tax in 2018 (oil and natural gas extraction, including transportation), UAH thousand*

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy	Reported by government agencies	Reported by companies	Discrepancy
Naftogaz of Ukraine NJSC	10,399.03	8,867.57	1,531.46	10,399.03	10,398.72	0.31
Ukrasvydobuvannya JSC	45,507.39	22,066.00	23,441.39	45,507.39	45,507.39	0.00
Ukrnafta PJSC	172,835.42	172,492.00	343.42	172,835.42	172,492.00	343.42
Naftogazvydobuvannya PrJSC	2,174.68	2,174.68	0.00	2,174.68	2,174.68	0.00
Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	14.88	14.88	0.00	14.88	14.88	0.00
Energy Service Company Esco-Pivnich LLC	494.01	391.10	102.92	494.01	494.01	0.00
Poltava Petroleum Company JV	1,244.12	1,244.12	0.00	1,244.12	1,244.12	0.00
Natural resources PrJSC	444.92	449.17	(4.25)	444.92	449.17	(4.25)
Systemoilengineering LLC	0.00	0.00	0.00	0.00	0.00	0.00
Kub-Gaz LLC	730.86	711.10	19.76	730.86	711.10	19.76
Joint Venture Ukrkarpatoil LTD LLC	11.28	11.00	0.28	11.28	11.00	0.28
Persha ukrainska gazonaftova kompaniia LLC	41.50	41.00	0.50	41.50	41.00	0.50
Zakhidnadaservis LLC	103.12	103.12	0.00	103.12	103.12	0.00
Nordik Private Enterprise	50.00	50.00	0.00	50.00	50.00	0.00
Energii-95 LLC	0.00	0.00	0.00	0.00	0.00	0.00
Stryinaftogaz LLC	297.28	297.28	0.00	297.28	297.28	0.00
Nadra-Geoinvest LLC	7.19	7.20	(0.01)	7.19	7.20	(0.01)
Kashtan Petroleum LTD JV	113.38	114.00	(0.62)	113.38	114.00	(0.62)
Joint activity agreement of 01/01/1999 No. 35/4 - authorized entity Hals-K PrJSC (31566427)	0.00	0.00	0.00	0.00	0.00	0.00



Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy	Reported by government agencies	Reported by companies	Discrepancy
Ukrtransgaz JSC	100,844.80	100,860.00	(15.20)	100,844.80	100,860.00	(15.20)
Ukrtransnafta JSC	15,275.41	15,234.00	41.41	15,275.41	15,234.00	41.41
Joint activity agreement of 24/12/1997 № 999/97 - operated by Poltavanaftogaz OPMO of Ukrnafta PJSC (22525915)	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>350,589.29</b>	<b>325,128.22</b>	<b>25,461.08</b>	<b>350,589.29</b>	<b>350,203.67</b>	<b>385.62</b>

*Reconciliation of revenues from property tax in 2018 (coal mining), UAH thousand*

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy	Reported by government agencies	Reported by companies	Discrepancy
DTEK Pavlogradugol PrJSC	42,744.63	42,746.00	(1.37)	42,744.63	42,746.00	(1.37)
Shakhtoupravlinnia Pokrovske PJSC	8,047.17	8,047.00	0.17	8,047.17	8,047.00	0.17
DTEK Dobropolyeugol LLC	18,533.44	18,533.00	0.44	18,533.44	18,533.00	0.44
Lvivvughiliya SE	871.80	828.00	43.80	871.80	871.80	0.00
Selydivvuhillia SE	99.03	98.00	1.03	99.03	98.00	1.03
Pervomayskvuhilla SE	4.90	0.00	4.90	4.90	4.90	0.00
Bilozerska mine SLC	868.74	860.00	8.74	868.74	860.00	8.74
Myrnohradugol SE	38.24	27.00	11.24	38.24	38.24	0.00
Lysychanskvuhillya PJSC	210.26	211.00	(0.74)	210.26	211.00	(0.74)
Shakhtoupravlinnia Pivdenodonbaske No 1 SE	275.75	276.00	(0.25)	275.75	276.00	(0.25)
Mine named after M. S. Surgai SE	198.97	199.00	(0.03)	198.97	199.00	(0.03)
Toretskvugillya SE	20.77	23.00	(2.23)	20.77	23.00	(2.23)
Vuhilna Kompaniia Krasnolymanska SE	1,311.28	1,095.00	216.28	1,311.28	1,311.28	0.00
<b>Total</b>	<b>73,224.97</b>	<b>72,943.00</b>	<b>281.97</b>	<b>73,224.97</b>	<b>73,219.22</b>	<b>5.75</b>

*Reconciliation of revenues from property tax in 2018 (metal ores mining), UAH thousand*

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy	Reported by government agencies	Reported by companies	Discrepancy
ArcelorMittal Kryvyi Rih PJSC	388,543.98	388,544.00	(0.02)	388,543.98	388,544.00	(0.02)
Southern Mining Factory JSC	93,516.04	93,516.04	0.00	93,516.04	93,516.04	0.00
Northern Iron Ore Enrichment Works PrJSC	33,867.12	33,867.00	0.12	33,867.12	33,867.00	0.12
Ingulets Iron Ore Enrichment Works PrJSC	26,742.38	26,743.00	(0.62)	26,742.38	26,742.38	0.00
Ferrexpo Poltava mining PrJSC	61,830.63	43,368.64	18,462.00	61,830.63	43,368.64	18,462.00
Central Iron Ore Enrichment Works PrJSC	133,405.99	133,380.32	25.67	133,405.99	133,380.32	25.67
The foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC	17,956.55	0.00	17,956.55	17,956.55	17,956.55	0.00
Krivoj Rog`s Iron-Ore Combine PJSC	44,900.33	44,900.33	0.00	44,900.33	44,900.33	0.00
Ferrexpo Yeristovo mining LLC	9,430.60	9,479.70	(49.10)	9,430.60	9,479.70	(49.10)
Suha Balka PrJSC	16,099.18	16,098.00	1.18	16,099.18	16,098.00	1.18
United Mining and Chemical Company JSC	10,852.00	10,852.01	0.00	10,852.00	10,852.01	0.00
Pokrovskiy GZK JSC	93,750.99	93,750.99	0.00	93,750.99	93,750.99	0.00
Marganets GZK JSC	6,776.58	6,776.60	(0.02)	6,776.58	6,776.60	(0.02)
<b>Total</b>	<b>937,672.37</b>	<b>901,276.62</b>	<b>36,395.75</b>	<b>937,672.37</b>	<b>919,232.55</b>	<b>18,439.82</b>

## 17.8 Environmental tax

*Reconciliation of revenues from environmental tax in 2018 (oil and natural gas extraction, including transportation), UAH thousand*

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy	Reported by government agencies	Reported by companies	Discrepancy
Naftogaz of Ukraine NJSC	0.00	0.00	0.00	0.00	0.00	0.00
Ukrigasvydobuvannya JSC	17,348.85	16,431.00	917.85	17,348.85	17,348.85	0.00
Ukrnafta PJSC	9,934.15	9,943.00	(8.85)	9,934.15	9,943.00	(8.85)
Naftogazvydobuvannya PrJSC	25.12	25.12	0.00	25.12	25.12	0.00
Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	77.03	77.03	0.00	77.03	77.03	0.00
Energy Service Company Esco-Pivnich LLC	32.05	32.05	0.00	32.05	32.05	0.00
Poltava Petroleum Company JV	356.72	356.72	0.00	356.72	356.72	0.00
Natural resources PrJSC	50.01	50.01	0.00	50.01	50.01	0.00
Systemoilingenering LLC	15.08	15.08	0.00	15.08	15.08	0.00
Kub-Gaz LLC	52.68	52.50	0.18	52.68	52.50	0.18
Joint Venture Ukrkarpatoil LTD LLC	0.00	0.00	0.00	0.00	0.00	0.00
Persha ukraiinska gazonaftova kompaniia LLC	32.20	32.00	0.20	32.20	32.00	0.20
Zakhidnadoraservis LLC	0.21	0.21	0.00	0.21	0.21	0.00
Nordik Private Enterprise	0.34	0.34	0.00	0.34	0.34	0.00
Energiia-95 LLC	0.00	0.00	0.00	0.00	0.00	0.00
Stryinaftogaz LLC	0.01	0.01	0.00	0.01	0.01	0.00
Nadra-Geoinvest LLC	0.00	0.00	0.00	0.00	0.00	0.00
Kashtan Petroleum LTD JV	0.04	0.00	0.04	0.04	0.00	0.04
Joint activity agreement of 01/01/1999 No. 35/4 - authorized entity Hals-K PrJSC (31566427)	0.00	0.00	0.00	0.00	0.00	0.00



Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy	Reported by government agencies	Reported by companies	Discrepancy
Ukrtransgaz JSC	31,592.54	31,589.00	3.54	31,592.54	31,589.00	3.54
Ukrtransnafta JSC	307.21	308.00	(0.79)	307.21	308.00	(0.79)
Joint activity agreement of 24/12/1997 № 999/97 - operated by Poltavanaftogaz OPMO of Ukrnafta PJSC (22525915)	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>59,824.23</b>	<b>58,912.07</b>	<b>912.17</b>	<b>59,824.23</b>	<b>59,829.92</b>	<b>(5.68)</b>

*Reconciliation of revenues from environmental tax in 2018 (coal mining), UAH thousand*

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy	Reported by government agencies	Reported by companies	Discrepancy
DTEK Pavlogradugol PrJSC	26,377.64	26,378.00	(0.36)	26,377.64	26,378.00	(0.36)
Shakhtoupravlinnia Pokrovske PJSC	10,292.62	10,293.00	(0.38)	10,292.62	10,293.00	(0.38)
DTEK Dobropolyeugol LLC	7,487.44	7,530.00	(42.56)	7,487.44	7,530.00	(42.56)
Lvivvughiliya SE	0.00	0.00	0.00	0.00	0.00	0.00
Selydivvuhillia SE	3.29	3.00	0.29	3.29	3.00	0.29
Pervomayskvuhilla SE	0.00	0.00	0.00	0.00	0.00	0.00
Bilozerska mine SLC	1,578.20	1,578.80	(0.60)	1,578.20	1,578.80	(0.60)
Myrnohradugol SE	478.63	628.00	(149.37)	478.63	478.63	0.00
Lysychanskvuhillya PJSC	33.25	33.00	0.25	33.25	33.00	0.25
Shakhtoupravlinnia Pivdennodonbaske No 1 SE	1,639.10	1,639.00	0.10	1,639.10	1,639.00	0.10
Mine named after M. S. Surgai SE	625.97	626.00	(0.03)	625.97	626.00	(0.03)
Toretskvugillya SE	0.00	0.00	0.00	0.00	0.00	0.00
Vuhilna Kompaniia Krasnolymanska SE	7,336.35	6,205.00	1,131.35	7,336.35	7,336.35	0.00
<b>Total</b>	<b>55,852.48</b>	<b>54,913.80</b>	<b>938.68</b>	<b>55,852.48</b>	<b>55,895.78</b>	<b>(43.30)</b>

Reconciliation of revenues from environmental tax in 2018 (metal ores mining), UAH thousand

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy	Reported by government agencies	Reported by companies	Discrepancy
ArcelorMittal Kryvyi Rih PJSC	223,590.99	223,591.00	(0.01)	223,590.99	223,591.00	(0.01)
Southern Mining Factory JSC	51,897.61	51,897.61	0.00	51,897.61	51,897.61	0.00
Northern Iron Ore Enrichment Works PrJSC	90,032.77	90,033.00	(0.23)	90,032.77	90,033.00	(0.23)
Ingulets Iron Ore Enrichment Works PrJSC	88,446.96	88,447.00	(0.04)	88,446.96	88,446.96	0.00
Ferrexpo Poltava mining PrJSC	107,131.95	93,320.90	13,811.05	107,131.95	93,320.90	13,811.05
Central Iron Ore Enrichment Works PrJSC	64,046.09	64,046.20	(0.11)	64,046.09	64,046.20	(0.11)
The foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC	214.97	215.00	(0.03)	214.97	215.00	(0.03)
Krivoy Rog`s Iron-Ore Combine PJSC	6,133.83	6,133.83	0.00	6,133.83	6,133.83	0.00
Ferrexpo Yeristovo mining LLC	29,387.02	29,387.00	0.02	29,387.02	29,387.00	0.02
Suha Balka PrJSC	1,469.19	1,469.00	0.19	1,469.19	1,469.00	0.19
United Mining and Chemical Company JSC	502.52	502.52	0.00	502.52	502.52	0.00
Pokrovskiy GZK JSC	6,323.26	6,323.26	0.00	6,323.26	6,323.26	0.00
Marganets GZK JSC	968.48	968.50	(0.02)	968.48	968.50	(0.02)
<b>Total</b>	<b>670,145.65</b>	<b>656,334.82</b>	<b>13,810.82</b>	<b>670,145.65</b>	<b>656,334.78</b>	<b>13,810.86</b>

## 17.9 Dividends and payment of a share of net profit

*Reconciliation of revenues from dividends and payment of a share of net profit in 2018 (oil and natural gas extraction, including transportation),  
UAH thousand*

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy	Reported by government agencies	Reported by companies	Discrepancy
Naftogaz of Ukraine NJSC	28,597,621.39	0.00	28,597,621.39	28,597,621.39	29,497,614.00	(899,992.61)
Ukrigasvydobuvannya JSC	0.00	0.00	0.00	0.00	0.00	0.00
Ukrnafta PJSC	38,164.13	0.00	38,164.13	38,164.13	38,164.13	0.00
Naftogazvydobuvannya PrJSC	0.00	0.00	0.00	0.00	0.00	0.00
Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	0.00	0.00	0.00	0.00	0.00	0.00
Energy Service Company Esco-Pivnich LLC	0.00	0.00	0.00	0.00	0.00	0.00
Poltava Petroleum Company JV	0.00	0.00	0.00	0.00	0.00	0.00
Natural resources PrJSC	0.00	0.00	0.00	0.00	0.00	0.00
Systemoilingeneryng LLC	0.00	0.00	0.00	0.00	0.00	0.00
Kub-Gaz LLC	0.00	0.00	0.00	0.00	0.00	0.00
Joint Venture Ukrkarpatoil LTD LLC	0.00	0.00	0.00	0.00	0.00	0.00
Persha ukraiinska gazonaftova kompaniia LLC	0.00	0.00	0.00	0.00	0.00	0.00
Zakhidnadaservis LLC	0.00	0.00	0.00	0.00	0.00	0.00
Nordik Private Enterprise	0.00	0.00	0.00	0.00	0.00	0.00
Energiiia-95 LLC	0.00	0.00	0.00	0.00	0.00	0.00
Stryinaftogaz LLC	0.00	0.00	0.00	0.00	0.00	0.00
Nadra-Geoinvest LLC	0.00	0.00	0.00	0.00	0.00	0.00
Kashtan Petroleum LTD JV	0.00	0.00	0.00	0.00	0.00	0.00





Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy	Reported by government agencies	Reported by companies	Discrepancy
Joint activity agreement of 01/01/1999 No. 35/4 - authorized entity Hals-K PrJSC (31566427)	0.00	0.00	0.00	0.00	0.00	0.00
Ukrtransgaz JSC	0.00	0.00	0.00	0.00	0.00	0.00
Ukrtransnafta JSC	0.00	0.00	0.00	0.00	0.00	0.00
Joint activity agreement of 24/12/1997 № 999/97 - operated by Poltavanaftogaz OPMO of Ukrnafta PJSC (22525915)	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>28,635,785.52</b>	<b>0.00</b>	<b>28,635,785.52</b>	<b>28,635,785.52</b>	<b>29,535,778.13</b>	<b>(899,992.61)</b>

*Reconciliation of revenues from dividends and payment of a share of net profit in 2018 (coal mining), UAH thousand*

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy	Reported by government agencies	Reported by companies	Discrepancy
DTEK Pavlogradugol PrJSC	0.00	0.00	0.00	0.00	0.00	0.00
Shakhtoupravlinnia Pokrovske PJSC	0.00	0.00	0.00	0.00	0.00	0.00
DTEK Dobropolyeugol LLC	0.00	0.00	0.00	0.00	0.00	0.00
Lvivvughiliya SE	478.92	479.00	(0.08)	478.92	479.00	(0.08)
Selydivvuhillia SE	0.00	0.00	0.00	0.00	0.00	0.00
Pervomayskvuhilla SE	0.00	0.00	0.00	0.00	0.00	0.00
Bilozerska mine SLC	0.00	0.00	0.00	0.00	0.00	0.00
Myrnohradugol SE	105.00	105.00	0.00	105.00	105.00	0.00
Lysychanskvuhillya PJSC	5.00	5.00	0.00	5.00	5.00	0.00
Shakhtoupravlinnia Pivdenodonbaske No 1 SE	0.00	0.00	0.00	0.00	0.00	0.00
Mine named after M. S. Surgai SE	0.00	0.00	0.00	0.00	0.00	0.00
Toretskvugillya SE	0.00	0.00	0.00	0.00	0.00	0.00
Vuhilna Kompaniia Krasnolymanska SE	617.69	0.00	617.69	617.69	617.69	(0.01)
<b>Total</b>	<b>1,206.61</b>	<b>589.00</b>	<b>617.61</b>	<b>1,206.61</b>	<b>1,206.69</b>	<b>(0.08)</b>

*Reconciliation of revenues from dividends and payment of a share of net profit in 2018 (metal ores mining), UAH thousand*

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy	Reported by government agencies	Reported by companies	Discrepancy
ArcelorMittal Kryvyi Rih PJSC	0.00	0.00	0.00	0.00	0.00	0.00
Southern Mining Factory JSC	0.00	0.00	0.00	0.00	0.00	0.00
Northern Iron Ore Enrichment Works PrJSC	0.00	0.00	0.00	0.00	0.00	0.00
Ingulets Iron Ore Enrichment Works PrJSC	0.00	0.00	0.00	0.00	0.00	0.00
Ferrexpo Poltava mining PrJSC	0.00	0.00	0.00	0.00	0.00	0.00
Central Iron Ore Enrichment Works PrJSC	0.00	0.00	0.00	0.00	0.00	0.00
The foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC	0.00	0.00	0.00	0.00	0.00	0.00
Krivoy Rog`s Iron-Ore Combine PJSC	0.00	0.00	0.00	0.00	0.00	0.00
Ferrexpo Yeristovo mining LLC	0.00	0.00	0.00	0.00	0.00	0.00
Suha Balka PrJSC	0.00	0.00	0.00	0.00	0.00	0.00
United Mining and Chemical Company JSC	309,688.20	332,598.75	(22,910.55)	309,688.20	309,688.20	0.00
Pokrovskiy GZK JSC	0.00	0.00	0.00	0.00	0.00	0.00
Marganets GZK JSC	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>309,688.20</b>	<b>332,598.75</b>	<b>(22,910.55)</b>	<b>309,688.20</b>	<b>309,688.20</b>	<b>0.00</b>

## 17.10 Fees for granting and extending special permits for the use of subsoils and revenues from the sale of such permits

*Reconciliation of revenues from fees for granting and extending special permits for the use of subsoil and revenues from the sale of such permits in 2018 (oil and natural gas extraction, including transportation), UAH thousand*

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy	Reported by government agencies	Reported by companies	Discrepancy
Naftogaz of Ukraine NJSC	0.00	0.00	0.00	0.00	0.00	0.00
Ukrigasvydobuvannya JSC	129,729.80	0.00	129,729.80	129,729.80	129,729.80	0.00
Ukrnafta PJSC	157,502.66	0.00	157,502.66	157,502.66	157,502.66	0.00
Naftogazvydobuvannya PrJSC	0.00	0.00	0.00	0.00	0.00	0.00
Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	0.00	0.00	0.00	0.00	0.00	0.00
Energy Service Company Esco-Pivnich LLC	0.00	0.00	0.00	0.00	0.00	0.00
Poltava Petroleum Company JV	0.00	0.00	0.00	0.00	0.00	0.00
Natural resources PrJSC	0.00	0.00	0.00	0.00	0.00	0.00
Systemoilengineering LLC	0.00	0.00	0.00	0.00	0.00	0.00
Kub-Gaz LLC	0.00	0.00	0.00	0.00	0.00	0.00
Joint Venture Ukrkarpatoil LTD LLC	0.00	0.00	0.00	0.00	0.00	0.00
Persha ukraiinska gazonaftova kompaniia LLC	0.00	0.00	0.00	0.00	0.00	0.00
Zakhidnadoraservis LLC	1,050.62	1,050.62	0.00	1,050.62	1,050.62	0.00
Nordik Private Enterprise	0.00	0.00	0.00	0.00	0.00	0.00
Energiiia-95 LLC	0.00	0.00	0.00	0.00	0.00	0.00
Stryinaftogaz LLC	2,044.56	0.00	2,044.56	2,044.56	2,044.56	0.00
Nadra-Geoinvest LLC	0.00	0.00	0.00	0.00	0.00	0.00
Kashtan Petroleum LTD JV	0.00	0.00	0.00	0.00	0.00	0.00



Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy	Reported by government agencies	Reported by companies	Discrepancy
Joint activity agreement of 01/01/1999 No. 35/4 - authorized entity Hals-K PrJSC (31566427)	0.00	0.00	0.00	0.00	0.00	0.00
Ukrtransgaz JSC	0.00	0.00	0.00	0.00	0.00	0.00
Ukrtransnafta JSC	0.00	0.00	0.00	0.00	0.00	0.00
Joint activity agreement of 24/12/1997 № 999/97 - operated by Poltavanaftogaz OPMO of Ukrnafta PJSC (22525915)	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>290,327.64</b>	<b>1,050.62</b>	<b>289,277.02</b>	<b>290,327.64</b>	<b>290,327.64</b>	<b>0.00</b>

*Reconciliation of revenues from fees for granting and extending special permits for the use of subsoil and revenues from the sale of such permits in 2018 (coal mining), UAH thousand*

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy	Reported by government agencies	Reported by companies	Discrepancy
DTEK Pavlogradugol PrJSC	93,542.56	0.00	93,542.56	93,542.56	93,542.56	0.00
Shakhtoupravlinnia Pokrovske PJSC	0.00	0.00	0.00	0.00	0.00	0.00
DTEK Dobropolyeugol LLC	0.00	0.00	0.00	0.00	0.00	0.00
Lvivvughiliya SE	3,854.57	0.00	3,854.57	3,854.57	3,854.57	0.00
Selydivvuhillia SE	0.00	0.00	0.00	0.00	0.00	0.00
Pervomayskvuhilla SE	0.00	0.00	0.00	0.00	0.00	0.00
Bilozerska mine SLC	0.00	0.00	0.00	0.00	0.00	0.00
Myrnohradugol SE	0.00	0.00	0.00	0.00	0.00	0.00
Lysychanskvuhillya PJSC	0.00	0.00	0.00	0.00	0.00	0.00
Shakhtoupravlinnia Pivdennodonbaske No 1 SE	0.00	0.00	0.00	0.00	0.00	0.00
Mine named after M. S. Surgai SE	0.00	0.00	0.00	0.00	0.00	0.00
Toretskvugillya SE	0.00	0.00	0.00	0.00	0.00	0.00
Vuhilna Kompaniia Krasnolymanska SE	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>97,397.13</b>	<b>0.00</b>	<b>97,397.13</b>	<b>97,397.13</b>	<b>97,397.13</b>	<b>0.00</b>

**Reconciliation of revenues from fees for granting and extending special permits for the use of subsoil and revenues from the sale of such permits in 2018  
(metal ores mining), UAH thousand**

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy	Reported by government agencies	Reported by companies	Discrepancy
ArcelorMittal Kryvyi Rih PJSC	157,568.80	0.00	157,568.80	157,568.80	157,568.80	0.00
Southern Mining Factory JSC	0.00	0.00	0.00	0.00	0.00	0.00
Northern Iron Ore Enrichment Works PrJSC	0.00	0.00	0.00	0.00	0.00	0.00
Ingulets Iron Ore Enrichment Works PrJSC	0.00	0.00	0.00	0.00	0.00	0.00
Ferrexpo Poltava mining PrJSC	0.00	0.00	0.00	0.00	0.00	0.00
Central Iron Ore Enrichment Works PrJSC	0.00	0.00	0.00	0.00	0.00	0.00
The foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC	0.00	0.00	0.00	0.00	0.00	0.00
Krivoy Rog`s Iron-Ore Combine PJSC	37,888.81	0.00	37,888.81	37,888.81	37,888.81	0.00
Ferrexpo Yeristovo mining LLC	0.00	0.00	0.00	0.00	0.00	0.00
Suha Balka PrJSC	0.00	0.00	0.00	0.00	0.00	0.00
United Mining and Chemical Company JSC	0.00	0.00	0.00	0.00	0.00	0.00
Pokrovskiy GZK JSC	0.00	0.00	0.00	0.00	0.00	0.00
Marganets GZK JSC	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>195,457.61</b>	<b>0.00</b>	<b>195,457.61</b>	<b>195,457.61</b>	<b>195,457.61</b>	<b>0.00</b>

## 17.11 Unified social contribution

*Reconciliation of revenues from unified social contribution in 2018 (oil and natural gas extraction, including transportation), UAH thousand*

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy	Reported by government agencies	Reported by companies	Discrepancy
Naftogaz of Ukraine NJSC	78,571.15	78,571.15	0.00	78,571.15	78,571.15	0.00
Ukrigasvydobuvannya JSC	825,574.10	830,016.00	(4,441.90)	825,574.10	825,574.10	0.00
Ukrnafta PJSC	652,562.25	651,969.00	593.25	652,562.25	651,969.00	593.25
Naftogazvydobuvannya PrJSC	12,514.52	12,514.52	0.00	12,514.52	12,514.52	0.00
Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	10,878.37	0.00	10,878.37	10,878.37	10,878.37	0.00
Energy Service Company Esco-Pivnich LLC	7,504.37	7,504.37	0.00	7,504.37	7,504.37	0.00
Poltava Petroleum Company JV	20,029.97	20,029.97	0.00	20,029.97	20,029.97	0.00
Natural resources PrJSC	11,697.93	11,697.93	0.00	11,697.93	11,697.93	0.00
Systemoilengineering LLC	2,232.77	2,232.77	0.00	2,232.77	2,232.77	0.00
Kub-Gaz LLC	9,775.58	9,885.60	(110.02)	9,775.58	9,885.60	(110.02)
Joint Venture Ukrkarpatoil LTD LLC	920.97	928.00	(7.03)	920.97	928.00	(7.03)
Persha ukraiinska gazonaftova kompaniia LLC	2,324.82	2,324.80	0.02	2,324.82	2,324.80	0.02
Zakhidnadoraservis LLC	1,767.96	1,767.96	0.00	1,767.96	1,767.96	0.00
Nordik Private Enterprise	4,018.38	4,018.38	0.00	4,018.38	4,018.38	0.00
Energiia-95 LLC	145.25	145.30	(0.05)	145.25	145.30	(0.05)
Stryinaftogaz LLC	1,020.56	1,020.56	0.00	1,020.56	1,020.56	0.00
Nadra-Geoinvest LLC	679.01	681.50	(2.49)	679.01	681.50	(2.49)
Kashtan Petroleum LTD JV	908.65	909.00	(0.35)	908.65	909.00	(0.35)
Joint activity agreement of 01/01/1999 No. 35/4 - authorized entity Hals-K PrJSC (31566427)	471.68	471.68	0.00	471.68	471.68	0.00



Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy	Reported by government agencies	Reported by companies	Discrepancy
Ukrtransgaz JSC	850,200.18	868,225.00	(18,024.82)	850,200.18	868,271.83	(18,071.65)
Ukrtransnafta JSC	178,669.84	211,078.00	(32,408.16)	178,669.84	178,669.85	(0.01)
Joint activity agreement of 24/12/1997 № 999/97 - operated by Poltavanaftogaz OPMO of Ukrnafta PJSC (22525915)	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>2,672,468.30</b>	<b>2,715,991.48</b>	<b>(43,523.18)</b>	<b>2,672,468.30</b>	<b>2,690,066.63</b>	<b>(17,598.33)</b>

*Reconciliation of revenues from unified social contribution in 2018 (coal mining), UAH thousand*

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy	Reported by government agencies	Reported by companies	Discrepancy
DTEK Pavlogradugol PrJSC	894,516.01	894,518.00	(1.99)	894,516.01	894,518.00	(1.99)
Shakhtoupravlinnia Pokrovske PJSC	317,086.19	317,086.00	0.19	317,086.19	317,086.00	0.19
DTEK Dobropolyeugol LLC	196,690.32	181,148.00	15,542.32	196,690.32	198,107.47	(1,417.15)
Lvivvughiliya SE	264,546.83	230,006.00	34,540.83	264,546.83	264,546.83	0.00
Selydivuhillia SE	180,008.05	0.00	180,008.05	180,008.05	180,002.55	5.50
Pervomayskvuhilla SE	109,846.42	110,126.00	(279.58)	109,846.42	109,846.42	0.00
Bilozerska mine SLC	42,212.75	42,212.75	0.00	42,212.75	42,212.75	0.00
Myrnohradugol SE	108,055.82	0.00	108,055.82	108,055.82	108,033.00	22.82
Lysychanskvuhillya PJSC	97,991.71	97,990.00	1.71	97,991.71	97,990.00	1.71
Shakhtoupravlinnia Pivdennodonbaske No 1 SE	66,573.53	0.00	66,573.53	66,573.53	66,573.53	0.00
Mine named after M. S. Surgai SE	51,077.32	51,077.32	0.00	51,077.32	51,077.32	0.00
Toretskvugillya SE	65,595.75	0.00	65,595.75	65,595.75	65,599.00	(3.25)
Vuhilna Kompaniia Krasnolymanska SE	78,874.24	70,963.00	7,911.24	78,874.24	78,874.24	0.00
<b>Total</b>	<b>2,473,074.94</b>	<b>1,995,127.07</b>	<b>477,947.87</b>	<b>2,473,074.94</b>	<b>2,474,467.11</b>	<b>(1,392.17)</b>

*Reconciliation of revenues from unified social contribution in 2018 (metal ores mining), UAH thousand*

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy	Reported by government agencies	Reported by companies	Discrepancy
ArcelorMittal Kryvyi Rih PJSC	749,066.27	749,066.00	0.27	749,066.27	749,066.00	0.27
Southern Mining Factory JSC	237,064.42	237,064.42	0.00	237,064.42	237,064.42	0.00
Northern Iron Ore Enrichment Works PrJSC	216,415.60	216,416.00	(0.40)	216,415.60	216,416.00	(0.40)
Ingulets Iron Ore Enrichment Works PrJSC	189,171.05	0.00	189,171.05	189,171.05	189,171.05	0.00
Ferrexpo Poltava mining PrJSC	266,470.93	266,470.93	0.00	266,470.93	266,470.93	0.00
Central Iron Ore Enrichment Works PrJSC	173,830.85	173,830.84	0.01	173,830.85	173,830.84	0.01
The foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC	182,156.04	0.00	182,156.04	182,156.04	182,156.04	0.00
Krivoy Rog`s Iron-Ore Combine PJSC	273,378.81	273,378.81	0.00	273,378.81	273,378.81	0.00
Ferrexpo Yeristovo mining LLC	55,497.57	55,496.40	1.17	55,497.57	55,496.40	1.17
Suha Balka PrJSC	107,982.58	107,983.00	(0.42)	107,982.58	107,983.00	(0.42)
United Mining and Chemical Company JSC	127,934.49	127,936.09	(1.60)	127,934.49	127,936.09	(1.60)
Pokrovskiy GZK JSC	107,829.47	107,829.47	0.00	107,829.47	107,829.47	0.00
Marganets GZK JSC	97,062.04	97,062.00	0.04	97,062.04	97,062.00	0.04
<b>Total</b>	<b>2,783,860.12</b>	<b>2,412,533.96</b>	<b>371,326.16</b>	<b>2,783,860.12</b>	<b>2,783,861.05</b>	<b>(0.93)</b>

## 18. Annex 9. Consolidated database on payments to the state (production royalty, land fee and environmental tax) by projects from reporting extractive companies in 2018

### 18.1 Results of reconciliation of production royalty by projects (special permits)

*Reconciliation results of production royalty by projects (special permits) in 2018 (oil and natural gas extraction, including transportation), UAH thousand*

Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Accrued in 2018, according to state agencies	Initial data of companies			Final data of companies		
				Accrued in 2018	Paid in 2018	Discrepancies in accrued payments	Accrued in 2018	Paid in 2018	Discrepancies in accrued payments
<i>Ukrasvydobuvannya JSC</i>									
1492	10.10.2000	13030800	104.81	105.00	83.00	(0.19)	105.00	83.00	(0.19)
1772	05.03.1999	13030800	15,869.89	24,234.00	19,175.00	(8,364.11)	24,234.00	19,175.00	(8,364.11)
1774	16.03.1999	13030800	2,312.61	2,313.00	1,830.00	(0.39)	2,313.00	1,830.00	(0.39)
1775	16.03.1999	13030800	24,401.62	24,402.00	19,308.00	(0.38)	24,402.00	19,308.00	(0.38)
1776	16.03.1999	13030800	529.40	529.00	419.00	0.40	529.00	419.00	0.40
1777	16.03.1999	13030800	7,951.17	7,951.00	6,291.00	0.17	7,951.00	6,291.00	0.17
1778	16.03.1999	13030800	644.10	644.00	510.00	0.10	644.00	510.00	0.10
1779	16.03.1999	13030800	2,278.17	2,278.00	1,802.00	0.17	2,278.00	1,802.00	0.17
1780	16.03.1999	13030800	2,278.92	2,279.00	1,803.00	(0.08)	2,279.00	1,803.00	(0.08)
1786	16.03.1999	13030800	27,400.28	27,400.00	21,680.00	0.28	27,400.00	21,680.00	0.28
1787	16.03.1999	13030800	3,438.64	3,439.00	2,721.00	(0.36)	3,439.00	2,721.00	(0.36)
1791	24.03.1999	13030800	773.48	773.00	612.00	0.48	773.00	612.00	0.48
1793	24.03.1999	13030800	34,388.25	53,791.00	42,561.00	(19,402.75)	53,791.00	42,561.00	(19,402.75)
1796	24.03.1999	13030800	11,184.47	13,036.00	10,315.00	(1,851.53)	13,036.00	10,315.00	(1,851.53)
1803	25.03.1999	13030800	66,560.66	81,082.00	64,155.00	(14,521.34)	81,082.00	64,155.00	(14,521.34)
1804	25.03.1999	13030800	7,635.27	7,635.00	6,041.00	0.27	7,635.00	6,041.00	0.27
1805	25.03.1999	13030800	118,222.60	169,835.00	134,379.00	(51,612.40)	169,835.00	134,379.00	(51,612.40)



Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Accrued in 2018, according to state agencies	Initial data of companies			Final data of companies		
				Accrued in 2018	Paid in 2018	Discrepancies in accrued payments	Accrued in 2018	Paid in 2018	Discrepancies in accrued payments
1806	25.03.1999	13030800	63,386.67	75,979.00	60,117.00	(12,592.33)	75,979.00	60,117.00	(12,592.33)
1807	25.03.1999	13030800	351.35	351.00	278.00	0.35	351.00	278.00	0.35
1809	25.03.1999	13030800	51,972.23	76,477.00	60,511.00	(24,504.77)	76,477.00	60,511.00	(24,504.77)
1810	25.03.1999	13030800	10,651.23	10,651.00	8,427.00	0.23	10,651.00	8,427.00	0.23
1811	25.03.1999	13030800	9,834.22	9,834.00	7,781.00	0.22	9,834.00	7,781.00	0.22
1812	25.03.1999	13030800	121,405.19	121,405.00	96,060.00	0.19	121,405.00	96,060.00	0.19
1813	25.03.1999	13030800	9,969.84	9,970.00	7,889.00	(0.16)	9,970.00	7,889.00	(0.16)
1814	25.03.1999	13030800	17,169.96	17,170.00	13,585.00	(0.04)	17,170.00	13,585.00	(0.04)
1815	25.03.1999	13030800	1,265.37	1,265.00	1,001.00	0.37	1,265.00	1,001.00	0.37
1817	25.03.1999	13030800	221,832.73	221,833.00	175,522.00	(0.27)	221,833.00	175,522.00	(0.27)
1827	05.04.1999	13030800	25,991.11	25,991.00	20,565.00	0.11	25,991.00	20,565.00	0.11
1935	14.07.1999	13030800	256,029.06	339,870.00	268,917.00	(83,840.94)	339,870.00	268,917.00	(83,840.94)
1936	14.07.1999	13030800	1,114,665.32	1,600,374.00	1,266,270.00	(485,708.68)	1,600,374.00	1,266,270.00	(485,708.68)
1979	10.09.1999	13030800	240,850.47	240,850.00	190,569.00	0.47	240,850.00	190,569.00	0.47
1980	10.09.1999	13030800	521,351.78	521,352.00	412,512.00	(0.22)	521,352.00	412,512.00	(0.22)
2102	27.12.1999	13030800	77,853.28	112,781.00	89,236.00	(34,927.72)	112,781.00	89,236.00	(34,927.72)
2182	23.03.2000	13030800	384.49	384.00	304.00	0.49	384.00	304.00	0.49
2228	18.08.2000	13030800	19,728.53	24,889.00	19,693.00	(5,160.47)	24,889.00	19,693.00	(5,160.47)
2236	07.09.2000	13030800	122,278.90	122,279.00	96,751.00	(0.10)	122,279.00	96,751.00	(0.10)
2271	12.10.2000	13030800	2,496,932.44	3,504,287.00	2,772,712.00	(1,007,354.56)	3,504,287.00	2,772,712.00	(1,007,354.56)
2272	12.10.2000	13030800	2,678.34	3,961.00	3,134.00	(1,282.66)	3,961.00	3,134.00	(1,282.66)
2273	12.10.2000	13030800	29,344.97	29,345.00	23,219.00	(0.03)	29,345.00	23,219.00	(0.03)
2343	20.12.2000	13030800	1,278,282.55	1,278,283.00	1,011,422.00	(0.45)	1,278,283.00	1,011,422.00	(0.45)
2347	12.08.2003	13030800	252.00	252.00	199.00	0.00	252.00	199.00	0.00
2350	28.12.2000	13030800	98,786.57	98,787.00	78,164.00	(0.43)	98,787.00	78,164.00	(0.43)

Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Accrued in 2018, according to state agencies	Initial data of companies			Final data of companies		
				Accrued in 2018	Paid in 2018	Discrepancies in accrued payments	Accrued in 2018	Paid in 2018	Discrepancies in accrued payments
2351	28.12.2000	13030800	202,511.10	202,511.00	160,234.00	0.10	202,511.00	160,234.00	0.10
2352	28.12.2000	13030800	357,786.50	357,787.00	283,093.00	(0.50)	357,787.00	283,093.00	(0.50)
2353	28.12.2000	13030800	190,344.23	224,672.00	177,768.00	(34,327.77)	224,672.00	177,768.00	(34,327.77)
2354	28.12.2000	13030800	11,850.15	11,850.00	9,376.00	0.15	11,850.00	9,376.00	0.15
2355	28.12.2000	13030800	605,454.68	868,556.00	687,232.00	(263,101.32)	868,556.00	687,232.00	(263,101.32)
2356	28.12.2000	13030800	401,663.50	589,712.00	466,601.00	(188,048.50)	589,712.00	466,601.00	(188,048.50)
2363	31.01.2001	13030800	217,027.79	217,028.00	171,720.00	(0.21)	217,028.00	171,720.00	(0.21)
2364	31.01.2001	13030800	1,736.09	1,736.00	1,374.00	0.09	1,736.00	1,374.00	0.09
2365	31.01.2001	13030800	4,294.54	4,295.00	3,398.00	(0.46)	4,295.00	3,398.00	(0.46)
2367	01.02.2001	13030800	962,482.51	1,387,713.00	1,098,006.00	(425,230.49)	1,387,713.00	1,098,006.00	(425,230.49)
2368	01.02.2001	13030800	96,300.90	147,623.00	116,804.00	(51,322.10)	147,623.00	116,804.00	(51,322.10)
2369	01.02.2001	13030800	593,923.73	593,924.00	469,933.00	(0.27)	593,924.00	469,933.00	(0.27)
2370	08.02.2001	13030800	236,457.08	331,543.00	262,328.00	(95,085.92)	331,543.00	262,328.00	(95,085.92)
2371	08.02.2001	13030800	38,407.99	54,151.00	42,846.00	(15,743.01)	54,151.00	42,846.00	(15,743.01)
2372	08.02.2001	13030800	27,477.50	30,828.00	24,392.00	(3,350.50)	30,828.00	24,392.00	(3,350.50)
2373	08.02.2001	13030800	768,241.63	1,127,799.00	892,354.00	(359,557.37)	1,127,799.00	892,354.00	(359,557.37)
2375	08.02.2001	13030800	1,103.46	1,103.00	873.00	0.46	1,103.00	873.00	0.46
2386	21.02.2001	13030800	33,446.55	38,539.00	30,493.00	(5,092.45)	38,539.00	30,493.00	(5,092.45)
2387	21.02.2001	13030800	364,897.54	364,898.00	288,720.00	(0.46)	364,898.00	288,720.00	(0.46)
2388	21.02.2001	13030800	91,675.34	135,403.00	107,136.00	(43,727.66)	135,403.00	107,136.00	(43,727.66)
2389	21.02.2001	13030800	23,064.91	23,065.00	18,250.00	(0.09)	23,065.00	18,250.00	(0.09)
2390	21.02.2001	13030800	49,506.67	51,069.00	40,408.00	(1,562.33)	51,069.00	40,408.00	(1,562.33)
2391	21.02.2001	13030800	234,148.13	339,143.00	268,342.00	(104,994.87)	339,143.00	268,342.00	(104,994.87)
2398	26.03.2001	13030800	91,712.46	91,712.00	72,566.00	0.46	91,712.00	72,566.00	0.46
2425	05.04.2001	13030800	183,972.77	190,821.00	150,984.00	(6,848.23)	190,821.00	150,984.00	(6,848.23)
2427	05.04.2001	13030800	29,129.96	29,130.00	23,049.00	(0.04)	29,130.00	23,049.00	(0.04)



Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Accrued in 2018, according to state agencies	Initial data of companies			Final data of companies		
				Accrued in 2018	Paid in 2018	Discrepancies in accrued payments	Accrued in 2018	Paid in 2018	Discrepancies in accrued payments
2428	05.04.2001	13030800	2,579.80	2,580.00	2,041.00	(0.20)	2,580.00	2,041.00	(0.20)
2429	05.04.2001	13030800	158,638.95	264,293.00	209,118.00	(105,654.05)	264,293.00	209,118.00	(105,654.05)
2430	05.04.2001	13030800	672,070.78	932,574.00	737,885.00	(260,503.22)	932,574.00	737,885.00	(260,503.22)
2452	23.04.2001	13030800	5,391.20	7,866.00	6,224.00	(2,474.80)	7,866.00	6,224.00	(2,474.80)
2456	27.04.2001	13030800	79,421.82	115,441.00	91,341.00	(36,019.18)	115,441.00	91,341.00	(36,019.18)
2460	15.12.2003	13030800	66,172.11	95,975.00	75,939.00	(29,802.89)	95,975.00	75,939.00	(29,802.89)
2461	15.12.2003	13030800	68.82	69.00	55.00	(0.18)	69.00	55.00	(0.18)
2462	14.05.2001	13030800	19,588.57	19,609.00	15,515.00	(20.43)	19,609.00	15,515.00	(20.43)
2463	14.05.2001	13030800	30,095.32	41,321.00	32,695.00	(11,225.68)	41,321.00	32,695.00	(11,225.68)
2486	13.06.2001	13030800	64,261.94	64,262.00	50,846.00	(0.06)	64,262.00	50,846.00	(0.06)
2487	13.06.2001	13030800	32,037.87	32,038.00	25,350.00	(0.13)	32,038.00	25,350.00	(0.13)
2492	20.06.2001	13030800	47,744.45	59,911.00	47,404.00	(12,166.55)	59,911.00	47,404.00	(12,166.55)
2493	20.06.2001	13030800	313,720.25	313,720.00	248,226.00	0.25	313,720.00	248,226.00	0.25
2542	09.09.2004	13030800	46,446.99	46,447.00	36,750.00	(0.01)	46,447.00	36,750.00	(0.01)
2594	23.11.2001	13030800	42,528.97	42,529.00	33,650.00	(0.03)	42,529.00	33,650.00	(0.03)
2653	01.03.2002	13030800	306,512.81	306,513.00	242,524.00	(0.19)	306,513.00	242,524.00	(0.19)
2787	31.05.2006	13030800	141.92	142.00	112.00	(0.08)	142.00	112.00	(0.08)
2788	31.05.2006	13030800	1,366.60	1,367.00	1,082.00	(0.40)	1,367.00	1,082.00	(0.40)
2792	31.05.2006	13030800	1,859.10	3,077.00	2,435.00	(1,217.90)	3,077.00	2,435.00	(1,217.90)
2793	31.05.2006	13030800	48,952.34	48,952.00	38,733.00	0.34	48,952.00	38,733.00	0.34
2990	25.07.2007	13030800	4,221.55	4,222.00	3,341.00	(0.45)	4,222.00	3,341.00	(0.45)
3116	12.08.2003	13030800	2,004.13	2,004.00	1,586.00	0.13	2,004.00	1,586.00	0.13
3117	12.08.2003	13030800	19,564.58	19,565.00	15,481.00	(0.42)	19,565.00	15,481.00	(0.42)
3118	12.08.2003	13030800	110,450.92	110,451.00	87,393.00	(0.08)	110,451.00	87,393.00	(0.08)
3340	13.07.2004	13030800	9,096.56	9,097.00	7,198.00	(0.44)	9,097.00	7,198.00	(0.44)
3341	13.07.2004	13030800	55,127.13	55,127.00	43,618.00	0.13	55,127.00	43,618.00	0.13



Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Accrued in 2018, according to state agencies	Initial data of companies			Final data of companies		
				Accrued in 2018	Paid in 2018	Discrepancies in accrued payments	Accrued in 2018	Paid in 2018	Discrepancies in accrued payments
3342	13.07.2004	13030800	56,882.56	56,883.00	45,008.00	(0.44)	56,883.00	45,008.00	(0.44)
4001	09.08.2006	13030800	2,112.90	2,113.00	1,672.00	(0.10)	2,113.00	1,672.00	(0.10)
4002	09.08.2006	13030800	52.68	53.00	42.00	(0.32)	53.00	42.00	(0.32)
4164	22.12.2006	13030800	96,994.25	96,994.00	76,745.00	0.25	96,994.00	76,745.00	0.25
4165	22.12.2006	13030800	3,216.08	3,216.00	2,545.00	0.08	3,216.00	2,545.00	0.08
4192	20.07.2012	13030800	4,530.35	4,530.00	3,584.00	0.35	4,530.00	3,584.00	0.35
4290	17.07.2007	13030800	278,647.64	372,031.00	294,364.00	(93,383.36)	372,031.00	294,364.00	(93,383.36)
4620	17.12.2014	13030800	97.50	97.00	77.00	0.50	97.00	77.00	0.50
4621	17.12.2014	13030800	59,999.22	90,923.00	71,941.00	(30,923.78)	90,923.00	71,941.00	(30,923.78)
4804	12.12.2016	13030800	91.64	92.00	73.00	(0.36)	92.00	73.00	(0.36)
4805	05.12.2008	13030800	6,296.29	6,296.00	4,982.00	0.29	6,296.00	4,982.00	0.29
4811	14.12.2016	13030800	61,086.95	61,087.00	48,334.00	(0.05)	61,087.00	48,334.00	(0.05)
4924	01.10.2018	13030800	234.46	234.00	185.00	0.46	234.00	185.00	0.46
4946	14.12.2018	13030800	5,648.78	5,649.00	4,470.00	(0.22)	5,649.00	4,470.00	(0.22)
5009	03.09.2009	13030800	100,747.76	143,671.00	113,677.00	(42,923.24)	143,671.00	113,677.00	(42,923.24)
5010	03.09.2009	13030800	37,558.61	50,552.00	39,998.00	(12,993.39)	50,552.00	39,998.00	(12,993.39)
5011	03.09.2009	13030800	262,712.70	262,713.00	207,868.00	(0.30)	262,713.00	207,868.00	(0.30)
5012	03.09.2009	13030800	33,592.60	33,592.00	26,579.00	0.60	33,592.00	26,579.00	0.60
5177	01.07.2010	13030800	6,591.73	6,592.00	5,216.00	(0.27)	6,592.00	5,216.00	(0.27)
5178	01.07.2010	13030800	32,839.79	32,840.00	25,984.00	(0.21)	32,840.00	25,984.00	(0.21)
5253	21.12.2010	13030800	2,114.48	3,175.00	2,512.00	(1,060.52)	3,175.00	2,512.00	(1,060.52)
5404	31.10.2011	13030800	87,537.35	87,537.00	69,262.00	0.35	87,537.00	69,262.00	0.35
5405	31.10.2011	13030800	139,657.08	155,386.00	122,947.00	(15,728.92)	155,386.00	122,947.00	(15,728.92)
5408	31.10.2011	13030800	691.42	877.00	694.00	(185.58)	877.00	694.00	(185.58)
5409	31.10.2011	13030800	94.87	130.00	103.00	(35.13)	130.00	103.00	(35.13)
5410	31.10.2011	13030800	48,829.17	70,673.00	55,919.00	(21,843.83)	70,673.00	55,919.00	(21,843.83)





Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Accrued in 2018, according to state agencies	Initial data of companies			Final data of companies		
				Accrued in 2018	Paid in 2018	Discrepancies in accrued payments	Accrued in 2018	Paid in 2018	Discrepancies in accrued payments
5411	31.10.2011	13030800	168,742.70	168,742.00	133,515.00	0.70	168,742.00	133,515.00	0.70
5412	31.10.2011	13030800	6,746.71	10,235.00	8,098.00	(3,488.29)	10,235.00	8,098.00	(3,488.29)
5413	31.10.2011	13030800	53,261.14	78,824.00	62,368.00	(25,562.86)	78,824.00	62,368.00	(25,562.86)
5414	31.10.2011	13030800	20,353.19	10,527.00	8,329.00	9,826.19	10,527.00	8,329.00	9,826.19
5541	03.05.2012	13030800	17,559.76	17,560.00	13,894.00	(0.24)	17,560.00	13,894.00	(0.24)
5542	03.05.2012	13030800	7,933.08	7,933.00	6,277.00	0.08	7,933.00	6,277.00	0.08
5544	07.05.2012	13030800	169,203.36	169,203.00	133,879.00	0.36	169,203.00	133,879.00	0.36
5650	05.10.2012	13030800	515,039.10	755,362.00	597,669.00	(240,322.90)	755,362.00	597,669.00	(240,322.90)
5652	05.10.2012	13030800	1,046.94	1,047.00	828.00	(0.06)	1,047.00	828.00	(0.06)
5713	22.01.2013	13030800	93,892.00	136,781.00	108,226.00	(42,889.00)	136,781.00	108,226.00	(42,889.00)
5902	30.01.2014	13030800	2,222.78	2,223.00	1,759.00	(0.22)	2,223.00	1,759.00	(0.22)
5903	30.01.2014	13030800	5,962.26	7,823.00	6,190.00	(1,860.74)	7,823.00	6,190.00	(1,860.74)
5913	27.02.2014	13030800	1,092.37	1,607.00	1,272.00	(514.63)	1,607.00	1,272.00	(514.63)
5914	27.02.2014	13030800	60,409.47	60,409.00	47,798.00	0.47	60,409.00	47,798.00	0.47
5967	31.07.2014	13030800	0.00	9.00	7.00	(9.00)	9.00	7.00	(9.00)
5989	20.10.2014	13030800	20,621.77	29,175.00	23,084.00	(8,553.23)	29,175.00	23,084.00	(8,553.23)
6009	17.12.2014	13030800	1,310.76	1,311.00	1,037.00	(0.24)	1,311.00	1,037.00	(0.24)
6097	11.02.2016	13030800	369,585.58	545,385.00	431,528.00	(175,799.42)	545,385.00	431,528.00	(175,799.42)
6106	16.03.2016	13030800	579.05	579.00	458.00	0.05	579.00	458.00	0.05
6133	08.07.2016	13030800	12,918.90	12,919.00	10,222.00	(0.10)	12,919.00	10,222.00	(0.10)
6217	01.09.2017	13030800	9,895.56	9,895.00	7,829.00	0.56	9,895.00	7,829.00	0.56
6218	01.09.2017	13030800	9,755.63	9,755.00	7,718.00	0.63	9,755.00	7,718.00	0.63
6230	18.10.2017	13030800	2,042.76	2,043.00	1,616.00	(0.24)	2,043.00	1,616.00	(0.24)
6285	02.10.2018	13030800	3,338.01	3,338.00	2,641.00	0.01	3,338.00	2,641.00	0.01
6289	18.10.2018	13030800	38.61	39.00	31.00	(0.39)	39.00	31.00	(0.39)
1772	05.03.1999	13030900	1,308.16	2,073.00	1,720.00	(764.84)	2,073.00	1,720.00	(764.84)



Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Accrued in 2018, according to state agencies	Initial data of companies			Final data of companies		
				Accrued in 2018	Paid in 2018	Discrepancies in accrued payments	Accrued in 2018	Paid in 2018	Discrepancies in accrued payments
1777	16.03.1999	13030900	9.82	10.00	8.00	(0.18)	10.00	8.00	(0.18)
1787	16.03.1999	13030900	22.88	23.00	19.00	(0.12)	23.00	19.00	(0.12)
1803	25.03.1999	13030900	9,527.48	10,236.00	8,495.00	(708.52)	10,236.00	8,495.00	(708.52)
1805	25.03.1999	13030900	9,612.72	13,885.00	11,523.00	(4,272.28)	13,885.00	11,523.00	(4,272.28)
1817	25.03.1999	13030900	13,215.19	13,215.00	10,967.00	0.19	13,215.00	10,967.00	0.19
1827	05.04.1999	13030900	30.43	30.00	25.00	0.43	30.00	25.00	0.43
1935	14.07.1999	13030900	1,531.89	1,782.00	1,479.00	(250.11)	1,782.00	1,479.00	(250.11)
1936	14.07.1999	13030900	220,707.87	317,912.00	263,826.00	(97,204.13)	317,912.00	263,826.00	(97,204.13)
1979	10.09.1999	13030900	54,379.62	54,380.00	45,128.00	(0.38)	54,380.00	45,128.00	(0.38)
1980	10.09.1999	13030900	30,556.81	30,557.00	25,358.00	(0.19)	30,557.00	25,358.00	(0.19)
2102	27.12.1999	13030900	38,963.97	56,280.00	46,705.00	(17,316.03)	56,280.00	46,705.00	(17,316.03)
2182	23.03.2000	13030900	665.42	665.00	552.00	0.42	665.00	552.00	0.42
2271	12.10.2000	13030900	13,433.69	19,272.00	15,993.00	(5,838.31)	19,272.00	15,993.00	(5,838.31)
2343	20.12.2000	13030900	69,330.76	69,331.00	57,536.00	(0.24)	69,331.00	57,536.00	(0.24)
2350	28.12.2000	13030900	4,299.03	4,299.00	3,568.00	0.03	4,299.00	3,568.00	0.03
2351	28.12.2000	13030900	38,411.81	38,412.00	31,877.00	(0.19)	38,412.00	31,877.00	(0.19)
2352	28.12.2000	13030900	64,752.86	64,753.00	53,737.00	(0.14)	64,753.00	53,737.00	(0.14)
2353	28.12.2000	13030900	38,288.20	46,459.00	38,555.00	(8,170.80)	46,459.00	38,555.00	(8,170.80)
2355	28.12.2000	13030900	17,168.84	25,903.00	21,496.00	(8,734.16)	25,903.00	21,496.00	(8,734.16)
2356	28.12.2000	13030900	16,491.95	24,689.00	20,489.00	(8,197.05)	24,689.00	20,489.00	(8,197.05)
2363	31.01.2001	13030900	111,224.53	111,225.00	92,303.00	(0.47)	111,225.00	92,303.00	(0.47)
2365	31.01.2001	13030900	296.16	296.00	246.00	0.16	296.00	246.00	0.16
2367	01.02.2001	13030900	64,290.36	103,051.00	85,519.00	(38,760.64)	103,051.00	85,519.00	(38,760.64)
2368	01.02.2001	13030900	16,996.90	28,159.00	23,368.00	(11,162.10)	28,159.00	23,368.00	(11,162.10)
2369	01.02.2001	13030900	32,684.06	32,684.00	27,124.00	0.06	32,684.00	27,124.00	0.06
2370	08.02.2001	13030900	9,789.39	14,232.00	11,811.00	(4,442.61)	14,232.00	11,811.00	(4,442.61)



Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Accrued in 2018, according to state agencies	Initial data of companies			Final data of companies		
				Accrued in 2018	Paid in 2018	Discrepancies in accrued payments	Accrued in 2018	Paid in 2018	Discrepancies in accrued payments
2371	08.02.2001	13030900	2,919.90	4,245.00	3,523.00	(1,325.10)	4,245.00	3,523.00	(1,325.10)
2372	08.02.2001	13030900	2,552.78	3,101.00	2,573.00	(548.22)	3,101.00	2,573.00	(548.22)
2373	08.02.2001	13030900	193,701.85	291,270.00	241,716.00	(97,568.15)	291,270.00	241,716.00	(97,568.15)
2386	21.02.2001	13030900	23,776.88	26,639.00	22,107.00	(2,862.12)	26,639.00	22,107.00	(2,862.12)
2387	21.02.2001	13030900	10,080.62	10,081.00	8,366.00	(0.38)	10,081.00	8,366.00	(0.38)
2388	21.02.2001	13030900	29,859.51	45,149.00	37,468.00	(15,289.49)	45,149.00	37,468.00	(15,289.49)
2389	21.02.2001	13030900	6,704.31	6,704.00	5,563.00	0.31	6,704.00	5,563.00	0.31
2390	21.02.2001	13030900	149.72	150.00	124.00	(0.28)	150.00	124.00	(0.28)
2391	21.02.2001	13030900	27,801.02	41,330.00	34,299.00	(13,528.98)	41,330.00	34,299.00	(13,528.98)
2398	26.03.2001	13030900	3,664.54	3,665.00	3,041.00	(0.46)	3,665.00	3,041.00	(0.46)
2425	05.04.2001	13030900	2,819.56	2,845.00	2,361.00	(25.44)	2,845.00	2,361.00	(25.44)
2427	05.04.2001	13030900	4,436.95	4,437.00	3,682.00	(0.05)	4,437.00	3,682.00	(0.05)
2428	05.04.2001	13030900	387.61	388.00	322.00	(0.39)	388.00	322.00	(0.39)
2429	05.04.2001	13030900	37,974.07	58,523.00	48,567.00	(20,548.93)	58,523.00	48,567.00	(20,548.93)
2430	05.04.2001	13030900	133,494.46	188,433.00	156,375.00	(54,938.54)	188,433.00	156,375.00	(54,938.54)
2452	23.04.2001	13030900	78.70	100.00	83.00	(21.30)	100.00	83.00	(21.30)
2456	27.04.2001	13030900	18,352.40	27,351.00	22,698.00	(8,998.60)	27,351.00	22,698.00	(8,998.60)
2460	15.12.2003	13030900	16,647.29	25,126.00	20,851.00	(8,478.71)	25,126.00	20,851.00	(8,478.71)
2487	13.06.2001	13030900	5,993.77	5,994.00	4,974.00	(0.23)	5,994.00	4,974.00	(0.23)
2492	20.06.2001	13030900	3,301.44	4,634.00	3,846.00	(1,332.56)	4,634.00	3,846.00	(1,332.56)
2493	20.06.2001	13030900	50,776.33	50,776.00	42,138.00	0.33	50,776.00	42,138.00	0.33
2594	23.11.2001	13030900	5,609.67	5,610.00	4,656.00	(0.33)	5,610.00	4,656.00	(0.33)
2653	01.03.2002	13030900	30,680.69	30,681.00	25,461.00	(0.31)	30,681.00	25,461.00	(0.31)
2792	31.05.2006	13030900	75.26	130.00	108.00	(54.74)	130.00	108.00	(54.74)
2793	31.05.2006	13030900	2,252.37	2,252.00	1,869.00	0.37	2,252.00	1,869.00	0.37
3116	12.08.2003	13030900	99.63	100.00	83.00	(0.37)	100.00	83.00	(0.37)



Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Accrued in 2018, according to state agencies	Initial data of companies			Final data of companies		
				Accrued in 2018	Paid in 2018	Discrepancies in accrued payments	Accrued in 2018	Paid in 2018	Discrepancies in accrued payments
3117	12.08.2003	13030900	20,710.19	20,710.00	17,187.00	0.19	20,710.00	17,187.00	0.19
3118	12.08.2003	13030900	9,689.53	9,690.00	8,041.00	(0.47)	9,690.00	8,041.00	(0.47)
3340	13.07.2004	13030900	975.41	975.00	809.00	0.41	975.00	809.00	0.41
3341	13.07.2004	13030900	1,978.17	1,978.00	1,641.00	0.17	1,978.00	1,641.00	0.17
3342	13.07.2004	13030900	1,817.08	1,817.00	1,508.00	0.08	1,817.00	1,508.00	0.08
4001	09.08.2006	13030900	114.46	114.00	95.00	0.46	114.00	95.00	0.46
4164	22.12.2006	13030900	6,054.99	6,055.00	5,025.00	(0.01)	6,055.00	5,025.00	(0.01)
4165	22.12.2006	13030900	161.06	161.00	134.00	0.06	161.00	134.00	0.06
4290	17.07.2007	13030900	35,970.23	52,256.00	43,366.00	(16,285.77)	52,256.00	43,366.00	(16,285.77)
4621	17.12.2014	13030900	1,975.63	3,014.00	2,501.00	(1,038.37)	3,014.00	2,501.00	(1,038.37)
4811	14.12.2016	13030900	3,785.25	3,785.00	3,141.00	0.25	3,785.00	3,141.00	0.25
4946	14.12.2018	13030900	479.05	479.00	398.00	0.05	479.00	398.00	0.05
5009	03.09.2009	13030900	8,131.07	11,447.00	9,500.00	(3,315.93)	11,447.00	9,500.00	(3,315.93)
5010	03.09.2009	13030900	14,507.02	18,963.00	15,737.00	(4,455.98)	18,963.00	15,737.00	(4,455.98)
5011	03.09.2009	13030900	14,858.64	14,859.00	12,331.00	(0.36)	14,859.00	12,331.00	(0.36)
5178	01.07.2010	13030900	303.33	303.00	251.00	0.33	303.00	251.00	0.33
5253	21.12.2010	13030900	60.87	94.00	78.00	(33.13)	94.00	78.00	(33.13)
5404	31.10.2011	13030900	10,017.11	10,017.00	8,313.00	0.11	10,017.00	8,313.00	0.11
5405	31.10.2011	13030900	11,353.05	12,759.00	10,588.00	(1,405.95)	12,759.00	10,588.00	(1,405.95)
5410	31.10.2011	13030900	1,557.70	2,440.00	2,025.00	(882.30)	2,440.00	2,025.00	(882.30)
5411	31.10.2011	13030900	8,219.33	8,219.00	6,821.00	0.33	8,219.00	6,821.00	0.33
5412	31.10.2011	13030900	136.69	211.00	175.00	(74.31)	211.00	175.00	(74.31)
5413	31.10.2011	13030900	14,945.37	22,972.00	19,064.00	(8,026.63)	22,972.00	19,064.00	(8,026.63)
5414	31.10.2011	13030900	8,182.65	6,021.00	4,997.00	2,161.65	6,021.00	4,997.00	2,161.65
5544	07.05.2012	13030900	28,514.92	28,515.00	23,664.00	(0.08)	28,515.00	23,664.00	(0.08)
5650	05.10.2012	13030900	26,085.58	38,561.00	32,001.00	(12,475.42)	38,561.00	32,001.00	(12,475.42)



Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Accrued in 2018, according to state agencies	Initial data of companies			Final data of companies		
				Accrued in 2018	Paid in 2018	Discrepancies in accrued payments	Accrued in 2018	Paid in 2018	Discrepancies in accrued payments
5713	22.01.2013	13030900	6,385.60	9,251.00	7,677.00	(2,865.40)	9,251.00	7,677.00	(2,865.40)
5913	27.02.2014	13030900	147.33	221.00	183.00	(73.67)	221.00	183.00	(73.67)
5914	27.02.2014	13030900	305.14	305.00	253.00	0.14	305.00	253.00	0.14
6097	11.02.2016	13030900	19,363.54	29,082.00	24,134.00	(9,718.46)	29,082.00	24,134.00	(9,718.46)
6106	16.03.2016	13030900	177.21	177.00	147.00	0.21	177.00	147.00	0.21
6285	02.10.2018	13030900	154.36	154.00	128.00	0.36	154.00	128.00	0.36
1492	10.10.2000	13030700	2,481.46	2,481.00	2,522.00	0.46	2,481.00	2,522.00	0.46
1803	25.03.1999	13030700	7,619.94	10,916.00	11,098.00	(3,296.06)	10,916.00	11,098.00	(3,296.06)
1817	25.03.1999	13030700	42.39	42.00	43.00	0.39	42.00	43.00	0.39
1936	14.07.1999	13030700	28,997.01	47,679.00	48,474.00	(18,681.99)	47,679.00	48,474.00	(18,681.99)
1979	10.09.1999	13030700	197.32	197.00	200.00	0.32	197.00	200.00	0.32
2351	28.12.2000	13030700	34,322.08	34,322.00	34,894.00	0.08	34,322.00	34,894.00	0.08
2352	28.12.2000	13030700	1,593.60	1,594.00	1,621.00	(0.40)	1,594.00	1,621.00	(0.40)
2364	31.01.2001	13030700	27,245.05	27,245.00	27,699.00	0.05	27,245.00	27,699.00	0.05
2372	08.02.2001	13030700	59,518.46	70,647.00	71,825.00	(11,128.54)	70,647.00	71,825.00	(11,128.54)
2373	08.02.2001	13030700	96.29	141.00	143.00	(44.71)	141.00	143.00	(44.71)
2386	21.02.2001	13030700	13,059.10	16,793.00	17,073.00	(3,733.90)	16,793.00	17,073.00	(3,733.90)
2390	21.02.2001	13030700	4,668.72	6,635.00	6,746.00	(1,966.28)	6,635.00	6,746.00	(1,966.28)
2425	05.04.2001	13030700	574.00	810.00	824.00	(236.00)	810.00	824.00	(236.00)
2429	05.04.2001	13030700	13,611.84	21,854.00	22,218.00	(8,242.16)	21,854.00	22,218.00	(8,242.16)
2493	20.06.2001	13030700	660.04	660.00	671.00	0.04	660.00	671.00	0.04
2653	01.03.2002	13030700	8,384.43	8,384.00	8,524.00	0.43	8,384.00	8,524.00	0.43
3116	12.08.2003	13030700	1,251.92	1,252.00	1,273.00	(0.08)	1,252.00	1,273.00	(0.08)
3117	12.08.2003	13030700	7,987.97	7,988.00	8,121.00	(0.03)	7,988.00	8,121.00	(0.03)
3342	13.07.2004	13030700	19,616.86	19,617.00	19,944.00	(0.14)	19,617.00	19,944.00	(0.14)
4290	17.07.2007	13030700	7,658.09	8,516.00	8,658.00	(857.91)	8,516.00	8,658.00	(857.91)



Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Accrued in 2018, according to state agencies	Initial data of companies			Final data of companies		
				Accrued in 2018	Paid in 2018	Discrepancies in accrued payments	Accrued in 2018	Paid in 2018	Discrepancies in accrued payments
5010	03.09.2009	13030700	195.14	294.00	299.00	(98.86)	294.00	299.00	(98.86)
5011	03.09.2009	13030700	515.08	515.00	524.00	0.08	515.00	524.00	0.08
5409	31.10.2011	13030700	451.53	632.00	643.00	(180.47)	632.00	643.00	(180.47)
5413	31.10.2011	13030700	153.43	224.00	228.00	(70.57)	224.00	228.00	(70.57)
5913	27.02.2014	13030700	98.60	148.00	150.00	(49.40)	148.00	150.00	(49.40)
6009	17.12.2014	13030700	3,618.09	3,618.00	3,678.00	0.09	3,618.00	3,678.00	0.09
6289	18.10.2018	13030700	646.90	647.00	658.00	(0.10)	647.00	658.00	(0.10)
6009	17.12.2014	13030100	261.52	262.00	228.00	(0.48)	262.00	228.00	(0.48)
4010	09.08.2006	13030100	35.86	36.00	31.00	(0.14)	36.00	31.00	(0.14)
4563	11.08.2014	13030100	18.87	19.00	17.00	(0.13)	19.00	17.00	(0.13)
4564	11.08.2014	13030100	58.95	59.00	51.00	(0.05)	59.00	51.00	(0.05)
1808	3.02.1999	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1816	25.03.1999	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1644	19.01.2001	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2652	1.03.2002	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2433	9.10.2003	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2459	15.12.2003	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Accrued in 2018, according to state agencies	Initial data of companies			Final data of companies		
				Accrued in 2018	Paid in 2018	Discrepancies in accrued payments	Accrued in 2018	Paid in 2018	Discrepancies in accrued payments
4003	9.08.2006	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4806	12.12.2006	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5406	31.10.2011	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5407	31.10.2011	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4190	20.07.2012	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4191	20.07.2012	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5649	4.10.2012	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5651	5.10.2012	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5915	27.02.2014	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4517	15.04.2014	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4518	15.04.2014	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Accrued in 2018, according to state agencies	Initial data of companies			Final data of companies		
				Accrued in 2018	Paid in 2018	Discrepancies in accrued payments	Accrued in 2018	Paid in 2018	Discrepancies in accrued payments
4545	15.07.2014	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4581	12.09.2014	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4590	20.10.2014	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4618	17.12.2014	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4619	17.12.2014	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4657	5.03.2015	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4658	5.03.2015	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4659	5.03.2015	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4676	31.07.2015	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4807	12.12.2016	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4808	12.12.2016	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00





Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Accrued in 2018, according to state agencies	Initial data of companies			Final data of companies		
				Accrued in 2018	Paid in 2018	Discrepancies in accrued payments	Accrued in 2018	Paid in 2018	Discrepancies in accrued payments
4809	14.12.2016	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	
4810	14.12.2016	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	
4812	14.12.2016	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	
4813	14.12.2016	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	
4814	14.12.2016	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	
4815	14.12.2016	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	
4816	14.12.2016	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	
4865	18.10.2017	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	
4866	18.10.2017	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	
4867	18.10.2017	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	
4868	18.10.2017	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	

Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Accrued in 2018, according to state agencies	Initial data of companies			Final data of companies		
				Accrued in 2018	Paid in 2018	Discrepancies in accrued payments	Accrued in 2018	Paid in 2018	Discrepancies in accrued payments
4871	22.12.2017	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4932	26.10.2018	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4947	19.12.2018	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6309	28.12.2018	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6310	28.12.2018	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4973	20.02.2019	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4991	23.04.2019	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4992	23.04.2019	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4993	23.04.2019	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5013	2.07.2019	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5017	18.07.2019	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00



Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Accrued in 2018, according to state agencies	Initial data of companies			Final data of companies		
				Accrued in 2018	Paid in 2018	Discrepancies in accrued payments	Accrued in 2018	Paid in 2018	Discrepancies in accrued payments
5024	19.08.2019	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	
5025	19.08.2019	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	
5026	19.08.2019	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	
5027	19.08.2019	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	
5028	19.08.2019	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	
5029	19.08.2019	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	
5030	19.08.2019	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	
5035	12.09.2019	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	
5036	12.09.2019	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	
5045	15.11.2019	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	
5046	21.11.2019	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	

Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Accrued in 2018, according to state agencies	Initial data of companies			Final data of companies		
				Accrued in 2018	Paid in 2018	Discrepancies in accrued payments	Accrued in 2018	Paid in 2018	Discrepancies in accrued payments
6315	06.02.2019	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<i>Naftogaz of Ukraine NJSC</i>									
3907	22.12.2010	13030800	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4110	16.03.2012	13030800	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4111	16.03.2012	13030800	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4125	05.04.2012	13030800	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4126	05.04.2012	13030800	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4300	17.01.2013	13030800	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4062	21.10.2011	13030800	0.00	-	-	0.00	-	-	0.00
4063	31.10.2011	13030800	0.00	-	-	0.00	-	-	0.00
4294	29.12.2012	13030800	0.00	-	-	0.00	-	-	0.00
3907	22.12.2010	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4062	21.10.2011	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4063	31.10.2011	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4110	16.03.2012	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4111	16.03.2012	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4125	5.04.2012	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Accrued in 2018, according to state agencies	Initial data of companies			Final data of companies		
				Accrued in 2018	Paid in 2018	Discrepancies in accrued payments	Accrued in 2018	Paid in 2018	Discrepancies in accrued payments
4126	5.04.2012	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4294	29.12.2012	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4300	17.01.2013	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<i>Natural resources PrJSC</i>									
5745	26.03.2013	13030100	0.00	9.93	13.96	(9.93)	0.00	0.00	0.00
5745	26.03.2013	13030800	389,525.62	389,525.62	385,357.31	0.00	389,525.62	385,357.31	0.00
5745	26.03.2013	13030900	238,170.69	238,170.69	245,373.69	0.00	238,170.69	245,373.69	0.00
0371/ Пол	24.02.2015	13030100	6.35	-	-	6.35	6.35	7.33	0.00
0980/ Пол	11.05.2017	13030100	3.58	-	-	3.58	3.58	6.58	0.00
0191/ Пол	28.08.2014	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0192/ Пол	28.08.2014	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0319/ Пол	02.12.2014	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0652/ Пол	29.02.2016	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0672/ Пол	12.04.2016	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0811/ Пол	26.09.2016	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1008/ Пол	24.05.2017	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00



Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Accrued in 2018, according to state agencies	Initial data of companies			Final data of companies		
				Accrued in 2018	Paid in 2018	Discrepancies in accrued payments	Accrued in 2018	Paid in 2018	Discrepancies in accrued payments
<i>Poltava Petroleum Company JV</i>									
3660	31.12.2004	13030700	4,174.83	4,174.83	3,844.02	0.00	4,174.83	3,844.02	0.00
3660	31.12.2004	13030900	5,880.59	5,880.59	5,958.39	0.00	5,880.59	5,958.39	0.00
3660	31.12.2004	13030800	48,868.43	48,868.43	47,145.06	0.00	48,868.43	47,145.06	0.00
3659	31.12.2004	13030700	40,917.56	40,917.56	41,416.49	0.00	40,917.56	41,416.49	0.00
3659	31.12.2004	13030900	4,145.00	4,145.00	4,377.98	0.00	4,145.00	4,377.98	0.00
3659	31.12.2004	13030800	66,854.64	66,854.64	66,458.95	0.00	66,854.64	66,458.95	0.00
3658	31.12.2004	13030700	13,187.99	13,187.99	13,756.20	0.00	13,187.99	13,756.20	0.00
3658	31.12.2004	13030900	8,323.37	8,323.37	3,497.33	0.00	8,323.37	3,497.33	0.00
3658	31.12.2004	13030800	24,389.81	24,389.81	24,574.66	0.00	24,389.81	24,574.66	0.00
3661	31.12.2004	13030700	51,266.38	51,266.38	53,644.73	0.00	51,266.38	53,644.73	0.00
3661	31.12.2004	13030900	9,510.48	9,510.48	9,801.01	0.00	9,510.48	9,801.01	0.00
3661	31.12.2004	13030800	95,292.16	95,292.16	91,159.99	0.00	95,292.16	91,159.99	0.00
5966	31.07.2014	13030900	5,177.67	5,177.67	5,051.62	0.00	5,177.67	5,051.62	0.00
5966	31.07.2014	13030800	171,240.75	171,240.75	165,103.13	0.00	171,240.75	165,103.13	0.00
2741	31.12.2004	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<i>Joint activity agreement of 01/01/1999 No. 35/4 - authorized entity Hals-K PrJSC (31566427)</i>									
1622	27.10.1998	13030800	15.85	15.85	17.26	0.00	15.85	17.26	0.00
1563	31.08.1998	13030800	365.87	365.87	392.66	0.00	365.87	392.66	0.00
1439	22.06.1998	13030800	5.84	5.84	6.34	0.00	5.84	6.34	0.00
2031	11.11.1999	13030800	5.24	5.24	48.19	0.00	5.24	48.19	0.00
1622	27.10.1998	13030700	218.02	218.02	240.91	0.00	218.02	240.91	0.00
1563	31.08.1999	13030700	16,155.38	16,246.46	19,696.49	(91.08)	16,246.46	19,696.49	(91.08)
1439	22.06.1998	13030700	1,355.38	1,355.38	1,492.58	0.00	1,355.38	1,492.58	0.00
2031	11.11.1999	13030700	188.17	188.17	204.17	0.00	188.17	204.17	0.00

Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Accrued in 2018, according to state agencies	Initial data of companies			Final data of companies		
				Accrued in 2018	Paid in 2018	Discrepancies in accrued payments	Accrued in 2018	Paid in 2018	Discrepancies in accrued payments
<i>Ukrtransgaz JSC<sup>855</sup></i>									
1544-A/Оде	24.07.2013	13030100	4.93	-	-	-	-	-	-
0070/Пол	21.01.2014	13030100	13.66	-	-	-	-	-	-
2538-A/Оде	22.09.2014	13030100	2.60	-	-	-	-	-	-
1594-A/Оде	24.09.2014	13030100	6.38	-	-	-	-	-	-
1575-A/Оде	14.10.2014	13030100	4.89	-	-	-	-	-	-
212	23.10.2014	13030100	7.42	-	-	-	-	-	-
0456/Пол	15.05.2015	13030100	2.05	-	-	-	-	-	-
УКР №643-A/ЗАК	06.01.2016	13030100	0.61	-	-	-	-	-	-
УКРН№6 61-A/ЗАК	16.01.2016	13030100	2.67	-	-	-	-	-	-
УКР-1161 "А"/ТЕР	01.04.2016	13030100	17.95	-	-	-	-	-	-
1726	16.11.2016	13030100	6.28	-	-	-	-	-	-
УКР-ДОН-6171	21.12.2016	13030100	12.22	-	-	-	-	-	-

<sup>855</sup> The special permits held by the company relate to the extraction of groundwater. The company does not extract minerals covered by the EITI Report and does not have the relevant special permits. The main activity of Ukrtransgaz JSC according to NACE-2010 is 'Pipeline Transport' (class 49.50). In view of this, the adjustment of the rent payments for the extraction of other minerals of national importance, namely groundwater, by projects was not carried out for this company.

Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Accrued in 2018, according to state agencies	Initial data of companies			Final data of companies		
				Accrued in 2018	Paid in 2018	Discrepancies in accrued payments	Accrued in 2018	Paid in 2018	Discrepancies in accrued payments
УКР №986-А/ЗАК	20.04.2017	13030100	2.56	-	-	-	-	-	-
110/ОД/49д-17	12.10.2017	13030100	14.94	-	-	-	-	-	-
№94/ІФ/49/д-18	09.02.2018	13030100	3.06	-	-	-	-	-	-
№ 148/3К/49д-18	19.10.2018	13030100	1.07	-	-	-	-	-	-
35/3П/49д-17	22.08.2017	13030100	0.75	-	-	-	-	-	-
4029	12.09.2006	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
УКР-517ДЕП	01.04.2015	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
УКР-670ДЕП	11.09.2015	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1726	16.11.2016	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
№1726	16.11.2016	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
УКР-ДОН-6171	21.12.2016	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
УКР-ДОН-6217	24.04.2017	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
№94/ІФ/49/д-18	09.02.2018	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
239/ЛВ/49д-18	12.04.2018	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00



Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Accrued in 2018, according to state agencies	Initial data of companies			Final data of companies		
				Accrued in 2018	Paid in 2018	Discrepancies in accrued payments	Accrued in 2018	Paid in 2018	Discrepancies in accrued payments
№148/3 К/49д-18	19.10.2018	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
352/пл/42д-19	31.01.2019	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
370/КР/49д-19	21.08.2019	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
724/ВН/49д-19	04.10.2019	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
03.01-10-954 А/Хар	23.08.2016	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
182-Д	11.02.2015	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
УКР №1646/Вол	11.04.2017	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Ukrtransnafta JSC<sup>856</sup></b>									
00319	9.12.2014	13030100	0.32	-	-	-	-	-	-
УКР-1044-09/Львів	23.09.2009	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
УКР 456/НИК	03.09.2015	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
УКР 472А	15.10.2015	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00

<sup>856</sup> The special permits held by the company relate to the extraction of groundwater. The company does not extract minerals covered by the EITI Report and does not have the relevant special permits. The main activity of Ukrtransnafta JSC according to NACE-2010 is 'Pipeline Transport' (class 49.50). In view of this, the adjustment of the rent payments for the extraction of other minerals of national importance, namely groundwater, by projects was not carried out for this company.



Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Accrued in 2018, according to state agencies	Initial data of companies			Final data of companies		
				Accrued in 2018	Paid in 2018	Discrepancies in accrued payments	Accrued in 2018	Paid in 2018	Discrepancies in accrued payments
<b>Nadra-Geoinvest LLC</b>									
2673	23.12.2004	13030800	125,652.60	125,652.60	120,600.20	0.00	125,652.60	120,600.20	0.00
2673	23.12.2004	13030900	3,754.13	3,754.10	3,938.90	0.03	3,754.10	3,938.90	0.03
4271	06.12.2012	13030700	2,316.55	2,316.50	2,069.80	0.05	2,316.50	2,069.80	0.05
4271	06.12.2012	13030800	13.70	13.70	11.70	0.00	13.70	11.70	0.00
<b>Nordik Private Enterprise</b>									
4689	04.09.2015	13030800	112,515.84	112,515.84	110,522.61	0.00	112,515.84	110,522.61	0.00
<b>Zakhidnadraserwis LLC</b>									
4884	19.01.2018	13030800	4,290.81	4,290.81	3,866.24	0.00	4,290.81	3,866.24	0.00
4779	01.07.2016	13030800	81,157.45	81,157.45	75,618.66	0.00	81,157.45	75,618.66	0.00
4883	19.01.2018	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Stryinaftogaz LLC</b>									
4748	12.04.2017	13030800	100,043.71	99,804.93	99,804.93	238.78	100,043.71	99,804.93	0.00
4748	12.04.2016	13030900	197.23	-	-	197.23	197.23	-	0.00
<b>Systemoilengeryng LLC</b>									
4212	06.09.2019	13030800	244,998.16	222,521.59	222,521.59	22,476.57	244,998.16	222,514.11	0.00
4212	06.09.2019	13030900	32,342.38	30,597.31	30,597.51	1,745.07	32,342.38	30,597.51	0.00
4212	06.09.2019	13030100	0.00	3.13	3.13	(3.13)	3.63	3.13	(3.63)
04.01-10-737 /Xap.	26.12.2015	13030100	0.20	-	-	0.20	0.00	0.00	0.20
03.01-10-1176A/ Xap.	22.05.2017	13030100	0.27	-	-	0.27	0.00	0.00	0.27

Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Accrued in 2018, according to state agencies	Initial data of companies			Final data of companies		
				Accrued in 2018	Paid in 2018	Discrepancies in accrued payments	Accrued in 2018	Paid in 2018	Discrepancies in accrued payments
14/XI/4 9д-17	04.08.2017	13030100	0.27	-	-	0.27	0.00	0.00	0.27
342/XP/ 49д-18	12.06.2018	13030100	2.88	-	-	2.88	0.00	0.00	2.88
<i>Kashtan Petroleum LTD JV</i>									
518	08.05.1996	13030700	109,444.74	109,445.00	107,411.00	(0.26)	109,445.00	107,411.00	(0.26)
518	08.05.1996	13030800	5,262.69	5,263.00	5,021.00	(0.31)	5,263.00	5,021.00	(0.31)
518	08.05.1996	13030100	522.30	522.00	357.00	0.30	522.00	357.00	0.30
<i>Kub-Gaz LLC</i>									
5480	06.02.2012	13030800	205,580.96	205,581.00	201,665.40	(0.04)	205,581.00	201,665.40	(0.04)
5480	06.02.2012	13030900	12,642.27	12,642.30	12,674.30	(0.03)	12,642.30	12,674.30	(0.03)
5506	09.04.2012	13030800	118,207.60	118,207.60	115,956.10	0.00	118,207.60	115,956.10	0.00
5506	09.04.2012	13030900	4,851.56	4,851.60	4,863.90	(0.04)	4,851.60	4,863.90	(0.04)
4037	21.01.2005	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5835	30.08.2013	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<i>Naftogazvydobuvannya PrJSC</i>									
3333	31.03.2004	13030800	1,559,135.31	1,559,135.31	1,439,909.95	0.00	1,559,135.31	1,518,386.08	0.00
3333	31.03.2004	13030900	147,739.96	147,739.96	148,052.33	0.00	147,739.96	148,052.33	0.00
5965	23.07.2014	13030900	2,200.92	2,200.92	2,219.07	0.00	2,200.92	2,041.71	0.00
5965	23.07.2014	13030800	280,618.66	280,618.66	275,879.19	0.00	280,618.66	253,983.12	0.00
0472/ Пол	25.05.2015	13030100	4.19	-	-	4.19	3.35	3.35	0.84
0473/ Пол	27.05.2015	13030100	6.26	-	-	6.26	7.13	7.13	(0.87)

Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Accrued in 2018, according to state agencies	Initial data of companies			Final data of companies		
				Accrued in 2018	Paid in 2018	Discrepancies in accrued payments	Accrued in 2018	Paid in 2018	Discrepancies in accrued payments
0474/ Пол	27.05.2015	13030100	4.97	-	-	4.97	4.30	4.30	0.67
3333	31.03.2004	13030100	0,00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Energija-95 LLC</b>									
5640	18.09.2012	13030800	126,834.71	126,834.70	130,094.10	0.01	126,834.70	130,094.10	0.01
5640	18.09.2012	13030900	4,859.43	4,859.40	5,066.50	0.03	4,859.40	5,066.50	0.03
<b>Persha ukraininska gazonaftova kompaniia LLC</b>									
5400	25.10.2011	13030700	719.42	719.00	719.00	0.42	719.42	719.42	0.00
5401	26.10.2011	13030800	196,625.89	195,865.00	195,865.00	760.89	196,625.89	195,842.51	0.00
5401	26.10.2011	13030900	4,894.49	5,080.00	5,080.00	(185.51)	4,894.49	5,077.92	0.00
5401	26.10.2011	13030100	0.64	1.00	1.00	(0.36)	1.30	0.13	(0.66)
5450	30.12.2011	13030800	28,197.43	26,670.00	26,670.00	1,527.43	28,197.43	26,670.00	0.00
5450	30.12.2011	13030900	2,904.41	2,924.00	2,924.00	(19.59)	2,904.41	2,924.45	0.00
5450	30.12.2011	13030100	0.16	1.00	1.00	(0.84)	0.64	1.00	(0.48)
5449	29.12.2011	13030800	0.00	8.00	8.00	(8.00)	0.00	8.26	0.00
<b>Joint Venture Ukrkarpatoil LTD LLC</b>									
310	27.07.1995	13030700	78,441.48	220,160.12	204,215.70	(141,718.64)	220,160.12	205,456.40	(141,718.64)
310	27.07.1995	13030800	24,322.63	73,479.42	66,356.31	(49,156.79)	73,479.42	66,356.31	(49,156.79)
310	27.07.1995	13030100	2,443.15	2,443.00	1,541.00	0.15	2,443.15	2,018.78	0.00
<b>Vydobuvna kompaniia Ukrnaftoburinnia PrJSC</b>									
5139	05.02.2010	13030800	1,273,459.95	1,215,814.71	1,215,814.71	57,645.24	1,273,459.95	1,215,814.71	0.00
5139	05.02.2010	13030700	55,458.08	56,420.47	56,420.47	(962.40)	55,458.08	56,420.47	0.00
5139	05.02.2010	13030900	380,427.47	368,877.81	368,877.81	11,549.66	380,427.47	368,877.81	0.00
5139	05.02.2010	13030100	117.76	156.76	156.76	(38.99)	117.76	156.76	0.00
6349	10.07.2017	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00



Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Accrued in 2018, according to state agencies	Initial data of companies			Final data of companies		
				Accrued in 2018	Paid in 2018	Discrepancies in accrued payments	Accrued in 2018	Paid in 2018	Discrepancies in accrued payments
<i>Ukrnafta PJSC</i>									
1622	27.10.1998	13030700	60,190.18	62,361.00	62,361.00	(2,170.82)	60,190.18	60,190.18	0.00
1622	27.10.1998	13030800	4,468.74	4,453.00	4,453.00	15.74	4,468.74	4,468.74	0.00
1563	31.08.1998	13030700	122,094.34	123,499.00	123,499.00	(1,404.66)	122,094.34	122,094.34	0.00
1563	31.08.1998	13030800	2,718.36	2,670.00	2,670.00	48.36	2,718.36	2,718.36	0.00
1596	05.10.1998	13030700	43,075.76	43,925.00	43,925.00	(849.24)	43,075.76	43,075.76	0.00
1596	05.10.1998	13030800	7,468.01	7,389.00	7,389.00	79.01	7,468.01	7,468.01	0.00
2034	11.11.1999	13030700	7,620.95	8,059.00	8,059.00	(438.05)	7,620.95	7,620.95	0.00
2034	11.11.1999	13030800	2,025.02	2,067.00	2,067.00	(41.98)	2,025.02	2,025.02	0.00
1597	05.10.1998	13030700	49,341.40	48,406.00	48,406.00	935.40	49,341.40	49,341.40	0.00
1597	05.10.1998	13030800	27,080.68	26,273.00	26,273.00	807.68	27,080.68	27,080.68	0.00
1597	05.10.1998	13030900	17,988.69	17,833.00	17,833.00	155.69	17,988.69	17,988.69	0.00
2089	24.12.1999	13030700	6,919.07	7,201.00	7,201.00	(281.93)	6,919.07	6,919.07	0.00
2089	24.12.1999	13030800	236.79	226.00	226.00	10.79	236.79	236.79	0.00
1439	22.06.1998	13030700	40,629.57	41,174.00	41,174.00	(544.43)	40,629.57	40,629.57	0.00
1439	22.06.1998	13030800	182.24	179.00	179.00	3.24	182.24	182.24	0.00
2031	11.11.1999	13030700	106,695.47	109,128.00	109,128.00	(2,432.53)	106,695.47	106,695.47	0.00
2031	11.11.1999	13030800	11,471.94	11,102.00	11,102.00	369.94	11,471.94	11,471.94	0.00
1621	27.10.1998	13030700	7,445.77	7,208.00	7,208.00	237.77	7,445.77	7,445.77	0.00
1621	27.10.1998	13030800	170.46	156.00	156.00	14.46	170.46	170.46	0.00
2033	11.11.1999	13030800	29.44	89.00	89.00	(59.56)	29.44	29.44	0.00
1736	05.02.1999	13030700	23,932.46	23,688.00	23,688.00	244.46	23,932.46	23,932.46	0.00
1736	05.02.1999	13030800	1,409.22	1,296.00	1,296.00	113.22	1,409.22	1,409.22	0.00
2090	24.12.1999	13030700	202,462.15	203,010.00	203,010.00	(547.85)	202,462.15	202,462.15	0.00
2090	24.12.1999	13030800	8,499.16	8,136.00	8,136.00	363.16	8,499.16	8,499.16	0.00
1277	26.03.1998	13030700	4,123.32	4,400.00	4,400.00	(276.68)	4,123.32	4,123.32	0.00

Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Accrued in 2018, according to state agencies	Initial data of companies			Final data of companies		
				Accrued in 2018	Paid in 2018	Discrepancies in accrued payments	Accrued in 2018	Paid in 2018	Discrepancies in accrued payments
1277	26.03.1998	13030800	61,215.26	61,072.00	61,072.00	143.26	61,215.26	61,215.26	0.00
1277	26.03.1998	13030900	13,137.33	13,553.00	13,553.00	(415.67)	13,137.33	13,137.33	0.00
2032	11.11.1999	13030800	5,747.79	5,949.00	5,949.00	(201.21)	5,747.79	5,747.79	0.00
2032	11.11.1999	13030900	1,063.82	1,048.00	1,048.00	15.82	1,063.82	1,063.82	0.00
2139	21.02.2000	13030700	146,024.68	143,863.00	143,863.00	2,161.68	146,024.68	146,024.68	0.00
2139	21.02.2000	13030800	104,770.50	103,748.00	103,748.00	1,022.50	104,770.50	104,770.50	0.00
2139	21.02.2000	13030900	6,675.57	6,655.00	6,655.00	20.57	6,675.57	6,675.57	0.00
1671	17.11.1998	13030800	13,358.59	13,153.00	13,153.00	205.59	13,358.59	13,358.59	0.00
1671	17.11.1998	13030900	2,837.21	3,045.00	3,045.00	(207.79)	2,837.21	2,837.21	0.00
2142	23.02.2000	13030700	10,076.36	10,457.00	10,457.00	(380.65)	10,076.36	10,076.36	(0.01)
2142	23.02.2000	13030800	644.56	627.00	627.00	17.56	644.56	644.56	0.00
1637	12.11.1998	13030700	9,301.06	9,485.00	9,485.00	(183.94)	9,301.06	9,301.06	0.00
1669	17.11.1998	13030800	67,566.50	57,696.00	57,696.00	9,870.50	67,566.50	67,566.50	0.00
1669	17.11.1998	13030900	29,735.23	25,665.00	25,665.00	4,070.23	29,735.23	29,735.23	0.00
2061	21.12.1999	13030700	2,061.70	1,943.00	1,943.00	118.70	2,061.70	2,061.70	0.00
2061	21.12.1999	13030800	59.14	60.00	60.00	(0.86)	59.14	59.14	0.00
2181	23.03.2000	13030700	1,470.62	1,482.00	1,482.00	(11.38)	1,470.62	1,470.62	0.00
2181	23.03.2000	13030800	2,673.49	2,264.00	2,264.00	409.49	2,673.49	2,673.49	0.00
1825	05.04.1999	13030700	101.47	107.00	107.00	(5.53)	101.47	101.47	0.00
1825	05.04.1999	13030800	4.20	4.00	4.00	0.20	4.20	4.20	0.00
1685	07.12.1998	13030700	2,489.84	28,314.00	28,314.00	(25,824.16)	28,615.51	28,615.51	(26,125.67)
1685	07.12.1998	13030800	1,428.08	8,324.00	8,324.00	(6,895.92)	8,636.44	8,636.44	(7,208.36)
5243	14.12.2010	13030700	38,958.13	38,926.00	38,926.00	32.13	38,958.13	38,958.13	0.00
5243	14.12.2010	13030800	14,876.60	13,203.00	13,203.00	1,673.60	14,876.60	14,876.60	0.00
5243	14.12.2010	13030900	2,630.19	2,991.00	2,991.00	(360.81)	2,630.19	2,630.19	0.00
3348	20.07.2004	13030800	510,242.30	493,408.00	493,408.00	16,834.30	510,242.30	510,242.30	0.00



Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Accrued in 2018, according to state agencies	Initial data of companies			Final data of companies		
				Accrued in 2018	Paid in 2018	Discrepancies in accrued payments	Accrued in 2018	Paid in 2018	Discrepancies in accrued payments
3348	20.07.2004	13030900	44,356.28	45,106.00	45,106.00	(749.72)	44,356.28	44,356.28	0.00
1826	05.04.1999	13030700	2,409.33	2,360.00	2,360.00	49.33	2,409.33	2,409.33	0.00
1826	05.04.1999	13030800	2.78	3.00	3.00	(0.22)	2.78	2.78	0.00
5247	16.12.2010	13030800	734.77	590.00	590.00	144.77	734.77	734.77	0.00
5247	16.12.2010	13030900	4.34	0.00	0.00	4.34	4.34	4.34	0.00
1434	16.06.1998	13030700	4,329.28	49,703.00	49,703.00	(45,373.72)	48,318.34	48,318.34	(43,989.06)
1434	16.06.1998	13030800	2,775.41	12,082.00	12,082.00	(9,306.59)	13,005.82	13,005.82	(10,230.41)
1434	16.06.1998	13030900	0.00	4.00	4.00	(4.00)	0.00	0.00	0.00
1643	12.11.1998	13030800	117,560.01	113,582.00	113,582.00	3,978.01	117,560.01	117,560.01	0.00
1643	12.11.1998	13030900	46,151.49	0.00	0.00	46,151.49	46,151.49	46,151.49	0.00
2727	06.06.2002	13030700	3,239.74	3,270.00	3,270.00	(30.26)	3,239.74	3,239.74	0.00
2727	06.06.2002	13030800	3,891.75	3,702.00	3,702.00	189.75	3,891.75	3,891.75	0.00
944	27.06.1997	13030700	604,422.94	610,766.00	610,766.00	(6,343.06)	604,422.94	604,422.94	0.00
944	27.06.1997	13030800	187,938.88	184,361.00	184,361.00	3,577.88	187,938.88	187,938.88	0.00
945	27.06.1997	13030700	88,579.60	88,830.00	88,830.00	(250.40)	88,579.60	88,579.60	0.00
945	27.06.1997	13030800	31,765.62	31,078.00	31,078.00	687.62	31,765.62	31,765.62	0.00
945	27.06.1997	13030900	45,605.16	50,022.00	50,022.00	(4,416.84)	45,605.16	45,605.16	0.00
1511	28.07.1998	13030700	1,160,027.95	1,172,286.00	1,172,286.00	(12,258.05)	1,160,027.95	1,160,027.95	0.00
1511	28.07.1998	13030800	58,103.54	56,207.00	56,207.00	1,896.54	58,103.54	58,103.54	0.00
2088	24.12.1999	13030700	107,742.30	107,822.00	107,822.00	(79.70)	107,742.30	107,742.30	0.00
2088	24.12.1999	13030800	48,572.97	47,462.00	47,462.00	1,110.97	48,572.97	48,572.97	0.00
2088	24.12.1999	13030900	6,502.21	6,509.00	6,509.00	(6.79)	6,502.21	6,502.21	0.00
2795	16.10.2002	13030700	23,531.51	24,335.00	24,335.00	(803.49)	23,531.51	23,531.51	0.00
2795	16.10.2002	13030800	1,625.30	1,609.00	1,609.00	16.30	1,625.30	1,625.30	0.00
1075	23.09.1997	13030800	12,826.42	13,093.00	13,093.00	(266.58)	12,826.42	12,826.42	0.00
1075	23.09.1997	13030900	4,693.34	4,822.00	4,822.00	(128.66)	4,693.34	4,693.34	0.00



Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Accrued in 2018, according to state agencies	Initial data of companies			Final data of companies		
				Accrued in 2018	Paid in 2018	Discrepancies in accrued payments	Accrued in 2018	Paid in 2018	Discrepancies in accrued payments
1562	31.08.1998	13030700	140,322.66	143,947.00	143,947.00	(3,624.34)	140,322.66	140,322.66	0.00
1562	31.08.1998	13030800	41,359.57	40,296.00	40,296.00	1,063.57	41,359.57	41,359.57	0.00
1562	31.08.1998	13030900	1,594.55	1,608.00	1,608.00	(13.45)	1,594.55	1,594.55	0.00
1038	12.08.1997	13030700	65,695.26	65,700.00	65,700.00	(4.74)	65,695.26	65,695.26	0.00
1038	12.08.1997	13030800	8,607.80	8,259.00	8,259.00	348.80	8,607.80	8,607.80	0.00
946	27.06.1997	13030700	46,889.08	51,710.00	51,710.00	(4,820.92)	46,889.08	46,889.08	0.00
946	27.06.1997	13030800	9,025.48	10,286.00	10,286.00	(1,260.52)	9,025.48	9,025.48	0.00
1074	23.09.1997	13030700	36,684.65	35,984.00	35,984.00	700.65	36,684.65	36,684.65	0.00
1074	23.09.1997	13030800	7,161.82	6,173.00	6,173.00	988.82	7,161.82	7,161.82	0.00
1074	23.09.1997	13030900	35.71	0.00	0.00	35.71	35.71	35.71	0.00
1268	10.03.1998	13030700	24,544.06	23,277.00	23,277.00	1,267.06	24,544.06	24,544.06	0.00
1268	10.03.1998	13030800	1,050.28	979.00	979.00	71.28	1,050.28	1,050.28	0.00
1773	16.03.1999	13030700	88,660.82	82,883.00	82,883.00	5,777.82	88,660.82	88,660.82	0.00
1773	16.03.1999	13030800	46,598.07	44,811.00	44,811.00	1,787.07	46,598.07	46,598.07	0.00
1773	16.03.1999	13030900	8,433.99	8,869.00	8,869.00	(435.01)	8,433.99	8,433.99	0.00
914	09.06.1997	13030700	16,027.54	16,440.00	16,440.00	(412.46)	16,027.54	16,027.54	0.00
914	09.06.1997	13030800	36,115.24	36,186.00	36,186.00	(70.76)	36,115.24	36,115.24	0.00
914	09.06.1997	13030900	24,894.00	23,925.00	23,925.00	969.00	24,894.00	24,894.00	0.00
947	27.06.1997	13030700	115,236.52	110,255.00	110,255.00	4,981.52	115,236.52	115,236.52	0.00
947	27.06.1997	13030800	113,301.36	113,041.00	113,041.00	260.36	113,301.36	113,301.36	0.00
947	27.06.1997	13030900	4,322.78	4,392.00	4,392.00	(69.22)	4,322.78	4,322.78	0.00
2091	24.12.1999	13030700	36,846.65	38,780.00	38,780.00	(1,933.35)	36,846.65	36,846.65	0.00
2091	24.12.1999	13030800	3,350.13	3,339.00	3,339.00	11.13	3,350.13	3,350.13	0.00
1266	10.03.1998	13030700	541.93	665.00	665.00	(123.07)	541.93	541.93	0.00
1266	10.03.1998	13030800	32.95	44.00	44.00	(11.05)	32.95	32.95	0.00
2224	16.08.2000	13030700	37,767.41	39,194.00	39,194.00	(1,426.59)	37,767.41	37,767.41	0.00



Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Accrued in 2018, according to state agencies	Initial data of companies			Final data of companies		
				Accrued in 2018	Paid in 2018	Discrepancies in accrued payments	Accrued in 2018	Paid in 2018	Discrepancies in accrued payments
2224	16.08.2000	13030800	6,645.58	6,650.00	6,650.00	(4.42)	6,645.58	6,645.58	0.00
2060	21.12.1999	13030800	3,727.18	3,609.00	3,609.00	118.18	3,727.18	3,727.18	0.00
2060	21.12.1999	13030900	243.28	230.00	230.00	13.28	243.28	243.28	0.00
1347	30.04.1998	13030700	543,284.89	540,816.00	540,816.00	2,468.89	543,284.89	543,284.89	0.00
1347	30.04.1998	13030800	147,430.79	142,978.00	142,978.00	4,452.79	147,430.79	147,430.79	0.00
3347	20.07.2004	13030700	181,953.52	180,230.00	180,230.00	1,723.52	181,953.52	181,953.52	0.00
3347	20.07.2004	13030800	42,327.25	41,062.00	41,062.00	1,265.25	42,327.25	42,327.25	0.00
1857	26.04.1999	13030700	1,722.41	1,781.00	1,781.00	(58.59)	1,722.41	1,722.41	0.00
1857	26.04.1999	13030800	756.84	752.00	752.00	4.84	756.84	756.84	0.00
1388	25.05.1998	13030700	91,582.88	92,627.00	92,627.00	(1,044.12)	91,582.88	91,582.88	0.00
1388	25.05.1998	13030800	25,872.66	25,156.00	25,156.00	716.66	25,872.66	25,872.66	0.00
1362	13.05.1998	13030700	121,977.09	122,732.00	122,732.00	(754.91)	121,977.09	121,977.09	0.00
1362	13.05.1998	13030800	33,663.38	32,561.00	32,561.00	1,102.38	33,663.38	33,663.38	0.00
1869	30.04.1999	13030700	8,056.49	8,209.00	8,209.00	(152.51)	8,056.49	8,056.49	0.00
1869	30.04.1999	13030800	17,311.23	16,337.00	16,337.00	974.23	17,311.23	17,311.23	0.00
1869	30.04.1999	13030900	912.14	887.00	887.00	25.14	912.14	912.14	0.00
2729	06.06.2002	13030700	3,064.24	2,913.00	2,913.00	151.24	3,064.24	3,064.24	0.00
2729	06.06.2002	13030800	940.50	852.00	852.00	88.50	940.50	940.50	0.00
2238	07.09.2000	13030700	35,097.61	33,212.00	33,212.00	1,885.61	35,097.61	35,097.61	0.00
2238	07.09.2000	13030800	9,250.81	9,268.00	9,268.00	(17.19)	9,250.81	9,250.81	0.00
1273	10.03.1998	13030700	29,020.38	29,604.00	29,604.00	(583.62)	29,020.38	29,020.38	0.00
1273	10.03.1998	13030800	25,645.10	25,913.00	25,913.00	(267.90)	25,645.10	25,645.10	0.00
2225	16.08.2000	13030800	8,582.56	7,550.00	7,550.00	1,032.56	8,582.56	8,582.56	0.00
2794	16.10.2002	13030700	4,844.28	4,932.00	4,932.00	(87.72)	4,844.28	4,844.28	0.00
2794	16.10.2002	13030800	810.42	878.00	878.00	(67.58)	810.42	810.42	0.00
1269	10.03.1998	13030700	42,189.54	41,833.00	41,833.00	356.54	42,189.54	42,189.54	0.00



Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Accrued in 2018, according to state agencies	Initial data of companies			Final data of companies		
				Accrued in 2018	Paid in 2018	Discrepancies in accrued payments	Accrued in 2018	Paid in 2018	Discrepancies in accrued payments
1269	10.03.1998	13030800	22,142.86	21,511.00	21,511.00	631.86	22,142.86	22,142.86	0.00
5246	16.12.2010	13030700	106,453.97	106,910.00	106,910.00	(456.03)	106,453.97	106,453.97	0.00
5246	16.12.2010	13030800	45,543.92	44,389.00	44,389.00	1,154.92	45,543.92	45,543.92	0.00
5246	16.12.2010	13030900	1,283.02	1,340.00	1,340.00	(56.98)	1,283.02	1,283.02	0.00
4387	25.09.2007	13030800	30,515.91	31,414.00	31,414.00	(898.09)	30,515.91	30,515.91	0.00
4387	25.09.2007	13030900	181.93	130.00	130.00	51.93	181.93	181.93	0.00
2177	23.03.2000	13030700	12,309.87	11,831.00	11,831.00	478.87	12,309.87	12,309.87	0.00
2177	23.03.2000	13030800	100,739.25	97,243.00	97,243.00	3,496.25	100,739.25	100,739.25	0.00
2177	23.03.2000	13030900	2,529.37	2,595.00	2,595.00	(65.63)	2,529.37	2,529.37	0.00
2308	13.11.2000	13030700	15,304.90	14,850.00	14,850.00	454.90	15,304.90	15,304.90	0.00
2308	13.11.2000	13030800	5,625.25	5,491.00	5,491.00	134.25	5,625.25	5,625.25	0.00
2397	26.03.2001	13030700	5,335.76	5,119.00	5,119.00	216.76	5,335.76	5,335.76	0.00
2397	26.03.2001	13030800	918.10	857.00	857.00	61.10	918.10	918.10	0.00
1222	26.01.1998	13030800	21,531.63	20,736.00	20,736.00	795.63	21,531.63	21,531.63	0.00
2268	10.10.2000	13030700	5,600.26	5,547.00	5,547.00	53.26	5,600.26	5,600.26	0.00
2268	10.10.2000	13030800	883.09	852.00	852.00	31.09	883.09	883.09	0.00
1757	22.02.1999	13030700	99,447.31	100,062.00	100,062.00	(614.69)	99,447.31	99,447.31	0.00
1757	22.02.1999	13030800	34,382.83	32,501.00	32,501.00	1,881.83	34,382.83	34,382.83	0.00
4255	14.05.2007	13030700	229,436.22	229,886.00	229,886.00	(449.78)	229,436.22	229,436.22	0.00
4255	14.05.2007	13030800	25,380.80	24,717.00	24,717.00	663.80	25,380.80	25,380.80	0.00
832	31.03.1997	13030700	17,504.34	18,701.00	18,701.00	(1,196.66)	17,504.34	17,504.34	0.00
832	31.03.1997	13030800	3,744.46	3,589.00	3,589.00	155.46	3,744.46	3,744.46	0.00
1670	17.11.1998	13030700	5,484.22	5,517.00	5,517.00	(32.78)	5,484.22	5,484.22	0.00
1670	17.11.1998	13030800	68.34	69.00	69.00	(0.66)	68.34	68.34	0.00
2075	22.12.1999	13030700	7,150.58	7,332.00	7,332.00	(181.42)	7,150.58	7,150.58	0.00
2075	22.12.1999	13030800	711.19	695.00	695.00	16.19	711.19	711.19	0.00



Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Accrued in 2018, according to state agencies	Initial data of companies			Final data of companies		
				Accrued in 2018	Paid in 2018	Discrepancies in accrued payments	Accrued in 2018	Paid in 2018	Discrepancies in accrued payments
2086	24.12.1999	13030700	13,159.82	13,571.00	13,571.00	(411.18)	13,159.82	13,159.82	0.00
2086	24.12.1999	13030800	2,745.93	2,796.00	2,796.00	(50.07)	2,745.93	2,745.93	0.00
1278	26.03.1998	13030700	41,771.68	42,380.00	42,380.00	(608.32)	41,771.68	41,771.68	0.00
1278	26.03.1998	13030800	9,922.92	9,864.00	9,864.00	58.92	9,922.92	9,922.92	0.00
1714	25.12.1998	13030700	104,435.68	106,167.00	106,167.00	(1,731.32)	104,435.68	104,435.68	0.00
1714	25.12.1998	13030800	6,975.01	6,959.00	6,959.00	16.01	6,975.01	6,975.01	0.00
2200	30.03.2000	13030700	1,015.47	1,010.00	1,010.00	5.47	1,015.47	1,015.47	0.00
2223	16.08.2000	13030700	1,259.10	1,259.00	1,259.00	0.10	1,259.10	1,259.10	0.00
518	08.05.1996	13030100	52.59	-	-	52.59	52.59	52.59	0.00
947	27.06.1997	13030100	554.36	-	-	554.36	554.36	554.36	0.00
1038	12.08.1997	13030100	379.32	-	-	379.32	379.32	379.32	0.00
1074	23.09.1997	13030100	108.16	-	-	108.16	108.16	108.16	0.00
944	23.09.1997	13030100	2,249.18	-	-	2,249.18	2,249.18	2,249.18	0.00
1273	10.03.1998	13030100	61.07	-	-	61.07	61.07	61.07	0.00
1511	28.07.1998	13030100	5,979.50	-	-	5,979.50	5,979.50	5,979.50	0.00
1562	31.08.1998	13030100	202.43	-	-	202.43	202.43	202.43	0.00
1563	31.08.1998	13030100	1.17	-	-	1.17	1.17	1.17	0.00
1773	16.03.1999	13030100	28.41	-	-	28.41	28.41	28.41	0.00
2031	11.11.1999	13030100	910.03	-	-	910.03	910.03	910.03	0.00
2034	11.11.1999	13030100	2.77	-	-	2.77	2.77	2.77	0.00
2090	24.12.1999	13030100	301.68	-	-	301.68	301.68	301.68	0.00
2139	21.02.2000	13030100	4,523.07	-	-	4,523.07	4,523.07	4,523.07	0.00
2794	16.10.2002	13030100	47.98	-	-	47.98	47.98	47.98	0.00
2795	16.10.2002	13030100	96.17	-	-	96.17	96.17	96.17	0.00
1439	07.08.2012	13030100	1.82	-	-	1.82	1.82	1.82	0.00
1596	07.08.2012	13030100	54.80	-	-	54.80	54.80	54.80	0.00

Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Accrued in 2018, according to state agencies	Initial data of companies			Final data of companies		
				Accrued in 2018	Paid in 2018	Discrepancies in accrued payments	Accrued in 2018	Paid in 2018	Discrepancies in accrued payments
1597	07.08.2012	13030100	1.85	-	-	1.85	1.85	1.85	0.00
1622	07.08.2012	13030100	49.50	-	-	49.50	49.50	49.50	0.00
2033	07.08.2012	13030100	4.63	-	-	4.63	4.63	4.63	0.00
4613	11.12.2014	13030100	0.19	-	-	0.19	0.19	0.19	0.00
0400/ Пол	12.03.2015	13030100	8.52	-	-	8.52	8.52	8.52	0.00
Укр 328 Ф\Чрн	07.08.2015	13030100	0.47	-	-	0.47	0.47	0.47	0.00
4683	20.08.2015	13030100	1.32	-	-	1.32	1.32	1.32	0.00
513/Вол	26.08.2015	13030100	0.07	-	-	0.07	0.07	0.07	0.00
00493	18.09.2015	13030100	1.09	-	-	1.09	1.09	1.09	0.00
205016	30.12.2015	13030100	5.77	-	-	5.77	5.77	5.77	0.00
634/Вол	16.02.2016	13030100	0.08	-	-	0.08	0.08	0.08	0.00
1621/ Вол	15.06.2016	13030100	0.07	-	-	0.07	0.07	0.07	0.00
УКР073 4СУМ	10.08.2016	13030100	11.48	-	-	11.48	11.48	11.48	0.00
УКР- 2027 "А"/ТЕР	08.09.2016	13030100	0.01	-	-	0.01	0.01	0.01	0.00
961/Вол	26.10.2016	13030100	0.07	-	-	0.07	0.07	0.07	0.00
962/Вол	26.10.2016	13030100	0.07	-	-	0.07	0.07	0.07	0.00
963/Вол	26.10.2016	13030100	0.07	-	-	0.07	0.07	0.07	0.00
Укр№56 9А/Чрн	02.11.2016	13030100	69.43	-	-	69.43	69.43	69.43	0.00
735/Вол	27.12.2016	13030100	0.07	-	-	0.07	0.07	0.07	0.00
Укр- 681-Киє	03.03.2017	13030100	0.03	-	-	0.03	0.03	0.03	0.00

Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Accrued in 2018, according to state agencies	Initial data of companies			Final data of companies		
				Accrued in 2018	Paid in 2018	Discrepancies in accrued payments	Accrued in 2018	Paid in 2018	Discrepancies in accrued payments
Укр-682-Киє	03.03.2017	13030100	0.03	-	-	0.03	0.03	0.03	0.00
1961	27.03.2017	13030100	0.06	-	-	0.06	0.06	0.06	0.00
93/22	28.03.2017	13030100	0.03	-	-	0.03	0.03	0.03	0.00
94,5	28.03.2017	13030100	0.02	-	-	0.02	0.02	0.02	0.00
95/8	28.03.2017	13030100	0.03	-	-	0.03	0.03	0.03	0.00
96/13	28.03.2017	13030100	0.02	-	-	0.02	0.02	0.02	0.00
106/19	10.04.2017	13030100	0.09	-	-	0.09	0.09	0.09	0.00
112/11	19.04.2017	13030100	0.02	-	-	0.02	0.02	0.02	0.00
1267	10.03.1998	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1435	16.06.1998	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1438	22.06.1998	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1703	22.12.1998	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1858	26.04.1999	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1859	26.04.1999	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2087	24.12.1999	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Accrued in 2018, according to state agencies	Initial data of companies			Final data of companies		
				Accrued in 2018	Paid in 2018	Discrepancies in accrued payments	Accrued in 2018	Paid in 2018	Discrepancies in accrued payments
2749	16.10.2002	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4049	4.10.2006	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00
832	31.03.1997	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1222	26.01.1998	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1269	10.03.1998	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1278	26.03.1998	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1347	30.04.1998	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1362	13.05.1998	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1388	25.05.1998	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1670	17.11.1998	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1714	25.12.1998	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1757	22.02.1999	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2075	22.12.1999	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2177	23.03.2000	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2200	30.03.2000	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2223	16.08.2000	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2238	07.09.2000	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2308	13.11.2000	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2397	26.03.2001	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3347	20.07.2004	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4255	14.05.2007	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4387	29.09.2007	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2086	24.12.2009	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Accrued in 2018, according to state agencies	Initial data of companies			Final data of companies		
				Accrued in 2018	Paid in 2018	Discrepancies in accrued payments	Accrued in 2018	Paid in 2018	Discrepancies in accrued payments
5246	16.12.2010	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4200A/ЧРН	03.09.2012	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0384/Пол	03.03.2015	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
00539	01.09.2015	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Укр936-А-Ів-Фр	25.03.2016	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
УКР070 9СУМ	20.07.2016	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
УКР-2028 "А"/ ТЕР	08.09.2016	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
УКР-2029 "А"/ ТЕР	08.09.2016	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
УКР-2031 "А"/ ТЕР	08.09.2016	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
00274	17.10.2016	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
216/ТП/49Д-18	02.03.2018	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
479/СМ/49Д-19	15.05.2019	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
499/ХС/49Д-19	16.05.2019	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Energy Service Company Esco-Pivnich LLC</b>									
5318	13.01.2011	13030700	27,909.37	27,909.37	25,341.17	0.00	27,909.37	25,341.17	0.00

Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Accrued in 2018, according to state agencies	Initial data of companies			Final data of companies		
				Accrued in 2018	Paid in 2018	Discrepancies in accrued payments	Accrued in 2018	Paid in 2018	Discrepancies in accrued payments
5318	13.01.2011	13030800	299,650.20	299,650.20	288,170.82	0.00	299,650.20	288,170.82	0.00
5318	13.01.2011	13030900	225,514.37	225,514.37	228,360.66	0.00	225,514.37	228,360.66	0.00
5360	13.01.2011	13030800	668,955.93	668,955.93	684,413.98	0.00	668,955.93	684,413.98	0.00
5360	13.01.2011	13030900	48,649.46	48,649.46	53,115.50	0.00	48,649.46	53,115.50	0.00
4096	16.02.2012	13030800	19,543.68	18,748.04	15,724.96	795.64	19,543.68	15,724.96	0.00
4096	16.02.2012	13030900	32,445.35	31,950.73	25,918.17	494.62	32,445.35	25,918.17	0.00
4095	16.02.2012	13030800	18,858.26	18,858.26	17,802.28	0.00	18,858.26	17,802.28	0.00
4178	04.07.2012	13030800	469.98	1,222.81	1,009.63	(752.83)	469.98	1,009.63	0.00
4178	04.07.2012	13030900	70.74	560.45	249.89	(489.71)	70.74	249.89	0.00
4095	16.02.2012	13030900	605.89	605.89	605.89	0.00	605.89	605.89	0.00
5395	8.09.2011	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4177	4.07.2012	13030700, 13030800, 13030900	0.00	0.00	0.00	0.00	0.00	0.00	0.00



## Reconciliation results of production royalty by projects (special permits) in 2018 (metal ores mining), UAH thousand

Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Accrued in 2018, according to state agencies	Initial data of companies			Final data of companies		
				Accrued in 2018	Paid in 2018	Discrepancies in accrued payments	Accrued in 2018	Paid in 2018	Discrepancies in accrued payments
<b>Northern Iron Ore Enrichment Works PrJSC</b>									
1118	21.10.1997	13030100	152,705.64	312,602.00	307,242.00	(159,896.36)	312,602.00	307,242.00	(159,896.36)
1119	21.10.1997	13030100	93,206.86	179,671.00	172,673.00	(86,464.14)	179,671.00	172,673.00	(86,464.14)
4036	25.09.2006	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Ingulets Iron Ore Enrichment Works PrJSC</b>									
1932	14.07.1999	13030100	464,838.23	437,239.00	437,239.00	27,599.23	464,855.23	437,238.80	(17.00)
<b>Central Iron Ore Enrichment Works PrJSC</b>									
2437	11.04.2001	13030100	65,005.69	-	-	65,005.69	65,005.69	58,579.71	0.00
2438	11.04.2001	13030100	153,759.89	-	-	153,759.89	153,759.89	151,189.95	0.00
2439	11.04.2001	13030100	131,589.13	-	-	131,589.13	131,589.13	120,697.18	0.00
165	16.09.2014	13030100	0.28	-	-	0.28	0.28	0.26	0.00
2582	23.11.2001	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
389/ KP/49д19	10.09.2019	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Southern Mining Factory JSC</b>									
585	29.07.1996	13030100	218,965.57	218,965.57	210,753.08	0.00	218,965.57	210,753.08	0.00
<b>ArcelorMittal Kryvyi Rih PJSC</b>									
4482	01.11.2007	13030100	79,648.69	81,646.00	21,576.00	(1,997.31)	81,646.34	21,575.80	(1,997.65)
4483	01.11.2007	13030100	110,317.58	107,239.00	26,892.00	3,078.58	107,238.71	26,892.30	3,078.87
4451	23.10.2007	13030100	22,275.16	69,708.00	69,708.00	(47,432.84)	69,708.26	69,708.26	(47,433.10)
4494	11.08.2007	13030100	25.68	-	-	25.68	25.46	43.96	0.22
<b>Krivoj Rog`s Iron-Ore Combine PJSC</b>									
2556	12.10.2001	13030100	10,835.51	65,269.47	65,269.47	(54,433.97)	65,269.47	65,269.47	(54,433.97)
2558	15.12.2001	13030100	14,347.13	94,499.93	94,499.93	(80,152.80)	94,499.93	94,499.93	(80,152.80)
2557	15.12.2001	13030100	23,114.81	70,034.64	70,034.64	(46,919.83)	70,034.64	70,034.64	(46,919.83)

Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Accrued in 2018, according to state agencies	Initial data of companies			Final data of companies		
				Accrued in 2018	Paid in 2018	Discrepancies in accrued payments	Accrued in 2018	Paid in 2018	Discrepancies in accrued payments
2559	15.12.2001	13030100	21,332.05	106,037.72	106,037.72	(84,705.67)	106,037.72	106,037.72	(84,705.67)
5068	10.12.2009	13030100	4.20	-	-	4.20	4.20	4.20	0.00
<b>Ferrexpo Poltava mining PrJSC</b>									
1012	29.07.1997	13030100	342,499.80	283,655.08	283,655.08	58,844.73	283,610.24	283,610.24	58,889.56
16/ПЛ/49д-17	17.08.2017	13030100	44.84	-	-	44.84	44.84	44.84	0.00
2659	20.12.2004	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2660	20.12.2004	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2661	20.12.2004	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2681	28.12.2004	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2682	28.12.2004	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Marganets GZK JSC</b>									
610	16.11.2016	13030100	44,802.24	44,802.20	50,813.00	0.04	44,802.20	50,813.00	0.04
<b>Pokrovskiy GZK JSC</b>									
597	06.08.1996	13030100	85,327.53	114,006.91	114,006.91	(28,679.39)	85,310.45	114,001.16	17.08
<b>The foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC</b>									
4586	11.08.2015	13030100	15,708.63	-	-	15,708.63	19,924.52	17,389.90	(4,215.89)
1571	08.04.2016	13030100	139,882.72	-	-	139,882.72	179,814.32	176,690.21	(39,931.60)
<b>Suha Balka PrJSC</b>									
592	05.08.1996	13030100	121,823.58	121,823.00	117,945.00	0.58	121,823.00	117,945.00	0.58
599	06.08.1996	13030100	72,106.90	72,107.00	68,159.00	(0.10)	72,107.00	68,159.00	(0.10)
<b>Ferrexpo Yeristovo mining LLC</b>									
2768	27.08.2002	13030100	276,611.27	276,611.30	249,707.80	(0.03)	276,611.30	249,707.80	(0.03)
<b>United Mining and Chemical Company JSC</b>									
6028	02.02.2015	13030100	115,161.57	115,202.52	115,202.52	(40.95)	115,202.52	115,202.52	(40.95)
6027	11.02.2015	13030100	26,261.33	26,261.33	26,261.33	0.00	26,261.33	26,261.33	0.00

**Reconciliation results of production royalty by projects (special permits) in 2018 (coal mining), UAH thousand**

Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Accrued in 2018, according to state agencies	Initial data of companies			Final data of companies		
				Accrued in 2018	Paid in 2018	Discrepancies in accrued payments	Accrued in 2018	Paid in 2018	Discrepancies in accrued payments
<b>Myrnohradugol SE</b>									
3110	11.08.2003	13030100	2,218.45	2,280.00	427.00	(61.55)	2,280.00	427.00	(61.55)
3111	11.08.2003	13030100	1,738.57	1,716.00	427.00	22.57	1,716.00	427.00	22.57
3344	13.07.2004	13030100	9,458.41	9,870.00	968.00	(411.59)	9,870.00	968.00	(411.59)
3113	11.08.2003	13030100	823.25	856.00	365.00	(32.75)	856.00	365.00	(32.75)
<b>Pervomayskvuhilla SE</b>									
3194	02.10.2003	13030100	129.09	216.00	5.00	(86.91)	216.00	10.00	(86.91)
3252	16.10.2003	13030100	1,094.73	1,613.00	10.00	(518.27)	1,613.00	15.00	(518.27)
3193	02.10.2003	13030100	2,519.83	3,772.00	20.00	(1,252.17)	3,772.00	15.00	(1,252.17)
3191	02.10.2003	13030100	940.40	1,016.00	5.00	(75.60)	1,016.00	10.00	(75.60)
<b>Toretskvugillya SE</b>									
3754	27.12.2005	13030100	11,070.06	11,358.00	259.00	(287.94)	11,358.00	259.00	(287.94)
3751	27.12.2005	13030100	4,968.27	5,031.00	111.00	(62.73)	5,031.00	111.00	(62.73)
3752	27.12.2005	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3753	27.12.2005	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4821	30.05.2011	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Mine named after M. S. Surgai SE</b>									
3675	09.12.2005	13030100	15,454.46	15,786.00	620.00	(331.54)	15,786.00	620.00	(331.54)
4606	18.12.2007	13030100	212.06	212.00	144.00	0.06	212.00	144.00	0.06
<b>Lysychanskvuhillya PJSC</b>									
3620	29.12.2001	13030100	811.83	-	-	811.83	811.83	-	0.00
3618	29.12.2001	13030100	4,865.08	-	-	4,865.08	4,865.08	-	0.00
3619	29.12.2001	13030100	1,000.38	-	-	1,000.38	1,000.38	-	0.00
4178	27.09.2012	13030100	1,351.93	-	-	1,351.93	1,351.93	-	0.00

Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Accrued in 2018, according to state agencies	Initial data of companies			Final data of companies		
				Accrued in 2018	Paid in 2018	Discrepancies in accrued payments	Accrued in 2018	Paid in 2018	Discrepancies in accrued payments
<b>Shakhtoupravlinnia Pivdenodonbaske No 1 SE</b>									
4059	17.10.2006	13030100	15,058.98	15,218.00	460.00	(159.02)	15,218.00	460.00	(159.02)
<b>Lvivvughiliya SE</b>									
2970	05.05.2003	13030100	2,442.12	-	-	2,442.12	3,194.44	-	(752.32)
3687	09.12.2005	13030100	2,788.96	-	-	2,788.96	3,420.30	-	(631.34)
2971	05.05.2003	13030100	910.45	-	-	910.45	3,226.74	-	(2,316.29)
2968	05.05.2003	13030100	1,425.23	-	-	1,425.23	4,968.16	-	(3,542.93)
3685	09.12.2005	13030100	1,603.30	-	-	1,603.30	5,014.78	-	(3,411.48)
3686	09.12.2005	13030100	2,791.62	-	-	2,791.62	3,237.68	-	(446.06)
2973	05.05.2003	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1383	08.12.2011	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Shakhtoupravlinnia Pokrovske PJSC</b>									
4784	24.11.2008	13030100	129,106.30	129,106.00	119,331.00	0.30	129,106.00	119,331.00	0.30
УКР-ДОН-6077	28.03.2016	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
72/дн/49д18	28.03.2018	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Selydivvuhillia SE</b>									
4778	18.11.2008	13030100	816.35	6,012.00	265.00	(5,195.65)	6,012.00	265.00	(5,195.65)
4781	18.11.2008	13030100	1,140.55	8,838.00	394.00	(7,697.45)	8,838.00	394.00	(7,697.45)
4779	18.11.2008	13030100	935.52	6,111.00	388.00	(5,175.48)	6,111.00	388.00	(5,175.48)
4780	18.11.2008	13030100	2,503.55	-	-	2,503.55	9,741.00	-	(7,237.45)
<b>Bilozerska mine SLC</b>									
4855	21.01.2009	13030100	9,209.77	9,111.00	7,163.50	98.77	9,111.00	7,163.50	98.77
<b>DTEK Pavlogradugol PrJSC</b>									
3559	09.12.2004	13030100	13,239.15	-	-	13,239.15	13,544.19	12,812.39	(305.04)
3560	09.12.2004	13030100	17,494.70	-	-	17,494.70	19,447.84	16,426.24	(1,953.14)

Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Accrued in 2018, according to state agencies	Initial data of companies			Final data of companies		
				Accrued in 2018	Paid in 2018	Discrepancies in accrued payments	Accrued in 2018	Paid in 2018	Discrepancies in accrued payments
3561	09.12.2004	13030100	31,746.94	-	-	31,746.94	33,604.87	29,944.67	(1,857.93)
3562	09.12.2004	13030100	24,619.09	-	-	24,619.09	26,105.44	24,162.94	(1,486.35)
3563	09.12.2004	13030100	16,911.45	-	-	16,911.45	19,880.68	18,541.98	(2,969.23)
3688	09.12.2005	13030100	32,474.09	-	-	32,474.09	40,511.82	38,308.18	(8,037.73)
3689	09.12.2005	13030100	19,507.61	-	-	19,507.61	20,462.74	19,321.94	(955.13)
3690	09.12.2005	13030100	5,709.93	-	-	5,709.93	0.00	0.00	5,709.93
3691	09.12.2005	13030100	21,378.08	-	-	21,378.08	22,081.18	21,165.38	(703.10)
3692	09.12.2005	13030100	23,703.62	-	-	23,703.62	25,754.28	23,640.78	(2,050.66)
4789	24.11.2008	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3035	11.07.2003	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>DTEK Dobropolyeugol LLC</b>									
3034	11.07.2003	13030100	7,444.64	-	-	7,444.64	7,625.15	9,476.14	(180.51)
3037	11.07.2003	13030100	10,106.16	-	-	10,106.16	12,342.77	14,220.69	(2,236.61)
3038	11.07.2003	13030100	13,251.14	-	-	13,251.14	11,461.26	10,437.93	1,789.88
3039	11.07.2003	13030100	5,390.97	-	-	5,390.97	5,328.66	5,952.95	62.31
4514	10.04.2014	13030100	80.75	-	-	80.75	61.90	82.11	18.85
<b>Vuhilna Kompaniia Krasnolymanska SE</b>									
4403	28.09.2007	13030100	728.49	2,503.00	5,512.00	(1,774.51)	2,502.84	7,080.92	(1,774.35)
3316	13.11.2013	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00

## 18.2 Extractive companies` data on land fee<sup>857</sup>

*Data on land fee accrued and paid by the reporting companies of oil and natural gas extraction industry (including transportation) in 2018, provided by companies*

Company name	Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Type of payment	Accrued in 2018, UAH thousand <sup>858</sup>	Paid in 2018, UAH thousand <sup>859</sup>
<b>Total Naftogaz of Ukraine NJSC, including:</b>					<b>8,867.57</b>	<b>10,398.72</b>
Naftogaz of Ukraine NJSC	-	-	18010600	Rent from legal entities	6,667.02	6,667.02
Naftogaz of Ukraine NJSC	-	-	18010500	Land tax	2,200.55	2,200.55
Naftogaz of Ukraine NJSC	-	-		Other payments	-	1,531.15
<b>Total Ukgasvydobuvannya JSC, including:</b>					<b>14,320.00</b>	<b>45,507.39</b>
Ukgasvydobuvannya JSC	-	-	18010500	Land tax	11,631.00	30,512.96
Ukgasvydobuvannya JSC	-	-	18010600	Rent from legal entities	2,689.00	7,703.80
Ukgasvydobuvannya JSC	-	-		Other payments	-	7,290.63
<b>Total Ukrnafta PJSC, including:</b>					<b>166,667.00</b>	<b>172,492.00</b>
Ukrnafta PJSC	-	-	18010500	Land tax	166,667.00	166,667.00
Ukrnafta PJSC	-	-		Other payments	-	5,825.00
<b>Total Naftogazvydobuvannya PrJSC<sup>860</sup>, including:</b>					<b>2,001.96</b>	<b>2,174.68</b>
Naftogazvydobuvannya PrJSC	Shishatske branch of Myrhorod OSTI		18010600	Rent from legal entities	1,146.38	1,049.68
Naftogazvydobuvannya PrJSC	-	-	18010600	Rent from legal entities	855.58	1,111.06
Naftogazvydobuvannya PrJSC	-	-		Other payments	-	13.95
<b>Total Vydobuvna kompaniia Ukrnaftoburinnia PrJSC, including:</b>					<b>4.43</b>	<b>14.88</b>
Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	5139	05.02.2010	18010500	Land tax	4.43	4.43

<sup>857</sup> Land fee is a sub-payment of property tax

<sup>858</sup> Companies' data on accrued payments includes only land tax and rental fees

<sup>859</sup> Companies' data on actual payments includes the entire property tax

<sup>860</sup> The company, during the preparation of the Report on payments to the state, within the preparation of this EITI Report 2018, made a division on the basis of local budgets, rather than special permits

Company name	Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Type of payment	Accrued in 2018, UAH thousand <sup>858</sup>	Paid in 2018, UAH thousand <sup>859</sup>
Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	-	-		Other payments	-	10.45
<b>Total Energy Service Company Esco-Pivnich LLC, including:</b>					<b>390.49</b>	<b>494.01</b>
Energy Service Company Esco-Pivnich LLC	5318	13.01.2011	18010600	Rent from legal entities	76.49	76.49
Energy Service Company Esco-Pivnich LLC	5318	13.01.2011	18010500	Land tax	0.38	0.38
Energy Service Company Esco-Pivnich LLC	5360	13.01.2011	18010600	Rent from legal entities	312.64	313.00
Energy Service Company Esco-Pivnich LLC	4096	16.02.2012	18010500	Land tax	0.98	1.23
Energy Service Company Esco-Pivnich LLC	-	-		Other payments	-	102.91
<b>Total Poltava Petroleum Company JV, including:</b>					<b>964.79</b>	<b>1 244.12</b>
Poltava Petroleum Company JV	3659	31.12.2004	18010600	Rent from legal entities	18.37	18.37
Poltava Petroleum Company JV	3658	31.12.2004	18010600	Rent from legal entities	9.11	9.11
Poltava Petroleum Company JV	3661	31.12.2004	18010600	Rent from legal entities	8.55	8.55
Poltava Petroleum Company JV	5966	31.07.2014	18010600	Rent from legal entities	104.39	104.39
Poltava Petroleum Company JV	-	-	18010600	Rent from legal entities	824.37	881.52
Poltava Petroleum Company JV	-	-		Other payments	-	222.18
<b>Total Natural resources PrJSC, including:</b>					<b>449.17</b>	<b>449.17</b>
Natural resources PrJSC	5745	26.03.2013	18010600	Rent for land	449.17	449.17
<b>Total Systemoilengeryng LLC, including:</b>					<b>0.00</b>	<b>0.00</b>
Systemoilengeryng LLC	4212	06.09.2019	-	-	0.00	0.00
<b>Total Kub-Gaz LLC, including:</b>					<b>602.00</b>	<b>711.10</b>
Kub-Gaz LLC	5480	06.02.2012	18010500	Land tax	92.60	92.60
Kub-Gaz LLC	5506	09.04.2012	18010500	Land tax	509.40	512.70
Kub-Gaz LLC	-	-	18010500	Land tax	-	105.80

Company name	Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Type of payment	Accrued in 2018, UAH thousand <sup>858</sup>	Paid in 2018, UAH thousand <sup>859</sup>
<b>Total Joint Venture Ukrkarpatoil LTD LLC, including:</b>					<b>11.00</b>	<b>11.00</b>
Joint Venture Ukrkarpatoil LTD LLC	310	27.07.1995	18010500	Land tax	11.00	11.00
<b>Total Persha ukraiinska gazonaftova kompaniia LLC, including:</b>					<b>41.00</b>	<b>41.00</b>
Persha ukraiinska gazonaftova kompaniia LLC	5450	30.12.2011	18010500	Land tax	41.00	41.00
<b>Total Zakhidnadoraservis LLC, including:</b>					<b>78.12</b>	<b>103.12</b>
Zakhidnadoraservis LLC	4884	19.01.2018	18010600	Rent from legal entities	55.01	55.01
Zakhidnadoraservis LLC	4779	01.07.2016	18010600	Rent from legal entities	23.11	23.11
Zakhidnadoraservis LLC	-	-		Other payments	-	25.00
<b>Total Nordik Private Enterprise, including:</b>					<b>20.72</b>	<b>50.00</b>
Nordik Private Enterprise	4689	04.09.2015	18010500	Land tax	20.72	10.00
Nordik Private Enterprise	-	-		Other payments	-	40.00
<b>Total Energiia-95 LLC, including:</b>					<b>0.00</b>	<b>0.00</b>
Energiia-95 LLC	5460	18.09.2012	18010600	Rent from legal entities	0.00	0.00
<b>Total Stryinaftogaz LLC, including:</b>					<b>297.28</b>	<b>297.28</b>
Stryinaftogaz LLC	4748	12.04.2016	18010600	Rent from legal entities	297.28	297.28
<b>Total Nadra-Geoinvest LLC, including:</b>					<b>7.20</b>	<b>7.20</b>
Nadra-Geoinvest LLC	2673	23.12.2004	18010600	Rent from legal entities	7.20	7.20
<b>Total Kashtan Petroleum LTD JV, including:</b>					<b>81.00</b>	<b>114.00</b>
Kashtan Petroleum LTD JV	518	08.05.1996	18010500	Land tax	81.00	102.00
Kashtan Petroleum LTD JV	-	-		Other payments	-	12.00
<b>Total Joint activity agreement of 01/01/1999 No. 35/4 - authorized entity Hals-K PrJSC (31566427), including:</b>					<b>0.00</b>	<b>0.00</b>
Joint activity agreement of 01/01/1999 No. 35/4 - authorized entity Hals-K PrJSC (31566427)	-	-	-	-	0.00	0.00
<b>Total Ukrtransnafta JSC, including:</b>					<b>12,281.00</b>	<b>15,234.00</b>
Ukrtransnafta JSC	-	-	18010500	Land tax	12,281.00	12,281.00





Company name	Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Type of payment	Accrued in 2018, UAH thousand <sup>858</sup>	Paid in 2018, UAH thousand <sup>859</sup>
Ukrtransnafta JSC	-	-		Other payments	-	2,953.00
<b>Total Ukrtransgaz JSC, including:</b>					<b>70,749.00</b>	<b>100,860.00</b>
Ukrtransgaz JSC	-	-	18010600	Rent from legal entities	1,173.00	1,187.00
Ukrtransgaz JSC	-	-	18010500	Land tax	69,576.00	69,200.00
Ukrtransgaz JSC	-	-		Other payments	-	30,473.00

*Data on land fee accrued and paid by the reporting companies of metal ores mining in 2018, provided by companies*

Company name	Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Type of payment	Accrued in 2018, UAH thousand <sup>861</sup>	Paid in 2018, UAH thousand <sup>862</sup>
<b>Total ArcelorMittal Kryvyi Rih PJSC, including:</b>					<b>381,540.00</b>	<b>388,544.00</b>
ArcelorMittal Kryvyi Rih PJSC	-	-	18010500	Land tax	234.00	255.00
ArcelorMittal Kryvyi Rih PJSC	-	-	18010600	Rent from legal entities	381,306.00	381,376.00
ArcelorMittal Kryvyi Rih PJSC	-	-		Other payments	-	6,913.00
<b>Total Southern Mining Factory JSC, including:</b>					<b>94,487.25</b>	<b>93,516.04</b>
Southern Mining Factory JSC	585	29.07.1996	18010500	Land tax	562.42	730.06
Southern Mining Factory JSC	585	29.07.1996	18010600	Rent from legal entities	93,924.83	91,985.75
Southern Mining Factory JSC	-	-		Other payments	-	800.23
<b>Total Northern Iron Ore Enrichment Works PrJSC, including:</b>					<b>26,072.00</b>	<b>33,867.00</b>
Northern Iron Ore Enrichment Works PrJSC	-	-	18010500	Land tax	23,523.00	29,394.00
Northern Iron Ore Enrichment Works PrJSC	-	-	18010600	Rent from legal entities	2,549.00	2,540.00
Northern Iron Ore Enrichment Works PrJSC	-	-		Other payments	-	1,933.00
<b>Total Ingulets Iron Ore Enrichment Works PrJSC, including:</b>					<b>25,190.63</b>	<b>26,742.38</b>
Ingulets Iron Ore Enrichment Works PrJSC	1932	14.07.1999	18010600	Rent from legal entities	11,385.92	11,385.92
Ingulets Iron Ore Enrichment Works PrJSC	1932	14.07.1999	18010500	Land tax	13,804.72	13,804.72
Ingulets Iron Ore Enrichment Works PrJSC	-	-		Other payments	-	1,551.74
<b>Total Ferrexpo Poltava mining PrJSC, including:</b>					<b>43,368.64</b>	<b>43,368.64</b>
Ferrexpo Poltava mining PrJSC	1012	29.07.1997	18010500	Land tax	26,424.40	26,424.40
Ferrexpo Poltava mining PrJSC	1012	29.07.1997	18010600	Rent from legal entities	16,944.24	16,944.24

<sup>861</sup> Companies' data on accrued payments includes only land tax and rental fees

<sup>862</sup> Companies' data on actual payments includes the entire property tax

Company name	Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Type of payment	Accrued in 2018, UAH thousand <sup>861</sup>	Paid in 2018, UAH thousand <sup>862</sup>
<b>Total Central Iron Ore Enrichment Works PrJSC, including:</b>					<b>131,719.16</b>	<b>133,380.32</b>
Central Iron Ore Enrichment Works PrJSC	-	-	18010500	Land tax	2,483.43	27,566.73
Central Iron Ore Enrichment Works PrJSC	-	-	18010600	Rent from legal entities	129,235.73	104,511.59
Central Iron Ore Enrichment Works PrJSC	-	-		Other payments	-	1,302.00
<b>Total The foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC, including:</b>					<b>-</b>	<b>17,956.55</b>
The foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC	-	-	18010600	Rent from legal entities	-	17,656.76
The foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC	-	-	18010500	Land tax	-	11.51
The foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC	-	-		Other payments	-	288.28
<b>Total Krivoj Rog`s Iron-Ore Combine PJSC, including:</b>					<b>44,286.35</b>	<b>44,900.33</b>
Krivoj Rog`s Iron-Ore Combine PJSC	2556	12.10.2001	18010500	Land tax	108.28	108.28
Krivoj Rog`s Iron-Ore Combine PJSC	2556	12.10.2001	18010600	Rent from legal entities	6,707.09	6,707.09
Krivoj Rog`s Iron-Ore Combine PJSC	2558	15.12.2001	18010600	Rent from legal entities	9,595.28	9,595.28
Krivoj Rog`s Iron-Ore Combine PJSC	2557	15.12.2001	18010600	Rent from legal entities	7,664.94	7,664.94
Krivoj Rog`s Iron-Ore Combine PJSC	2559	15.12.2001	18010600	Rent from legal entities	6,734.78	6,734.78
Krivoj Rog`s Iron-Ore Combine PJSC	-	-	18010500	Land tax	4,903.12	4,903.12
Krivoj Rog`s Iron-Ore Combine PJSC	-	-	18010600	Rent from legal entities	8,572.87	8,572.87
Krivoj Rog`s Iron-Ore Combine PJSC	-	-		Other payments	-	613.98
<b>Total Ferrexpo Yeristovo mining LLC, including:</b>					<b>9,120.40</b>	<b>9,479.70</b>
Ferrexpo Yeristovo mining LLC	2768	27.08.2002	18010500	Land tax	9.90	9.90
Ferrexpo Yeristovo mining LLC	2768	27.08.2002	18010600	Rent from legal entities	9,110.50	9,110.50
Ferrexpo Yeristovo mining LLC	-	-		Other payments	-	359.30

Company name	Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Type of payment	Accrued in 2018, UAH thousand <sup>861</sup>	Paid in 2018, UAH thousand <sup>862</sup>
<b>Total Suha Balka PrJSC, including:</b>					<b>16,089.00</b>	<b>16,098.00</b>
Suha Balka PrJSC	-	-	18010500	Land tax	346.00	358.00
Suha Balka PrJSC	-	-	18010600	Rent from legal entities	15,743.00	15,621.00
Suha Balka PrJSC	-	-		Other payments	-	119.00
<b>Total United Mining and Chemical Company JSC, including:</b>					<b>9,939.11</b>	<b>10,852.01</b>
United Mining and Chemical Company JSC	-	-	18010500	Land tax	9,939.11	8,614.83
United Mining and Chemical Company JSC	-	-		Other payments	-	2,237.18
<b>Total Pokrovskiy GZK JSC, including:</b>					<b>91,111.97</b>	<b>93,750.99</b>
Pokrovskiy GZK JSC	587	06.08.1996	18010500	Land tax	14,112.83	14,112.83
Pokrovskiy GZK JSC	587	06.08.1996	18010600	Rent from legal entities	76,999.13	76,999.13
Pokrovskiy GZK JSC	-	-		Other payments	-	2,639.02
<b>Total Marganets GZK JSC, including:</b>					<b>6,295.70</b>	<b>6,776.60</b>
Marganets GZK JSC	610	13.08.1996	18010500	Land tax	6,295.70	6,414.10
Marganets GZK JSC	610	13.08.1996		Other payments	-	362.50

## Data on land fee accrued and paid by the reporting companies of coal mining in 2018, provided by companies

Company name	Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Type of payment	Accrued in 2018, UAH thousand <sup>863</sup>	Paid in 2018, UAH thousand <sup>864</sup>
<b>Total DTEK Pavlogradugol PrJSC, including:</b>					<b>37,421.00</b>	<b>42,746.00</b>
DTEK Pavlogradugol PrJSC	-	-	18010500	Land tax	607.00	617.00
DTEK Pavlogradugol PrJSC	-	-	18010600	Rent from legal entities	36,814.00	36,196.00
DTEK Pavlogradugol PrJSC	-	-		Other payments	-	5,933.00
<b>Total Shakhtoupravlinnia Pokrovske PJSC, including:</b>					<b>5,549.00</b>	<b>8,047.00</b>
Shakhtoupravlinnia Pokrovske PJSC	-	-	18010600	Rent from legal entities	5,538.00	5,538.00
Shakhtoupravlinnia Pokrovske PJSC	-	-	18010500	Land tax	11.00	11.00
Shakhtoupravlinnia Pokrovske PJSC	-	-		Other payments	-	2,498.00
<b>Total DTEK Dobropolyeugol LLC, including:</b>					<b>18,370.00</b>	<b>18,533.00</b>
DTEK Dobropolyeugol LLC	-	-	18010500	Land tax	6,587.00	7,044.00
DTEK Dobropolyeugol LLC	-	-	18010600	Rent from legal entities	11,783.00	11,489.00
<b>Total Lvivvughiliya SE, including:</b>					<b>1,415.00</b>	<b>871.80</b>
Lvivvughiliya SE	-	-	18010600	Rent from legal entities	4.00	3.80
Lvivvughiliya SE	-	-	18010500	Land tax	1,411.00	866.19
Lvivvughiliya SE	-	-		Other payments	-	1.81
<b>Total Selydivvuhillia SE, including:</b>					<b>641.00</b>	<b>98.00</b>
Selydivvuhillia SE	-	-	18010500	Land tax	641.00	98.00
<b>Total Pervomayskvuhilla SE, including:</b>					<b>242.00</b>	<b>4.90</b>
Pervomayskvuhilla SE	3191	02.10.2003	18010600	Rent from legal entities	242.00	4.90
<b>Total Bilozerska mine SLC, including:</b>					<b>852.20</b>	<b>860.00</b>
Bilozerska mine SLC	4855	21.01.2009	18010500	Land tax	149.20	139.00
Bilozerska mine SLC	4855	21.01.2009	18010600	Rent from legal entities	703.00	721.00

<sup>863</sup> Companies' data on accrued payments includes only land tax and rental fees

<sup>864</sup> Companies' data on actual payments includes the entire property tax

Company name	Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Type of payment	Accrued in 2018, UAH thousand <sup>863</sup>	Paid in 2018, UAH thousand <sup>864</sup>
<b>Total Myrnohradugol SE, including:</b>					<b>2,707.00</b>	<b>38.24</b>
Myrnohradugol SE	-	-	18010600	Rent from legal entities	78.00	1.84
Myrnohradugol SE	-	-	18010500	Land tax	2,629.00	26.71
Myrnohradugol SE	-	-		Other payments	-	9.69
<b>Total Lysychanskvuhillya PJSC, including:</b>					<b>1,712.00</b>	<b>211.00</b>
Lysychanskvuhillya PJSC	-	-	18010600	Rent from legal entities	34.00	0.00
Lysychanskvuhillya PJSC	-	-	18010500	Land tax	1,678.00	200.00
Lysychanskvuhillya PJSC	-	-		Other payments	-	11.00
<b>Total Shakhtoupravlinnia Pivdenodonbaske No 1 SE, including:</b>					<b>243.00</b>	<b>276.00</b>
Shakhtoupravlinnia Pivdenodonbaske No 1 SE	4059	17.10.2006	18010500	Land tax	243.00	221.00
Shakhtoupravlinnia Pivdenodonbaske No 1 SE	-	-		Other payments	-	55.00
<b>Total Mine named after M. S. Surgai SE, including:</b>					<b>752.00</b>	<b>199.00</b>
Mine named after M. S. Surgai SE	-	-	18010500	Land tax	752.00	177.00
Mine named after M. S. Surgai SE	-	-		Other payments	-	22.00
<b>Total Toretskvugillya SE, including:</b>					<b>75.00</b>	<b>23.00</b>
Toretskvugillya SE	-	-	18010500	Land tax	75.00	23.00
<b>Total Vuhilna Kompaniia Krasnolymanska SE, including:</b>					<b>172.00</b>	<b>1,311.28</b>
Vuhilna Kompaniia Krasnolymanska SE	4403	28.09.2007	18010500	Land tax	172.00	472.22
Vuhilna Kompaniia Krasnolymanska SE	4403	28.09.2007	18010600	Rent from legal entities	0.00	5.85
Vuhilna Kompaniia Krasnolymanska SE	-	-		Other payments	-	833.21

### 18.3 Extractive companies` data on environmental tax

*Data on environmental tax accrued and paid by the reporting companies of oil and natural gas extraction industry (including transportation) in 2018, provided by companies*

Company name	Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Type of payment	Accrued in 2018, UAH thousand	Paid in 2018, UAH thousand
<b>Total Naftogaz of Ukraine NJSC, including:</b>					0.00	0.00
Naftogaz of Ukraine NJSC	-	-	19010000	Environmental tax	0.00	0.00
<b>Total Ukgasvydobuvannya JSC, including:</b>					13,807.00	17,348.85
Ukgasvydobuvannya JSC	-	-	19010000	Environmental tax	13,807.00	17,348.85
<b>Total Ukrnafta PJSC, including:</b>					9,943.00	9,943.00
Ukrnafta PJSC	-	-	19010000	Environmental tax	9,943.00	9,943.00
<b>Total Naftogazvydobuvannya PrJSC <sup>865</sup>, including:</b>					35.16	25.12
Naftogazvydobuvannya PrJSC		Budget of Savintsivka village council Olefirivka - Myrhorodska, OSTI	19010000	Environmental tax	11.35	7.19
Naftogazvydobuvannya PrJSC		Kalashnikov village council	19010000	Environmental tax	5.05	2.90
Naftogazvydobuvannya PrJSC		Shishatske branch of Myrhorod OSTI	19010000	Environmental tax	18.77	15.03
<b>Total Vydobuvna kompaniia Ukrnaftoburinnia PrJSC, including:</b>					77.03	77.03
Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	5139	05.02.2010	19010000	Environmental tax	77.03	77.03
<b>Total Energy Service Company Esco-Pivnich LLC, including:</b>					34.50	32.05
Energy Service Company Esco-Pivnich LLC	5318	13.01.2011	19010000	Environmental tax	8.65	7.01
Energy Service Company Esco-Pivnich LLC	5360	13.01.2011	19010000	Environmental tax	14.14	13.67
Energy Service Company Esco-Pivnich LLC	4096	16.02.2012	19010000	Environmental tax	11.58	11.29

<sup>865</sup> The company, during the preparation of the Report on payments to the state, within the preparation of this EITI Report 2018, made a division on the basis of local budgets, rather than special permits

Company name	Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Type of payment	Accrued in 2018, UAH thousand	Paid in 2018, UAH thousand
Energy Service Company Esco-Pivnich LLC	4178	04.07.2012	19010000	Environmental tax	0.14	0.08
<b>Total Poltava Petroleum Company JV, including:</b>					<b>367.49</b>	<b>356.72</b>
Poltava Petroleum Company JV	3660	31.12.2004	19010000	Environmental tax	24.38	23.60
Poltava Petroleum Company JV	5966	31.07.2014	19010000	Environmental tax	6.17	3.20
Poltava Petroleum Company JV	-	-	19010000	Environmental tax	336.94	329.92
<b>Total Natural resources PrJSC, including:</b>					<b>43.04</b>	<b>50.01</b>
Natural resources PrJSC	5745	26.03.2013	19010000	Environmental tax	43.04	50.01
<b>Total Systemoilengeryng LLC, including:</b>					<b>15.08</b>	<b>15.08</b>
Systemoilengeryng LLC	4212	06.09.2019	19010000	Environmental tax	15.08	15.08
<b>Total Kub-Gaz LLC, including:</b>					<b>49.30</b>	<b>52.50</b>
Kub-Gaz LLC	5480	06.02.2012	19010000	Environmental tax	6.00	5.60
Kub-Gaz LLC	5506	09.04.2012	19010000	Environmental tax	42.90	46.50
Kub-Gaz LLC	-	-	19010000	Environmental tax	0.40	0.40
<b>Total Joint Venture Ukrkarpatoil LTD LLC, including:</b>					<b>0.00</b>	<b>0.00</b>
Joint Venture Ukrkarpatoil LTD LLC	310	27.07.1995	19010000	Environmental tax	0.00	0.00
<b>Total Persha ukraiinska gazonaftova kompaniia LLC, including:</b>					<b>32.00</b>	<b>32.00</b>
Persha ukraiinska gazonaftova kompaniia LLC	5401	26.10.2011	19010000	Environmental tax	30.00	30.00
Persha ukraiinska gazonaftova kompaniia LLC	5450	30.12.2011	19010000	Environmental tax	2.00	2.00
<b>Total Zakhidnadoraservis LLC, including:</b>					<b>0.29</b>	<b>0.21</b>
Zakhidnadoraservis LLC	4884	19.01.2018	19010000	Environmental tax	0.02	0.01
Zakhidnadoraservis LLC	4779	01.07.2016	19010000	Environmental tax	0.27	0.20
<b>Total Nordik Private Enterprise, including:</b>					<b>0.28</b>	<b>0.34</b>
Nordik Private Enterprise	4689	04.09.2015	19010000	Environmental tax	0.28	0.34
<b>Total Energiia-95 LLC, including:</b>					<b>0.00</b>	<b>0.00</b>
Energiia-95 LLC	5460	18.09.2012	19010000	Environmental tax	0.00	0.00



Company name	Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Type of payment	Accrued in 2018, UAH thousand	Paid in 2018, UAH thousand
<b>Total Stryinaftogaz LLC, including:</b>					<b>0.01</b>	<b>0.01</b>
Stryinaftogaz LLC	4748	12.04.2016	19010000	Environmental tax	0.01	0.01
<b>Total Nadra-Geoinvest LLC, including:</b>					<b>0.00</b>	<b>0.00</b>
Nadra-Geoinvest LLC	-	-	19010000	Environmental tax	0.00	0.00
<b>Total Kashtan Petroleum LTD JV, including:</b>					<b>0.00</b>	<b>0.00</b>
Kashtan Petroleum LTD JV	518	08.05.1996	19010000	Environmental tax	0.00	0.00
<b>Total Joint activity agreement of 01/01/1999 No. 35/4 - authorized entity Hals-K PrJSC (31566427), including:</b>					<b>0.00</b>	<b>0.00</b>
Joint activity agreement of 01/01/1999 No. 35/4 - authorized entity Hals-K PrJSC (31566427)	-	-	19010000	Environmental tax	0.00	0.00
<b>Total Ukrtransgaz JSC, including:</b>					<b>31,267.00</b>	<b>31,589.00</b>
Ukrtransgaz JSC	-	-	19010000	Environmental tax	31,267.00	31,589.00
<b>Total Ukrtransnafta JSC, including:</b>					<b>308.00</b>	<b>308.00</b>
Ukrtransnafta JSC	-	-	19010000	Environmental tax	308.00	308.00

*Data on environmental tax accrued and paid by the reporting companies of metal ores mining in 2018, provided by companies*

Company name	Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Type of payment	Accrued in 2018, UAH thousand	Paid in 2018, UAH thousand
<b>Total ArcelorMittal Kryvyi Rih PJSC, including</b>					<b>223,591.00</b>	<b>223,591.00</b>
ArcelorMittal Kryvyi Rih PJSC	-	-	19010000	Environmental tax	223,591.00	223,591.00
<b>Total Southern Mining Factory JSC, including</b>					<b>53,619.86</b>	<b>51,897.61</b>
Southern Mining Factory JSC	585	29.07.1996	19010000	Environmental tax	53,619.86	51,897.61
<b>Total Northern Iron Ore Enrichment Works PrJSC, including</b>					<b>94,333.00</b>	<b>90,033.00</b>
Northern Iron Ore Enrichment Works PrJSC	-	-	19010000	Environmental tax	94,333.00	90,033.00
<b>Total Ingulets Iron Ore Enrichment Works PrJSC, including</b>					<b>88,446.96</b>	<b>88,446.96</b>
Ingulets Iron Ore Enrichment Works PrJSC	1932	14.07.1999	19010000	Environmental tax	88,446.96	88,446.96
<b>Total Ferrexpo Poltava mining PrJSC, including</b>					<b>93,320.90</b>	<b>93,320.90</b>
Ferrexpo Poltava mining PrJSC	1012	29.07.1997	19010000	Environmental tax	93,320.90	93,320.90
<b>Total Central Iron Ore Enrichment Works PrJSC, including</b>					<b>65,963.97</b>	<b>64,046.20</b>
Central Iron Ore Enrichment Works PrJSC	-	-	19010000	Environmental tax	65,963.97	64,046.20
<b>Total The foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC, including</b>					<b>136.00</b>	<b>215.00</b>
The foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC	-	-	19010000	Environmental tax	136.00	215.00
<b>Total Krivoj Rog`s Iron-Ore Combine PJSC, including</b>					<b>6,133.83</b>	<b>6,133.83</b>
Krivoj Rog`s Iron-Ore Combine PJSC	2556	15.12.2001	19010000	Environmental tax	9.51	9.51
Krivoj Rog`s Iron-Ore Combine PJSC	2558	15.12.2001	19010000	Environmental tax	12.24	12.24
Krivoj Rog`s Iron-Ore Combine PJSC	2557	15.12.2001	19010000	Environmental tax	2,053.49	2,053.49
Krivoj Rog`s Iron-Ore Combine PJSC	2559	15.12.2001	19010000	Environmental tax	4,019.00	4,019.00
Krivoj Rog`s Iron-Ore Combine PJSC	-	-	19010000	Environmental tax	39.60	39.60
<b>Total Ferrexpo Yeristovo mining LLC, including</b>					<b>26,656.60</b>	<b>29,387.00</b>
Ferrexpo Yeristovo mining LLC	2768	27.08.2002	19010000	Environmental tax	26,656.60	29,387.00

Company name	Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Type of payment	Accrued in 2018, UAH thousand	Paid in 2018, UAH thousand
<b>Total Suha Balka PrJSC, including</b>					<b>1,470.00</b>	<b>1,469.00</b>
Suha Balka PrJSC	-	-	19010000	Environmental tax	1,470.00	1,469.00
<b>Total United Mining and Chemical Company JSC, including</b>					<b>498.65</b>	<b>502.52</b>
United Mining and Chemical Company JSC	-	-	19010000	Environmental tax	498.65	502.52
<b>Total Pokrovskiy GZK JSC, including</b>					<b>6,323.26</b>	<b>6,323.26</b>
Pokrovskiy GZK JSC	587	06.08.1996	19010000	Environmental tax	6,323.26	6,323.26
<b>Total Marganets GZK JSC, including</b>					<b>993.10</b>	<b>968.50</b>
Marganets GZK JSC	610	13.08.1996	19010000	Environmental tax	993.10	968.50

## Data on environmental tax accrued and paid by the reporting companies of coal mining in 2018, provided by companies

Company name	Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Type of payment	Accrued in 2018, UAH thousand	Paid in 2018, UAH thousand
<b>Total DTEK Pavlogradugol PrJSC, including</b>					<b>25,889.00</b>	<b>26,378.00</b>
DTEK Pavlogradugol PrJSC	-	-	19010000	Environmental tax	25,889.00	26,378.00
<b>Total Shakhtoupravlinnia Pokrovske PJSC, including</b>					<b>9,063.00</b>	<b>10,293.00</b>
Shakhtoupravlinnia Pokrovske PJSC	-	-	19010000	Environmental tax	9,063.00	10,293.00
<b>Total DTEK Dobropolyeugol LLC, including</b>					<b>7,692.00</b>	<b>7,530.00</b>
DTEK Dobropolyeugol LLC	-	-	19010000	Environmental tax	7,692.00	7,530.00
<b>Total Lvivvughiliya SE, including</b>					<b>0.00</b>	<b>0.00</b>
Lvivvughiliya SE	-	-	19010000	Environmental tax	0.00	0.00
<b>Total Selydivvuhillia SE, including</b>					<b>8,486.00</b>	<b>3.00</b>
Selydivvuhillia SE	-	-	19010000	Environmental tax	8,486.00	3.00
<b>Total Pervomayskvuhilla SE, including</b>					<b>6,662.00</b>	<b>0.00</b>
Pervomayskvuhilla SE	3194	02.10.2003	19010000	Environmental tax	2,360.00	0.00
Pervomayskvuhilla SE	3252	16.10.2003	19010000	Environmental tax	1,111.00	0.00
Pervomayskvuhilla SE	3193	02.10.2003	19010000	Environmental tax	2,440.00	0.00
Pervomayskvuhilla SE	3191	02.10.2003	19010000	Environmental tax	751.00	0.00
<b>Total Bilozerska mine SLC, including</b>					<b>1,733.30</b>	<b>1,578.80</b>
Bilozerska mine SLC	4855	21.01.2009	19010000	Environmental tax	1,733.30	1,578.80
<b>Total Myrnohradugol SE, including</b>					<b>3,778.00</b>	<b>478.63</b>
Myrnohradugol SE	-	-	19010000	Environmental tax	3,778.00	478.63
<b>Total Lysychanskvuhillya PJSC, including</b>					<b>10,872.00</b>	<b>33.00</b>
Lysychanskvuhillya PJSC	-	-	19010000	Environmental tax	10,872.00	33.00
<b>Total Shakhtoupravlinnia Pivdennodonbaske No 1 SE, including</b>					<b>2,610.00</b>	<b>1,639.00</b>
Shakhtoupravlinnia Pivdennodonbaske No 1 SE	4059	17.10.2006	19010000	Environmental tax	2,610.00	1,639.00

Company name	Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Type of payment	Accrued in 2018, UAH thousand	Paid in 2018, UAH thousand
<b>Total Mine named after M. S. Surgai SE, including</b>					<b>2,647.00</b>	<b>626.00</b>
Mine named after M. S. Surgai SE	-	-	19010000	Environmental tax	2,647.00	626.00
<b>Total Toretskvugillya SE, including</b>					<b>1,634.00</b>	<b>0.00</b>
Toretskvugillya SE	3754	27.12.2005	19010000	Environmental tax	1,005.00	0.00
Toretskvugillya SE	3751	27.12.2005	19010000	Environmental tax	629.00	0.00
<b>Total Vuhilna Kompaniia Krasnolymanska SE, including</b>					<b>5,627.00</b>	<b>7,336.35</b>
Vuhilna Kompaniia Krasnolymanska SE	4403	28.09.2007	19010000	Environmental tax	5,627.00	7,336.35

## 19. Annex 10. Consolidated database on tax and other payments by reporting companies of extractive industries, which did not provide information for EITI Report

*Payments to the state from reporting companies by material types of payments (tax payments) in 2018 that were not reconciled (according to state bodies)*

Company name	Personal income tax	Corporate income tax	Production royalty	Value added tax of goods and services produced in Ukraine (excluding budget reimbursement of VAT)	Budget reimbursement of value added tax	Value added tax of goods imported into Ukraine	Property tax	Environmental tax
Ukrgezvydobutok PrJSC	6,656.98	90,068.00	319,812.39	196,345.07	0.00	0.00	0.00	10.28
Representative Office of Regal Petroleum Corporation Limited	17,001.06	137,725.90	302,749.94	220,000.43	0.00	0.00	742.38	120.88
Prom-Energo Product LLC	3,264.65	35,354.28	86,350.59	36,681.44	0.00	0.00	54.75	5.25
Krasnolymanske LLC	27,663.18	60,205.20	14,859.93	58.16	0.00	6,012.38	0.00	0.00
DTEK Mine Komsomolets Donbassa PJSC	0.43	0.00	0.00	113,151.93	0.00	0.00	31.75	0.00
<b>Total</b>	<b>54,586.30</b>	<b>323,353.37</b>	<b>723,772.85</b>	<b>566,237.02</b>	<b>0.00</b>	<b>6,012.38</b>	<b>828.88</b>	<b>136.41</b>



*Payments to the state from reporting companies by material types of payments (non-tax payments) in 2018 that were not reconciled (according to state bodies)*

Company name	Dividends and payment of a share of net profit	Fees for granting and extending special permits for the use of subsoils and revenues from the sale of such permits	Unified social contribution
Ukrgezvydobutok PrJSC	0.00	0.00	5,722.64
Representative Office of Regal Petroleum Corporation Limited	0.00	0.00	12,804.56
Prom-Energo Product LLC	0.00	0.00	2,841.58
Krasnolymanske LLC	0.00	0.00	31,013.98
DTEK Mine Komsomolets Donbassa PJSC	0.00	0.00	0.49
<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>52,383.24</b>

*Accrued production royalty by projects of reporting companies that were not reconciled in 2018 (according to state bodies)*

Company name	Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Accrued in 2018 according to state bodies, UAH thousand
<b><i>Ukrgezvydobutok PrJSC, including:</i></b>				<b>329,512.29</b>
Ukrgezvydobutok PrJSC	4404	04.10.2007	13030800	301,965.50
Ukrgezvydobutok PrJSC	4404	04.10.2007	13030900	27,529.63
Ukrgezvydobutok PrJSC	03.01-10-1195	29.05.2017	13030100	11.26
Ukrgezvydobutok PrJSC	120/XP/49Д-17	08.12.2017	13030100	5.89
<b><i>Representative Office of Regal Petroleum Corporation Limited, including:</i></b>				<b>299,559.36</b>
Representative Office of Regal Petroleum Corporation Limited	3334	01.07.2004	13030800	72,270.51
Representative Office of Regal Petroleum Corporation Limited	3334	01.07.2004	13030900	26,126.72
Representative Office of Regal Petroleum Corporation Limited	3335	01.07.2004	13030800	134,051.10
Representative Office of Regal Petroleum Corporation Limited	3335	01.07.2004	13030900	67,085.54
Representative Office of Regal Petroleum Corporation Limited	0227/Пол	26.09.2014	13030100	25.47
<b><i>Prom-Energo Product LLC, including:</i></b>				<b>90,958.78</b>
Prom-Energo Product LLC	5626	15.08.2012	13030800	76,759.04
Prom-Energo Product LLC	5626	15.08.2012	13030900	14,197.28
Prom-Energo Product LLC	115/XP/49Д-17	30.11.2017	13030100	1.72
Prom-Energo Product LLC	164/XP/49Д-18	17.01.2018	13030100	0.74
<b><i>Krasnolymanska LLC, including:</i></b>				<b>17,213.24</b>
Krasnolymanska LLC	3316	13.11.2013	13030100	17,213.24
<b><i>DTEK Mine Komsomolets Donbassa PJSC, including:</i></b>				<b>0.00</b>
DTEK Mine Komsomolets Donbassa PJSC	3756	27.12.2005	13030100	0.00
DTEK Mine Komsomolets Donbassa PJSC	5278	11.01.2011	13030100	0.00
DTEK Mine Komsomolets Donbassa PJSC	5865	29.10.2013	13030100	0.00



## 20. Annex 11. Information received from the companies following requests

Nº	Company name	Report on payments to the state	Consolidated report on payments to the state	Confirmation letter	Public financial report	Public audit report
1	Ukrigasvydobuvannya JSC	✓	✗	✓	<a href="https://www.ugv.com.ua/page/docs?count=1">https://www.ugv.com.ua/page/docs?count=1</a>	<a href="https://www.ugv.com.ua/page/docs?count=1">https://www.ugv.com.ua/page/docs?count=1</a>
2	Naftogaz of Ukraine NJSC	✓	✗	✓	<a href="https://www.naftogaz.com/files/Zvity/Annual-Report-2018-ukr.pdf">https://www.naftogaz.com/files/Zvity/Annual-Report-2018-ukr.pdf</a>	<a href="https://www.naftogaz.com/files/Zvity/Annual-Report-2018-ukr.pdf">https://www.naftogaz.com/files/Zvity/Annual-Report-2018-ukr.pdf</a>
3	Ukrnafta PJSC	✓	✗	✓	<a href="https://www.ukrnafta.com/data/Ukrnafta%20Standalone%20FS%202018%20Ukr.pdf">https://www.ukrnafta.com/data/Ukrnafta%20Standalone%20FS%202018%20Ukr.pdf</a>	<a href="https://www.ukrnafta.com/data/Ukrnafta%20Standalone%20FS%202018%20Ukr.pdf">https://www.ukrnafta.com/data/Ukrnafta%20Standalone%20FS%202018%20Ukr.pdf</a>
4	Naftogazvydobuvannya PrJSC	✓	✗	✓	<a href="https://dtek.com/investors_and_partners/asset/1501254066/">https://dtek.com/investors_and_partners/asset/1501254066/</a>	<a href="https://dtek.com/content/files/kopiya-auditorskogo-zvitu-prat-naftogazvidobuvannya-za-2018-r...pdf">https://dtek.com/content/files/kopiya-auditorskogo-zvitu-prat-naftogazvidobuvannya-za-2018-r...pdf</a>
5	Energy Service Company Esco-Pivnich LLC	✓	✗	✓	<a href="https://esco-pivnich.com/wp-content/uploads/2019/03/zvitnist_2018.pdf">https://esco-pivnich.com/wp-content/uploads/2019/03/zvitnist_2018.pdf</a>	✓
6	Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	✓	✗	✓	<a href="https://unb.ua/uploads/information_files/58-file.pdf">https://unb.ua/uploads/information_files/58-file.pdf</a>	<a href="https://unb.ua/uploads/information_files/58-file.pdf">https://unb.ua/uploads/information_files/58-file.pdf</a>
7	Natural resources PrJSC	✓	✓	✓	<a href="https://geo-alliance.com.ua/wp-content/uploads/2019/02/Report-nr-2018.zip">https://geo-alliance.com.ua/wp-content/uploads/2019/02/Report-nr-2018.zip</a>	<a href="https://geo-alliance.com.ua/wp-content/uploads/2019/02/Report-nr-2018.zip">https://geo-alliance.com.ua/wp-content/uploads/2019/02/Report-nr-2018.zip</a>
8	Poltava Petroleum Company JV	✓	✗	✓	<a href="https://www.ppc.net.ua/wp-content/uploads/2019/05/zvit_pgkn_2018-1.pdf">https://www.ppc.net.ua/wp-content/uploads/2019/05/zvit_pgkn_2018-1.pdf</a>	<a href="https://www.ppc.net.ua/wp-content/uploads/2019/05/zvit_pgkn_2018-1.pdf">https://www.ppc.net.ua/wp-content/uploads/2019/05/zvit_pgkn_2018-1.pdf</a>
9	Kub-Gaz LLC	✓	✗	✓	<a href="http://kub-gas.com.ua/wp-content/uploads/zvit.html">http://kub-gas.com.ua/wp-content/uploads/zvit.html</a>	✗

Nº	Company name	Report on payments to the state	Consolidated report on payments to the state	Confirmation letter	Public financial report	Public audit report
10	Ukrgezvydobutok PrJSC	x	x	x	<a href="http://ukrgv.com/files/zvit_ugv_2018.pdf">http://ukrgv.com/files/zvit_ugv_2018.pdf</a>	<a href="http://ukrgv.com/files/zvit_ugv_2018.pdf">http://ukrgv.com/files/zvit_ugv_2018.pdf</a>
11	Persha ukraiinska gazonaftova kompaniia LLC	✓	x	✓	✓	✓
12	Representative Office of Regal Petroleum Corporation Limited	x	x	x	<a href="https://regalukraine.com/files/zvit2018.pdf">https://regalukraine.com/files/zvit2018.pdf</a>	<a href="https://regalukraine.com/files/zvit2018.pdf">https://regalukraine.com/files/zvit2018.pdf</a>
13	Nadra-Geoinvest LLC	✓	x	✓	<a href="http://nadrageo.com.ua/reporting/">http://nadrageo.com.ua/reporting/</a>	<a href="http://nadrageo.com.ua/wp-content/uploads/2019/05/Zvit_nezalezhnogo_audytora.pdf">http://nadrageo.com.ua/wp-content/uploads/2019/05/Zvit_nezalezhnogo_audytora.pdf</a>
14	Energiia-95 LLC	✓	x	✓	<a href="http://e95.gasco.com.ua/?page_id=2">http://e95.gasco.com.ua/?page_id=2</a>	<a href="http://e95.gasco.com.ua/?page_id=2">http://e95.gasco.com.ua/?page_id=2</a>
15	Systemoilingenerynng LLC	✓	x	✓	<a href="https://soe-ukraine.com/wp-content/uploads/zvit.html">https://soe-ukraine.com/wp-content/uploads/zvit.html</a>	<a href="https://soe-ukraine.com/wp-content/uploads/zvit.html">https://soe-ukraine.com/wp-content/uploads/zvit.html</a>
16	Joint Venture Ukrkarpatoil LTD LLC	✓	x	✓	x	<a href="http://www.uko.kiev.ua/audit.pdf">http://www.uko.kiev.ua/audit.pdf</a>
17	Prom-Energo Product LLC	✓	x	✓	✓	✓
18	Nordik Private Enterprise	x	x	x	<a href="https://prom-energo.com.ua/files/zvit_pep_2018.pdf">https://prom-energo.com.ua/files/zvit_pep_2018.pdf</a>	<a href="https://prom-energo.com.ua/files/zvit_pep_2018.pdf">https://prom-energo.com.ua/files/zvit_pep_2018.pdf</a>
19	Joint activity agreement of 24/12/1997 № 999/97 - operated by Poltavanaftogaz OPMO of Ukrnafta PJSC (22525915)	✓	x	✓	<a href="http://www.zns.com.ua/upload/nord/FS'18_Nordic_ukr_signed.pdf">http://www.zns.com.ua/upload/nord/FS'18_Nordic_ukr_signed.pdf</a>	<a href="http://www.zns.com.ua/upload/nord/FS'18_Nordic_ukr_signed.pdf">http://www.zns.com.ua/upload/nord/FS'18_Nordic_ukr_signed.pdf</a>

№	Company name	Report on payments to the state	Consolidated report on payments to the state	Confirmation letter	Public financial report	Public audit report
20	Joint activity agreement of 01/01/1999 No. 35/4 - authorized entity Hals-K PrJSC (31566427)	✓ (partially)	x	x	x	x
21	Prom-Energo Product LLC	x	x	x	x	x
22	Stryinaftogaz LLC	✓	x	✓	<a href="https://struinaftogaz.com.ua/zvitnist/">https://struinaftogaz.com.ua/zvitnist/</a>	<a href="https://struinaftogaz.com.ua/wp-content/uploads/2019/04/Zvit-nezalezhnogo-audytora.pdf">https://struinaftogaz.com.ua/wp-content/uploads/2019/04/Zvit-nezalezhnogo-audytora.pdf</a>
23	Zakhidnadraserwis LLC	✓	x	✓	✓	✓
24	ArcelorMittal Kryvyi Rih PJSC	✓	x	✓	<a href="https://ukraine.arcelormittal.com/tenders/doc/akcioneram/amkr/Audit_Report_AMKR_2018.pdf">https://ukraine.arcelormittal.com/tenders/doc/akcioneram/amkr/Audit_Report_AMKR_2018.pdf</a>	<a href="https://ukraine.arcelormittal.com/tenders/doc/akcioneram/amkr/Audit_Report_AMKR_2018.pdf">https://ukraine.arcelormittal.com/tenders/doc/akcioneram/amkr/Audit_Report_AMKR_2018.pdf</a>
25	Northern Iron Ore Enrichment Works PrJSC	✓	x	✓	<a href="https://sevgok.metinvestholding.com/upload/sevgok/content/51/PJSC_%20%C2%ABNORTHERN%20GOK%C2%BB_%20Financial%20statements_2018.pdf.pdf">https://sevgok.metinvestholding.com/upload/sevgok/content/51/PJSC_%20%C2%ABNORTHERN%20GOK%C2%BB_%20Financial%20statements_2018.pdf.pdf</a>	<a href="https://sevgok.metinvestholding.com/upload/sevgok/content/51/PJSC_%20%C2%ABNORTHERN%20GOK%C2%BB_%20Audit%20report_2018.pdf.pdf">https://sevgok.metinvestholding.com/upload/sevgok/content/51/PJSC_%20%C2%ABNORTHERN%20GOK%C2%BB_%20Audit%20report_2018.pdf.pdf</a>
26	Southern Mining Factory JSC	✓	x	✓	<a href="http://www.ugok.com.ua/upload/iblock/a63/%D0%A0%D1%96%D1%87%D0%BD%D0%B0%20%D1%96%D0%BD%D1%84%D0%BE%D1%80%D0%BC%D0%B0%D1%86%D1%96%D1%8F%20%D0%B5%D0%BC%D1%96%D1%82%D0%B5%D0%BD%D1%82%D0%B0%20%D0%B7%D0%B0%202018%20%D1%80%D1%96%D0%BA.zip">http://www.ugok.com.ua/upload/iblock/a63/%D0%A0%D1%96%D1%87%D0%BD%D0%B0%20%D1%96%D0%BD%D1%84%D0%BE%D1%80%D0%BC%D0%B0%D1%86%D1%96%D1%8F%20%D0%B5%D0%BC%D1%96%D1%82%D0%B5%D0%BD%D1%82%D0%B0%20%D0%B7%D0%B0%202018%20%D1%80%D1%96%D0%BA.zip</a>	<a href="http://www.ugok.com.ua/upload/iblock/a63/%D0%A0%D1%96%D1%87%D0%BD%D0%B0%20%D1%96%D0%BD%D1%84%D0%BE%D1%80%D0%BC%D0%B0%D1%86%D1%96%D1%8F%20%D0%B5%D0%BC%D1%96%D1%82%D0%B5%D0%BD%D1%82%D0%B0%20%D0%B7%D0%B0%202018%20%D1%80%D1%96%D0%BA.zip">http://www.ugok.com.ua/upload/iblock/a63/%D0%A0%D1%96%D1%87%D0%BD%D0%B0%20%D1%96%D0%BD%D1%84%D0%BE%D1%80%D0%BC%D0%B0%D1%86%D1%96%D1%8F%20%D0%B5%D0%BC%D1%96%D1%82%D0%B5%D0%BD%D1%82%D0%B0%20%D0%B7%D0%B0%202018%20%D1%80%D1%96%D0%BA.zip</a>

№	Company name	Report on payments to the state	Consolidated report on payments to the state	Confirmation letter	Public financial report	Public audit report
27	Central Iron Ore Enrichment Works PrJSC	✓	✗	✓	<a href="https://cgok.metinvestholding.com/upload/cgok/content/51/%D0%A6%D0%93%D0%9E%D0%9A_%D1%84%D0%B8%D0%BD%D0%BE%D1%82%D1%87%D0%B5%D1%82%D0%BD%D0%BE%D1%81%D1%82%D1%8C%20(%D0%BE%D1%81%D0%BD%D0%BE%D0%B2%D0%BD%D0%B0%D1%8F%20%D0%B4%D0%B5%D1%8F%D1%82%D0%B5%D0%BB%D1%8C%D0%BD%D0%BE%D1%81%D1%82%D1%8C)%20%D0%B7%D0%B0%202018%20%D0%B3%D0%BE%D0%B4.pdf">https://cgok.metinvestholding.com/upload/cgok/content/51/%D0%A6%D0%93%D0%9E%D0%9A_%D1%84%D0%B8%D0%BD%D0%BE%D1%82%D1%87%D0%B5%D1%82%D0%BD%D0%BE%D1%81%D1%82%D1%8C%20(%D0%BE%D1%81%D0%BD%D0%BE%D0%B2%D0%BD%D0%B0%D1%8F%20%D0%B4%D0%B5%D1%8F%D1%82%D0%B5%D0%BB%D1%8C%D0%BD%D0%BE%D1%81%D1%82%D1%8C)%20%D0%B7%D0%B0%202018%20%D0%B3%D0%BE%D0%B4.pdf</a>	<a href="https://cgok.metinvestholding.com/upload/cgok/content/51/%D0%A6%D0%93%D0%9E%D0%9A_%D0%9E%D1%82%D1%87%D0%B5%D1%82%20%D0%B0%D1%83%D0%B4%D0%B8%D1%82%D0%BE%D1%80%D0%B0%20%D0%BF%D0%BE%20%D1%84%D0%B8%D0%BD%D0%BE%D1%82%D1%87%D0%B5%D1%82%D0%BD%D0%BE%D1%81%D1%82%D0%B8%20%D0%B7%D0%B0%202018%20%D0%B3%D0%BE%D0%B4.pdf">https://cgok.metinvestholding.com/upload/cgok/content/51/%D0%A6%D0%93%D0%9E%D0%9A_%D0%9E%D1%82%D1%87%D0%B5%D1%82%20%D0%B0%D1%83%D0%B4%D0%B8%D1%82%D0%BE%D1%80%D0%B0%20%D0%BF%D0%BE%20%D1%84%D0%B8%D0%BD%D0%BE%D1%82%D1%87%D0%B5%D1%82%D0%BD%D0%BE%D1%81%D1%82%D0%B8%20%D0%B7%D0%B0%202018%20%D0%B3%D0%BE%D0%B4.pdf</a>
28	Ferrexpo Poltava mining PrJSC	✓	✗	✓	<a href="https://www.ferrexpo.ua/system/files/id_reports/richna-informaciya-emitenta-2019.pdf">https://www.ferrexpo.ua/system/files/id_reports/richna-informaciya-emitenta-2019.pdf</a>	<a href="https://www.ferrexpo.ua/system/files/id_reports/richna-informaciya-emitenta-2019.pdf">https://www.ferrexpo.ua/system/files/id_reports/richna-informaciya-emitenta-2019.pdf</a>
29	Ingulets Iron Ore Enrichment Works PrJSC	✓	✗	✓	<a href="https://ingok.metinvestholding.com/upload/ingok/content/51/%D0%90%D1%83%D0%B4%D0%B8%D1%82_%D0%9F%D1%80%D0%90%D0%A2_I%D0%9D%D0%93%D0%97%D0%9A.pdf">https://ingok.metinvestholding.com/upload/ingok/content/51/%D0%90%D1%83%D0%B4%D0%B8%D1%82_%D0%9F%D1%80%D0%90%D0%A2_I%D0%9D%D0%93%D0%97%D0%9A.pdf</a>	<a href="https://ingok.metinvestholding.com/upload/ingok/content/51/%D0%90%D1%83%D0%B4%D0%B8%D1%82_%D0%9F%D1%80%D0%90%D0%A2_I%D0%9D%D0%93%D0%97%D0%9A.pdf">https://ingok.metinvestholding.com/upload/ingok/content/51/%D0%90%D1%83%D0%B4%D0%B8%D1%82_%D0%9F%D1%80%D0%90%D0%A2_I%D0%9D%D0%93%D0%97%D0%9A.pdf</a>
30	Krivoy Rog`s Iron-Ore Combine PJSC	✓	✗	✓	<a href="https://www.krruda.dp.ua/wp-content/uploads/2019/04/emitent2018.pdf">https://www.krruda.dp.ua/wp-content/uploads/2019/04/emitent2018.pdf</a>	✗
31	The foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC	✓	✗	✓	<a href="http://www.zgrk.com.ua/content/docs/report/finansial/2020/07/finansova_zvitnist_z_vysnovkom_29_05_2020.pdf">http://www.zgrk.com.ua/content/docs/report/finansial/2020/07/finansova_zvitnist_z_vysnovkom_29_05_2020.pdf</a>	<a href="http://www.zgrk.com.ua/content/docs/report/finansial/2020/07/finansova_zvitnist_z_vysnovkom_29_05_2020.pdf">http://www.zgrk.com.ua/content/docs/report/finansial/2020/07/finansova_zvitnist_z_vysnovkom_29_05_2020.pdf</a>
32	Suha Balka PrJSC	✓	✗	✓	<a href="http://sukhabalka.com/files/file/korporativnye-dokumenty/r-chna-regulyarna-nformats-ya-em-">http://sukhabalka.com/files/file/korporativnye-dokumenty/r-chna-regulyarna-nformats-ya-em-</a>	<a href="http://sukhabalka.com/files/file/korporativnye-dokumenty/r-chna-regulyarna-nformats-ya-em-">http://sukhabalka.com/files/file/korporativnye-dokumenty/r-chna-regulyarna-nformats-ya-em-</a>

№	Company name	Report on payments to the state	Consolidated report on payments to the state	Confirmation letter	Public financial report	Public audit report
					<a href="http://tenta/2019/511a6296cbe24b6abce326971868fbea.zip">tenta/2019/511a6296cbe24b6abce326971868fbea.zip</a>	<a href="http://tenta/2019/511a6296cbe24b6abce326971868fbea.zip">tenta/2019/511a6296cbe24b6abce326971868fbea.zip</a>
33	Ferrexpo Yeristovo mining LLC	✓	x	✓	<a href="http://ferrexpoyeristovomine.com/wp-content/uploads/2019/05/Ferrexpo-Yeristovo-Mining_%D0%A3%D0%9A%D0%A0-%D0%AF%D0%97.pdf">http://ferrexpoyeristovomine.com/wp-content/uploads/2019/05/Ferrexpo-Yeristovo-Mining_%D0%A3%D0%9A%D0%A0-%D0%AF%D0%97.pdf</a>	<a href="http://ferrexpoyeristovomine.com/wp-content/uploads/2019/05/Ferrexpo-Yeristovo-Mining_%D0%A3%D0%9A%D0%A0-%D0%AF%D0%97.pdf">http://ferrexpoyeristovomine.com/wp-content/uploads/2019/05/Ferrexpo-Yeristovo-Mining_%D0%A3%D0%9A%D0%A0-%D0%AF%D0%97.pdf</a>
34	United Mining and Chemical Company JSC	✓	x	✓	<a href="https://umcc.com.ua/purchase/download?file=%D0%A4%D1%96%D0%BD%D0%B0%D0%BD%D1%81%D0%BE%D0%B2%D0%B0+%D0%B7%D0%B2%D1%96%D1%82%D0%BD%D1%96%D1%81%D1%82%D1%8C+%D0%90%D0%A2+%D0%9E%D0%93%D0%A5%D0%9A+%D0%B7%D0%B0+2018+%D1%80%D1%96%D0%BA.pdf">https://umcc.com.ua/purchase/download?file=%D0%A4%D1%96%D0%BD%D0%B0%D0%BD%D1%81%D0%BE%D0%B2%D0%B0+%D0%B7%D0%B2%D1%96%D1%82%D0%BD%D1%96%D1%81%D1%82%D1%8C+%D0%90%D0%A2+%D0%9E%D0%93%D0%A5%D0%9A+%D0%B7%D0%B0+2018+%D1%80%D1%96%D0%BA.pdf</a>	<a href="https://umcc.com.ua/purchase/download?file=%D0%A4%D1%96%D0%BD%D0%B0%D0%BD%D1%81%D0%BE%D0%B2%D0%B0+%D0%B7%D0%B2%D1%96%D1%82%D0%BD%D1%96%D1%81%D1%82%D1%8C+%D0%90%D0%A2+%D0%9E%D0%93%D0%A5%D0%9A+%D0%B7%D0%B0+2018+%D1%80%D1%96%D0%BA.pdf">https://umcc.com.ua/purchase/download?file=%D0%A4%D1%96%D0%BD%D0%B0%D0%BD%D1%81%D0%BE%D0%B2%D0%B0+%D0%B7%D0%B2%D1%96%D1%82%D0%BD%D1%96%D1%81%D1%82%D1%8C+%D0%90%D0%A2+%D0%9E%D0%93%D0%A5%D0%9A+%D0%B7%D0%B0+2018+%D1%80%D1%96%D0%BA.pdf</a>
35	Pokrovskiy GZK JSC	✓	x	✓	<a href="https://pokrovzsk.com.ua/wp-content/uploads/2020/03/%D0%A0%D0%B5%D0%B3%D1%83%D0%BB%D1%8F%D1%80%D0%BD%D0%B0-%D1%80%D1%96%D1%87%D0%BD%D0%B0-%D1%96%D0%BD%D1%84%D0%BE%D1%80%D0%BC%D0%B0%D1%86%D1%96%D1%8F-%D0%B7%D0%B0-2018-%D1%80%D1%96%D0%BA.-%D0%94%D0%B0%D1%82%D0%B0-%D1%80%D0%BE%D0%B7%D0%BC%D1%96%D1%89%D0%B5%D0%BD%D0%BD%D1%8F-30-%D0%BA%D0%B2%D1%96%D1%82%D0%BD%D1%8F-2019-%D1%80%D0%BE%D0%BA%D1%83.pdf">https://pokrovzsk.com.ua/wp-content/uploads/2020/03/%D0%A0%D0%B5%D0%B3%D1%83%D0%BB%D1%8F%D1%80%D0%BD%D0%B0-%D1%80%D1%96%D1%87%D0%BD%D0%B0-%D1%96%D0%BD%D1%84%D0%BE%D1%80%D0%BC%D0%B0%D1%86%D1%96%D1%8F-%D0%B7%D0%B0-2018-%D1%80%D1%96%D0%BA.-%D0%94%D0%B0%D1%82%D0%B0-%D1%80%D0%BE%D0%B7%D0%BC%D1%96%D1%89%D0%B5%D0%BD%D0%BD%D1%8F-30-%D0%BA%D0%B2%D1%96%D1%82%D0%BD%D1%8F-2019-%D1%80%D0%BE%D0%BA%D1%83.pdf</a>	<a href="https://pokrovzsk.com.ua/wp-content/uploads/2020/03/%D0%A0%D0%B5%D0%B3%D1%83%D0%BB%D1%8F%D1%80%D0%BD%D0%B0-%D1%80%D1%96%D1%87%D0%BD%D0%B0-%D1%96%D0%BD%D1%84%D0%BE%D1%80%D0%BC%D0%B0%D1%86%D1%96%D1%8F-%D0%B7%D0%B0-2018-%D1%80%D1%96%D0%BA.-%D0%94%D0%B0%D1%82%D0%B0-%D1%80%D0%BE%D0%B7%D0%BC%D1%96%D1%89%D0%B5%D0%BD%D0%BD%D1%8F-30-%D0%BA%D0%B2%D1%96%D1%82%D0%BD%D1%8F-2019-%D1%80%D0%BE%D0%BA%D1%83.pdf">https://pokrovzsk.com.ua/wp-content/uploads/2020/03/%D0%A0%D0%B5%D0%B3%D1%83%D0%BB%D1%8F%D1%80%D0%BD%D0%B0-%D1%80%D1%96%D1%87%D0%BD%D0%B0-%D1%96%D0%BD%D1%84%D0%BE%D1%80%D0%BC%D0%B0%D1%86%D1%96%D1%8F-%D0%B7%D0%B0-2018-%D1%80%D1%96%D0%BA.-%D0%94%D0%B0%D1%82%D0%B0-%D1%80%D0%BE%D0%B7%D0%BC%D1%96%D1%89%D0%B5%D0%BD%D0%BD%D1%8F-30-%D0%BA%D0%B2%D1%96%D1%82%D0%BD%D1%8F-2019-%D1%80%D0%BE%D0%BA%D1%83.pdf</a>

Nº	Company name	Report on payments to the state	Consolidated report on payments to the state	Confirmation letter	Public financial report	Public audit report
36	Marganets GZK JSC	✓	✗	✓	<a href="https://smida.gov.ua/db/feed/9169">https://smida.gov.ua/db/feed/9169</a>	<a href="https://smida.gov.ua/db/feed/showform/auditinfo/9169">https://smida.gov.ua/db/feed/showform/auditinfo/9169</a>
37	DTEK Pavlogradugol PrJSC	✓	✗	✓	✓	✓
38	Shakhtoupravlinnia Pokrovske PJSC	✓	✗	✓	<a href="http://pokrovskoe.com.ua/sites/default/files/files/%D0%A0%D1%96%D1%87%D0%BD%D0%B8%D0%B9%20%D0%B7%D0%B2%D1%96%D1%82%20%D0%B7%D0%B0%202018%D1%80.pdf">http://pokrovskoe.com.ua/sites/default/files/files/%D0%A0%D1%96%D1%87%D0%BD%D0%B8%D0%B9%20%D0%B7%D0%B2%D1%96%D1%82%20%D0%B7%D0%B0%202018%D1%80.pdf</a>	<a href="http://pokrovskoe.com.ua/sites/default/files/files/%D0%A0%D1%96%D1%87%D0%BD%D0%B8%D0%B9%20%D0%B7%D0%B2%D1%96%D1%82%20%D0%B7%D0%B0%202018%D1%80.pdf">http://pokrovskoe.com.ua/sites/default/files/files/%D0%A0%D1%96%D1%87%D0%BD%D0%B8%D0%B9%20%D0%B7%D0%B2%D1%96%D1%82%20%D0%B7%D0%B0%202018%D1%80.pdf</a>
39	DTEK Dobropolyeugol LLC	✓	✗	✓	<a href="http://mpe.kmu.gov.ua/minugol/doccatalog/document?id=245363049">http://mpe.kmu.gov.ua/minugol/doccatalog/document?id=245363049</a>	<a href="https://dtek.com/content/files/du-annual-report-2018.zip">https://dtek.com/content/files/du-annual-report-2018.zip</a>
40	Selydivvuhillia SE	✓	✗	✓	<a href="http://mpe.kmu.gov.ua/minugol/doccatalog/document?id=245379912">http://mpe.kmu.gov.ua/minugol/doccatalog/document?id=245379912</a>	✗
41	Lvivvughiliya SE	✓	✗	✓	<a href="http://mpe.kmu.gov.ua/minugol/doccatalog/document?id=245363498">http://mpe.kmu.gov.ua/minugol/doccatalog/document?id=245363498</a>	✗
42	DTEK Mine Komsomolets Donbassa PJSC	✗	✗	✗	<a href="https://dtek.com/content/files/mkd-annualreport-2018.zip">https://dtek.com/content/files/mkd-annualreport-2018.zip</a>	<a href="https://dtek.com/content/files/mkd-annualreport-2018.zip">https://dtek.com/content/files/mkd-annualreport-2018.zip</a>
43	Vuhilna Kompaniia Krasnolymanska SE	✓	✗	✓	<a href="https://krasnohimanskaya.com.ua/?cat=65">https://krasnohimanskaya.com.ua/?cat=65</a>	<a href="https://krasnohimanskaya.com.ua/?cat=65">https://krasnohimanskaya.com.ua/?cat=65</a>
44	Myrnohradugol SE	✓	✓	✓	<a href="https://www.mvug.com.ua/?page_id=1819">https://www.mvug.com.ua/?page_id=1819</a>	<a href="https://www.mvug.com.ua/?page_id=2138">https://www.mvug.com.ua/?page_id=2138</a>
45	Pervomayskvuhilla SE	✓	✗	✓	<a href="http://mpe.kmu.gov.ua/minugol/doccatalog/document?id=245364073">http://mpe.kmu.gov.ua/minugol/doccatalog/document?id=245364073</a>	✓
46	Lysychanskvuhillya PJSC	✓	✗	✓	<a href="http://www.lisugol.com/Content/RegInf/2018.pdf">http://www.lisugol.com/Content/RegInf/2018.pdf</a>	<a href="http://lisugol.com/Content/RegInf/Audit311218.pdf">http://lisugol.com/Content/RegInf/Audit311218.pdf</a>

Nº	Company name	Report on payments to the state	Consolidated report on payments to the state	Confirmation letter	Public financial report	Public audit report
47	Shakhtoupravlinnia Pivdenodonbaske No 1 SE	✓	✗	✓	<a href="http://mpe.kmu.gov.ua/minugol/doccatalog/document?id=245363439">http://mpe.kmu.gov.ua/minugol/doccatalog/document?id=245363439</a>	<a href="http://ugnodon1.com/wp-files/Zvit_auditora.pdf">http://ugnodon1.com/wp-files/Zvit_auditora.pdf</a>
48	Toretskvugillya SE	✓	✗	✓	<a href="http://mpe.kmu.gov.ua/minugol/doccatalog/document?id=245364949">http://mpe.kmu.gov.ua/minugol/doccatalog/document?id=245364949</a>	✗
49	Mine named after M. S. Surgai SE	✓	✗	✓	<a href="http://mpe.kmu.gov.ua/minugol/doccatalog/document?id=245364934">http://mpe.kmu.gov.ua/minugol/doccatalog/document?id=245364934</a>	✓
50	Krasnolimanske LLC	✗	✗	✗	<a href="http://mpe.kmu.gov.ua/minugol/doccatalog/document?id=245364934">http://mpe.kmu.gov.ua/minugol/doccatalog/document?id=245364934</a>	✗
51	Bilozerska mine SLC	✓	✗	✓	✓	<a href="https://dtek.com/content/files/bilozerska.pdf">https://dtek.com/content/files/bilozerska.pdf</a>
52	Ukrtransgaz JSC	✓	✗	✓	<a href="http://utg.ua/img/menu/company/reports/2018/audit-report-UTG-2018.pdf">http://utg.ua/img/menu/company/reports/2018/audit-report-UTG-2018.pdf</a>	<a href="http://utg.ua/img/menu/company/reports/2018/audit-report-UTG-2018.pdf">http://utg.ua/img/menu/company/reports/2018/audit-report-UTG-2018.pdf</a>
53	Ukrtransnafta JSC	✓	✗	✓	<a href="https://www.ukrtransnafta.com/wp-content/uploads/2019/04/Ukrtransnafta_Stand-alone_18fsu_with-signatures_%D0%BE%D0%BA%D1%80%D0%B5%D0%BC%D0%B0.pdf">https://www.ukrtransnafta.com/wp-content/uploads/2019/04/Ukrtransnafta_Stand-alone_18fsu_with-signatures_%D0%BE%D0%BA%D1%80%D0%B5%D0%BC%D0%B0.pdf</a>	<a href="https://www.ukrtransnafta.com/wp-content/uploads/2019/04/Ukrtransnafta_Stand-alone_18fsu_with-signatures_%D0%BE%D0%BA%D1%80%D0%B5%D0%BC%D0%B0.pdf">https://www.ukrtransnafta.com/wp-content/uploads/2019/04/Ukrtransnafta_Stand-alone_18fsu_with-signatures_%D0%BE%D0%BA%D1%80%D0%B5%D0%BC%D0%B0.pdf</a>

## 21. Annex 12. Analysis of discrepancies and payments information adjustments

### 21.1 Personal income tax

No	Company name	Government agencies data, UAH thousand	Company data (initial), UAH thousand	Company data (adjusted), UAH thousand	Reason for discrepancies and/or adjustments
1	Ukrigasvydobuvannya JSC	893,799.09	888,843.00	893,799.09	The company made adjustments to its initial data without providing any detailed explanation.
2	Naftogaz of Ukraine NJSC	277,742.04	256,389.12	277,742.04	The discrepancy was due to the fact that the company failed to include the military tax of UAH 21,352.92 thousand in the amount of personal income tax and levy, while the government agencies provided the aggregated data on the indicator including both personal income tax (payment code 11010100) and military duty (payment code 11011000). The company made adjustments to its initial data.
3	Ukrtransnafta JSC	206,267.35	208,567.00	206,267.51	The company made adjustments to its initial data without providing any detailed explanation.
4	Nadra-Geoinvest LLC	710.61	658.00	712.79	The discrepancy was due to the fact that the company failed to include the military tax in the amount of personal income tax and levy, while the government agencies provided the aggregated data on the indicator, including both PIT (payment code 11010100) and military duty (payment code 11011000). The insignificant discrepancy of UAH 2.18 thousand includes the funds paid by the company in 2018 (namely on December 28, 2018), and credited to the STI record in 2019 (namely on January 2, 2019). The company made adjustments to its initial data.
5	Kashtan Petroleum LTD JV	954.31	881.00	954.31	The discrepancy was due to the fact that the company failed to include the military tax in the amount of personal income tax and levy, while the government agencies provided the aggregated data on the indicator, including both PIT (payment code 11010100) and military duty (payment code 11011000). The company made adjustments to its initial data.
6	Kub-Gaz LLC	10,415.92	9,638.80	10,417.73	The discrepancy was due to the fact that the company failed to include the military tax in the amount of personal income tax and levy (in its initial response, the company included the amount of military duty in the category "Other taxes"). The government agencies provided the aggregated data on



No	Company name	Government agencies data, UAH thousand	Company data (initial), UAH thousand	Company data (adjusted), UAH thousand	Reason for discrepancies and/or adjustments
					the indicator, including both PIT (payment code 11010100) and military duty (payment code 11011000). The company made adjustments to its initial data.
7	Joint Venture Ukrkarpatoil LTD LLC	887.07	-	887.07	In the initial response, the company failed to provide the data on personal income tax and levy. The company made adjustments to its initial data without providing any detailed explanation.
8	Energy Service Company Esco-Pivnich LLC	39,719.04	3,055.31	39,719.04	In the initial response, the company only provided data on the military duty and did not provide the data on personal income tax, as it was guided by the requirement of Article 1 of the EITI Act stipulating that mining companies shall report on all payments to the state, other than VAT and PIT. The company made adjustments to its initial data.
9	Ukrnafta PJSC	653,967.02	-	653,967.02	In the initial response, the company only provided data on the military duty and did not provide the data on personal income tax, as it was guided by the requirement of Article 1 of the EITI Act stipulating that mining companies shall report on all payments to the state, other than VAT and PIT. The company made adjustments to its initial data.
10	Southern Mining Factory JSC	228,452.71	18,541.51	228,452.71	In the initial response, the company only provided data on military duty and did not provide the data on PIT, as it was guided by the draft Instruction on filling in the forms of the Report on payments to the state (paragraph 5.1, Section 5 requires to disclose all taxes other than VAT and PIT). The company made adjustments to its initial data.
11	The foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC	173,623.97	-	173,623.97	The company provided data on personal income tax and levies not separately, but in the "Other" category. The company made adjustments to its initial data.
12	Northern Iron Ore Enrichment Works PrJSC	201,083.72	15,486.00	201,083.72	In the initial response, the company only provided data on military duty and did not provide the data on PIT, as it was guided by the draft Instruction on filling in the forms of the Report on payments to the state (paragraph 5.1, Section 5 requires to disclose all taxes other than VAT and PIT). The company made adjustments to its initial data.
13	Central Iron Ore Enrichment Works PrJSC	164,231.89	12,641.25	164,231.89	In the initial response, the company only provided data on military duty and did not provide the data on PIT The company made adjustments to its initial data without providing any detailed explanation.
14	Ingulets Iron Ore Enrichment Works PrJSC	177,324.49	13,651.00	177,324.49	The company made adjustments to its initial data without providing any detailed explanation.

No	Company name	Government agencies data, UAH thousand	Company data (initial), UAH thousand	Company data (adjusted), UAH thousand	Reason for discrepancies and/or adjustments
15	Ferrexpo Poltava mining PrJSC	254,694.77	-	254,694.77	In its initial response, the company did not provide the data on personal income tax and levy, as it was guided by the requirement of Article 1 of the Law on EITI stipulating that mining companies shall report on all payments to the state, other than VAT and PIT. The company made adjustments to its initial data.
16	Lvivvughiliya SE	243,736.89	211,756.00	243,736.89	The company made adjustments to its initial data without providing any detailed explanation.
17	Pervomayskvuhilla SE	99,108.80	99,593.00	99,108.80	The company made adjustments to its initial data without providing any detailed explanation.
18	Shakhtoupravlinnia Pivdenodonbaske No 1 SE	60,370.82	4,628.00	60,370.82	In the initial response, the company only provided data on military duty and did not provide the data on PIT, as it was guided by the draft Instruction on filling in the forms of the Report on payments to the state (paragraph 5.1, Section 5 requires to disclose all taxes other than VAT and PIT). The company made adjustments to its initial data.
19	Toretskvugillya SE	59,132.62	59,356.00	59,356.00	The discrepancy is due to the crediting of several payments within one budget account due to the fact that the company was initially registered with the Specialized State Tax Inspectorate of the city of Zaporizhia, and later on January 16, 2018 was transferred to the United State Tax Inspectorate of the city of Artemivsk. The company made no adjustments to its data.
20	Shakhtoupravlinnia Pokrovske PJSC	297,306.64	22,915.00	297,306.00	In the initial response, the company only provided data on military duty and did not provide the data on PIT, as it was guided by the draft Instruction on filling in the forms of the Report on payments to the state (paragraph 5.1, Section 5 requires to disclose all taxes other than VAT and PIT). The company made adjustments to its initial data.
21	Selydivvuhillia SE	162,208.93	-	162,207.38	The company provided no data on personal income tax and levy in its initial response. After the initial data had been adjusted, a slight discrepancy remained. The company made adjustments to its initial data.
22	DTEK Dobropolyeugol LLC	181,587.84	184,236.00	182,811.78	The company made adjustments to its initial data without providing any detailed explanation. After the initial data had been adjusted, a significant discrepancy remained

## 21.2 Corporate income tax

No	Company name	Government agencies data, UAH thousand	Company data (initial), UAH thousand	Company data (adjusted), UAH thousand	Reason for discrepancies and/or adjustments
1	Naftogazvydobuvannya PrJSC	1,885,388.74	1,810,388.74	1,885,388.74	According to the company, the corporate income tax was paid under the following codes: - code 11021000 - private enterprise income tax in the amount of UAH 1,883,266.14 thousand; - code 11020500 - foreign legal entity income tax in the amount of UAH 2,122.60 thousand. The company made adjustments to its initial data.
2	Ukrnafta PJSC	1,788,116.49	1,779,653.00	1,788,116.49	The company made adjustments to its initial data without providing any detailed explanation.
3	The foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC	233,408.19	163,082.00	233,408.19	The company provided data on foreign legal entity income tax, which is a part of the income tax, not separately but in the "Other" category. The company made adjustments to its initial data.
4	Suha Balka PrJSC	48.34	45.00	48.34	The company made adjustments to its initial data without providing any detailed explanation.
5	Ferrexpo Yeristovo mining LLC	224.79	-	224.79	In its initial response, the company failed to include the non-resident income tax (code 11020500) in the amount of UAH 224.79 thousand. The company made adjustments to its initial data.
6	Northern Iron Ore Enrichment Works PrJSC	1,994,982.02	1,943,857.00	1,994,982.02	In its initial response, the company did not include the amount of penalties paid on corporate income tax in 2018. The company made adjustments to its initial data.
7	Central Iron Ore Enrichment Works PrJSC	547,982.89	501,738.00	547,982.89	The company made adjustments to its initial data without providing any detailed explanation.
8	Ferrexpo Poltava mining PrJSC	974,708.68	970,400.26	974,708.68	In its initial response, the company did not include the penalties paid on corporate income tax in 2018 (code 11020000) in the amount of UAH 1,723.82 thousand and foreign legal entity income tax (code 11020500) in the amount of UAH 2,584.6 thousand. The company made adjustments to its initial data.
9	Lvivvughiliya SE	1,200.69	582.00	1,200.69	The company made adjustments to its initial data without providing any detailed explanation.
10	DTEK Pavlogradugol PrJSC	2,378,183.55	2,376,815.00	2,378,183.55	The company failed to include non-resident income tax (code 11020500) in the amount of UAH 1,386.80 thousand in its initial response. The company made adjustments to its initial data.

## 21.3 Production royalty

No	Company name	Government agencies data, UAH thousand	Company data (initial), UAH thousand	Company data (adjusted), UAH thousand	Reason for discrepancies and/or adjustments
1	Ukrigasvydobuvannya JSC	19,952,921.16	19,942,148.00	19,942,148.00	No inaccuracies were found on the part of the company. The possible reason for the discrepancy is inaccuracies in the information provided by the government agencies. The company made no adjustments to its data.
2	Ukrtransnafta JSC	15.03	14.00	15.03	The company made adjustments to its initial data without providing any detailed explanation.
3	Kashtan Petroleum LTD JV	115,060.76	112,789.00	115,060.76	The company did not include the amount of financial sanctions (penalties) paid, related to the violation of tax legislation in terms of rent for subsoil use. In its initial response the company also did not specify the amount of rent paid under codes 13031200 (rent for the use of subsoil for the purpose of natural gas extraction, accrued until 01.01.2018, repayment of tax debt and return of erroneously or overpaid amounts until 31.12.2017) and 13031100 (rent for the use of subsoil for the purpose of oil extraction, accrued until 01.01.2018, repayment of tax debt and return of erroneously or overpaid amounts until 31.12.2017), which is part of the total rent for the use of subsoil. The company made adjustments to its initial data.
4	Joint Venture Ukrkarpatoil LTD LLC	297,629.41	272,113.00	297,629.24	The company made adjustments to its initial data without providing any detailed explanation.
5	Joint activity agreement of 24/12/1997 p. № 999/97 - operated by Poltavanaftogaz OPMO of Ukrnafta PJSC (22525915)	231,530.45	-	231,530.45	The company failed to include data on rent for the use of subsoil in its initial response. The company made adjustments to its initial data.
6	Ukrnafta PJSC	9,024,365.92	7,785,010.00	9,024,365.92	In its initial response, the company only included the rent for the use of subsoil paid for 2018 and failed to include the arrears on rent relating to previous years. The company made adjustments to its initial data.
7	Lvivvughiliya SE	1,830.27	2,031.00	1,830.27	The company made adjustments to its initial data without providing any detailed explanation.
8	Vuhilna Kompaniia Krasnolymanska SE	7,080.92	5,512.00	7,080.92	The company made adjustments to its initial data without providing any detailed explanation.

## 21.4 Value added tax on goods and services produced in Ukraine (excluding budget reimbursement of VAT)

No	Company name	Government agencies data, UAH thousand	Company data (initial), UAH thousand	Company data (adjusted), UAH thousand	Reason for discrepancies and/or adjustments
1	Ukrasvydobuvannya JSC	11,092,995.47	11,130,931.00	11,092,995.47	The company made adjustments to its initial data without providing any detailed explanation.
2	Ukrtransgaz JSC	3,609,702.45	3,565,717.00	3,565,717.00	<p>The discrepancy was due to the following reasons:</p> <ul style="list-style-type: none"> <li>- On December 29, 2018, the State Tax Service re-debited UAH 47,638.58 thousand (settlement of tax liabilities) from the company's account with the VAT Electronic Administration System. On January 25, 2019, the State Tax Service refunded to the Electronic VAT Administration System, which is reflected in the company's integrated taxpayer account. So, the amount of UAH 47,638.58 thousand was mistakenly included into tax liabilities for 2018 and shall to be included in the amount of taxes paid by the company in 2018;</li> <li>- In 2018, the company paid VAT penalties with UAH 3,653.00 thousand overpaid onto its integrated taxpayer account, however the government agencies did not include the amount as VAT penalties in their data.</li> </ul> <p>So, according to the company, the amount of UAH 43,985.58 thousand (UAH 47,638.58 thousand - UAH 3,653.00 thousand), which is a significant discrepancy, cannot be included into the payments made in 2018. The company made no adjustments to its data.</p>
3	Nadra-Geoinvest LLC	15,653.52	11,550.00	11,550.00	<p>The company provided no clarification.</p> <p>The company made no adjustments to its data.</p>
4	Joint Venture Ukrkarpatoil LTD LLC	4,173.68	-	4,173.68	<p>The company did not include VAT data in its initial response.</p> <p>The company made adjustments to its initial data without providing any detailed explanation.</p>
5	Energy Service Company Esco-Pivnich LLC	770,439.36	-	770,439.36	<p>The company did not provide the data on VAT, as it was guided by Article 1 of the Law on EITI, which requires the mining companies to report on all payments to the state, other than VAT and PIT.</p> <p>The company made adjustments to its initial data.</p>
6	Joint activity agreement of 24/12/1997 № 999/97 - operated by Poltavanaftogaz OPMO of Ukrnafta PJSC (22525915)	39,992.00	-	39,992.00	<p>The company did not include VAT data in its initial response.</p> <p>The company made adjustments to its initial data.</p>

No	Company name	Government agencies data, UAH thousand	Company data (initial), UAH thousand	Company data (adjusted), UAH thousand	Reason for discrepancies and/or adjustments
7	Ukrnafta PJSC	4,013,532.94	-	4,013,532.94	The company did not provide the data on VAT, as it was guided by Article 1 of the Law on EITI, which requires the mining companies to report on all payments to the state, other than VAT and PIT. The company made adjustments to its initial data.
8	Southern Mining Factory JSC	(770.05)	-	(770.05)	In the initial response, the company did not provide the data on VAT, as it was guided by the draft Instruction on filling in the forms of the Report on payments to the state (paragraph 5.1, Section 5 that requires the companies to disclose all taxes other than VAT and PIT). The company made adjustments to its initial data.
9	Suha Balka PrJSC	96,242.26	119,459.00	96,242.26	When filling in the Statement of payments in favor of the state, the company included the payments made in January 2019 for December 2018 in the total amount of VAT. The company made adjustments to its initial data.
10	United Mining and Chemical Company JSC	1.56	-	1.56	The company failed to include VAT data in its initial response due to a technical error. The company made adjustments to its initial data.
11	Northern Iron Ore Enrichment Works PrJSC	29,338.49	-	29,338.49	In the initial response, the company did not provide the data on VAT, as it was guided by the draft Instruction on filling in the forms of the Report on payments to the state (paragraph 5.1, Section 5 that requires the companies to disclose all taxes other than VAT and PIT). The mentioned amount of UAH 29,338.49 thousand is the VAT related penalties paid in 2018. The company made adjustments to its initial data.
12	Lvivvughiliya SE	4,895.38	8,573.00	4,895.38	The company made adjustments to its initial data without providing any detailed explanation.
13	Shakhtoupravlinnia Pivdennodonbaske No 1 SE	4,871.63	-	4,867.70	The company did not provide its VAT data as it was guided by the draft Instruction on filling in the forms of the Report on payments to the state (paragraph 5.1, Section 5 that requires the companies to disclose all taxes other than VAT and PIT). The company made adjustments to its initial data.
14	Shakhtoupravlinnia Pokrovske PJSC	586,656.50	-	586,656.50	The company did not provide its VAT data as it was guided by the draft Instruction on filling in the forms of the Report on payments to the state (paragraph 5.1, Section 5 that requires the companies to disclose all taxes other than VAT and PIT). The company made adjustments to its initial data.

## 21.5 Budget reimbursement of value added tax

Nº	Company name	Government agencies data, UAH thousand	Company data (initial), UAH thousand	Company data (adjusted), UAH thousand	Reason for discrepancies and/or adjustments
1	Southern Mining Factory JSC	(504,738.22)	-	(504,738.22)	The company did not provide the data on budget VAT refunds, as it was guided by the draft Instruction on filling in the forms of the Report on payments to the state (paragraph 5.1 of Section 5, which requires the companies to disclose all taxes except VAT and PIT). The company made adjustments to its initial data.
2	Krivoj Rog`s Iron-Ore Combine PJSC	(61,142.18)	-	(61,142.18)	The company failed to provide the data on budget VAT refunds in its initial response. When filling in Section V of the Statement of Payments to the State for 2018, the company provided information on payments made to the state or local budgets, compulsory state social and pension insurance funds or other recipients of payments. Budget refund of value added tax (code 14060200) is a compensation by the state of the amount of VAT paid in the value of purchased goods, works, services in the form of transfer of funds to the current account of the company following the application for budget refund submitted by the company. Thus, the budget VAT refund in the amount of UAH 61,142.18 thousand is a cash inflow, and in accordance with the form of the Report on payments to the state specified in the template, the entity shall disclose information on all the funds paid to the state (Section V. Payments to the state in the reporting period). The company made adjustments to its initial data.
3	The foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC	(53,544.46)	-	(53,544.46)	The company provided the data on budget VAT refunds not separately, but within the "Other" category. The company made adjustments to its initial data.
4	Central Iron Ore Enrichment Works PrJSC	(1,340,584.95)	-	(1,340,584.95)	The company provided no data on budget VAT refunds in its initial response and made adjustments to its initial data without providing any detailed explanation.
5	Ingulets Iron Ore Enrichment Works PrJSC	(205,036.36)	-	(205,036.36)	The company failed to provide the data on budget VAT refunds in its initial response and made adjustments to its initial data without providing any detailed explanation.
6	Ferrexpo Poltava mining PrJSC	(2,058,080.75)	-	(2,058,080.75)	In its initial response, the company did not provide the data on budget VAT refunds, as it was guided by Article 1 of the EITI Law requiring the extractive companies to report on all payments to the state other than VAT and PIT The company made adjustments to its initial data.

## 21.6 Value added tax on goods imported into Ukraine

Nº	Company name	Government agencies data, UAH thousand	Company data (initial), UAH thousand	Company data (adjusted), UAH thousand	Reason for discrepancies and/or adjustments
1	Ukrigasvydobuvannya JSC	1,193,980.42	1,210,481.00	1,193,980.42	The company made adjustments to its initial data without providing any detailed explanation.
2	Ukrtransgaz JSC	21,034.08	-	18,978.00	The company did not include information on VAT on goods imported into the customs territory of Ukraine in the initial response. After the first adjustment of the data, a significant discrepancy was still there, with no inaccuracies found on the part of the company. The discrepancies might be caused by inaccuracies in the information provided by the government agencies. The company made adjustments to its initial data.
3	Ukrtransnafta JSC	322.71	-	322.71	The company provided data for the purposes of preparation of the EITI Report using the information the State Tax Service website resource "Information on payments to the Consolidated Budget of Ukraine by payers that are natural monopolies and entities that are payers of rent for subsoil use (tax payments)", which do not include data on VAT paid to customs accounts. The VAT paid to the customs authorities was included in the tax credit in 2018, which reduced VAT liabilities. Therefore, the company did not include this payment in its initial response due to the lack of the detailed instructions for filling in the report on payments to the state. The company made adjustments to its initial data.
4	Systemoilingeneryng LLC	1,370.71	-	1,370.71	The company did not include information on VAT on goods imported into the customs territory of Ukraine in its initial response. The company made adjustments to its initial data without providing any detailed explanation.
5	Kub-Gaz LLC	232.71	-	299.45	The company did not include information on VAT on goods imported into the customs territory of Ukraine in its initial response. After the first adjustment of the data, a significant discrepancy still remained. According to the company, the amount specified by the government agencies (UAH 232.71 thousand) is reflected with the State Fiscal Service on the customs declaration as the amount of accrued payment. The company made adjustments to its initial data.
6	Naftogazvydobuvannya PrJSC	60,028.02	50,029.03	60,028.02	The company data on VAT on goods / non-current assets imported into the customs territory of Ukraine are formed in accordance with the requirements of Article 11.1 of the VAT Declarations for 2018. K The company made adjustments to its initial data.



№	Company name	Government agencies data, UAH thousand	Company data (initial), UAH thousand	Company data (adjusted), UAH thousand	Reason for discrepancies and/or adjustments
7	Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	563,689.83	-	571,949.05	The company did not provide its data on VAT on goods imported into the customs territory of Ukraine in its initial response. The data were updated based on the Register of operations in the Electronic office of the SFS marked as "Registration of the customs declaration". After the first adjustment of the data, a significant discrepancy still remained. The company made adjustments to its initial data.
8	Energy Service Company Esco-Pivnich LLC	25,368.69	-	27,211.90	The company did not provide the data on VAT on goods imported into the customs territory of Ukraine, as it was guided by the requirement of Article 1 of the Law on EITI, which stipulates that mining companies shall report on all payments to the state, other than VAT and PIT. After the first adjustment to the data, a significant discrepancy persisted. The company made adjustments to its initial data.
9	Ukrnafta PJSC	18,700.91	-	18,700.91	The company did not provide the data on VAT on goods imported into the customs territory of Ukraine, as it was guided by the requirement of Article 1 of the Law on EITI, which stipulates that mining companies shall report on all payments to the state, other than VAT and PIT. The company made adjustments to its initial data.
10	ArcelorMittal Kryvyi Rih PJSC	4,179,677.32	4,147,806.00	4,179,677.32	The company made adjustments to its initial data without providing any detailed explanation.
11	Southern Mining Factory JSC	84,593.04	-	68,482.35	The company did not provide the data on VAT, as it was guided by the draft Instruction on filling in the forms of the Report on payments to the state (paragraph 5.1 of Section 5, which requires the companies to disclose all taxes other than VAT and PIT). After adjusting the data, a significant discrepancy persisted. According to the company, the VAT in the amount of UAH 68,482.35 thousand was registered in the electronic VAT administration system under import customs declaration section. The company made adjustments to its initial data.
12	Ferrexpo Yeristovo mining LLC	13,768.76	45,943.40	45,943.40	The data on VAT on goods imported into the customs territory of Ukraine are formed based on the customs freight import declaration. The company made no adjustments to its initial data.
13	United Mining and Chemical Company JSC	15.78	-	15.78	The company failed to include VAT on goods imported into the customs territory of Ukraine in its initial response due to a technical error. The company made adjustments to its initial data.
14	Pokrovskiy GZK JSC	24,506.11	-	24,506.11	The company did not provide the data on VAT, as it was guided by the draft Instruction on filling in the forms of the Report on payments to the state

№	Company name	Government agencies data, UAH thousand	Company data (initial), UAH thousand	Company data (adjusted), UAH thousand	Reason for discrepancies and/or adjustments
					(paragraph 5.1 of Section 5, which requires the companies to disclose all taxes other than VAT and PIT). The company made adjustments to its initial data.
15	Northern Iron Ore Enrichment Works PrJSC	195,719.72	132,409.00	132,409.00	The data on VAT on goods imported into the customs territory of Ukraine are formed based on the customs freight import declaration. The company made no adjustments to its initial data.
16	Central Iron Ore Enrichment Works PrJSC	94,358.50	55,044.00	94,358.50	The company made adjustments to its initial data without providing any detailed explanation.
17	Ingulets Iron Ore Enrichment Works PrJSC	75,251.25	80,709.80	80,709.80	The data on VAT on goods imported into the customs territory of Ukraine are formed based on the company's statements. The company made no adjustments to its initial data.
18	Ferrexpo Poltava mining PrJSC	333,112.60	-	337,780.65	The company did not provide the data on VAT on goods imported into the customs territory of Ukraine, as it was guided by the requirement of Article 1 of the Law on EITI stipulating that mining companies shall disclose all payments to the state, other than VAT and PIT. After the first adjustment to the data, a significant discrepancy persisted. The company made adjustments to its initial data.
19	Krivoj Rog`s Iron-Ore Combine PJSC	5,244.11	-	5,244.11	The company failed to provide the data on VAT on goods imported into the customs territory of Ukraine in its initial response. Value added tax on goods imported into the customs territory of Ukraine shall be paid in accordance with paragraph 206.1 of the Tax Code of Ukraine to the State Customs Service account before / or during customs clearance of such goods. The payments with code 14070000 "Value Added Tax on Goods Imported into the Customs Territory of Ukraine" shall be paid without the use of an electronic VAT invoice, i.e. information on the payments is not visible in the Taxpayer's Electronic Account. VAT on goods imported into the customs territory of Ukraine shall be paid to a deposit account opened with the State Treasury Service of Ukraine in the name of the State Customs Service of Ukraine. Therefore, such payments are classified by the company as payments made in favor of a third party - the State Customs Service of Ukraine (SCS). The SCS shall ensure their transfer to the state budget of Ukraine (Section IV of the Procedure for accounting and transferring to the state budget of customs and other payments made before and / or during customs clearance, approved by the Order of the Ministry of Finance of Ukraine dated 01.11.2017 No 898). The company made adjustments to its initial data.

№	Company name	Government agencies data, UAH thousand	Company data (initial), UAH thousand	Company data (adjusted), UAH thousand	Reason for discrepancies and/or adjustments
20	Lvivvughiliya SE	359.99	187.60	359.99	The company made adjustments to its initial data without providing any detailed explanation.
21	DTEK Pavlogradugol PrJSC	122,999.79	124,480.61	124,480.61	The data on VAT on goods imported into the customs territory of Ukraine are compiled based on the data of the taxpayer's electronic office. The company made no adjustments to its initial data.

## 21.7 Property tax

Nº	Company name	Government agencies data, UAH thousand	Company data (initial), UAH thousand	Company data (adjusted), UAH thousand	Reason for discrepancies and/or adjustments
1	Ukrigasvydobuvannya JSC	45,507.39	22,066.00	45,507.39	The company made adjustments to its initial data without providing any detailed explanation.
2	Naftogaz of Ukraine NJSC	10,399.03	8,867.57	10,399.03	In its initial response, the company provided separate data only for rent (code 18010600) and land tax (code 18010500). Some subtypes of payments that are part of the property tax were not separated by the company, but included in "Others" category. The company made adjustments to its initial data.
3	Energy Service Company Esco-Pivnich LLC	494.01	391.10	494.01	In the initial response, the company erroneously included the data on one of the subtypes of payments (legal entity transport tax, payment code 18011100), which is a part of the property tax, with another budget classification code. The company made adjustments to its initial data.
4	The foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC	17,956.55	-	17,956.55	The company provided property tax data not as a separate figure, but within the "Other" category. The company made adjustments to its initial data.
5	Ferrexpo Poltava mining PrJSC	61,830.63	43,368.64	43,368.64	The government agencies provided information on the total amount of property tax paid. However the company mentioned only the part of the rent received from legal entities (payment code 18010600) and land tax received from legal entities (payment code 18010500), which was paid and relate to the land plots used directly in mining activities (allocated for quarrying and dumping). In addition, the company failed to provide the data on the subtypes of property tax payments such as real estate (other than land) tax paid by legal entities that own residential real estate (payment code 18010100) and real estate tax, other than from the land plot, paid by legal entities that are owners of non-residential real estate (payment code 18010400), because the taxes paid are not related to the company's mining activities. The company made no adjustments to its initial data.
6	Lvivvughiliya SE	871.80	828.00	871.80	The company made adjustments to its initial data without providing any detailed explanation.
7	Myrnohradugol SE	38.24	27.00	38.24	The company made adjustments to its initial data without providing any detailed explanation.

№	Company name	Government agencies data, UAH thousand	Company data (initial), UAH thousand	Company data (adjusted), UAH thousand	Reason for discrepancies and/or adjustments
8	Pervomayskvuhilla SE	4.90	-	4.90	The company failed to include property tax data in its initial response, and then it made adjustments to its initial data without providing any detailed explanation.
9	Toretskvugillya SE	20.77	23.00	23.00	The difference is due to the crediting of several payments within one budget account due to the fact that the company was initially registered with the Specialized State Tax Inspectorate of the city of Zaporizhia, and on January 16, 2018 was transferred to the United State Tax Inspectorate of the city of Artemivsk. The company made no adjustments to its initial data.
10	Vuhilna Kompaniia Krasnolymanska SE	1,311.28	1,095.00	1,311.28	The company made adjustments to its initial data without providing any detailed explanation.

## 21.8 Environmental tax

Nº	Company name	Government agencies data, UAH thousand	Company data (initial), UAH thousand	Company data (adjusted), UAH thousand	Reason for discrepancies and/or adjustments
1	Ukrigasvydobuvannya JSC	17 348,85	16 431,00	17 348,85	The company made adjustments to its initial data without providing any detailed explanation.
2	Ferrexpo Poltava mining PrJSC	107 131,95	93 320,90	93 320,90	The government agencies provided information on the total amount of environmental tax paid. However the company provided information only on the part of the environmental tax paid for "low-hazard non-toxic waste from the mining industry." The rest of the environmental tax was not mentioned, as it was not related to the company's mining activities. The company made no adjustments to its initial data.
3	Myrnohradugol SE	478,63	628,00	478,63	The company made adjustments to its initial data without providing any detailed explanation.
4	Vuhilna Kompaniia Krasnolymanska SE	7 336,35	6 205,00	7 336,35	The company made adjustments to its initial data without providing any detailed explanation.

## 21.9 Dividends and payment of a share of net profit

Nº	Company name	Government agencies data, UAH thousand	Company data (initial), UAH thousand	Company data (adjusted), UAH thousand	Reason for discrepancies and/or adjustments
1	Naftogaz of Ukraine NJSC	28,597,621.39	-	29,497,614.00	The company failed to include the payment in its initial response. After the first adjustment of the data, the significant discrepancy persisted, however the company confirms the correctness of the data provided. The amount provided by the company is determined by the Order of the Cabinet of Ministers of April 25, 2018 No 384-r <sup>866</sup> and the Order of the Cabinet of Ministers of July 26, 2018 No 535-r <sup>867</sup> . The company made adjustments to its initial data.
2	Ukrnafta PJSC	38,164.13	-	38,164.13	The company failed to provide the data on dividends and payment of the part of net profit in its initial response, as the Law on EITI does not explicitly require reporting this payment in the Statement of Payments in favor of the state. The company made adjustments to its initial data.
3	United Mining and Chemical Company JSC	309,688.20	332,598.75	309,688.20	The discrepancy was due to a technical error while filling in the initial response. The data of the company are fully consistent with the government data. The company made adjustments to its initial data.
4	Vuhilna Kompaniia Krasnolymanska SE	617.69	-	617.69	The company failed to provide the data on dividends and payment of the part of net profit in its initial response. The company made adjustments to its initial data without providing any detailed explanation.

<sup>866</sup> The CMU Ordinance of 25 April 2018 No 384-r: <https://zakon.rada.gov.ua/laws/show/384-2018-%D1%80#Text>

<sup>867</sup> The CMU Ordinance of 26 July 2018 No 535-p: <https://ips.ligazakon.net/document/KR180535?an=3>

## 21.10 Fees for granting and extending special permits for the use subsoils and revenues from the sale of such permits

Nº	Company name	Government agencies data, UAH thousand	Company data (initial), UAH thousand	Company data (adjusted), UAH thousand	Reason for discrepancies and/or adjustments
1	Ukrigasvydobuvannya JSC	129,729.80	-	129,729.80,	The Company failed to include the data on the fee for granting and extending special subsoil use permits and the proceeds from the sale of such permits in its initial response. The company made adjustments to its initial data.
2	Stryinaftogaz LLC	2,044.56	-	2,044.56	The Company failed to include the data on the fee for granting and extending special subsoil use permits and the proceeds from the sale of such permits in its initial response, since the payment is classified as intangible assets, and therefore shall not be recognized as a tax. The company made adjustments to its initial data.
3	Ukrnafta PJSC	157,502.66	-	157,502.66	The Company failed to include the data on the fee for granting and extending special subsoil use permits and the proceeds from the sale of such permits in its initial response, since the Law on EITI does not explicitly require to include the payment in the Statement of Payments Report. The company made adjustments to its initial data.
4	ArcelorMittal Kryvyi Rih PJSC	157,568.80	-	157,568.80	The Company failed to include the data on the fee for granting and extending special subsoil use permits and the proceeds from the sale of such permits in its initial response. The company made adjustments to its initial data.
5	Krivoj Rog`s Iron-Ore Combine PJSC	37,888.81	-	37,888.81	The Company failed to include the data on the fee for granting and extending special subsoil use permits and the proceeds from the sale of such permits in its initial response. The list of payments included in the Report on payments in favor of the state was compiled using the Taxpayer's Electronic Office. The payments made in connection with the extension of special subsoil use permits are not reflected in the Taxpayer's Electronic Office. The company made adjustments to its initial data.
6	Lvivvughiliya SE	3,854.57	-	3,854.57	The Company failed to include the data on the fee for granting and extending special subsoil use permits and the proceeds from the sale of such permits in its initial response. The company made adjustments to its initial data without providing any detailed explanation.



№	Company name	Government agencies data, UAH thousand	Company data (initial), UAH thousand	Company data (adjusted), UAH thousand	Reason for discrepancies and/or adjustments
7	DTEK Pavlogradugol PrJSC	93,542.56	-	93,542.56	<p>The Company failed to include data on the fee for granting and extending special subsoil use permits and the proceeds from the sale of such permits in its initial response.</p> <p>The company made adjustments to its initial data without providing any detailed explanation.</p>

## 21.11 Unified social contribution

Nº	Company name	Government agencies data, UAH thousand	Company data (initial), UAH thousand	Company data (adjusted), UAH thousand	Reason for discrepancies and/or adjustments
1	Ukr gasvydobuvannya JSC	825,574.10	830,016.00	825,574.10,	The company made adjustments to its initial data without providing any detailed explanation.
2	Ukrtransgaz JSC	850,200.18	868,225.00	868,271.83	The amount of the single contribution paid is compiled using the company's accounting data. The company made adjustments to its initial data that resulted in an increase in significant discrepancy.
3	Ukrtransnafta JSC	178,669.84	211,078.00	178,669.85	The company made adjustments to its initial data without providing any detailed explanation.
4	Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	10,878.37	-	10,878.37	The company failed to provide the data on the single contribution in its initial response, as there is no exhaustive list of payments to be reflected in the Statement of Payments in favor of the state. The company made adjustments to its initial data.
5	The foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC	182,156.04	-	182,156.04	The company provided data on the single contribution not separately, but within the "Other" category. The company made adjustments to its initial data.
6	Ingulets Iron Ore Enrichment Works PrJSC	189,171.05	-	189,171.05	The company failed to provide the data on the single contribution in its initial response and subsequently made adjustments to its initial data without providing any detailed explanation.
7	Lvivvughiliya SE	264,546.83	230,006.00	264,546.83	The company made adjustments to its initial data without providing any detailed explanation.
8	Myrnohradugol SE	108,055.82	-	108,033.00	After clarification, an insignificant discrepancy persisted. The company made adjustments to its initial data.
9	Pervomayskvuhilla SE	109,846.42	110,126.00	109,846.42	The company made adjustments to its initial data without providing any detailed explanation.
10	Shakhtoupravlinnia Pivdennodonbaske No 1 SE	66,573.53	-	66,573.53	The company failed to include the data on the single contribution in its initial response due to a methodological error. The company' data are fully consistent with those provided by the government agencies. The company made adjustments to its initial data.
11	Toretskvugillya SE	65,595.75	-	65,599.00	The company failed to include the data on the single contribution in its initial response. The insignificant difference that persisted is due to the crediting of several payments within one budget account due to the fact that the company was initially registered with the Specialized State Tax Inspectorate of the city of

№	Company name	Government agencies data, UAH thousand	Company data (initial), UAH thousand	Company data (adjusted), UAH thousand	Reason for discrepancies and/or adjustments
					Zaporizhia, and on January 16, 2018 was transferred to the United State Tax Inspectorate of the city of Artemivsk. The company made adjustments to its initial data.
12	Selydivvuhillia SE	180,008.05	-	180,002.55	The company failed to provide the data on the single contribution in its initial response After the first adjustments to the data an insignificant discrepancy persisted. The company made adjustments to its initial data.
13	DTEK Dobropolyeugol LLC	196,690.32	181,148.00	198,107.47	In its initial response, the company provided information on single contributions only paid by Dobropilliavuhilia DTEK LLC (USREOU code 37014600), net of the data on separate units. The company adjusted its initial data to take into account the payment made by the separate units. A significant discrepancy in the amount of UAH 1,417.15 thousand, that persisted after the first adjustment, is the payment of a single contribution by the branch "Dobropillia Department for mining equipment installation, dismantling and repair" (USREOU 42007841), which was not included in the data provided by the government agencies. The company made adjustments to its initial data.
14	Vuhilna Kompaniia Krasnolymanska SE	78,874.24	70,963.00	78,874.24	The company made adjustments to its initial data without providing any detailed explanation.

## 22. Annex 13. List of coal mines located in the territory where state authorities temporarily do not exercise their powers

Nº	Name of the mine	Ownership	Location
	<b>DVNK SE</b>		Donetsk region
1	Mine named after Cheliuskintsev	State	
2	Zhovtnevyi Rudnyk Mine	State	
3	Mine named after E.T. Abakumov	State	
4	Mine name after M.I. Kalinin	State	
5	Trudivska Mine	State	
6	Mine named after O.O. Skochynskiyi	State	
7	Nº 4-21 Mine, Group III <sup>868</sup>	State	
8	Mospinska Mine SE, Group III	State	
9	Mine named after M. Horkoho SE, Group III	State	
10	Mine Nº17-17-bis SE, Group III	State	
11	Lidiivka Mine SE, Group III	State	
	<b>Makiyivvuhillia SE</b>		Donetsk region
12	Mine named after V.M. Bazhanov	State	
13	Kholodna Balka Mine	State	
14	Kalynivska-Skhidna Mine	State	
15	Butivska Mine	State	
16	Chaikino Mine	State	
17	Mine named after V.I. Lenin	State	
18	Mine named after S.M. Kirov	State	
19	Yasynivska-Hlyboka Mine, Group III	State	
20	Pivnichna Mine	State	
21	Nº13-bis Mine SE, Group III	State	
	<b>Artemvuhillia SE</b>		Donetsk region
22	Mine named after M.I. Kalinin	State	
23	Mine named after K. Rumiantsev	State	
24	Mine named after V.I. Lenin	State	
25	Mine named after A.I. Haiovyi	State	
	<b>Ordzhonikidzevuhillia SE</b>		Donetsk region
26	Enakiivska Mine	State	
27	Mine named after K. Marx	State	
28	Poltavska Mine	State	
29	Vuhlehirska Mine	State	
30	Bulavynska Mine	State	
31	Olkhovatska Mine	State	
	<b>Shakhtarskanratsyt SE</b>		Donetsk region
32	Ilovaiska Mine	State	
33	Mine named after XVII Partizidu	State	
34	Mine named after S.P. Tkachuk, Group III	State	
35	Shakhtarska-Hlyboka Mine	State	
	<b>Torezanratsyt SE</b>		Donetsk region

<sup>868</sup> Mines Group III - enterprises that are in preparation for liquidation. Coal production has been stopped, but they are still in working order.

36	Mine named after L.I. Lutuhin	State	
37	Volynska Mine	State	
38	Prohres Mine	State	
39	Mine named after K.I. Kysilov, Group III	State	
	<b>Snizhneantratsyt SE</b>		<b>Donetsk region</b>
40	Udarnyk Mine	State	
41	Zoria Mine	State	
42	<b>Mospinska Mine SE, Group III</b>	State	<b>Donetsk region</b>
43	<b>Lidiievka Mine SE, Group III</b>	State	<b>Donetsk region</b>
44	<b>Mine №13-bis SE, Group III</b>	State	<b>Donetsk region</b>
45	<b>Pivnichna Mine SE, Group III</b>	State	<b>Donetsk region</b>
46	<b>Mine named after O.F. Zasiadko PJST</b>	Private	<b>Donetsk region</b>
47	<b>Zhdanivska Mine RE PJST</b>	Private	<b>Donetsk region</b>
	<b>Luhanskvuhillia SE</b>		<b>Luhansk region</b>
48	Shakhtoupravlinnia Luhanske	State	
49	Lutuhinska Mine	State	
50	Cherkaska Mine	State	
51	Mine named after Artem	State	
52	Nykonor-Nova Mine	State	
53	Fashchevska Mine	State	
54	Mine named after XIX Zizdu KPRS	State	
55	Verhelovska Nova Mine	State	
	<b>Donbasantratsyt SE</b>		<b>Luhansk region</b>
56	Kniahyninska Mine	State	
57	Krasnoluchska Mine	State	
58	Novopavlivska Mine	State	
59	Khrustalska Mine	State	
60	Miusynska Mine	State	
61	Mine named after Hazety Izviestii	State	
62	Krasnokutska Mine	State	
	<b>Antratsyt SE</b>		<b>Luhansk region</b>
63	Partyzanska Mine	State	
64	Komsomolska Mine	State	
65	Krepinska Mine, Group III	State	
	<b>Pervomayskvuhilla SE</b>		<b>Luhansk region</b>
66	Pervomaiska Mine	State	
67	Lomovatska Mine	State	
68	Pervomaiska-Zakhidna Mine	State	
69	<b>Bilorichenska Mine PJSC</b>	State	<b>Luhansk region</b>
	<b>Shakhtoupravlinnia Donbas PJSC</b>		<b>Donetsk region</b>
70	Shchehlowska-Hlyboka Mine	State	
71	Komunarska №22 Mine	State	
72	<b>Komsomolets Mine SE, Group III</b>	State	<b>Donetsk region</b>
73	<b>Putylivska Mine RE ALC</b>	Private	<b>Donetsk region</b>
74	<b>DTEK Mine Komsomolets Donbassa PrJSC</b>	Private	<b>Donetsk region</b>
	<b>Shakhtoupravlinnia Blahovishchenske RE ALC</b>		<b>Donetsk region</b>
75	Mine named after V.I. Chapaiev	Private	
76	Mine named after 1 Travnia	Private	
77	Ternopilska Mine	Private	

78	<b>Rassvet-1 Mine LLC</b>	Private	Donetsk region
	<b>DTEK Rovenkyanthracite LLC</b>		Luhansk region
79	Mine named after F.E. Dzerzhynskiy	Private	
80	Rovenkivska №1-2 Mine	Private	
81	Luhanska №2 Mine	Private	
82	Mine named after Kosmonavtiv	Private	
83	Mine named after M.V. Frunze	Private	
84	Mine named after V.V. Vakhrushev	Private	
85	Kyivska №81 Mine	Private	
	<b>DTEK Sverdlovantratsyt LLC</b>		Luhansk region
86	Chervonyi Partyzan Mine	Private	
87	Dovzhanska-Kapitalna Mine	Private	
88	Tsentrospilka Mine	Private	
89	Mine named after Y.M. Sverdlov	Private	
90	Kharkivska Mine	Private	
	<b>Krasnodonvuhillia PrJSC</b>		Luhansk region
91	Molodohvardiiska Mine	Private	
92	Mine named after 50-Richchia SRSR	Private	
93	M.P. Barakov	Private	
94	Sukhodiiska-Skhidna Mine	Private	
95	Samsonivska-Zakhidna Mine	Private	
96	Duvanna Mine	Private	
97	Horihivska Mine	Private	
98	<b>Sadova Mine LLC</b>	Private	Luhansk region
99	<b>Mine №4-21 SE, Group III</b>	State	Donetsk region

## 23. Annex 14. Compliance of the Ukraine EITI Report with the EITI Standards

EITI Standard requirement	Section of the EITI Report
2.1	<p>Description of regulatory and fiscal regulation of the extractive industries, as well as the main areas of reform are presented in <b>Section 6</b> of the Report, including:</p> <ul style="list-style-type: none"> <li>• Review of the legislation governing mineral extraction, including regulations in the field of mining taxation - <b>Section 6.1</b></li> <li>• Functions and powers of public authorities - <b>Section 6.2, Annex 5</b></li> <li>• Reforming the extractive industry regulatory and fiscal environment- <b>Section 6.3</b></li> <li>• Regulation of state participation in extractive industries - <b>Section 6.4</b></li> <li>• Fiscal regime, including the information on tax revenues to different levels of budget (tax decentralization) - <b>Section 6.5</b></li> <li>• Regulatory regime - <b>Section 6.6</b>, including:               <ul style="list-style-type: none"> <li>○ Overview of special permits for subsoil use - <b>Section 6.6.2</b></li> </ul> </li> </ul> <p>Overview of the agreements in the extractive industries and other mining related contracts - <b>Sections 6.6.4 and 6.6.5</b></p>
2.2	<p><b>Section 6.6.2</b> describes the procedure for granting special permits for the use of subsoil (including for different types of subsoil use for which permits are granted, the procedures for obtaining permits, the criteria for granting permits, etc.). The information on auctions for the sale of special subsoil permits held in the reporting year and the winners of the auctions is provided in <b>Annex 6</b>. <b>Sections 6.6.4-6.6.5</b> describe the procedure for concluding various types of contracts in the extractive industry (PSA, DSD, concession agreements). The information on the current and planned reforms on these issues is provided in <b>Section 6.3</b>.</p>
2.3	<p>The information on the registry of special subsoil use permits and the data available in the registry is provided in <b>Section 6.6.1</b>.</p>
2.4	<p>The Information on the agreements in the extractive industries and their disclosure requirements, including contract information and the tender for new agreements (where applicable), the information on the taxation of the activities under such agreements is provided in <b>Sections 6.6.4 and 6.6.5</b>. For information on the reform of the agreements in the extractive industries, see <b>Section 6.3</b>.</p>
2.5	<p>The information on the government policies for disclosure of the final beneficial owners (controllers) of mining companies, as well as information on such persons available in the Unified State Register is set out in <b>Section 6.6.3</b>. The information on the final beneficial owners (controllers) of the reporting entities according to the Unified State Register is provided in <b>Annex 4</b>.</p>
2.6	<ul style="list-style-type: none"> <li>• Explanation of the role of state-owned enterprises in the extractive industries (requirement 2.6 a) i.) - <b>Sections 5.1.1, 5.2.1, 5.3.2, 5.4.1, 5.5.1, 5.6.1, 5.7.1, 5.8.1, 5.9.1</b></li> <li>• The rules governing the relationship between the state-owned enterprises and the state (requirement 2.6 a) i.) - <b>Section 6.4</b></li> <li>• The existing practice of relationship between the state-owned enterprises and the state (requirement 2.6 a) i.):           <ul style="list-style-type: none"> <li>– the information on the retained earnings, reinvestment and external financing - <b>Sections 5.1.1, 5.2.1, 5.4.1, 6.4.1.2</b></li> <li>– the information on dividends - <b>Section 5.3.1, Section 6.4.3, Section 8.4.1, Annex 8 (Section 17.9)</b></li> </ul> </li> </ul>

EITI Standard requirement	Section of the EITI Report
	<ul style="list-style-type: none"> <li>• Participation of the state and state-owned enterprises in the authorized capital of the extractive companies (requirement 2.6 a) II.):               <ul style="list-style-type: none"> <li>– share of the state in the authorized capital of the extractive enterprises - <b>Sections 5.1.1, 5.2.1, 5.4.1</b></li> <li>– the scope of liability of the state for the extractive companies' obligations - <b>Sections 5.1.1, 5.2.1, 5.4.1, 6.4.1.3</b></li> <li>– loans and borrowings against the state guarantees - <b>Sections 5.1.1, 5.2.1, 6.4.4.3</b></li> </ul> </li> <li>• financial statements and findings of the independent auditor of public sector extractive companies (requirement 2.6 b) - <b>Annex 11</b></li> </ul> <p>The information on government involvement in the extractive industries can be found in <b>Section 6.4</b> of the Report, including:</p> <ul style="list-style-type: none"> <li>• Definition of SOE, financing of their activities and responsibility of the state for covering the costs of such enterprises - <b>Section 6.4.1</b></li> <li>• Public policy in the area of management of public sector entities, including current and planned reforms in public administration - <b>Section 6.4.2</b></li> <li>• Overview of the payments by the state-owned enterprises - <b>Section 6.4.3</b></li> <li>• Overview of the government payments to the state-owned enterprises (including state support and state aid actions) - <b>Section 6.4.4</b></li> <li>• Functions of state-owned enterprises and payments in favour of the state-owned enterprises - <b>Section 6.4.5.</b></li> </ul> <p>The features of the State's liability to cover the costs of SOEs are described in the following sections of the Report:</p> <ul style="list-style-type: none"> <li>• 6.4.1.3 (regarding the liability for obligations of enterprises with state participation)</li> <li>• 6.4.4 (regarding certain state support actions)</li> <li>• 6.6.4 and 6.6.5 (regarding the role and responsibility of the state under the PSA and the JAA, respectively)</li> <li>• the information about the SOEs financial statements audit and disclosure is provided in <b>Section 4.3.</b></li> </ul> <p>Unless otherwise indicated in the text, contextual information, in particular on state participation in extractive industries, applies only to companies that have been identified as significant and included in the scope of reconciliation of payments to the State (<b>Annex 2</b>).</p>
3.1	The information on significant exploratory activities is provided in each <i>section</i> on a specific industry, namely: <b>5.1.3, 5.2.3, 5.3.3, 5.4.3, 5.5.3, 5.6.3, 5.7.3, 5.8.3, 5.9.3.</b>
3.2	<ul style="list-style-type: none"> <li>• The information on mineral reserves is provided in <b>Section 5</b>, namely in: <b>5.1.2, 5.2.2, 5.3.2, 5.4.2, 5.5.2, 5.6.2, 5.7.2, 5.8.2, 5.9.2.</b></li> <li>• The information on the volume (in physical units) of mineral production is stated in <b>Section 5</b>, namely in: <b>5.1.4, 5.2.4, 5.3.4, 5.4.4, 5.5.4, 5.6.4, 5.7.4, 5.8.4, 5.9.4.</b></li> <li>• The information on the value of the extracted minerals is provided in <b>Section 5</b>, namely <b>5.1.4.2, 5.2.4.2, 5.3.4.2, 5.4.4.2, 5.5.4.2, 5.6.4.2, 5.7.4.2, 5.8.4.2, 5.9.4.2.</b></li> </ul>
3.3	<p>Exports and imports information is provided in <b>Section 5</b>, namely: <b>5.1.5, 5.2.6, 5.3.5, 5.4.5, 5.5.5, 5.6.5, 5.7.5, 5.8.5, 5.9.5.</b></p> <p>The official statistics provides no information on the exports and imports of minerals, which are covered by the EITI Report 2018, disaggregated by the regions of Ukraine</p>
4.1	<p>The information on taxes and other government revenue from the extractive industries is presented in <b>Section 8</b>, as well as in <b>Annexes 8, 9, 10.</b></p> <p>Revenue information is provided in Annex 10.</p> <p>Information on tax and other state revenues from all companies in the extractive industries (those that were subject to reconciliation and those from which revenues</p>



EITI Standard requirement	Section of the EITI Report
	<p>were determined as insignificant) for all types of payments is available at <a href="http://eiti.org.ua/">http://eiti.org.ua/</a>, <a href="https://menr.gov.ua/">https://menr.gov.ua/</a>, <a href="https://data.gov.ua/">https://data.gov.ua/</a></p>
4.2	<p>The mechanisms for transferring part of the extracted products to the state are not used in Ukraine. It was the decision of the MSG of 20.11.2020. At the same time, the questionnaires for the mining companies did include the relevant questions and the results of the questionnaire did not reveal any facts of transferring the share of the mining companies profits to the state.</p>
4.3	<p>The barter and infrastructure agreements with the state are not used in Ukraine. This fact was enshrined in the decision of the MSG of 20.11.2020. At the same time, the questionnaires for the mining companies did include the relevant questions and the results of the survey did not reveal any barter agreements between the extractive companies and the state.</p>
4.4	<p>The information on oil and gas transportation, including transit activities is described in <b>Section 5.2.5</b>.          The revenues from oil and gas transportation are disclosed in <b>Section 5.2.5</b>, partly due to the lack of complete and disaggregated information from the companies.          The route data (requirement 4.4 I.) cannot be disclosed due to the technical and operational specifics of the Ukrainian gas and oil transportation system.</p>
4.5	<ul style="list-style-type: none"> <li>• the information on transfer payments (subsidies, subventions etc.) from the state to the state owned extractive companies - <b>Sections 5.1.1, 5.2.1, 5.4.1, 6.4.4</b></li> <li>• the Information on dividends paid by the state owned extractive enterprises for the benefit of the state - <b>Section 5.2.1</b> (dividends of Naftogaz of Ukraine NJSC subsidiaries), <b>Section 8.2</b> (general results of reconciliation), <b>Annex 8 (Section 17.9)</b> (detailed reconciliation result in terms of each mining company that paid dividends in 2018)</li> <li>• the relationship between the state and state-owned enterprises under the joint activity agreements, concession agreements, product sharing agreements - <b>Sections 5.1.1, 5.2.1, 5.4.1</b></li> <li>• the payments from the extractive companies for the benefit of state-owned enterprises were identified to be insignificant and not to be disclosed in the 2018 EITI Report in accordance with the decision of the MSG dated 20.11.2020.</li> </ul> <p>According to the results of the survey, no cases of granting loans by reporting SOE to other reporting SOE were identified.          The overview of the types of payments by the state owned extractive companies for the benefit of state - <b>Section 6.4.3</b></p>
4.6	<p>According to the results of the assessment, the MSG decided to include in the scope of the report two sub-national payments, which are disclosed in the relevant sections, namely:</p> <ul style="list-style-type: none"> <li>• corporate income tax - <b>Section 8.3.2, Annex 8 (section 17.2)</b>;</li> <li>• personal income tax - <b>Section 8.3.1</b>, as well as <b>Annex 8 (section 17.1)</b>;</li> <li>• land fee (included in property tax) - <b>Section 8.3.7</b> and <b>Annex 8 (Section 17.7)</b>;</li> <li>• environmental tax - <b>Section 8.3.8</b>, as well as <b>Annex 8 (section 17.8)</b>;</li> <li>• production royalty for extracting nationally significant minerals - <b>Section 8.3.3, Annex 8 (Section 17.3)</b>.</li> </ul> <p>The information on the distribution of tax revenues between the budgets of different levels by specific tax / fee is provided in <b>Section 6.5</b>.</p>
4.7	<p>The report presents disaggregated information on government revenues from the extractive industries:</p> <ul style="list-style-type: none"> <li>• by type of payment and reporting companies (<b>Annex 8, 10</b>)</li> </ul>

EITI Standard requirement	Section of the EITI Report
	<ul style="list-style-type: none"> <li>by certain type of payment and specific project activity of reporting companies (<b>Annex 9</b>)</li> </ul>
4.8	EITI Report of Ukraine 2018 is published in April, 2021
4.9	<p>Information on the disclosure and availability of the audit of financial statements of the extractive companies according to international standards, see <b>Annex 11</b>. More details on the audit procedure in mining companies and government agencies are in <b>Section 4.3</b>.</p> <p>According to the decision of the MSG dated 20.11.2020, the completeness and reliability of the data is confirmed by:</p> <ul style="list-style-type: none"> <li>On the part of the extractive companies (private and public) - the signatures of senior officers of the companies, who guarantee the correctness of the data provided, and / or the external auditor's opinion on the data provided (if available), for each company.</li> <li>On the part of the state bodies - the signatures of the higher officials of the respective agency.</li> </ul>
5.1	The information on the distribution of tax revenues between the budgets of different levels is provided in <b>Section 6.5, Section 8</b> and <b>Annex 7</b> .
5.2	The information on the distribution of tax revenues between the budgets of different levels is provided in <b>Section 6.5, Section 8</b> and <b>Annex 7</b> .
5.3.	The Ukrainian budget process, and the requirements for auditing and evaluating the effectiveness of budget management are described in <b>Section 6.7</b> .
6.1	<p>The information on the companies social spending and the types of quasi-fiscal expenditures of the state-owned enterprises is provided in <b>Sections 6.6.6</b> and <b>6.6.7</b>. The information on the actual costs of the extractive companies for social and environmental purposes is presented in <b>Section 5.10.3</b>.</p> <p>Ukrainian legislation does not contain the concept of "mandatory social costs of mining companies" and does not provide a list of cases where such costs of mining companies (other than the payment of USC) may be mandatory (<b>Section 6.6.7</b>).</p>
6.2	<p>The information on the companies social spending and the types of quasi-fiscal expenditures of the state-owned enterprises is provided in <b>Sections 6.6.6</b> and <b>6.6.7</b>. The information on quasi-fiscal operations of the extractive companies is provided in <b>Section 5.11.1</b>.</p>
6.3	The information on the contribution of the extractive industries to the economy of the country is provided in <b>Section 5.10</b> .
6.4	<p>Information on the impact of extractive industries on the environment is provided in <b>Section 7</b>, in particular:</p> <ul style="list-style-type: none"> <li>General overview of the provisions of the legislation in the field of environmental protection (<b>Section 7.1</b>)</li> <li>environmental commitments, including rehabilitation and restoration (<b>Section 7.2</b>)</li> <li>roles and responsibilities of relevant government agencies (<b>Section 7.3</b>)</li> <li>information on the management and monitoring of the impact of the extractive industry on the external environment, including databases of natural resources, measures to minimize the negative impact on the environment, control over compliance with environmental legislation and sanctions provided by law for violations of environmental regulations (<b>Section 7.4</b>).</li> </ul> <p>Statistical information on the impact of extractive industries on the environment and their expenditures for environmental protection is provided in <b>Section 5.13</b>.</p>



EY | Assurance | Tax | Transactions | Advisory

#### About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients.

For more information about our organization, please visit [ey.com](http://ey.com).

© 2021 Ernst & Young Audit Services LLC

All Rights Reserved.

This document has been prepared based on EITI standard and Terms of Reference for the Independent Administrator, which was approved by the Multi-Stakeholder Group (MSG) in Ukraine. The information contained in this document is based on data provided by the subsoil users and government agencies as part of the project. Independent Administrator relied on information given to him, and did not carry out any procedures of data verification or evaluation of its completeness, accuracy and correctness. For all information related to the payments of subsoil users to the government agencies, please contact with the respective companies and/or government agencies.

The information in the document is for general acquaintance only, therefore it cannot be a basis for professional judgment and/or be used as legal evidence.

EY is not liable for any loss or damage caused to any person as a result of the use of the information contained herein. Those who order or otherwise use the information contained herein do it on their own risk.

Any part of this Report should not be changed while its publication and/or other usage.

The source should be always mentioned if publishing any information from this Report.