

Extractive Industries
Transparency Initiative

NATIONAL REPORT
OF UKRAINE
2019

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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, https://zakon.rada.gov.ua/laws/show/2456-17/ed20191213
CMU	Cabinet of Ministers of Ukraine
Customs Code	The Customs Code of Ukraine No. 4495-VI dated 13 March 2012 https://zakon.rada.gov.ua/laws/show/4495-17/ed20191229
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, https://zakon.rada.gov.ua/laws/show/2545-19
Law on Oil and Gas	The Law of Ukraine "On Oil and Gas" No. 2665-III dated 12 July 2001 https://zakon.rada.gov.ua/laws/show/2665-14/ed20180404#Text

Term	Meaning
License	Special permit for the use of subsoil
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, https://zakon.rada.gov.ua/laws/show/1127-14/ed20191229#Text
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, https://zakon.rada.gov.ua/laws/show/615-2011-%D0%BF/ed20191121#Text
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, https://zakon.rada.gov.ua/laws/show/594-2011-%D0%BF/ed20191224#Text
PSA	Production Sharing Agreement
PSA Law	The Law of Ukraine "On Production Sharing Agreements" No. 1039-XIV dated 14 September 1999,

Term	Meaning
	https://zakon.rada.gov.ua/laws/show/1039-14/ed20191229#Text
QFT	Quasi-fiscal transactions
Reporting entities	Companies and government authorities, which provide the reporting data for further processing and presentation in the EITI Report
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, https://zakon.rada.gov.ua/laws/show/132/94-%D0%B2%D1%80/ed20191229#Text
Tax Code	The Tax Code of Ukraine No. 2755-VI dated 2 December 2010, https://zakon.rada.gov.ua/laws/show/2755-17/ed20191229
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 2017 was - 26,60 UAH/USD
USR	Unified State Register of Legal Entities, Individual Entrepreneurs, and Public Organizations
VAT	Value added tax

2. Executive summary

This document is the sixth report prepared by Ukraine under the Extractive Industries Transparency Initiative (EITI). The report includes the information covering activities of Ukraine's extractive industries during 2019. The report covers ten largest extractive industries in Ukraine and describes the results of their activities during the reporting period, their direct contribution to the economy of the country, state and private sector participation in each of the accountable industries, information on regulatory and fiscal regulation of extractive industries, and reconciliation of payments in favour of the state from reporting companies.

The contribution of extractive industries to the Ukrainian economy

The direct contribution of extractive industries to Ukraine's GDP amounted to UAH 222.37 billion or 5.59% of the GDP in 2019. Although in absolute terms the gross value added of extractive industries increased, the share of extractive industries in the Ukrainian GDP decreased compared to 6.02% in 2018. This indicates a relatively slower growth rate of extractive industries compared to the growth rate of Ukraine's economy as a whole.

The contribution of extractive industries to the exports of goods and services from Ukraine increased from 2.93% in 2018 to 3.42% in 2019. Capital investments in extractive industries accounted for 10.98% of all capital investments in Ukraine in 2019 (in 2018 - 9.33%). The largest capital investment was in natural gas, iron ore and coal and lignite mining.

The average number of full-time employees in the extractive industries decreased annually by an average of 5.63% during 2016-2019 and in 2019 amounted to 196 thousand people. Among them, the largest number of full-time employees was employed in coal and lignite mining - 72 thousand people. Overall, male workers predominated in the extractive industries - 74.57%, while female workers accounted for 25.43%. In 2019, the share of extractive industries in the total average number of full-time employees in Ukraine was 2.63%.

Coal

As of the end of 2019, there were 480 coal mines were in the territory Ukraine, of which 94 were state-owned ones. The share of the state-owned enterprises in total mining output was 11.42%. Historically, Ukraine's coal sector has received strong financial support from the state.

The volume of balance sheet reserves of coal was 41,253.21 million tons. The largest reserves of coal are concentrated in Luhansk and Donetsk regions - 34.69% and 32.25%, respectively.

The total volume of coal produced in Ukraine in 2019 amounted to 31,224.37 thousand tons, which is 6.19% less than in the previous year. This trend was observed in both the public and private sectors (drop by 13.9% and 5.9%, respectively). The largest share of coal was produced in Dnipropetrovsk (58.31%) and Donetsk regions (36.06%).

The volume of coal exports decreased by 76.59% compared to 2018 and amounted to 13.95 thousand tons. The volume of imports also decreased by 1.42% compared to 2018 to 21,082.04 thousand tons, including 68.55% of coal imports came from Russia and 21.46% from the United States.

Oil and natural gas

As of the end of 2019, the volume of the balance sheet reserves of natural gas in 458 Ukrainian fields was estimated at 778,195 mcm. The largest volumes of reserves are located in Kharkiv (39.64%), Poltava (31.31%) and Lviv (9.11%) regions.

The total balance sheet reserves of oil in 212 Ukrainian fields of amounted to 94,101 thousand tons. The largest share of balance sheet reserves of oil is concentrated in Poltava - 24.54%, Ivano-Frankivsk - 17.97%, Sumy - 16.23%, Lviv - 10,81%, and Chernihiv regions - 9.16%. Overall, hydrocarbon deposits in Ukraine have a high degree of depletion.

The volume of natural gas production in 2019 decreased compared to 2018 by 1.07% to 20,724 mcm, 93.49% of which accounted for the Eastern oil and gas region. The companies that are indirectly owned by the state extracted 77.49% of the total natural gas in 2019, and private sector companies - 20.56%. Ukgazvydobuvannya JSC, a subsidiary of Naftogaz of Ukraine NJSC, is historically the largest gas producing company in Ukraine, which in 2019 accounted for 71.86% of the total production. In 2019, 11.77 bcm of natural gas were imported, which is 12.37% more than the previous year. Natural gas was not exported in 2019.

Oil production was also mainly concentrated in the Eastern oil and gas region (68.68%). In total, 1,721 thousand tons of oil were extracted in Ukraine in 2019, of which 89.77% by the state-owned companies and 10.23% by private companies. The largest oil company is traditionally Ukrnafta PJSC (a subsidiary of Naftogaz of Ukraine NJSC). Compared to 2018, the volume of oil imports increased by 3.10% and amounted to 790.63 thousand tons, 76.67% of which came from Azerbaijan; while only 0.1 thousand tons of oil were exported.

Transportation of oil and natural gas

In 2019, the total volume of natural gas transmitted to domestic consumers and natural gas transit through the territory of Ukraine increased by 0.6% compared to the previous year and amounted to 116.0 bcm. Of these, the volume of transited Russian natural gas amounted to 89.6 bcm, which is 3.2% more than in 2018. The reverse supplies of imported gas from Europe increased by 3.7 bcm compared to 2018. Most natural gas was transmitted through the territory of Ukraine to Slovakia (57.2 bcm) and Romania (10.2 bcm). The volume of natural gas transmitted to domestic consumers amounted to 26.4 bcm in 2019, which is 7.4% less than the previous year.

An important process during 2019 was the completion of the separation of natural gas transportation activities from Naftogaz (unbundling). Thus, in September 2019, the separation model was selected and the business entity that had the right to submit a request for certification was determined - Ukrainian GTS Operator LLC, whose 100% of authorized capital belongs to Mahistralni Gazoprovody Ukrainy JSC. Ukrainian GTS Operator LLC received a license for the right to conduct business activities in transmission of natural gas on January 1, 2020.

In 2019, the NEURC amended the Methodology for determining and calculating tariffs for natural gas transportation services for entry and exit points to ensure the implementation of the provisions of Commission Regulation (EU) 2017/460 of 16 March 2017 establishing a network code on harmonized transmission tariff structures for gas.

Iron ores

The bulk of iron ore reserves in Ukraine is concentrated on the territory of the Ukrainian Crystal Shield in the Kryvyi Rih Iron Ore Basin. As of January 1, 2020, there were 60 iron ore deposits in Ukraine, and the balance sheet reserves of iron ore amounted to 18,836.5 million tons, of which 50.14% in the Dnipropetrovsk region, 26.89% in Poltava region, and 15,14% in Zaporizhzhia region.

The volume of iron ore mining increased by 3.14% compared to the previous year to 157.44 million tons. Iron ore mining is concentrated in the territory of four Ukrainian regions, of which the largest part is in Dnipropetrovsk region - 75.68%.

In this sector, mining is carried out by 10 private enterprises. The largest output volumes are produced by Ingulets Iron Ore Enrichment Works PrJSC (27,748.50 million tons), Southern Mining Factory JSC (28,414.60 million tons), Northern Iron Ore Enrichment Works PrJSC (25,698.00 million tons), ArcelorMittal Kryvyi Rih PJSC (24,237.00 million tons).

The volume of exports of non-agglomerated iron ores and concentrates in 2019 amounted to 24,850.76 thousand tons, which is 17.18% more than in 2018. The largest volume of exports was to China (42.73%). Instead, the volume of exports of agglomerated ores and iron concentrates in 2019 decreased by 4.12% to 15,051.08 thousand tons, almost a third of which were also exported to China. Imports of non-agglomerated iron ores and concentrates amounted to 0.28 thousand tons, agglomerated iron ores and concentrates - 13.96 thousand tons, which is more than 4 times higher than in 2018.

Titanium ores

Titanium ore reserves in Ukraine are concentrated on the territory of the Ukrainian Crystal Shield - one of the leading titanium-bearing provinces in the world. The titanium ores raw material portfolio includes more than 40 deposits. Data on titanium ore reserves in Ukraine are a state secret¹ that is why they are not public. At the same time, according to the US Geological Survey, the reserves of titanium ores (ilmenite, rutile) in Ukraine at the end of 2019 are estimated at 8,400,000 tons or 1.03% of the world reserves. The volume of production of titanium concentrates amounted to 474 thousand tons, including ilmenite concentrate - 380 thousand tons and rutile concentrate - 94 thousand tons. The total of titanium concentrates produced in Ukraine amounted to 6.24% of the respective world production.

In titanium ore mining, the state is represented by United Mining and Chemical Company JSC. In 2019, it extracted 1,036 thousand cubic meters of titanium ore, and 4,451 thousand cubic meters of zircon-rutile-ilmenite sands.

In 2019, exports of titanium ores and concentrates amounted to 620.91 thousand tons worth USD 154.54 million. The largest trading partners were Egypt (157.60 thousand tons), the Czech Republic (140.89 thousand tons), Russia (107.01 thousand tons), Mexico (87.34 thousand tons) and the United States (66.17 thousand tons). The volume of titanium ores

¹ According to the order of the Security Service of Ukraine dated 12.08.2005 No 440 "On approval of the Code of information constituting a state secret", <https://zakon.rada.gov.ua/laws/show/z0902-05#Text>

imports was insignificant and decreased by 95.02% compared to the previous year to 0.791 thousand tons worth USD 0.56 million.

Manganese ores

Ukraine is a world leader in proven manganese ore reserves and ranks second in the world in terms of total reserves. The major industrial reserves of manganese ores are concentrated in the South Ukrainian manganese ore province. As of January 1, 2020, the balance sheet reserves of manganese ores in Ukraine amounted to 2,167.02 million tons.

The volume of manganese ore mining in Ukraine increased by 3.50% compared to the level of 2018 and reached 3,904.50 thousand tons. Only private sector companies operate in the industry, namely Pokrovskiy GZK JSC, Marganets GZK JSC, and Landshaft LLC.

Exports of manganese ores and concentrates in 2019 dropped compared to 2018 level in volume by 44.25% to 33.22 thousand tons, and in value - by 13.42%. The key trading partners were Hungary - 36.90%, the Czech Republic - 25.43%, Slovakia - 21.12%. The annual volume of imports of manganese ores and concentrates decreased by 28.8% compared to 2018 to 1,209.05 thousand tons, worth USD 210.46 million. The largest share of imports, namely 82.60%, came from Ghana and 13.12% from Russia.

Fire clays

Industrial deposits of fire clays in Ukraine are located in the Dnieper-Donetsk basin. As of January 1, 2020, the volume of balance sheet reserves of fire clays in Ukraine amounted to 593.79 million tons, which is 0.80% more than in the previous year. In 2019, the volume of production of fire clays in Ukraine decreased by 19.49% compared to the previous year and amounted to 5,484.07 thousand tons.

The exports of fire clay amounted to 4,823.36 thousand tons, which is 12.84% less than in 2018. The clays were exported to Italy (33.23%), Spain (27.19%), Russia (16.15%) and Poland (8.35%). The volume of imports remained insignificant - 210.10 tons, which is by 39.58% less than in 2018.

High-melting clays

The balance sheet stocks of high-melting clays in Ukraine as of 01.01.2020 decreased by 0.3% compared to the previous year to 77.08 million tons. Most stocks of high-melting clays are located in the Donetsk region (65.33%).

In 2019, the clays were extracted in the Ivantsiv deposit in the Zakarpattia region (51.90% of the total production) and the Artemivsk deposit in the Donetsk region (48.10% of the total production). The total volume of refractory clay production increased by 10.58% compared to the level of 2018 to 218.40 thousand tons. After a sharp decline in 2014, there was a steady upward trend in production during 2015-2019.

Quartz sand

As of January 1, 2020, the total balance sheet reserves of quartz sand in Ukraine amounted to 242.02 million tons. The largest reserves are concentrated in the Kharkiv and Lviv regions - 39.05% and 12.69% of the total, respectively.

During 2019, quartz sand was mined only by private sector companies. Overall, production volumes in 2019 increased by 7.42% compared to the previous year and amounted to 1,069.07 thousand tons. Quartz sand was extracted in Kherson (26.99%), Chernihiv (26.29%) and Kharkiv regions (23.88%).

Building stones

Ukraine has significant reserves of building stones. The balance sheet reserves of building stones as of 01.01.2020 amounted to 7,876.60 mcm. A significant amount of reserves is concentrated in Zhytomyr (20.65%), Zaporizhzhia (12.37%) and Donetsk (9.60%) regions.

Building stones were mined from 464 deposits by both public and private companies. The volume of construction stone extraction in 2019 amounted to 27,034.43 tcm, which is 1.90% less than in 2018. As in previous years, it is mostly granite (81.78%). Almost a third of the total production is mined in the Zhytomyr region.

The exports of pebbles, gravel and rubble in 2019 amounted to 4,566.43 thousand tons, which is 30.97% less than in 2018. The largest trading partners were Belarus (2,080.76 thousand tons) and Russia (1,800.14 thousand tons). In contrast to exports, the imports increased by 47.52% in volume (465.02 thousand tons) compared to the same period in 2018. The largest trading partners were Romania (157.80 thousand tons), Turkey (130.49 thousand tons), Belarus (128.72 thousand tons).

Reconciliation of tax and other payments

In 2019, the total revenue from the companies in the reporting extractive industries in favour of the state amounted to UAH 165,350,870.54 thousand. The largest share in total revenues - 85.14% was for oil and natural gas extraction industry (including oil and natural gas transmission). At the same time, 8.25% of the total taxes and other payments received by the state were from the metal ore mining industry (iron, titanium, manganese ore), and 6.60% - from the coal mining companies.

26.48% of the total revenues of the state from the reporting extractive industries were paid as a rent for subsoil use. The second top was corporate income tax - 23.79%.

In 2019, the scope of reconciliation within the EITI Report included 51 companies with a total amount of payments to the state of UAH 161,069,023.13 thousand by the significant types of payments. However, only 47 companies, whose payments in favour of the state amounted to UAH 159,553,747.60 thousand, provided the Independent Administrator with information on the amount of tax and other payments for the purposes of reconciliation.

In view of this, in 2019 the completeness of the reconciliation of revenues in favour of the state in the EITI Report was 99.06% (in the EITI Report 2017 98.39%). Thus, the share of payments of the companies in the extractive industries, which were not reconciled, amounted to 0.94%.

Significant discrepancies between the government data and the data provided by the accountable mining companies were found for 40 reporting companies. The Independent Administrator has generated and sent additional requests to the companies to find out the reasons for such discrepancies and to make further adjustments. While the initial discrepancy was UAH 5,799,435.25 thousand, the total discrepancy after studying the causes of discrepancies and adjusting the data, decreased and amounted to UAH 617,565.89 thousand. The key finding on discrepancies are provided in **Annex 12**.

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

Since Ukraine's accession to the Extractive Industries Transparency Initiative in 2013, 5 EITI reports covering 6 calendar years have been issued. The scope of the reports expanded from 2 extractive industries in the first one to as many as 9 in the last one.

Table 3.1: Main characteristics of the EITI Ukraine Reports

EITI Report	Year of publication	Scope	Volume of revenue covered by the EITI Report	Depth of payment information 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 Fire clays and high-melting clays mining;	UAH 145.4 bln	98.4%
2018 Ukraine EITI Report	Publication is expected in 2021	Quartz sand mining; Building stones mining	-	-
2019 Ukraine EITI Report	2021		UAH 165.4 bln	99.06%

In June 2019, at the opening of the 8th EITI Global Conference, the EITI Board presented an updated EITI Standard, and in October 2019 it was translated into Ukrainian. Major updates to the EITI Standard include changes in the transparency of contracts (mandatory publication of contracts signed after January 1, 2021), increased disclosure requirements for government participation, transactions involving state-owned enterprises, and quasi-fiscal expenditures.

The requirements to environmental protection, gender and systematic disclosure have also been strengthened².

In 2019, Ukraine continued development of its electronic EITI platform, which will simplify the process of collecting information for EITI purposes, as it will enable the companies to submit information through an electronic cabinet using a digital signature. The pilot project of the electronic platform was launched in test mode in February 2020³.

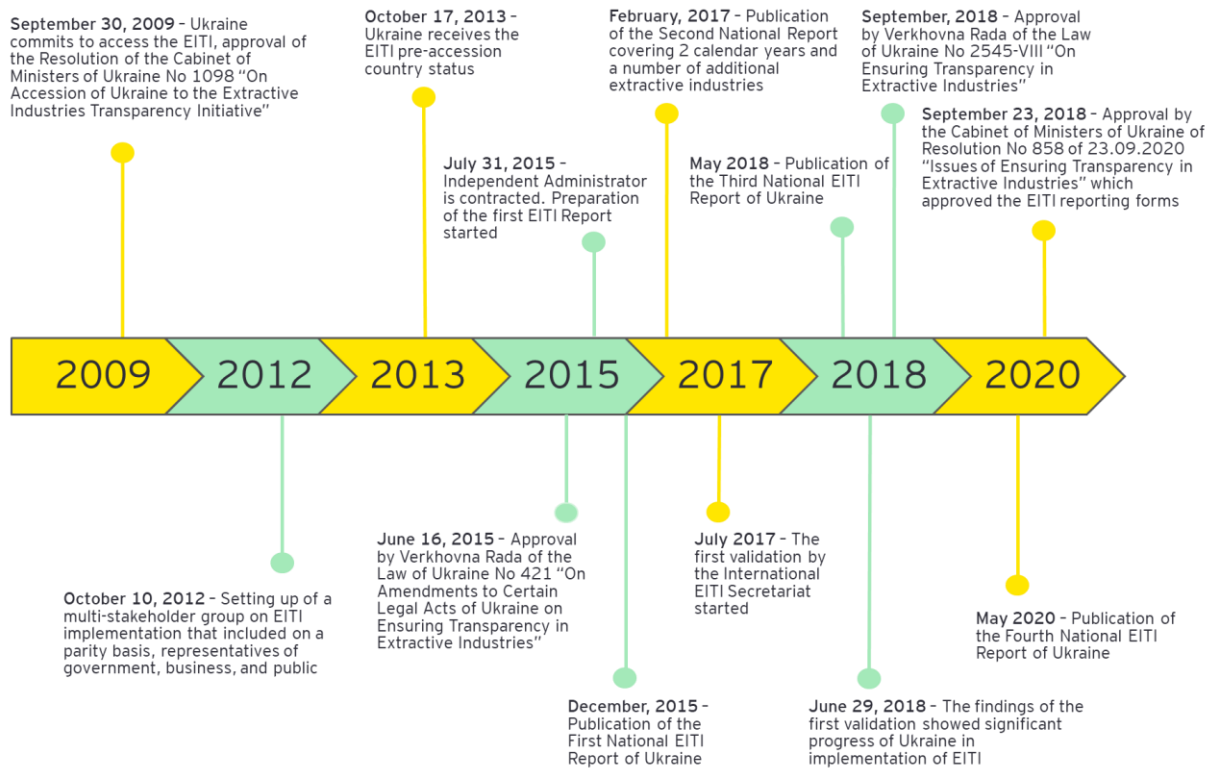


Figure 3.1: Major EITI implementation developments in Ukraine

In order to promote EITI, public events are held and media resources are created that cover the process of EITI implementation both in Ukraine and abroad. In particular, a website <http://eiti.org.ua> is created, which publishes all important information about current news, changes, events, EITI both in Ukraine and globally. The site also contains the EITI Standard, legislation analysis reports and other useful information.

EITI in Ukraine is supported by:

- ▶ 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.).

² For detailed information see EITI in Ukraine website, News section, accessible via: <http://eiti.org.ua/2019/07/pravlinnia-ipvh-vvodyt-v-diiu-novy-standart-ipvh-2019/>

³ For detailed information see EITI in Ukraine website, News section, accessible via: <http://eiti.org.ua/2019/07/pravlinnia-ipvh-vvodyt-v-diiu-novy-standart-ipvh-2019/>

4. Methodology and Approach to Preparation of the EITI Report

4.1 Scope of the EITI Report

The EITI report for 2019 covers information on business entities, regardless of their ownership, engaged in business activities related to extraction of minerals and transmission of oil and natural gas through the Ukrainian territory, as well as executive authorities that received payments from the companies in the extractive industries.

According to the decision of the EITI multi-stakeholders group (MSG) (Minutes of the EITI MSG meeting dated 20.11.20), the contextual part of the EITI Report for 2019 shall include the information on the extractive industries listed below:

- ▶ 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.

According to the decision of the EITI MSG (Minutes of the EITI MSG meeting dated November 20, 2020), the EITI Report for 2019 shall cover the reconciliations of payments in favour of the state made by the companies that only belong in coal mining, oil extraction, natural gas extraction, iron ores mining, titanium ores mining and manganese ores mining industries (hereinafter - the reporting industries).

The list of extractive companies of the reporting industries included in the reconciliation for the purposes of the EITI Report for 2019 is provided in **Annex 2**. The approach to assessing the materiality of revenues of the state and determining the companies to be reconciled 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"⁴ and approved by the CMU Resolution of 23.09.2020 No 858 "Some Issues of Ensuring Transparency in Extractive Industries"⁵;
- ▶ Sending the completed questionnaires by the accountable organizations to e-mail 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.

⁴ The Law of Ukraine No 2545-VIII, accessible via <https://zakon.rada.gov.ua/laws/show/2545-19#Text>

⁵ 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 2018⁶. 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 Standards⁷
- ▶ get the financial statements audited and obtain the auditor's opinion;

⁶ 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

⁷ 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 law⁸.

From January 1, 2019, administrative liability is established for failure to disclose (consolidated) financial statements along with the auditor's opinion⁹.

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", 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 CMU¹⁰.

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 available¹¹ 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 Parliament¹². 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.

⁸ Paragraph 3 Article 14 of the Law on Accounting, accessible via <https://zakon.rada.gov.ua/laws/show/996-14/ed20200703#n237>

⁹ For the year 2017, the Code of Administrative Offenses of Ukraine provided for liability for non-submission (late submission) by managers and other officials of enterprises, institutions, organizations of audit opinions, the submission of which is required by the laws of Ukraine. The penalty for such persons was five to fifteen non-taxable minimum incomes.

¹⁰ 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>

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

¹² 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>

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 of Supreme Audit Institutions (EUROSAI) and International Standards of Supreme Audit Institutions (ISSAI) in part that does not contradict the Constitution and laws of Ukraine¹³.

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 because they provide the summary and aggregated results.

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 budget¹⁴, 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 Ministers¹⁵. Internal audit shall be conducted in accordance with the standards developed and approved by the Ministry of Finance of Ukraine¹⁶. 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 Ministers¹⁷.

However, given that the results of the internal audit are not public, and given the existing shortcomings in the actual conduct of internal audit,¹⁸ such results cannot be used by the Independent Administrator to prepare the EITI Report for 2019.

4.3.3 Obstacles to proper confirmation of data for 2019

In view of the above, the financial statements of the extractive companies were subject to statutory audit for the year 2019 and the reliability of the relevant data for the purposes of the EITI Report can be properly assured by submitting an audit opinion.

¹³ 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>

¹⁴ 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>

¹⁵ 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>

¹⁶ 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>.

¹⁷ 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>

¹⁸ 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>

However, due to the spread of coronavirus disease (COVID-19), the publication of financial statements (consolidated financial statements) for 2019 has been extended, along with the audit opinion until December 31, 2020¹⁹. Thus, the Independent Administrator faced the fact that some extractive companies were unable to provide an audit report for 2019 due to the extended deadlines for the audit.

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.

¹⁹ Article 1-2 Transitional Provisions of the Law on Accounting, accessible via <https://zakon.rada.gov.ua/laws/show/996-14#n253>

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

Coal mining is an important component of the fuel and energy complex in Ukraine and the state is widely engaged in the sector. In 2019, the state-owned enterprises accounted for 11.42% in the total coal production. In 2019, the “Concept of reforming and developing the coal industry till 2020”, approved by the Cabinet of Ministers in 2017, was implemented, providing for the increase in efficiency and transfer of the coal industry to an unsubsidized and self-sustained regime.²⁰ However, some measures pursuant to the Concept during 2019 have not been approved. In addition, in October 2020, the first meeting of the newly established Coordination Center for Transformation of Coal Regions²¹ was held, which addressed the development of the Concept of Reforming the Coal Industry and Coal Regions of Ukraine and the National Program for Transformation of Coal Regions until 2027.²²

According to Geoinform of Ukraine, as of the end of 2019, there were 480 coal mines in Ukraine, including 96 state-owned and 384 privately owned mines. Based on the response to the request to the Ministry of Energy and Geology Service, the Independent Administrator has compiled a list of mines located on the territory where the Ukrainian authorities are temporarily not exercising their powers (*Annex 13*).

According to the decision of MSG EITI of November 20, 2020, the disclosure of detailed information on the role of the state in the coal industry (in particular on transfer payments, loans, etc.) will cover only those companies that were identified as accountable under the EITI Report 2019 and were owned by the state.

State participation in coal mining companies

In terms of companies of the coal-industrial and peat mining complex, as of March 1, 2019, the Ministry of Energy administrated 220 state-owned enterprises, institutions, organizations and associations, of which 131 are located in the areas where the Ukrainian authorities temporarily do not exercise their powers, and also the Ministry of Energy managed the corporate rights of the state in 123 companies, of which 93 were located in the areas where the Ukrainian authorities temporarily do not exercise their powers.²³

In the EITI Report 2019, based on the assessment of the materiality of payments in favour of

²⁰ Order of the Cabinet of Ministers of 24.05.2017 No 733-r "On approval of the Concept of reforming and developing the coal industry until 2020", <https://zakon.rada.gov.ua/laws/show/733-2017-%D1%80#Text>

²¹ The CMU Resolution of 13.05.2020 No 391 "On the establishment of the Coordination Center for the Transformation of Coal Regions of Ukraine", <https://zakon.rada.gov.ua/laws/show/391-2020-%D0%BF#Text>

²² Government portal, <https://www.kmu.gov.ua/news/premyer-ministr-proviv-pershe-zasidannya-koordinacijnogo-centru-z-pitan-transformaciyi-vugilnih-regioniv>

²³ Ministry of Energy, List of state enterprises, institutions, organizations and associations administered by the Ministry of Energy and Coal Industry of Ukraine as of March 1, 2019, http://mpe.kmu.gov.ua/minvuhilya/control/uk/publish/article?art_id=245412335&cat_id=244916218

the state²⁴, the reporting companies of the coal industry included 9 enterprises, the share of the state in the authorized capital of which was 100%, namely:

- ▶ Lvivvuhilya SE;
- ▶ Myrnodgradvuhilya SE;
- ▶ Selydivvuhilya SE;
- ▶ Toretskvuhilya SE;
- ▶ Lysychanskvuhilya PJSC;
- ▶ Pervomaiskvuhilya SE;
- ▶ Vuhilna kompaniia Krasnolymanska SE;
- ▶ Shakhtoupravlinnia Pivdennodonbaske No 1 SE;
- ▶ Mine named after M. S. Surgai SE.

During 2019, the size of the state's share in the authorized capital of these companies did not change. Based on the responses of the companies and open sources, information on the participation of these reporting companies in the coal mining industry in other mining companies (subsidiaries or associates) was not identified by the independent administrator.

At the same time, the above-mentioned accountable state-owned coal companies have separate subdivisions that are not separate legal entities (**Table 5.1**).

Table 5.1: Separate units of the reporting²⁵ state-owned coal mining enterprises

Mines	Separate units (SU)
Lvivvuhilya SE	
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;

²⁴ The approach to assessing the materiality of payments in favour of the state and the materiality threshold used to determine the list of accountable companies subject to reconciliation of payments is described in Section 8.1.3

²⁵ The reporting companies have been identified as a result of the assessment of the materiality of revenues in favour of the state and are subject to reconciliation of payments in this EITI Report (for more details see Section 8).

Mines	Separate units (SU)
	Vuglezbut SU; Design Bureau SU; Rovesnyk Health and Medical Complex SU; Geological Exploration Expedition SU
<i>Myrnodgradvuhilya SE</i>	
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
<i>Selydivvuhilya SE</i>	
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; Security SU
<i>Toretskvuhilya SE</i>	
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
<i>Lysychanskvuhilya PJSC</i>	
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

Mines	Separate units (SU)
<i>Pervomaiskvuhilya SE</i>	
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
<i>Vuhilna kompaniia Krasnolymanska SE</i> independent Mine, no separate units	
<i>Shakhtoupravlinnia Pivdennodonbaske No 1 SE</i> independent Mine, no separate units	
<i>Mine named after M. S. Surgai SE</i> independent Mine, no separate units	

As a general rule, the state and the authority that administers a state-owned enterprise, are not liable for its obligations. According to information available from open sources, no deviations from the general rule on state responsibility in 2019 were found.

State support for the coal mining industry

Historically, the coal sector in Ukraine has received quite strong financial support from the state under special budget programs. For example, in 2019, in accordance with the Law of Ukraine "On the State Budget of Ukraine for 2019", the Ministry of Energy approved 7 budget programs aimed at supporting the coal industry (**Table 5.2**). The total expenditures of UAH 4,508,034.60 thousand from the general fund and UAH 31,282.42 thousand from the special fund were planned for such programs. However, UAH 4,455,640.28 thousand from the general fund and 20,183.08 UAH from the special fund were actually used.

Table 5.2: Budget programs in coal mining in 2019, thousand UAH²⁶

Name of the budget program	General fund		Special fund	
	plan adjusted for changes	cash execution during 2019	plan adjusted for changes	cash execution during 2019
General management and administration in the field of energy and environmental protection of Ukraine	268,011.40	262,814.36	31,282.42	20,183.08
Liquidation of coal mining and peat mining enterprises	159,005.10	127,899.15	0.00	0.00

²⁶ Treasury, Annual report on the implementation of the State Budget of Ukraine for 2019 (section II.1), <https://www.treasury.gov.ua/storage/app/uploads/public/5e7/cb7/964/5e7cb79649d80136399092.xlsx>

Name of the budget program	General fund		Special fund	
	plan adjusted for changes	cash execution during 2019	plan adjusted for changes	cash execution during 2019
Mining rescue measures at coal mining enterprises	290,000.00	289,162.14	0.00	0.00
State support for the construction of Novovolynska No 10 mine	69,000.00	61,873.80	0.00	0.00
Restructuring of the coal industry	3,268,622.00	3,268,617.17	0.00	0.00
Applied R&D under the state target programs and the state order, training of research personnel and financial support for development of a scientific infrastructure for the fuel and energy complex and the coal industry of Ukraine	3,396.10	0.00	0.00	0.00
Payment for electricity consumed by state-owned coal mining companies in 2019	450,000.00	445,273.66	0.00	0.00
Total	4,508,034.60	4,455,640.28	31,282.42	20,183.08

The Restructuring of the Coal Industry program and the program to ensure payment for electricity consumed by state-owned coal mining companies were the priority. Among the areas of use of budget funds under the Restructuring of the Coal Industry program listed in the largest one is the support for domestic production of marketable coal products through paying wages and mandatory wage related payments, including payment of wage arrears (*Table 5.3*).

*Table 5.3: Use of budget funds under the Restructuring of the Coal Industry program in 2019*²⁷

Purpose of use	Cash execution, UAH thousand	
	General fund	Special fund
Support for domestic production of marketable coal products by paying wages and making mandatory wage related payments, including the payment of wage arrears	2,885,008.40	-
Measures for coal mining enterprises technical upgrading and modernization of	383,608.80	-
Total	3,268,617.20	-

The support was also provided to the coal industry within the framework of state support for the implementation of the Energy Strategy of Ukraine in 2019. As an example, 65.15% of the funds allocated under this program were directed to satisfy the needs of the coal mining industry, namely to Volynvuhilya SE (*Table 5.4*).

²⁷ Report on the implementation of the budget program passport https://mepr.gov.ua/files/docs/Passporta_KPKCOAL_MINING_COMPANY/2020/Zvit/2401590.pdf

Table 5.4: Some areas of use of budget funds under the Support to the implementation of the Energy Strategy of Ukraine program in 2019

Purpose of use	Cash execution, UAH thousand	
	General fund	Special fund
Support for the implementation of the Energy Strategy of Ukraine	-	21,777.42 ²⁸
Including the funds allocated to the extractive industries ²⁹ :		
Acquisition of tunneling equipment for Buzhanska Mine SU of Volynvuhilya SE	-	3,700.00
Acquisition of stationary equipment for Buzhanska Mine SU of Volynvuhilya SE	-	788.00
Overhaul of the 1K101 cleaning combine of Buzhanska Mine SU of Volynvuhilya SE	-	3,700.00
Overhaul of KD80 mechanized fastening sections for Buzhanska Mine SU of Volynvuhilya SE	-	6,000.00

Based on the information received from the accountable coal mining companies, the amount of state support in 2019 amounted to UAH 3,780,551.35 thousand (**Table 5.5**). The main administrator of funds for all types of state aid listed in the table was the Ministry of Energy.

Table 5.5: The amount of state aid received by the accountable coal mining companies from the Ministry of Energy in 2019³⁰

Company	Type of the state aid	Total state aid, UAH thousand
Toretskvvuhilya SE	Measures to wind-up unpromising coal mining enterprises	17,015.00
	Wages and salaries to the coal industry workers and wage related mandatory payments	24,206.00
	Restructuring of the coal industry	206,778.00
	Support in payment for electricity consumed by the state-owned coal mining companies in 2019	109,459.00
	Chernobyl Foundation	11.00
Myrnogradvuhilya SE	Support in payment for electricity consumed by the state-owned coal mining companies in 2019	99,241.00
	Liquidation of coal mining and peat mining enterprises	22,614.00
	Restructuring of the coal industry	313,580.00
Pervomaiskvuhilya SE	Subsidies and current transfers to enterprises (institutions, organizations)	565,840.80
	Other types of payments	80,836.00
Mine named after M. S. Surgai SE	Restructuring of the coal industry	52,557.00
Lysychanskvuhilya JSC	Support in payment for electricity consumed by the state-owned coal mining companies in 2019	46,269.00
	Wages and salaries to the coal industry workers and wage related mandatory payments	45,015.00
	Restructuring of the coal industry	403,988.00

²⁸ Treasury, Annual report on the implementation of the State Budget of Ukraine for 2019 (Section II.1), <https://www.treasury.gov.ua/storage/app/uploads/public/5e7/cb7/964/5e7cb79649d80136399092.xlsx>

²⁹ Report on the implementation of the budget program passport https://mepr.gov.ua/files/docs/Passporta_KPKCOAL_MINING_COMPANY/2020/Zvit/2401490.pdf

³⁰ According to the responses of the accountable companies to the inquiries for the purpose of preparation of this EITI Report

Company	Type of the state aid	Total state aid, UAH thousand
Shakhtoupravlinnia Pivdenodonbaske No 1 SE	Restructuring of the coal industry	109,488.00
Lvivvuhilya SE	State support for repayment of wage arrears	464,401.00
	State support for capital investments	199,995.00
	Payment for electricity consumed in the current year	20,408.00
	State support to coal mining enterprises for partial recoupment of costs of their finished products	93,961.00
Selydivvuhilya SE	Restructuring of the coal industry	830,454.55
	Support in payment for electricity consumed by the state-owned coal mining companies in 2019	74,434.00
Vuhilna kompaniia Krasnolymanska SE	-	-
Total		3,780,551.35

Loans from reporting coal mining companies

During 2019, the payments continued to be made pursuant to the Ukraine's guarantee obligations under the Guarantee Agreement dated December 26, 2011 between Lysychanskvuhilya PJSC and the State Development Bank of the People's Republic of China (PRC). The payments were made from the budget to meet the state's guarantee obligations to the creditor. In the reporting period, the amount of payments amounted to 386,991,171.46 in UAH equivalent (*Table 5.6*).

*Table 5.6: Payments by the state to fulfil its guarantee obligations in 2019*³¹

State guarantee	Loan agreement (contract) / details of securities	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	15,063,609.13	386,991,171.46

According to the State Treasury Service of Ukraine, in 2019 the overdue debt of Lysychanskvuhilya PJSC to the state on the loans raised by its mining companies under the state guarantees amounted to UAH 2,153,838.74 thousand (*Table 5.7*).

At the same time, according to the data provided by Lysychanskvuhilya PJSC to the Independent Administrator, the company received a loan from the State Development Bank of China (loan agreement no-number from 21.12.2011) in the amount of USD 85,000 thousand³² (UAH 679,397.00 thousand) at 7.05% per annum for technical re-equipment and modernization of Melnikov mine under the state guarantees. The loan term was 108 months

³¹ Treasury, Report on payments by the state of guarantee obligations for 2019, <https://www.treasury.gov.ua/storage/app/uploads/public/5e7/cb7/90d/5e7cb790d28c2686979053.xls>

³² These companies do not include the amount of overdue debt to the state for fines and penalties

with a grace period of 36 months from the date of signing. Thus, the loan repayment started on April 10, 2015, and the repayment period is until December 2020.

Table 5.7: Overdue debts of the coal industry economic entities to the state on the loans received under the state guarantees in 2019³³

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
Lysychanskvuhilya PJSC	90,932.22	2,153,838.74	23.50	1,311,956.46	-

According to the information received from accountable state-owned coal mining companies, in 2019, some of them received state aid in the form of interest-free budget loans. The total amount of interest-free budget loans granted to the accountable coal mining companies during 2019 amounted to UAH 413,824.00 thousand. The loans were provided to the Ministry of Energy pursuant to the order of the Cabinet of Ministers of April 3, 2019 No 224-p "On the allocation of funds from the state budget reserve fund"³⁴ and the order of the Cabinet of Ministers of 14.08.2019 No 604-p "On the allocation of funds from the state budget reserve fund"³⁵.

Table 5.8: Interest-free budget loans provided to the accountable coal mining companies by the Ministry of Energy in 2019³⁶

Company name	Purpose of the loan	Loan size, UAH thousand	Repayment term
Mine named after M. S. Surgai SE	Payment of arrears of wages	21,886.00	4,000.00 during 2021 6,000.00 during 2022 7,886.00 during 2023
Lvivvuhilya SE	Payment of arrears of wages	29,624.00	2019
		94,223.00	2019
Myrnogradvuhilya SE	Payment of arrears of wages	16,062.00	2019 (accrued charges for overdue debt)
	Payment of arrears of wages	25,132.00	2019 (repaid)
Shakhtoupravlinnia Pivdenodonbaske No 1 SE	Payment of arrears of wages	19,773.00	Till 2023
	Payment of arrears of wages	12,962.00	Till 2023
Selydivvuhilya SE	Wages and salaries and mandatory payments related to the wages of the coal industry workers	113,326.00	2019
Pervomaiskvuhilya SE	Payment of arrears of wages	80,836.00	2019 according to the agreement but not yet repaid

³³ Treasury, Report on overdue debts of business entities to the state on loans raised under state guarantees for 2019, <https://www.treasury.gov.ua/storage/app/uploads/public/5e7/cb7/904/5e7cb7904f5b0711559207.xls>

³⁴ <https://zakon.rada.gov.ua/laws/show/224-2019-%D1%80#Text>

³⁵ <https://zakon.rada.gov.ua/laws/show/604-2019-%D1%80#Text>

³⁶ According to the responses of the accountable companies to the inquiries for the purpose of preparation of this EITI Report

According to the responses to the inquiries of the accountable state-owned coal mining companies, there was no fact that they provided loans to other mining companies.

In addition, the public financial statements of the accountable state-owned coal mining companies were analysed for information on loans from state-owned banks or related parties. As of the end of 2019, long-term loans from the state-owned banks were identified only with Myrnodgradvuhillya SE. In particular, the company had loans from Privatbank (as of 2019, 100% of the bank's shares are owned by the state represented by the Cabinet of Ministers of Ukraine), while the maturity and statute of limitations on these obligations have expired.

Table 5.9: Bank loans of reporting state-owned coal enterprises as of December 31, 2019

Lender	Loan amount / purpose	Debt as of 31.12.2019	Details on credit terms
Myrnodgradvuhillya SE³⁷			
Privatbank, Dnipropetrovsk	UAH 2,587 thousand Purpose: payment of wages, materials	UAH 2,587 thousand	Date of issue: October 1, 1996 Repayment date: October 1, 1997 Interest on the loan (% per annum): 80% Maturity and statute of limitations have expired, no interest is accrued, no penalties, no discounting
Privatbank, Krasnoarmiysk	UAH 101 thousand Purpose: payment of wages, materials	UAH 101 thousand	Date of issue: 01.10.1995 Repayment date: October 1, 1996 Interest on the loan (% per annum): 80% Maturity and statute of limitations have expired, no interest is accrued, no penalties, no discounting
Other lenders	UAH 18,700 thousand Purpose: payment of wages	UAH 18,700 thousand	Date of issue: 30.06.2009 Repayment date: December 30, 2009 Interest on the loan (% per annum): 22% Maturity and statute of limitations have expired, no interest is accrued, no penalties, no discounting
Lysychanskvuhillya PJSC³⁸			
State Development Bank of China (loan agreement n/ n of 21.12.2011). Issued under state guarantees. <i>More details in Table 5.6, Table 5.7</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 (UAH 306,026 thousand at the exchange rate on the reporting date) Debt to the Ministry of Finance: UAH 3,465,795 thousand	Term: 108 months Interest on the loan (% per annum): 7.05%
Selydivvuhillya SE³⁹			

³⁷ Myrnodgradvuhillya SE, Financial statements for 2019, https://www.mvug.com.ua/?page_id=1819

³⁸ Lysychanskvuhillya PJSC, Financial statements for 2019, <http://lisugol.com/Content/RegInf/%D0%90%D1%83%D0%B4%D0%B8%D1%82%D0%BE%D1%80%D1%81%D1%8C%D0%BA%D0%B8%D0%B9%20%D0%B7%D0%B2%D1%96%D1%82%20%D0%B7%D0%B0%202019%20%D1%80%D1%96%D0%BA.pdf>

³⁹ Selydivvuhillya SE, Financial statements for 2019, <http://mpe.kmu.gov.ua/minuogol/doccatalog/document?id=245439273>

Lender	Loan amount / purpose	Debt as of 31.12.2019	Details on credit terms
As of December 31, 2019: 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
Lvivvuhillya SE⁴⁰			
Prominvestbank PJSC, agreement dated October 29, 2007 № 223 / 07-744	UAH 33,058 thousand		Debts are overdue and transferred from long-term to current in previous periods
Vuhilna kompaniia Krasnolymanska SE⁴¹			
No long-term and short-term bank loans			
Pervomaiskvuhillya SE⁴²			
No long-term and short-term bank loans			
Shakhtoupravlinnia Pivdennodonbaske No. 1 SE⁴³			
No long-term and short-term bank loans			
Toretskvuhillya SE⁴⁴			
No long-term and short-term bank loans			
Mine named after M. S. Surgai SE			
No long-term and short-term bank loans			

Transactions of coal mining companies with state participation

The Independent Administrator also analysed the financial statements and the responses of the accountable state-owned coal mining companies to the requests on their retained earnings (uncovered loss) during 2019 (**Table 5.10**).

Table 5.10: Transactions of state-owned coal mining enterprises in 2019⁴⁵

Name of company	Borrowed funds	Net income used for reinvestment	Retained earnings (uncovered loss), UAH thousand	
			as of 01.01.2019	as of 31.12.2019
Selydivvuhilya SE	Interest-free budget loans from Ministry of Energy in Table 5.8	-	(3,446,403)	(4,128,299)
Lvivvuhilya SE	Interest-free budget loans from Ministry of Energy in Table 5.8	-	(2,834,220)	(3,189,333)

⁴⁰ Lvivvuhilya SE, Auditor's report on financial statements for 2019, <http://www.lvug.com.ua/2020/12/31/zvit-nezalezhnogo-auditora/>

⁴¹ Vuhilna kompaniia Krasnolymanska SE, Auditor's report on financial statements for 2019, <https://krasnomimanskaya.com.ua/?p=9618>

⁴² Pervomaiskvuhillya SE, Financial statements for 2019, <http://xn--80adefwgidrfcns3a2l.xn--j1amh/prymtk-do-finansovoi-zvitnosti-vidpovidno-do-msfz-stanom-na-31-hrudnia-2019-roku/>

⁴³ Shakhtoupravlinnia Pivdennodonbaske No. 1 SE, Financial statements for 2019, <http://mpe.kmu.gov.ua/minugol/doccatalog/document?id=245439291>

⁴⁴ Toretskvuhillya SE, Financial statements for 2019, <https://toretskvuhillya.com.ua/finance/016-%D0%97%D0%B2%D1%96%D1%82-%D0%BD%D0%B5%D0%B7%D0%B0%D0%BB%D0%B5%D0%B6%D0%BD%D0%BE%D0%B3%D0%BE-%D0%B0%D1%83%D0%B4%D0%B8%D1%82%D0%BE%D1%80%D0%B0-%D0%BD%D0%B0-31.12.2019.pdf>

⁴⁵ The source of data is the financial statements of the companies for 2019, posted on the website of the Ministry of Energy, http://mpe.kmu.gov.ua/minvuhilya/control/uk/publish/article?art_id=245439190&cat_id=245194014. The source of data on Vuhilna kompaniia Krasnolymanska SE is the company's response

Name of company	Borrowed funds	Net income used for reinvestment	Retained earnings (uncovered loss), UAH thousand	
			as of 01.01.2019	as of 31.12.2019
Vuhilna kompaniia Krasnolymanska SE	-	-	(1,055,967)	(1,280,502)
Myrnohradvuhilya SE	Interest-free budget loans from Ministry of Energy in <i>Table 5.8</i>	-	(3,610,591)	(4,064,675)
Pervomaiskvuhilya SE	Interest-free budget loans from Ministry of Energy in <i>Table 5.8</i>	-	(2,435,711)	(2,692,875)
Lysychanskvuhilya PJSC	-	-	(6,055,718)	(6,420,725)
Shakhtoupravlinnia Pivdenodonbaske No 1 SE	Interest-free budget loans from Ministry of Energy in <i>Table 5.8</i>	-	(911,531)	(954,916)
Toretskvuhilya SE	-	-	(2,901,816)	(3,279,041)
Mine named after M. S. Surgai SE	Interest-free budget loans from Ministry of Energy in <i>Table 5.8</i>	-	(429,952)	(420,563)

Transactions of the accountable coal mining companies with state participation with related parties:

► Myrnohradvuhillya SE⁴⁶

The related parties of the company include Artemvuhillya SE, Coal of Ukraine SE, State Coal Company SE, Derzhvuglepostach SE. In 2019, the transactions for the purchase of services by the companies under joint control amounted to UAH 156,043 thousand, transactions for the sale of goods, materials, finished products - UAH 125,744 thousand. Accounts receivable from transactions with such enterprises amounted to UAH 28,518 thousand, and accounts payable - UAH 443,415 thousand as of December 31, 2019.

► Selydivvuhillya SE⁴⁷

The Ministry of Energy has been identified as a related party of the company. Accounts payable on mutual settlements with the related parties amounted to UAH 177,137 thousand as of December 31, 2019.

► Lvivvuhillya SE⁴⁸

As of December 31, 2019, sales of goods and services to the related parties amounted to UAH 317,920 thousand. Trade receivables from the transactions with the related parties amounted to UAH 144,603 thousand, and accounts payables amounted to UAH 1,063,026 thousand. The

⁴⁶ Myrnohradvuhillya SE, Financial statements for 2019, https://www.mvug.com.ua/?page_id=1819

⁴⁷ Selydivvuhillya SE Financial statements for 2019, http://mpe.kmu.gov.ua/minugol/control/uk/publish/article?art_id=245498356&cat_id=245339002

⁴⁸ Lvivvuhillya SE, Auditor's report on financial statements for 2019, <http://www.lvug.com.ua/2020/12/31/zvit-nezalezhnogo-auditora/>

related parties for these transactions were Derzhvuglepostach SE, Kaluzka CHP SE, Regional Electric Networks SE, Nadiya Mine SE, Coal of Ukraine SE, State Coal Company SE, Volynvuhillya SE, Ukrzahidvuglebud OJSC, Mine No 1 Novovolynska SE.

▶ Vuhilna kompaniia Krasnolymanska SE⁴⁹

The company considers all its counterparties owned by the state as related parties. As of December 31, 2019, trade receivables with the related parties amounted to UAH 161,720 thousand, and accounts payable - UAH 581 thousand.

▶ Lysychanskvuhillya PJSC⁵⁰

For the company, the related parties were identified as counterparties within the scope of management of the Ministry of Energy. Financial assistance provided by the Ministry of Energy in 2019 on a repayable basis amounted to UAH 45,015 thousand. The value of electricity supplied by Regional Electric Networks SE to the company is UAH 15,430 thousand, and by Ukrinterenergo SE - UAH 50,514 thousand. The company's transactions for the provision of services and sales of coal to Derzhvuglepostach SE amounted to UAH 37,753 thousand in 2019.

▶ Toretskvuhillya SE⁵¹

No related party transactions were performed.

5.1.2 Coal Reserves

The major coal reserves of Ukraine are concentrated in the Donetsk and Lviv-Volyn basins (**Figure 5.1**). As of the end of 2019, the volume of the balance sheet reserves of hard coal (categories A + B + C1) in Ukraine amounted to 41,253.23 million tons.

Coal in Ukraine is diverse in terms of quality classification: the most common D-type, or long-flame coal, accounted for 31.43% of the balance sheet reserves in 2019. The second and third top were gas coal (G type) and long-flame gas coal (DG type), which accounted for 18.71% and 15.60% of the total balance sheet reserves in the reporting period, respectively.

⁴⁹ Krasnolimanska Coal Mining Company SE, Audit Report on Financial Statements for 2019, <https://krasnolimanskaya.com.ua/?p=9618>

⁵⁰ Lysychanskvuhillya PJSC, Financial statements for 2019, <http://lisugol.com/Content/RegInf/%D0%90%D1%83%D0%B4%D0%B8%D1%82%D0%BE%D1%80%D1%81%D1%8C%D0%BA%D0%B8%D0%B9%20%D0%B7%D0%B2%D1%96%D1%82%20%D0%B7%D0%B0%202019%20%D1%80%D1%96%D0%BA.pdf>

⁵¹ Toretskvuhillya SE, Financial statements for 2019, <https://toretskvuhillya.com.ua/finance/016-%D0%97%D0%B2%D1%96%D1%82-%D0%BD%D0%B5%D0%B7%D0%B0%D0%BB%D0%B5%D0%B6%D0%BD%D0%BE%D0%B3%D0%BE-%D0%B0%D1%83%D0%B4%D0%B8%D1%82%D0%BE%D1%80%D0%B0-%D0%BD%D0%B0-31.12.2019.pdf>



Figure 5.1: Geographical location of coal basins in Ukraine

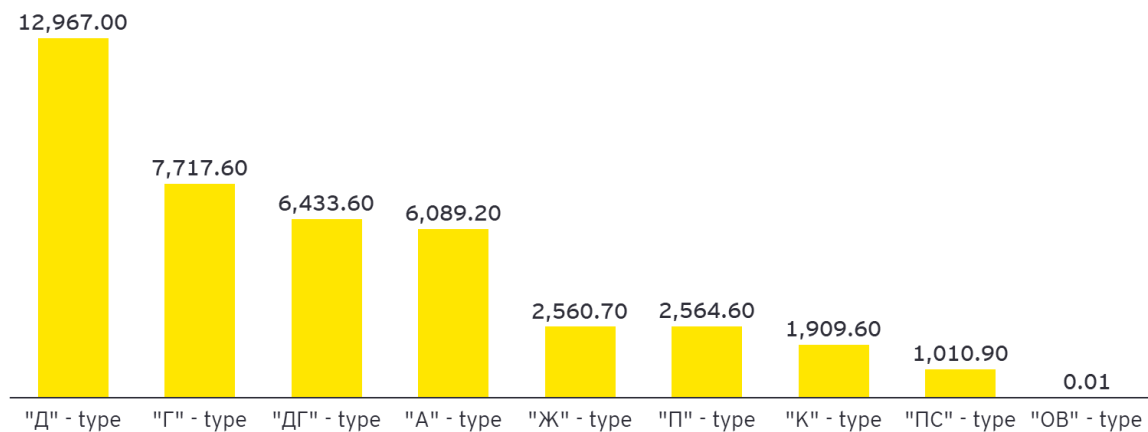


Figure 5.2 : Balance sheet reserves of hard coal by types as of 01.01.2020, million tons ⁵²

Donetsk basin, which is represented mainly by the following types: long-flame coal (32.29%), gas coal (18.12%), long-flame gas coal (15.40%) and anthracites (15.16%). According to the geographical distribution, the largest reserves in the basin are concentrated in the Luhansk region, and the most developed deposits - in the Donetsk administrative region.

The coal layers in the basin are relatively continuous and fall in the category of thin formations, with the depth of coal stratum not exceeding 1.2 m. The total number of working layers of coal increases from west to east and from the periphery to the center of the basin. As of today, 65 coal layers are in operation with the depth of the stratum not exceeding 0.5 m in steep deposits

⁵² Geoinform of Ukraine, State Balance Sheet of Mineral Reserves of Ukraine, Coal (Issue 22), 2020

and 0.6 m in shallow deposits. During the reporting period, 18,858.60 million tons of balance sheet reserves were developed and prepared for development in the Donetsk Coal Basin, of which 8,101.50 million tons of coal in operation.

The Lviv-Volyn coal basin is located in the north eastern part of the Volyn administrative region and the south western part of the Lviv administrative region. The unique feature of the Lviv-Volyn basin is a lower level of field development and a smaller volume of coal reserves - 1,093.10 million tons or 2.65% of the total balance sheet reserves in Ukraine. Of these, the most common are high quality steam coal and coking coal of the following types: gas coal (40.14%), long flame gas coal (22.69%) and agglomerating coal (22.88%). The coal layers of the Lviv-Volyn basin are classified as thin ones and, less often, medium layers, being 0.6-1.0 m and 1.9-2.0 m deep, respectively. As of 01.01.2020, 680.00 million tons of balance sheet reserves of A + B + C1 type coal were developed or prepared for development in the Lviv-Volyn basin.

In terms of administrative oblasts, the largest coal reserves are concentrated in the territory of Luhansk and Donetsk administrative oblasts - 34.69% and 32.25% of the total reserves, respectively. Dnipropetrovsk region is the third top administrative region hosting 25.60% of the total national reserves as of January 1, 2020. The remaining 7.47% of the total reserves are distributed between Kharkiv, Lviv and Volyn oblasts (**Figure 5.3**).

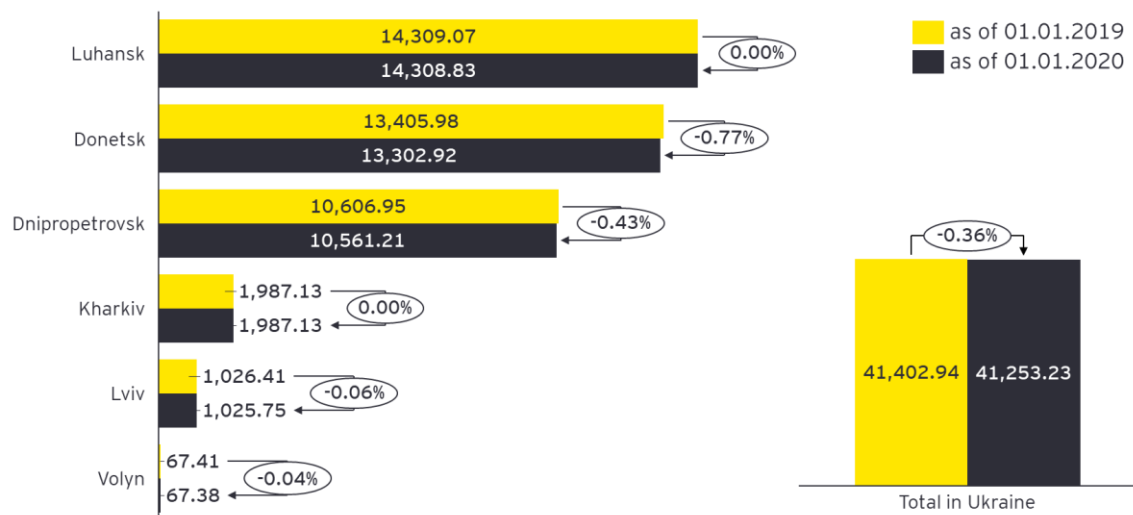


Figure 5.3: Structure of balance sheet reserves of hard coal by administrative regions as of 01.01.2019 and 01.01.2020, million tons⁵³

5.1.3 Significant explorations

According to the Geoinform of Ukraine, during 2019, geological exploration works in the Donetsk basin were carried out by Donetskgeologiya State Enterprise in Mezhyvska area and were paid for from the State Budget. No geological exploration work was carried out by SE "Zakhidukrgeologiya" NJSC "Nadra Ukrainy" in the Lviv-Volyn basin on the field of the mine "Lubelska №4" at the expense of the State budget in the reporting period.

⁵³. Geoinform of Ukraine, State Balance Sheet of Mineral Reserves of Ukraine, Coal (Issue 22), 2020

5.1.4 Volumes and the cost of coal mining

5.1.4.1 Volumes of coal mining

The consolidated data on the volume of hard coal mining are obtained from several government agencies: State Statistic Service of Ukraine, Ministry of Energy and Geology Service (data collection and processing for Geology Service is performed by Geoinform of Ukraine SE). However, the data from the three sources differ significantly, which may be due to the use of different approaches to accounting for information on mining (**Figure 5.4**). The discrepancy between the total volume of coal production in 2019 provided by the State Statistics Service and the Ministry of Energy, is 2.09%. At the same time, the discrepancy between the data provided by Geology Service and those provided by the SSS and the Ministry of Energy, is much more significant - 39.51% (Geology Service / SSS) and 31.63% (Geology Service / Ministry of Energy).

According to the Ministry of Energy, the total volume of hard coal production in Ukraine in 2019 decreased by 6.19% compared to the previous year and amounted to 31,224.37 thousand tons. The drop in coal production in 2018-2019 is reflected in the data provided by the State Statistics Service (by 2.62%). At the same time, according to Geology Service, the total volume of hard coal production increased from 20,019 thousand tons in 2018 to 23,722 thousand tons in 2019, or 18.50%.

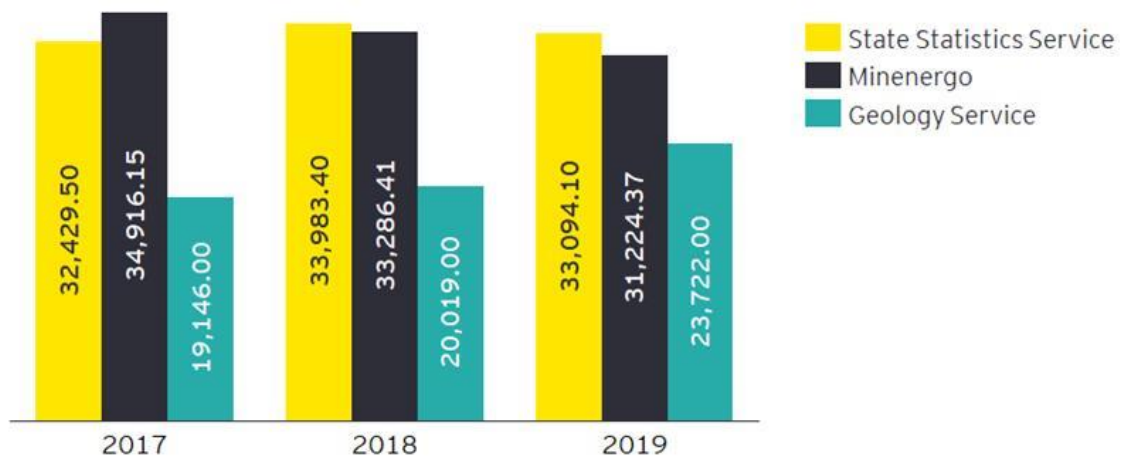


Figure 5.4: Dynamics of hard coal production in Ukraine in 2017-2019 according to government agencies' data, thousand tons ^{54,55,56}

In terms of administrative regions, the Dnipropetrovsk region is the leader, with the largest share in the total hard coal mining (58.31%), however in 2019 the share fell by 9.02% compared

⁵⁴ SSS, Statistical information "Production of industrial products by type", 2017, 2018, 2019, http://www.ukrstat.gov.ua/operativ/operativ2016/pr/vr_rea_ovpp/vr_rea_ovpp_u/arh_vppv_u.html

⁵⁵ Ministry of Energy, Performance of the ordinary coal production task for December 2017, 2018, 2019, http://mpe.kmu.gov.ua/minvuhilya/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=245435525&cat_id=245183238

⁵⁶ Geoinform of Ukraine, State Balance Sheet of Mineral Reserves of Ukraine, Coal (Issue 22), 2020

to the previous year. The second-best is Donetsk region, which produced 11,258.67 thousand tons of coal, or 36.06% of the total production in the reporting period (*Figure 5.5*).

In 2019, the major share of the total hard coal was mined by the private sector companies with DTEK Pavlogradvuhilya PrJSC as a leader. The company extracted 18,207.46 thousand tons of coal, or 58.31% of the total production in Ukraine. The second best was Shakhtoupravlinnia Pokrovske PJSC which accounted for 16.02% (5,000.71 thousand tons) of the total coal production in the reporting period. The state-owned companies produced 11.42% of the total coal volume in 2019, with two leaders being Lvivvuhilya SE and Mine named after M. S. Surgai SE - 1,258.44 thousand tons and 621,40 thousand tons of coal, respectively.

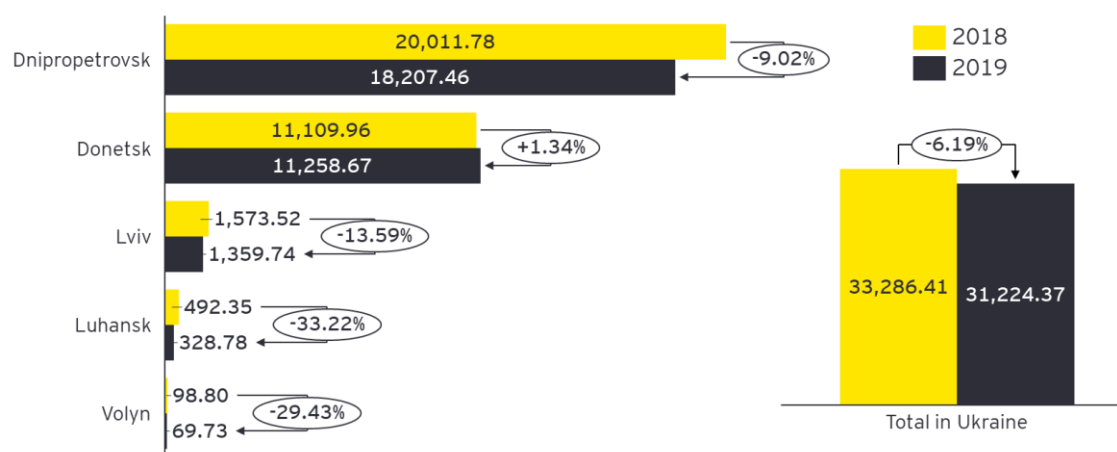


Figure 5.5: Volumes of hard coal mining by administrative regions of Ukraine in 2018-2019, thousand tons⁵⁷

Overall, the volume of coal production decreased in both the public and private sectors - by 13.9% and 5.9%, respectively, compared to 2018. Among the state-owned companies, the most significant reduction in coal production was observed in Selydivvuhilya SE (by 68.09%), and Bilozirska Mine DLC in the private sector (by 23.88%).

Table 5.11: Volumes of hard coal mining by companies in 2018-2019⁵⁸

Company	Volumes of hard coal mining, thousand tons			
	2018	2019	% of change in 2019 compared to 2018	Share in the total volume
Total public sector of the economy, including:	4,139.70	3,565.49	-13.87%	11.42%
Lvivvuhilya SE	1,413.62	1,258.44	-10.98%	4.03%
Mine named after M. S. Surgai SE	263.98	621.40	135.4%	1.99%
Myrnogradvuhilya SE	553.89	419.00	-24.35%	1.34%
Shakhtoupravlinnia Pivdenodonbaske No 1 SE	465.08	415.78	-10.60%	1.33%
Toretskvuhilya SE	251.20	224.73	-10.53%	0.72%

⁵⁷ Ministry of Energy, Performance of the ordinary coal production task in December 2019, http://mpe.kmu.gov.ua/minvuhilya/control/uk/publish/article?art_id=245435525&cat_id=245183238

⁵⁸ Ministry of Energy, Performance of the ordinary coal production task in December 2018, 2019, 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=245435525&cat_id=245183238

Company	Volumes of hard coal mining, thousand tons			
	2018	2019	% of change in 2019 compared to 2018	Share in the total volume
Lysychanskvuhilya JSC	290.03	178.40	-38.49%	0.57%
Pervomaiskvuhilya SE	202.32	150.38	-25.67%	0.48%
Selydivvuhilya SE	395.96	126.34	-68.09%	0.40%
Nadia Mine PrJSC	159.90	101.30	-36.65%	0.32%
Volynvuhilya SE	98.80	69.73	-29.43%	0.22%
Vuhilna kompaniia Krasnolymanska SE	44.93	0.00	-100.00%	0.00%
Total private sector of the economy, including:	29,146.71	27,658.88	-5.10%	88.58%
Pavlogradvuhilya DTEK PrJSC	20,011.78	18,207.46	-9.02%	58.31%
Shakhtoupravlinnia Pokrovske PJSC	3,975.72	5,000.71	25.78%	16.02%
Dobropillyavuhilya DTEK LLC	2,997.39	3,362.91	12.19%	10.77%
Bilozerska Mine DLC	1,122.38	854.38	-23.88%	2.74%
Novogrodovska Mine 1/3 LLC	0.00	233.43	-	0.75%
Krasnolymanske LLC	1,039.44	0.001	-100.00%	0.00%
Total	33,286.41	31,224.37	-6.19%	100%

With the current rate of coal mining, the balance sheet reserves will suffice for another 1,321 years⁵⁹.

5.1.4.2 Cost of hard coal mining

For the purposes of the EITI Report 2019, the information from two sources was used to disclose information on the cost of coal mining:

- ▶ Calculations of the value of extracted products made by the Independent Administrator based on the publicly available information;
- ▶ The data of the reporting companies on their total revenue provided by them during the reporting for the purposes of preparation of the EITI Report 2019⁶⁰.

The Independent Administrator's calculation was based on the open sources of information and was performed in order to obtain disaggregated information on the value of coal mining products. The calculation used the weighted average prices of coal adjusted for transportation and transshipment during 2019. Accurate information on the cost of coal in Ukraine is not available due to the lack of completely unregulated markets for mining products. The results obtained by the Independent Administrator are shown in the table below (**Table 5.12**).

⁵⁹ To calculate the sufficiency of the coal reserves, the data on the volume of balance sheet reserves and on coal mining of Geoinform of Ukraine State Enterprise and the Ministry of Energy were used.

⁶⁰ The companies of the extractive industries shall provide information on their activities by filling in a payment report / consolidated payment report 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 the Extractive Industries"

Table 5.12: Cost of mined coal in Ukraine in 2019

Type of product	Volumes of extraction ⁶¹ , t	Price, UAH / t	Cost according to the calculation of the Independent Administrator, UAH million
Hard coal	31,224,370	1,810.5 ⁶²	56,527.32

As part of the preparation of the EITI Report 2019, a list of reporting companies subject to reconciliation of payments was made up (for more details, see **Section 8**). The table below (**Table 5.13**) shows the data on the total revenue from the sale of the reporting company's own marketable products in 2019, according to the information submitted by the companies for the purposes of preparation of this EITI report.

 Table 5.13: Sales revenues of reporting coal mining companies in 2019⁶³

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
Pavlogradvuhilya DTEK PrJSC	13,906.00	13,462.70	26,579.29	0.00
Shakhtoupravlinnia Pokrovske PJSC	5,000.70	5,000.70	8,276.16	0.00
Dobropillyavuhilya DTEK LLC	2,310.00	1,945.10	4,182.43	0.00
Lvivvuhilya SE	901.00	747.80	1,709.98	0.00
Selydivvuhilya SE	104.00	73.40	181.47	0.00
Myrnogradvuhilya SE	286.00	199.60	441.71	0.00
Pervomaiskvuhilya SE	121.84	114.48	259.57	0.00
Lysychanskvuhilya JSC	149.10	93.00	181.28	0.00
Krasnolymanske LLC SE ⁶⁴	0.00	0.00	0.00	0.00
Shakhtoupravlinnia Pivdenodonbaske No 1 SE	415.90	318.10	606.66	0.00
Toretskvuhilya SE	166.00	168.90	308.73	0.00
Bilozerska Mine	363.00	338.60	653.69	0.00
Mine named after M. S. Surgai SE	531.00	626.80	1,256.12	0.00
Total	24,254.54	23,089.18	44,637.10	0.00

⁶¹ According to the Ministry of Energy

⁶² The price of coal is calculated based on the average market price on the European market (based on the average API2 (CIF) in Amsterdam - Rotterdam - Antwerp, the busiest ports of Western Europe. The calculation includes the average cost of freight for coal transportation to Ukrainian ports, as well as the coal transshipment rate in the port. The obtained price is adjusted for the caloric content of Ukrainian coal. The average annual exchange rate (according to the NBU) was used to calculate the price in hryvnia.

⁶³ 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"

⁶⁴ According to the company, SE "COAL MINING COMPANY" Krasnolymanska Coal Mining Company SE did not mine coal from its own reserves in the reporting period by the type of relevant project activities and did not sell its own production in the reporting period

5.1.5 Exports and imports of coal

The volume of coal exports in 2019 compared to 2018 decreased by 76.59%. Moldova accounted for the largest share of coal exports from Ukraine (93.39%) - 13.95 thousand tons worth USD 0.58 million. In 2019, coal was also exported to Hungary, Poland, Lithuania.

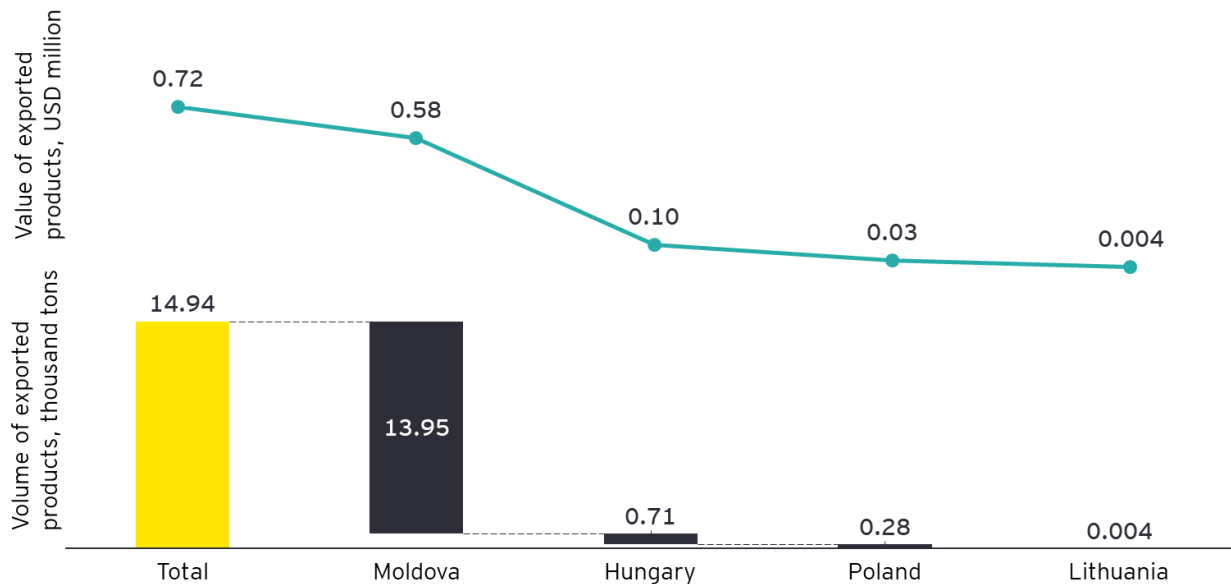


Figure 5.6: Exports of coal by countries in volume and in value in 2019⁶⁵

The volume of coal imports in 2019 decreased by 1.42% compared to 2018 and amounted to 21,082.04 thousand tons. Most of the coal imports, namely 68.55%, was from Russia (14 452.10 thousand tons worth USD 1641.04 million). In second top were the United States - 21.46% of total imports, or 4,523.99 thousand tons worth USD 888.59 million. Coal was also imported from Kazakhstan (4.16%). The remaining 5.83% of total imports came from Colombia, Australia, Poland and other countries.

⁶⁵ State Statistics Service, Foreign trade in certain types of goods by country, 2019, http://www.ukrstat.gov.ua/operativ/operativ2019/zd/e_iovt/arh_iovt2019.htm

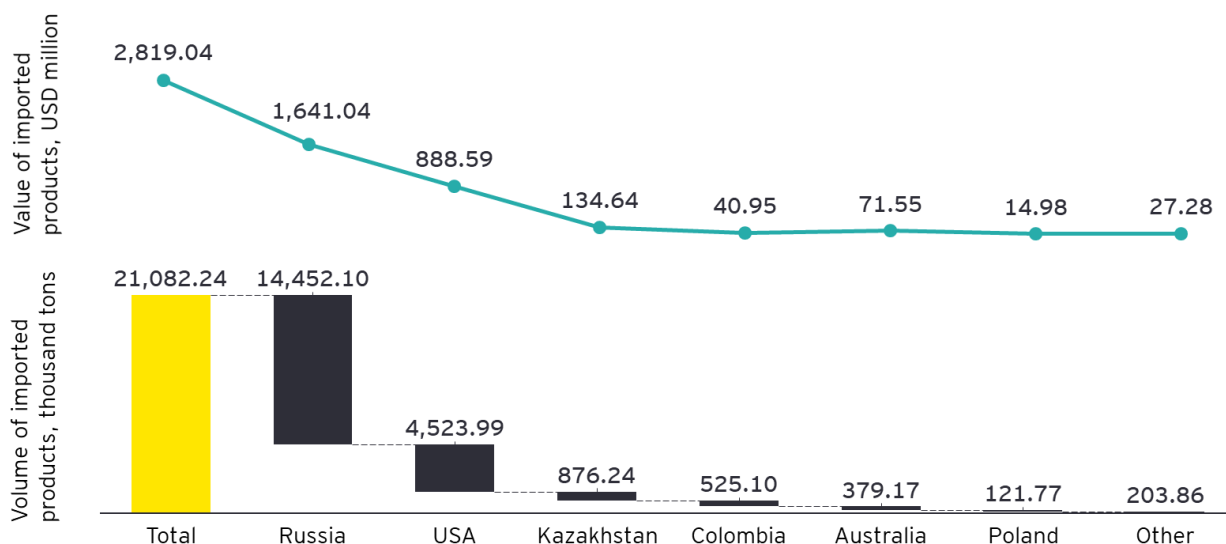


Figure 5.7: Imports of coal by countries in volume and in value in 2019.⁶⁶

Conclusions to the section

Hard coal reserves in Ukraine are concentrated in the Donetsk and Lviv-Volyn coal basins. As of the end of 2019, coal reserves amounted to 41,253.23 million tons. The most common type is long flame D grade coal (31.43% of the total reserves).

The volume of coal mining in 2019 (31,224.37 thousand tons) decreased by 6.19% compared to 2018. A significant decline in production was observed in Dnipropetrovsk region (by 9.02%), where 58.31% of the total coal production was extracted. Provided that the volume of coal production remains at the level of 2019, the volume of reserves will be sufficient for 1,321 years.

In 2019, exports fell by 76.59% to 14.94 thousand tons, and the main destination country was Moldova. The bulk of coal imports was from Russia (68.55%). In 2019, the total volume of imports amounted to 21,082.04 thousand tons.

⁶⁶ State Statistics Service, Foreign trade in certain types of goods by country, 2019, http://www.ukrstat.gov.ua/operativ/operativ2019/zd/e_iovt/arh_iovt2019.htm

5.2 Oil and natural gas extraction

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

The state plays a significant role in oil and natural gas extraction. For example, the state, represented by the Cabinet of Ministers of Ukraine, owns 100% of the shares of Naftogaz of Ukraine NJSC, the largest oil and gas company. In addition, the state, represented by the State Service of Geology and Subsoil of Ukraine, owns 100% of the shares of Nadra of Ukraine NJSC which is engaged in search and exploration, implementation of geological exploration investment projects. Overall, in 2019, the companies directly or indirectly owned by the state generated 77.49% of the total domestic natural gas production in Ukraine. State-owned companies also made a significant contribution to the domestic oil production - 89.77% of the total oil production in Ukraine in 2019.

According to the decision of the EITI MSG of November 20, 2020, the disclosure of information on state participation in oil and natural gas extractive companies and financial state support, and will cover only the companies identified as reporting companies for the purposes of the EITI Report 2019 and are direct or indirect state property.

State participation in oil and natural gas extractive enterprises

Naftogaz of Ukraine NJSC is the largest company in Ukrainian oil and gas industry, with a full cycle of operations in exploration and development of fields, operational and exploratory drilling, oil and gas transportation and storage, supply of natural and liquefied gas to consumers. Naftogaz of Ukraine NJSC also owns mining, transmission and non-mining companies. The list of the companies in which Naftogaz of Ukraine NJSC owned both minority and majority stakes in 2019 is presented given in the table below. The share of Naftogaz of Ukraine NJSC in these enterprises did not change during the year 2019.

Table 5.14: List of companies with Naftogaz of Ukraine NJSC ownership in 2019⁶⁷

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>		
Ukrgezvydobuvannya JSC	30019775	100%
Ukrnafta PJSC	135390	50% + 1 share
Chornomor-naftogaz JSC SE	153117	100%
Zakordon-naftogaz 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>		

⁶⁷ 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)

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%
Zakarpattyagazbus PJSC	2127331	39%
Donetskoblغاز PJSC	3361075	38%
Krymgaz PJSC	3348117	25% + 1 share
Sumygaz PJSC	3352432	25% + 1 share
Kyivoblغاز PJSC	20578072	25% + 1 share
Zaporizhغاز PJSC	3345716	25% + 1 share
Poltavagaz PJSC	3351912	25% + 1 share
Khmelnyskغاز PJSC	5395598	25% + 1 share
Luhanskغاز PJSC	5451150	25% + 1 share
Tysmenytsyagaz PJSC	20538865	25% + 1 share
Dnipropetrovskغاز PJSC	3340920	25% + 1 share
Gadyachغاز PrJSC	5524660	25% + 1 share
Kremenchukغاز PrJSC	3351734	25% + 1 share
Rivnegaz PJSC	3366701	25% + 1 share
Lubnygaz PJSC	5524713	25% + 1 share
Umangaz PJSC	3361419	25% + 1 share
Shepetivkغاز PrJSC	3361394	25% + 1 share
Ternopilmiskغاز PrJSC	21155959	25% + 1 share
Sevastopolغاز PJSC	3358305	25% + 1 share
Mykolaivغاز PJSC	5410263	25% + 1 share
Ivano-Frankivskغاز PJSC	3361046	25% + 1 share
Lvivgaz PJSC	3349039	25% + 1 share
Vinnytsyagaz PJSC	3338649	25% + 1 share
Chernihivgaz PJSC	3358104	25% + 1 share

Name of company	Legal entity identification code	Amount of shares owned by Naftogaz of Ukraine NJSC
Monastyrskgaz PJSC	21135833	25% + 1 share
Pidvolochyskgaz PJSC	14055654	25% + 1 share
Chortkivgaz PJSC	21155830	25% + 1 share
Buchachgaz PJSC	21136689	25% + 1 share
Zalischykygaz PJSC	21131775	25% + 1 share
Borschivgaz PJSC	21133751	25% + 1 share
Terebovlyagaz PJSC	21156166	25% + 1 share
Husyatyngaz PJSC	21135371	25% + 1 share
Ternopilgaz PrJSC	3353503	25% + 1 share
Zborivgaz PJSC	21138352	25% + 1 share
Zbarazhgaz PJSC	21131887	25% + 1 share
Kremenetsgaz PJSC	14028568	25% + 1 share
Melitopolgaz PJSC	5535349	25% + 1 share
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 subsidiaries of Naftogaz of Ukraine NJSC include the largest companies engaged in oil and natural gas extraction, namely Ukr gazvydobuvannia JSC and Ukrnafta PJSC. The subsidiaries of Naftogaz of Ukraine NJSC are also Ukrtransgaz JSC and Ukrtransnafta JSC, dealing with natural gas and oil transportation and storage. Ukrtransgaz JSC is a natural monopoly in transportation of natural gas across the customs border of Ukraine by pipeline in transit mode (hereinafter "transit").

Data on companies whose shares are owned by the mining subsidiaries of Naftogaz of Ukraine NJSC are presented below (**Table 5.15**). The changes in the share of subsidiaries of Naftogaz of Ukraine NJSC in their subsidiaries and associates in 2019 were identified only in the following cases:

- ▶ In 2019, Ukrnafta PJSC established a subsidiary of Ukrnafta-Postach LLC (EDRPOU 43012009) (100% of shares).
- ▶ The decision of the shareholder of Ukrtarnsagaz JSC dated 01.09.2017 terminated the operations of Naftogazreestr LLC (EDRPOU 36126470). The record on the state registration of the termination of the legal entity was made on August 23, 2018.
- ▶ In 2019, Ukrtransgaz JSC established a subsidiary Gas Transmission System Operator of Ukraine LLC (EDRPOU 42795490) (100% share).

According to the responses of the companies and information from open sources, the Independent Administrator reveal no facts of participation of mining companies, whose shares

are owned by mining subsidiaries of Naftogaz of Ukraine NJSC, in the authorized capital of other companies.

Table 5.15: 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
Ukrnafta JSC⁶⁸			
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%
Non-extractive	Ukrnafta-Postach LLC	43012009	100%
	Fund-Service CJSC	25200208	74.00 %
	Naftotransservis Transport and Production Company LLC	25653832	49.90 %
	Agrofirma 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	06710859	65.25 %
	Vorskla Closed Insurance Joint Stock Company	23047240	79.39 %
	Spartak OJSC	30561150	18.98 %
	Osnastka PJSC	05797977	8.10 %
	Basis-Investment OJSC	30251739	7.69 %
Security LLC	37309470	49%	
Ukrtransgaz JSC⁶⁹			
Non-extractive	Energy Technologies PrJSC	33833671	24%
	Enzyme PrJSC	32278747	0.12%
	Cogeneration technologies UTG LLC	32493617	38%
	Gas transmission system operator of Ukraine LLC	42795490	100%
Ukrtransnafta JSC⁷⁰			

⁶⁸ Ukrtransnafta PJSC, Interim information on securities issuer for Q4 2019,

https://www.ukrnafta.com/data/investor_docs/Rehularna_promizhna_informatsiya_za_IV_kvartal_2019.pdf

⁶⁹ Ukrtransgaz JSC, Annual information on securities issuer for 2019, <http://utg.ua/img/menu/company/docs/2020/info-16-06-2020.pdf>

⁷⁰ Ukrtransnafta PJSC, Annual information on securities issuer for Q4 2019, <https://www.ukrtransnafta.com/wp-content/uploads/2020/04/Richnij-zvit-2019-na-sajt.pdf>

	Name of Company	Legal entity identification code	Share in the authorized capital
Non-extractive	Ukrtransnafta Corporate Fund LLC	32074529	100.00%
	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%
Chornomornaftogaz PJSC⁷¹			
Non-extractive	Chornomornaftogazservis SE	32173773	100.00%
	KNPF Chornomornaftogaz Research Company	33326529	100.00%
	Chornomornaftogazinvest SE	37729289	100.00%
	Kerch Marine Plant Frigate LLC	32316153	57.99%
	Shelf Institute LLC	04825950	45.00%
Ukrqazvydobuvannya PJSC⁷²			
Non-extractive	Olexandr LLC	24362185	100%
	Shebelynska Voda LLC	23917617	98.27%

As of December 31, 2019, Ukrqazvydobuvannya PJSC included three extraction departments, well drilling and repair departments, gas and gas condensate processing department, as well as research and auxiliary units that are not separate legal entities.

Nadra of Ukraine NJSC is a state-owned company, and its main objectives are development of the mineral resource base of Ukraine, exploration and prospecting, as well as attracting investment in exploration and mining projects. The State Service of Geology and Subsoil of Ukraine administers the state corporate rights in Nadra Ukrainy NJSC.

Table 5.16: The list of companies whose shares are owned by Nadra Ukraine NJSC in 2019 ⁷³

Name of company	Legal entity identification code	Number of shares owned by Nadra Ukrainy NJSC
Subsidiaries of Nadra Ukrainy NJSC		
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%

⁷¹ Chornomornaftogaz PJSC SE, Annual information of securities issuer for 2019, https://chornomornaftogaz.com.ua/images/pdf/zvit_emitenta_2019.pdf

⁷² Ukrqazvydobuvannya PJSC, Annual information of securities issuer for 2019, <https://ugv.com.ua/page/docs?count=9>

⁷³ Nadra Ukrainy NJSC, Regular annual information for 2019, http://nadraukrayny.com.ua/?page_id=2702#tab-3-2

Name of company	Legal entity identification code	Number of shares owned by Nadra Ukrainy NJSC
<i>Other companies under Nadra Ukrainy NJSC control</i>		
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	75%
Chornomorzakhidinvest LLC	39729852	25%
Chornomorgeoresource LLC	39729978	25%
Closed non-diversified venture corporate investment fund Standard Plus PJSC	38006024	21%
Chernigivnaftogazgeologiya LLC	38960790	99%

According to the Ministry of Energy of Ukraine, as of March 1, 2019, 33 legal entities of the oil and gas industry were on the list of state enterprises, organizations and associations that were under its administration. As of March 1, 2019, the companies in respect of which the Ministry of Energy exercises the authority to manage the corporate rights of the state included 2 legal entities of the oil and gas complex (Naftovyk OJSC and Major Gas Pipelines of Ukraine PJSC).⁷⁴ These legal entities are not engaged in any mining activities, but may provide ancillary services.

The information on joint operations agreements concluded as of 2019 is presented in the table below (**Table 5.17**). The source of information on joint operations of the reporting extractive companies is the companies' responses to the inquiries, as well as information from publicly available financial statements.

⁷⁴ Order of the Ministry of Energy of 22.03.2019 No 128, http://mpe.kmu.gov.ua/minuqol/control/uk/publish/article?art_id=245358174&cat_id=245196616

Table 5.17: Information on joint operations agreements in the oil and gas industry in 2019

Number of joint operations agreement (JOA)	Authorized taxpayer and other participants	Type and amount of contribution made by public partner	Share in profits for 2019
<i>Ukrnafta PJSC⁷⁵</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 - 49.9%, and from the commencement of joint operations - UAH 348,368,781.00 (including UAH 58,429,819.44 2019)	Share of Ukrnafta PJSC in the joint operations for 2019 is 60.18% (UAH 359,371,170)
JOA of 07.09.2001 No 4 ⁷⁶	<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 made in 2019)	Share of Ukrnafta PJSC in the joint operations for 2019 is 56.72% (UAH 1,810,210.00)
JOA of 21.12.2000 No 5/56	<i>Authorized taxpayer:</i> Poltavnaftogaz under Ukrnafta PJSC <i>Other participants:</i> Nadra Invest LLC	Interest of Ukrnafta PJSC - 80%	-
JOA of 28.01.2008 No 35/21	<i>Authorized taxpayer:</i> Chernihivnaftogaz under Ukrnafta PJSC <i>Other participants:</i> JV Kashtan Petroleum Ltd (23703371)	Interest of Ukrnafta PJSC - 93%	-
JOA of 20.07.2004 No 35/809	<i>Authorized taxpayer:</i> Poltavnaftogaz under Ukrnafta PJSC <i>Other participants:</i> Private company Regal Petroleum Corporation Limited	Interest of Ukrnafta PJSC - 93%	-
JOA No 35/78/141	-	Interest of Ukrnafta PJSC - 79%	-
JOA of 24.12.1997 No 999/97	<i>Authorized taxpayer:</i> Poltavnaftogaz under Ukrnafta PJSC <i>Other participants:</i> Representative office of Momentum Enterprises (Eastern Europe) Ltd.	Interest of Ukrnafta PJSC - 49.9%	-
JOA No 410/95	-	Interest of Ukrnafta PJSC - 83.4%	-
JOA of 11.11.1999 No 35/176	<i>Authorized taxpayer:</i> Okhtyrkanaftogaz under Ukrnafta PJSC <i>Other participants:</i> 1. Technopaclux LLC 2. LLC "Navigator kit" 3. Tranget limited (Cyprus)	Interest of Ukrnafta PJSC - 20%	-
JOA of 20.03.1998 No 01	<i>Authorized taxpayer:</i> Aipek PrJSC <i>Other participants:</i>	Interest of Ukrnafta PJSC - 25%	-

⁷⁵ 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 prepared under the international financial reporting standards of 31 December 2019 year ([https://www.ukrnafta.com/data/Investor_news/28.12.2020/Ukrnafta%202019%20Standalone%20FS%20UKR%20\(006\).pdf](https://www.ukrnafta.com/data/Investor_news/28.12.2020/Ukrnafta%202019%20Standalone%20FS%20UKR%20(006).pdf)). The Company did not provide any additional information on its joint operations in the process of preparation of the EITI Report and such information is not publicly available. Therefore, the information on the share of Ukrnafta PJSC in the profits of individual JOA, as well as all participants of some JOAs are not listed in the table.

⁷⁶ 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 2019
	1. Power Provision Limited 2. Felusio Investments Ltd. 3. Aipek PrJSC		
JOA No 35/71	-	Interest of Ukrnafta PJSC -93%	-
Ukrgezvydobuvannya JSC⁷⁷			
JOA of 24.03.2004 No 493	<i>Authorized taxpayer:</i> Karpatygas LLC (455860319) <i>Other participants:</i> 1. Ukrgezvydobuvannya 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. Ukrgezvydobuvannya JSC (30019775) 2. Chornomornaftogaz SE (00153117)	UAH 88,458.7 thousand (materials / works and proceeds)	-
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. Ukrgezvydobuvannya 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 favour of Naftogaz of Ukraine NJSC and its subsidiaries⁷⁸

According to the financial statements of Naftogaz of Ukraine NJSC, the dividends received by the company in 2019 amounted to UAH 15,110.43 million. At the same time, according to the financial statements of Ukrgezvydobuvannya JSC and Ukrtransnafta JSC, they paid dividends in the amount of UAH 13,567,598 thousand and UAH 1,463,239 thousand to Naftogaz of Ukraine NJSC, their sole shareholder, correspondently. Ukrtransgaz JSC paid no dividends to Naftogaz of Ukraine NJSC or directly to the budget of Ukraine in 2019⁷⁹.

In addition to the subsidiaries of Naftogaz of Ukraine NJSC, which were identified as reporting companies for the purposes of preparation of this EITI Report, Ukrspetstransgaz JSC paid UAH 3,115 thousand in dividends⁸⁰ to Naftogaz of Ukraine NJSC. No dividends paid by Chornomornaftogaz JSC were found in the public financial statements of the company.

Ukrnafta PJSC, according to its financial statements, paid UAH 2,599 thousand to its

⁷⁷ According to the company data provided on request as part of the preparation of this EITI Report

⁷⁸ The information on regulatory requirements for payment of dividends of companies with state share in the authorized capital is presented in **Section 6.4.3**

⁷⁹ 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

⁸⁰ Ukrspetstransgaz JSC, Annual information of securities issuer for 2019, http://ustg.com.ua/reporting/00157842_2019_208721.pdf

shareholders in 2019.⁸¹

Table 5.18: Dividends received by Naftogaz of Ukraine NJSC from its subsidiaries that are reporting companies for the purposes of the EITI Report 2019

Indicator	Amount of dividends received / paid in 2019, UAH thousand
Total dividends received by Naftogaz of Ukraine NJSC (according to the company's financial statements) ⁸²	15,110,435
Dividends were paid by subsidiaries of Naftogaz of Ukraine NJSC (according to the financial statements of subsidiaries), including:	15,030,837
<i>Ukrgezvydobuvannya JSC</i> ⁸³	13,567,598
<i>Ukrtransnafta PJSC</i> ⁸⁴	1,463,239

The table below provides data on dividends received by the subsidiaries of Naftogaz of Ukraine NJSC from their subsidiaries and associates engaged in the extraction or, in the case of Ukrtransgaz JSC, transportation of hydrocarbons.

Table 5.19: Dividends received by Naftogaz of Ukraine NJSC subsidiaries from their extractive subsidiaries and associates in 2019

No	Subsidiary of Naftogaz of Ukraine NJSC	Dividends paid in 2019, UAH thousand
1	<i>Ukrtransnafta JSC</i>	-
2	<i>Ukrnafta PJSC</i>	64,744
	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 ⁸⁵	-
	Joint Venture Ukrkarpatoil LTD LLC ⁸⁶	-
	Kashtan Petroleum LTD JV	92,874
3	<i>Ukrgezvydobuvannya JSC</i>	-
4	<i>Ukrtransgaz JSC</i> ⁸⁷	89,845
	Dividends paid by subsidiaries and associates of Ukrtransgaz JSC to all shareholders:	-
	Gas transmission system operator of Ukraine LLC ⁸⁸	89,845

⁸¹ Ukrnafta JSC, Separate financial statements for 2019,

[https://www.ukrnafta.com/data/ivestor_news/28.12.2020/Ukrnafta%202019%20Standalone%20FS%20UKR%20\(006\).pdf](https://www.ukrnafta.com/data/ivestor_news/28.12.2020/Ukrnafta%202019%20Standalone%20FS%20UKR%20(006).pdf)

⁸² Naftogaz of Ukraine NJSC, Separate financial statements for 2019, <https://www.naftogaz.com/files/Zvity/Naftogaz-19fs-standalone-FS-UKR.pdf>

⁸³ Ukrgezvydobuvannya JSC, Financial statements and independent auditor's report for 2019,

https://ugv.com.ua/uploads/Financial_Report.2019_AT_Ukrgezvydobuvannya_.pdf.9332243.26b0e9f76157b25bad796c280ae2c3d9dd457a86.pdf

⁸⁴ Ukrtransnafta JSC, Separate financial statements and independent auditor's report for 2019,

https://www.ukrtransnafta.com/wp-content/uploads/2020/04/UTN_Stand-alone_19fsu_with-signatures.pdf

⁸⁵ 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>

⁸⁶ Independent auditor's report on financial statements for 2019, <http://www.uko.kiev.ua/audit%202019.pdf>

⁸⁷ 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

⁸⁸ Gas Transmission System Operator of Ukraine LLC, Financial Statements and Independent Auditor's Report 2019,

https://tsoua.com/wp-content/uploads/2020/04/LLC-GTSO_19fsu_with-signatures-UA.pdf

During 2019, Naftogaz of Ukraine NJSC issued Eurobonds in USD and EUR. In July 2019, the company, through Kondor Finance plc (a public limited liability company registered under the law of England and Wales), issued Eurobonds in the form of Loan Participation Notes in two tranches: tranche A with a nominal value of EUR 600,000 thousand; tranche B - USD 335,000 thousand. USA. In November 2019, Naftogaz of Ukraine JSC issued Eurobonds with a nominal value of USD 500,000 thousand, again through Kondor Finance plc in the form of Loan Participation Notes⁸⁹.

State support for oil and natural gas extraction

In 2019, two budget programs were implemented to support the oil and gas industry of Ukraine. The program "Reconstruction, overhaul and technical re-equipment of Urengoy - Pomary - Uzhgorod major gas pipeline"⁹⁰ was supported from the special fund of the State budget; UAH 49,968.0 thousand was planned to allocate for the implementation of the program in 2019, however the cash execution of the plan was UAH 45,314.3 thousand, or 10.3% less. The plan also envisaged allocation of UAH 70,000.0 thousand from the general budget fund for the implementation of the program "Measures to carry out preparatory activities to ensure the performance of the functions by the gas transmission system operator", while its cash execution amounted to UAH 61,615.7 thousand (88.1% of the planned amount).

According to the State Treasury Service, in 2019, oil and gas companies, according to the data, were not credited under the state budget guarantees⁹¹.

Table 5.20: Budget programs in the oil and gas industry, thousand UAH

Name of budget program	General fund		Special fund	
	plan for 2019, with amendments	cash execution for 2019	plan for 2019, with amendments	cash execution for 2019
Reconstruction, overhaul and technical re-equipment of the Urengoy - Pomary - Uzhgorod major gas pipeline ⁹²	-	-	49,968.00	45,314.30
Measures to carry out preparatory activities to ensure the performance of the functions by the gas transmission system operator ⁹³	70,000.00	61,615.71	-	-

According to the State Treasury Service of Ukraine, during 2019 the state budget received

⁸⁹ Naftogaz of Ukraine NJSC, Separate financial statements for 2019, <https://www.naftogaz.com/files/Zvity/Naftogaz-19fs-standalone-FS-UKR.pdf>

⁹⁰ Order of the Ministry of Energy No 528 of 19.12.2019, <http://mpe.kmu.gov.ua/minugol/doccatalog/document?id=245442406>

⁹¹ Treasury, Annual Report on the Execution of the State Budget of Ukraine for 2019 (Section III.1), <https://www.treasury.gov.ua/storage/app/uploads/public/5e7/cb7/965/5e7cb79652b53573715830.xlsx>

⁹² Treasury, Annual Report on the Execution of the State Budget of Ukraine for 2019 (Section III.1), <https://www.treasury.gov.ua/storage/app/uploads/public/5e7/cb7/965/5e7cb79652b53573715830.xlsx>

⁹³ Treasury, Annual Report on the Execution of the State Budget of Ukraine for 2019 (Section II.1), <https://www.treasury.gov.ua/storage/app/uploads/public/5e7/cb7/964/5e7cb79649d80136399092.xlsx>

funds (as repayment of debts on loans raised under state guarantees) from Naftogaz of Ukraine NJSC and Ukrtransgaz JSC in the amount of UAH 1,971,756.51 and UAH 47,077,518.12, respectively (*Table 5.21*).

Table 5.21: Overdue debts of business entities in the oil and gas industry to the state on the loans raised under state guarantees in 2019⁹⁴

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	-	-	1,971,787.27	-	-
Naftogaz of Ukraine NJSC EBRD (Agreement of 23.10.2015 No 47283)»»	USD	-	-	-30.76	-	-
Ukrtransgaz JSC (Agreement of 11.12.2012 No 15010-03/127)	EUR	-	-	80,783.52	-	495.43
Ukrtransgaz JSC EBRD (Loan Agreement of 15.12.2014 No 42608, Subloan agreement of 25.05.2015 No 13010-05/59)	EUR	-	-	46,996,734.60	-	-
Ukrnaftoproduct AHK	USD	17,041,897.23	403,657,786.17	-	211,672,676.90	-

The table below provides information on the loan agreements valid as of 2019 of the reporting oil and gas extractive companies raised under state guarantees (in the case of Ukgazvydobuvannya JSC - guaranteed by collateral from Naftogaz of Ukraine NJSC). The loan received by Naftogaz of Ukraine NJSC from Citibank, NA, was repaid in 2019.

⁹⁴ 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/5e7/cb7/904/5e7cb7904f5b0711559207.xls>

Table 5.22: Loan agreements and state guarantees on loans of reporting companies in the oil and gas industry as of 2019

Lender	Total amount / purpose of the loan	The amount of payments in the reporting period	Additional Information
Naftogaz of Ukraine NJSC⁹⁵			
Oschadbank JSC	UAH 1,971,756.53 thousand	UAH 325,339.83 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 24.12.2024. Collateral - state guarantee;
Citibank, NA, London branch, Deutsche Bank AG London branch	EUR 500,000.00 thousand Purpose - additional funds for stabilization (reserve) energy fund	EUR 395,320.23 thousand - loan repayment; EUR 509.90 thousand - interest; EUR 76.34 thousand and USD 20.00 thousand - fees	Year of receipt -2016. Loan maturity date - repaid on 08.05.2019 Under the guarantees of the International Bank for Reconstruction and Development (IBRD): issuing letters of credit in favour of gas suppliers started from February 16, 2017; Collateral - a state guarantee in favour of the IBRD; the amount of the state guarantee: 13,595,429.00; Repaid 31.05.2019
Ukrgezvydobuvannya JSC⁹⁶			
Ukrgezbank JSC	UAH 1,999,748 thousand	No	Repayment dates: by 31.01.20 - UAH 250,000.00 thousand, by 29.02.20 - UAH 250,000.00 thousand, by 31.03.20 - UAH 500,000.00 thousand, by 06.04.20 - UAH 1,000,000.00 thousand Collateral in the amount of UAH 2,200,000.00 thousand (property rights to receive the revenue under the natural gas supply agreement with Naftogaz of Ukraine NJSC)
Ukrtransgaz JSC⁹⁷			
Deutsche Bank AG Schaft	EUR 53,574.689 thousand Purpose - modernization of Bar compressor station on the Union transit pipeline, Loan agreement of 11.12.2012 No 1/1212000351	EUR 7,108.657 thousand (the loan was repaid during the reporting period); EUR 502,410 thousand (interest on the loan was repaid during the reporting period); EUR 4,695,978 thousand (received under the loan during the reporting period)	Repayment period - till 2023. Amount of the state guarantee: UAH 553,691.679 thousand

⁹⁵ The data are based on the company's responses and the Information on state guarantees issued in 2004-2018 (as of January 1, 2019) available on the website of the Ministry of Finance, <https://mof.gov.ua/uk/reestr-derzhavnih-garantij>

⁹⁶ According to the response of the company provided upon the request submitted within the preparation of this EITI Report

⁹⁷ According to the response of the company provided upon the request submitted within the preparation of this EITI Report and to the Information on state guarantees provided in 2004-2018 (as of 01.01.2019) available on the website of the Ministry of Finance, <https://mof.gov.ua/uk/reestr-derzhavnih-garantij>

In accordance with the Ordinance of the Cabinet of Ministers of 22.10.2014 No 1143-p, on December 15, 2014 Ukrtransgaz JSC attracted a loan from the European Bank for Reconstruction and Development (for the period from 15.04.2014 to 2030) in the total amount of EUR 150 million for the implementation of the project “Reconstruction, overhaul and technical re-equipment of Urengoy – Pomary – Uzhgorod major gas pipeline”⁹⁸. As of the end of 2019, EUR 1.5 million or 1% of the total loan amount had been disbursed. This loan was obtained without any government guarantees. Ukrtransgaz JSC was the responsible implementing agency and the beneficiary of the project till January 1, 2020, and Gas transmission system Operator of Ukraine LLC after January 1, 2020.

In 2019, Naftogaz of Ukraine NJSC entered into several additional agreements with the state-owned banks, which provide for changes in interest rates and debt repayment schedules with the postponement of the final terms of their repayment until 2022 and until 2024.⁹⁹ In May 2019, Naftogaz of Ukraine NJSC finally repaid the loan and interest under the loan agreement under the guarantee of the International Bank for Reconstruction and Development. Additionally, as of December 31, 2019, the reserves of Naftogaz of Ukraine NJSC with a carrying value of UAH 2,126,746 thousand were transferred as collateral to secure the loan of Ukgazvydobuvannya JSC.

Table 5.23 provides information on the total amounts of short-term and long-term loans of the reporting mining companies available at the end of 2019. The information was received from the public financial statements of the companies.

Table 5.23: Information on the loans of oil and gas companies as of December 31, 2019

Company	Loan type	Total amount of loans	Effective interest rate / loan currency	Additional Information
Ukgazvydobuvannya JSC ¹⁰⁰	Short term loans	UAH 2,079,618 thousand	20.00%, UAH	Security type: <ul style="list-style-type: none"> ▸ fixed assets (UAH 83,860 thousand); ▸ inventories (UAH 88,434 thousand); ▸ future cash flows as revenue from sales of products (UAH 4,751,495 thousand); ▸ collateral value of the related parties' property (UAH 2,126,746 thousand) As of December 31, 2019, Ukgazvydobuvannya JSC has violated its obligations to repay the short-term loans in the amount of UAH 79,870 thousand.
Naftogaz of Ukraine NJSC ¹⁰¹	Long term loans	UAH 46,680,035 thousand	17.2% / UAH (book value UAH 19,075 million);	As at 31 December 2019, all balances on the Company's loans were secured by the Revenues from

⁹⁸ Ministry of Finance, information on the use of funds from EBRD projects in the public sector as of December 31, 2020, <https://www.mof.gov.ua/uk/ebrr>

⁹⁹ Naftogaz of Ukraine NJSC, Separate financial statements for 2019, English version, <https://www.naftogaz.com/files/Zvity/Naftogaz-19fs-standalone-FS-ENG.pdf>

¹⁰⁰ Ukgazvydobuvannya JSC, Financial statements and independent auditor's report for 2019, https://ugv.com.ua/uploads/Financial_Report.2019_AT_Ukgazvydobuvannya_.pdf.9332243.26b0e9f76157b25bad796c280ae2c3d9dd457a86.pdf

¹⁰¹ Naftogaz of Ukraine NJSC, Separate financial statements for 2019, <https://www.naftogaz.com/files/Zvity/Naftogaz-19fs-standalone-FS-UKR.pdf>

Company	Loan type	Total amount of loans	Effective interest rate / loan currency	Additional Information
	Short term loans	UAH 11,077,180 thousand	7.6% / USD (book value UAH 24,605 million); 7.1% / EUR (book value UAH 16,982 million)	future sales (UAH 12,836,700 thousand) and inventories (UAH 30,941,683 thousand). As of December 31, 2019, the Company's loan obligations in the amount of UAH 1,971,756 thousand were guaranteed by the state.
Ukrtransgaz JSC ¹⁰²	Long term loans	UAH 472,313 thousand	7% / EUR	Types of collateral: non-current assets held for sale and distribution (UAH 1,644,703 thousand) As of December 31, 2019, the Company's loans were guaranteed by the state in the amount of UAH 718,976 thousand
	Short term loans	UAH 208,733 thousand		
Ukrtransnafta JSC	-	-	-	According to the company's financial statements, no short-term or long-term bank loans have been identified

Transactions of oil and gas companies with state participation

Table 5.24: Transactions of the reporting oil and gas companies with state participation in 2019¹⁰³

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
Ukrgezvydobuvannya JSC	-	-	32,535,354	37,734,714
Naftogaz of Ukraine NJSC	-	-	60,453,980	55,579,410
Ukrnafta PJSC	-	-	(11,160,672)	(15,360,263)
Joint Venture Ukrkarpatoil LTD LLC	-	-	390,053	533,684
Ukrtransgaz JSC	-	-	(64,582,532)	(87,577,823)
Ukrtransnafta JSC	-	-	1,463,239	779,943

Transactions of the reporting state-owned oil and gas companies with state-controlled enterprises:

► **Naftogaz of Ukraine NJSC¹⁰⁴**

The company has a significant volume of transactions with the enterprises that are controlled, jointly controlled or significantly influenced by the Government of Ukraine. These enterprises include financial institutions (State Savings Bank of Ukraine (Oschadbank), Ukreximbank,

¹⁰² 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

¹⁰³ The data sources include the replies of Ukrtransgaz JSC, Naftogaz of Ukraine NJSC, Ukrtransnafta JSC as well as the financial statements of Ukrgezvydobuvannya JSC, JV Ukrkarpatoil LTD, Ukrtransgaz JSC

¹⁰⁴ Naftogaz of Ukraine NJSC, Separate financial statements for 2019, <https://www.naftogaz.com/files/Zvity/Naftogaz-19fs-standalone-FS-UKR.pdf>

Ukrghazbank), heat generating enterprises, and some regional gas distribution enterprises. During 2019, about 22% of the company's revenues were from transactions with such enterprises. As of December 31, 2019, the outstanding receivables related to these transactions amounted to 50% of the total receivables balance.

In 2019, about 67% of the company's costs were incurred for the transactions with the companies that are controlled, jointly controlled or significantly affected by the Government of Ukraine. As of December 31, 2019, the outstanding accounts payable related to these transactions amounted to 91% of the total balance of the accounts payable. Purchases of own natural gas from the subsidiary Ukrghazvydobuvannya JSC in 2019 amounted to about 67% of the value of all purchased natural gas.

Collateral for lawsuits and other collateral with enterprises that are controlled, jointly controlled or significantly influenced by the Government of Ukraine, as of December 31, 2019, account for 50% of the total amount of collateral. As of December 31, 2019, 99% of cash and cash equivalents were placed in banks that are controlled, jointly controlled or influenced by the Government of Ukraine, and approximately 37% of the loans were issued by such banks. Also, about 74% of the financial income for 2019 was received from transactions with these banks and about 71% of financial expenses relate to loans received from these banks.

► **Ukrghazvydobuvannya JSC** ¹⁰⁵

As of December 31, 2019, cash and cash equivalents of Ukrghazvydobuvannya JSC in the state-owned banks (Oschadbank JSC, Ukreximbank JSC, Ukrghazbank JSB and Privatbank JSC CB) accounted for 100% of the total amount of cash and cash equivalents of the company. Short-term loans from the state-owned banks as of December 31, 2019 accounted for 96% of the total amount of short-term loans of the company. In 2019, the company had no transactions or balances with other companies, whose shareholder are, directly or indirectly, public authorities, which would exceed 10% of the total amount of relevant transactions or balances.

According to the Resolution of the Cabinet of Ministers of 19.10.2018 No 867 "On approval of the Regulations on the imposition of special obligations on natural gas market entities to ensure public interests in the functioning of the natural gas market", the price at which Ukrghazvydobuvannya JSC sells natural gas of own production to Naftogaz of Ukraine NJSC shall be determined, within the PSO, at the level less than the trade margin of Naftogaz of Ukraine NJSC at the level of 1.917% of the specified price. During 2019, Ukrghazvydobuvannya JSC received no compensation as an entity with special responsibilities and recognized no income.

► **Ukrnafta PJSC** ¹⁰⁶

As of December 31, 2019, Ukrnafta PJSC had cash and cash equivalents in the amount of UAH 76,917 thousand, and cash with limited right to use it in the amount of UAH 99,000 thousand on the accounts opened with the state banks.

- Joint Venture Ukrkarpatoil LTD LLC (100% owned by Ukrnafta PJSC)

¹⁰⁵ Ukrghazvydobuvannya JSC, Financial Statements and Independent Auditor's Report for 2019, https://ugv.com.ua/uploads/Financial_Report.2019_AT_Ukrghazvydobuvannya_.pdf.9332243.26b0e9f76157b25bad796c280ae2c3d9dd457a86.pdf

¹⁰⁶ Ukrnafta JSC, Separate financial statements for 2019, [https://www.ukrnafta.com/data/lvestor_news/28.12.2020/Ukrnafta%202019%20Standalone%20FS%20UKR%20\(006\).pdf](https://www.ukrnafta.com/data/lvestor_news/28.12.2020/Ukrnafta%202019%20Standalone%20FS%20UKR%20(006).pdf)

In 2019, the net income of Joint Venture Ukrkarpatoil LTD LLC from the sale of products (goods, works, services) to Ukrnafta PJSC amounted to 27% of the total net income from the sale of products (goods, works, services). The outstanding receivables for products, goods, works, services, receivables for advances issued and other current receivables as of December 31, 2019 amounted to 8% of the total. Also, in 2019 there was a debt of the company to Ukrnafta PJSC which amounted to 79% of the total balance of the current accounts payable for goods, works, services and current accounts payable on advances received.

- JV Boryslav Oil Company (25.10% owned by Ukrnafta PJSC)

During 2019, Ukrnafta PJSC provided JV Boryslav Oil Company with services in oil and gas preparation, repair of oil and gas equipment, laboratory analysis of oil, author's supervision over the development of the Stynava field and conducting geological-industrial and hydrodynamic studies of the well.

- Kashtan Petroleum LTD JV (55% owned by Ukrnafta PJSC)

The transactions of JV Kashtan Petroleum LTD with Ukrnafta PJSC and its subsidiaries namely sales and purchases reached UAH 4,473.00 thousand and UAH 79,407.00 thousand, respectively.

► ***Ukrtransgaz JSC***¹⁰⁷

The company also conducts significant transactions with the enterprises that are controlled, jointly controlled or significantly influenced by the Government of Ukraine. These enterprises include state-owned banks, heat generating companies and regional gas distribution companies. In 2019, about 78% of Ukrtransgaz's revenues were received from the transactions with such companies. In particular, 76% of the revenues were received from the parent company Naftogaz of Ukraine NJSC. The outstanding receivables related to these transactions as of December 31, 2019 accounted for 82% of the total trade receivables, including 54% of outstanding trade receivables from Naftogaz of Ukraine NJSC.

Naftogaz of Ukraine NJSC, the parent company of Ukrtransgaz JSC, was one of the main suppliers of natural gas to the company - 79% of the total supply. Accounts payable to the companies that are controlled, jointly controlled or significantly influenced by the Government of Ukraine as of December 31, 2019 amounted to about 87%, with the major debts to Naftogaz of Ukraine NJSC - 83%.

As of December 31, 2019, 100% of cash and balances on bank accounts were placed with the banks that are controlled, jointly controlled or influenced by the Government of Ukraine. At the same time, the company had no loans from banks that are controlled, jointly controlled or influenced by the Government of Ukraine.

► ***Ukratnafta PJSC***¹⁰⁸

The company conducts significant transactions with the enterprises that are controlled, jointly controlled or significantly influenced by the Government of Ukraine. These enterprises include

¹⁰⁷ 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

¹⁰⁸ Ukrtransnafta JSC, Separate financial statements and independent auditor's report for 2019 and 2020, https://www.ukrtransnafta.com/wp-content/uploads/2020/04/UTN_Stand-alone_19fsu_with-signatures.pdf

the State Savings Bank of Ukraine JSC (Oschadbnk), Ukrgazbank PJSC JSB, Ukrtatnafta PJSC, Ukrnafta PJSC, Naftohimik Prykarpattya PJSC and other enterprises. During 2019, about 6% of the company's sales revenue was received from transactions with such enterprises. Also, about 92% of other operating income of the company was from the sale of oil to the enterprises that are controlled, jointly controlled or significantly influenced by the Government of Ukraine.

About 10% of the operating expenses were accounted for by the purchase of goods and services from the enterprises that are controlled, jointly controlled or significantly influenced by the Government of Ukraine. As of December 31, 2019, about 100% of cash balances on the current bank accounts and bank deposits were placed in the banks controlled by the Government of Ukraine. 100% of other financial income for 2019 was received at interest on deposits and current accounts from these banks.

5.2.2 Oil and natural gas reserves

By geographical location, oil and gas provinces and regions in Ukraine are concentrated in three oil and gas regions:

- ▶ Eastern region (covers Dnipropetrovsk, Luhansk, Poltava, Sumy, Kharkiv, Chernihiv, Donetsk administrative regions (oblast));
- ▶ Western region (covers Ivano-Frankivsk, Lviv, Chernivtsi, Volyn, Zakarpattia administrative regions);
- ▶ Southern region (covers Odessa, Zaporizhia administrative regions, the Black Sea shelf, the Azov Sea shelf, the Autonomous Republic of Crimea).

Oil and natural gas fields are mostly complex and are genetically divided into oil; oil and gas and gas oil; oil and gas condensate; and gas condensate and oil fields. The vast majority of hydrocarbon reserves (oil, gas condensate and natural gas) occur within the Eastern region, which accounts for the largest production volumes.

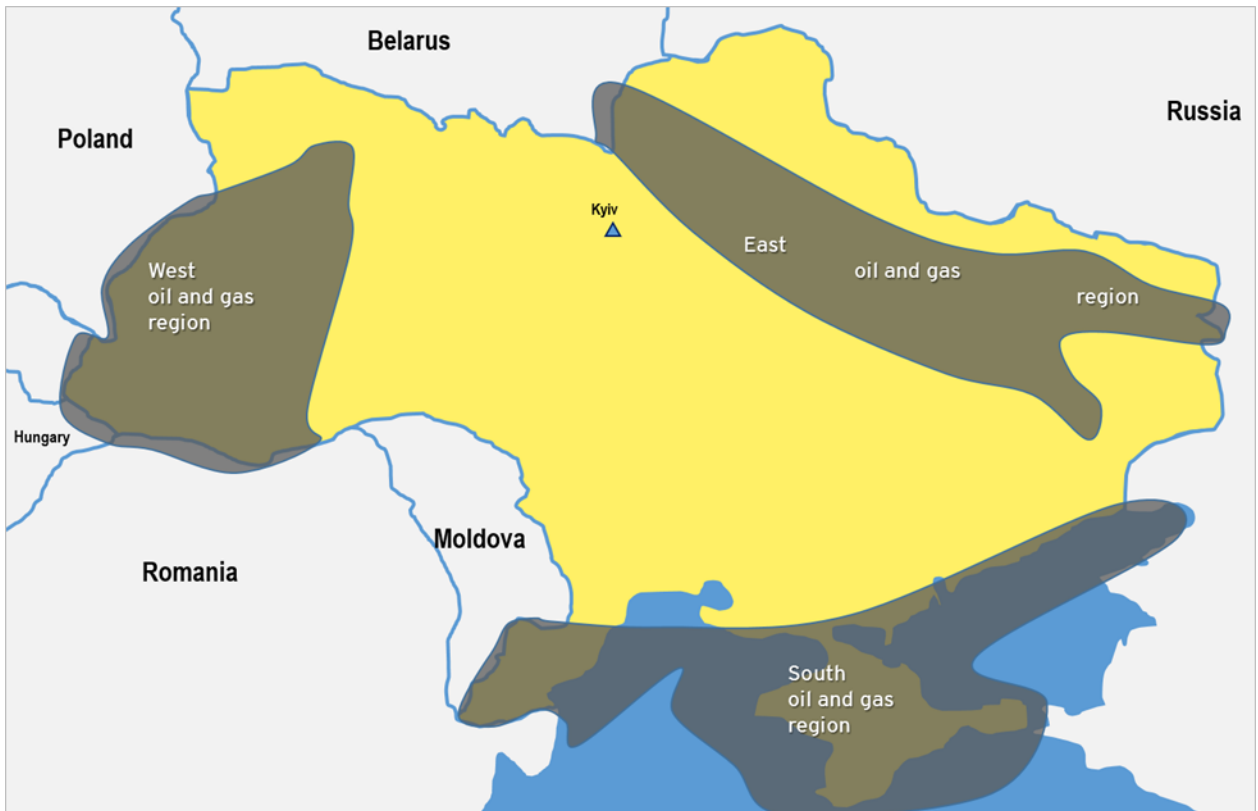


Figure 5.8: Location of Ukrainian oil and natural gas regions

According to Geoinform of Ukraine, as of the end of 2019, the volume of balance sheet reserves of natural gas in 458 fields in Ukraine is estimated at 778,195 mcm. 77.92% of all balance sheet reserves of natural gas of Ukraine are concentrated in the Eastern region, in particular great reserves are in Kharkiv and Poltava regions - 39.64% and 31.31%, respectively. The balance sheet reserves of natural gas in the Western region amounted to 13.53% of the total reserves of Ukraine, including 9.11% for the Lviv region. The rest 8.56% of reserves are located in the Southern oil and gas region.

By the level of industrial development, all 485 fields with natural gas reserves are distributed as follows:

- ▶ 285 fields containing 87.32% of the total balance sheet reserves of natural gas of Ukraine are located;
- ▶ 22 fields prepared for industrial development with 3.51% of reserves;
- ▶ 95 fields under exploration where 4.52% of reserves are concentrated;
- ▶ 54 preserved deposits with 4.64% of reserves;
- ▶ preserved deposits with off-balance sheet reserves.

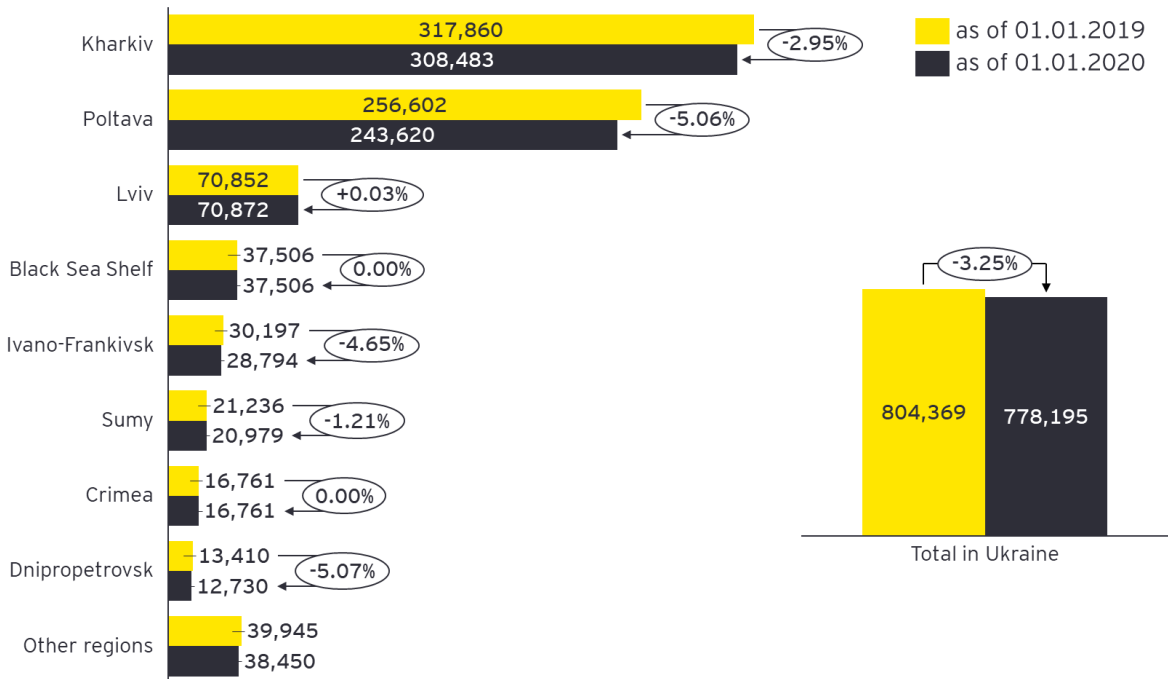


Figure 5.9: Volumes of balance sheet reserves of natural gas by regions of Ukraine as of 01.01.2019 and 01.01.2020, mcm¹⁰⁹

In Ukraine, one of all natural gas fields (Shebelynske) is considered major, 3 (Yablunivske, Zakhidno-Khrestyschenske, Yefremivske) - large, 7 fields - medium, 18 fields - minor, 89 fields - small, the rest 340 fields - very small. The natural gas fields with the largest volumes of balance sheet reserves are listed in the table below (Table 5.25).

Table 5.25: Volumes of balance sheet reserves of natural gas by main fields in Ukraine as of 01.01.2020, mcm¹¹⁰

Field name	Volume of balance sheet reserves of natural gas as of 01.01.2020, mcm	Share in the total volume of balance sheet reserves in Ukraine, %
Shebelynske	104,057	13.37%
Yablunivske	56,293	7.23%
Zakhidno-Khrestyschenske	52,075	6.69%
Yefremivske	34,997	4.50%
Melykhivske	18,993	2.44%
Bytkiv-Babchynske	4,654	0.60%
Mashivske	4,547	0.58%
Total	275,616	35.42%

As of the end of 2019, the total balance sheet reserves of oil in 212 Ukrainian fields amounted to 94,101 thousand tons. Like with natural gas reserves, the largest amount of balance sheet reserves of oil occur in the Eastern region, namely 55.43%. The second top in terms of oil

¹⁰⁹ Geoinform of Ukraine, National Register of Mineral Reserves of Ukraine, Natural Gas (Issue 23), 2020

¹¹⁰ Geoinform of Ukraine, National Register of Mineral Reserves of Ukraine, Natural Gas (Issue 23), 2020

reserves is the Western oil and gas region with a share of 32.81% in Ukraine's total reserves. The remaining 11.76% of oil reserves are concentrated in the Southern region. By administrative regions, the bulk of balance sheet oil reserves is concentrated in Poltava region - 24.54%, Ivano-Frankivsk region - 17.97%, Sumy region - 16.23%, Lviv region - 10.81%, Chernihiv region - 9.16%.

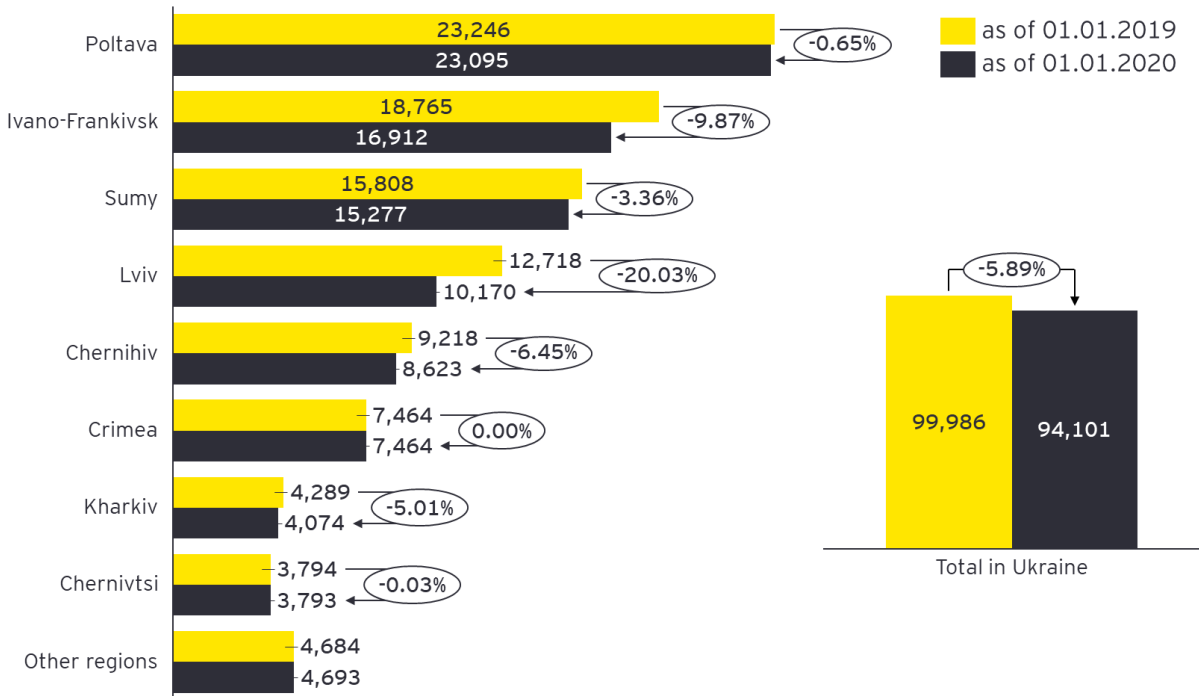


Figure 5.10: Volumes of balance sheet oil reserves by regions of Ukraine as of 01.01.2019 and 01.01.2020, thousand tons ¹¹¹

Most of all 212 oil fields in Ukraine, namely 189 fields, are very small. 20 deposits are considered minor, 2 deposits are small, and only 1 deposit is considered medium. The table below (Table 5.26) shows the 17 main oil fields with the largest reserves, in which a total of 52.07% of all balance sheet oil reserves in Ukraine are concentrated.

Table 5.26: Volumes of balance sheet oil reserves on the main fields in Ukraine as of 01.01.2020, thousand tons ¹¹²

Field name	Volumes of balance sheet oil reserves as of 01.01.2020, thousand tons	Share in the total balance sheet reserves in Ukraine, %
Hlynsko-Rozbyshivske	12,146	12.91%
Bugruvativske	8,068	8.57%
Yablunivske	7,376	7.84%
Stynavske	4,313	4.58%
Bytkiv-Babchenske	4,003	4.25%
Skorokhodivske	3,056	3.25%
Dolynske	2,305	2.45%

¹¹¹ Geoinform of Ukraine, National Register of Mineral Reserves of Ukraine, Oil (Issue 60), 2020

¹¹² Geoinform of Ukraine, National Register of Mineral Reserves of Ukraine, Oil (Issue 60), 2020

Field name	Volumes of balance sheet oil reserves as of 01.01.2020, thousand tons	Share in the total balance sheet reserves in Ukraine, %
Strutynske	1,899	2.02%
Gnidyntsivske	1,370	1.46%
Anastasivske	1,348	1.43%
Kachanivske	962	1.02%
Malodivyske	679	0.72%
Pivnichno-Dolynske	612	0.65%
Prylutske	349	0.37%
Boryslavske	221	0.23%
Rybalske	182	0.19%
Korzhivske	107	0.11%
Total	48,996	52.07%

According to the degree of industrial development, the oil fields are categorized as follows:

- ▶ 145 fields under development with 84.15% of the total balance sheet oil reserves;
- ▶ 13 fields prepared for industrial development - 1.89% of the reserves;
- ▶ 25 deposits under exploration - 4.53% of the reserves;
- ▶ 28 preserved deposits - 9.42% of the reserves;
- ▶ 1 preserved field with off-balance sheet reserves.

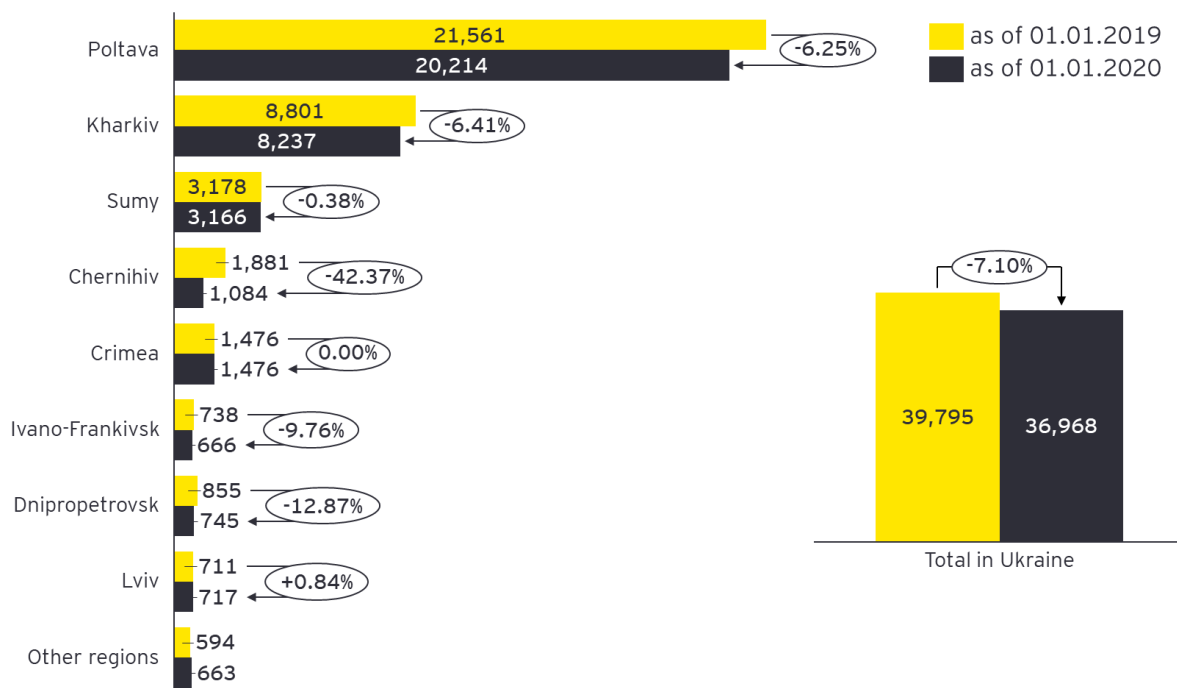


Figure 5.11: Volumes of balance sheet reserves of gas condensate by regions of Ukraine as of 01.01.2019 and 01.01.2020, thousand tons ¹¹³

¹¹³ Geoinform of Ukraine, National Register of Mineral Reserves of Ukraine, Condensate (Issue 47), 2020

According to the Geoinform of Ukraine, of the total balance sheet reserves of gas condensate of 36,968 thousand tons, the largest share (91.11%) of reserves is concentrated in the Eastern region. The reserves of gas condensate in the Southern and Western regions are relatively small - 5.14% and 3.74%, respectively. In terms of reserves, the following four administrative regions of the Eastern region are in the lead: Poltava region with 54.68% of all reserves, Kharkiv region - 22.28%, Sumy region - 8.56%, Chernihiv region - 2.93%.

As of the end of 2019, 258 gas condensate fields were registered in Ukraine, of which almost all, namely 254, are very small, 3 fields are defined as small and 1 field - as minor. 38.84% of all balance sheet reserves of gas condensate are concentrated in the six fields with the largest reserves listed in the table below (**Table 5.27**).

Table 5.27: Volumes of balance sheet reserves of gas condensate by main fields in Ukraine as of 01.01.2020, thousand tons¹¹⁴

Field name	Volumes of balance sheet reserves of gas condensate as of 01.01.2020, thousand tons	Share in total balance sheet reserves in Ukraine, %
Yablunivske	5,755	15.57%
Hlynsko-Rozbyshivske	4,682	12.67%
Zakhidno-Khrestyshenske	2,242	6.06%
Shebelynske	628	1.70%
Kotelevske	601	1.63%
Melykhyvske	452	1.22%
Total	14,360	38.84%

As of the end of 2019, the gas condensate fields are grouped according to the level of industrial development as follows:

- ▶ 191 fields under development with the total of 88.98% of the balance sheet reserves of gas condensate in Ukraine;
- ▶ 11 fields are prepared for industrial development - 4.59% of balance sheet reserves;
- ▶ 43 fields under exploration - 3.10% of the balance sheet reserves;
- ▶ 12 preserved fields - 3.33%;
- ▶ 1 preserved field with off-balance sheet reserves.

The hydrocarbon deposits in Ukraine are highly depleted, which indicates the need to attract significant investment to maintain and increase hydrocarbon production in the future. In particular, according to Geoinform Ukraine, depletion of the balance sheet reserves of natural gas as of the end of 2019 was 73.45%, of the balance sheet oil reserves - 78.41% and gas condensate reserves - 69.00%.

5.2.3 Significant explorations

According to the Geoinform of Ukraine, the geological exploration works on the territory of Ukraine resulted in increase in the balance sheet reserves of natural gas by 17,540 mcm,

¹¹⁴ Geoinform of Ukraine, National Register of Mineral Reserves of Ukraine, Condensate (Issue 47), 2020

including 15,772 mcm under Naftogaz of Ukraine NJSC, and 1,768 mcm under the private sector companies.

Table 5.28: Increase in balance sheet reserves of natural gas as a result of exploration work in 2019¹¹⁵

Field name	Increase in balance sheet reserves of natural gas, mcm	
	Total	including new deposits and fields
Total public sector of the economy, including:	15,772	996
Ukrgezvydobuvannya JSC, including:	15,719	996
Drobyshivske	91	0
Skydanivske	43	43
Borysivske	34	12
Krasnokutske	566	557
Leventsivske	42	31
Narizhnyanske	66	57
Sementsivske	122	10
Yuliivske	24	24
Abazivske	45	0
Berezivske	21	0
Vesnyanske	493	0
Mashivske	171	0
Opishnyanske	116	0
Kotelevske	171	0
Rozumivske	540	0
Svyatogirsk	971	0
Skhidno-Medvedivske	254	0
Skhidno-Poltavsk	371	0
Lobachivske	1745	0
Shevchenkivske	426	0
Zakhidno-Sosnivske	8,524	0
Pivdenno-Kolomatske	29	0
Solokhivske	18	0
Eugenivske	22	0
Komyshnyanske	18	0
Melykhivske	3	0
Chervonoyarske	24	0
Lypovetske	163	163
Svydnitske	99	99
Orkhovyske	10	0
Dobryanske	37	0
Vyshnyanske	109	0
Yablonivske	64	0
Chornoguzke	32	0

¹¹⁵ Geoinform of Ukraine, National Register of Mineral Reserves of Ukraine, Natural Gas (Issue 23), 2020

Field name	Increase in balance sheet reserves of natural gas, mcm	
	Total	including new deposits and fields
Luhivske	125	0
Vereshchytske	130	0
<i>Ukrnafta PJSC Okhtyrkanaftogaz NGVU, including:</i>	41	0
Pivdenno-Panasivske	7	0
Kachanivske	34	0
<i>Ukrnafta PJSC Poltavanaftogaz NGVU, including:</i>	12	0
Yurivske	8	0
Reshetnyakivske	4	0
Total private sector of the economy, including:	1,768	1,344
<i>Kub-gaz LLC, including:</i>	15	0
Pivnichno-Makiivske	15	0
<i>Energy Service Company Esco-Pivnich LLC, including:</i>	79	79
Veselkove	79	79
<i>Systemoilengineering LLC, including:</i>	594	594
Vodyanivske	594	594
<i>Poltava Petroleum Company JV, including:</i>	203	58
Rudenkivske	145	0
Zaplavske	58	58
<i>StryiNaftogaz LLC, including:</i>	286	286
Borynske	286	286
<i>Truboplast LLC, including:</i>	30	30
Dombrovske	30	30
<i>Nadra-Geoinvest LLC, including:</i>	57	57
Skorobahatkivske	57	57
<i>Zakhidnadraserivske LLC, including:</i>	504	240
Bystrytske	504	240
Total in Ukraine	17,540	2,340

The results of geological exploration works by extractive enterprises on the territory of Ukraine show an increase in balance sheet oil reserves ivy 767 thousand tons, including 686 thousand tons at the enterprises of Naftogaz of Ukraine NJSC and 81 thousand tons at the enterprises of the private sector of the economy.

Table 5.29: Increase in balance sheet oil reserves as a result of exploration work in 2019¹¹⁶

Field name	Increase in balance sheet oil reserves, thousand tons	
	Total	including new deposits and fields
Total, public sector of economy, including	686	17
<i>Ukrgezvydobuvannya JSC, including:</i>	87	17
Hannivske	1	1
Novotroitske	14	14

¹¹⁶ Geoinform of Ukraine, National Register of Mineral Reserves of Ukraine, Oil (Issue 60), 2020

Field name	Increase in balance sheet oil reserves, thousand tons	
	Total	including new deposits and fields
Yuliivske	31	2
Vesnyanske	17	0
Valyukhivske	8	0
Tymofiiivske	5	0
Druzhelyubivske	10	0
Mygrynske	1	0
<i>Ukrnafta PJSC Okhtyrkanaftogaz NGVU, including:</i>	148	0
Lypovodolynske	30	0
Mykolayivske	21	0
Pivdenno-Panasivske	22	0
Skhidno-Rogintsivske	3	0
Kachanivske	72	0
<i>Ukrnafta PJSC Poltavanaftogaz NGVU, including:</i>	63	0
Hlynsko-Rozbyshivske	61	0
Golubivske	2	0
<i>Ukrnafta PJSC Chernihivnaftogaz NGVU, including:</i>	86	0
Bogdanivske	25	0
Malodivyske	6	0
Skorokhodivske	55	0
<i>Ukrnafta PJSC Boryslavnaftogaz NGVU, including:</i>	98	0
Boryslavske	98	0
<i>Ukrnafta PJSC Dolynanaftogaz NGVU, including:</i>	204	0
Dolynske	204	0
Total, private sector of the economy, including:	81	81
<i>Soyuz-Budresursy LLC, including:</i>	34	34
Yarmakivske	34	34
<i>Kub-gaz LLC, including:</i>	5	5
Olhivske	5	5
<i>Persha ukraiinska gazonaftova kompaniia LLC, including:</i>	42	42
Pivdenno- Boryslavske	42	42
Total in Ukraine	767	98

According to the results of geological exploration, the increase in the balance sheet reserves of gas condensate amounted to 418 thousand tons in 2019, including 363 thousand tons at the enterprises of Naftogaz of Ukraine NJSC, and 55 thousand tons at the enterprises of the private sector of economy.

Table 5.30: Increase in balance sheet reserves of gas condensate as a result of exploration work in 2019¹¹⁷

Field name	Increase in balance sheet reserves of gas condensate, thousand tons	
	Total	including new deposits and fields
Total public sector of the economy, including:	363	31
<i>Ukrgezvydobuvannya JSC, including:</i>	358	31
Borysivske	4	1
Krasnokutske	24	24
Leventsivske	1	1
Narizhnyanske	4	4
Semenivske	9	0
Yuliivske	4	1
Abazivske	4	0
Vesnyanske	27	0
Mashivske	4	0
Opishnyanske	2	0
Zakhidno-Sosnivske	148	0
Kotelevske	2	0
Rozumivske	27	0
Svyatogirsk	11	0
Skhidno-Poltavske	17	0
Lobachivske	55	0
Shevchenkivske	12	0
Druzhelyubivske	3	0
<i>Ukrnafta PJSC Okhtyrkanaftegaz NGVU, including:</i>	5	0
Pivdenno-Panasivske	5	0
Total private sector of the economy, including:	55	52
<i>Kub-gaz LLC, including:</i>	1	1
Pivnichno-Makiivske	1	1
<i>Energy Service Company Esco-Pivnich company LLC, including:</i>	3	3
Veselkove	3	3
<i>Poltava Petroleum Company JV, including:</i>	7	4
Rudenkivske	3	0
Zaplavske	4	4
<i>Nadra-Geoinvest LLC, including:</i>	6	6
Skorobahatkivske	6	6
<i>Stryinaftogaz LLC, including:</i>	6	6
Borynske	6	6
<i>SystemOilEngineering LLC, including:</i>	32	32
Vodyanivske	32	32
Total in Ukraine	418	83

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, the natural gas production in Ukraine amounted to 20,724 mcm in 2019. Almost all natural gas production was concentrated in the Eastern oil and gas

¹¹⁷ National Register of Mineral Reserves of Ukraine, Condensate (Issue 47), 2020

region - 93.49% of the total production. Within the Eastern region, Kharkiv and Poltava administrative regions (oblast) are in the lead in terms of production - 9,732 mcm (46.92% of total oil produced in Ukraine) and 8,708 mcm (42.02%), respectively. 6.47% of natural gas was extracted in the Western region. In the Southern region, a small volume of natural gas was extracted from the shelf of the Azov Sea (9 mcm).

Compared to 2018, total production decreased by 225 mcm or 1.07%. In particular, a significant decline in natural gas production occurred in Kharkiv (280 mcm) and Dnipropetrovsk (134 mcm) regions. A relatively significant increase in production was observed only in Poltava (94 mcm) and Lviv (89 mcm) regions.

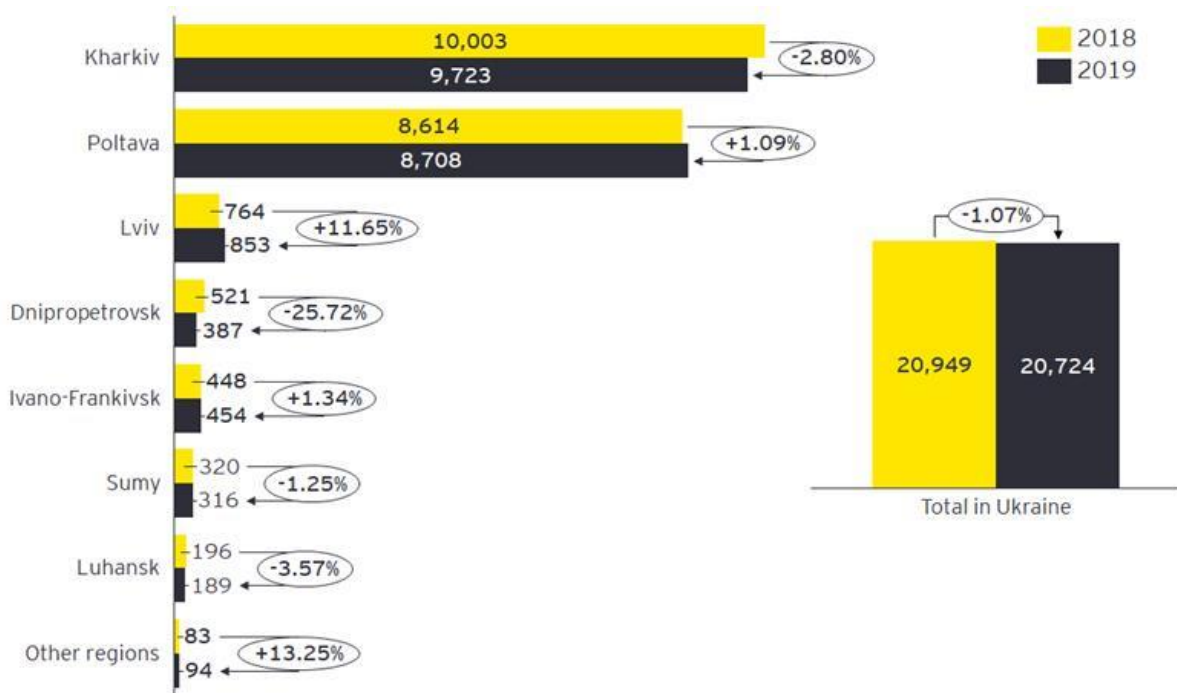


Figure 5.12: Volumes of oil production in Ukraine by regions in 2018-2019, thousand tons ¹¹⁸

Ukrgezvydobuvannya JSC, a subsidiary of Naftogaz of Ukraine, has traditionally remained the largest natural gas production company in Ukraine. In 2019, Ukrgezvydobuvannya JSC extracted 14,892 mcm of natural gas or 71.86% of the total production in Ukraine. The second top in terms of production was the private sector company Naftogazvydobuvannya PJSC, which produced 1,657 mcm of natural gas or 8.00% of the total production. The third largest producer is Ukrnafta PJSC (a subsidiary of Naftogaz of Ukraine NJSC) - the company produced 1,158 mcm of natural gas or 5.59% of the total production in 2019.

Thus, the state-owned companies accounted for 77.49% of all extracted natural gas in 2019, and private sector companies - 20.56%. While total production by private companies increased by 5.92% in 2019 compared to 2018, public sector companies experienced a reduction in production by 3.15%.

¹¹⁸ Geoinform of Ukraine, National Register of Mineral Reserves of Ukraine, Natural Gas (Issue 23), 2020

Table 5.31: Volumes of natural gas production by companies in 2018-2019¹¹⁹

Company	Volumes of natural gas production, mcm		
	2018	2019	change in 2019 compared to 2018, %
Total, public sector of economy, including	16,581	16,059	-3.15%
Ukrgezvydobuvannya JSC	15,497	14,892	-3.90%
Ukrnafta PJSC	1,074	1,158	7.82%
Chornomornaftogaz JSC	10	9	-10.00%
Total, private sector of the economy, including:	4,022	4,260	5.92%
Naftogazvydobuvannia PrJSC	1,646	1,657	0.67%
Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	714	862	20.73%
Energy Service Company Esco-Pivnich LLC	461	373	-19.09%
Poltava Petroleum Company JV	180	279	55.00%
Systemoilengineering LLC	215	206	-4.19%
Natural Resources PrJSC	204	193	-5.39%
Ukrgezvydobutok PrJSC	130	163	25.38%
Representative Office of Regal Petroleum Corporation Limited	125	153	22.40%
Kub-gaz LLC	142	131	-7.75%
Nadra-Geoinvest LLC	57	95	66.67%
Zakhidnadraseriv LLC	47	75	59.57%
Persha ukrainska gazonaftova kompaniia LLC	101	73	-27.72%
Other companies	346	405	17.05%
Total	20,949	20,724	-1.07%

Oil production, as well as natural gas production is concentrated in the Eastern oil and gas region - 68.68%, the rest is produced in the Western region. In terms of administrative regions (oblast), Sumy region produced the most oil - 686 thousand tons or 39.86% of the total production in Ukraine. It is followed by Ivano-Frankivsk and Chernihiv regions with oil production of 368 thousand tons (21.38%) and 263 thousand tons (15.26%), respectively.

¹¹⁹ National Register of Mineral Reserves of Ukraine, Natural Gas (Issue 23), 2020

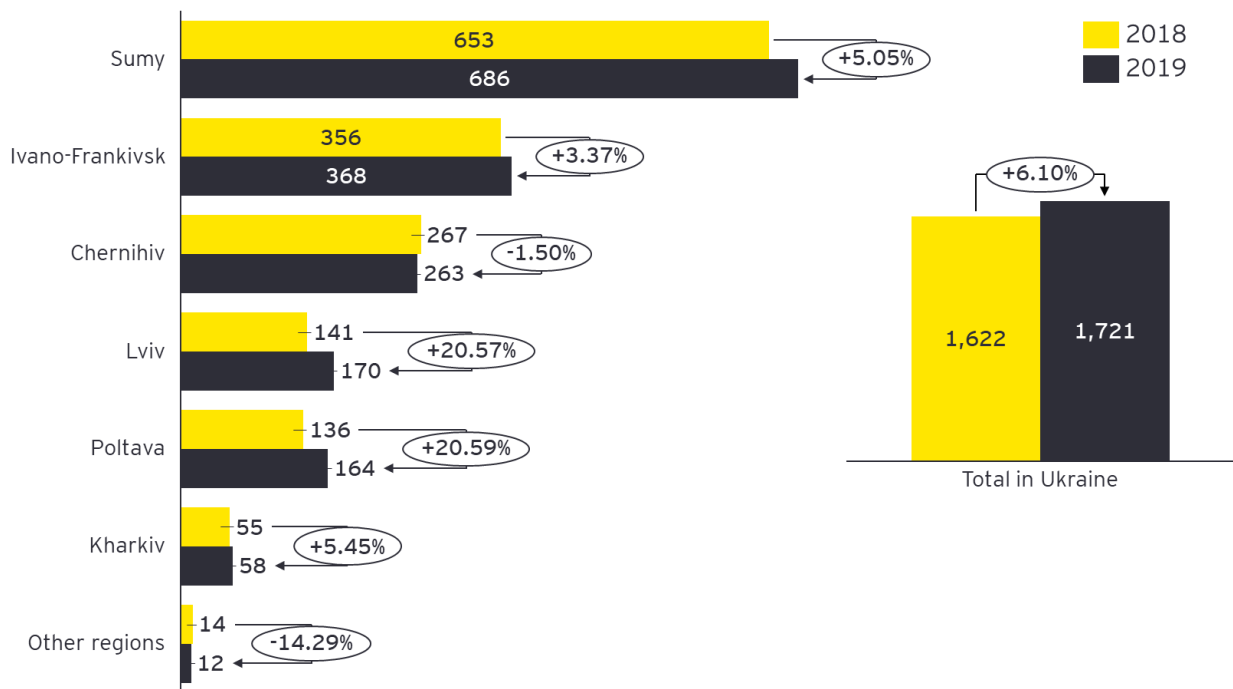


Figure 5.13: Volumes of oil production in Ukraine by regions in 2018-2019, thousand tons¹²⁰

Ukrnafta PJSC (a subsidiary of Naftogaz of Ukraine NJSC) produces the largest volumes of oil in Ukraine - 1,459,000 tons of oil or 84.78% of the total production in 2019. Overall, most of oil was produced by the companies indirectly owned by the state - 89.77%, the remaining 10.23% - by private companies. Both public and private sector companies saw an increase in oil production.

Table 5.32: Volumes of oil production by companies in 2018-2019.¹²¹

Company	Volumes of oil production, thousand tons		
	2018	2019	change in 2019 compared to 2018, %
Total public sector of the economy, Including:	1,466	1,545	5.39%
Ukrnafta PJSC	1,391	1,459	4.89%
Ukrgezvydobuvannya JSC	75	86	14.67%
Total, private sector of the economy, including:	156	176	12.82%
Joint Venture Ukrkarpatoil LTD LLC	55	56	1.82%
Poltava Petroleum Company JV	27	32	18.52%
Kashtan Petroleum LTD JV	34	31	-8.82%
Boryslavska Petroleum Company Ltd. JV	1	15	>100%
Yusenko Nadra LLC	9	14	55.56%
Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	14	12	-14.29%
Energy Service Company Esco-Pivnich LLC	7	7	0.00%

¹²⁰ National Register of Mineral Reserves of Ukraine, Oil (Issue 60), 2020

¹²¹ National Register of Mineral Reserves of Ukraine, Oil (Issue 60), 2020

Company	Volumes of oil production, thousand tons		
	2018	2019	change in 2019 compared to 2018, %
Ukrainska Burova Company LLC	4	4	0.00%
Skhidny Geology Soyuz LLC	3	3	0.00%
Soyuz-Budresursy LLC	0	2	-
Nadra-Geoinvest LLC	1	0	-100.00%
Naftogazopromyslova geologia LLC	1	0	-100.00%
Total	1,622	1,721	6.10%

Volumes of gas condensate production increased by 10.01% in 2019 compared to 2018 and to 747 thousand tons. Almost all gas condensate was extracted in the Eastern oil and gas region, namely in Poltava (449 thousand tons or 60.11% of the total gas condensate production in Ukraine) and Kharkiv (266 thousand tons or 35.61%) regions.

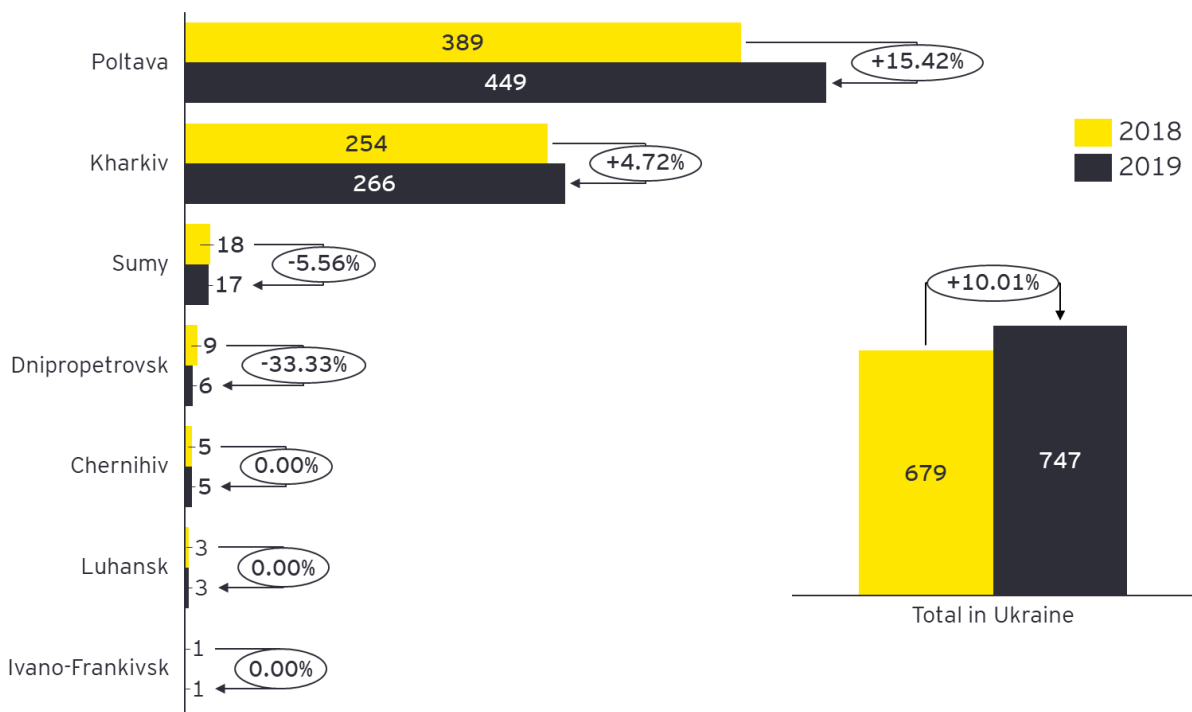


Figure 5.14: Volumes of gas condensate production by the regions of Ukraine in 2018-2019, thousand tons¹²²

The volume of gas condensate production in 2019 was distributed between public and private sector companies as 59.44% and 40.56%, respectively. Ukgazvydobuvannia PJSC accounted for more than half of the total production - 393 thousand tons or 52.61% of the total gas condensate produced in Ukraine. Vydobuvna kompaniia Ukrnaftoburinnia PrJSC was the leader among private sector companies with 80 thousand tons or 10.71%.

¹²² National Register of Mineral Reserves of Ukraine, Condensate (Issue 47), 2020

Table 5.33: Volumes of gas condensate production by companies in 2018-2019¹²³

Company	Volumes of gas condensate production, thousand tons		
	2018	2019	change in 2019 compared to 2018, %
Total public sector of the economy, including:	421	444	5.46%
Ukrgezvydobuvannya JSC	373	393	5.36%
Ukrnafta PJSC	48	51	6.25%
Total private sector of the economy, including:	258	303	17.44%
Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	66	80	21.21%
Naftogazvydobuvannya PrJSC	52	64	23.08%
Energy Service Company Esco-Pivnich LLC	50	50	0.00%
Natural Resources PrJSC	39	35	-10.26%
Representative Office of Regal Petroleum Corporation Limited	19	25	31.58%
Poltava Petroleum Company JV	6	16	166.67%
Systemoilengineering LLC	11	10	-9.09%
Nadra-Geoinvest LLC	1	6	>100.00%
Ukrgezvydobutok PrJSC	4	5	25.00%
Other companies	10	12	20.00%
Total	679	747	10.01%

5.2.4.2 The cost of oil and natural gas extraction

In order to disclose information on the cost of oil and natural gas extraction in Ukraine in the EITI Report 2019, two sources of information were used: calculation by the Independent Administrator of the cost of extracted products based on open data sources and information on revenue of the accountable extractive industries provided by them during the preparation of EITI Report 2019¹²⁴.

Based on publicly available data, the Independent Administrator calculated the cost of oil and natural gas production. The calculation was made in order to obtain disaggregated information, given the lack of accurate information on the cost of oil and natural gas production (due to the lack of completely unregulated markets for extracted products in Ukraine). The Independent Administrator's calculation was based on the weighted average oil and natural gas prices during the reporting period. The results are presented in the table below.

¹²³ National Register of Mineral Reserves of Ukraine, Condensate (Issue 47), 2020

¹²⁴ According to 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 Ensuring Transparency in Extractive Industries", extractive industries shall provide information on their activities by filling in a payment report / consolidated payment report

Table 5.34: The cost of oil and natural gas extracted in Ukraine in 2019

Type of product	Volume of extraction ¹²⁵	Price, UAH/t (UAH/thousand cubic meters)	The cost, according to the calculation of the Independent Administrator, UAH million
Crude oil, t	1,721,000	1,663.38 ¹²⁶	28,626.75
Natural gas, tcm	20,724.00	5,688.00 ¹²⁷	117,878.11

Also, the tables below present the data on the total revenue from the sale of marketable products of own extraction in 2019 by the reporting companies¹²⁸ in the oil and natural gas industry, received from the respective companies for the purposes of preparing the EITI Report 2019 (**Table 5.35, Table 5.36**).

Table 5.35: Sales revenues of reporting companies in the oil industry in 2019¹²⁹

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
Ukrgezvydobuvannya JSC	0.00	0.00	0.00	0.00
Ukrnafta PJSC	1,456.10	1,267.65	15,506.24	0.00
Naftogazvydobuvannya PrJSC	0.00	0.00	0.00	0.00
Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	12.51	67.10	886.17	0.00
Energy Service Company Esco-Pivnich LLC	7.12	7.12	79.33	0.00
Natural resources PrJSC	0.00	0.00	0.00	0.00
Poltava Petroleum Company JV	31.50	47.39	602.26	0.00
Kub-gaz LLC	0.00	0.00	0.00	0.00
Systemoilengineering LLC	0.00	0.00	0.00	0.00
Persha ukraiinska gazonaftova kompaniia LLC	0.00018	0.02	0.13	0.00
Joint Venture UkrKarpatoil LTD LLC	55.84	80.10	1,307.60	0.00
Nordik Private Enterprise	0.00	0.00	0.00	0.00
Stryinaftogaz LLC	0.00	0.00	0.00	0.00

¹²⁵ Volumes of oil and natural gas production are according to Geoinform of Ukraine.

¹²⁶ 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=pets&rbrte&f=a>) and average annual USD UAH exchange rate (according to the NBU)

¹²⁷ Weighted average wholesale price of natural gas in the unregulated market segment in 2019 (net of VAT). NEURC, Results of the natural gas market monitoring in 2019: <http://www.nerc.gov.ua/?id=52780>

¹²⁸ As part of the preparation of the EITI Report 2019, a list of accountable companies subject to reconciliation of payments was determined (for more details, see **Section 8**).

¹²⁹ 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"

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
Energiia-95 LLC	0.00	0.00	0.00	0.00
Kashtan Petroleum LTD JV	31.00	18.70	201.96	0.00
Zakhidnadraseriv LLC	0.00	0.00	0.00	0.00
Nadra-Geoinvest LLC	0.79	0.74	8.38	0.00
Joint activity agreement of 01/01/1999 No. 35/4 - authorized entity Hals-K PrJSC (31566427)	1.53	1.53	17.97	0.00
Total	1,596.39	1,490.36	18,610.04	0.00

Table 5.36: Sales revenues of reporting companies in the natural gas industry in 2019¹³⁰

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
Ukrgezvydobuvannya JSC	14,891.91	13,621.24	71,244.10	0.00
Ukrnafta PJSC	747.73	710.19	3,732.05	0.00
Naftogazvydobuvannya PrJSC	1,659.33	1,653.16	7,732.47	0.00
Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	848.40	841.72	4,640.93	0.00
Energy Service Company Esco-Pivnich LLC	373.14	372.22	2,126.18	0.00
Natural resources PrJSC	193.17	175.87	960.91	0.00
Poltava Petroleum Company JV	243.07	248.18	1,314.18	0.00
Kub-gaz LLC	133.13	130.59	653.34	0.00
Systemoilengineering LLC	206.24	206.19	1,060.03	0.00
Persha ukrainska gazonaftova kompaniia LLC	73.36	71.87	363.02	0.00
Joint Venture UkrKarpatoil LTD LLC	33.11	31.07	153.86	0.00
Nordik Private Enterprise	58.39	58.39	309.31	0.00
Stryinaftogaz LLC	55.24	55.44	307.00	0.00

¹³⁰ 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"

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
Energija-95 LLC	52.10	52.04	288.99	0.00
Kashtan Petroleum LTD JV	2.00	0.00	0.00	0.00
Zakhidnadrasservice LLC	74.51	70.56	399.58	0.00
Nadra-Geoinvest LLC	95.17	94.41	444.85	0.00
Joint activity agreement of 01/01/1999 No. 35/4 - authorized entity Hals-K PrJSC (31566427)	0.00	0.39	0.38	0.00
Total	19,739.99	18,393.53	95,731.19	0.00

It should be noted that in accordance with the special obligations regime (PSO) established by the CMU, part of the natural gas of domestic origin was sold in 2019 at lower prices than in the unregulated market segment¹³¹.

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

5.2.5 Oil and natural gas transportation

5.2.5.1 Natural gas transportation

Background information on gas transmission system and major transportation routes

The infrastructure of the gas transmission system (GTS) of Ukraine consists of pipelines of a total length of 33,079 km, 1,389 gas distribution stations and 57 compressor stations, as of the end of 2019. The capacity at the GTS entry points is 281 bcm, and at the exit points - 146 bcm (*Figure 5.15*).

During 2019, a number of final steps had been taken towards the separation of natural gas transportation activities from Naftogaz of Ukraine NJSC (unbundling). Thus, in September 2019, a separation model was chosen and the business entity entitled to submit a request for certification was identified - it is GTS Operator of Ukraine LLC, with the sole shareholder Major Gas Pipelines of Ukraine JSC and subordinated to the Ministry of Finance of Ukraine.¹³² Actually, the gas transmission system operator was certified in December 2019 following a positive opinion of the Energy Community Secretariat.¹³³ GTS Operator of Ukraine LLC received a license for the right to conduct the natural gas transmission business activities from January 1, 2020.

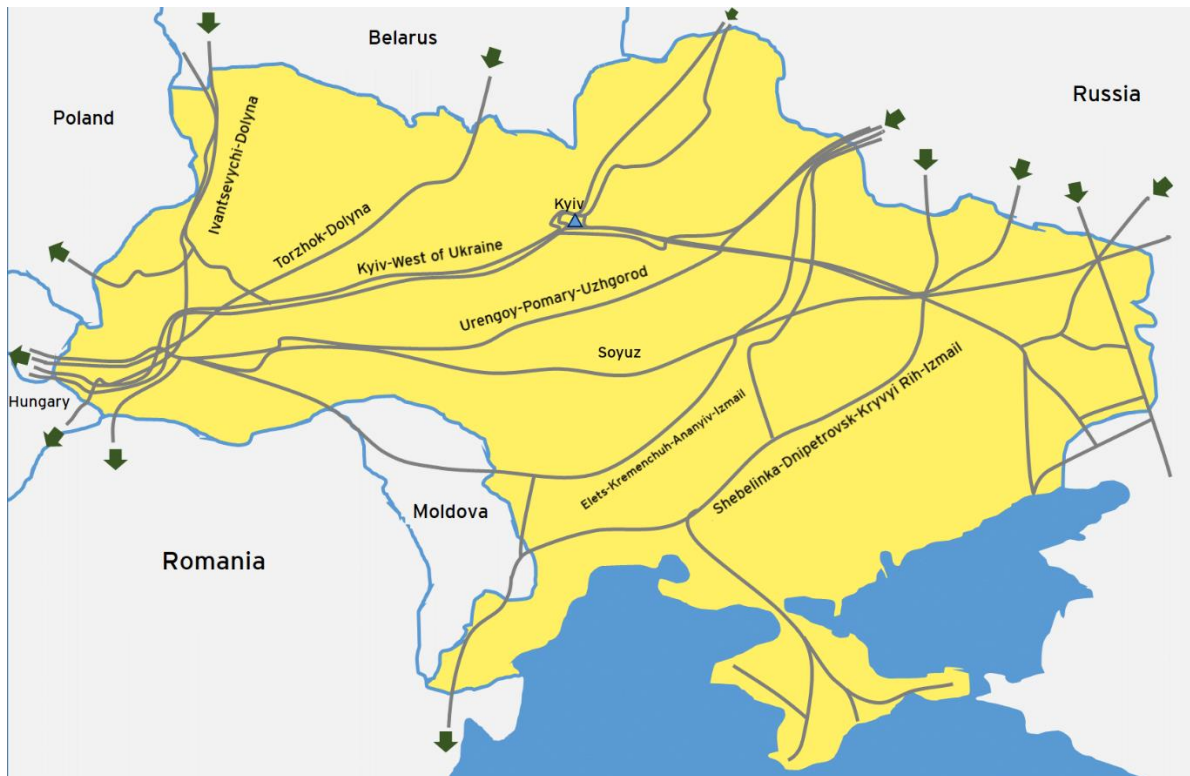


Figure 5.15: Ukrainian major gas pipelines diagram¹³⁴

¹³² The CMU Resolution of 18.09.2019 No 840 "On The Separation Of Activities for the Natural Gas Transmission and Ensuring the Activities of the Gas Transmission System Operator", <https://zakon.rada.gov.ua/laws/show/840-2019-%D0%BF#Text>

¹³³ NEURC Resolution of 24.12.2019 No 3010 <https://www.nerc.gov.ua/?id=47869>

¹³⁴ Adapted from the Naftogaz of Ukraine NJSC Annual Report 2019, https://www.naftogaz.com/files/Zvity/Naftogaz_2019_UA.pdf

Another important reform of the natural gas market in Ukraine was the introduction of daily balancing in March 2019, which provides for the calculation of positive or negative imbalance for customers of natural gas transmission services by the GTS Operator on a daily basis.¹³⁵ This step will promote the development of liquidity in the short-term wholesale market (purchase and sale of natural gas within one day). The transition to daily balancing is primarily aimed at implementing the provisions of Commission Regulation (EU) №312/2014 of March 26, 2014, which would bring the functioning of the natural gas market of Ukraine closer to the European standards and increase its overall competitiveness and transparency.

In 2019, the total volume of natural gas transmission to domestic consumers and natural gas transit through the territory of Ukraine increased by 0.61% compared to the previous year and amounted to 116.0 bcm. (**Figure 5.16**).

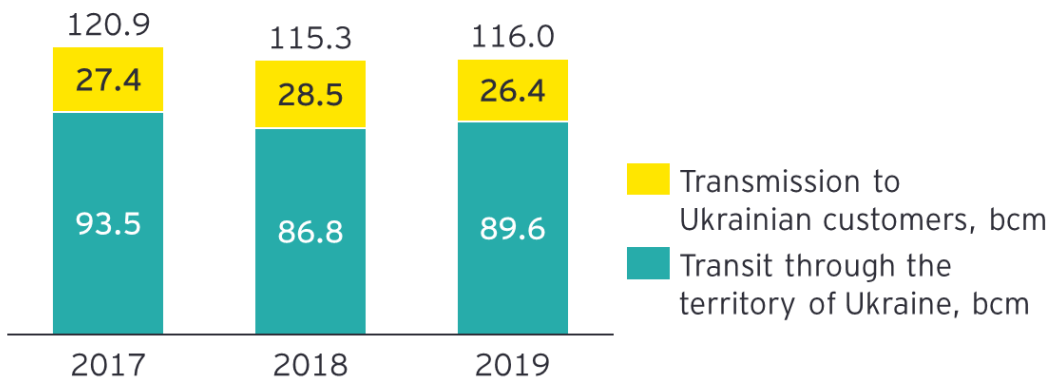


Figure 5.16: Volumes of natural gas transit through the territory of Ukraine and transmission to Ukrainian customers via major pipelines in 2017-2019 ¹³⁶

The volume of transit of Russian natural gas through the territory of Ukraine in 2019 increased by 3.23% or 2.8 bcm compared to the previous year, and amounted to 89.6 bcm. One of the factors impacting the changes in the volume of natural gas transit was the increase in reverse supplies of imported gas from Europe by 3.7 bcm compared to 2018. At the same time, the volume of natural gas transmission to domestic consumers in 2019 fell by 7.37% compared to the previous year and amounted to 26.4 bcm.

¹³⁵ Resolution of the National Commission for Regulation of Economic Competition of November 30, 2018 №1573 <http://www.nerc.gov.ua/index.php?id=36576>

¹³⁶ Naftogaz of Ukraine NJSC Annual Report 2019, https://www.naftogaz.com/files/Zvity/Naftogaz_2019_UA.pdf

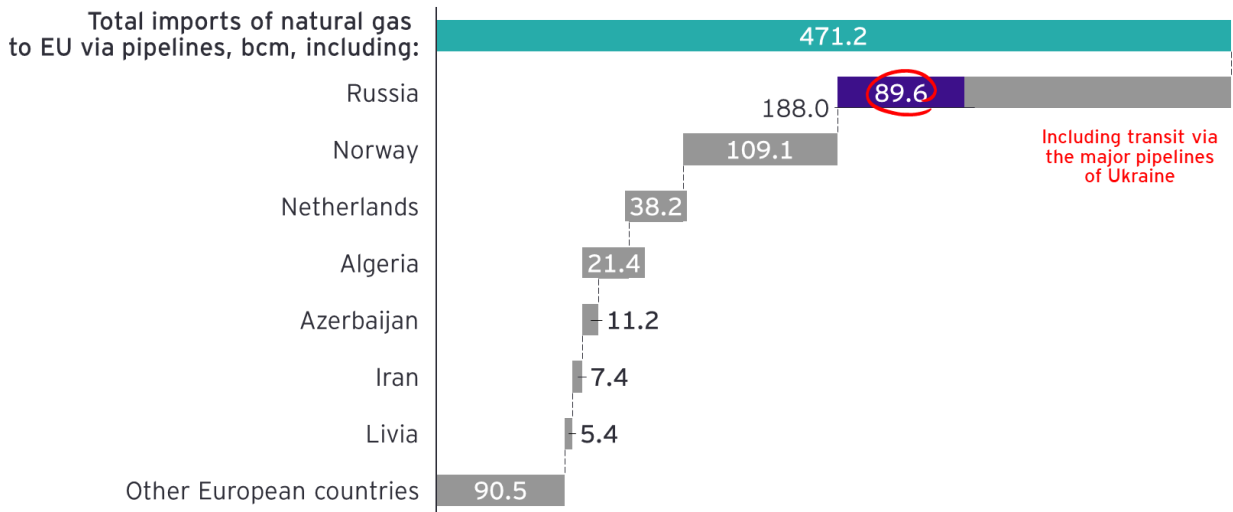


Figure 5.17: Structure of the total supply of natural gas to EU countries via major gas pipelines in 2019¹³⁷

In terms of separate transit flows to European countries, most of the natural gas through the territory of Ukraine in 2019 was transported to Slovakia and Romania - 57.2 bcm and 10.2 bcm, respectively (Figure 5.18).

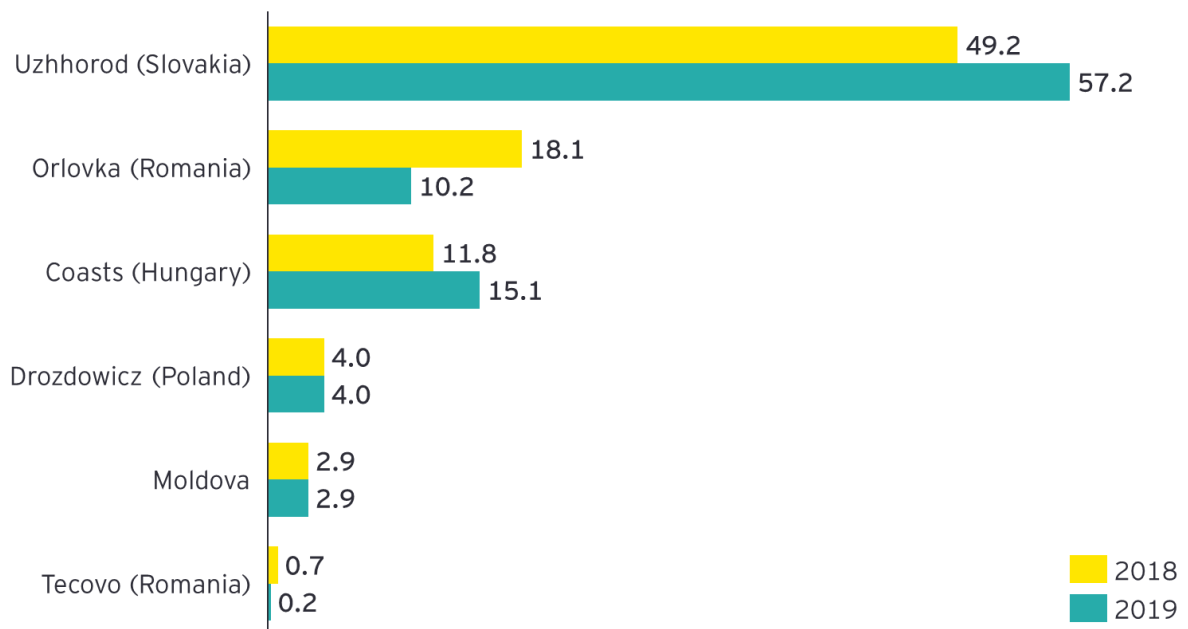


Figure 5.18: Volumes of natural gas transit flows at the exit points in 2018-2019, bcm¹³⁸

The imported natural gas in 2019 continued to be supplied exclusively from European destinations. According to the Ministry of Energy, the volume of imports in the reporting period amounted to 14.3 bcm, which is 34.91% more than in 2018 (Figure 5.19).

¹³⁷ BP Statistical Review of World Energy 2020, 69th edition, <https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/energy-economics/statistical-review/bp-stats-review-2020-full-report.pdf>

¹³⁸ Naftogaz of Ukraine NJSC Annual Report 2019, https://www.naftogaz.com/files/Zvity/Naftogaz_2019-UA.pdf

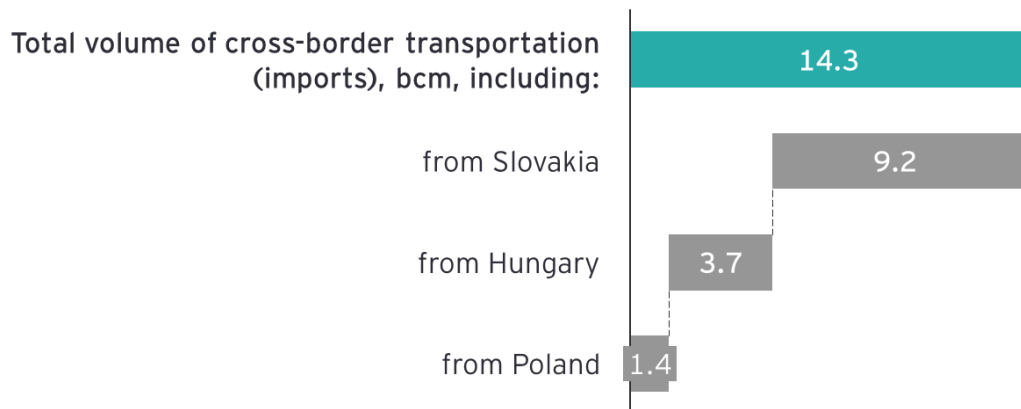


Figure 5.19: Structure of physical inflow of natural gas through cross-border points (imports) by countries in 2019¹³⁹

As part of the organizational transformation of Naftogaz of Ukraine NJSC in December 2019, a separate Natural Gas Storage division was established, which is responsible for the providing the natural gas storage services. The division was created based on Ukrtransgaz JSC structural subdivisions including the Ukrtransgaz JSC branch “Operator of gas storage facilities of Ukraine”, which includes 12 underground gas storage facilities (UGS) on the mainland of Ukraine. According to the division, in 2019, 13.1 bcm of natural gas were pumped into the underground storage facilities, which is 33.67% more than in the previous year. At the same time, the volume of gas extraction from the underground storage facilities decreased from 10.6 bcm in 2018 to 8.0 bcm in 2019. The total volume of natural gas accumulated in the underground storage facilities was 21.8 bcm, which is 24.53% less than in 2018.

Tariffs for natural gas transmission services

During 2019, Ukrtransgaz JSC had temporary tariffs for natural gas transmission services for internal entry and exit points to / from the gas transmission system (**Table 5.37**) and for cross-border entry and exit points to / from the gas transmission system (**Figure 5.20**) for the first year of the second regulatory period, which were established in accordance with the resolution of the National Commission for State Regulation of Energy and Utilities (NEURC) No 2001 of 21.12.2018^{140,141}.

¹³⁹ Ministry of Energy, Report on the Results of Monitoring the Security of Natural Gas Supply, 2019

<http://mpe.kmu.gov.ua/minugol/doccatalog/document?id=245464469>

¹⁴⁰ NEURC Resolution of 21.12.2018 No 2001, <http://www.nerc.gov.ua/?id=37570> (The resolution came into force on January 1, 2019)

¹⁴¹ Regulatory period - the period of time between two consecutive revisions of tariffs and changes in regulatory parameters that have a long-term validity period of 5 years, except for the first regulatory period, which is established by a separate NEURC decision.

Table 5.37: Temporary tariffs for natural gas transmission via the major pipelines for internal entry and exit points of the GTS of Ukraine¹⁴²

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 from adjacent gas extracting companies (through the networks of which natural gas of another gas company or group of gas companies can be transmitted)	91.87	-
Virtual entry points with an undefined physical location in the gas distribution system (location of gas inflow from the gas extracting company at the point of its connection to the gas distribution system, through which, inter alia, gas extracted by another company or group of gas extracting companies may be transmitted)	91.87	-
Virtual entry points with an undefined physical location from adjacent gas companies (through the networks of which natural gas extracted by another gas company or group of gas extracting companies can be transmitted)	91.87	-
Points with physical location to / from gas storage facilities	0.00	0.00
Virtual points with undefined physical location to / from a gas storage facility or group of gas storage facilities	0.00	0.00
Exit points with physical location to direct consumers	-	157.19
Exit points with physical location to gas distribution systems	-	157.19
Virtual exit points with an undefined physical location to the gas distribution systems	-	157.19
Virtual exit points with an undefined physical 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

It is also worth noting that in 2019, the NEURC amended the Methodology for determining and calculating tariffs for natural gas transmission services for entry and exit points based on the long-term incentive regulation¹⁴³. Such changes were aimed at ensuring the implementation of the provisions of Commission Regulation (EU) 2017/460 of March 16, 2017 establishing a network code on harmonized transmission tariff structures for gas. The main changes were: (1) establishment of mechanisms that enable the GTS operator to provide capacity utilization services with restrictions for entry points and exit points; (2) introduction of a mechanism for determining coefficients that take into account the period and season of capacity reservation and coefficients for capacity with restrictions; (3) the mechanism for determining the required income of the GTS operator from natural gas transportation activities has been changed; and (4) the mechanism for adjusting the required income from natural gas transportation activities has been improved.

¹⁴² NEURC Resolution of 21.12.2018 No 2001, <http://www.nerc.gov.ua/?id=37570>

¹⁴³ NEURC Resolution of 30.09.2017 № 2517, <https://zakon.rada.gov.ua/laws/show/z1388-15#Text>; NEURC Resolution of 11.10.2019 №2107, <https://www.nerc.gov.ua/?id=45133>

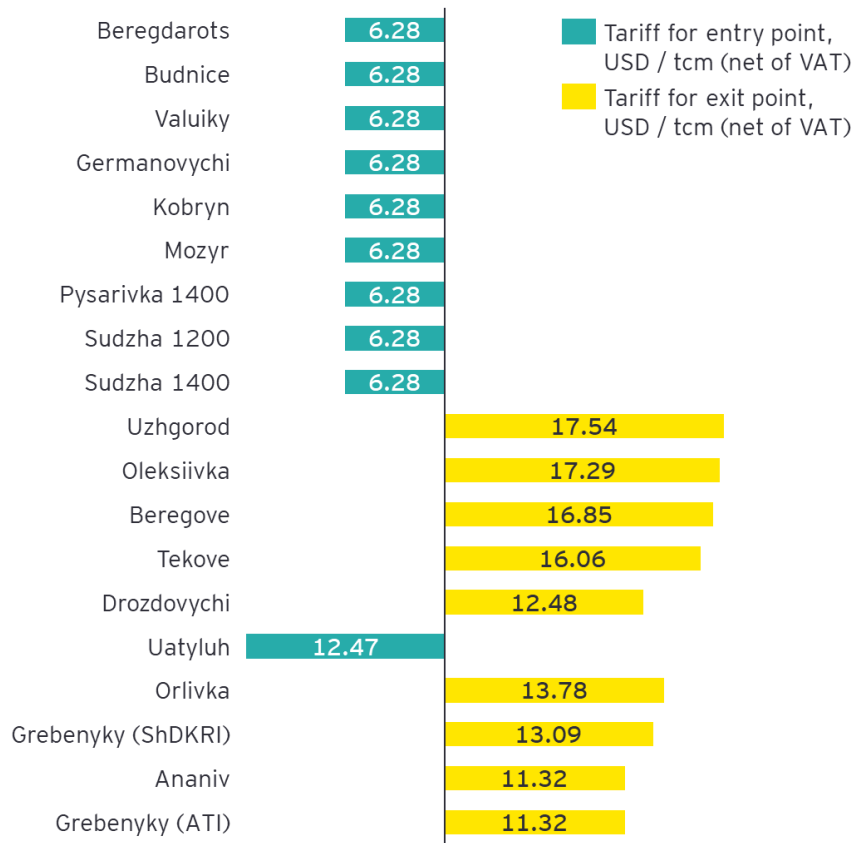


Figure 5.20: Tariffs for transportation of natural gas through the trunk pipelines for the entry points to and exit points from the GTS in 2019¹⁴⁴

Tariffs for natural gas distribution services

During 2019, the tariffs for the distribution of natural gas, established in accordance with the resolutions of the NEURC No 421-463¹⁴⁵ of March 24, 2016 and No 850 of May 26, 2016, were valid¹⁴⁶.

Table 5.38: Tariffs for natural gas distribution services during 2019¹⁴⁷

Nº	Company name	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	Donetskoblqaz PJSC	522.60

¹⁴⁴ NEURC, Report on the results of activities in 2019

http://www.nerc.gov.ua/index.php/map_1/data/filearch/Proekty/2019/?id=51822

¹⁴⁵ NEURC Resolution of 24.03.2016 No 421-462, <http://www.nerc.gov.ua/?id=19456> (as amended by NEURC Resolutions of 15.12.2016 No No 2263, 2279 - 2320)

¹⁴⁶ NEURC Resolution of 26.05.2016 No 850, <https://zakon.rada.gov.ua/rada/show/v0850874-16#Text> (as amended by NEURC Resolution of 15.12.2016 No 2278)

¹⁴⁷ NEURC, Report on the Results of Activities in 2019

http://www.nerc.gov.ua/index.php/map_1/data/filearch/Proekty/2019/?id=51822

Nº	Company name	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	Sumygaz 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	Khmelnytskygaz 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

It should be noted that during 2019, changes were made to the approach of determining the amount of capacity for natural gas consumers, namely, the shift to the ordered capacity was made. In addition, the procedure for ordering capacity has been simplified, and the capacity is ordered based on gas consumption by each consumer in previous periods. Accordingly, the resolution of the NEURC dated 24.12.2019 No 3014-3057 established new tariffs for natural gas distribution services based on the planned annual ordered capacity of natural gas distribution, which is effective since January 1, 2020.

Tariffs for natural gas injection, storage and extraction from gas storage facilities

Till August 1, 2019, the tariffs for natural gas injection, storage and extraction from gas storage facilities were set, as in the previous year, in accordance with the NEURC Resolution of 19.06.2018 No 480.¹⁴⁸ During this period, the tariffs for these services provided by Ukrtransgaz JSC were as follows (net of VAT):

- ▶ natural gas injection - 64.4 UAH / tcm per day;
- ▶ natural gas storage - UAH 0.172 UAH / tcm per day;
- ▶ natural gas extraction from storage facilities - 67.1 UAH / tcm per day.

However, in view of the fact that the tariff structure element "Adjustment of annual planned tariff revenue" expires, the NEURC revised the tariffs for natural gas injection, storage and extraction from underground storage facilities for the period from August 1, 2019. The updated tariffs for the services provided by Ukrtransgaz JSC were as follows (net of VAT):

- ▶ natural gas injection - 93.3 UAH / tcm per day;
- ▶ natural gas storage - UAH 0.172 UAH / tcm per day;
- ▶ natural gas extraction from storage facilities - 97.2 UAH / tcm per day.

Income and financial result of the Gas Transmission System Operator

According to the financial statements of Ukrtransgaz JSC for 2019, the company's net operating income in the reporting period increased by 58.34% compared to the previous year, and amounted to UAH 3,274.7 million. Of these, UAH 3,262.2 million was income from natural gas storage services, and UAH 12.4 million - income from the sale of other services. The company's loss in 2019 decreased to UAH -23,585.8 million, which is 27.71% lower than in 2018 (*Figure 5.21*).

¹⁴⁸ NEURC Resolution of 19.06.2018 No 480, <https://zakon.rada.gov.ua/laws/show/v0480874-18#Text>

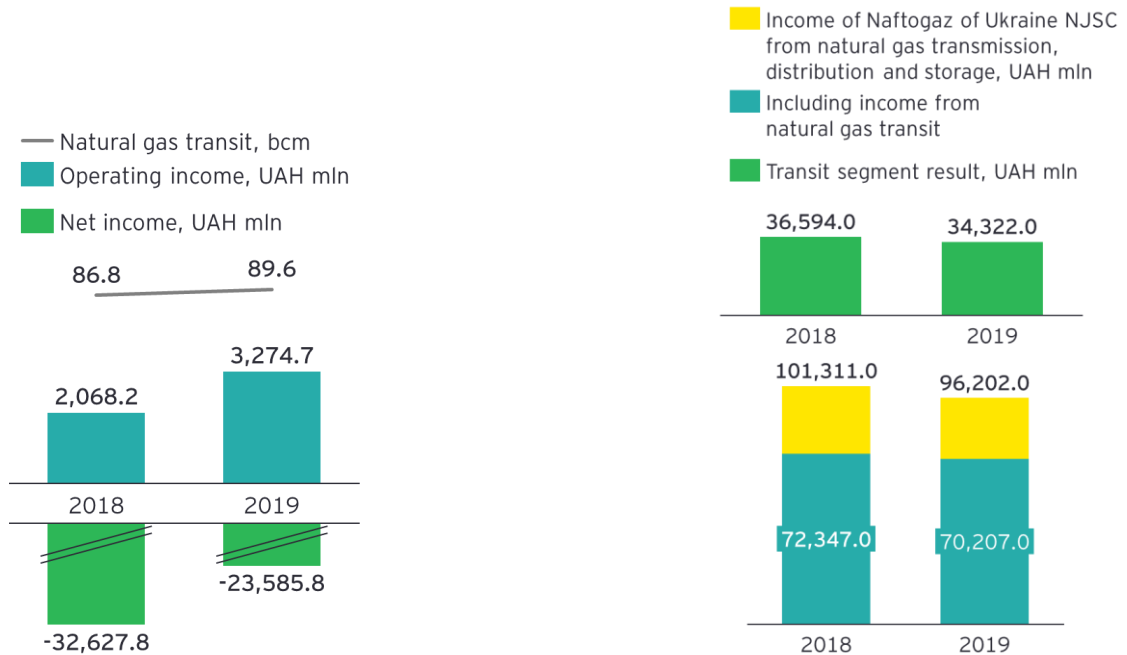


Figure 5.21: Operating income and net profit (loss) of Ukrtransgaz JSC in 2018 and 2019^{149,150}

Figure 5.22: Income and financial result of Naftogaz of Ukraine NJSC from natural gas transmission, distribution and storage in 2018 and 2019^{151,152}

In 2019, the income of Naftogaz of Ukraine NJSC, the parent company of Ukrtransgaz JSC, from the sale of natural gas transmission, distribution and storage amounted to UAH 96,202 million, which is 5.04% less than in the previous year (Figure 5.22).

As a part of preparation of the EITI Report 2019, Ukrtransgaz JSC reported on the income of the gas transmission system operator by type of products sold (Table 5.39).

It is important to note that natural gas extracted in the territory of Ukraine is pumped into the gas transmission system, including underground gas storage facilities. The natural gas is transmitted throughout Ukraine, to numerous consumers, so it is not possible to establish transportation routes in the meaning of the EITI Standard.

¹⁴⁹ Ukrtransgaz JSC Financial statements for 2019, http://utg.ua/img/menu/company/docs/2020/%D0%A4%D1%96%D0%BD%D0%B0%D0%BD%D1%81%D0%BE%D0%B2%D0%B0%20%D0%B7%D0%B2%D1%96%D1%82%D0%BD%D1%96%D1%81%D1%82%D1%8C%202019%20-%20%D1%81%D1%82%D0%B0%D1%81%D1%82%D0%B8%D1%81%D1%82%D0%B8%D0%BA%D0%B0_compressed.pdf

¹⁵⁰ The company's net income from operating activities for 2018 was adjusted in the financial statements for 2019

¹⁵¹ Consolidated financial statements of Naftogaz of Ukraine NJSC for 2018 and 2019; Separate financial statements of Naftogaz of Ukraine NJSC for 2018 and 2019,

<https://www.naftogaz.com/www/3/nakweb.nsf/0/c4775d2495121a4ac2257ad90051f66d>

¹⁵² The result of the transit segment for 2018 was adjusted in the financial statements for 2019

Table 5.39: Revenue of the gas transmission system operator in 2019¹⁵³

Indicator	Amount, UAH thousand
Total income (revenue) from the sale of products (goods, works, services), including:	48,758,967.13
Transportation of natural gas extracted in the territory of Ukraine via major gas pipelines for Ukrainian consumers	3,136,310.35
Transit of natural gas through the territory of Ukraine	21,204,957.05
Storage (injection, withdrawal) of natural gas extracted in the territory of Ukraine	3,262,237.09
Capacity distribution income (cross-border points)	2,324,281.60
Capacity distribution income (internal points)	4,225,795.29
Other products (goods, works, services), including:	14,605,385.74
<i>gas balancing services</i>	14,434,132.82
<i>customs broker services</i>	3,076.39
<i>sale of agricultural products</i>	25,847.06
<i>activity of sanatoriums</i>	4,467.32
<i>construction and installation works and repair services</i>	901.58
<i>provision of motor transport services</i>	4,041.47
<i>provision of communication services</i>	5,384.82
<i>generation, transportation, supply of thermal energy</i>	3,165.06
<i>provision of operator and pressure support services</i>	65,618.25
<i>housing and utilities works and services</i>	429.13
<i>electricity generation by a solar power plant</i>	755.65
<i>other ancillary products, works and services</i>	57,566.20

For the purpose of more detailed disclosure of information on revenues of the gas transmission system operator for natural gas transportation services and other services within the requirements of №4.4 of the EITI Standard, the Independent Administrator sent an additional request to Ukrtransgaz JSC. This request involved data on payments from production companies for natural gas transportation and storage services (**Table 5.40**). According to the response of Ukrtransgaz JSC, from the reporting mining companies were received payments for transportation services (domestic consumers) in the amount of UAH 2,473,912.29 thousand.

 Table 5.40: Revenue of Ukrtransgaz JSC for natural gas transmission and transit in 2019¹⁵⁴

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	89,585,792.37	21,204,957.06
	Import (guaranteed capacity)	7,156,848.42	1,172,584.93
	Ordered capacity at internal entry points and exit points	3,347,766.14	526,375.23
Natural Resources PrJSC	Ordered capacity at internal entry points and exit points	214,486.43	21,871.01

¹⁵³ The information is obtained from the response of Ukrtransgaz JSC to the request in the course of preparation of this EITI Report

¹⁵⁴ 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
Ukrgezvydobuvannya JSC	Transmission	49.01	22.72
	Ordered capacity at internal entry points and exit points	14,330,399.32	1,360,045.13
Ukrnafta PJSC	Transmission	41.629	9.35
	Ordered capacity at internal entry points and exit points	1,158,152.93	132,243.59
Naftogazvydobuvannya PrJSC	Ordered capacity at internal entry points and exit points	1,688,285.25	156,109.59
Energy Service Company Esco-Pivnich LLC	Ordered capacity at internal entry points and exit points	468,924.54	46,775.34
Extracting Company Ukrnaftoburinnya PrJSC	Import (guaranteed capacity)	87,395.86	14,463.23
	Ordered capacity at internal entry points and exit points	930,452.49	95,142.90
Poltava Petroleum Company JV	Ordered capacity at internal entry points and exit points	270,976.17	26,148.45
Kub-gaz LLC	Transmission	35.95	0.38
	Ordered capacity at internal entry points and exit points	132,716.95	12,331.23
Ukrgezvydobutok PrJSC	Ordered capacity at internal entry points and exit points	174,123.90	16,303.00
Persha ukrainska gazonaftova kompaniia LLC	Ordered capacity at internal entry points and exit points	75,328.90	6,984.76
Representative Office of Regal Petroleum Corporation Limited	Ordered capacity at internal entry points and exit points	162,901.05	15,042.79
Joint activity agreement of 19/01/1999 No 35/4 - authorized entity Hals-K PrJSC (31566427)	Ordered capacity at internal entry points and exit points	1,855.56	177.81
Nadra-Geoinvest LLC	Ordered capacity at internal entry points and exit points	98,365.31	9,123.30
Energiiia-95 LLC	Ordered capacity at internal entry points and exit points	34,221.30	3,145.09
Systemoilengineering LLC	Ordered capacity at internal entry points and exit points	160,748.55	15,265.62
Joint Venture Ukrkarpatoil LTD LLC	Ordered capacity at internal entry points and exit points	12,175.67	1,154.19
Prom-Energo Product LLC	Ordered capacity at internal entry points and exit points	48,861.08	4,514.76
Nordik Private Enterprise	Ordered capacity at internal entry points and exit points	55,400.31	5,134.80
Zakhidnadraserivce LLC	Ordered capacity at internal entry points and exit points	109,601.68	12,288.39
Stryinaftogaz LLC	Ordered capacity at internal entry points and exit points	70,801.57	7,702.89
Total, including:		120,376,708.34	24,865,917.50
<i>transit</i>		89,585,792.37	21,204,957.06
<i>Import (guaranteed capacity)</i>		7,244,244.28	1,187,048.15
<i>transmission to domestic consumers</i>		23,546,671.69	2,473,912.29

In its response to the request, Ukrtransgaz JSC also provided information on the revenues from the natural gas storage (injection, withdrawal) services (**Table 5.41**).

Table 5.41: Revenues of Ukrtransgaz JSC from natural gas storage (injection, withdrawal) services in 2019¹⁵⁵

Name of paying company	Amount of payment, UAH thousand
Ukrgezvydobuvannya JSC	0.00
Naftogaz of Ukraine NJSC	3,005,652.39
Ukrnafta PJSC	20,571.03
Naftogazvydobuvannya PrJSC	0.00
Energy Service Company Esco-Pivnich LLC	7,153.25
Extracting Company Ukrnaftoburinna PrJSC	19,801.97
Natural Resources PrJSC	5,898.95
Poltava Petroleum Company JV	11,547.51
Kub-gaz LLC	2.23
Ukrgezvydobutok PrJSC	368.90
Persha ukrainska gazonaftova kompaniia LLC	0.00
Representative Office of Regal Petroleum Corporation Limited	3,906.52
Nadra-Geoinvest LLC	1,082.03
Energii-95 LLC	17.31
Systemoilengineering LLC	0.00
Joint Venture Ukrkarpatoil LTD LLC	5,330.30
Kashtan Petroleum LTD JV	0.00
Prom-Enegro Products LLC	370.63
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	1,838.63
Stryinaftogaz LLC	684.08
Total	3,084,225.72

In addition, 12 reporting oil and gas companies provided information on the volume of transportation of extracted natural gas and the value of the transportation services in 2019. In total, the companies spent UAH 3,774,464.69 thousand for the transportation of 18,369,129.71 tcm of natural gas in the reporting period¹⁵⁶. Of these, the total payments in favour of Ukrtransgaz JSC and its branches amounted to UAH 1,769,211.02 thousand, and in favour of Gas Transmission System Operator LLC, the subsidiary of Ukrtransgaz JSC - UAH 26,727.50 thousand (**Table 5.42**).

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

¹⁵⁶ According to the decision of MSG EITI (Protocol of the meeting of December 14, 2020), the materiality threshold was set for payments of production companies for transportation of hydrocarbons in favour of the gas transmission system operator and the main oil pipeline system operator, as well as for payments from production companies in favour of state companies. UAH 1 million for one type of payment for a calendar year

Table 5.42: Expenditures of the reporting oil and gas companies for transportation of the extracted natural gas in 2019¹⁵⁷

Name of paying company	Physical volume of natural gas, thousand cubic meters ¹⁵⁸	Total transportation costs, thousand UAH	Name of the transportation company	Transportation route ¹⁵⁹
Payments in favour of Ukrtransgaz JSC and its branches				
Ukrgezvydobuvannya JSC	13,961,531.47	1,296,565.47	Branch "Operator of gas storage facilities of Ukraine"	Ukrainian territory
Natural Resources PrJSC	214,485.57	21,871.01	Branch "Operator of gas storage facilities of Ukraine"	-
Poltava Petroleum Company JV	306,164.15	24,624.90	Branch "Operator of gas storage facilities of Ukraine"	-
Stryinaftogaz LLC	-	8,847.53	Branch "Operator of gas storage facilities of Ukraine"	-
Kub-gaz LLC	130,592.93	14,797.50	Branch "Operator of gas storage facilities of Ukraine"	Pipeline
Naftogazvydobuvannya PrJSC	1,657,000.01	187,539.00	Branch "Operator of gas storage facilities of Ukraine"	GTS of Ukraine
Energiia-95 LLC	52,040.70	3,145.10	Branch "Operator of gas storage facilities of Ukraine"	The route is not defined. The gas was transferred to the GTS of Ukraine for operational and technological use
Persha ukraiinska gazonaftova kompaniia LLC	71,929.00	6,927.00	Branch "Operator of gas storage facilities of Ukraine"	PPPG1 (Pereschepyne-Dnipropetrovsk gas pipeline); PPPG2 (Proletarian UGS - ShDKRI gas pipeline) PVVG-1 Ogultsivsky GKR
Extracting Company Ukrnaftoburinnyya PrJSC	954,789.73	103,131.49	Branch "Operator of gas storage facilities of Ukraine"	-
Ukrnafta PJSC	741,703.08	80,527.52	Branch "Operator of gas storage facilities of Ukraine"	-
Systemoilengineering LLC	-	21,234.50	Ukrtransgaz JSC	
Total, Ukrtransgaz JSC and its branches	18,090,236.63	1,769,211.02	-	-
Payments in favour of Gas Transmission System Operator LLC, a subsidiary of Ukrtransgaz JSC				
Poltava Petroleum Company JV	22,506.00	1,911.70	Branch "Operator of gas storage facilities of Ukraine"	-
Naftogazvydobuvannya PrJSC	-	15,055.00	Branch "Operator of gas storage facilities of Ukraine"	GTS of Ukraine

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

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

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

Name of paying company	Physical volume of natural gas, thousand cubic meters ¹⁵⁸	Total transportation costs, thousand UAH	Name of the transportation company	Transportation route ¹⁵⁹
Energiia-95 LLC	-	1,683.60	Branch "Operator of gas storage facilities of Ukraine"	The route is not defined. The gas was transferred to the GTS of Ukraine for operational and technological use
Extracting Company Ukrnaftoburinnya PrJSC	80,265.59	8,077.20	Branch "Operator of gas storage facilities of Ukraine"	-
Total, Gas Transmission System Operator LLC	102,771.59	26,727.50	-	-
Payments in favour of other companies				
Ukrغازvydobuvannya JSC	97.76	56.76	Dnipropetrovskgaz	Dnipropetrovsk region
	522.39	296,296.00	Kyivoblgaz	Kyiv region
	33.77	24,382.00	Luganskgaz	Луганська region
	989.60	700,741.00	Lvivgaz	Lviv region
	1,208.71	815,156.00	Poltavagaz	Poltava region
	90.70	49,125.00	Gadyachgaz	Poltava region
	3,137.97	2,262.79	Kharkivgaz	Kharkiv region
	265.46	71,436.00	Kharkivmiskgaz	The city of Kharkiv
Energy Service Company Escο-Pivnich LLC	19,401.46	3,488.38	Poltavagazvydobuvannya GPU, under Ukrغازvydobuvannya SE	-
	39,158.39	7,040.68	Ukrغازvydobuvannya JSC	-
Ukrnafta PJSC	12,109.15	1,206.07	Poltava Petroleum Company JV	-
	20,274.72	1,013.75	Gadyachgaz PJSC	-
	1,345.17	70.77	Dnipropetrovskgaz PJSC	-
	1,845.48	175.41	Ivano-Frankivskgaz PJSC	-
	2,954.02	334.81	Kyivgaz PJSC	-
	3,234.64	251.81	Lvivgaz PJSC	-
	42,039.83	2,763.15	Poltavagaz PJSC	-
	20,346.40	2,063.16	Sumygaz PJSC	-
	6.81	2.26	Kharkivgaz PJSC	-
7,059.07	660.37	Chernihivgaz PJSC	-	
Total, other companies	176,121.49	1,978,526.17	-	-
Total	18,369,129.71	3,774,464.69	-	-

Also, the 14 reporting oil and gas companies provided information on other costs, including the cost of natural gas storage (injection and withdrawal) services during 2019 (**Table 5.43**). The companies paid the total of UAH 25,690,602.85 thousand for the services other than transportation of their own extracted natural gas. Of the total amount, the payments in favour of Ukrtransgaz JSC and its branches amounted to UAH 25,690,602.85 thousand, of which UAH 3,087,789.35 thousand were paid by the extracting companies for natural gas storage services

and UAH 22,602,813.50 for other types of services. Also, out of the total amount paid in favour of Gas Transmission System Operator LLC, the subsidiary Ukrtransgaz JSC, UAH 2,838.28 thousand was paid for the provision of other services.

Table 5.43: Payments of the reporting oil and gas companies for natural gas storage (injection, withdrawal) and other services in 2019¹⁶⁰

Name of paying company	Purpose of payment	Name of the company that provided the services	Payment amount, thousand UAH (net of VAT)
Payments in favour of Ukrtransgaz JSC and its branches			
Natural Resources PrJSC	Natural gas storage services	Branch "Operator of the gas transmission system of Ukraine"	19.81
	Natural gas injection services	Branch "Operator of gas storage facilities of Ukraine"	2,655.89
	Natural gas withdrawal services	Branch "Operator of gas storage facilities of Ukraine"	1,537.07
	Natural gas storage services	Branch "Operator of gas storage facilities of Ukraine"	1,275.71
Poltava Petroleum Company JV	Natural gas storage (injection, withdrawal) services	"Operator of gas storage facilities of Ukraine", a branch of Ukrtransgaz JSC	11,517.79
	Natural gas storage (injection, withdrawal) services	Branch "Operator of gas storage facilities of Ukraine"	108.02
	Gas quality analysis services	Branch "Operator of gas storage facilities of Ukraine"	80.05
	Natural gas transmission services (imbalance)	Branch "Operator of gas storage facilities of Ukraine"	994.55
	Technical conditions issuance services	Ukrspetczvyazok, a branch of Ukrtransgaz JSC	2.27
Naftogaz of Ukraine NJSC	Payment for individual storage capacity, injection, withdrawal capacity	Ukrtransgaz JSC	3,010,483.59
	Payment for natural gas transmission services	Branch "Operator of gas storage facilities of Ukraine"	1,893,653.79
	Payment for gas transmission services provided under the Agreement dated February 12, 2016 No 601602000328	Branch "Operator of the gas transmission system of Ukraine"	20,433,258.35
Ukrnafta PJSC	Payment for natural gas transmission services	Ukrtransgaz JSC	21.34
	Payment for non-compliance with natural gas quality parameters	Branch "Operator of the gas transmission system of Ukraine"	332.08
	Payment for other services	Branch "Operator of the gas transmission system of Ukraine"	4,885.83
	Payment for the ordered capacity services	Branch "Operator of the gas transmission system of Ukraine"	104,365.12
	Payment for the ordered capacity services	Branch "Operator of the gas transmission system of Ukraine"	17,060.08
	Payment for withdrawal services	Ukrtransgaz JSC	2,301.13
	Payment for injecting services	Branch "Operator of gas storage facilities of Ukraine"	9,562.80
	Payment for other services	Branch "Operator of gas storage facilities of Ukraine"	8,266.20

¹⁶⁰ | 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	Name of the company that provided the services	Payment amount, thousand UAH (net of VAT)
Joint activity agreement of 19/01/1999 No 35/4 - authorized entity Hals-K PrJSC (31566427)	Prepayment for the ordered capacity services under contract No 1809000547 dated 19.09.2018	Branch "Operator of gas storage facilities of Ukraine"	284.57
	Exceeding the ordered (contractual) capacity under the contract No 1809000547 dated 19.09.2019	Branch "Operator of the gas transmission system of Ukraine"	17.07
	Prepayment for the ordered capacity services under the contract No 1907000277 dated 11.12.2019	Branch "Operator of the gas transmission system of Ukraine"	30.33
Nadra-Geoinvest LLC	Individual working volume	Ukrtransgaz JSC	191.30
	Individual working volume of withdrawal	Ukrtransgaz JSC	396.50
	Individual working volume of injection	Ukrtransgaz JSC	496.40
Stryinaftogaz LLC	Payment for withdrawal (gas injection, storage)	Ukrtransgaz JSC	695.75
Nordik Private Enterprise	Determination of physicochemical parameters of natural gas	Branch "Operator of gas storage facilities of Ukraine"	20.38
	Ordered capacity	Branch "Operator of gas storage facilities of Ukraine"	6,160.11
	Additional fee for non-compliance with quality parameters	Branch "Operator of the gas transmission system of Ukraine"	4.69
	Joining the gas transmission system	Branch "UMG Prykarpattransgaz"	376.81
	Other payments	Branch "Operator of the gas transmission system of Ukraine"	450.71
Zakhidnadraseriv LLC	Natural gas withdrawal services	Branch "UMG Prykarpattransgaz"	538.02
	Natural gas injection services	Branch "Operator of gas storage facilities of Ukraine"	1,066.57
	Individual working volume	Branch "Operator of gas storage facilities of Ukraine"	236.18
	Ordered capacity	Branch "Operator of gas storage facilities of Ukraine"	14,000.10
	Daily balancing	Branch "Operator of the gas transmission system of Ukraine"	9,787.48
	Ordered capacity	Branch "Operator of the gas transmission system of Ukraine"	3,388.07
Naftogazvydobuvannia PrJSC	Payment for daily imbalance	Ukrtransgaz JSC	45,394.74
Energija-95 LLC	Storage services	Branch "Operator of the gas transmission system of Ukraine"	17.30
Persha ukraiinska gazonaftova kompaniia LLC	Non-compliance with gas quality parameters	Branch "Operator of gas storage facilities of Ukraine"	104.00
	Settlement of daily imbalances	Branch "Operator of the gas transmission system of Ukraine"	2,837.00
	Operation of major gas pipelines	Branch "Operator of the gas transmission system of Ukraine"	59.00

Name of paying company	Purpose of payment	Name of the company that provided the services	Payment amount, thousand UAH (net of VAT)
	Analysis of physicochemical parameters of gas	Branch "Operator of the gas transmission system of Ukraine"	27.00
Extracting Company Ukrnaftoburinnya PrJSC	Payment for injecting services	Branch "Operator of gas storage facilities of Ukraine"	5,266.11
	Payment for withdrawal services	Branch "Operator of the gas transmission system of Ukraine"	7,406.08
	Payment for the individual working volume	Branch "Operator of the gas transmission system of Ukraine"	7,129.78
Energy Service Company Esco-Pivnich LLC	Determination of physical and chemical parameters of natural gas	Branch "Operator of the gas transmission system of Ukraine"	43.80
	Fee for non-compliance with natural gas quality parameters		1,935.85
	Settlement of daily imbalances		3,855.70
	Ordered (contractual) capacity		50,489.32
	Exceeding the ordered (contractual) capacity		625.50
Ukrnafta PJSC	Prepayment for the service of individual withdrawal capacity for one day in advance	Ukrtransgaz JSC	8,906.74
	Prepayment for the service of individual injecting capacity for one day in advance		9,519.35
	Payment for the individual working capacity per month		5,175.35
	Prepayment for the individual withdrawal capacity per month		864.46
	Prepayment for individual injecting capacity per month		421.64
Total Ukrtransgaz JSC, including:			25,690,602.85
storage (injecting, withdrawal)			3,087,789.35
other services			22,602,813.50
Payments in favour of Gas Transmission System Operator LLC, a subsidiary of Ukrtransgaz JSC			
Ukrnafta PJSC	Payment for the ordered capacity services	Ukrainian GTS Operator LLC	105.51
Kub-gaz LLC	Payment for daily imbalance	Ukrainian GTS Operator LLC	1.61
Nordik Private Enterprise	Payment for the ordered capacity services	Ukrainian GTS Operator LLC	2,731.16
Total Gas transmission system operator LLC			2,838.28
Payments in favour of other companies			
Nordik Private Enterprise	Reception, transportation and transmission of natural gas	Lvivgazvydobuvannya GPU	924.70
	Reimbursement of costs for payment for capacity allocation	Ukrgazvydobuvannya JSC	1,290.82
	Reception, transportation and transmission of natural gas	Ukrgazvydobuvannya JSC	8,460.31
Energy Service Company Esco-Pivnich LLC	Transmission of natural gas	Ukrgazvydobuvannya JSC	8,159.95
	Reimbursement of costs for capacity allocation	Ukrgazvydobuvannya JSC	3,195.86
	Transmission of natural gas	Poltavagasvydobuvannya GPU Ukrgazvydobuvannya JSC	4,484.63
Total other companies			25,516.26
Total			25,719,957.49

In the case of 13 reporting oil and gas companies¹⁶¹, the Independent Administrator was able to compare company data on payments made to JSC Ukrtransgaz and its subsidiaries for transportation and storage (injection, extraction) of extracted natural gas and data provided by JSC Ukrtransgaz on receipts for these services from the same companies (**Table 5.44**). At the same time, 5 other reporting companies did not provide information on payments made to Ukrtransgaz JSC for natural gas transportation and/or storage services, but Ukrtransgaz JSC reported receiving payments from them.

It should be noted that the process of reconciling data on payments for natural gas transportation and storage services was accompanied by some restrictions, namely:

- ▶ Lack of clear instructions on which payments for hydrocarbon transportation services should be provided by reporting companies and the gas transmission system operator. The current structure of reporting forms does not provide a clear division by type of transportation: domestic transportation of natural gas of own production or products of third parties, import or transit of natural gas and others;
- ▶ Lack of a clear standardized list of default services in the reporting forms and instructions to them, according to which the reporting companies and the gas transmission system operator could provide relevant data. In some cases, due to the option to freely enter the name of the payment destination by both the companies and the gas transmission system operator, it was not possible to unambiguously compare and contrast them.

Thus, the Independent Administrator reconciled data on payments for natural gas transportation and storage services only in cases where these categories of payments were clearly comparable.

Table 5.44: 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 2019¹⁶²

Company name	Extracted natural gas transportation services		Storage services (injection, withdrawal)
	Discrepancy in physical volume	Discrepancy in payments	Discrepancy in payments
Natural resources PrJSC	0,00% (0,86 tcm)	0.00% (0.00 UAH thousand)	6.96% (410.47 UAH thousand)
Ukrgezvydobutok PrJSC	2,57% (368 916,86 tcm)	4.67% (63 502.38 UAH thousand)	-
Ukrnafta PJSC	35,96% (416 491,48 tcm)	39.11% (51,725.41 UAH thousand)	-20.98% (-4,316.51 UAH thousand)
Naftogazvydobuvannia PrJSC	1,85% (31 285,24 tcm)	-20.13% (-3,429.41 UAH thousand)	-
Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	6,20% (63 058,62 tcm)	5.91% (6,474.63 UAH thousand)	36.01% (7,129.78 UAH thousand)

¹⁶¹ Three reporting companies (Prom-Energo Product LLC, Ukrgezvydobutok PrJSC, Regal Petroleum Corporation Limited) did not provide information during the preparation of this EITI Report, so they were not reconciled with data on payments for transportation and storage of natural gas resources

¹⁶² 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"

Company name	Extracted natural gas transportation services		Storage services (injection, withdrawal)
	Discrepancy in physical volume	Discrepancy in payments	Discrepancy in payments
Poltava Petroleum Company JV	-12,99% (-35 187,98 tcm)	5.83% (1,523.55 UAH thousand)	-0.68% (-78.30 UAH thousand)
Kub-gaz LLC	1,63% (2 159,97 tcm)	-20.00% (-2,465.89 UAH thousand)	×
Persha ukraiinska gazonaftova kompaniia LLC	4,51% (3 399,90 tcm)	0.83% (57.76 UAH thousand)	-
Energiiia-95 LLC	-52,07% (-17 819,40 tcm)	0.00% (-0.01 UAH thousand)	0.06% (0.01 UAH thousand)
Systemoilengineering LLC	×	-39.10% (-5,968.88 UAH thousand)	-
Joint activity agreement of 19/01/1999 No 35/4 - authorized entity Hals-K PrJSC	-	-	-
Zakhidnadraserice LLC	×	×	-0.12% (-2.14 UAH thousand)
Stryinaftogaz LLC	×	-14.86% (-1,144.64 UAH thousand)	-1.71% (-11.67 UAH thousand)
Nordik Private Enterprise	×	×	-
Energy Service Company Esco-Pivnich LLC	×	×	×
Nadra-Geoinvest LLC	×	×	-0.20% (-2.17 UAH thousand)
Joint Venture Ukrkarpatoil LTD LLC	×	×	×
Naftogaz of Ukraine NJSC	×	×	-0.16% (-4,831.20 UAH thousand)

5.2.5.2 Oil transmission

Background information on the main transmission routes and the Major Oil Pipeline System Operator

The major oil pipelines system of Ukraine consists of 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 capacity of the system at the inlet is 114 million tons / year, and at the outlet - 56.3 million tons / year. The total nominal capacity of the tank farms of the system is 1,083 thousand cubic meters. The oil pipelines system in Ukraine also includes the onshore oil terminal Pivdennyi and 28 oil pumping stations. On the north-western border of the country, the system is connected with Belarus, and on the north-eastern border - with Russia. On the western border - with Hungary and Slovakia, where the oil transit route goes from Belarus to the EU (**Figure 5.23**).

Oil transmission in Ukraine is carried out exclusively by Ukrtransnafta JSC, with Naftogaz of Ukraine NJSC as its founder and sole shareholder.



Figure 5.23: The biggest major oil pipelines of Ukraine

In the reporting period, Ukrtransnafta JSC increased the volume of total oil transmission by 0.6% - from 15.4 million tons in 2018 to 15.5 million tons in 2019. Of these, the volume of domestic transmission to the refineries amounted to 2.4 million tons, which is 14.29% more than in the previous year, while the volume of oil transit fell by 1.50% compared to 2018 and amounted to 13.1 million tons (**Figure 5.24**). The factors that caused the drop in the volume of oil transit through Ukraine included forced stoppage of transit due to the deterioration of oil

quality (increased content of organochlorine compounds in oil), which came through the Druzhba pipeline from the Russian direction.

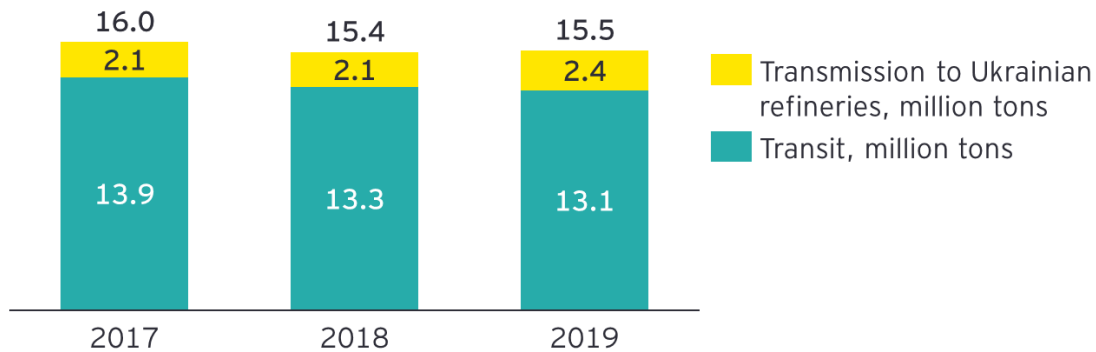


Figure 5.24: Volumes of oil transmission and transit through the major oil pipelines of Ukraine in 2017-2019¹⁶³

Tariffs for oil transmission

As in the previous year, in the period up to November 1, 2019, the tariffs for transmission of oil and petroleum products of Ukrtransnafta JSC to Ukrainian consumers established by the resolution of the NEURC of 23.12.2016 No 2362¹⁶⁴ for 18 major pipelines were valid. However, as the Procedure for setting tariffs for oil transmission through the major pipelines was amended in order to introduce a gradual tariff revision mechanism,¹⁶⁵ different tariffs applied to Ukrtransnafta JSC during the period from November 1, 2019 to October 31, 2020 (the first year of the transition period) and the number of transmission routes was reduced from 18 to 6¹⁶⁶ (Table 5.45).

Table 5.45: Tariffs for oil transmission through the major oil pipelines of Ukrtransnafta JSC applied in 2019¹⁶⁷

Nº	Name of company	Tariff, UAH per net ton (net of VAT)
1	Dolyna oil pumping station – Galychyna refinery	118.57
2	Gnidynsi oil pumping station – Kremenchuk refinery	71.77
3	Hlynsko-Rozbyshivska dispatching station – Kremenchuk refinery	51.58
4	nn Mala Pavlivka– Kremenchuk refinery	74.78
5	Pivdennyi onshore oil terminal – Kremenchuk refinery	147.08
6	Odesa PZD – Kremenchuk refinery	132.13

The Oil Transmission System Operator income and financial result

The operating income of Ukrtransnafta JSC in the reporting period amounted to UAH 3,576.7

¹⁶³ Ukrtransnafta JSC, Annual information, 2017-2019, <https://www.ukrtransnafta.com/dokumenty/>; Naftogaz of Ukraine NJSC Annual report 2019, https://www.naftogaz.com/files/Zvity/Naftogaz_2019_UA.pdf

¹⁶⁴ NEURC Resolution of 23.12.2016 No 2362, <https://www.nerc.gov.ua/?id=22883>

¹⁶⁵ NEURC Resolution of 04.10.2018 No 1150, <http://h8.nerc.gov.ua/index.php?id=35017>

¹⁶⁶ NEURC Resolution of 11.10.2019 No 2108, <https://zakon.rada.gov.ua/laws/show/v2108874-19#Text>

¹⁶⁷ NEURC Statement of performance 2019 http://www.nerc.gov.ua/index.php/map_1/data/filearch/Proekty/2019/?id=51822

million, which is 7.7% less than in 2018. In 2019, the net profit also dropped significantly to UAH 779.2 million compared to UAH 1,463.2 million in the previous year (**Figure 5.25**).

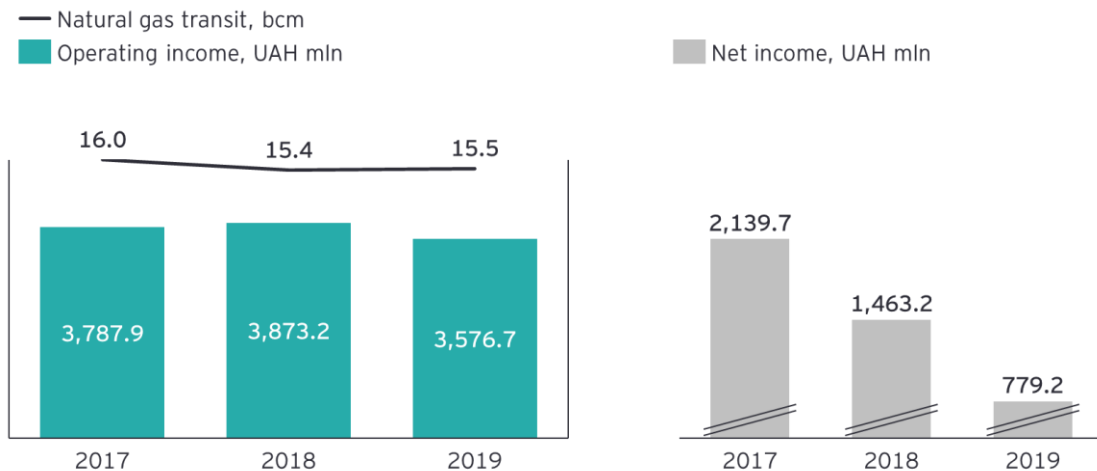


Figure 5.25: Operating income and net profit of JSC Ukrtransnafta vs transit volumes in 2017-2019¹⁶⁸

As part of the preparation of this EITI Report, Ukrtransnafta JSC provided information on transmission volumes and revenues for the oil transmission service by payer and transportation route (**Table 5.46**). According to Ukrtransnafta JSC, the payments from the reporting extractive companies, namely Ukrnafta PJSC were received for oil transportation services in the amount of UAH 196,092.80 thousand.

Table 5.46: Revenue of Ukrtransnafta JSC from oil transmission services by payer in 2019¹⁶⁹

Name of company	Physical volume, thousand tons	Total payments, UAH thousand (net of VAT)	Transportation route
Ukrtransnafta JSC	119.40	3,150.90	Boryslav - Drohobych Refinery
Ukrtransnafta JSC	252.90	26,440.70	Dolyna - Drohobych Refinery
Ukrtransnafta JSC	32.10	2,496.50	Oriv - Drohobych Refinery
Ukrtransnafta JSC	99.10	4,257.70	Hlynsko Rozbyshivska - Kremenchuk Refinery
Ukrtransnafta JSC	444.80	24,584.20	Gnidyntsi - Kremenchug Refinery
Ukrtransnafta JSC	461.10	26,284.60	Mala Pavlivka - Kremenchug Refinery
Ukrtransnafta JSC	64.90	6,578.60	Pivdennyi onshore oil terminal - Kremenchuk Refinery
Ukrtransnafta JSC	908.00	102,299.60	Odessa - Kremenchuk Refinery
Total Ukrtransnafta JSC	2,382.30	196,092.80	-
Transneft JSC	8,819.10	2,199,809.90	32 km Mozyr-Brody - Budkovce
Transneft JSC	4,307.40	1,077,518.00	32 km Mozyr-Brody - Feneshlitke
Transneft JSC	2,155.10	103,239.80	Reservation of production transmission capacities
Total Transneft JSC	15,281.60	3,380,567.70	-
Total	17,663.90	3,576,660.50	-

¹⁶⁸ Ukrtransnafta JSC, Financial statements, 2017-2019, <https://www.ukrtransnafta.com/dokumenti/>

¹⁶⁹ The information is obtained from the responses of Ukrtransnafta JSC as part of preparation of this EITI Report

Two reporting companies also provided information on their expenditures for the oil transmission service in the reporting period, namely Ukrnafta JSC and its subsidiary Ukrkarpatoil LTD JV (**Table 5.47**). According to Ukrnafta JSC, it paid UAH 34,247.30 thousand to Ukrtransnafta JSC in 2019.

Reconciliation of payments for oil transportation services, as in the case of natural gas transportation, is limited by the lack of clear instructions for production companies and the main pipeline operator to fill in the reporting forms. According to the current reporting forms, mining companies provide data on the transportation of extracted products. However, it is not clear from answers of Ukrtransnafta JSC whether the data provided by it include transportation of only products produced in Ukraine or imports.

Table 5.47: Payments made by the reporting oil and gas companies for oil transmission services in 2019¹⁷⁰

Paying company	Physical volume, thousand tons	Total cost, UAH thousand	Name of the company that transported the extracted natural gas	Transportation rout
Ukrnafta JSC	1,370.30	34,247.30	Ukrtransnafta JSC	Ukrtransnafta JSC - NPK-Galychyna PJSC
Ukrkarpatoil LTD LLC JV	56.40	4,934.40	Ukrnafta PJSC, Nadvirnaftogaz NGVU	Nadvirnaftogaz NGVU - Naftokhimik Prykarpattia PJSC
	56.47	44,859.00	Naftokhimik Prykarpattia PJSC	Naftokhimik Prykarpattia PJSC - Ukrtatnafta PJSC
Total	1,483.17	84,040.70	-	-

Joint Venture Ukrkarpatoil LTD LLC also provided information on its expenditures for the oil storage service in the reporting period (**Table 5.48**).

Table 5.48: Payments of the reporting oil and gas companies for the oil storage service in 2019¹⁷¹

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	45,450.94

5.2.6 Exports and imports of oil and natural gas

Unlike to the year 2018, when oil was not exported, in 2019 a small amount of oil - 0.1 thousand tons worth USD 0.05 million was exported from Ukraine. Almost all exports were made to Latvia (99.99%) and a small part (0.01%) to the United Arab Emirates.

The volume of oil imports compared to 2018 increased by 3.10% and amounted to 790.63 thousand tons. The bulk of imports (76.67%) are provided by Azerbaijan (606.18 thousand tons worth USD 313.18 million), and the USA (173.83 thousand tons worth USD 93.82 million).

¹⁷⁰ The information is obtained from the responses of the companies

¹⁷¹ The information is obtained from the responses of the companies

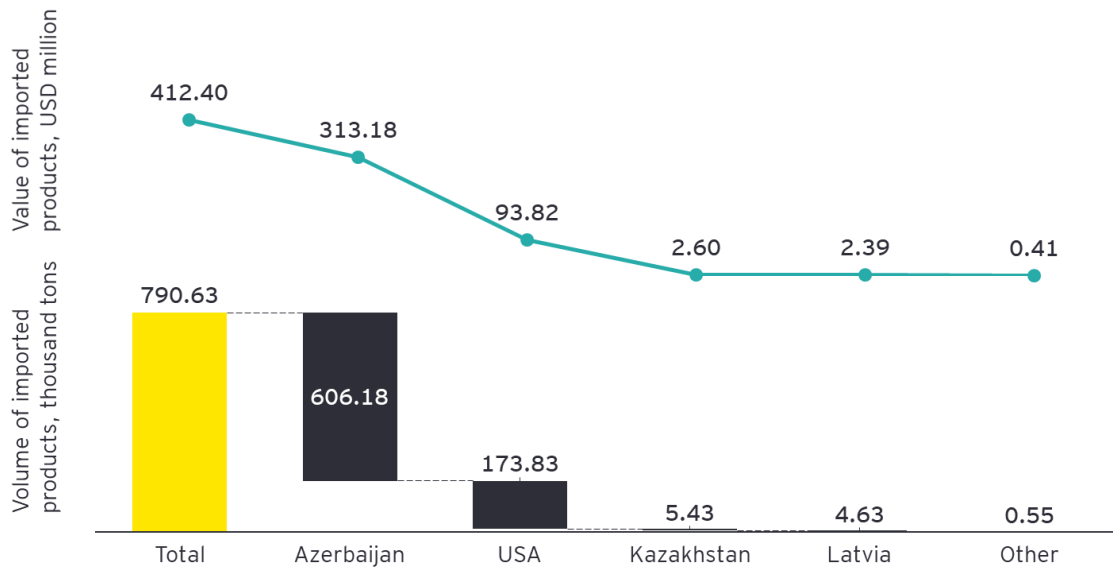


Figure 5.26: Volumes of oil imports by countries in physical and monetary units in 2019¹⁷²

In 2019, 11.77 bcm of natural gas were imported, which is 12.37% more than the previous year. In particular, compared to 2018, the share of Switzerland in total imports increased, it is 44.47% (5.23 bcm worth USD 1,017.16 million). Other supplier countries include Germany (29.09% of the total imports), Poland (5.69%), the Czech Republic (5.13%), Hungary (4.71%), France (3.38%) and others.

Ukraine did not export natural gas in 2018 or 2019.

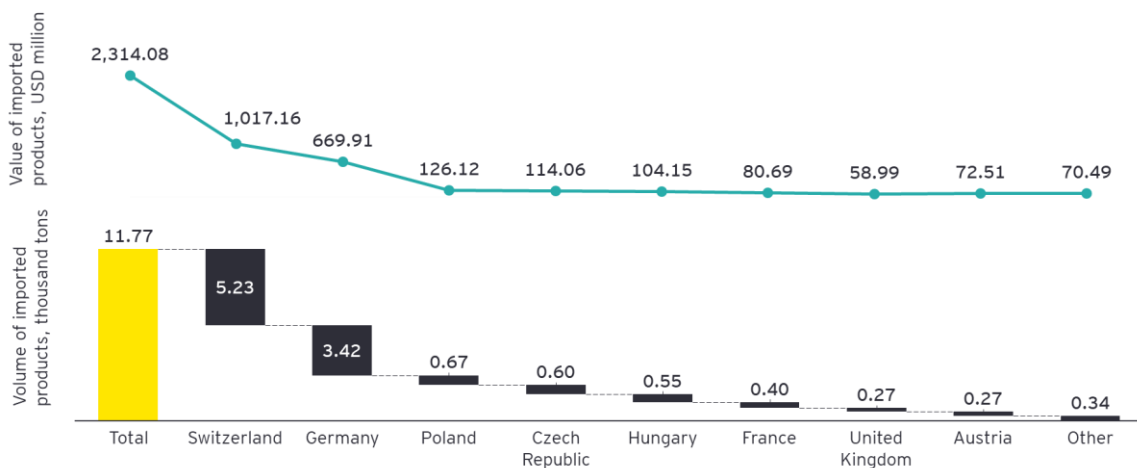


Figure 5.27: Volumes of oil imports by countries in physical and monetary units in 2019¹⁷³

¹⁷² State Statistics Service, Foreign trade in certain types of goods by country, 2019, http://www.ukrstat.gov.ua/operativ/operativ2019/zd/e_iovt/arh_iovt2019.htm

¹⁷³ State Statistics Service, Foreign trade in certain types of goods by country, 2019, http://www.ukrstat.gov.ua/operativ/operativ2019/zd/e_iovt/arh_iovt2019.htm

Conclusions to the section

The leading companies in the industry - Naftogaz of Ukraine NJSC and Nadra of Ukraine NJSC - are owned by the state.

As of the end of 2019, the balance sheet reserves of natural gas amounted to 778,195 mcm, oil - 94, 101 thousand tons, gas condensate - 36, 968 thousand tons. The largest reserves of oil, natural gas and gas condensate are concentrated in the Eastern region - 55.43%, 77.92% and 91.11%, respectively.

According to the results of geological exploration works in the reporting period on the territory of Ukraine there was an increase in natural gas reserves by 17,540 mcm, oil - by 767 thousand tons, gas condensate - by 418 thousand tons.

Natural gas extraction in 2019 decreased by 1.07% compared to 2018 and amounted to 20,724 mcm. At the same time, the volumes of oil and gas condensate production, compared to the previous reporting period, increased by 6.10% (1,721 thousand tons) and 10.01% (747 thousand tons), respectively.

Overall, in 2019, the total volume of natural gas accumulated in the underground storage facilities amounted to 21.8 bcm, which is 24.5% less than in 2018.

The volume of total natural gas and oil transmitted to domestic consumers and transited through the territory of Ukraine in 2019 increased by 0.6% compared to 2018 and amounted to 116.0 bcm and 15.5 million tons, respectively.

The net income of Ukrtransgaz JSC in 2019 increased by 58.3% and amounted to UAH 3,274.7 million, while the net profit of Ukrtransnafta JSC decreased significantly by 53.2% and amounted to UAH 779.2 million.

Compared to 2018, when oil was not exported, in 2019 a small amount of oil was exported - 0.1 thousand tons, while imports compared to 2018 increased by 3.10% and amounted to 790.63 thousand tons. Like in the year 2018, in 2019 reporting year, natural gas was not exported, while imports increased by 12.37% and amounted to 11.77 bcm.

5.3 Iron ores mining

5.3.1 The role of the state in iron ores mining industry

In 2019, as in the previous year, iron ores were mined exclusively by private companies. Some state-owned companies performed exploration, technical testing and research. There were three of them: Directorate of Kryvyi Rih Iron Ore Enrichment Works of Oxidized Ores SE (hereinafter - KGZKOR Directorate SE), Ukrainian Geological Company SE, Pivdenukrgeologiya CC.

KGZKOR Directorate SE was under the Ministry of Economic Development and Trade of Ukraine and carried out technical testing and research. KGZKOR Directorate SE does not conduct any mining activities, as previously planned, due to lack of financial support for the construction, and its activities is supported through the budget programs. In 2019, UAH 29,350.00 thousand was allocated to support the operations of Kryvyi Rih Iron Ore Enrichment Works of Oxidized Ores.

Table 5.49: Use of funds under certain budget iron ore mining programs in 2019¹⁷⁴

Name of budget program	General fund	
	Allocated funds, thousand UAH	Funds actually used in 2019, thousand UAH
Supporting operations of the Kryvyi Rih Iron Ore Enrichment Works of Oxidized Ores	29,350.00	29,350.00

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

5.3.2 Iron ores reserves

Iron ore reserves in Ukraine are concentrated in two iron ore basins (Kryvyi Rih, Kerch) and three iron ore areas (Bilozirsky, Kremenchuk, and Mariupol). Most of them are located in the territory of the Ukrainian Crystal Shield in the Kryvyi Rih iron ore basin, where rich ores are mined mainly using the underground method, iron quartzites ores are extracted using open and partially underground method. Deposits of brown iron ore are not developed because they are not in demand.

The Kerch Iron Ore Basin, located in the north-eastern part of the Indolo-Kuban Depression, contains explored reserves of brown iron ore, which have been preserved since 1992. The up-to-date information on Kerch Iron Ore Basin deposits is currently unavailable as they are located in the territories where Ukrainian government authorities temporarily do not exercise their powers.

¹⁷⁴ Treasury, Annual Report on the Execution of the State Budget of Ukraine for 2019 (Section II.1), <https://www.treasury.gov.ua/storage/app/uploads/public/5e7/cb7/964/5e7cb79649d80136399092.xlsx>



Figure 5.28: Geographical location of iron ore areas

In the Kremenchug Iron Ore area, Poltava Iron Ore Enrichment Works PrJSC operates, where rich ores, easily enriching magnetite and cummingtonite-magnetite quartzites are developed. In Bilozirsky ore area, Zaporizhzhya Iron Ore Plant PrJSC produces rich ores underground.

According to the Geoinform of Ukraine, as of January 1, 2020, the balance sheet reserves of iron ore amounted to 18,836.46 million tons. Overall, there were 60 iron ore deposits in Ukraine. The largest volume of balance sheet reserves of Ukraine is located in the Dnipropetrovsk region (9, 444.05 million tons or 50.14%), followed by Poltava region (5,064.42 million tons or 26.89%) and Zaporizhzhya region (2,853.70 million tons or 15.15%). In addition, iron ore reserves are located in the Autonomous Republic of Crimea (868.73 million tons or 4.61%), Kirovograd region (322.06 million tons or 1.71%) and Donetsk region (283.50 million tons or 1.51%).

In 2019, the total balance sheet reserves of iron ore decreased compared to last year by 0.22%, including in Poltava region - by 0.48%, Zaporizhzhya region - by 0.36%, Kirovograd region - by 1.81%, Donetsk region - by 0.18%.

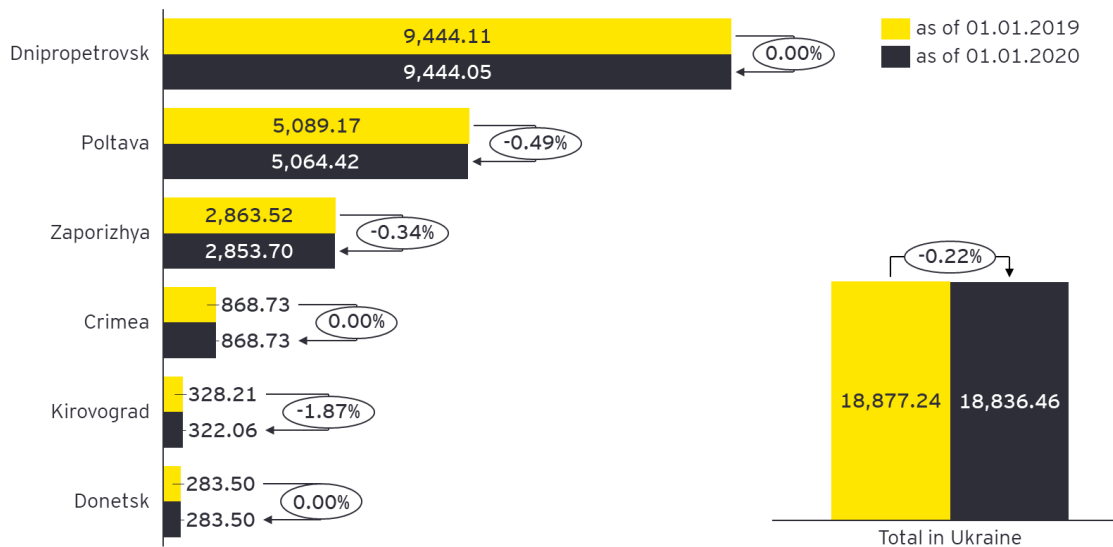


Figure 5.29: Iron ores balance sheet reserves structure by region of Ukraine as of 01.01.2019 and 01.01.2020, million tons¹⁷⁵

The sufficiency of Ukraine's iron ore balance sheet reserves can be determined as high. Provided that iron ore mining continues to remain at the level of 2019, the balance sheet reserves will be enough to meet the current needs of the country for 120 years.

5.3.3 Significant explorations

During 2019, a number of significant geological exploration of iron ore deposits were carried out in Ukraine, including the following:

- ▶ Ukrgeoinvest Consulting LLC, under the TOR issued by Sukha Balka PrJSC conducted a geological and economic revaluation of rich iron ore reserves in the field owned by Frunze mine, at a depth of 500 to 1,275 m. In addition, a geological and economic assessment of the rich iron ores and magnetite ferrous quartzites reserves in the field owned by Jubileina mine at a depth of 500 to 1,580 m was performed.
- ▶ Veagnu LLC performed a preliminary geological and economic revaluation of rich iron ores of the Pereverzivskoye deposit and reserves of ferrous quartzites (magnetite) of the Ingulets deposit owned by Ingulets Iron Ore Enrichment Works PrJSC to a depth of up to 840 m.
- ▶ Heolog Production Cooperative conducted a geological and economic assessment of iron ore reserves of the Pervomaisky deposit and the field of the Pershotravneva mine, under the TOR issued by Northern Iron Ore Enrichment Works PrJSC.
- ▶ Geoprof LLC performed geological and economic revaluation of magnetite ferrous quartzite reserves of the Novokryvorizke deposit (Southern part, Site №1 (quarry №2-bis) of ArcelorMital Kryvyi Rih PJSC.
- ▶ Geoprof LLC, under the terms of reference developed by Rudomine LLC performed a geological and economic assessment of the feasibility of developing iron ore reserves

¹⁷⁵ Geoinform of Ukraine, State Balance Sheet of Mineral Reserves of Ukraine, Iron Ores (Issue 34), 2020

for re-development of the fifth and sixth iron horizons of the Pivdenny quarry in the amount of 2,437.6 thousand tons of category C2 iron ore reserves.

A number of significant explorations during 2019 were suspended. For example, the exploratory assessment of Pishchansky, Saransky, Baibuzovsky iron ore occurrences in the Middle Pobuzhya to be performed by the Ukrainian Geological Company SE. The works have been suspended since 2011 due to limited funding. In 2019, the geological exploration works performed by Pivdenukrgeologiya CC at the Huliaipilske, Valyavkynske, Popelnastivske and Chortomlykske deposits were also suspended.

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 ore mining in 2019 increased by 3.14% compared to the previous year and amounted to 157.44 million tons. During the period from 2013, the general declining trend of iron ore mining (157.44 million tons in 2019 compared to from 177.40 million tons in 2014) is observed.

In 2019, iron ore was mined in four Ukrainian regions: Dnipropetrovsk - 75.68% (119.15 million tons), Poltava - 17.71% (27.89 million tons), Kirovograd - 3.83% (6.03 million tons), Zaporizhyya - 2.78% (4.38 million).

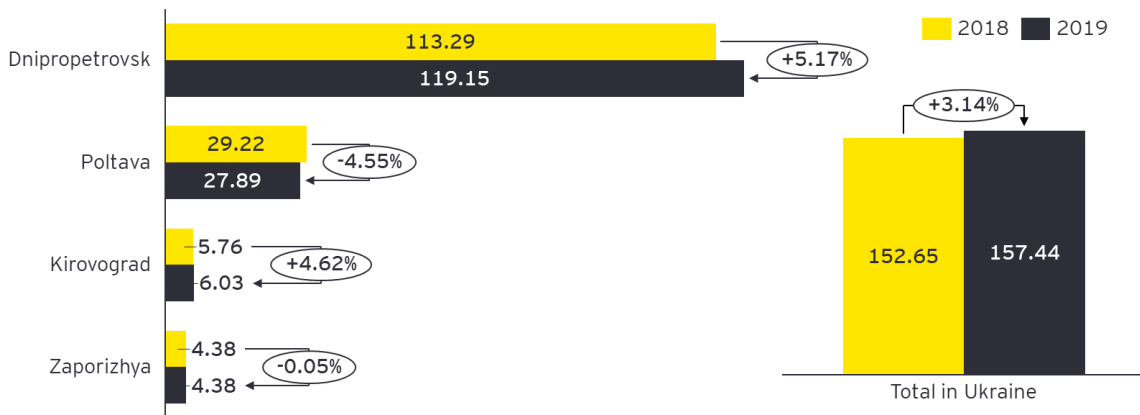


Figure 5.30: Volumes of iron ore mining in Ukraine by region in 2018-2019, million tons ¹⁷⁶

¹⁷⁶ Geoinform of Ukraine, Yearbook "Mineral Resources of Ukraine", 2018, http://geoinf.kiev.ua/M_R_2018_1.pdf

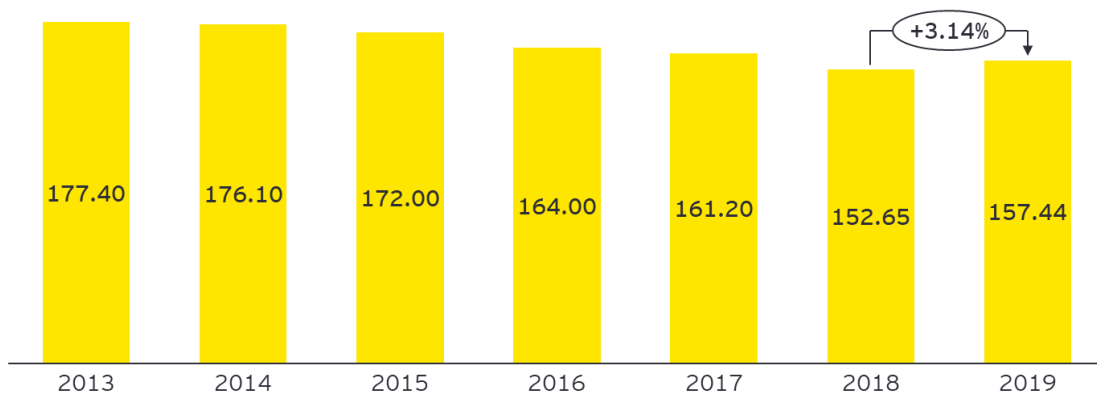


Figure 5.31: Dynamics of iron ore production in Ukraine in 2013-2019, million tons¹⁷⁷

In 2019, 10 enterprises were engaged in iron ore mining in 8 mines and 13 deposits. According to Geoinform of Ukraine, the largest volumes was produced by Ingulets Iron Ore Enrichment Works PrJSC (27,748.50 million tons), Southern Iron Ore Enrichment Works PJSC (28,414.60 million tons), Northern Iron Ore Enrichment Works PrJSC (25,698 million tons), and ArcelorMittal Kryvyi Rih PJSC (24,237.00 million tons).

The increase in the total production of iron ore in 2019 by 3.14% is mainly due to the growth of production at ArcelorMittal Kryvyi Rih PJSC - by 2,286.00 million, Northern Mining concentrating plant PrJSC - y 2,195.00 million tons, Southern Iron Ore Enrichment Works PJSC - by 1,220.20 million tons, year to year. The largest decrease in production in absolute terms was demonstrated by Poltava Iron Ore Enrichment Works PrJSC - by 1,008.00 million tons.

In terms of deposits, the largest increase in production in 2019 in real terms was observed at the Pervomaiske field (Northern Iron Ore Enrichment Works PrJSC) - by 2,321.00 million tons, Valyavkynske field (ArcelorMittal Kryvyi Rih PJSC) - by 1,868.00 million tons, Skelevatsko-Magnetitove field (Southern Iron Ore Enrichment Works PJSC) - by 1,202.20 million tons (Table 5.50).

Table 5.50: Volumes of iron ore mining by enterprise and deposit in 2016-2019¹⁷⁸

Company	Deposit	Production volumes, thousand tons		
		2017	2018	2019
ArcelorMittal Kryvyi Rih PJSC	field of the mine named after Artem (former Kirov mine)	673.0	820.0	757.0
	Novokryvorizkw deposit (southern section)	9,526.0	9,373.0	9,854.0
	Valyavkynske deposit (southern section)	11,277.00	11,758.00	13,626.00

¹⁷⁷ Geoinform of Ukraine, State Balance Sheet of Mineral Reserves of Ukraine, Iron Ores (Issue 34), 2020; Geoinform of Ukraine, Yearbook "Mineral Resources of Ukraine", 2017

¹⁷⁸ Geoinform of Ukraine, State Balance Sheet of Mineral Reserves of Ukraine, Iron Ores (Issue 34), 2020.

Company	Deposit	Production volumes, thousand tons		
		2017	2018	2019
Mariupol Metallurgical Plant named after Ilyich PJSC	Saksaganske deposit (Pivnichny quarry)	580.40	733.20 ¹⁷⁹	-
Sukha Balka PrJSC	Jubileina mine	1,813.60	1,837.00	1,667.00
	mine named after Frunze	951.50	876.70	992.00
Central Iron Ore Enrichment Works PrJSC	Velyka Gleyuvatka deposit	5,059.00	4,916.00	4,550.00
	Mine named after Ordzhonikidze	1,279.00	1,209.00	1,217.00
	Petrivske deposit	4,002.00	3,851.00	4,118.00
	Artemivske deposit	1,845.00	1,912.00	1,911.00
Ingulets Iron Ore Enrichment Works PrJSC	Inguletske deposit (sites 12, 12P)	26,040.10	27,043.10	27,748.50
Southern Iron Ore Enrichment Works JSC	Skelevatsko-Magnetytovo deposit	26,918.40	27,212.40	28,414.60
Northern Iron Ore Enrichment Works PrJSC	Pervomaiske deposit	18,236.0	17,567.00	19,888.00
	Hannivske deposit	6,398.00	5,936.00	5,810.00
Kryvyi Rih Iron Ore Plant PJSC	Ternivska mine (named after Lenin)	1,201.00	1,084.20	1,157.30
	Hvardiyska mine	1,330.10	1,433.20	1,221.20
	Oktyabrskaya mine	1,077.50	873.60	706.40
	Rodina mine	1,243.80	1,354.90	1,539.90
Foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC	Pivdenno-Bilozerske deposit	4,119.00	3,940.00	3,996.00
	Pereverzivske deposit	264.00	439.00	381.00
Poltava Iron Ore Enrichment Works PrJSC	Horishne-Plavninske-Lavrykivske deposit	26,499.00	17,374.00	16,366.00
Yerystiv Iron Ore Enrichment Works LLC	Erystivske deposit	11,471.00	11,841.00	11,521.00

5.3.4.2 The cost of iron ore mining

The open sources of information contain no disaggregated data on the cost of products in the iron ore mining industry, so obtaining such information required a separate request to the State Statistics Service. In response to the request submitted by the Independent Administrator to

¹⁷⁹ According to Geoinform of Ukraine, in 2018, additional 733.20 thousand tons of iron ores (and 580,40 thousand tons in 2017) were extracted at the Saksaganske deposit (quarry Pivnichny) of Mariupol Metallurgical Plant named after Ilyich PJSC. The ores were mined as commercial commodity although they were previously recognized as lost ores. These volumes are not included in the total volume of extracted iron ores in Ukraine.

the State Statistics Service, the data were obtained on sales (goods and services) by type of economic activity according to NACE-2010. According to the received data, the entire metal ores extractive industry (the types of economic activity coded B07 "Metal ores mining") during 2019 sold products UAH 155,171.18 million worth. Of these, sales of iron ore mining products (NACE-2010 code B07.1) amounted to UAH 143,118.13 million, or 92.23% of the total sales of the entire metal ore mining industry.

The metal ore mining industry is clearly export orientated, and the information on the volume of mining and the price of products on international markets is publicly available. However, most domestic enterprises sell iron ore with different levels of enrichment. That is why the Independent Administrator did not calculate the cost of mining.

As an alternative assessment approach, the information provided by the reporting companies¹⁸⁰ during the preparation of the EITI Report 2019 was used. Thus, the total revenue of the reporting companies in the iron ore mining industry amounted to UAH 130,842.13 million (net of VAT), of which:

- ▶ revenue from sales of marketable products in the territory of Ukraine - UAH 44,824.70 million;
- ▶ revenue from exports of marketable products - UAH 86,017.43 million.

The detailed information is provided in the table below (*Table 5.51*).

Table 5.51: Revenues from sales of marketable products produced by the iron ore mining reporting companies in 2019¹⁸¹

Company	Volumes of unenriched ore 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	28,075.00	10,886.24	13,964.90	6,135.11
Central Iron Ore Enrichment Works PrJSC	12,533.17	4,234.63	133.38	11,949.90
Southern Iron Ore Enrichment Works PJSC	28,694.50	13,066.92	5,428.16	19,777.33
Northern Iron Ore Enrichment Works PrJSC	25,698.00	12,069.45	18,956.97	9,515.99
Yerystiv Iron Ore Enrichment Works LLC	11,647.00	10,657.15	1,477.82	3,179.24
Kryvyi Rih Iron Ore Plant PJSC	5,622.70	4,284.89	1,985.14	4,574.07
ArcelorMittal Kryvyi Rih PJSC	44,807.00	1,973.48	0.00	3,792.14

¹⁸⁰ As part of the preparation of the EITI Report 2019, a list of accountable companies subject to reconciliation of payments was made up (for more details, see *Section 8*)

¹⁸¹ According to the information provided by the accountable companies under 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	Volumes of unenriched ore 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
Poltava Iron Ore Enrichment Works PrJSC	16,685.06	8,971.20	0.00	2,3954.11
Foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC	4,563.80	4,825.37	2,878.32	3,139.54
Total	17,8326.23	70,969.33	44,824.70	86,017.43

5.3.5 Exports and imports of iron ores and iron ores products

The volume of exports of non-agglomerated iron ores and concentrates in 2019 amounted to 24,850.76 thousand tons worth USD 1,774.26 million and increased by 17.18% compared to 2018. The major part was exported to China - 42.73% of total exports or 10,618.91 thousand tons. The next top countries in terms of exports were Poland (18.68% or 4,642.67 thousand tons), the Czech Republic (16.47% or 4,642.67 thousand tons), Slovakia (8.17% or 2,029.53 thousand tons) and others.

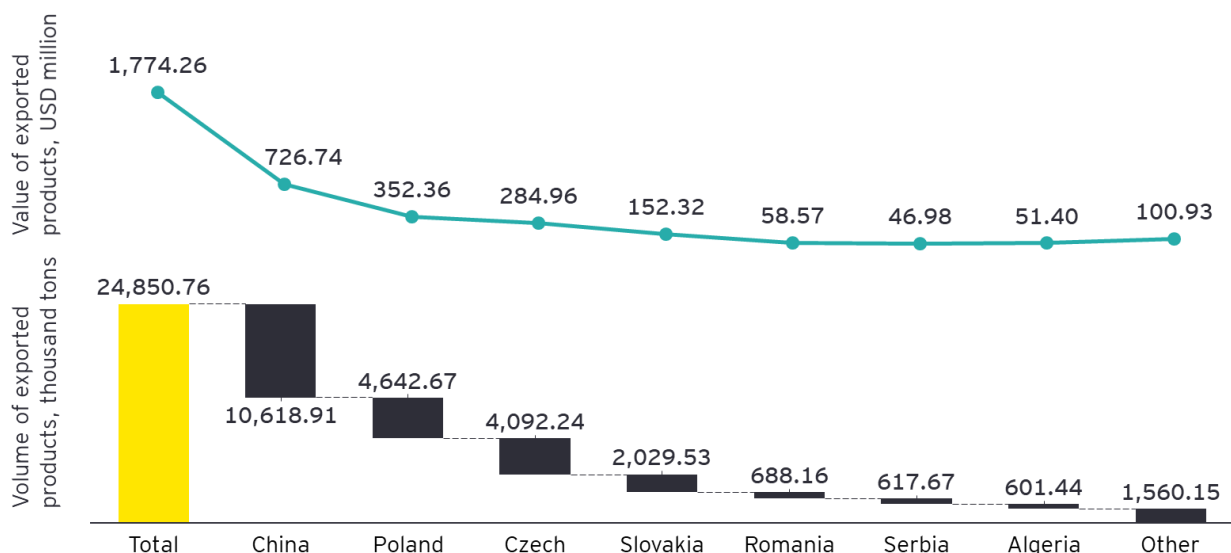


Figure 5.32: Exports of non-agglomerated iron ore and concentrates in physical and monetary units in 2019¹⁸²

¹⁸² State Statistics Service, Foreign trade in certain types of goods by country, 2019, http://www.ukrstat.gov.ua/operativ/operativ2019/zd/e_iovt/arh_iovt2019.htm

The volume of exports of agglomerated iron ore and concentrates in 2019 amounted to 15,051.08 thousand tons, which is 4.12% less than in 2018. A significant share of the total exports was to China (31.91% of total exports), followed by Austria (16.17%), Germany (7.32%), Serbia (6.99%), Japan (6.91%) and other countries.

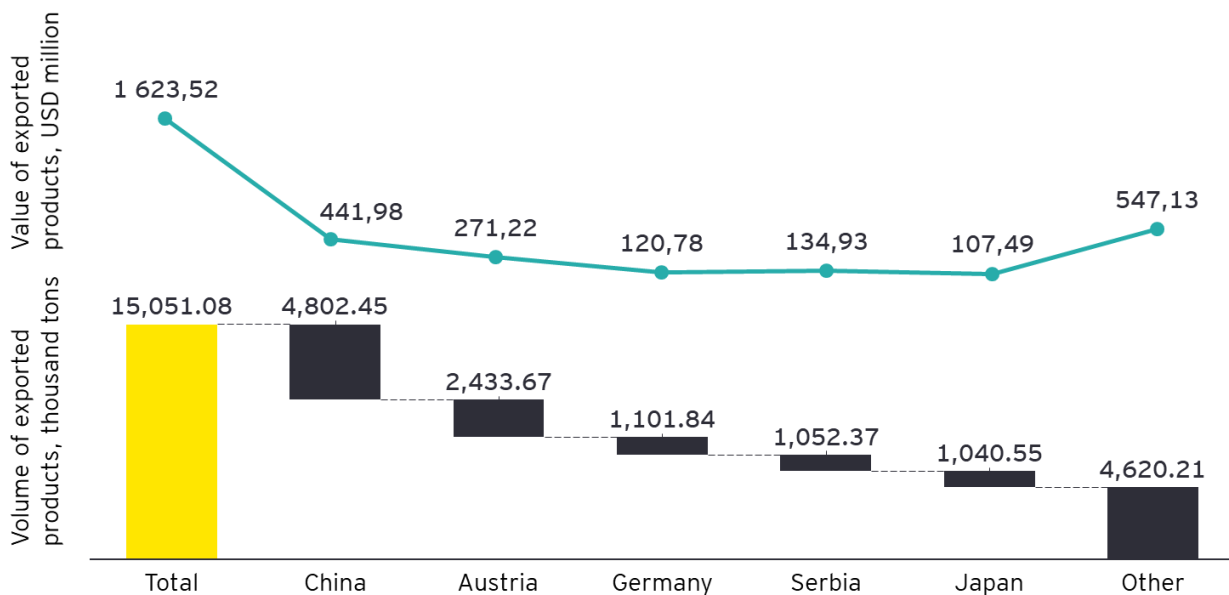


Figure 5.33: Exports of agglomerated iron ore and concentrates in physical and monetary units in 2019¹⁸³

The imports of non-agglomerated iron ore and concentrates in 2019 amounted to 0.28 thousand tons worth USD 0.12 million. Its drop by 99.74% compared to 2018 is due to the cessation of supplies from Russia. Now, the Netherlands (76.50% of total imports) and the United Kingdom (23.25%) are the major suppliers to Ukraine.

The imports of agglomerated iron ore and concentrates in 2019 amounted to 13.96 thousand tons and increased more than 4 times compared to 2018. Almost all imports were from Russia.

¹⁸³ State Statistics Service, Foreign trade in certain types of goods by country, 2019, http://www.ukrstat.gov.ua/operativ/operativ2019/zd/e_iovt/arh_iovt2019.htm

Conclusions to the section

As of January 1, 2020, the iron ore reserves in Ukraine amounted to 18,836.46 million tons. Geographically, iron ore reserves are concentrated in two iron ore basins (Kryvyi Rih, Kerch) and three iron ore areas (Bilozirsky, Kremenchuk, and Mariupol). More than half of the total reserves (50.14%) are located in the Dnipropetrovsk administrative region.

The volume of iron ore mining in 2019 amounted to 157.44 million tons, which is 3.08% more than in the previous year. In particular, a significant increase in production was observed at ArcelorMittal Kryvyi Rih PJSC, Northern Iron Ore Enrichment Works PJSC, Southern Iron Ore Enrichment Works PJSC.

In 2019, there was an increase in exports of non-agglomerated iron ores and concentrates by 17.18% compared to the previous year to 24,850.76 thousand tons, and exports of agglomerated iron ores and concentrates decreased by 4.12% and amounted to 15,051.08 thousand tons. The bulk of exports of non-agglomerated and agglomerated iron ore and concentrates was to China.

Imports of non-agglomerated and agglomerated iron ores and concentrates are insignificant compared to exports. The volume of imports of non-agglomerated iron ores and concentrates in 2019 fell by 99.74% compared to 2018 due to the cessation of supplies from Russia and amounted to 0.28 thousand tons. Almost all imports of agglomerated iron ores and concentrates was to Russia and increased more than 4 times in 2019 compared to the previous year to t 13.96 thousand tons.

5.4 Titanium ores mining

5.4.1 Role of the state in titanium ores mining industry

In the field of titanium ore mining, the state is represented by United Mining and Chemical Company JSC, whose sole founder is the Ministry of Economic Development and Trade of Ukraine. Structurally, the company unites two separate divisions: Vilnohirsky Mining and Processing Plant and Irshansky Mining and Processing Plant.

However, as of October 2019, the functions of managing the shares of United Mining and Chemical Company JSC were transferred to the State Property Fund of Ukraine, which actually means the beginning of the privatization of the enterprise.¹⁸⁴ According to the data provided by United Mining and Chemical Company JSC during the reporting period, the company did not receive state aid from the government authorities, local governments or other state aid providers during the reporting period. According to the company's financial statements, as of January 1, 2019, the uncovered loss amounted to UAH 115,087 thousand, and as of December 31, 2019 - UAH 115,038 thousand.

5.4.2 Titanium ores reserves

Titanium ore reserves in Ukraine are concentrated in the territory of the Ukrainian Crystal Shield, which is one of the leading titanium-bearing provinces in the world. The titanium ores raw material base includes more than 40 deposits, including one unique, 13 large and 10 medium. There are 4 geological & industrial types of deposits where the key titanium ores reserves in Ukraine are located: (1) primary magmatogenic in gobronorites and tactolites apatite-ilmenite deposits of Volyn type; (2) Irshansky type placers of one- and two-mineral composition; (3) Malyshevsky geological & industrial type sea placers of complex rutile-zircon-ilmenite (polymineral) composition; (4) exogenous (residual) ilmenite deposits in the weathering crust.

However, for industrial purposes, titanium ores are mined from coastal placers in the central part of Ukraine (Malyshevskoe deposit) and continental placers of close demolition in the northwest of the Ukrainian Shield (Mezhyrichne, Livoberezhne, Pravoberezhne and others that make up the Irshansky group of deposits).

The data on titanium ore reserves in Ukraine are a state secret,¹⁸⁵ that is why they are not made public. An additional source of information on titanium ore reserves in Ukraine and the world is a study by the US Geological Survey on mineral resources, which is published annually and is free to access. According to the US Geological Survey, the reserves of titanium ores (ilmenite, rutile) at the end of 2019 amounted to 8,400 thousand tons or 1.03% of the world reserves.

¹⁸⁴ United Mining and Chemical Company,

https://umcc.com.ua/news/1303/oghk_perehodit_do_fondu_derjmayna_dlya_privatizats%D1%96i

¹⁸⁵ According to the order of the Security Service of Ukraine of 12.08.2005 No 440 "On approval of the Code of information constituting a state secret", <https://zakon.rada.gov.ua/laws/show/z0902-05#Text>

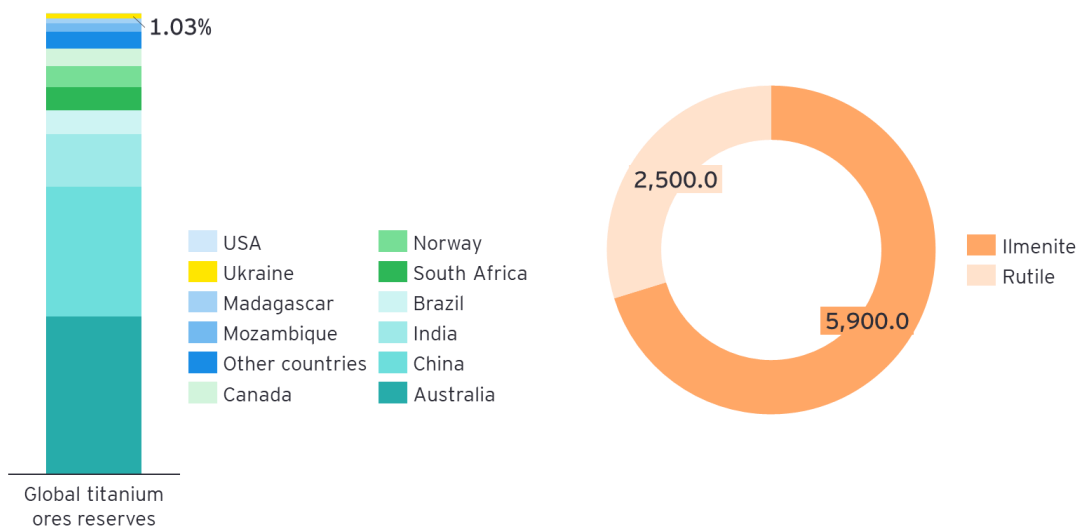


Figure 5.34: Reserves of titanium ores in Ukraine as of January 1, 2019, thousand tons¹⁸⁶

According to United Mining and Chemical Company JSC, the total balance sheet reserves of titanium ores amounted to 45,368 thousand cubic meters, and the volume of conditionally on-balance sheet reserves and off-balance sheet reserves - 82,179 thousand cubic meters. The volume of balance sheet reserves of zircon-rutile-ilmenite sands as of the end of the reporting period amounted to 22,403 thousand cubic meters, and the volume of conditionally on-balance sheet reserves and off-balance sheet reserves - 53,719.30 thousand cubic meters.

5.4.3 Significant explorations

According to the results of the IV auction for the sale of special permits for subsoil use, which took place in 2019, Titan-Apatite Group LLC got a license to conduct a geological study of the Yurivska site (Zhytomyr region). No detailed information on exploration for titanium deposits is publicly available.

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, the production of titanium concentrates in Ukraine amounted to 474 thousand tons, including ilmenite concentrate - 380 thousand tons and rutile concentrate - 94 thousand tons. The total production of titanium concentrates in Ukraine was estimated at 6,24% of the world production.

¹⁸⁶ US Geological Survey, 2020, <https://pubs.usgs.gov/periodicals/mcs2020/mcs2020.pdf>

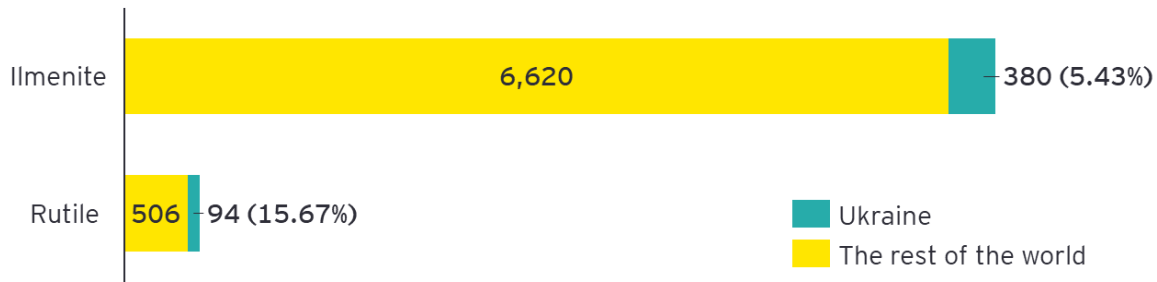


Figure 5.35: Volumes of titanium concentrate production in Ukraine and the world in 2019, thousand tons¹⁸⁷

According to the information provided by United Mining and Chemical Company JSC in the process of reporting, the volume of titanium ore mining in 2019 was:

- ▶ Titanium ores - 1,036 thousand cubic meters;
- ▶ Zircon-rutile-ilmenite-bearing sands - 4,451 thousand cubic meters

5.4.4.2 The cost of iron ore mining

The disaggregated data produced by the State Statistics Service on the value of products of the titanium ore mining industry are not publicly available. In response to the request of the Independent Administrator to the State Statistics Service, the data on the volume of sold products (goods and services) by type of economic activity according to NACE-2010 were obtained. According to the State Statistics Service, the value of the total sales of the metal ore mining industry (types of economic activity coded B07 "Metal ores mining") during 2019 is UAH 155,171.18 million, including sales of non-ferrous metal ores (NACE-2010 code B07.2), which includes the titanium ore industry, amounted to UAH 12,053.04 million, or 7.76% of total sales of the entire metal ore mining industry.

As an alternative source of information, the data provided by the reporting companies¹⁸⁸ during the preparation of this EITI Report 2019 was used. In titanium ores mining, the largest representative is United Mining and Chemical Company JSC, with 100% of its authorized capital owned by the state. According to the data received from the company, in 2019 it mined 1,036.00 thousand cubic meters of unenriched ore, while the sales of marketable products amounted to 219 thousand tons, of which 21.85 thousand tons were sold in Ukraine, and 197.15 thousand tons were exported. The total revenue from sales of marketable products of United Mining and Chemical Company JSC reached UAH 2,107.23 million, of which:

- ▶ revenue from sales on the territory of Ukraine (net of VAT) - UAH 190.42 million;
- ▶ revenue from sales of marketable products (net of VAT) exports - UAH 1,916.81 million¹⁸⁹

¹⁸⁷ According to a study by the US Geological Survey published in 2020, data on the production of titanium concentrate for 2019 are estimated. Source: US Geological Survey, 2020, <https://pubs.usgs.gov/periodicals/mcs2020/mcs2020.pdf>

¹⁸⁸ As part of the preparation of the EITI Report 2019, a list of accountable companies subject to reconciliation of payments was drawn up (for more details see *Section 8*)

¹⁸⁹ According to the information from United Mining and Chemical Company JSC received in the process of preparing the EITI Report 2019

5.4.5 Export and import of titanium ores

According to the State Statistics Service, in 2019, 620.91 thousand tons of titanium ores and concentrates worth USD 154.54 million were exported. The exports are 3.57% higher than last year in volume, and 22.92% - in value. The largest trading partners are Egypt (157.60 thousand tons), the Czech Republic (140.89 thousand tons), Russia (107.01 thousand tons), Mexico (87.34 thousand tons). Deliveries were also made to the USA (66.17 thousand tons), Kazakhstan (20.39 thousand tons), China (10.49 thousand tons) and other countries.

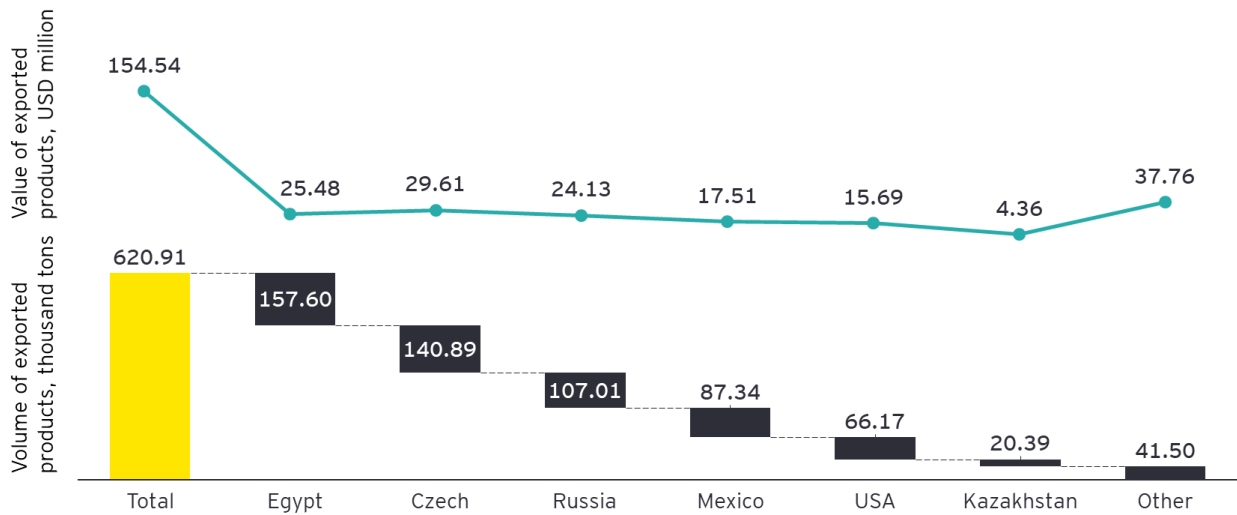


Figure 5.36: Exports of titanium ores and concentrates by country in physical and monetary units in 2019¹⁹⁰

The volume of titanium ores imports in 2019 decreased by 95.02% compared to the previous year and in absolute terms amounted to 0.791 thousand tons worth USD 0.56 million. The main supplier is still Senegal (0.790 thousand tons worth USD 0.55 million), and others countries including Kazakhstan, Vietnam, India.

¹⁹⁰ State Statistics Service, Foreign trade in certain types of goods by country, 2019, http://www.ukrstat.gov.ua/operativ/operativ2019/zd/e_iovt/arh_iovt2019.htm

Conclusions to the section

Titanium ore reserves in Ukraine are unique in their structure, so they have significant economic value both nationally and globally. The largest company in titanium ore mining is United Mining and Chemical Company JSC, which is a state-owned company and is managed by the Ministry of Economic Development and Trade of Ukraine.

The data on titanium ores (rutile, ilmenite) reserves in Ukraine are a state secret. The US Geological Survey estimates them at 8,400 thousand tons or 1.03% of the global reserves.

According to the US Geological Survey, the production of titanium ore concentrates are estimated at 474 thousand tons, of which ilmenite concentrate are 380 thousand tons, rutile concentrate - 94 thousand tons.

Exports of titanium ores and concentrates compared to 2018 increased by 3.57% and amounted to 620.91 thousand tons, while imports decreased by 95.02% and amounted to 0.791 thousand tons. Insignificant imports are due to the fact that Ukraine remains a net exporter of titanium ores and concentrates.

5.5 Manganese ores mining

5.5.1 Role of the state in the manganese ores mining industry

The state-owned enterprises are not engaged in manganese ore mining, while three private sector companies, namely Pokrovsky Mining and Processing Plant JSC, Marganets Mining and Processing Plant JSC and Landshaft LLC mined manganese ore in Ukraine in 2019. The state programs to support the industry in the reporting period were not implemented.

5.5.2 Manganese ores reserves

Ukraine is the second country in the world in terms of total reserves and the world leader in proven reserves of manganese ore. The main industrial reserves of manganese ore are concentrated in the South Ukrainian manganese ore province, which includes deposits of the world's largest Nikopol manganese ore basin (**Figure 5.37**). The thickness of the ore horizon in the Nikopol Basin averages 1.5-2.0 m, and the average depth is 40-75 m. Based on the mineral composition, there are three industrial types of manganese ores: oxide, carbonate and oxide-carbonate, or mixed.



Figure 5.37: Geographical location of manganese ore areas

The Nikopol manganese ore basin includes the Nikopol (which in turn contains Eastern and Western separate parts), Velyko-Tokmatske and Fedorivske deposits. In addition, the State balance sheet of mineral reserves in Ukraine accounts for the reserves of man-made deposit Maximov Sludge Storage Facility.

According to the Geoinform of Ukraine, as of January 1, 2020, the balance sheet reserves of manganese ore in Ukraine amounted to 2,167.02 million tons.

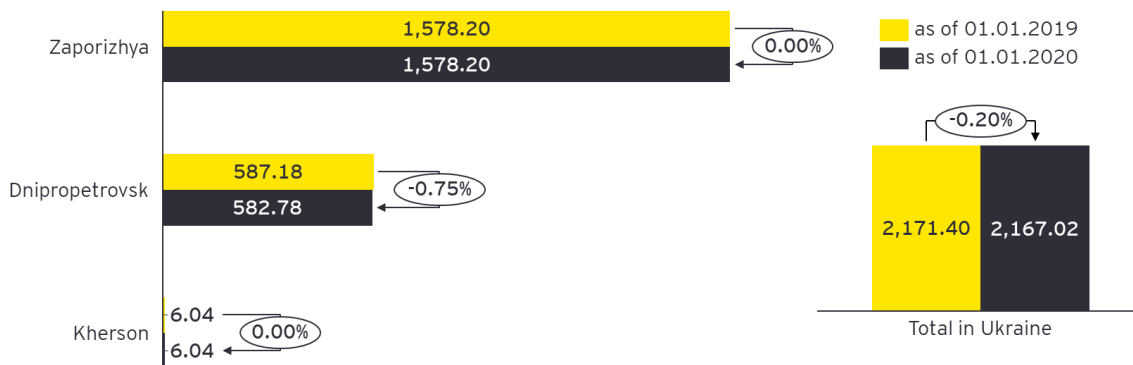


Figure 5.38: Balance sheet reserves of manganese ore by region of Ukraine as of 01.01. 2019 and 01.01.2020, million tons¹⁹¹

In terms of administrative oblasts, the balance sheet reserves of manganese ore are concentrated only in the territories of Zaporizhzhia, Dnipropetrovsk and Kherson oblasts, but the bulk of them are located in Zaporizhzhia and Dnipropetrovsk oblasts - 72.83% and 26.89% of the total reserves, respectively. A slight reduction in stocks was observed only in Dnipropetrovsk region in 2019.

5.5.3 Significant explorations

According to the Geoinform of Ukraine, no significant exploration work was performed in the reporting period.

5.5.4 Volumes and the cost of manganese ores mining

5.5.4.1 Volumes of manganese ores mining

According to the Geoinform of Ukraine, the production of manganese ores in Ukraine in 2019 increased by 3.50% compared to 2018 and amounted to 3,904.50 thousand tons. The ore was mined only in the Dnipropetrovsk region, by three enterprises: Pokrovsky mining and processing plant JSC (in the western part of the Nikopol field); Marganets Mining and

¹⁹¹ Geoinform of Ukraine, State Balance Sheet of Mineral Reserves of Ukraine, Manganese Ore (Issue 53), 2020

Processing Plant JSC (in the eastern part of the Nikopol field) and Landshaft LLC (in the Maximov Sludge Storage Facility).

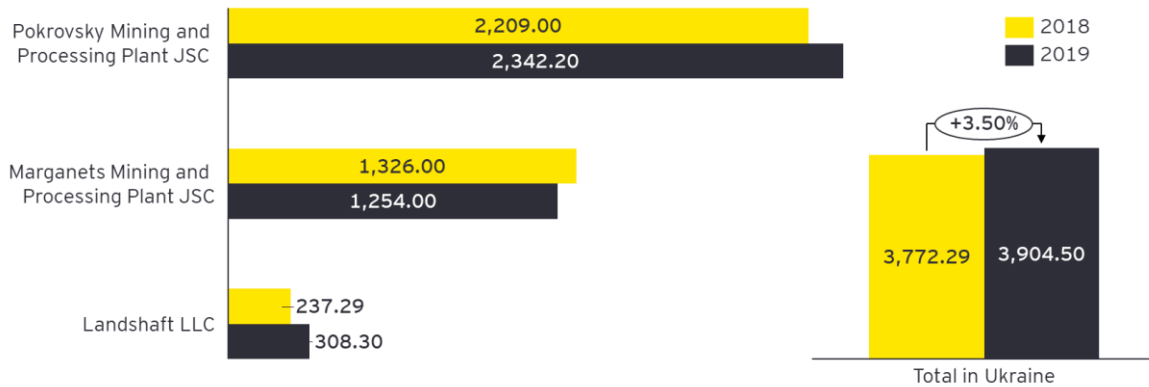


Figure 5.39: Dynamics of manganese ore mining in Ukraine in 2018-2019, thousand tons ¹⁹²

Pokrovsky Mining and Processing Plant JSC is the leader, with 2,342.20 thousand tons of extracted ore (59.99% of the total national production). Marganets Mining and Processing Plant JSC is second top, extracting 1,254.00 thousand tons or 32.12% of the total production in the reporting period. All enterprises demonstrated an increase in manganese ore mining in 2019 compared to 2018 year, except for Marganets Mining and Processing Plant JSC - its production volumes decreased by 5.43% (Figure 5.39).

With the current level of mining, the manganese ore balance sheet reserves will be available for 555 years.

5.5.4.2 The cost of manganese ores mining

The data from the State Statistics Committee on the cost of manganese ore mining are not available in public sources. Also, there are no disaggregated data in other public data sources.

As a response to the request of the Independent Administrator to the State Statistics Service, the data were obtained on the volume of sales (goods and services) by type of economic activity according to NACE-2010. According to the received data, the total sales of the entire metal ore mining industry (types of economic activity coded B07 "Metal ores mining") in 2019 was worth UAH 155,171.18 million. Of these, sales of non-ferrous metal ores (NACE-2010 code B07.2), which includes the manganese ore mining industry, amounted to UAH 12,053.04 million, or 7.76% of the total sales of the entire metal ore mining industry.

As an alternative source of information, the data provided by the reporting companies¹⁹³ in the preparation of this EITI Report 2019 were used. In manganese ore mining, the reporting companies were Marganets Mining and Processing Plant PJSC and Pokrovsky Mining and

¹⁹² Geoinform of Ukraine, State Balance Sheet of Mineral Reserves of Ukraine, Manganese Ore (Issue 53), 2020

¹⁹³ As part of the preparation of the EITI Report for 2019, a list of accountable companies subject to reconciliation of payments was identified (for more details, see Section 8).

Processing Plant JSC. The revenues of the companies are presented 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 2019¹⁹⁴

Company	Volumes of unenriched ore 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 Mining and Processing Plant JSC	1,287.00	506.52	916.06	0.00
Pokrovsky Mining and Processing Plant JSC	2,453.00	961.42	2,042.18	0.00
Total	3,740.00	1,467.94	2,958.24	0.00

5.5.5 Exports and imports of manganese ores

In 2019, exports of manganese ore and concentrates from Ukraine decreased compared to 2018 in physical units by 44.25%, and in monetary units - by 13.42%. Of the total exports of 33.22 thousand tons, 36.90% or 12.26 thousand tons were exported to Hungary; 25.43% or 8.45 thousand tons - to the Czech Republic, 21.12% or 7.02 thousand tons - to Slovakia. Manganese ores and concentrates were also exported to Georgia (3.26 thousand tons), Poland (1.17 thousand tons), Russia (1.04 thousand tons), and Lithuania (0.02 thousand tons).

According to the State Statistics Service, the imports of manganese ore and concentrates to Ukraine in 2019 decreased by 28.8% compared to 2018 - 1,209.05 thousand tons in volume and USD 210.46 million in value. Ghana was the leading importer to Ukraine - 82.60% of imports (998.70 thousand tons), followed by Russia - 13.12% (158.65 thousand tons), and other countries such as South Africa, Georgia, Belgium, India , USA, Brazil (the remaining 2.17%).

¹⁹⁴ 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"

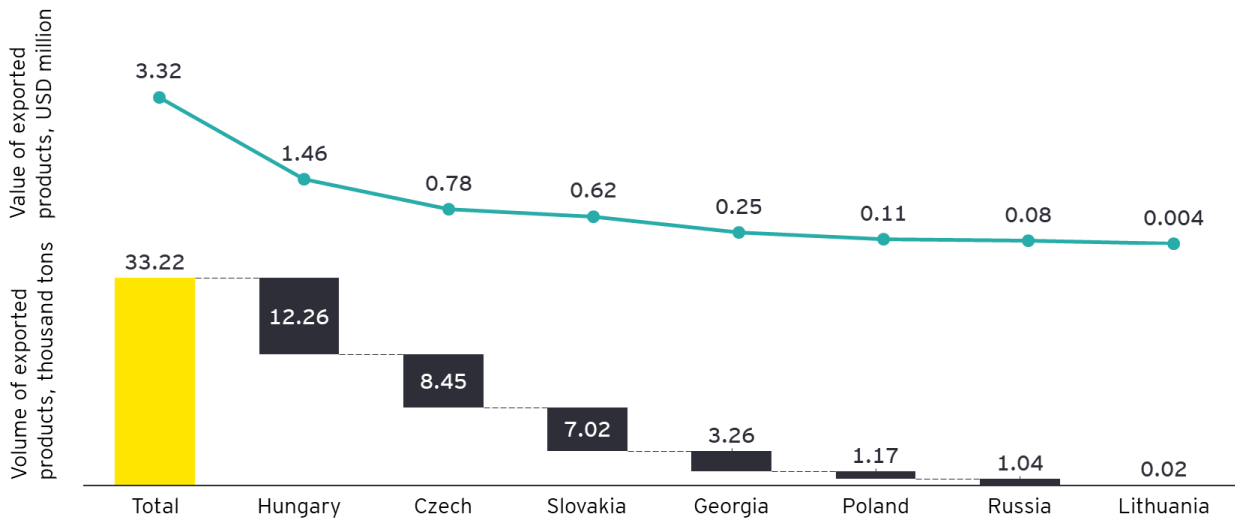


Figure 5.40: Exports of manganese ore and concentrates by country in physical and monetary units in 2019¹⁹⁵

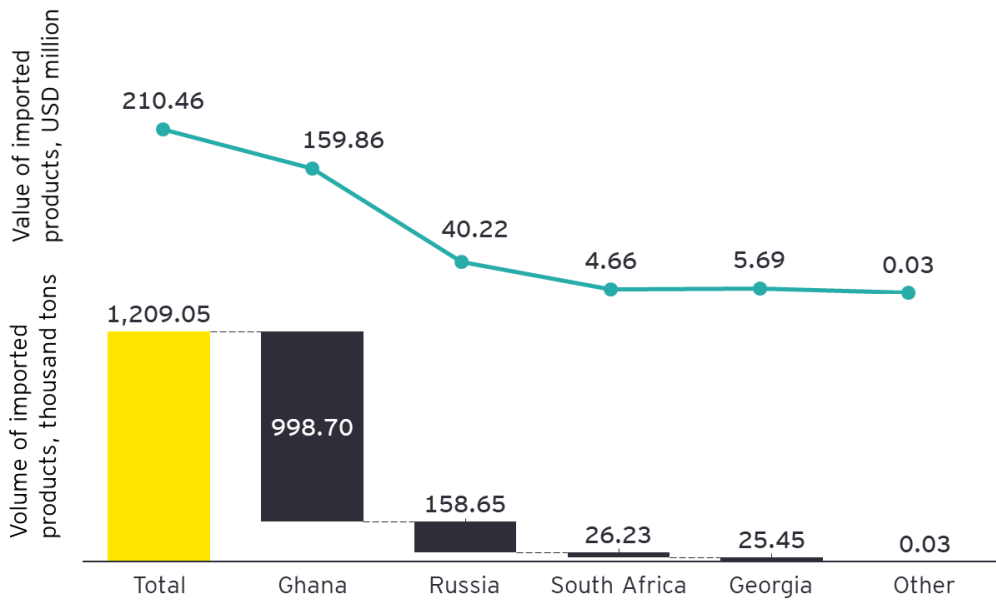


Figure 5.41: Imports of manganese ore and concentrates by country in physical and monetary units in 2019¹⁹⁶

¹⁹⁵ State Statistics Service, Foreign trade in certain types of goods by country, 2019, http://www.ukrstat.gov.ua/operativ/operativ2019/zd/e_iovt/arh_iovt2019.htm

¹⁹⁶ State Statistics Service, Foreign trade in certain types of goods by country, 2019, http://www.ukrstat.gov.ua/operativ/operativ2019/zd/e_iovt/arh_iovt2019.htm

Conclusions to the section

Ukraine is the second largest country in the world in terms of total manganese ore reserves. As of January 1, 2020, the balance sheet reserves of manganese ore in Ukraine amounted to 2,167.02 million tons. Most of the reserves (72.83%) are located in the Zaporizhia region, the rest - in the Dnipropetrovsk and Kherson regions.

During 2019, like in 2018, manganese ore was mined only in the Dnipropetrovsk region. In 2019, the volume of production increased by 3.50% and amounted to 3,904.50 thousand tons. With the current level of mining, the manganese ore balance sheet reserves will be available for 555 years.

Exports and imports of manganese ores and concentrates in 2019 decreased compared to 2018 by 44.25% and 28.8%, respectively. Exports were mainly to Hungary, the Czech Republic, and Slovakia, and 82.60% of imports of manganese ores and concentrates came from Ghana.

5.6 Fire clays mining

5.6.1 The role of the state in fire clays mining industry

In 2019, same as in the previous year, the state-owned companies were not engaged in fire clays mining. No state budget funded programs to support the fire clays mining were implemented in 2019 either.

5.6.2 Fire clays reserves

Industrial deposits of fire clays in Ukraine are located in the Dnieper-Donetsk basin, Donetsk folded structure, sedimentary cover of the Ukrainian Shield. The depth of occurrence ranges from 1 m to 60 m, clays occur in the form of layers and lenses 8-10 cm to 25 m thick.



Figure 5.42: Geographical location of fire clays areas

As of January 1, 2020, the volume of balance sheet reserves of fire clays in Ukraine in category A + B + C1 amounted to 593.79 million tons, which is 0.80% more than as of January 1, 2019.

The vast majority of the balance sheet reserves of fire clays in Ukraine are located in the Donetsk region (76.05% of the total or 451.57 million tons). The remaining reserves are located in Dnipropetrovsk (10.07% or 59.81 million tons), Cherkasy (7.67% or 45.52 million tons),

Zaporizhia (5.99% or 35.58 million tons) and Sumy (0, 22% or 1.31 million tons) administrative regions. Insignificant changes in the volume of the reserves compared to the previous year were observed in Donetsk (increase by 1.06%) and Zaporizhia (decrease by 0.27%) administrative regions.

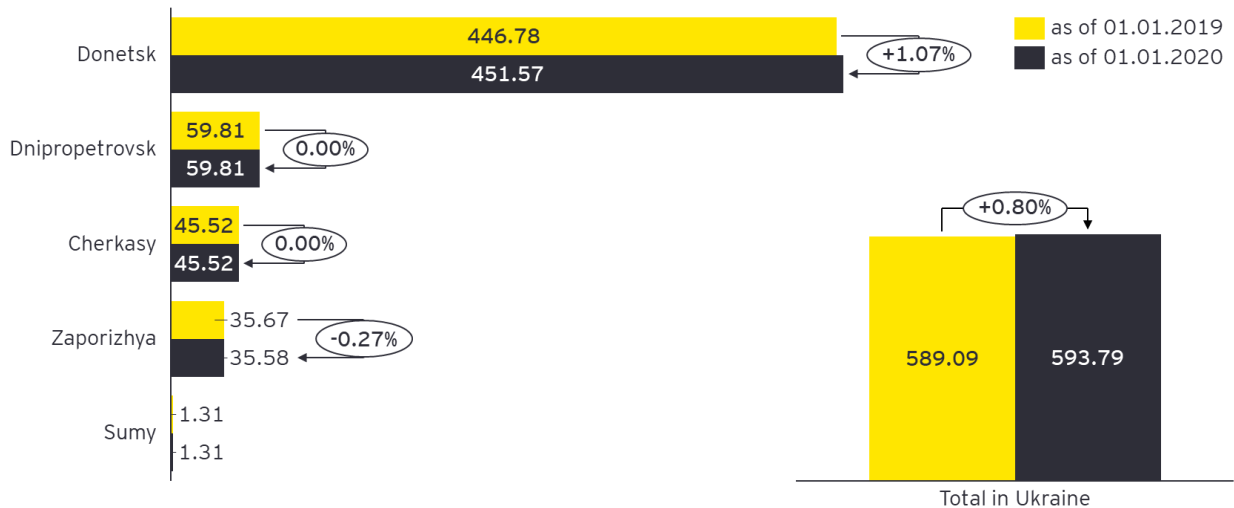


Figure 5.43: Structure of balance sheet reserves of fire clays by administrative region of Ukraine as of 01.01.2019 and 01.01.2020, million tons¹⁹⁷

5.6.3 Significant explorations

According to the Geoinform of Ukraine, no significant exploration work on refractory clay deposits was carried out in 2019.

5.6.4 Volumes and the cost of fire clays mining

5.6.4.1 Volumes of fire clays mining

In 2019, the mining of fire clays in Ukraine decreased by 1,327.78 thousand tons or 19.49% compared to 2018 and amounted to 5,484.07 thousand tons. In 2019, 13 companies were engaged in fire clays mining (12 - in Donetsk region, 1 - in Zaporizhia region), with the largest volumes produced by Vesko PJSC (1,236.60 thousand tons), Clays of Donbass PrJSC (1,159.50 thousand tons), Druzhkivske ore Mining Administration PJSC (846 thousand tons).

¹⁹⁷ Geoinform of Ukraine, State Balance Sheet Reserves of Minerals of Ukraine, Fire Clays (issue 29), 2020

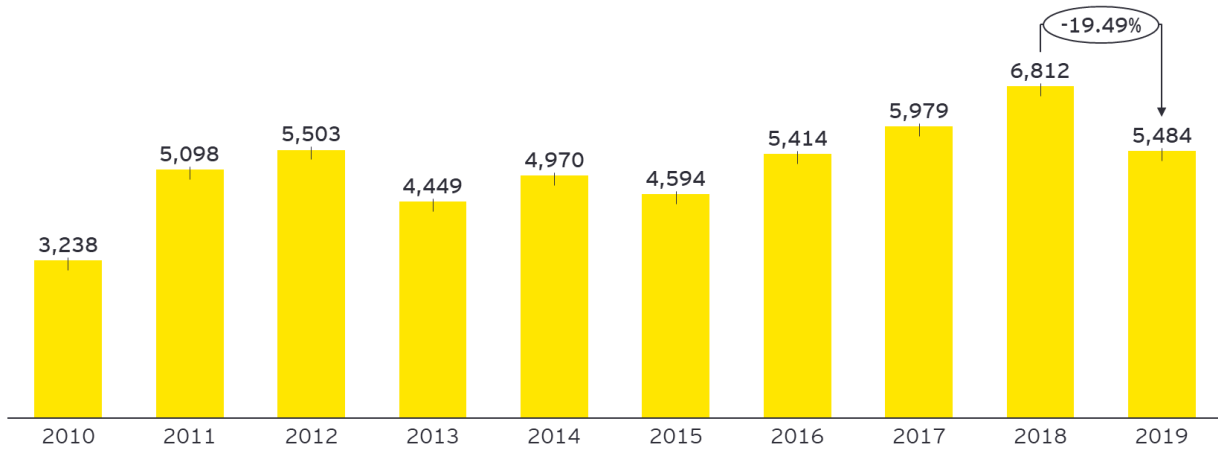


Figure 5.44: Dynamics of fire clays extraction volumes in Ukraine in 2010-2019, thousand tons¹⁹⁸

The largest share of fire clays were mined from the deposits in the Donetsk administrative region (98.48% or 5,400.77 thousand tons). Fire clays were also extracted at the Pologivske deposit in the Zaporizhzhia region (1.52% or 83.30 thousand tons).

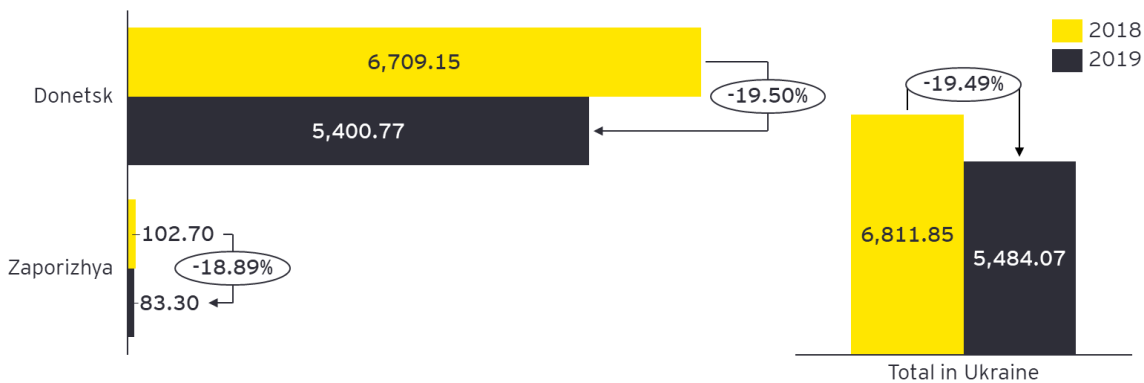


Figure 5.45: Volumes of fire clays mining by region of Ukraine in 2018 - 2019, thousand tons¹⁹⁹

Provided that the fire clays mining in Ukraine remains at the level of 2019, the volume of balance sheet reserves would be sufficient for mining for 108 years.

5.6.4.2 The cost of fire clays mining

Due to the fact that the disaggregated data of the State Statistics Service on the cost of fire clays mining industry are not available in public sources, the Independent Administrator has prepared a request to the State Statistics Service. In response to the request to the State Statistics Service, the data were obtained on the volume of sales (goods and services) by type of economic activity according to NACE-2010. According to these data, the value of the total sales of the aggregated category of economic activities "Extraction of other minerals and

¹⁹⁸ Geoinform of Ukraine, State Balance Sheet Reserves of Minerals of Ukraine, Fire Clays (issue 29), 2020

¹⁹⁹ Geoinform of Ukraine, State Balance Sheet Reserves of Minerals of Ukraine, Fire Clays (issue 29), 2020

quarrying" (NACE-2010 code B08) during 2019 amounted to UAH 28,347.48 million. Detailed information is presented in the table below (*Table 5.53*).

Sales of products of the sand, gravel, clay and kaolin mining industry (NACE-2010 code B08.12), which includes the refractory clay mining industry, amounted to UAH 20,109.64 million in 2019

Table 5.53: Revenue from sales of marketable products of other mining and quarrying industries (NACE-2010 code B08) in 2019²⁰⁰

Mining and quarrying		NACE-2010 code	Sales of goods, services, UAH million
I.	Mining of other minerals and development of quarrying, including:	B08	28,347.48
1.	Mining of stone, sand and clay, including:	B08.1	25,580.35
A.	Mining of decorative and building stone, limestone, gypsum, chalk and shale	B08.11	5,470.71
B.	Mining of sand, gravel, clay and kaolin	B08.12	20,109.64
2.	Mining of minerals and development of quarries, n.v.i.u.	B08.9	2,767.13

5.6.5 Exports and imports of fire clays

According to the State Statistics Service, the volume of exports of fire clays in 2019 amounted to 4,823.36 thousand tons, and its value - USD 219.64 million dollars. The exports in volume decreased by 12.84%, and in value - by 7.35% compared to 2018. Fire clays were exported to Italy (33.23% of total exports), Spain (27.19%), Russia (16.15%), Poland (8.35%) and other countries.

The volume of imports of fire clays in 2019 remained insignificant - 210.10 tons, which is 39.58% less than in 2018. Germany was the largest trading partner, providing 98.58% of imports. The list of supplier countries expanded in the reporting year to include Poland, China, Croatia, Turkey, and Spain.

²⁰⁰ The information presented in the table was received in response to the Independent Administrator's request to the State Statistics Service

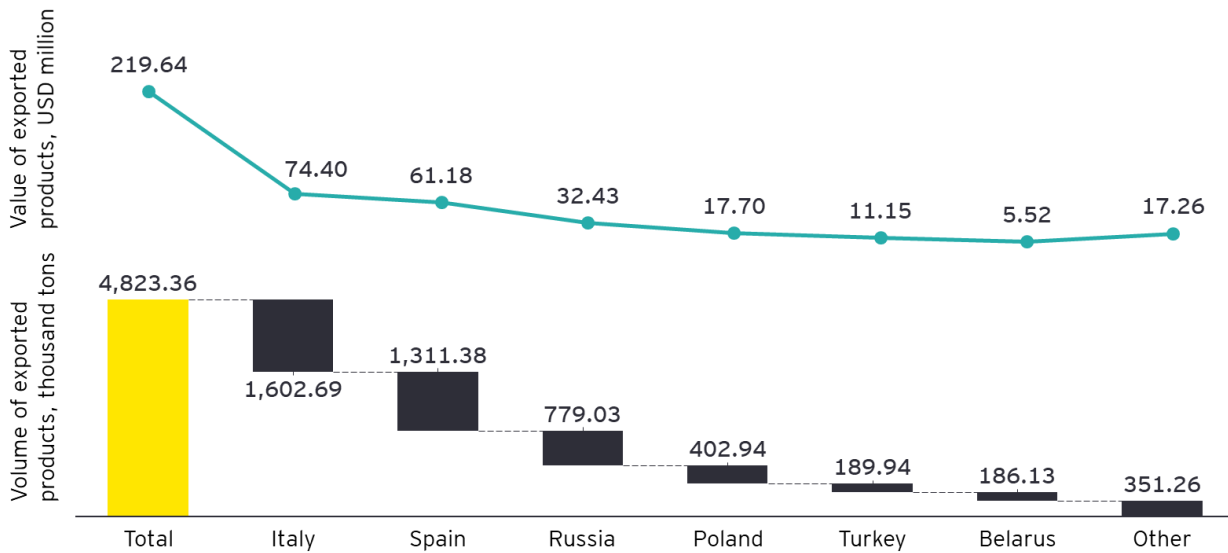


Figure 5.46: Exports of fire clays by country in physical and monetary units in 2019²⁰¹

Conclusions to the section

The total volume of fire clays reserves as of 01.01.2020 amounted to 593.79 million tons, and the volume of fire clay mining in 2019 was 5 484.07 thousand tons.

The bulk of the reserves, namely 76.05%, are concentrated in the deposits of Donetsk administrative region, where 98.48% of the total fire clays mined in Ukraine in 2019 was extracted.

In 2019, the volume of exports decreased by 12.84% compared to 2018 and amounted to 4,823.36 thousand tons. The volume of imports remained insignificant and amounted to 210.10 tons.

²⁰¹ State Statistics Service, Foreign trade in certain types of goods by country, 2019, http://www.ukrstat.gov.ua/operativ/operativ2019/zd/e_iovt/arh_iovt2019.htm

5.7 High-melting clays mining

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

The state-owned enterprises were not engaged in high-melting clays mining in Ukraine in 2019. As in the previous year, high-melting clays was mined exclusively by two private companies - Keramik-Art LLC in the Donetsk region and Rusinia LLC in the Zakarpattia region. No state programs to support the high-melting clays industry were implemented in 2019.

5.7.2 High-melting clays reserves

High-melting clays are actively used in the ceramics industry because of their high fire resistance (1350-1580° C) and ductility, and wide sintering range.



Figure 5.47: Map of the location of high-melting clays deposits in Ukraine

According to Geoinform of Ukraine, as of January 1, 2020, the State Balance Sheet of Mineral Reserves of Ukraine included 21 objects of accounting (17 main deposits and 4 objects of accounting), that is more on 1 object, than in the previous year. The balance sheet reserves of high-melting clays in category A+B+C1 as of 01.01.2020 decreased by 0.30% compared to the same indicator as of 01.01.2019 and amounted to 77.08 million tons.

The major high-melting clay reserves in Ukraine are located in Donetsk region (65.33%), a significant part of reserves is also in Zakarpattia (12.24%) and Luhansk (12.11%) administrative regions. The remaining reserves are located in Sumy, Chernivtsi, Chernihiv, Poltava, Khmelnytsky administrative regions.

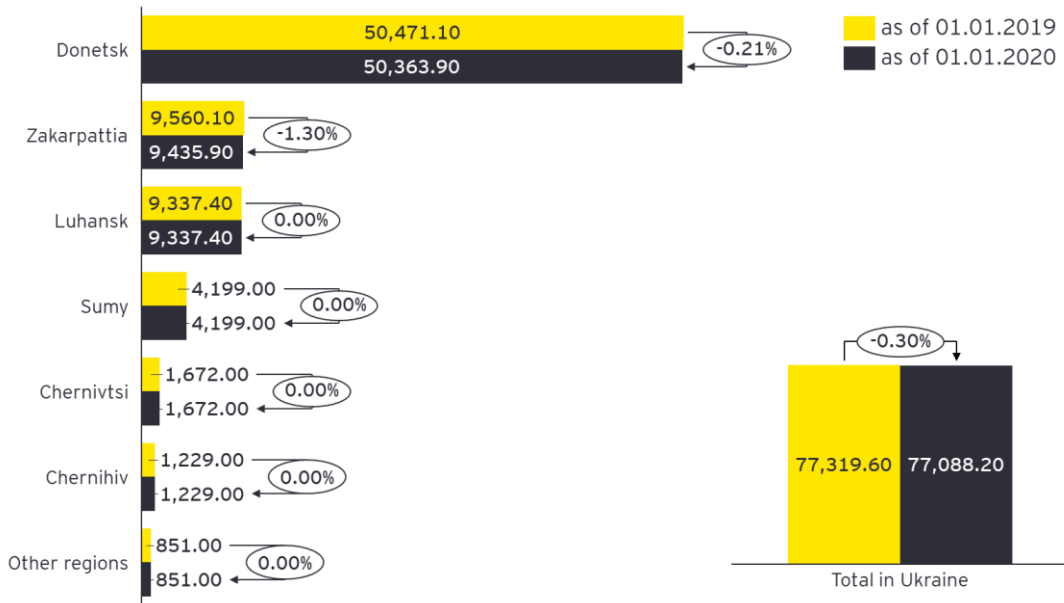


Figure 5.48: Balance sheet reserves of high-melting clays by region of Ukraine, thousand tons²⁰²

5.7.3 Significant explorations

According to the Geoinform of Ukraine, no geological exploration work on high-melting clays was carried out in 2019.

5.7.4 Volumes and the cost of high-melting clays mining

5.7.4.1 Volumes of high-melting clays mining

The volume of high-melting clays mining in Ukraine in 2019 increased by 10.55% compared to the previous year (218.40 thousand tons in 2019 compared to 197.50 thousand tons in 2018). Overall, there is a steady upward trend in mining during 2015-2019. However, the military conflict in eastern Ukraine significantly reduced the mining of high-melting clays in 2014 and 2015. Compared to 2013, the volume of high-melting clays mining dropped 3.8 times in 2019.

²⁰² Geoinform of Ukraine, State Balance Sheet of Mineral Reserves of Ukraine, High-melting Clays (Issue 30), 2020

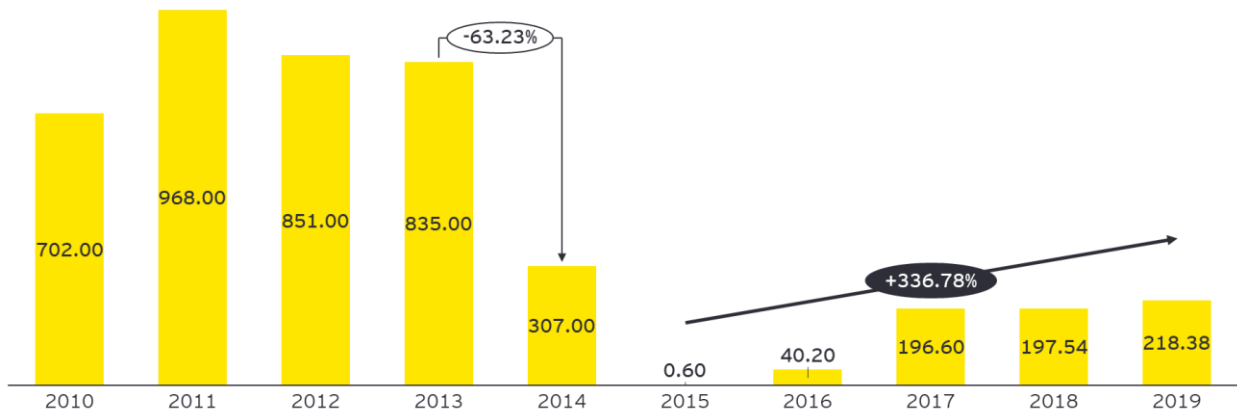


Figure 5.49: Dynamics of high-melting clays mining in 2010-2019, thousand tons²⁰³

According to the Geoinform of Ukraine, in 2019, high-melting clays were mined in two administrative regions of Ukraine: 51.90% were mined in the Zakarpattia region (Ivantsivske deposit), 48.1% - in the Donetsk region (Artemivske deposit).

According to the Geoinform of Ukraine, in 2019, the high-melting clays by two commercial entitles from two deposits: by Rusinia LLC from the Ivantsivske deposit in the Zakarpattia region and by Keramik-Art LLC from the Artemivske deposit in the Donetsk region. In 2019, the volume of mining in the Transcarpathian region increased by 30.61% compared to 2018, in the Donetsk region - decreased by 5.16%.

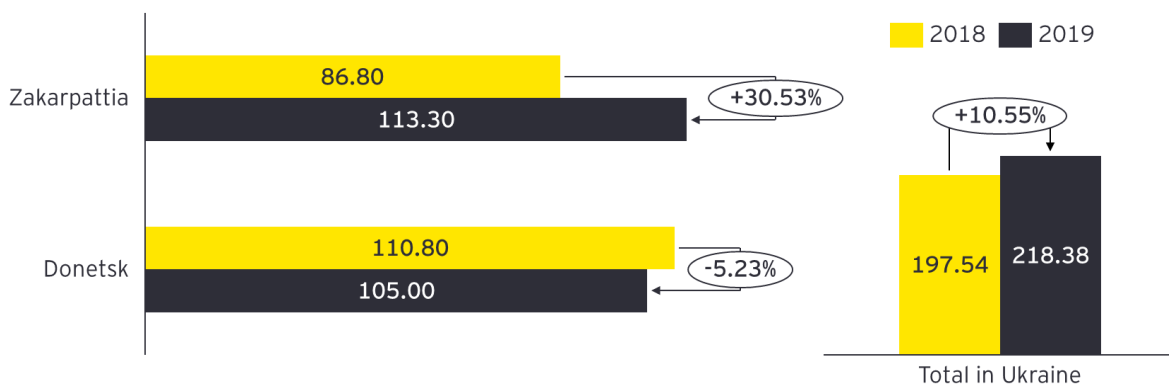


Figure 5.50: Volume of high-melting clays mining by region of Ukraine in 2018-2019, thousand tons²⁰⁴

Provided that the volumes of high-melting clays mining remains at the level of 2019, the reserves would be sufficient for 353 years.

5.7.4.2 The cost of high-melting clays mining

The disaggregated data on the value of high-melting clays mining products are not publicly available. In this regard, the Independent Administrator sent a request to the State Statistics Service, in response to which data were received on the sales of products (goods and services)

²⁰³ Geoinform of Ukraine, State Balance Sheet of Mineral Reserves of Ukraine, High-melting Clays (Issue 30), 2020

²⁰⁴ Geoinform of Ukraine, State Balance Sheet of Mineral Reserves of Ukraine, High-melting Clays (Issue 30), 2020

by type of economic activity according to the NACE-2010 code. According to the State Statistics Service, the total sales of the aggregated category of economic activities "Mining of other minerals and quarrying" (NACE-2010 code B08) during 2019 amounted to UAH 28,347.48 million (more in **Section 5.6.4.2**).

The total sales of sand, gravel, clay and kaolin mining (NACE-2010 code B08.12), which includes the high-melting clays mining, in 2019 amounted to UAH 20,109.64 million.

5.7.5 Exports and imports of high-melting clays

The data on exports and imports in Ukraine are recorded using the Ukrainian Classification of Goods for Foreign Economic Affairs. The classification does not provide for a separate category of goods for high-melting clays mining. Therefore, the data on exports and imports of high-melting clays for 2019 are not publicly available.

Conclusions to the section

As of January 1, 2020, 77.09 million tons of the balance sheet reserves of high-melting clays were concentrated on the territory of 8 administrative regions of Ukraine.

The upward trend in high-melting clays mining continued in 2019: the volume of high-melting clays production amounted to 218.38 thousand tons, which is 10.55% more than in 2018. Mining is carried out in the Transcarpathian and Donetsk regions.

Provided that the volume of mining remains at the level of 2019, the high-melting clays reserves would be sufficient during 353 years.

5.8 Quartz sand mining

5.8.1 Role of the state in the quartz sand mining industry

During 2019, quartz sand was mined only by private sector companies, namely: Bronytsky Glass Plant LLC; Maryanivsky Glass Plant PJSC; Kaolin Azov LLC; Rogatinpisok LLC; Agro-industrial enterprise Lvivske LLC; Lviv Mekhsklozavod OJSC; Rokytno Glass Plant PJSC; Novoselivsky Mining and Processing Plant PJSC; Georesources LLC; Papernyansky Glass Sands Quarry LLC.

5.8.2 Quartz sand reserves

Quartz sand is one of the types of glass quartz-containing raw materials (there are also liparites), which is used for glass production and can be found in all geo-structural regions of Ukraine.

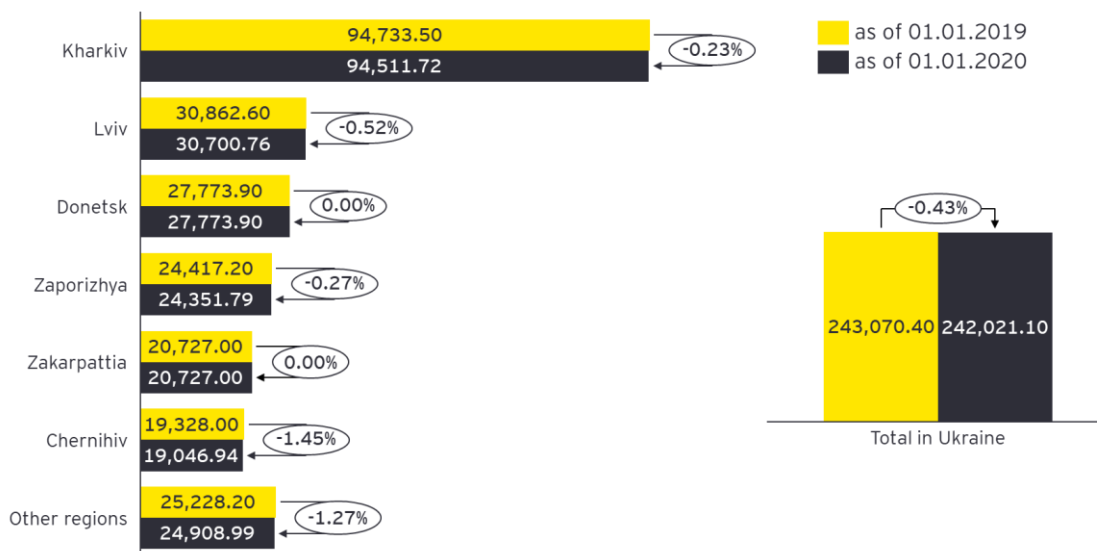


Figure 5.51: Volumes of balance sheet reserves of quartz sand by administrative region of Ukraine as of 01.01.2019 and 01.01.2020, million tons ²⁰⁵

Overall, the state balance sheet of mineral reserves of Ukraine accounts for 40 quartz sand deposits. Quartz sand deposits occur in the form of lenses and layers, 2-3 m to 35-40 m thick under a surface layer. The main useful element of the glass quartz-containing raw material is silica, which is on average 95-98% in quartz sand, and more than 99% in higher quality sands.

According to the Geoinform of Ukraine, as of January 1, 2020, the total balance sheet reserves (categories A+B+C1) of quartz sand in Ukraine amounted to 242.02 million tons. In terms of administrative regions, the largest reserves of quartz sand are concentrated in the territory of

²⁰⁵ Geoinform of Ukraine, State Balance Sheet of Mineral Reserves of Ukraine, Glass Raw Materials (Issue 83), 2020

Kharkiv and Lviv regions - 39.05% and 12.69% of the total, respectively. Significant volumes of quartz sand reserves are also located in Donetsk (11.48%), Zaporizhia (10.06%) and Chernihiv (7.87%) administrative regions. Small reserves of quartz sand are identified in other regions (*Figure 5.51*).

5.8.3 Significant explorations

According to the Geoinform of Ukraine, no significant exploration work was carried out on quartz sand deposits in 2019.

5.8.4 Volumes and the cost of quartz sand mining

5.8.4.1 Volumes of quartz sand mining

Overall, the volume of quartz sand mining in Ukraine during 2019 increased by 7.42% compared to the previous year and amounted to 1,069.07 thousand tons. In terms of administrative regions, the leader was Kherson region, where the volume of quartz sand mining amounted to 288,51 thousand tons, or 26.99% of the total. The second and third top were Chernihiv and Kharkiv regions, with 26.29% and 23.88% of the total mining, respectively. A significant change during 2019 was the resumption of quartz sand mining in Lviv (159.50 thousand tons) and Ivano-Frankivsk (2.40 thousand tons) regions. At the same time, mining was not observed in the Donetsk region, unlike the previous year.

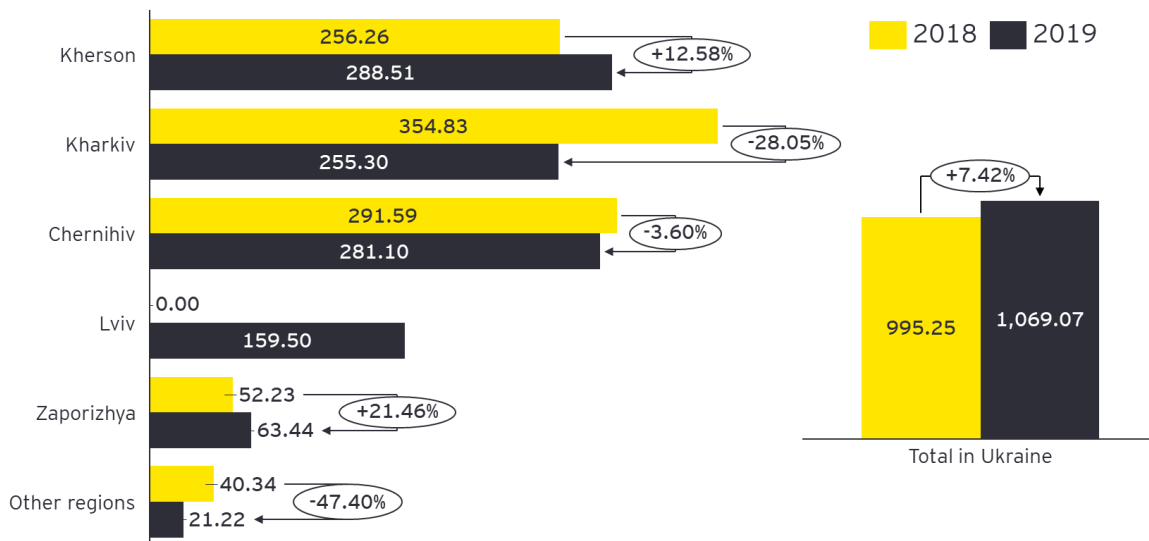


Figure 5.52: Volume of quartz sand mining by region of Ukraine in 2018 - 2019, thousand tons²⁰⁶

²⁰⁶ Geoinform of Ukraine, State Balance Sheet of Mineral Reserves of Ukraine, Glass Raw Materials (Issue 83), 2020

5.8.4.2 The cost of quartz sand mining

Since the disaggregated data on the value of products of the quartz start-up industry are not publicly available, the Independent Administrator submitted a request to the State Statistics Service. In response to the request, the data from the State Statistics Service were obtained on the volume of sold products (goods and services) under the types of economic activity according to NACE-2010. According to these data, the aggregated category of economic activities "Extraction of other minerals and quarrying" (NACE-2010 code B08), the total value of sales in 2019 amounted to UAH 28,347.48 million (for more details see **Section 5.6.4.2**).

Sales of decorative and building stone, limestone, gypsum, chalk and shale (NACE-2010 code B08.11), which includes the building stone industry, amounted to UAH 5,470.71 million in 2019.

5.8.5 Exports and imports of quartz sand

There is no information on exports and imports of a certain category of quartz sand in open sources. This is explained by the fact that the Ukrainian Classification of Goods for Foreign Economic Activity, which is used to account for exports and imports, has no separate category for products of the quartz sand mining.

Conclusions to the section

On the territory of Ukraine there are 40 deposits of quartz sand, the total volume of reserves in which amounted to 242.02 million tons as of 01.01.2020. The largest reserves, 39.05% of the total, were concentrated in Kharkiv administrative region.

In 2019, significant volumes of quartz sand were mined in the territory of Kherson (288.51 thousand tons), Kharkiv (255.30 thousand tons), and Chernihiv (281.10 thousand tons) administrative regions. The total volume of mining increased by 7.42% compared to the previous year and amounted to 1,069.07 thousand tons.

The Ukrainian reserves of quartz sand would be sufficient for 226 years, provided that production volumes remain at the level of 2019.

5.9 Building stones mining

5.9.1 The role of the state in building stones mining industry

In 2019, building stones were mined from 450 deposits by both public and private companies.

Participation of the state in building stones mining	
<p>State Motor Road Agency OJSC</p> <ul style="list-style-type: none"> ▶ Khmelnytskyi Oblavtodor SE ▶ Cherkasy Oblavtodor SE ▶ Vinnytsia Oblavtodor SE ▶ Zakhidodvobukhprom SE ▶ Donetsk Oblavtodor SE ▶ Transcarpathian Oblavtodor SE 	<p>State Sentence Enforcement Department</p> <ul style="list-style-type: none"> ▶ Raikiv Convict Establishment No 73 ▶ Arbusyn Convict Establishment No 83
<p>Ukravtodor State Corporation</p> <ul style="list-style-type: none"> ▶ Starokostiantynivsky Special Quarry ▶ Bekhivsky Special Quarry ▶ Ivano-Frankivskyy Special Quarry ▶ Rokytyansky Special Quarry ▶ Prydniprovsky Special Quarry ▶ Burdyakivsky Special Quarry ▶ Ivano-Dolynsky Quarry OJSC ▶ Rafalivsky Quarry Ukraine ▶ Ryzhivsky Granite Quarry ▶ Tomashgorodsky Crushed Stone Plant ▶ Norynsky Crushed Stone Plant OJSC 	<p>Ministry of Transport and Communications of Ukraine</p> <ul style="list-style-type: none"> ▶ Administration for Industrial Enterprises SE under the State Administration of Railway Transport of Ukraine ▶ Khlivobodarsky Gravel Plant
	<p>Ministry of Defense Ukraine</p> <ul style="list-style-type: none"> ▶ Kremenchug quarrying administration
	<p>Ministry of Agrarian Policy of Ukraine</p> <ul style="list-style-type: none"> ▶ Sidorovsky Brovar LLC
	<p>Ukrbudmaterialy State Corporation</p> <ul style="list-style-type: none"> ▶ Malo-Buzukivsky Quarry OJSC ▶ Staro-Babanivsky Granite Quarry OJSC ▶ Building Materials Collective Enterprise ▶ Sabarivsky Quarry OJSC ▶ Gnivansky Quarry OJSC ▶ Novopavlivsky Granite Quarry OJSC ▶ Berezivsky Quarry OJSC ▶ Korostensky Quarry OJSC ▶ Omelyanivsky Quarry OJSC ▶ Mokryansky Stone Quarry LLC ▶ Yantsivsky Granite Quarry OJSC ▶ Boguslavsky Special Quarry OJSC ▶ Bila Tserkva Special Quarry OJSC ▶ Pervomaisky Quarry OJSC ▶ Vyrivsky Quarry OJSC ▶ Ternopil Quarry OJSC ▶ Building Materials OJSC
<p>Ukragroprombud Cooperative State Corporation</p> <ul style="list-style-type: none"> ▶ Kiselivsky Quarry ▶ Pribuzky Quarry ▶ Novosilka Quarry ▶ Talnivske Quarry Administration ▶ Vinnytske Quarry Administration ▶ Agroshlyakhbud Communal Company 	
<p>State Water Management of Ukraine</p> <ul style="list-style-type: none"> ▶ Mykytivsky Granite Quarry OJSC 	
<p>State Construction Committee</p> <ul style="list-style-type: none"> ▶ Skoliv Quarry Administration OJSC 	

Figure 5.53: State participation in building stones mining²⁰⁷

The state-owned companies included the enterprises of the state corporation of the building materials industry Ukrbudmaterialy, the cooperative state corporation for agro-industrial construction Ukragroprombud, the state corporation Ukravtodor and others. Quarry administrations under various ministries and departments also operate building stone deposits. In total, there were more than 200 such quarries, plants and shops in Ukraine. Low-capacity plants are mainly owned by commercial enterprises.

²⁰⁷ Geoinform of Ukraine, State Balance Sheet of Mineral Reserves Of Ukraine, Building Stone (issue 37), 2020

In 2019, no budget programs to support the construction stone industry were implemented.

5.9.2 Building stones reserves

Ukraine has significant reserves of building stones. As of January 1, 2020, there were 944 deposits on the territory of Ukraine, 464 of which were developed. The predominant amount of extracted stone is used for the production of rubble, which is needed as a concrete filler and for road construction. Deposits of building stone include granites, pegmatites, quartzites, migmatites, gneisses, limestones and sandstones, gypsum, adensites, diorites and basalts, etc.

According to the Geoinform of Ukraine, the balance sheet reserves of building stones as of January 1, 2020 amounted to 7,876.60 mcm. More than half of the total balance sheet reserves of building stones, namely 53.33%, are reserves of developed deposits. Most of the building stone reserves in Ukraine are granite deposits (54.64% or 4,304.03 mcm), a significant share of the total reserves are sandstone (8.97% or 706.32 mcm), gneiss (6.71% or 528.25 mcm), migmatite (5.07% or 399.71 mcm), limestone (4.73% or 372.21 mcm) and quartzite (4, 62% or 363.55 mcm).

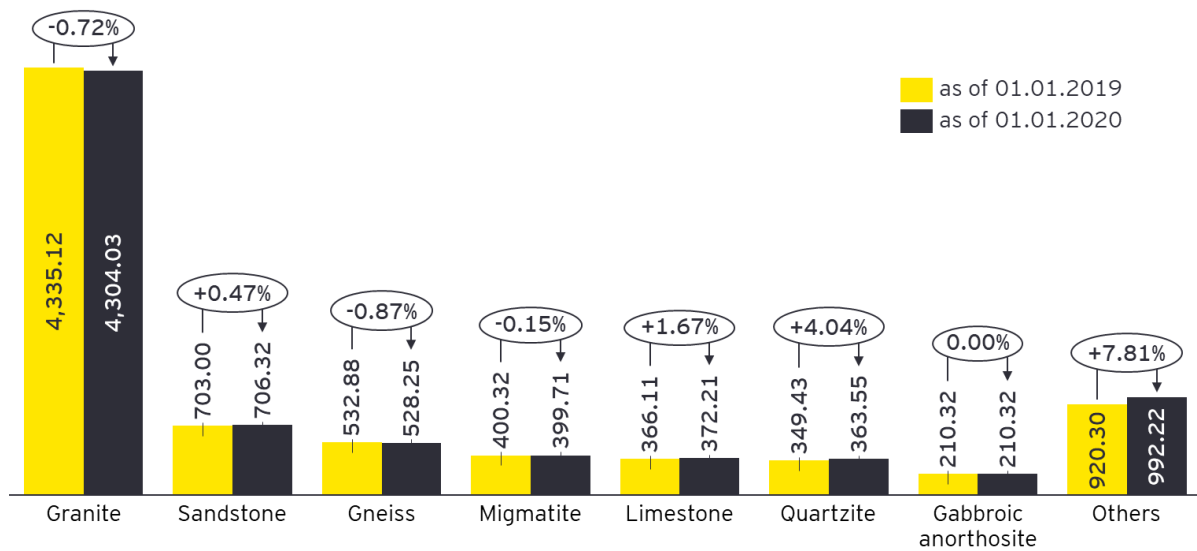


Figure 5.54: Balance sheet reserves of building stones by geological and industrial types as of 01.01.2019 and 01.01.2020, mcm²⁰⁸

Significant reserves of building stone are concentrated in Zhytomyr (20.65% or 1,626.79 mcm), Zaporizhia (12.37% or 974.37 mcm) and Donetsk (9.60% or 755.85 mcm) administrative regions.

²⁰⁸ Geoinform of Ukraine, State Balance Sheet of Mineral Reserves Of Ukraine, Building Stone (issue 37), 2020

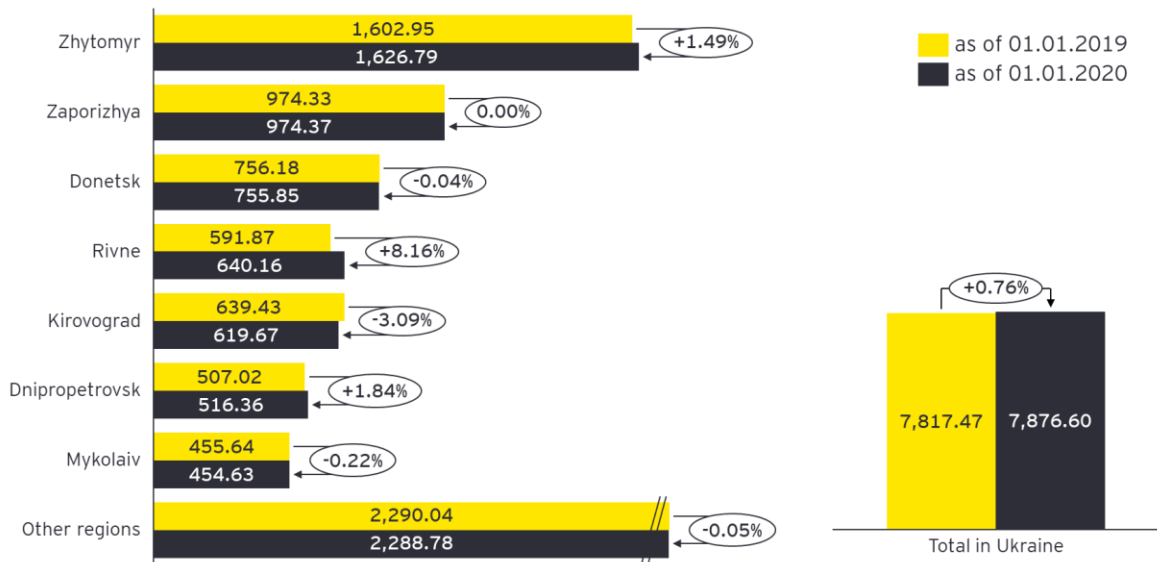


Figure 5.55: Structure of building stone reserves by regions of Ukraine as of 01.01.2019 and 01.01.2020, mcm²⁰⁹

5.9.3 Essential exploration work

According to the Geoinform of Ukraine, no permits were issued for subsoil exploration in 2019, and no exploration work on rubble and crushed stone was carried out by commercial structures. There is no more detailed information in the public domain.

5.9.4 Volumes and the cost of mining of building stones

5.9.4.1 Volumes of mining of building stones

In 2019, the volume of building stones mining amounted to 27,034.43 thousand cubic meters, which is 1.90% less than in 2018. The decline was observed mainly in such types of building stones as granite (by 2.17%), granodiorite (by 31.70%), and sandstone (by 13.55%).

²⁰⁹ Geoinform of Ukraine, State Balance Sheet of Mineral Reserves Of Ukraine, Building stone (Issue), 2020 p.

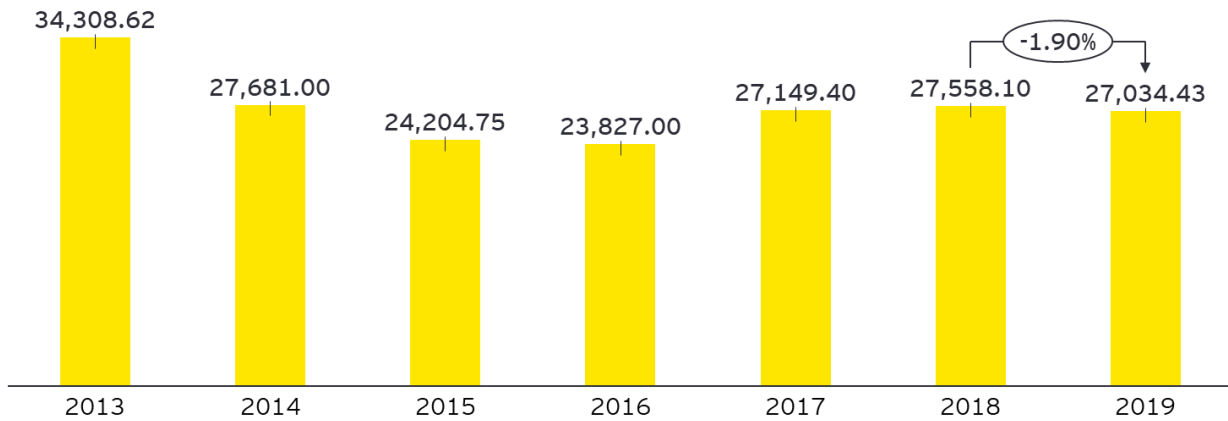


Figure 5.56: Volumes of building stones mining in 2013-2019, thousand cubic meters²¹⁰

As in previous years, the building stone mainly mined in 2019 was granite - 81.78% or 22,109.58 thousand cubic meters. The production of limestone (1,045.26 thousand cubic meters), migmatite (640.30 thousand cubic meters), granodiarite (563.40 thousand cubic meters), and basalt (472,27 thousand cubic meters), sandstone (356.11 thousand cubic meters) and andesite (245.14 thousand cubic meters) was much smaller.

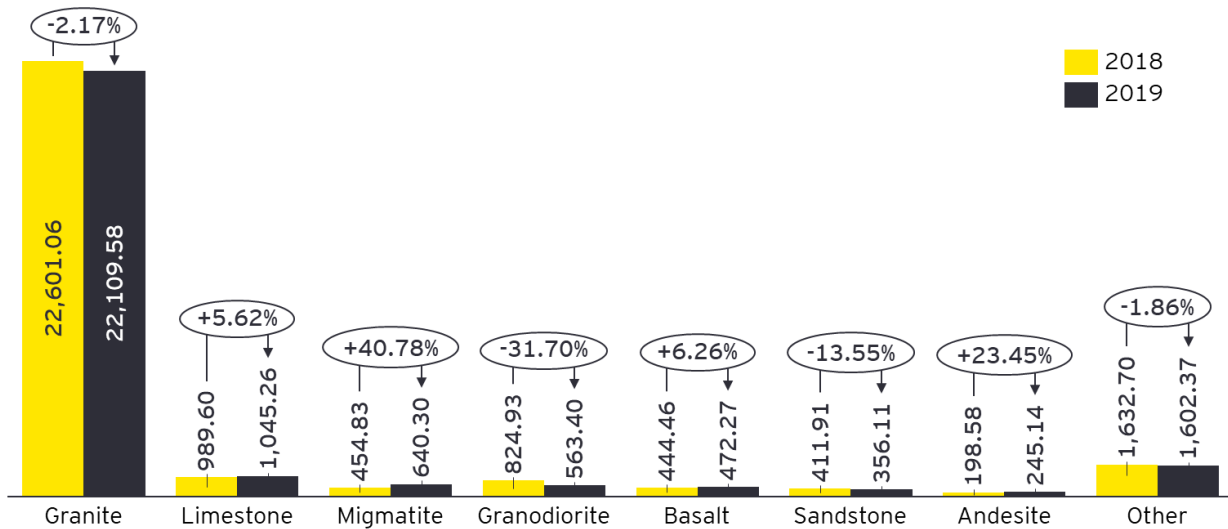


Figure 5.57: The volume of building stones mining by geological and industrial type in 2018-2019, thousand cubic meters²¹¹

According to Geoinform of Ukraine, in 2019 the Zhytomyr administrative region was the leader in terms of building stones mining - 25.50% or 6,892.93 thousand cubic meters. In second top was Rivne region - 14.81% or 4,004.6 thousand cubic meters, followed by Kyiv region (2,801.47 thousand cubic meters or 10.36%), Poltava region (2,222.80 thousand cubic meters or 8.22%). The decline in mining was observed mainly in Zhytomyr region (by 15.05%), Kirovohrad region (by 11.66%), Poltava region (by 1.81%). At the same time, in Rivne, Kyiv and

²¹⁰ Geoinform of Ukraine, State Balance Sheet of Mineral Reserves Of Ukraine, Building Stone (issue 37), 2020

²¹¹ Geoinform of Ukraine, State Balance Sheet of Mineral Reserves Of Ukraine, Building Stone (issue 37), 2020

Vinnitsia regions, the mining volume increased compared to 2018 by 9.66%, 8.79% and 12.31%, respectively.

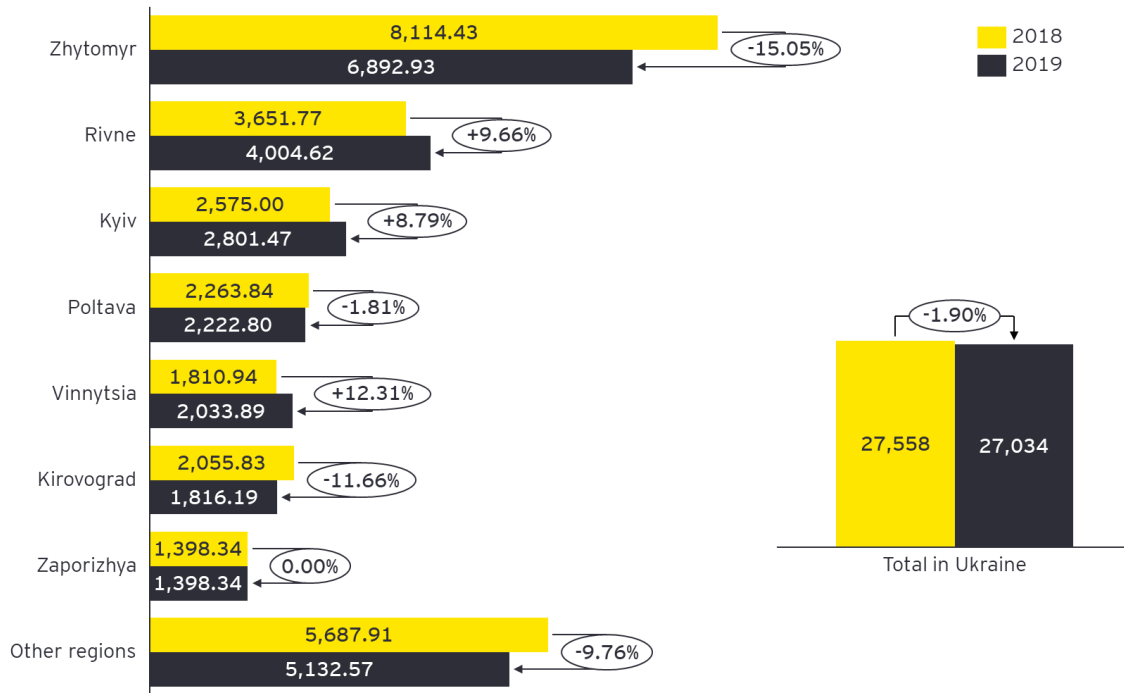


Figure 5.58: Volumes of building stone mining by regions of Ukraine in 2018-2019, thousand cubic meters²¹²

5.9.4.2 The cost of building stone mining

No disaggregated data on the value of products of the building stones mining industry are public available. In this regard, the Independent Administrator requested information from the State Statistics Service. In response, the State Statistics Service provided the data on the volume of sold products (goods and services) by type of economic activity according to NACE-2010. According to the data received from the SSS, the total sales of the aggregated category of economic activities "Mining of other minerals and quarrying" (NACE-2010 code B08) during 2019 amounted to UAH 28,347.48 million (for more details see **Section 5.6.4.2**). Sales of products of the extraction of decorative and building stone, limestone, gypsum, chalk and shale (NACE-2010 code B08.11), which includes the building stones mining, amounted to UAH 5,470.71 million in 2019.

5.9.5 Volumes of export and import of building stone processing products

According to the State Statistics Service, the volume of exports of pebbles, gravel and rubble in 2019 amounted to 4,566.43 thousand tons, and its value was USD 37.28 million. Compared to 2018, the volume of exports decreased by 30.97%, and its value - by 20.04%. The 14 destination countries, where building stones were exported, included Belarus (2,080.76

²¹² Geoinform of Ukraine, State Balance Sheet of Mineral Reserves Of Ukraine, Building Stone (issue 37), 2020

thousand tons worth USD 15.70 million) and Russia (1,800.14 thousand tons worth USD 16.39 million) as the largest trading partners.

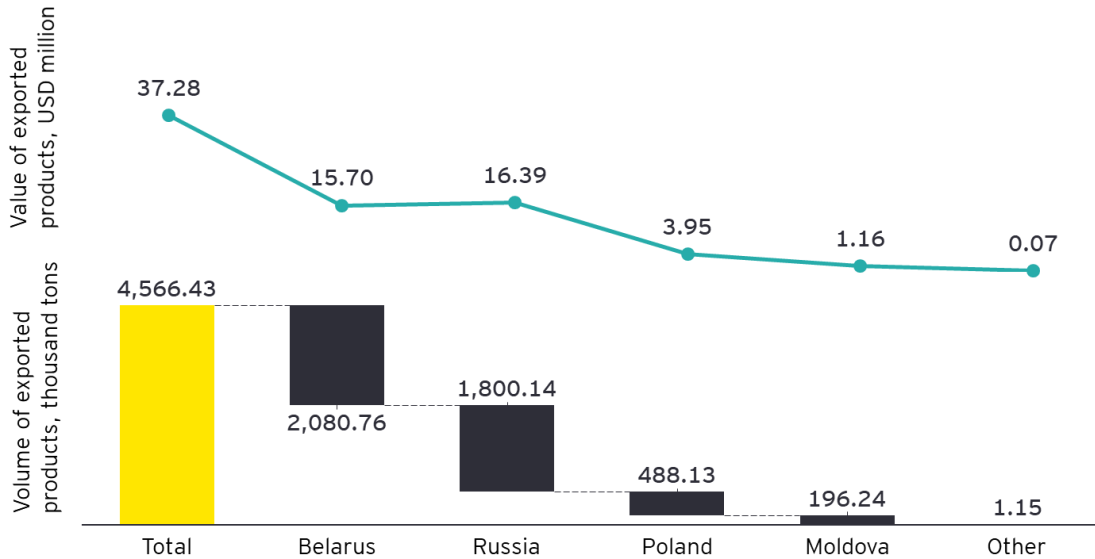


Figure 5.59: Exports of pebbles, gravel, crushed stone by country in volume and in value in 2019²¹³

In 2019, there was an increase in imports of building stones by 47.52% compared to 2018, and in value, imports increased by 27.81% (USD 18.62 million in 2019 compared to USD 14.57 million in 2019). The imports increased from Romania up to 157.80 thousand tons worth USD 1.63 million, Turkey - up to 130.49 thousand tons worth USD 9.00 million, Belarus - up to 128.72 thousand tons worth USD 3.66 million.

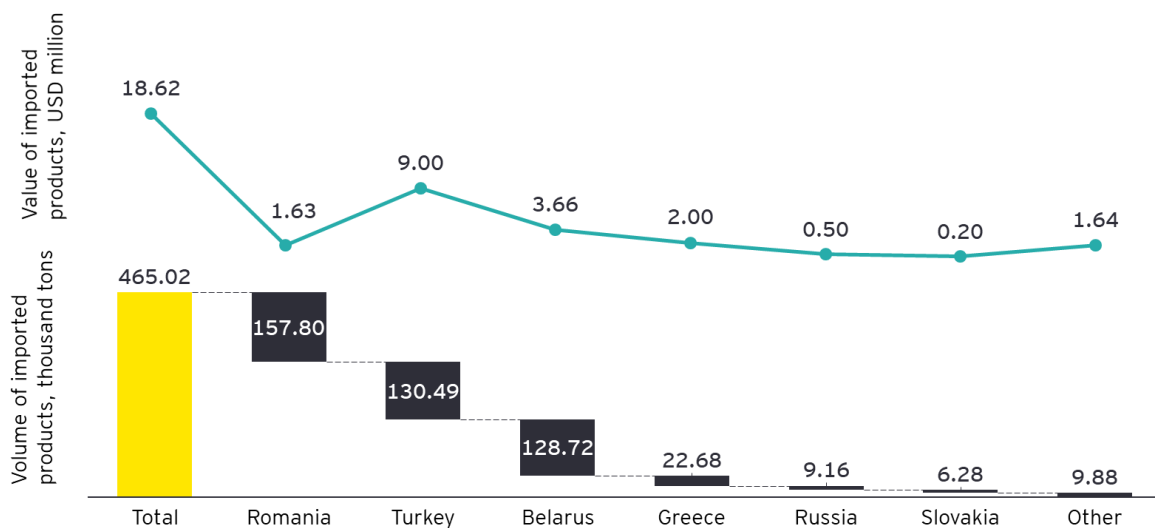


Figure 5.60: Imports of pebbles, gravel, crushed stone by country in volume and in value in 2019²¹⁴

²¹³ State Statistics Service, Foreign Trade in Certain Types of Goods by Country, 2019, http://www.ukrstat.gov.ua/operativ/operativ2019/zd/e_iovt/arh_iovt2019.htm

²¹⁴ State Statistics Service, Foreign Trade in Certain Types of Goods by Country, 2019, http://www.ukrstat.gov.ua/operativ/operativ2019/zd/e_iovt/arh_iovt2019.htm

Conclusions to the section

As of January 1, 2020, there were 944 deposits of building stones in Ukraine, and the balance sheet reserves amounted to 7,876.60 mcm. More than half of the reserves, namely 54.64%, are granite deposits.

In 2019, out of the total building stones mining of 27,034.43 thousand cubic meters, 81.78% (22,109.58 thousand cubic meters) accounted for granite. Limestone, migmatite, granodiarite, basalt, sandstone, andesite are also mined in Ukraine.

The volume of exports of pebbles, gravel and rubble decreased by 20.97% in 2019 compared to 2018 to 4,566.43 thousand tons, and the volume of imports, by contrast, increased by 47.52% up to 465.02 thousand tons.

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 gross value added generated by the extractive industries²¹⁵ in 2019 amounted to UAH 222.37 billion which made a direct contribution to Ukrainian GDP of 5.59%. Despite the fact that the gross value added generated by the extractive industries in monetary terms continued to grow and increased from UAH 214.26 billion in 2018 to UAH 222.37 billion in 2019, the share of extractive industries in Ukrainian GDP decreased compared to 6.01 % in 2018. The trend is due to the fact that Ukrainian economy as a whole grew faster than the extractive industries: Ukrainian GDP in 2019 grew by 11.63% from the previous year, and gross value added of extractive industries - only by 3.78%.

As of the time of preparation of this EITI Report for 2019, the State Statistics Service has not yet published annual detailed data on national output and GDP by type of economic activity. According to the official calendar of information disclosure for 2020²¹⁶, the State Statistics Service will publish output in the GDP for 2019 not before December 30, 2020. In view of this, the report presents only the total contribution of all extractive industries to Ukrainian GDP without detailing by sector.

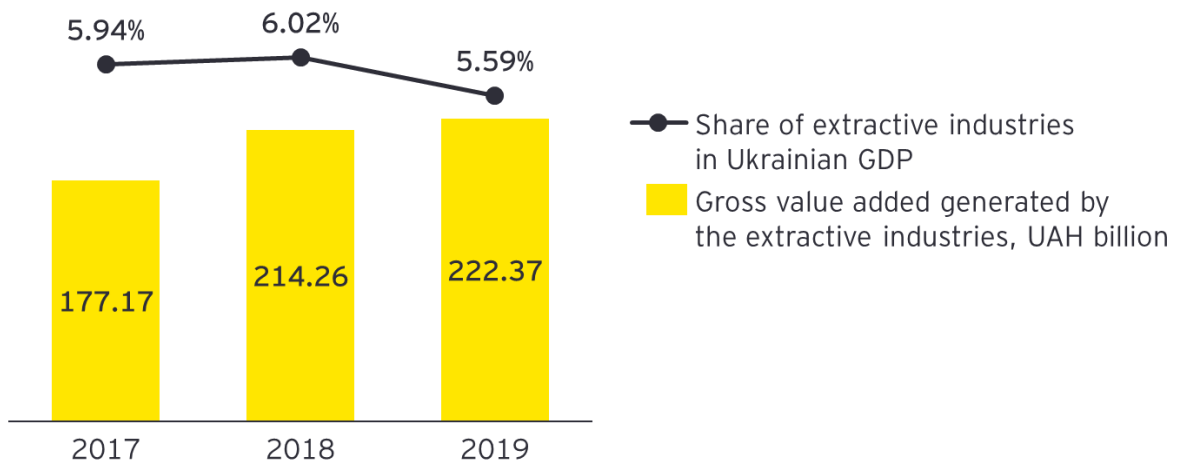


Figure 5.61: The contribution of extractive industries to the Ukrainian GDP in 2019, UAH billion

²¹⁵ Here, "extractive industries" refers to the types of economic activities included in section B of NACE-2010 - "Mining and Quarrying" namely: B05 "Coal mining"; B06 "Oil and natural gas extraction"; B07 "Iron ores extraction"; B08 "Extraction of other minerals and quarrying"; B09 "Provision of ancillary services in mining and quarrying"

²¹⁶ The State Statistics Service calendar of disclosure of information for 2020, accessible via: http://www.ukrstat.gov.ua/plansite/2020/statinform2_2020.htm

5.10.1.2 Contribution to exports

The contribution of extractive industries to the export of goods and services from Ukraine increased to 3.42% in 2019 from 2.93% in 2018. In particular, exports (in monetary terms) of non-agglomerated iron ores increased significantly: from USD 1,257.96 million in 2018 to USD 1,774.26 million in 2019. Exports of iron ore generated 2.77% of the value of total exports of goods and services from Ukraine in 2019. Other sectors made a relatively smaller contribution to the exports: fire clays mining - 0.34%, titanium ores mining - 0.24%, quarrying of pebblestone, gravel, rubble - 0.06% etc. Natural gas was not exported from Ukraine in 2019.

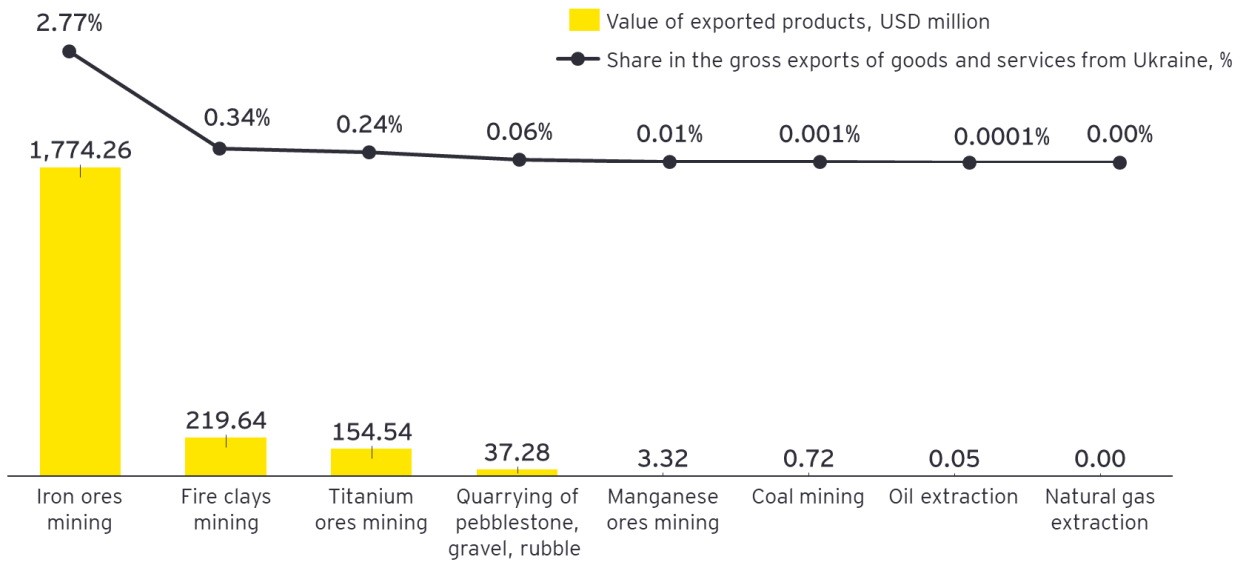


Figure 5.62: Contribution of extractive industries to exports in 2019, million USD ²¹⁷

The available foreign trade statistics contain data on the volume and value of exports and imports of goods by commodity items according to the Ukrainian Classification of Goods of Foreign Economic Activities. The classification includes no separate category for high-melting clays and quartz sand, which would enable distinguishing data on exports of products of the relevant extractive industries. Therefore, in this section, the contribution of extractive industries to Ukrainian exports does not include the export of high-melting clays or quartz sand.

5.10.1.3 Contribution to the state revenues

According to the government agencies (STS, SCS, Ministry of Economy, Geology Service), the revenues to the benefit of the state²¹⁸ from companies in the reporting extractive industries in 2019 amounted to UAH 165,350,870.54 thousand. Oil and natural gas extraction is the leader among the extractive industries in terms of the contribution to the state revenues UAH 131,378,111.59 thousand. The overall share of payments made by the accountable extractive

²¹⁷ State Statistics Service, statistical information "Foreign trade in certain types of goods by country" in 2019, accessible via: http://www.ukrstat.gov.ua/operativ/operativ2019/zd/e_iovt/arh_iovt2019.htm

²¹⁸ The revenues for the benefit of the state include tax and non-tax payments made by extractive companies for the benefit of the state, including State Statistics Service

industries in tax and non-tax revenues of the Consolidated Budget of Ukraine and the total of unified social contributions is 10.62% (**Table 5.54**).

Table 5.54: State revenues from extractive industries in 2019

Extractive industry	Payments from extractive industries, thousand UAH	Share in the revenues to the benefit of the state, % ²¹⁹
Oil and natural gas extraction	131,378,111.59	8.44%
Coal mining	10,915,848.74	0.70%
Iron ores mining	12,559,074.44	0.81%
Titanium ores mining	484,678.00	0.03%
Manganese ores mining	604,104.58	0.04%
Oil and natural gas transmission	9,409,053.19	0.60%
Total	165,350,870.54	10.62%

5.9.1.4 Contribution to capital investments

Capital investments in extractive industries²²⁰ accounted for 10.98% of all capital investments in Ukraine in 2019 (in 2018 - 9.33%). The major capital investments were attracted in extraction of natural gas, mining of iron ores and mining of hard coal and mining of lignite: the contribution of these industries to the total capital investment in Ukraine was 5.18%, 3.45% and 1.34%, respectively.

Traditionally, the largest share of capital investments in extractive industries was registered in the city of Kyiv - 48.22% of the total capital investments in extractive industries, and in Dnipropetrovsk region - 27.75%. In 2019, Poltava region attracted much more capital investment than in 2018, which resulted in 11.47% of the total capital investment in extractive industries in 2019, while in 2018 the share was 7.96% . The share of Donetsk region in 2019 was 7.56%.

²¹⁹ Calculated by the Independent Administrator based on the information of the State Treasury Service of Ukraine on the revenues of the Consolidated Budget of Ukraine in 2019 (<https://www.treasury.gov.ua/ua/file-storage/richnij-zvit-pro-vikonannya-derzhavnogo-byudzhetu-ukrayini-za-2019-rik?page=1>) and on the receipt of SSC (<https://tax.gov.ua/diyalnist/pokazniki-roboti/nahodjennya-podatkov-i-zboriv--obovyaz/nahodjennya-koshtiv-edinogo-contribution/>). For the purposes of calculation, the revenues of the Consolidated Budget of Ukraine included tax and non-tax revenues, and excluded revenues from capital transactions revenues from the European Union, foreign governments, international organizations, donor institutions; trust funds

²²⁰ Here, "extractive industries" refers to the types of economic activities included in section B of NACE-2010 - "Mining and Quarrying" namely: B05 "Coal mining"; B06 "Oil and natural gas extraction"; B07 "Iron ores extraction"; B08 "Extraction of other minerals and quarrying"; B09 "Provision of ancillary services in mining and quarrying"

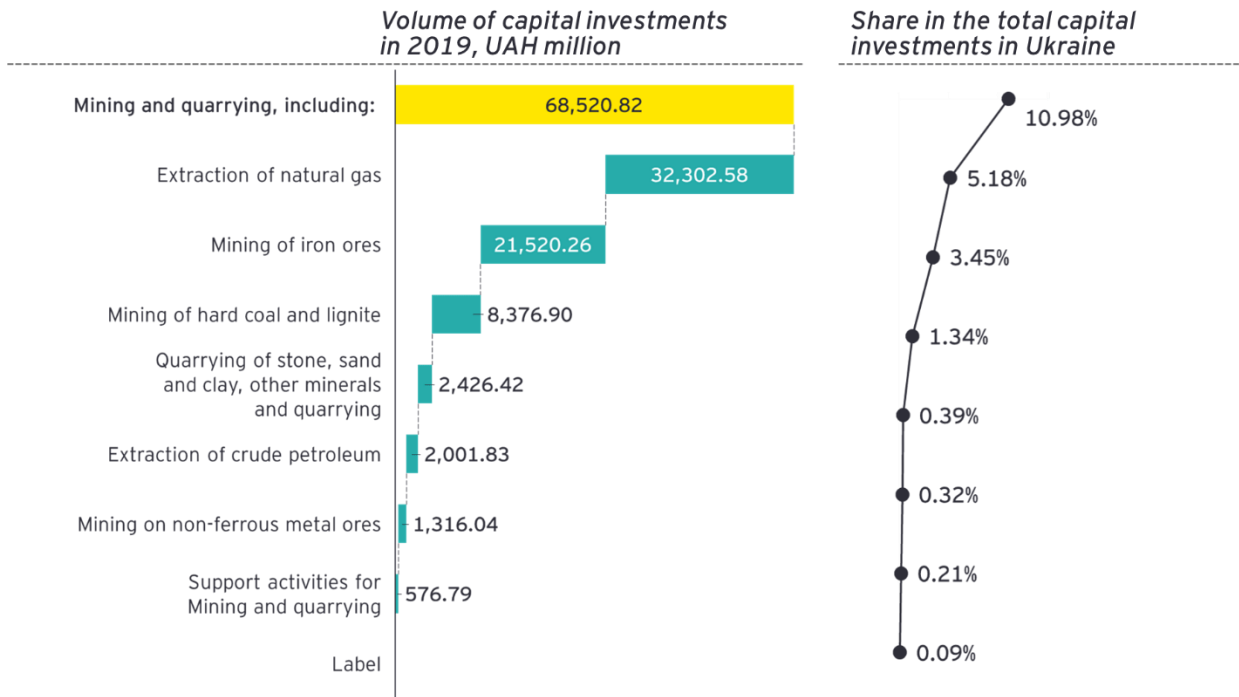


Figure 5.63: Contribution of extractive industries to capital investments in 2019, UAH million ²²¹

5.9.1.5 Contribution to employment

During 2016-2019, the average number of full-time registered employees in the extractive industries decreased annually by an average of 5.63% and in 2019 amounted to 196 thousand people. The direct contribution of the extractive industries to the total average number of full-time registered employees in Ukraine amounted to 2.63% in 2019. Among all economic activities included in the mining industry, the largest number of full-time registered employees was employed in the mining of hard coal and lignite - 72 thousand people or 0.97% of the total number of full-time registered employees in Ukraine. The second top industry was non-ferrous ores mining - 65 thousand people or 0.88% of the total in Ukraine (**Figure 5.64**).

²²¹ State Statistics Service, statistical information "Capital investments" in 2019, accessible via: http://www.ukrstat.gov.ua/operativ/operativ2018/ibd/kin/arh_kin_r_u.htm

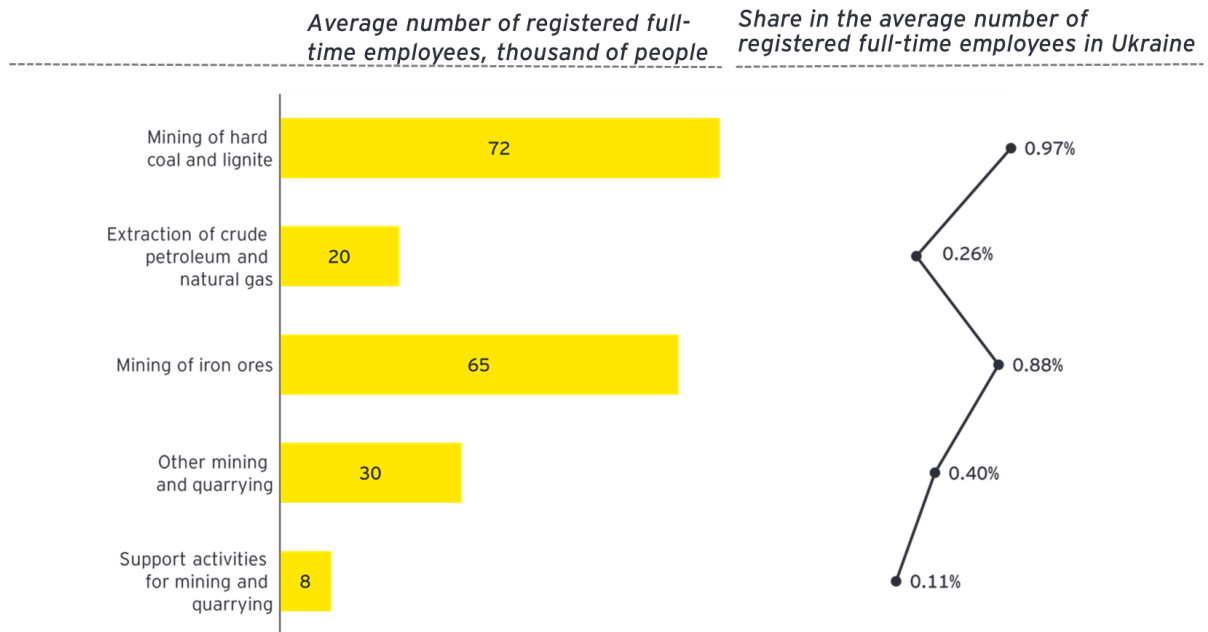


Figure 5.64: Full-time employees in the extractive industries in 2019, thousand people ²²²

The largest share of staff in the extractive industries were employed at enterprises in Dnipropetrovsk (34.41%), Donetsk (23.62%), Poltava (9.41%), Lviv (5.57%) regions²²³.

Extractive industries are important for the generating personal income, because, according to official statistics, the average wage in the extractive industries is 50% higher than in the country. While the average monthly wage in Ukraine increased by 18.41% in 2019 compared to previous year and amounted to UAH 10,497, in the extractive industries it increased by 25.52% to UAH 15,630.

The gender structure of full-time employees in all mining industries is predominated by men with a share of 74.57%, while the share of women is 25.43%. The structure of full-time employees in each mining industry is shown in the figure below (Figure 5.65).

²²² The data on the average number of full-time registered employees in the extractive industries were obtained from the State Statistics Service in response to a request from the Independent Administrator for the purposes of preparing this EITI Report.

²²³ State Statistics Committee, statistical collection "Labor of Ukraine in 2019, accessible via: http://www.ukrstat.gov.ua/druk/publicat/kat_u/2020/zb/08/zb_Pracia2019.pdf

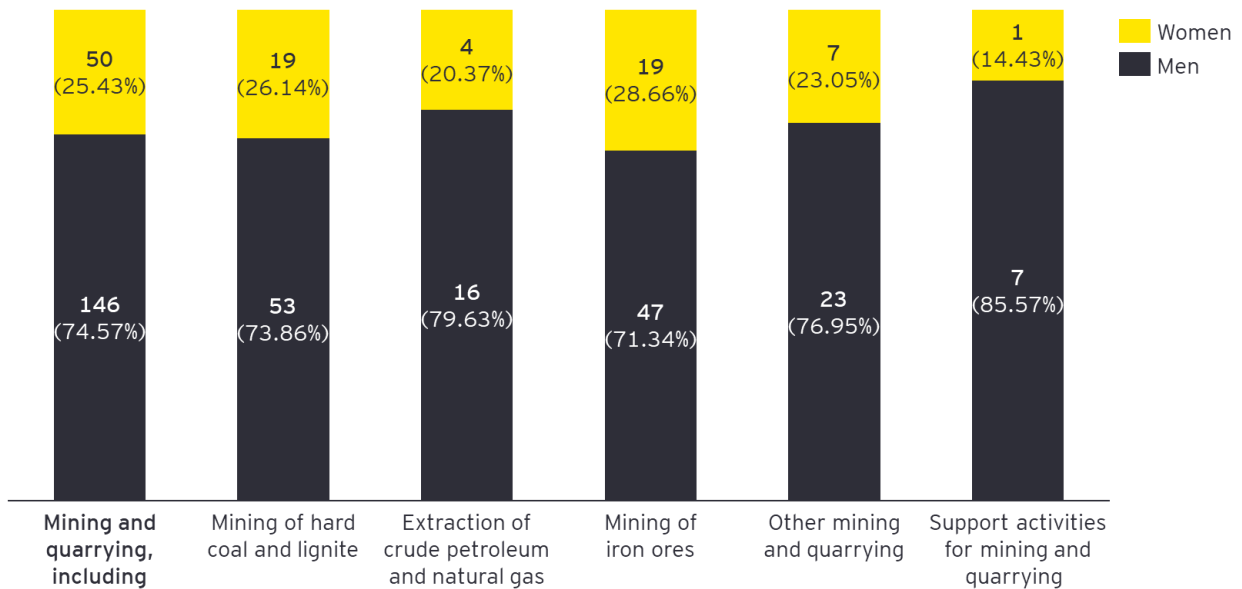


Figure 5.65: The structure of the average number of full-time registered employees in the extractive industries by gender in 2019 ²²⁴

5.10.2 Contribution to the informal economy

This section provides information on the level of the shadow economy in the extractive industries according to a study conducted by the Ministry of Economy. In addition, based on the information from the State Statistics Service, the informal employment in the extractive industries was assessed.

1. According to the Ministry of Economy, the shadow economy in the extractive industries amounted to 26% of the gross value added of these industries in 2019, which is 3 p.p. less than in 2018.

Every year, the Ministry of Economy publishes a study of the share of shadow economy, conducted in accordance with the official guidelines²²⁵, where the concept of the shadow economy is defined as follows:

Shadow economy is unregistered economic activity of an economic entity, which is characterized by minimization of costs for production of goods, performance of works and provision of services, tax evasion, fees (mandatory payments), statistical questionnaires and submission of statistical reports, resulting in a violation of statutory norms (the level of the minimum wage, working hours, working conditions and safety, etc.)²²⁶.

The Ministry of Economy assessments of the level of the shadow economy in the country use various methodologies, one of which is the company unprofitability methodology (for details of

²²⁴ 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

²²⁵ Guidelines for calculating the share of shadow economy", approved by the Order of the Ministry of Economy No 123 of 18.02.2009, accessible via: <https://zakon.rada.gov.ua/rada/show/v0123665-09#Text>

²²⁶ As defined in the Order of the Ministry of Economy "On Approval of the Guidelines for calculating the share of shadow economy" No 123 of 18.02.2009

the methodologies see the Order of the Ministry of Economy No 123 of 18.02.2009). According to the method, the shadow economy in the extractive industries amounted to 26% of their gross value added in 2019.

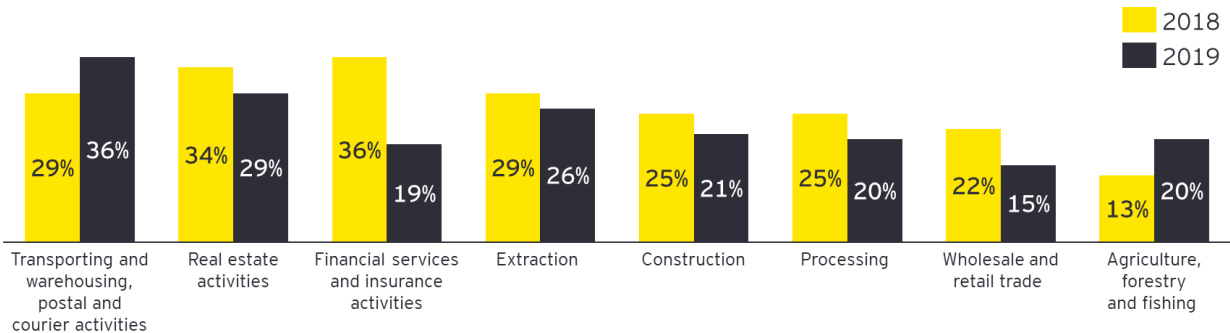


Figure 5.66: The share of shadow economy in the extractive industries and other sectors of Ukrainian economy in 2018-2019, calculated using the company unprofitability methodology (% of the gross value added of industries)²²⁷

According to the Ministry of Economy, the overall level of the shadow economy in Ukraine was 28% of the official GDP in 2019. According to some methodologies for calculating the shadow economy, the indicator amounted to:

- ▶ 43% of official GDP according by the "private consumption - retail supply" methodology;
- ▶ 17% of the official GDP according to the company unprofitability methodology;
- ▶ 22% of the official GDP according to the monetary method;
- ▶ 26% of the official GDP according to the electricity consumption method.

2. According to the State Statistics Service, the share of informally employed staff in extractive industries in 2019 can be estimated at 8.29% of the total employment in the industries, assuming that the level of informal employment in extractive industries corresponds to the level of informal employment in industry as a whole.

Informal employment covers informal jobs in both the formal and informal sectors. The informally employed staff includes the following categories of the employed people:

- ▶ those employed in informal sector companies (unregistered self-employed, employers and their employees, free family members, etc.);
- ▶ free family members working for the companies;
- ▶ employees working in informal jobs of formal sector (persons with no written contract or without any social guarantees, including the cases when single social contribution to the compulsory state social insurance is not paid for them; they do not have annual leave and/or paid sick leave)²²⁸.

According to the State Statistics Service, in Ukraine in 2019 out of 16,578.3 thousand people of working population, 3,460.4 thousand people or 20.8% were informally employed. In the

²²⁷ Ministry of Economy, General trends of the shadow economy in Ukraine in 2019, accessible via: <https://www.me.gov.ua/Documents/Download?id=e5906118-6639-4dde-851b-2d9cd318e803>

²²⁸ The definition of *informal employment* is in accordance with the Order of the State Statistics Committee "On Approval of the Methodological guidance for determining informal employment" No 16 of 23.01.2013

industrial sector, the level of informal employment was 8.29% - 204.2 thousand people out of 2,461.5 thousand people belonged to the informally employed population²²⁹.

To estimate the number of informally employed people separately in the extractive industries, the Independent Administrator suggested that the level (share) of informal employment in the extractive industries is the same as in the industry as a whole. Thus, the share of the informally employed population in the extractive industries can be estimated at 8.29% in 2019.

The publicly available information includes the aggregated data of the State Statistics Service on the absolute number of employed population in the entire industry without detailing data by extractive industries. That is why the EITI Report 2019 discloses only the share of the informally employed population in the extractive industries.

5.10.3 Social and charity payments by extractive companies

In order to disclose in the EITI Report 2019, the extractive companies spending for social and charitable purposes, the data of the reporting companies provided by them during the survey were aggregated.²³⁰ The reporting forms approved by the government do not require the companies to specify the target areas of social and charitable expenditures, so the Independent Administrator identified the following categories of the expenditures:

- ▶ support for local communities;
- ▶ health care;
- ▶ education and science;
- ▶ other.

Since Ukrainian legislation does not determine the concept "mandatory social expenditures by extractive companies" and does not specify a list of cases in which such expenditures (other than SSC) may be mandatory, this section does not include this category of expenditures of the reporting extractive companies.

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 are engaged in oil and natural gas extraction, 6 companies - in iron ores mining and 2 companies - in coal mining. According to these companies, their total payments for social and charitable purposes in 2019 amounted to UAH 257,829.09 thousand.

In terms of target areas, the largest share of social and charitable expenditures of the reporting companies was in the *Support to local communities* category - UAH 203,446.16 thousand, or 78.91%. Expenditures for *Health Care* and *Education and Science* amounted to UAH 13,983.68

²²⁹ The share and number of informally employed people in the extractive industries is calculated based on the State Statistics Service data. Source: (1) State Statistics Service, statistical information "Employed population by type of economic activity, 2012-2019", accessible via: http://www.ukrstat.gov.ua/operativ/operativ2014/rp/zn_ed/zn_ed_u/zn_ed_2013_u.htm; (2) State Statistics Service, statistical information "Informally employed population by type of economic activity, 2019," accessible via: http://www.ukrstat.gov.ua/operativ/operativ2017/rp/eans/eans_u/arch_nzn_ved_u.htm

²³⁰ The entities of the extractive industries shall provide information on their activities by filling in a payment report / consolidated payment report 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"

thousand (5.42%) and UAH 18,844.39 thousand (7.31%), respectively. More detailed information is provided in the table below (**Table 5.55**).

Table 5.55: Expenditures of reporting companies for social and charitable purposes in 2019 by target areas and extractive industries, thousand UAH (excluding VAT)

Target area of expenditures	Oil and gas	Coal	Metal ores	TOTAL
Healthcare	3,846.68	0.00	10,137.00	13,983.68
Education and science	4,605.20	7,279.37	6,959.82	18,844.39
Support for local communities	19,954.65	70,218.80	113,272.71	203,446.16
Other	350.00	0.00	21,204.86	21,554.86
Total	28,756.53	77,498.17	151,574.39	257,829.09

Among the reporting companies that disclosed information on payments for social and charitable purposes in 2019, the leader was DTEK Pavlogradvugillya PrJSC, whose expenditures amounted to UAH 65,749.51 thousand or 25.50% of the payments of all companies. The information in terms of companies is shown in the figure below.

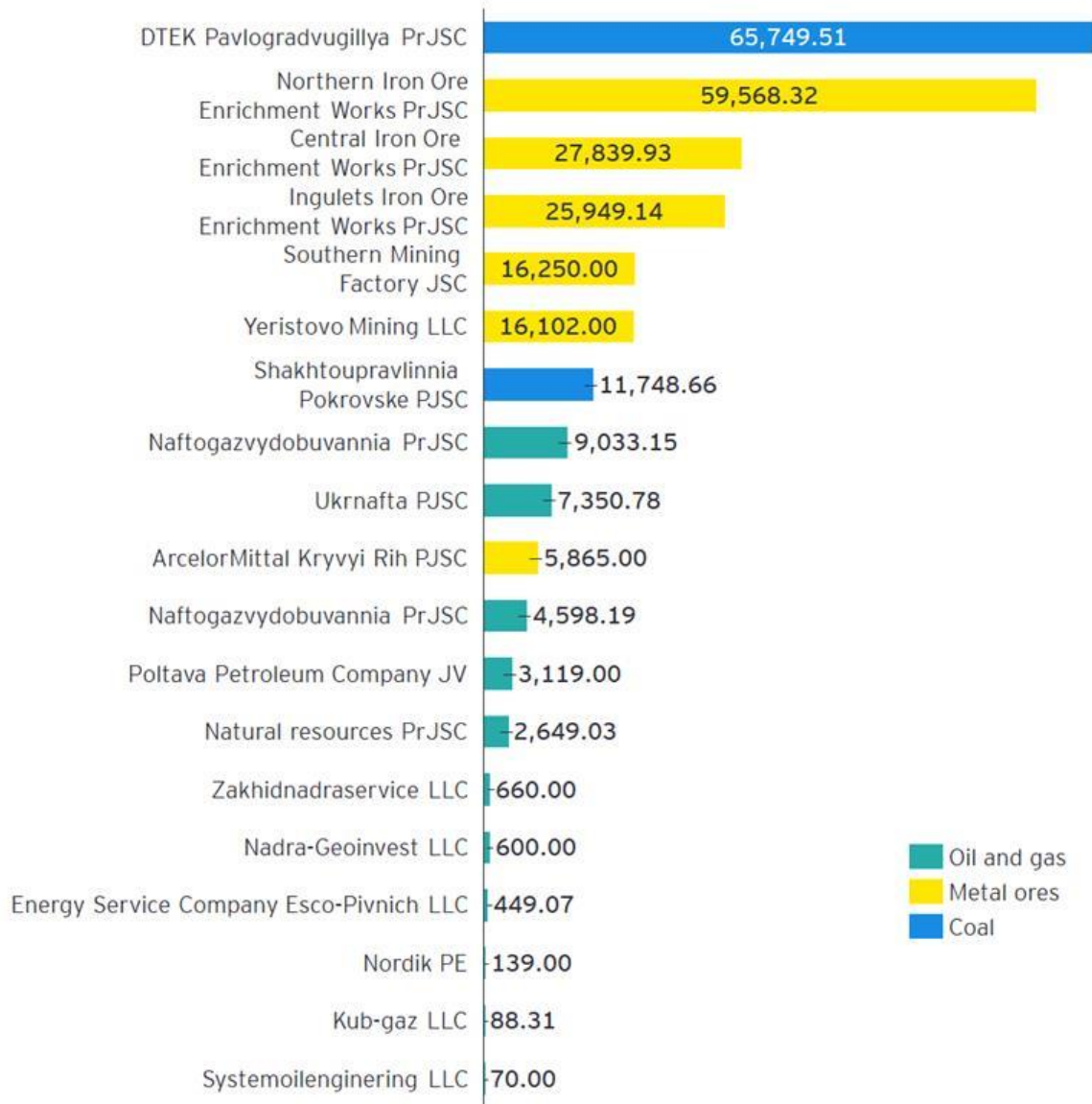


Figure 5.67: Expenditures by reporting extractive companies for social and charitable purposes in 2019, UAH thousand

5.11 Quasi-fiscal transactions

The EITI Standard 3.2 requires disclosing information on quasi-fiscal operations of public sector enterprises, in particular on payments for social services, public infrastructure, fuel subsidies and national debt service.

One of the main types of quasi-fiscal operations in Ukraine is the sale of natural gas to household consumers, religious organizations and district heating companies (DH) at prices lower than to industrial consumers. According to the EITI MSG decision, based on the available information and recommendations of the Independent Administrator, quasi-fiscal operations only in the gas industry of Ukraine were identified as significant ones for disclosure in the EITI Report (the Minutes of the EITI MSG meeting dated November 22, 2019). No other significant types of quasi-fiscal operations were identified. For the purposes of preparation of the EITI Report 2019, the request for quasi-fiscal operations was submitted to Naftogaz of Ukraine NJSC (the Minutes of the EITI MSG meeting dated December 20, 2020).

5.11.1 Quasi-fiscal transactions in gas industry

According to the Law of Ukraine "On the Natural Gas Market", the wholesale and retail natural gas markets operate based on the free pricing principle. An exception is the case when market participants are assigned with special responsibilities in order to ensure the general public interest in the functioning of the natural gas market, as defined by Article 11 of the Law of Ukraine "On Natural Gas Market". During 2019, the scope and the terms of implementation of special obligations of natural gas market entities, in particular Naftogaz of Ukraine NJSC, were determined in accordance with the Resolution of the Cabinet of Ministers of 19.10.2018 No 867. The resolution defined the approach to setting the retail price for the supply of natural gas to household consumers, religious organizations (except for the volumes used for their production and commercial activities) and producers of heat and electricity for the period up to August 1, 2020²³¹.

According to the response of Naftogaz of Ukraine NJSC to the request, in 2019 the total quasi-fiscal expenditures amounted to UAH 43,128,737.43 thousand (*Table 5.56*). No quasi-fiscal operations were conducted by other reporting oil and gas companies during 2019.

Table 5.56: Quasi-fiscal operations in the gas extracting industry in 2019²³²

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 867 ²³³	14,006,000

²³¹ Resolution of the Cabinet of Ministers of 19.10.2018 No 867 "On The Imposition Of Special Obligations On Natural Gas Market Entities To Ensure Public Interests In The Functioning Of The Natural Gas Market", <https://zakon.rada.gov.ua/laws/show/867-2018-%D0%BF#Text>

²³² The information is obtained from the response of Naftogaz of Ukraine NJSC.

²³³ According to the response of Naftogaz of Ukraine NJSC, in the absence of the calculation methodology approved by the Cabinet of Ministers and the compensation procedure, the company independently assessed losses from special obligations and determined them taking into account the permissible profitability (5%), economically justified costs related to the fulfillment of special obligations, outstanding receivable for gas consumed by the consumers who are within the scope of special obligations.

Indicator	Amount, UAH thousand
Accumulation of receivables of the National Joint-Stock Company "Naftogaz of Ukraine" for the sale of natural gas to the households and heat companies ²³⁴	29,122,737.43
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.	-

5.12 Generation of government revenues from extractive industries by the regions of Ukraine

Most tax and non-tax payments made by extractive companies in Ukraine have no clearly defined purpose and fall into the general fund of the State Budget and / or local budgets. The exception is the single social contribution, whose proceeds are distributed to the types of compulsory state social insurance in the proportions approved by the Cabinet of Ministers.²³⁵ The detailed information on the destination of taxes and fees in the state or local budgets is provided in **Section 6.5**.

In many cases, the legal address of the company's registration may not coincide with the actual place of extraction of minerals under special subsoil use permits. Due to the lack of objective official data, the Independent Administrator conducted its own assessment of the payments of regional origin to the state made by the extracting companies.

So the results of the assessment reflect the approximate amount of revenues in favour of the state, which were generated in a particular region of Ukraine in 2019. The estimates are indicative.

The assessment methodology and the key assumptions were as follows:

1. The scope of the assessment includes the receipts from all extractive companies of the accountable extractive industries (extraction of natural gas, extraction of oil, coal mining, iron ore mining, titanium mining, manganese mining, transmission of natural gas and oil)²³⁶ for all types of payments made in 2019. Source of information - the data provided by the state bodies (State Tax Service, State Customs Service, Ministry of Economy, Geology Service) on receipts of tax and other payments in favour of the state in 2019, received for reconciliation for the purposes of the EITI Report.
2. The receipts from oil and natural gas transportation sector (Ukrtransgaz JSC and Ukrtransnafta JSC), as well as from Naftogaz of Ukraine NJSC were not distributed among the regions of Ukraine, as it is impossible to accurately relate the tax and non-

²³⁴ According to the response of Naftogaz of Ukraine NJSC, the receivables by DH companies as of December 31, 2019 are provided. The company does not supply natural gas to the households. The gas is sold to supply companies for further sale to the households.

²³⁵ The proportions in which the SSC is distributed 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 Single Contribution to the Obligatory State Social Insurance", <https://zakon.rada.gov.ua/laws/show/675-2014-n>

²³⁶ For more information on determining the list of accountable sectors to be reconciled in the EITI Report 2019, see **Section 8**.

tax payments by these companies with specific regions of Ukraine because of the specifics of their activities.

3. The receipts from the extraction of iron, titanium and manganese ores are distributed between the regions of the country by comparing the actual address of business and the amount of payments paid by the companies. For example, if a company operates exclusively within one region, all the payments made by the company are considered to originate in that region. In the case where the company extracts minerals under several special subsoil use permits located in different regions, such payments were divided by regional origin according to the volume of extraction in each of the regions.
4. The total receipts from coal mining companies were distributed among the regions of Ukraine in proportion to the physical volume of production. For example, it was assumed that since 58.3% of all coal in Ukraine was mined in Dnipropetrovsk region in 2019, the share of 58.3% of the revenues from the coal mining industry can be attributed to Dnipropetrovsk region. The source of information on the regional distribution of production volumes is Geology Service and the Ministry of Energy.
5. Determination of total revenues from the natural gas extraction and oil extraction separately. In the case of companies engaged in both oil and natural gas separately, their payments were distributed among the natural gas and oil extraction in proportion to the amount of rent paid for subsoil use according to the relevant budget classification codes. Since the basis for rent taxation for the use of subsoil for the extraction of hydrocarbons is the cost of marketable products (oil, condensate and natural gas), it was assumed that the payments of oil and gas companies should be divided into those related to natural gas extraction and those associated with oil extraction, in proportion to the rent paid by them.
6. The regional distribution of total revenues separately from oil extraction and from natural gas extraction was done in proportion to the regional structure of extraction of the relevant minerals.

Using this algorithm, the regional origin of approximately 59.99% of payments from the extractive industries in 2019 was estimated. Such distribution may contain errors, but a more accurate approach is not applied with the available information. Moreover, when a company operates in several regions, or extracts both oil and natural gas at the same time, it is impossible to make a correct distribution of payments without detailed clarifications from each such company, in particular in order to determine the share of the extraction of a particular type of mineral in the tax base for most types of taxes.

The payments made by Naftogaz of Ukraine NJSC (34.78% of total receipts or UAH 61,763,859.41 thousand), and all the payments made by oil and natural gas transmission sector (5.29% or UAH 9,409,053.19 thousand) remained unallocated to the regions of the country.

The results of the assessment show that the three regions of Ukraine (Kharkiv, Poltava and Dnipropetrovsk regions), where the main deposits of natural gas, oil and iron ore are concentrated, provided 74.02% of the total revenues from the extractive industries in 2019. Another 24.87% of the revenues were received from 6 other regions (Sumy, Ivano-Frankivsk,

Lviv, Donetsk, Chernihiv and Zaporizhia regions). The rest of the regions of Ukraine provided 1.11% of the state revenues from the extractive industries in 2019.

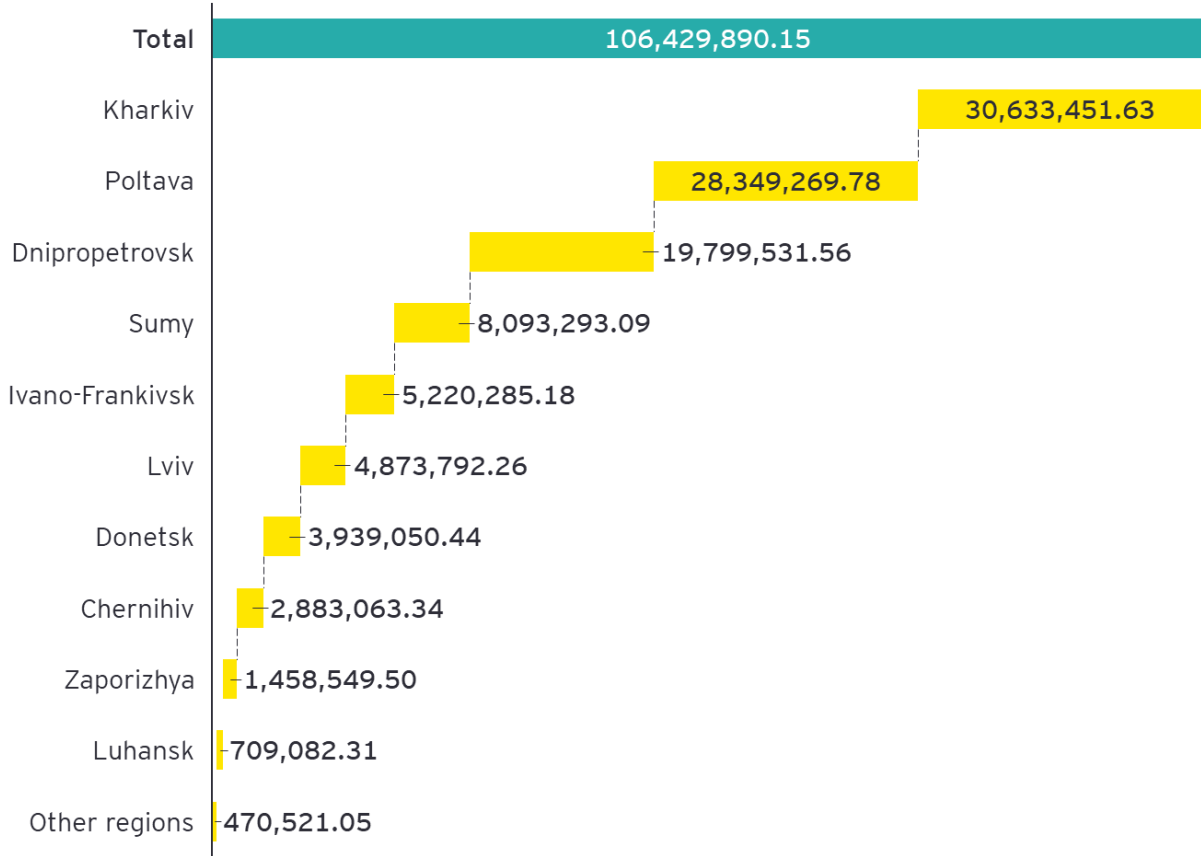


Figure 5.68: Estimate by the Independent Administrator of the regional origin of payments in favour of the state from the extractive industries of Ukraine in 2019, thousand UAH

Table 5.57: Independent Administrator`s estimation of the regional origin of payments in favour of the state from the extractive industries in 2019

Name of region	Total, UAH thousand	Including:					
		Oil	Natural gas	Iron ores	Titanium ores	Manganese ores	Coal
Volyn region	110,860.86		86,484.38				24,376.48
Dnipropetrovsk region	19,799,531.56	103,750.07	1,195,337.69	11,245,013.40	287,317.57	602,896.13	6,365,216.69
Donetsk region	3,939,050.44		3,088.73				3,935,961.71
Zhytomyr region	162,680.79			(9,111.47) ²³⁷	171,792.26		
Zaporizhya region	1,458,549.50			1,457,341.05		1,208.45	
Ivano-Frankivsk region	5,220,285.18	3,818,002.73	1,402,282.46				
Kyiv region	47.78				47.78		
Kirovograd region	139,917.71			114,665.16	25,252.55		
Luhansk region	709,082.31	10,375.01	583,769.57				114,937.74
Lviv region	4,873,792.26	1,763,751.26	2,634,684.88				475,356.12
Mykolaiv region	40.14			40.14			
Poltava region	28,349,269.78	1,701,501.21	26,896,642.40	(248,873.84)			
Sumy region	8,093,293.09	7,117,255.08	976,038.01				
Kharkiv region	30,633,451.63	601,750.43	30,031,701.20				
Cherkasy region	267.84				267.84		
Chernivtsi region	25,818.65	10,375.01	15,443.64				
Chernihiv region	2,883,063.34	2,728,626.95	154,436.39				
Zakarpattia region	3,088.73		3,088.73				
The Azov Sea Shelf	27,798.55		27,798.55				
Total	106,429,890.15	17,855,387.75	64,010,796.64	12,559,074.44	484,678.00	604,104.58	10,915,848.74

²³⁷ 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 2019 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

The State Statistics Service of Ukraine annually publishes the results of the state statistical survey on the issues related to the environmental impact of industrial activities and the implementation of environmental measures. In order to disclose the information in accordance with EITI Standard 6.4, the Independent Administrator analyzed the data from selected government statistical surveys in such areas as industrial waste generation and air pollutant emissions by the accountable industries, as well as capital investment and environmental expenditures during 2019. For the detailed information on the regulation in the field of monitoring the environmental impact of extractive industries see **Section 7**.

So, according to the State Statistics Service, among the accountable industries, the largest amount of waste was generated by the metal ores mining industry (category A. 7 "Metal ores mining waste" (group 13)) - 339,541.32 thousand tons.

Table 5.58: The volume of waste generated in the extractive industries in 2019, thousand tons²³⁸

Waste category ²³⁹	Volume of generated waste, thousand tons
A. 4 "Wastes from coal, lignite (brown coal), peat" (group 10)	14,571.04
A. 5 "Wastes from crude oil and natural gas extracting; wastes from oil and gas extracting services (other than exploration)" (group 11)	179.71
A. 7 "Wastes from metal ores mining" (group 13)	339,541.32
A. 8 "Wastes from other minerals mining" (group 14), including:	37,564.11
<i>wastes from mechanical processing during the extracting of stone for monuments and construction (1411.2.1)</i>	36.32
<i>wastes (rocks, earth) generated during uncovering operations for building stone mining (1411.2.9.01)</i>	1,565.74
<i>wastes from industrial and technological mining of gravel and sand (1421.2)</i>	1.23
<i>wastes from final production of gravel and sand (1421.3)</i>	12.33
<i>wastes from clay and kaolin mining (1422.3)</i>	0.063

Among the accountable industries, the metal ores mining industry also generates the most carbon dioxide emissions, while the largest volume of pollutant emissions into the atmosphere is produced by the coal and lignite mining industry - 725.3 thousand tons and 308.0 thousand tons, respectively.

²³⁸ SSS, Waste generation by classification groups of the state waste classifier in 2019
http://www.ukrstat.gov.ua/operativ/operativ2018/ns/uv_zaklass/uv_zaklass_19ue.xls

²³⁹ For a detailed description of waste categories please see the Waste Classifier DK 005-96,
<https://zakon.rada.gov.ua/rada/show/v0089217-96#Text>

Table 5.59: Volumes of emissions of carbon dioxide and pollutants into the atmosphere from stationary sources by type of economic activity in 2019, thousand tons²⁴⁰

Extractive sector (according to NACE-2010)	Carbon dioxide emissions, thousand tons	Pollutant emissions, thousand tons
Coal and lignite mining (NACE code - B05)	259.0	308.0
Metal ores mining (NACE code - B07)	725.3	51.9
Other minerals mining (NACE code - B08)	121.5	8.9

In addition, the Independent Administrator analyzed the data provided by the State Statistics Service on the total emissions of pollutants and greenhouse gases generated by some accountable enterprises.

Table 5.60: Total emissions of pollutants, greenhouse gases by individual enterprises with large combustion plants in 2019²⁴¹

Company	Total emissions of pollutants, greenhouse gases, tons	Including:		
		sulphur dioxide	nitrogen dioxide	substances in the form of suspended solids
Cherkasytransgaz Major Gas Pipelines, Management Branch of Ukrtransgaz PJSC, Barske Line Production Department	1,359.61	–	680.83	0.02
Illintsi Compressor Station, Gaisynske Line Production Department, Cherkasytransgaz Major Gas Pipelines	744.51	–	96.37	0.04
Prykarpatttransgaz Major Gas Pipelines, Branch of Ukrtransgaz PJSC (Volovets District)	552.32	–	191.01	1.30
Prykarpatttransgaz Major Gas Pipelines, Branch of Ukrtransgaz PJSC, Bogorodchany Line Production Department of Major Gas Pipelines	1,740.92	–	715.04	0.10
Ukrtransgaz Joint-Stock Company, Stryi Underground Gas Storage Production Department - Bilche-Volytsia Boosting Compressor Station	1,096.74	–	139.19	,
Kyivtransgaz Major Gas Pipelines, Branch of Ukrtransgaz PJSC	2,112.36	–	924.95	0.08
Sumy Line Production Department, Ukrtransgaz PJSC	3,139.75	–	1,488.88	0.01
Cherkasytransgaz Major Gas Pipelines Branch, Ukrtransgaz PJSC	1,057.33	–	252.41	0.01
ArcelorMittal Kryvyi Rih PJSC	230,676.00	7,977.59	9,820.39	22,142.04

²⁴⁰ SSS, Emissions of Pollutants into the Atmosphere from Stationary Sources of Pollution in 2019, http://www.ukrstat.gov.ua/operativ/operativ2018/ns/vzap/arch_vzrap_u.htm

²⁴¹ SSS, Total Emissions of Pollutants and Greenhouse Gases by Economic Entities with Large Combustion Plants in 2019, http://www.ukrstat.gov.ua/operativ/operativ2020/ns/zv/zv_2019.xlsx

5.13.2 Environmental expenditures of extractive industries

According to the data provided by the State Tax Service in response to the request, the total revenues of the environmental tax from the accountable extractive industries²⁴² in favour of the state amounted to UAH 981 251.21 thousand in 2019. In terms of the categories of environmental tax, the largest share of the total revenues was from payments for waste dumping - 603,147.31 thousand UAH (*Figure 5.69*).

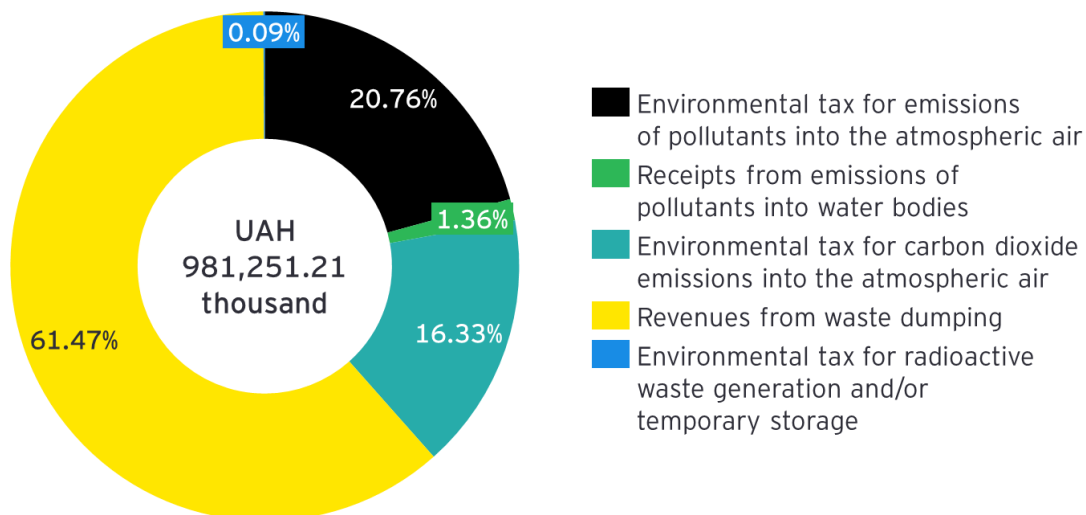


Figure 5.69: The structure of environmental tax revenues from accountable extractive industries in favour of the state in 2019

In addition, according to the State Statistics Service, during 2019, the total environmental expenditures of the extractive industries amounted to UAH 9,371,091.90 thousand, in which the metal ores extracting industry was the leader - UAH 8,788,574.80 thousand or 93.78% of the total. The total capital environmental protection investments of the extractive industry amounted to UAH 2,470,894.60 thousand, and the current expenses - UAH 7,234,863.30 thousand.

Table 5.61: Environmental protection expenditures by type of economic activity in 2019²⁴³

Industry (according to NACE-2010)	Total, UAH thousand	including:		
		capital investments		current expenses
		total	including capital repairs	
Extractive industry and quarrying, including:	9,371,091.90	2,136,228.60	334,666.00	7,234,863.30
<i>coal and lignite mining</i>	272,103.90	56,962.50	14,830.10	215,141.40
<i>extracting of crude oil and natural gas</i>	184,011.20	14,448.60	3,010.00	169,562.60
<i>metal ores mining</i>	8,788,574.80	2,061,757.50	316,263.90	6,726,817.30
<i>mining of other minerals and quarrying</i>	126,402.00	3,060.00	562.00	123,342.00

²⁴² Accountable extractive industries include extraction of oil and natural gas, mining of coal, iron ore, titanium ore, and manganese ore. The detailed information on payments by the accountable mining companies to the state is provided in **Section 8**

²⁴³ SSS, Expenditures on Environmental Protection by Types of Economic Activity in 2019, http://www.ukrstat.gov.ua/operativ/operativ2020/ns/vonsved/vonsved2019_u.html

In terms of individual environmental measures, the largest share of the total capital investment was allocated for by the soil, groundwater and surface water protection and rehabilitation programs - 1,217,085.10 thousand tons.

Table 5.62: Capital investments in environmental protection measures by extractive industries in 2019²⁴⁴

Industry	Total capital investment, thousand UAH	Including:				
		atmospheric air protection and climate change issues	return water treatment	waste management	soil, groundwater and surface water protection and rehabilitation	other activities
Mining and quarrying, including:	2,136,228.60	171,387.00	276,859.70	466,777.90	1,217,085.10	4,118.90
<i>coal and lignite mining</i>	56,962.50	342.00	4,987.30	51,092.10	16.50	524.60
<i>extracting of crude oil and natural gas</i>	14,448.60	2.30	-	127.50	14,014.80	304.00
<i>metal ores mining</i>	2,061,757.50	170,407.90	271,428.40	415,541.10	1,203,053.80	1,326.30
<i>mining of other minerals and quarrying</i>	3,060.00	634.80	444.00	17.20	-	1,964.00

²⁴⁴ State Statistics Service, Capital Environmental Protection Investments by Types of Economic Activity with Distribution by Types of Environmental Measures in 2019, http://www.ukrstat.gov.ua/operativ/operativ2020/ns/kap_in/kionps_ek_u19.htm

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.

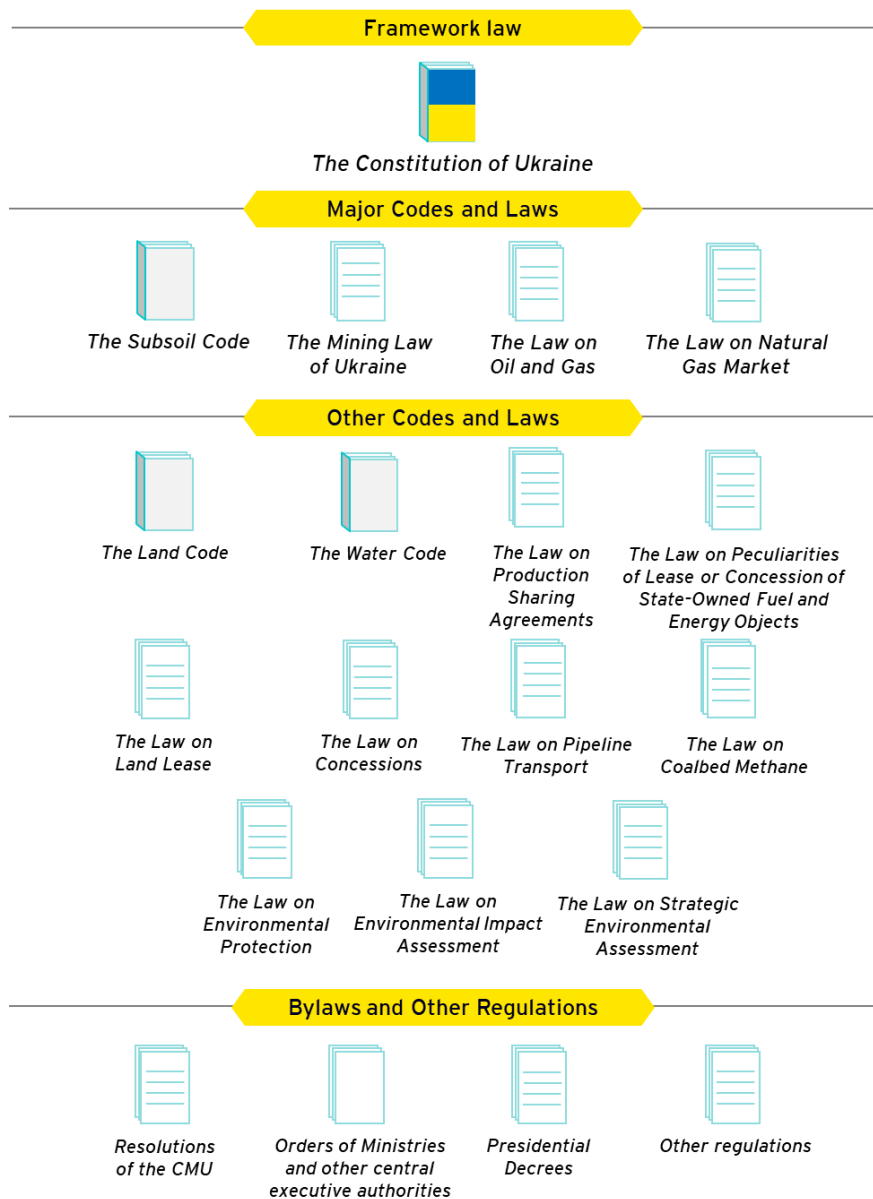


Figure 6.1: Legal framework of extractive industries

The Ukrainian legislation regulating mining is quite complicated. Some issues may be subject 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 2019, 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 2019. 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 2019 were determined in the following strategic documents²⁴⁵:

Government Mid-Term Priority Action Plan until 2020 and Government Priority Action Plan

- ▶ The CMU Regulation dated 03 April 2017²⁴⁶ approved the Government Mid-Term Priority Action Plan until 2020. To implement it, the CMU approved the Government Priority Action Plans for 2017, 2018, 2019²⁴⁷ and 2020²⁴⁸. 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 developed²⁴⁹.

Ukraine's Energy Strategy "Security, Energy Efficiency, Competitiveness" for the period of up to 2035

- ▶ The Energy Strategy was approved on 18 August 2017²⁵⁰ in the context of the Sustainable Development Strategy "Ukraine - 2020"²⁵¹, replacing the Energy Strategy of Ukraine until 2030²⁵². The 2035 Strategy outlines strategic targets for development of the fuel and energy complex and a milestone program for their achievement.

²⁴⁵ 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>

²⁴⁶ 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>

²⁴⁷ 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>

²⁴⁸ 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>

²⁴⁹ 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>

²⁵⁰ Resolution of the CMU "On approval of the Energy Strategy of Ukraine "Security, Energy Efficiency, Competitiveness" till 2035 No. 605-p dated August 18, 2017, available at: <https://zakon.rada.gov.ua/laws/show/605-2017-p>

²⁵¹ 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>

²⁵² 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)"²⁵³.

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 mines²⁵⁴. The Concept and the relevant activity plan for its implementation were approved on 24 May 2017²⁵⁵.

The Concept for Ukrainian Gas Industry Development

- ▶ This Concept²⁵⁶ and the Action Plan for its implementation²⁵⁷ 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 2021-2027²⁵⁸

- ▶ 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.

²⁵³ 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>

²⁵⁴ 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)

²⁵⁵ 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>

²⁵⁶ Resolution of the CMU "On Approval of the Ukrainian Gas Extracting Industry Development Concept" No. 1079-p dated December 28, 2016, available at: <http://zakon2.rada.gov.ua/laws/show/1079-2016-%D1%80>

²⁵⁷ 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>

²⁵⁸ 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 importance²⁵⁹. The lists of minerals of national and local importance have been approved by the CMU²⁶⁰. According to the lists, natural gas, oil, quartz sand, granite and clay belong to minerals of national importance²⁶¹.

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 venture²⁶². 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, as well as amber subsoil, in accordance with the amendments of December 2019²⁶³).

Mining allotments to develop mineral deposits of national importance are provided by the State Labor Service²⁶⁴. 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 made²⁶⁵. 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

²⁵⁹ Article 6 of the Subsoil Code of Ukraine No. 132/94-VR dated 27 July 1994, available at: <https://zakon.rada.gov.ua/laws/show/132/94-%D0%B2%D1%80#Text>

²⁶⁰ 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>

²⁶¹ 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.

²⁶² Paragraph 6 of article 16 of the Subsoil Code of Ukraine No. 132/94-VR dated 27 July 1994, available at: <https://zakon.rada.gov.ua/laws/show/132/94-%D0%B2%D1%80#Text>

²⁶³ 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>

²⁶⁴ 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 December 19, 2019, available at: <https://zakon.rada.gov.ua/laws/show/402-20#Text>

²⁶⁵ Article 45 of the Subsoil Code

Environment)²⁶⁶. 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 CMU²⁶⁷.

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 registration²⁶⁸ and monitoring²⁶⁹ 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**²⁷⁰.

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**²⁷¹. 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 Service²⁷².

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**

²⁶⁶ 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>.

²⁶⁷ 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>.

²⁶⁸ 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>.

²⁶⁹ 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>.

²⁷⁰ Regulations on the procedure for managing geological information, approved by Resolution of the CMU No. 423 dated 13 June 1995, available at: <http://zakon5.rada.gov.ua/laws/show/423-95-%D0%BF>. Starting 2018, The Regulations were terminated and new Resolution of the CMU "The issue on managing of geological information" No. 939 dated 07 November 2018 was adopted, available at: <https://zakon.rada.gov.ua/laws/show/en/939-2018-n>

²⁷¹ 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>.

²⁷² 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>

procedure for state mining supervision²⁷³. State control over the use and protection of subsoil 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.

Legislative changes in December 2019 reduced the number of approvals for issuance of subsoil licenses, implemented auctions for sale of subsoil licenses through electronic bidding on a permanent basis, governed the use of amber subsoil and amber mining, etc.²⁷⁴

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 facilities²⁷⁵.

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 venture²⁷⁶. At the same time, the Law on Oil and Gas stipulates that if the use of oil and gas mineral resources occurs under a

²⁷³ Resolution of the CMU No. 134 dated 21 February 1995, available at: <http://zakon2.rada.gov.ua/laws/show/134-95-%D0%BF>

²⁷⁴ Amendments that came into force in December 2019 were introduced by the Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine on 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>

²⁷⁵ 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>

²⁷⁶ Paragraph 2 of article 14 of the Law of Ukraine On Oil and Gas

JAA, co-production agreement, or production cooperation agreement, one of the parties to such an agreement should have a relevant license²⁷⁷. 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)²⁷⁸.

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.²⁷⁹

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

²⁷⁷ Article 49 of the Law of Ukraine On Oil and Gas

²⁷⁸ Article 12 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>

²⁷⁹ 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>

requirements and licensing of economic activities on the natural gas market), the rules for the supply, transportation, distribution and storage of natural gas, as well as the rules for the installation of LNG.

On 17 November 2019, amendments came into force specifying that only entities with 100% equity owned by the state or by an entity with 100% equity owned by the state²⁸⁰.

Several important by-laws have been adopted to implement the Law "On the Natural Gas Market", including the Gas Transmission System Code²⁸¹ (that regulates the operation of the gas transmission system and applies to gas production companies, among other entities) and the Gas Distribution System Code²⁸² (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 Ukraine²⁸³;
- ▶ 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 of Ukraine, the State Tax Service of Ukraine (STS) and the State Customs Service of Ukraine (SCS).

²⁸⁰ The Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine in Connection with the Separation of Natural Gas Transportation Activities" No. 264-IX dated October 31, 2019, available at: <https://zakon.rada.gov.ua/laws/main/264-IX#Text>

²⁸¹ 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/ed20190605>

²⁸² 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/ed20191012>

²⁸³ 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>

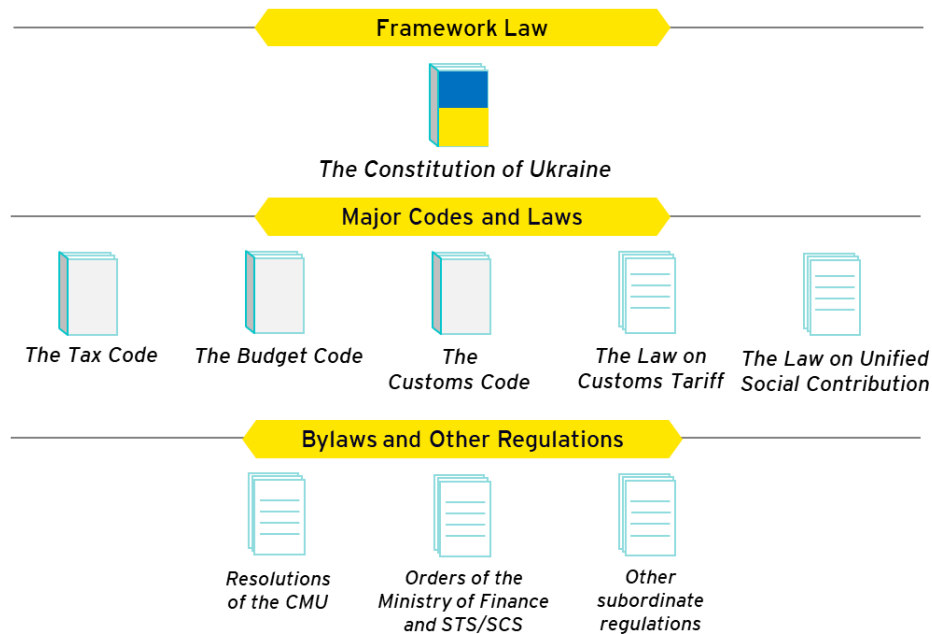


Figure 6.2: Regulatory framework for extractive industries (major tax laws and regulations)

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. At the end of 2019, the status and organizational structure of enterprises, institutions and organizations of pipeline transportation sector were clarified²⁸⁴.

The Law of Ukraine “On Production Sharing Agreements” No. 1039-XIV dated 14 September

²⁸⁴ Article 14 of the Law of Ukraine "On Pipeline Transport" dated May 15, 1996, available at: <https://zakon.rada.gov.ua/laws/show/192/96-%D0%B2%D1%80#Text> as amended by 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 dated October 31, 2019, available at: <https://zakon.rada.gov.ua/laws/show/264-20#n28>

1999 regulates the process of bidding for PSAs, entering into such agreements, and their performance. 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); an approval of the draft PSA from the local government on whose territory the subsoil area is located is no longer necessary, etc.²⁸⁵.

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 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 km², and 1000 km² for the areas of the Black Sea.²⁸⁶

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 right²⁸⁷.

Also, in December 2019 the provisions of the Land Code of Ukraine were supplemented in terms of amber mining²⁸⁸.

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

²⁸⁵ Amendments were made in accordance with the Law of Ukraine "On Amendments to Certain Legislative Acts 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>

²⁸⁶ Article 19 of the Law On Oil and Gas

²⁸⁷ 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>

²⁸⁸ Amendments were made in accordance with the Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine on Improvement of the Legislation on the Extraction of Amber and Other Minerals" No. 402-IX dated December 19 2019, available at: <https://zakon.rada.gov.ua/laws/show/402-20#Text>

into force²⁸⁹. Under this law, concession agreements cannot be concluded for prospecting, exploration and extraction of minerals. The new law amended the Law On Peculiarities of Lease or Concession of the State-Owned Facilities of Fuel and Energy Industry Objects - it excluded provisions that regulated the concession procedure.

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 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.²⁹⁰

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.

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 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 the right to use subsoil, conduction of electronic auctions for the sale of subsoil licenses and operation of a special electronic account of the subsoil user, etc.) may contribute to investment attractiveness of the Ukrainian extractive sector, although the need for further comprehensive reforms remains of high priority.

²⁸⁹ 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>

²⁹⁰ The Law of Ukraine "On Strategic Environmental Assessment" No. 2354-VIII dated March 20, 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 companies²⁹¹.

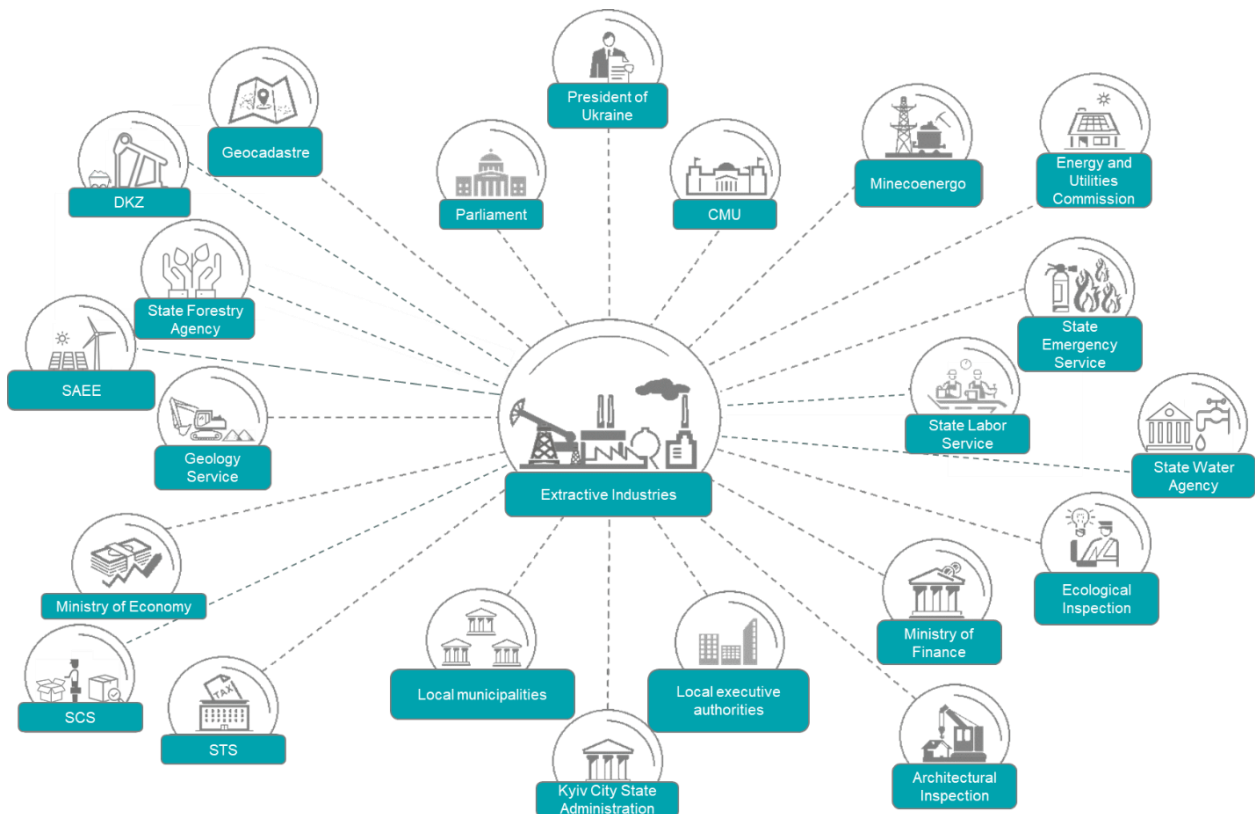


Figure 6.3: State authorities that govern activities of extractive companies as of 31 December 2019

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

²⁹¹ This section does not include information on state authorities that did not regulate extractive companies in 2019 (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:

- ▶ As of the beginning of 2019, the **Ministry of Ecology and Natural Resources of Ukraine** (Ministry of Environment) was the main body in the system of central executive bodies that ensured the formation and implementation of state policy in the field of environmental protection, environmental safety, geological exploration and efficient use of mineral resources.²⁹² Along with it, the **Ministry of Energy and Coal Industry of Ukraine** (Ministry of Energy) ensured development and implemented state policy in the electric and nuclear power, coal, peat, oil and gas production and refining industries.

On 28 September 2019, the **Ministry of Energy and Environmental Protection of Ukraine** (the Minecoenergo) was established by merging the Ministry of Energy and the Ministry of Environment²⁹³. As a result, the powers in the field of energy, ecology and efficient use of resources were combined in one state authority. The newly created Minecoenergo regulated a number of issues in the fuel and energy sector, as well as issues that were previously within the powers of the Ministry of Environment (including registration and monitoring of geological surveys, keeping records of minerals and their loss, oil and gas wells, etc.). In addition, the Ministry of Energy approved the start of commercial development of oil and gas deposits, conducted, within its powers, auctions for the sale of hydrocarbons. The Ministry of Energy also performed EIA and carried out the functions of a working body of the Interdepartmental Commission for Organization of Conclusion and Implementation of PSAs.

Due to the conflict of interests, on 27 May 2020, a decision was made to rename the newly created Minecoenergo into the **Ministry of Energy of Ukraine** and establish the **Ministry of Environmental Protection and Natural Resources of Ukraine**²⁹⁴, which received part of the "environmental" powers.

- ▶ **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 resources²⁹⁵, 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 assessment²⁹⁶, a decision was made to structurally and functionally reform the Geology Service by (1) transforming

²⁹² Resolution of the CMU "On approval of the Regulation on the Ministry of Energy and Environmental Protection of Ukraine" No. 32 dated 21 January 2015, available at: <https://zakon.rada.gov.ua/laws/show/32-2015-n#Text>

²⁹³ Resolution of CMU "On Amendments to Certain Resolutions of the Cabinet of Ministers of Ukraine" No. 847 dated 18 September 2019, available at: <https://zakon.rada.gov.ua/laws/show/847-2019-n>

²⁹⁴ 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>

²⁹⁵ Resolution of the CMU "On approval of the Regulations on the State Service for Geology and Mineral Resources of Ukraine" No. 1174 dated December 30, 2015, available at: <https://zakon.rada.gov.ua/laws/show/1174-2015-%D0%BF#Text>

²⁹⁶ Independent assessment of the Association of Geological Services of Europe, available at: http://geoinf.kiev.ua/wp/wp-content/uploads/2016/06/SGSSU-Assessment_A4_UKR.pdf

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 functions²⁹⁷. As of the date of preparing this Report, the functional survey of the Geology Service is ongoing²⁹⁸.

- ▶ **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 unconstitutional²⁹⁹ and terminated on 31 December 2019.

In December 2019, the Law On NEURC was amended to eliminate some inconsistencies, including its legal status (in particular, the Commission was defined as the central executive body with a special status subordinated to and formed by the CMU).

- ▶ **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. In August 2019, the CMU initiated liquidation of the State Ecological Inspection and replaced

²⁹⁷ Order of the Ministry of Environment "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 February 19, 2019, available at: https://mepr.gov.ua/files/docs/planu/nakaz_73.pdf

²⁹⁸ 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>

²⁹⁹ 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 subordinated to the Cabinet of Ministers and did not belong to the system of executive bodies.

it with the State Environmental Protection Service of Ukraine³⁰⁰. However, the relevant decision of the CMU was later overturned, and the work of the State Ecological Inspection resumed³⁰¹.

- ▶ **State Agency of Water Resources of Ukraine** (State Water Agency) implements state policy in the field of water management³⁰², 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)³⁰³ 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.
- ▶ **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** (StateGeoCadastre) 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.
- ▶ As of the beginning of 2019, **the State Fiscal Service of Ukraine** (later divided into the State Tax and State Customs Service) administered and controlled collection of taxes, customs duties and USC. Subsequently, the CMU divided the State Fiscal Service into the **State Tax Service** (STS) and the **State Customs Service** (SCS). The Regulation on Establishment of the STS entered into force on 21 August 2019³⁰⁴. Under the regulation, the STS administers and controls payment of taxes and USC. In turn, starting from December 2019, the SCS provides for and controls collection of customs payments³⁰⁵.
- ▶ **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

³⁰⁰ Resolution of the CMU "Some issues of the State Environmental Protection Service of Ukraine" No. 750 dated August 14, 2019, available at: <https://zakon.rada.gov.ua/laws/show/750-2019-n>

³⁰¹ Resolution of the CMU "On Declaring the Resolution of the Cabinet of Ministers of Ukraine as Repealed" No. 873 dated October 12, 2019, available at: <https://zakon.rada.gov.ua/laws/show/873-2019-n#Text>

³⁰² Resolution of the CMU "On approval of the Regulation on the State Agency of Water Resources of Ukraine" No. 393 dated August 20, 2014, available at: <https://zakon.rada.gov.ua/laws/show/393-2014-n#Text>

³⁰³ Resolution of the CMU "On approval of the Regulation on the State Agency of Forest Resources of Ukraine" No. 521 dated October 08, 2014, available at: <https://zakon.rada.gov.ua/laws/show/521-2014-n#Text>

³⁰⁴ Order of the CMU "Issues of the State Tax Service" No. 682-r dated August 21, 2019, available at: <https://zakon.rada.gov.ua/laws/show/682-2019-p#ed20190821#Text>, powers of the State Tax Service are provided for by the Resolution of the CMU "On approval of regulations on the State Tax Service of Ukraine and the State Customs Service of Ukraine" No. 227 dated March 6, 2019, available at: <https://zakon.rada.gov.ua/laws/show/227-2019-n>

³⁰⁵ SCS was established in accordance with the Resolution of the CMU "On the establishment of the State Tax Service of Ukraine and the State Customs Service of Ukraine" No. 1200 dated December 18, 2018, available at: <https://zakon.rada.gov.ua/laws/show/1200-2018-%D0%BF#Text>, the powers of the SCS are provided for by the Resolution of the CMU "On approval of regulations on the State Tax Service of Ukraine and the State Customs Service of Ukraine" No. 227 dated March 6, 2019, available at: <https://zakon.rada.gov.ua/laws/show/227-2019-%D0%BF#Text>, final division - Order of the CMU "Issues of the State Customs Service" No. 1217-r dated December 04, 2019, available at: <https://zakon.rada.gov.ua/laws/show/1217-2019-p#Text>

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**³⁰⁶, 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. In 2020, the functions of state architectural and construction control over compliance with these rules and regulations were transferred to the State Urban Planning Inspection of Ukraine³⁰⁷.

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 protection of subsoil³⁰⁸. In December 2019, the authority of these bodies was decreased by excluding the approval of subsoil use for geological exploration and development of mineral deposits of national importance and for purposes unrelated to extraction of minerals³⁰⁹. At the same time, this power was finally excluded from bylaws only in February 2020³¹⁰.
- ▶ **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.

³⁰⁶ 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>

³⁰⁷ 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>

³⁰⁸ On May 03, 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 June 12, 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 May 06, 2020, available at: <https://zakon.rada.gov.ua/laws/show/352-2020-%D0%BF#n11>

³⁰⁹ According to 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 December 19, 2019, available at: <https://zakon.rada.gov.ua/laws/show/402-20/ed20191229#n15>

³¹⁰ Based on the new version of the Procedure for granting subsoil licenses, approved by the Resolution of the CMU "On Amendments to the Procedure for Granting Subsoil Licenses" No. 124 dated February 19, 2020, available at: <https://zakon.rada.gov.ua/laws/show/124-2020-%D0%BF/ed20200225#n9>; Resolution of the CMU "On Amendments to the Temporary Procedure for Implementation of the Experimental Project on Introduction of Auctions for the Sale of Subsoil Licenses through Electronic Bidding" No. 63 dated February 5, 2020, available at: <https://zakon.rada.gov.ua/laws/show/63-2020-%D0%BF/ed20200212#n13>

Summary:

In 2019, 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.

Also, in 2019 there were several changes in the state authorities that were significant in the extractive sector, including the merger of the Ministry of Environment and the Ministry of Energy and further split in 2020 due to conflict of interest; decision on liquidation of the State Ecological Inspection and its further repeal, unconstitutionality of certain provisions of CMU's Resolution on NEURC. These changes did not contribute to well-established management or control in the relevant areas and temporarily blocked the work of the State Ecological Inspection and NEURC. Thus, state regulation in the extractive industry in 2019 was unstable in some respects.

At the same time, positive developments in the reform of government regulation in the extractive sector continued in 2019. Such developments were aimed to reduce the number of permits/approvals and simplify some of the administrative procedures related to oil and gas exploration and production.

6.3 Reforming of the regulatory and fiscal regime of the mining industry in 2019

During 2019, 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 2019

Below we describe the main areas of the reforms in the extractive industries during 2019.

Reorganization of Naftogaz of Ukraine NJSC³¹¹

- ▶ 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 CMU³¹², 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 of Ukraine³¹³.
- ▶ In December 2018, another branch of Ukrtransgaz JSC, Ukrainian Gas Storage Operator, was established³¹⁴ to separate the processes related to gas storage³¹⁵.
- ▶ 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

³¹¹ 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>

³¹² 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")

³¹³ 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-tovarištvom-magistralni-gazoprovodi-ukrayini-791180919>

³¹⁴ 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>

³¹⁵ 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>

model, provided that the GTS operator is part of the Naftogaz of Ukraine NJSC group until completion of the transit contract with Gazprom PJSC³¹⁶.

- ▶ 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 2019³¹⁷. 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. 840³¹⁸, which followed the other model for unbundling of natural gas transportation activities, namely, ISO (*Independent System Operator*)³¹⁹. 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 Law³²⁰, 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 VAT³²¹.
- ▶ In December 2019, the NEURC adopted the regulation on proper certification, licensing and tariffs of the Ukrainian GTS operator³²².
- ▶ 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 of Ukraine³²³. On the same day, the assets of the Ukrainian GTS were transferred into economic management of the Ukrainian GTS Operator LLC under a

³¹⁶ 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>

³¹⁷ 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-ekspluatatsii-gazotransportnoi-systemy-ukrainy-dochirni-kompanii.html>

³¹⁸ 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>

³¹⁹ Initially unbundling of the 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.

³²⁰ 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>

³²¹ 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>

³²² 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>

³²³ The information from the official website of the GTS Operator, available at: <https://tsoua.com/news/anbandling-zaversheno-nezalezhnyi-operator-gts-rozpochav-robotu/>

transfer and acceptance certificate. Hence, the unbundling procedure is completed - the independent GTS operator is separated from the Naftogaz Group and has started its operation.

Reforming the procedure for granting licenses and holding auctions for the sale of licenses

During 2019-2020, the CMU amended the Procedure for granting licenses and the Procedure for holding the auctions for licenses³²⁴ several times. The changes included, among others, the following:

- ▶ The Commission on subsoil use within the Geology Service was abolished³²⁵.
- ▶ In February 2020, the CMU adopted Resolution No. 124, which set out a new version of the Procedure for granting subsoil licenses³²⁶, 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 September 23, 2020, the CMU, by Resolution No. 993, approved a new Procedure for conducting auctions for the sale of subsoil licenses³²⁷ (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 November 25, 2020, the CMU adopted Resolution No. 1172³²⁸, 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

³²⁴ 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 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>.

³²⁵ 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>

³²⁶ Resolution of the CMU "On Amendments to the Procedure for Granting Subsoil Licenses" No. 124 dated February 19, 2020, available at: <https://zakon.rada.gov.ua/laws/show/124-2020-%D0%BF#n2>

³²⁷ 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>

³²⁸ Resolution of the CMU "On Amendments to the Procedure for Issuing Subsoil Licenses" No. 1172 dated November 25, 2020, available at: <https://zakon.rada.gov.ua/laws/show/1172-2020-%D0%BF#n8>

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 2019, 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"³²⁹. This procedure was valid until 1 October 2020³³⁰.
- ▶ 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 million³³¹.
- ▶ In September 2020, the CMU, with Resolution No. 993, approved a new Procedure for conducting auctions for the sale of subsoil licenses³³², 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 auction³³³.

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 auctions³³⁴. 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 Okhtyrsk, 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

³²⁹ 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>

³³⁰ Resolution of the CMU "On Amendments to the Resolution of the Cabinet of Ministers of Ukraine dated October 17, 2018, No. 848" No. 960 dated October 23, 2019, available at: <https://zakon.rada.gov.ua/laws/show/960-2019-%D0%BF#n8>

³³¹ Publication on the web-site of the State Geology Service, available at: <http://www.geo.gov.ua/derzhgeonadra-prodala-26-dilyanok-na-pivmilyarda-griven-cherez-sistemu-prozorro/>

³³² 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>

³³³ Resolution of the CMU "On Amendments to the Methodology for Determining the Starting Sale Price of a Subsoil License at Auction" No. 915 dated September 23, 2020, available at: <https://zakon.rada.gov.ua/laws/show/915-2020-%D0%BF#n9>

³³⁴ According to the official Derzhgeonadra website, available at: <https://www.geo.gov.ua/derzhgeonadra-prezentuvala-investicijnij-atlas-nadrokoristuvacha/>, as well <https://www.geo.gov.ua/investicijnij-atlas-nadrokoristuvacha-dopovnil-novimi-obyektami/>

possible visit. The Geology Service plans to introduce this practice on a permanent basis for PSA auctions and tenders³³⁵.

- ▶ **Subsoil user one-stop shop:** In early February 2020, Derzhgeonadra launched a new service where Derzhgeonadra 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, Derzhgeonadra launched a license fee calculation and payment center, which can be found at: <http://geoinf.kiev.ua/centr-geologo-ekonomichnix-doslidzhen/>. The center also calculates the cost of geological information obtained from Geoinform 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 favourable 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.

- ▶ **Approval of the Regulation on the Geological Information Catalogue:** Regulation "On Geological Information Catalogue" approved in September 2020³³⁶ details the features of the catalogue's operations under the new Procedure for Geological Information Management³³⁷. Information in the catalogue is open and publicly available (except for confidential information) and will be provided free of charge via Internet.

In October 2020, Derzhgeonadra published information on preparation for the launch of Geological *Big Data*, which, in addition to the of Geological Information Catalogue, will contain the State Cadaster of Mineral Deposits and Reserves and the State Geological Map of Ukraine³³⁸.

Launch of interactive service "Subsoil User E-Account"

- ▶ In July 2019, the State 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

³³⁵ According to the official Derzhgeonadra website, accessible via: <https://www.geo.gov.ua/derzhgeonadra-zapuskaye-data-room-po-trom-dilyankam-nominovanim-na-konkurs/?fbclid=IwAR25w8bN6xHK9m5nluS9B1KIF9rmJnMyxAVRWTIHOnqaLwUlqDXRCfBlIGI>

³³⁶ The Order of the Ministry of Environment No. 119 dated September 04, 2020, available at: <https://zakon.rada.gov.ua/laws/show/z1074-20#Text>

³³⁷ The CMU Resolution "Issues of geological information management" No. 939 dated November 07, 2018, available at: <https://zakon.rada.gov.ua/laws/show/en/939-2018-n>

³³⁸ Information from the official website of Derzhgeonadra, available at: <https://www.geo.gov.ua/?s+=Каталог+відомостей+про+геологічну+інформацію&lang=uk>

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 February 28, 2020³³⁹.

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 capital³⁴⁰.

- ▶ **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 the Coal Industry" No. 2658-VIII was adopted on 18 December 2018³⁴¹. 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"³⁴².
 - ▶ 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 2021-2027³⁴³. 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;

³³⁹ Order of the Minekoenergo "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>

³⁴⁰ 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 October 05, 2020, available at: <https://zakon.rada.gov.ua/laws/show/1215-2020-p#Text>

³⁴¹ 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>

³⁴² 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.

³⁴³ The CMU Resolution "On approval of the National Regional Development Strategy for 2021-2027" No. 695 dated August 05, 2020, available at: <https://zakon.rada.gov.ua/laws/show/695-2020-%D0%BF#Text>

- ▶ 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").** In May 2020, the CMU set up a Coordination Center³⁴⁴ to:
 - ▶ 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 2027³⁴⁵.

Changes to royalty rates

- ▶ Starting from 2019, the Parliament harmonized subsoil royalty rates for the purposes of extracting both oil and gas condensate from the following deposits³⁴⁶:
 - ▶ 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 2019, please see **Section 6.5**.

Changes to administration of "state dividends" and part of net profit on the state share etc. (Law No 465³⁴⁷ and Law No 466³⁴⁸):

- ▶ 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.

³⁴⁴ The CMU Resolution "On the establishment of the Coordination Center for the Transformation of Ukrainian Coal Regions" No. 391 of 13.05.2020, available at: <https://zakon.rada.gov.ua/laws/show/391-2020-n#Text>

³⁴⁵ According to the official website of the Cabinet of Ministers, available at: <https://www.kmu.gov.ua/news/oleksij-chernishov-yugilni-regioni-potrebuyut-kompleksnoyi-programi-transformaciyi>

³⁴⁶ 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, Section 252 of the Tax Code, available at: <https://zakon.rada.gov.ua/laws/show/2755-17/ed20191020>

³⁴⁷ 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 16.01.2020 No. 465-IX, available at: <https://zakon.rada.gov.ua/laws/show/465-20#Text>

³⁴⁸ 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 16.01.2020 No. 466-IX, available at: <https://zakon.rada.gov.ua/laws/show/466-20#Text>

- ▶ 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.
- ▶ 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 budget³⁴⁹

- ▶ 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.

³⁴⁹ The Law of Ukraine "On Amendments to the Law of Ukraine "On the State Budget of Ukraine for 2020" No. 1006-IX of 17.11.2020, available at: <https://zakon.rada.gov.ua/laws/show/1006-20#n20>; The Law of Ukraine "On Amendments to Section XX Transitional Provisions of the Tax Code of Ukraine (on the peculiarities of tax administration to finance expenditures specified in paragraphs 31-34 of Article 14 of the Law of Ukraine "On State Budget of Ukraine for 2020)" No. 1005-IX of 17.11.2020, available at: <https://zakon.rada.gov.ua/laws/show/1005-IX#Text>

- ▶ 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)³⁵⁰.

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)³⁵¹. 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 State Geology Service initiated intensive discussion of the concept of the new version of the Subsoil Code with the business community. Derzhgeonadra, the New Code will be submitted to the Verkhovna Rada in May 2020³⁵². As of the preparation of the EITI Report, the project has not yet been registered with the Verkhovna Rada.

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 2020³⁵³. 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 following³⁵⁴:

³⁵⁰ The Law of Ukraine of 19.12.2019 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>

³⁵¹ The Subsoil Code of Ukraine

³⁵² Available at: <https://mepr.gov.ua/news/36435.html>

³⁵³ Available at: https://w1.c1.rada.gov.ua/pls/zweb2/webproc4_1?pf3511=69003

³⁵⁴ The Draft Law "On Amendments to Certain Legislative Acts of Ukraine Concerning Support for the Development of Domestic Subsoil Use Industries" No. 4187 dated 05.10.202, available at: https://w1.c1.rada.gov.ua/pls/zweb2/webproc4_1?pf3511=70117

- ▶ 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 Activities³⁵⁵ and the "Ukraine 2020" Strategy for Sustainable Development adopted in 2015³⁵⁶. The draft is aimed to 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.)³⁵⁷. 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.³⁵⁸

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 2020³⁵⁹, 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.

³⁵⁵ 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>.

³⁵⁶ 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.

³⁵⁷ Currently, the draft law is under development. According to the press service of the Vice Prime Minister of Ukraine dated 21 March 2017, the CMU initiated establishment of a working group on liberalization of the coal market, which included senior officials from the Ministry of Energy, Ministry of Economy, Ministry of Finance, the National Commission on Securities and Stock Market, NEURC, the Parliamentary Committee on Fuel and Energy Complex, Nuclear Policy and Nuclear Safety, as well as representatives of the Secretariat of the CMU, the Office of Reforms, the Energy Resources of Ukraine Company, the Ukrainian Energy Exchange, DIXiGroup Analytical Center, the Civic Network Opora, the Center for Economic Strategy and others. Available at: http://www.kmu.gov.ua/control/uk/publish/article?art_id=249831196&cat_id=244276429.

³⁵⁸ The draft Law of Ukraine "On Certain Issues of Coal Enterprise Indebtedness", the website of the Ministry of Energy, available at: http://mpe.kmu.gov.ua/minugol/control/uk/publish/article?art_id=245384280&cat_id=35082

³⁵⁹ Available at: http://w1.c1.rada.gov.ua/pls/zweb2/webproc4_1?pf3511=69946

Draft Law “On Amendments to the Tax Code of Ukraine to Stimulate Circulation of Subsoil Licenses” No. 4252 of 22 October 2020³⁶⁰

- ▶ 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;
 - ▶ 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.

³⁶⁰ Available via: https://w1.c1.rada.gov.ua/pls/zweb2/webproc4_1?pf3511=70232

Summary:

Despite the difficult economic and political situation in Ukraine, during 2019 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 fulfilment 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)³⁶¹ 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 below³⁶²:

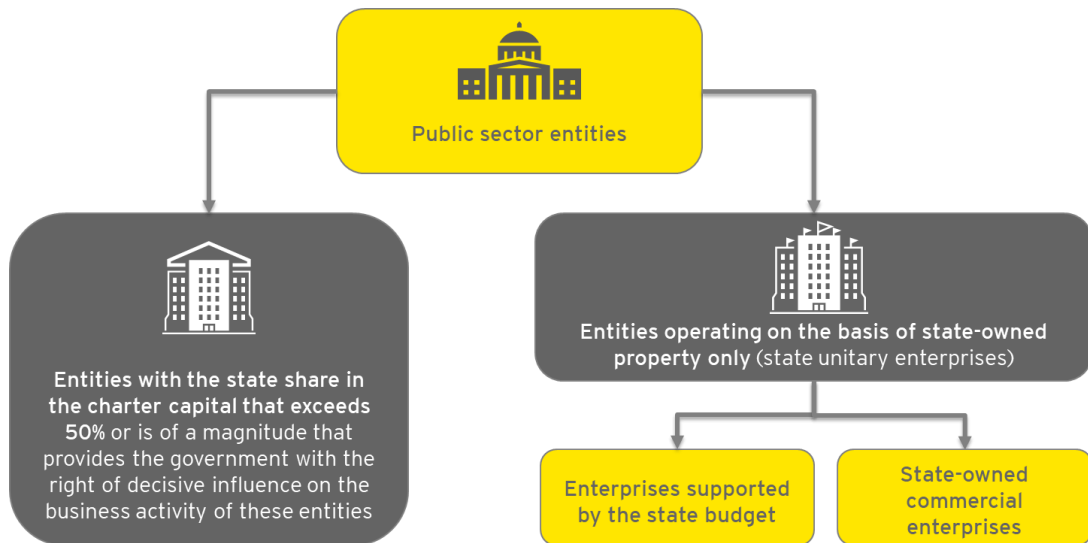


Figure 6.4: Public sector entities under the Commercial Code

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.

³⁶¹ 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.

³⁶² 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 management³⁶³.

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 management³⁶⁴. 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%)³⁶⁵.

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 ownership³⁶⁶.

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 acts³⁶⁷.

³⁶³ 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)

³⁶⁴ 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>)

³⁶⁵ Article 76 of the Commercial Code

³⁶⁶ 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").

³⁶⁷ 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 Operator³⁶⁸;
- ▶ 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 Budget³⁶⁹;
 - 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 2016³⁷⁰;
 - 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"³⁷¹.
- ▶ 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

³⁶⁸ Article 7 of the Law of Ukraine "On Pipeline Transport" dated May 15, 1996 N 192/96-BP, available at: <https://zakon.rada.gov.ua/laws/show/192/96-%D0%B2%D1%80#n57>

³⁶⁹ 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>.

³⁷⁰ 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>

³⁷¹ 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 2015³⁷².

- ▶ 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 sheet³⁷³).

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 Ukraine³⁷⁴).

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 year³⁷⁵. 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 law³⁷⁶:

- 1) 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);
- 2) 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

³⁷² 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>

³⁷³ 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).

³⁷⁴ 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 favour 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 favour of the Company).

³⁷⁵ Paragraph 1 of Article 75, paragraph 8 of Article 77, Paragraph 3 of Article 89 of the Commercial Code.

³⁷⁶ 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 year³⁷⁷.

In practice, financial plans are often approved with a delay or not approved at all³⁷⁸.

Control over timely preparation of financial plans and performance according to indicators in approved financial plans is carried out by the companies' management³⁷⁹, 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 website³⁸⁰.

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 enterprise³⁸¹;
- ▶ Dividends from companies owned by state-owned enterprises³⁸²;
- ▶ 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 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**

³⁷⁷ Paragraph 8 of the Procedure for Preparation, Approval and Oversight Over The Implementation of the Financial Plan of the Public Sector Entity

³⁷⁸ 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, 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.

³⁷⁹ Paragraph 10-13 of the Procedure for Preparation, Approval and Oversight Over The Implementation of the Financial Plan of the Public Sector Entity

³⁸⁰ Available at: <https://www.me.gov.ua/Documents/List?lang=uk-UA&id=00bbbf50-cea4-4438-ab49-3e1cef452d14&tag=FinansovePlanuvannia>.

³⁸¹ In particular, the Ministry of Finance approves internal long-term (more than 1 year) and external obligations, and the executive body performing functions of state property management (or the Ministry of Economy, if the management functions are performed by the Cabinet of Ministers) - internal short-term obligations (up to 1 year) - see Clause 2 of the Procedure for Approving the Attraction of State-Owned Enterprises, Including Business Associations (Except Banks), in the Authorized Capital of Which 50 Percent or More Percentage of Shares (Shares) Are Owned by the State, approved by the Resolution of the Cabinet of Ministers No. 809 dated 15 June 2011, access mode: <https://zakon.rada.gov.ua/laws/show/809-2011-%D0%BF/ed20160906>

³⁸² The right to create other business entities on the basis of property belonging to them is provided for enterprises owned by the state of Art. 135 of the Commercial Code of Ukraine

(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 liabilities³⁸³.
- ▶ *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 fulfil its obligations³⁸⁴.
- ▶ *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)³⁸⁵.
- ▶ *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 shares³⁸⁶.

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.

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 2019.

Separate sections of this Report also contain information on:

- 1) 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**

³⁸³ Article 74 of the Commercial Code

³⁸⁴ Paragraph 7 of Article 77 of the Commercial Code

³⁸⁵ 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).

³⁸⁶ 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.

- 2) 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 management³⁸⁷, 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 Ukraine³⁸⁸.

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 management³⁸⁹ 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 3,674 state enterprises in 2019, 1,870 of which are actually operating.

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-

³⁸⁷ 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.

³⁸⁸ Basic principles of implementation of property policy in relation to the public sector economic entities, available at: <https://www.kmu.gov.ua/ua/news/minekonomrozwitku-rozrobilo-politiku-vlasnosti-u-derzhavnomu-sektori-ekonomiki>

³⁸⁹ 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>

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 liquidation³⁹⁰.

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 Enterprises³⁹¹. 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 criteria³⁹². In addition, in accordance with the Basic Principles, separate ownership policies were approved for certain enterprises of particular importance to the Ukrainian economy.

Regarding Naftogaz of Ukraine NJSC, identified by the reform as a strategically important entity, the CMU approved the following regulations:

³⁹⁰ 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/diyainist/reformi/ekonomichne-zrostantnya/prodazh-neefektivnogo-derzhavnogo-majna>

³⁹¹ Available at: <https://www.kmu.gov.ua/ua/news/minekonomrozvitku-rozrobilo-politiku-vlasnosti-u-derzhavnomu-sektori-ekonomiki>

³⁹² 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.

- ▶ Basic Principles of State Ownership³⁹³, 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 Principles³⁹⁴.

In 2019, the Accounting Chamber analyzed the efficiency of state's management of corporate rights in the oil & gas sector for 2017³⁹⁵. 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 2019, the CMU approved the financial plan of NJSC Naftogaz of Ukraine for 2019 but with a significant delay (the order was issued on 18 December 2019)³⁹⁶.

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 boards³⁹⁷. At the same time, the OECD underscored that the changes are slowing down each year.

6.4.3. Payments made by the enterprises with state participation in favour of the state

The main type of payment made by the enterprises with state participation in favour 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** for more details).

Payment of the share of net profit by state unitary entities

In 2019, state unitary entities had to transfer 90% of their net profit for the relevant period to the state budget³⁹⁸. State unitary entities submitted a calculation of the net profit to the STS, and the paid portion of the net profit was accumulated in the General-purpose fund of the State budget.

³⁹³ 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>.

³⁹⁴ 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>

³⁹⁵ 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; information on further actions taken to address the report's findings: <https://rp.gov.ua/FinControl/FinReactions/?id=520>

³⁹⁶ Available at: <https://www.kmu.gov.ua/npas/pro-zatverdzhfinansovogo-planu-akc-a1286r>

³⁹⁷ 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).

³⁹⁸ 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>. Prior to the amendments to this procedure in December 2019, the share of net profit was changed to 90% for the enterprises whose net profit amounted to more than UAH 50,000,000 in the corresponding reporting period, and to 50% for other enterprises. [However, the new requirement of 90% was extended by the CMU for the whole 2019 year.](#)

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 dividends³⁹⁹. 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 effect⁴⁰⁰.

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 budget⁴⁰¹.

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 2019, the rate for allocation of profit for 2018 was initially differentiated:

- 90% for business entities with net profit of over UAH 50 million as a result of 2018
- 50% for other business entities
- 30% for certain business entities, including United Mining and Chemical Company JSC.

However, in April 2019 the rate was unified at the level of 90% for all the above entities⁴⁰². In 2020, Ukrnafta JSC challenged application of 90% rate to its profit in court claiming that the financial position of the company was not taken into account when this rate was established. While the courts of first and appellate instances ruled in favour of Ukrnafta JSC⁴⁰³, the cassation hearing is currently underway.

Untimely payment of dividends may result in application of a penalty calculated based on the double rate of the National Bank of Ukraine⁴⁰⁴.

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"⁴⁰⁵.

³⁹⁹ Paragraph 5 of Article 11 of the [Law on Management of State Property](#).

⁴⁰⁰ 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>.

⁴⁰¹ Paragraph 5 of Article 11 of the Law on Management of State Property.

⁴⁰² Resolution of the CMU "On approval of the basic standard for deducting the share of profits aimed at paying dividends on the results of financial and economic activities in 2018 of companies with the corporate rights of the state in their charter capital" No. 364 dated 24 April 2019, available at: <https://zakon.rada.gov.ua/laws/show/364-2019-%D0%BF#Text>. However, prior to the amendments to this resolution, the rate for 2019 was - 90% for business entities that according to the results of 2018 received a net profit of over UAH 50 million, and - 50% for other business entities, as well as - 30% for certain business entities, including JSC "United Mining and Chemical Company".

⁴⁰³ Decision of the Sixth Administrative Court of Appeal dated 24 June 2020, in case No. 640/10694/19, available at: <https://reyestr.court.gov.ua/Review/90078673>.

⁴⁰⁴ 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>.

⁴⁰⁵ Paragraph 5 of Article 11 of the Law on Management of State Property

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 Ukrghazvydobuvannia 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 NJSC⁴⁰⁶.

Moreover, Ukrtransnafta JSC, 100% shares of which were left in state ownership and transferred to the charter capital of Naftogaz of Ukraine NJSC⁴⁰⁷ in accordance with the decision of the CMU, filed a court claim against SFS demanding that the amount of dividends it erroneously paid to the State Budget were counted against the company's future corporate profit tax obligations⁴⁰⁸. As the SFS did not challenge Ukrtransnafta JSC's claims regarding erroneous wording of the CMU Regulation, the courts of the 1st and appellate instances ruled in favour of the company.

As a result:

- ▶ In 2019, Ukrghazvydobuvannia JSC decided to pay dividends for previous years in favour of NJSC Naftogaz of Ukraine⁴⁰⁹
- ▶ Due to unprofitability, Ukrtransgaz JSC decided not to distribute dividends for 2018-2019⁴¹⁰
- ▶ According to the results of 2018⁴¹¹, Ukrtransnafta JSC paid dividends in favour of the shareholder, Naftogaz of Ukraine NJSC.

The amounts of net profit shares and dividends paid by EITI reporting entities to the state budget in 2019 may be found in **Annex 8 (Section 17.9)** of this Report.

6.4.4. State payments to enterprises with state participation

The legislation of Ukraine (including the Commercial Code of Ukraine⁴¹² and the Mining Law of Ukraine⁴¹³) allows for provision of state support to business entities to create favourable organizational and economic conditions for business development.

⁴⁰⁶ 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>

⁴⁰⁷ Order of the Cabinet of Ministers of Ukraine "On the establishment of OJSC" Ukrtransnafta" No. 256-p from 23 June 2001, access mode: <http://zakon3.rada.gov.ua/laws/show/256-2001-%D1%80>. See also annual information of Ukrtransnafta JSC for 2016, access mode: <http://www.ukrtransnafta.com/wp-content/uploads/2017/09/%D0%A0%D1%96%D1%87%D0%BD%D0%B0-2016.pdf>

⁴⁰⁸ Decision of the Kyiv District Administrative Court dated 13 November 2019, in the case No. 640/2966/19, available at: <https://reyestr.court.gov.ua/Review/86030321> (the decision was left unchanged based on the results of the appeal in November 2020)

⁴⁰⁹ Available at: <https://ugv.com.ua/uk/page/ukrgazvydobuvanna-u-2019-roci-splatilo-60-svogo-dohodu-u-vigliadi-podatkov-i-dividendiv> .

⁴¹⁰ 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>

⁴¹¹ Company message: <https://www.ukrtransnafta.com/ukrtransnafta-v-povnomu-obsjazi-viplatila-naftogazu-dividendi-za-2018-rik/>

⁴¹² Articles 16, 26, 48 of the Commercial Code

⁴¹³ Articles 9, 29, 43, 48 of the Mining Law of Ukraine

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 force⁴¹⁴.

Information on budget programs active in 2019 (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 mutual settlements between Naftogaz of Ukraine NJSC, Ukrtransgaz JSC, coal mining enterprises, heat energy producers and heat supply companies

Ukrainian legislation specifically provides 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, distribution and supply services)⁴¹⁵. The updated subvention mechanism has been operating since January 1, 2018.

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 of Ukraine.⁴¹⁶ At the same time, the new procedure includes no details on the sources of funds for natural gas subventions.

The new subvention mechanism provides for the following stages:⁴¹⁷

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

⁴¹⁴ Paragraph 7 of Article 20 of the Budget Code of Ukraine No. 2456-VI dated 08 July 2010, available at: <https://zakon.rada.gov.ua/laws/show/2456-17#n407>

⁴¹⁵ 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 04.03.2002 (expired on 01.01.2020), accessible via: <https://zakon.rada.gov.ua/laws/show/256-2002-%D0%BF/ed20181218#> It is worth noting that the abolition of the resolution from 01.01.2020 is part of a comprehensive subsidies monetization reform

⁴¹⁶ Paragraph 14 of item 8-1 of the CMU Resolution No 256 of March 4, 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 06.09.2019, accessible via: <https://zakon.rada.gov.ua/laws/show/834-2019-%D0%BF/ed20190906#Text>

⁴¹⁷ 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.)

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,⁴¹⁸ 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.
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:⁴¹⁹
 - ▶ 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

⁴¹⁸ According to paragraph 5 of Resolution No 256 of 04.03.2002, 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

⁴¹⁹ According to the CMU Resolution No 834 of 06.09.2019, the electricity suppliers were excluded from the list of providers, which are obliged to use the received funds for the intended purposes

- 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
 - ▶ 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 2018⁴²⁰.
 - ▶ 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)⁴²¹.
 - ▶ 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

⁴²⁰ 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 12.12.2018, accessible via: <https://zakon.rada.gov.ua/laws/show/1071-2018-%D0%BF#Text>

⁴²¹ Paragraph 15 of item 8-1 of the CMU Resolution No 256 of 04.03.2002 was deleted by the CMU Resolution No 834 of 06.09.2019

and fees (including personal income tax).⁴²²

- ▶ 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)⁴²³.

The procedure for conducting the relevant settlements using the subvention has been approved by the Ministry of Finance of Ukraine⁴²⁴.

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.⁴²⁵ The amendments stipulate that the funds for benefits and subsidies shall be transferred to the current bank accounts of the companies.

In 2019, the State Budget provided for UAH 35.09 billion for this subvention, and UAH 21.56 billion was actually paid.⁴²⁶ The decrease in the amount of the subvention is due to the introduction of monetization of benefits and utilities subsidies to the households, which are financed by the budget program "Payment of benefits and housing subsidies to households to pay for housing and utilities in cash." In 2019, the State Budget provided for UAH 20 billion for the program, while UAH 23.26 billion was actually paid.

In addition, in connection with the introduction of monetization of subsidies in October 2019, a procedure was introduced for the payment of utilities subsidies to households, including for electricity and natural gas.⁴²⁷ The procedure regulates the payment of utilities subsidies that are covered by the subventions.

The procedure stipulates, among other things, that the providers must enter into an agreement with Oschadbank JSC and submit to Oschadbank JSC on a monthly basis the latest on 13th day of the month, the registers of utilities subsidy recipients along with data on accounts of utilities subsidy recipients, accrued amounts for consumed services in previous month and total amounts payable, including debt (overpayment) for previous periods separately by each type of service. Oschadbank JSC shall, based on the received registers transfer on monthly basis the latest on the 18th day of the month, transfer the funds as a lump sum from its utilities subsidy account to the providers' accounts.

⁴²² Paragraph 16 of item 8-1 of the CMU Resolution No 256 of 04.03.2002 was deleted by the CMU Resolution No 834 of 06.09.2019

⁴²³ Paragraph 17 of item 8-1 of the CMU Resolution No 256 of 04.03.2002 was deleted by the CMU Resolution No 834 of 06.09.2019

⁴²⁴ Order of the Ministry of Finance of Ukraine "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 March 4 2002 No 256, and interaction of participants of such calculations" No 1 of 04.01.2018, accessible via: <https://zakon.rada.gov.ua/laws/show/z0064-18#Text>

⁴²⁵ The information posted on the CMU website, accessible via: <https://www.kmu.gov.ua/npas/pro-vnesennya-zmin-do-poryadku-finansuvannya-vidatkiv-miscevih-byudzhetiv-na-zdijsnennya-zahodiv-z-vikonannya-derzhavnih-program-socialnogo-zahistu-naselennya-za-rahunok-sbvenci-i060919>

⁴²⁶ The Report on the execution of the State Budget of Ukraine 2018, website of the State Treasury Service of Ukraine, accessible via:

<https://www.treasury.gov.ua/ua/file-storage/ricnij-zvit-pro-vikonannya-derzhavnogo-byudzhetu-ukrayini-za-2019-rik>

⁴²⁷ The procedure was introduced by the new version of the Regulations "On the Procedure for allocating utilities subsidies" approved by the CMU Resolution of October 21, 1995 No 848, accessible via: <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 August 14, 2019, accessible via: <https://zakon.rada.gov.ua/laws/show/807-2019-%D0%BF/ed20191001#n14>

On January 1, 2020, the resolution of the Cabinet of Ministers of Ukraine, which approved the procedure for providing subventions from the state budget to local budgets for the provision of benefits and utilities subsidies to the households expired.⁴²⁸ In addition, the State Budget does not provide for expenditures on such a subvention in 2020, while UAH 37.16 billion was allocated at the beginning of the year to finance the budget program "Payment of benefits and utilities subsidies to households to pay for utilities in cash."

6.4.4.3 Provision of state guarantees for companies' borrowings

According to the Budget Code, the state guarantees for 2019 could be provided based on:

- ▶ Decision of the CMU - to secure partial payment of debt obligations by business entities that are Ukrainian residents⁴²⁹.
- ▶ 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 Budget⁴³⁰. On behalf of the CMU, relevant agreements concerning its decisions are executed by the Minister of Finance⁴³¹.

Guarantees must be provided on terms of remuneration, timeliness, and enforcement of obligations⁴³². The Budget Code sets out the mandatory terms of the guarantee agreement⁴³³.

The Ministry of Finance, as instructed by the CMU, enters into relevant agreements and maintains the Register of State Guarantees provided during the budget period⁴³⁴. Information on state guarantees provided since 2004 is published at the web-site of the Ministry of Finance⁴³⁵: <https://mof.gov.ua/uk/reestr-derzhavnih-garantij>.

The information on the state guarantees granted to companies covered by this Report in 2019 is given in **Sections 5.1.1, 5.2.1**.

6.4.4.4 Increase of charter capital of enterprises with state participation

As a shareholder (participant) of enterprises with a state participation, the state takes part in the management of such enterprises, which includes, among others, adopting decisions on

⁴²⁸ Based on the CMU Resolution "Some issues of payment of state social assistance" No 1101 of 24.12.2019, accessible via: <https://zakon.rada.gov.ua/laws/show/1101-2019-%D0%BF/ed20191224#Text>

⁴²⁹ 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.

⁴³⁰ Paragraph 1 of Article 17 of the Budget Code of Ukraine No. 2456-VI dated 08 July 2019, available at: <https://zakon.rada.gov.ua/laws/show/2456-17#Text>. 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>

⁴³¹ 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>

⁴³² Paragraph 3 of Article 17 of the Budget Code

⁴³³ Paragraph 3 of Article 17 of the Budget Code

⁴³⁴ Paragraph 4 of Article 17 of the Budget Code of Ukraine No. 2456-VI dated 08 July 2019, available at: <https://zakon.rada.gov.ua/laws/show/2456-17#Text>.

⁴³⁵ 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.

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 enterprises with state participation were not increased in 2019.

6.4.4.5 Restrictions on foreclosure of state-owned enterprises

In 2019, 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 Service⁴³⁶.

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 gas⁴³⁷, unless relevant items were not subject to privatization⁴³⁸ (which included a great number of state-owned mining enterprises⁴³⁹). In October 2019, the list of objects that are not subject to privatization lost legal effect. Currently, legislation defines the categories of state property not subject to privatization in generic terms only⁴⁴⁰. No specific list of such objects has been approved at the date of this Report (relevant bills have been registered in the Parliament⁴⁴¹). As a result, the above exemption from the moratorium is effectively expanded until adoption of a separate list.

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 decisions⁴⁴².

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"⁴⁴³, in exceptional cases and for a specified period, special obligations determined by the CMU upon consultation

⁴³⁶ 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>.

⁴³⁷ 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>

⁴³⁸ 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).

⁴³⁹ 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/ed20191020\(expired on 20 October 2019\)](https://zakon.rada.gov.ua/laws/show/847-14/ed20191020(expired%20on%20October%202019)).

⁴⁴⁰ Article 4 of the Law of Ukraine "On privatization of state and communal property" No. 2269-VIII dated 25 September 2020, available at: <https://zakon.rada.gov.ua/laws/show/2269-19#Text>

⁴⁴¹ For example, the draft Law "On the list of objects of state property that are not subject to privatization" No. 4020-2 dated 22 September 2020, available at: http://w1.c1.rada.gov.ua/pls/zweb2/webproc4_1?pf3511=70035

⁴⁴² 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.

⁴⁴³ 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.

Part 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"⁴⁴⁴ expressly state that compensation of reasonable expenses incurred due to providing services related to operation of the natural gas market (that is, fulfilment of obligations assigned to natural gas market subjects) is not covered by the above law⁴⁴⁵. However, based on the definition of services related to operation of the natural gas market in this law, such compensation qualifies as state support⁴⁴⁶.

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"⁴⁴⁷. The Resolution applied in 2019 and 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 favour 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 NJSC⁴⁴⁸ 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 Regulation - the obligation to conclude a contract for supply of natural gas with the

⁴⁴⁴ 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>

⁴⁴⁵ 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>

⁴⁴⁶ 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*.

⁴⁴⁷ 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.

⁴⁴⁸ 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>).

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.

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 Report⁴⁴⁹ lacked any provisions on the procedure for compensating expenses to the relevant obliged entities, which led to several litigation proceedings⁴⁵⁰.

At the same time, attempts to address the above situation took place in 2020. In particular, several amendments to the Law of Ukraine "On the State Budget of Ukraine for 2020"⁴⁵¹ and Transitional Provisions of the Tax Code⁴⁵², 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

⁴⁴⁹ 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 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>

⁴⁵⁰ 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 favour 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>).

⁴⁵¹ 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.

⁴⁵² 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>

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 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 favour of oil/gas entities may be considered state aid. However, in practice, there are problems with implementation of the regulations regarding sale of hydrocarbons⁴⁵³.

⁴⁵³ See, for example, publications on the official site of Ukrnafta JSC:

6.4.4.8 State aid review

The Law of Ukraine "On State Aid to Business Entities"⁴⁵⁴ 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.)⁴⁵⁵.

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 discussion⁴⁵⁶, 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.

The draft law provides for some exceptions, e.g., for aid related to provision of services of general economic interest⁴⁵⁷ (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 governments⁴⁵⁸ and discloses all its decisions related to state aid cases, on the State Aid Portal: <http://pdd.amc.gov.ua/registry/registryofdecision/list>.

<https://www.ukrnafta.com/ukrnafta-znovu-ne-zmogla-realizuvati-vsyu-naftu-ta-kondensat-na-derzhavnih-aukczionah>;

<https://www.ukrnafta.com/v-2019-roczhi-chvert-nafty-ukrnafty-zalyshtylas-neprodanoyu>,

<https://www.ukrnafta.com/aukczion-z-prodazhu-nafti-i-kondensatu-ne-vidbuvsya-cherez-vidsutnist-pokupcziv>

⁴⁵⁴ 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>

⁴⁵⁵ 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.

⁴⁵⁶ 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/oprilyudnyuetsya-proekt-regulyatornogo-aktu-proekt-postanovi-kmu-pro-zatverdzhennya-kriteriyiv-ocinki-dopustimosti-derzhavnoi-dopomogi-subyektam-gospodaryuvannya-u-vugilnij-galuzi> analysis of the impact of the regulatory act, available at: <https://amcu.gov.ua/zakonodavstvo/regulyatorna-diyalnist/oprilyudnennya-regulyatornih-aktiv/oprilyudnyuetsya-analiz-vplivu-regulyatornogo-aktu-proyekt-postanovi-kmu-pro-zatverdzhennya-kriteriyiv-ocinki-dopustimosti-derzhavnoi-dopomogi-subyektam-gospodaryuvannya-u-vugilnij-galuzi>

⁴⁵⁷ 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>

⁴⁵⁸ 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>

6.4.5. Functions of enterprises with state participation and payments to such enterprises

The legislation of Ukraine does not provide for a comprehensive list of functions to be performed by enterprises with state participation. 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, Ukrgazvydobuvannya 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 enterprises with state participation 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 favour of enterprises with state participation. Such payments are made based on contracts with these enterprises.

Model contracts on provision of gas transportation and storage services are approved by NEURC⁴⁵⁹.

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 2019:

- ▶ Resolution of NEURC "On setting the tariffs for oil transportation by trunk pipelines of Ukrtransnafta JSC for Ukrainian consumers"⁴⁶⁰, which expired on 11 October 2019 following adoption of the Resolution of NEURC "On the tariffs establishment for

⁴⁵⁹ 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#Text>
NEURC Resolution "On Approval of the Standard Contract for Natural Gas Transportation" No. 2497 dated 30 September 2015, available at: <https://zakon.rada.gov.ua/laws/show/z1383-15/ed20190501#Text>

⁴⁶⁰ 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>

transportation of oil by trunk pipelines of Ukrtransnafta JSC for Ukrainian consumers for the transitional period"⁴⁶¹.

- ▶ Resolution of the NEURC "On setting temporary tariffs for Ukrtransgaz JSC for natural gas transmission services in entry and exit points for the first year of the second regulatory period and recognizing certain resolutions of NEURC as invalid"⁴⁶².

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 2019 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 materials⁴⁶³ (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 Service⁴⁶⁴.

These state-owned enterprises can also provide other services, for example:

- ▶ The State Geological Enterprise "Heoekspertyza" provided services on assessment (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.⁴⁶⁵
- ▶ The State Geophysical Company "Ukrgeofizika" is the main provider of geophysical services in Ukraine, including seismic and geophysical research and works in wells, seismic

⁴⁶¹ Resolution of the NEURC "On setting tariffs for oil transportation by trunk pipelines of JSC Ukrtransnafta for consumers of Ukraine for a transitional period" No. 2108 dated 11 October available at: . The resolution will regulate the cost of tariffs until 31 October 2022.

⁴⁶² 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#Text>

⁴⁶³ 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>

⁴⁶⁴ Available at: <http://www.geo.gov.ua/state-geological-enterprises/>

⁴⁶⁵ Available at: <http://geoinf.kiev.ua/posluhy/>

information processing and interpretation, ore and engineering geophysics, etc.⁴⁶⁶

- ▶ 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.⁴⁶⁷

6.4.5.3 Payments in favour of enterprises with state participation 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 2019 to reporting state-owned entities is set out in **Section 5.2.1**.

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.

For instance, in 2019 Ukrtransgaz JSC (at that time, the sole participant of the company) increased the charter capital of Gas Transmission System Operator LLC via contribution of its current and non-current tangible assets used for transportation of natural gas by trunk pipelines, amounting to UAH 3.85 billion⁴⁶⁸. The increase was made according to the CMU resolution aimed to support the unbundling process⁴⁶⁹.

Based on the information provided by reporting entities, no other payments in connection with increase/decrease of the charter capital in state-owned enterprises took place in 2019.

⁴⁶⁶ Available at: <http://ukrgeofizika.com.ua/>

⁴⁶⁷ Available at: <http://ukrdgri.gov.ua/uk/areas/perelik-poslug/>

⁴⁶⁸ Notice on the website of GTS Operator LLC, access mode: <https://tsoua.com/news/zbilsheno-statutnyj-kapital-tov-operator-gts-ukrayiny-do-38-mlrd-grn/>; financial statements of JSC "Ukrtransgaz" for 2019

⁴⁶⁹ Resolution of the CMU No.840 "On separating activities for transportation of natural gas and securing the activities of the gas transmission system operator" dated 18 September 2019, access mode: <https://zakon.rada.gov.ua/laws/show/840-2019-%D0%BF#Text>

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 2019, alongside the implementation of the subsidy monetization reform, the state continued funding certain state-owned enterprises by providing subventions to local budgets for settlements with certain enterprises of the extractive industries. Similar to 2018, 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.

Enterprises of the extractive industry with state participation 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 Ukrgazvydobuvannya 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 favour 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 2019, 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 payments⁴⁷⁰ that were 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).⁴⁷¹

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 2019.

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 2019, is provided in **Section 8.2.2.** and **Annex 8** of this Report.

In 2020, dividends on the state's share and proportion of the net profit of the state's share were equated with the tax liabilities.⁴⁷²



Corporate income tax

In 2019, CIT was paid at 18%.

In 2019, 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.⁴⁷³

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") was 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 was not subject to CIT. CIT on other

⁴⁷⁰ 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

⁴⁷¹ Para 256-1.1. of the Tax Code

⁴⁷² Law of Ukraine "On Amendments to Certain Laws of Ukraine on Improving Tax Administration, Removing Technical and Logical Mismatches in Tax Legislation" dated January 16, 2020 No. 465-IX, available at: <https://zakon.rada.gov.ua/laws/show/465-20#Text>, Law of Ukraine " On Amendments to the Tax Code of Ukraine on Improving Tax Administration, Removing Technical and Logical Mismatches in Tax Legislation" dated January 16, 2020 No. 466-IX, available at: <https://zakon.rada.gov.ua/laws/show/466-20#Text>

⁴⁷³ Para 134.1.1. of the Tax Code

activities that are not related to PSA was to be paid by the investor in accordance with the general rules.⁴⁷⁴

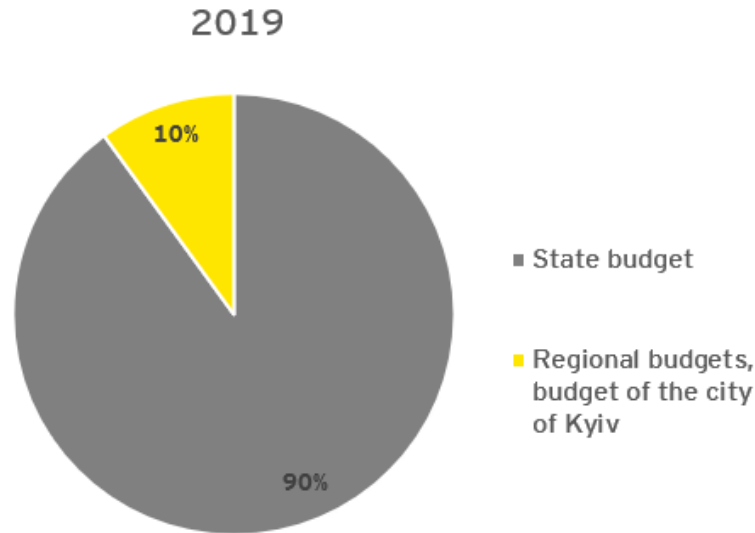


Figure 6.5: Allocation of CIT (paid by private enterprises) between the budgets of various levels (general Budget Code rule)⁴⁷⁵

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** was transferred to the general fund of the State budget of Ukraine.⁴⁷⁶



Royalty payments related to extractive activities

In 2019, a national tax “rental fee” was in effect. The tax included production royalty, non-production royalty, transportation royalty, as well as fee for the special use of water.



Production royalty

In 2019, the extractive industry companies, owners of the licenses⁴⁷⁷, 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.⁴⁷⁸ **The taxable base** was the value of the volume of minerals extracted in the tax period.⁴⁷⁹

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, their value, the tax rate

⁴⁷⁴ Section XVIII of the Tax Code

⁴⁷⁵ 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 working in 2019, therefore we did not cover these in the Report.

⁴⁷⁶ Para 29.2 of the Budget Code

⁴⁷⁷ Para 252.1. of the Tax Code

⁴⁷⁸ Para 252.3. of the Tax Code

⁴⁷⁹ Para 252.6. of the Tax Code

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.⁴⁸⁰



Figure 6.6: Calculation of the production royalty, 2019

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 extracted in the reporting period (with certain exceptions) calculated according to the special rules:⁴⁸¹

- ▶ **For natural gas:** Mineconomy (until September 11, 2019 – the Ministry of Economy)⁴⁸² 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 Mineconomy on its official website).⁴⁸³
- ▶ **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:** Mineconomy (until September 11, 2019 – 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 1st day of the month following the end of the tax (reporting) period (period (the given value was published by Mineconomy on its official website)).⁴⁸⁴

Starting May 2020, the actual selling price of the relevant type of commodity products of the companies of the extractive industries, the extracted minerals, may not be less than the price

⁴⁸⁰ Section IX of the Tax Code

⁴⁸¹ Para 252.8. of the Tax Code

⁴⁸² According to the Resolution of the Cabinet of Ministers of Ukraine No. 838 dated September 11, 2019, the Ministry of Economic Development and Trade of Ukraine was reorganized into the Ministry of Economic Development, Trade and Agriculture, access mode: <https://zakon.rada.gov.ua/laws/show/838-2019-%D0%BF#Text>

⁴⁸³ Para 252.8. of the Tax Code

⁴⁸⁴ Para 252.8. of the Tax Code

determined by the arm's length principle in course of performance of controlled transactions in cases specified by the Tax Code.⁴⁸⁵

The rates of production royalty were set by the Tax Code.⁴⁸⁶

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 2019, the new special royalty rates are in force: 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.⁴⁸⁷

Table 6.1: The rates of the production royalty for hydrocarbons in 2019

Object of taxation	Rate
Oil	
extracted from deposits located at depths of under 5,000 m	31%
extracted from deposits located at depths of over 5,000 m	16%
Condensate	
extracted from deposits located at depths of under 5,000 m	31%
extracted from deposits located at depths of over 5,000 m	16%
Natural gas (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%

Comparing to 2018 rates, royalty rates for extracting oil increased (rates of 29% for the deposits at depths of under 5,000 m and 14% for the deposits at depths of over 5,000 m changed to 31% and 16%, respectively), royalty rates for extracting condensate decreased (rates of 45% for the deposits at depth of under 5,000 m and 21% for the deposits at depths of over 5,000 m changed by 31% and 16%, respectively) in 2019. Hence, royalty rates for extracting oil and condensate were standardized in 2019.

In 2019 a stimulating royalty rates were in force 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

⁴⁸⁵ Para 130 of the Law of Ukraine dated January 16, 2020 No. 466-IX " On Amendments to the Tax Code of Ukraine on Improving Tax Administration, Removing Technical and Logical Mismatches in Tax Legislation ", available at: <https://zakon.rada.gov.ua/laws/show/466-20#Text>

⁴⁸⁶ Para 252.20 of the Tax Code

⁴⁸⁷ Para 252.20 of the Tax Code

5000 m, and 6% of the deposits that are fully or partially located at a depth of over 5000 m.

When calculating a production royalty, adjusting coefficients (from 0.01 to 0.97) should apply depending on the type of the mineral and the extraction conditions.

In 2019, 5% of the amount of the production royalty for extracting hydrocarbons was 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.

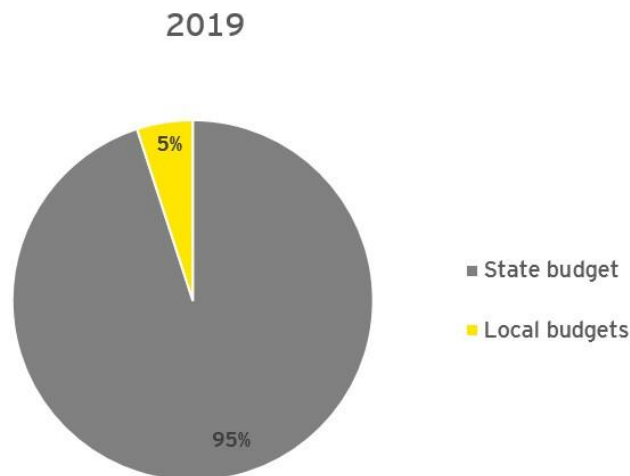


Figure 6.7: Allocation of production royalty for hydrocarbons between the budgets of various levels under the Budget Code



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:⁴⁸⁸

- ▶ 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.⁴⁸⁹ The costs included the cost of delivering products to the consumer and the cost of pre-sale preparation of goods in 2019.⁴⁹⁰
- ▶ 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 was determined according to the accounting records of finished product stocks of such payer.⁴⁹¹

⁴⁸⁸ Para 252.8 of the Tax Code

⁴⁸⁹ Para 252.8 of the Tax Code

⁴⁹⁰ Para 108.3 of the Law "On Amendments to the Tax Code of Ukraine on Improving the Investment Climate in Ukraine" dated 15 April 2017 No. 1797, available at: <https://zakon.rada.gov.ua/laws/show/1797-19>

⁴⁹¹ Para 252.10 of the Tax Code

- ▶ Starting May 2020, the actual selling price of the relevant type of commodity products of the companies of the extractive industries, the extracted minerals, may not be less than the price determined by the arm's length principle in course of performance of controlled transactions in cases specified by the Tax Code.⁴⁹²

$$\text{Value} = \frac{\text{Income from sales of the mineral} - \text{Expenses (according to the provisions of the Tax Code)}}{\text{Volume (amount) of extracted mineral}}$$

Figure 6.8: The formula for determining the actual value of mineral sales

Determining the value of the mineral at the estimated cost:⁴⁹³

- ▶ The estimated cost of the unit of the relevant type of the commercial products 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, 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, 2019

- ▶ If primary mineral processing results in new products, mining companies 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.⁴⁹⁴
- ▶ 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.⁴⁹⁵

⁴⁹² Paragraph 130 of the Law of Ukraine dated January 16, 2020 No. 466-IX " On Amendments to the Tax Code of Ukraine on Improving Tax Administration, Removing Technical and Logical Mismatches in Tax Legislation ", available at: <https://zakon.rada.gov.ua/laws/show/466-20#Text>

⁴⁹³ Para 252.16 of the Tax Code

⁴⁹⁴ Para 252.14 of the Tax Code

⁴⁹⁵ Para 252.14 of the Tax Code

Table 6.2: Rates of production royalty for minerals other than hydrocarbons in 2019

Object of taxation	Rate
Ore minerals (metal-containing (metal) minerals, including ores)	
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 %
Energy minerals	
coking coal	1.5 %
energy coal	0.75 %
anthracite	1 %
brown	1 %
Non-energy, non-ore (non-metal-containing (non-metal) minerals, including quartz sand, fire clay, high-melting clay, limestone, granite, gneiss and others)	5 %

When calculating production royalty payments, adjusting coefficients apply depending on the type of material and conditions of extraction. From January 1, 2019 to December 31, 2019 (inclusive), a coefficient of 1.1 applied to the rate of production royalty for the extraction of iron ore.⁴⁹⁶

The rate of production royalty in 2020 for the extraction of ferrous metals (except iron ores), non-ferrous and alloy metals will constitute 6.5%, for the extraction of iron ore – 12%, if the average value of iron ore for the tax (reporting) period is USD 70 or more according to IODEX 58% FE CFR China, officially determined by the world news agency Platts, or 11%, if such average cost is less than USD 70, the rates and conditions for the application of certain adjusting coefficients to production royalty rates will also change.⁴⁹⁷

Royalties for extracting minerals of the national importance were distributed between the budgets as follows:⁴⁹⁸

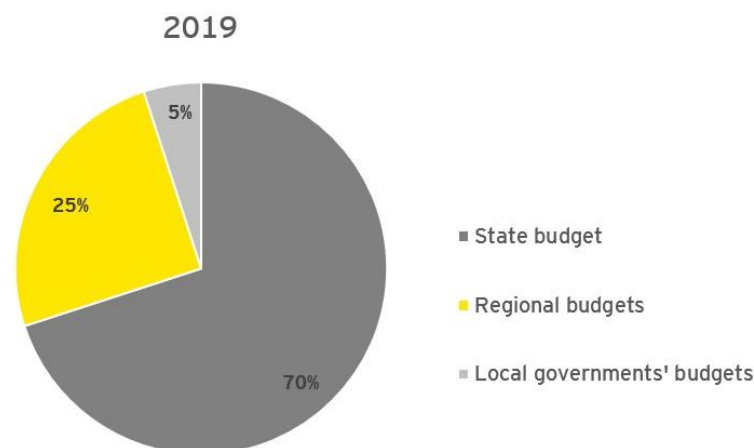


Figure 6.10: Allocation of production royalty for non-hydrocarbon minerals of national importance between the budgets of various levels

⁴⁹⁶ Para 252.20 of the Tax Code

⁴⁹⁷ Para 130 of the Law of Ukraine dated January 16, 2020 No. 466-IX " On Amendments to Certain Laws of Ukraine on Improving Tax Administration, Removing Technical and Logical Mismatches in Tax Legislation", available at: <https://zakon.rada.gov.ua/laws/show/466-20#Text>

⁴⁹⁸ Para 29.2.5 of the Budget Code

Starting 2019, an additional share of 5% of the production royalty for the extraction of minerals of national importance was transferred to local government budgets at location (place of extraction) of the respective natural resources in comparison to the previous years. Royalty for the extraction of minerals of local importance was paid to the local budgets in full.⁴⁹⁹



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:⁵⁰⁰

- ▶ Storage of natural gas – UAH 0.49 for tcm of active space (the same rate was effective in 2018);
- ▶ Storage of oil and other liquid petroleum products – UAH 0.49 for cm (the same rate was in effect in 2018).

The amount of non-production royalty was **transferred in full to the local governments' budgets.**⁵⁰¹

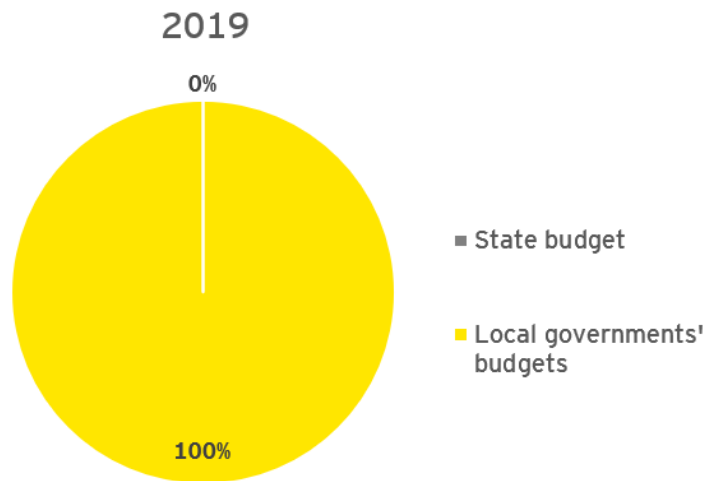


Figure 6.11: Allocation of non-production royalty between the budgets of various levels under the Budget Code



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.⁵⁰²

⁴⁹⁹ Para 64.1 of the Budget Code

⁵⁰⁰ Para 253.5 of the Tax Code

⁵⁰¹ Para 69.1.3 of the Budget Code

⁵⁰² Para 256-1.2 of the Tax Code

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**:⁵⁰³

Object of taxation	Rate in 2019
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 2019 was **fully transferred to the general fund of the State budget**.⁵⁰⁴

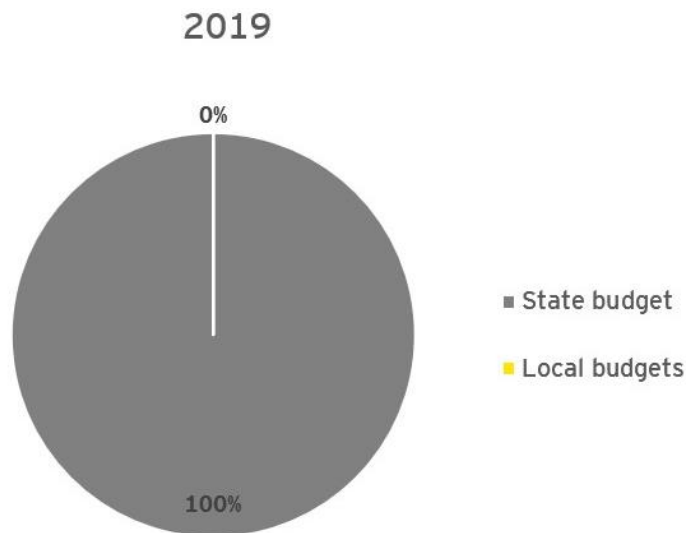


Figure 6.12: Allocation of transportation royalty between the budgets of various levels under the Budget Code

VAT

Supplies, import and export of goods, and supply of services in the customs territory of Ukraine are subject to VAT.⁵⁰⁵

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.⁵⁰⁶

⁵⁰³ Para 256-1.3 of the Tax Code

⁵⁰⁴ Para 29.2.12 of the Budget Code

⁵⁰⁵ Section V of the Tax Code

⁵⁰⁶ Para 195.1.1 of the Tax Code

The supply of coal and/or coal refining products – commodity items under 2701, 2702, 2704 00 in accordance with Ukrainian Classification of Goods for Foreign Economic Activities was temporarily VAT exempt until 2022.⁵⁰⁷ 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 are 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.⁵⁰⁸

In order to fulfil the obligations to separate the activities of natural gas transportation and to ensure the activities of the gas transmission system operator, in accordance with the Law of Ukraine "On Ratification of the Protocol of Accession of Ukraine to the Energy Community Treaty", a number of special rules on VAT taxation of property transfers and natural gas loans were temporarily introduced on December 11, 2019.⁵⁰⁹

In 2019, 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 Registry, drafting and registration of VAT invoices in electronic form, filing VAT statements electronically by all taxpayers etc.

In 2019, VAT was paid to the General Fund of the State Budget in full⁵¹⁰.

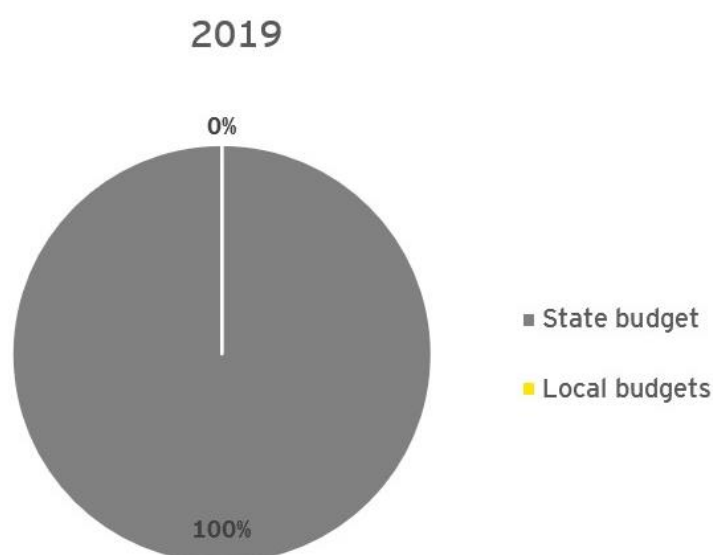


Figure 6.13: Allocation of VAT between the budgets of various levels under the Budget Code

⁵⁰⁷ Para 45, subsection 2 of section XX of the Tax Code

⁵⁰⁸ Article 337 of the Tax Code

⁵⁰⁹ Law of Ukraine dated December 3, 2019 No. 314-IX "On Amendments to Section XX" Transitional Provisions" of the Tax Code of Ukraine on Creating Conditions for Ensuring Fulfilment of Ukraine's Obligations to Separate Natural Gas Transportation Activities"

⁵¹⁰ Para 29.2.6 of the Budget Code



Customs duty

Customs duty is charged for imports and exports of certain goods from / into the territory of Ukraine.⁵¹¹

Imports of gas, oil, condensate, coal, and manganese ores were not subject to import duty. Import duty at the rate of 1-2% was levied on imports of titanium ore.⁵¹² Import duty rates for imports from the EU were reduced to 0%, including the import duty rate for titanium ores (Ilmenite and others).⁵¹³

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.⁵¹⁴ Export duty also applies to waste and scrap of ferrous and non-ferrous metals (including titanium) at 15%.⁵¹⁵ 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.⁵¹⁶

In 2019, the import and export duties were paid to the general fund of the State budget in full⁵¹⁷, import duty on petroleum products was credited in full to the special fund of the State budget.⁵¹⁸

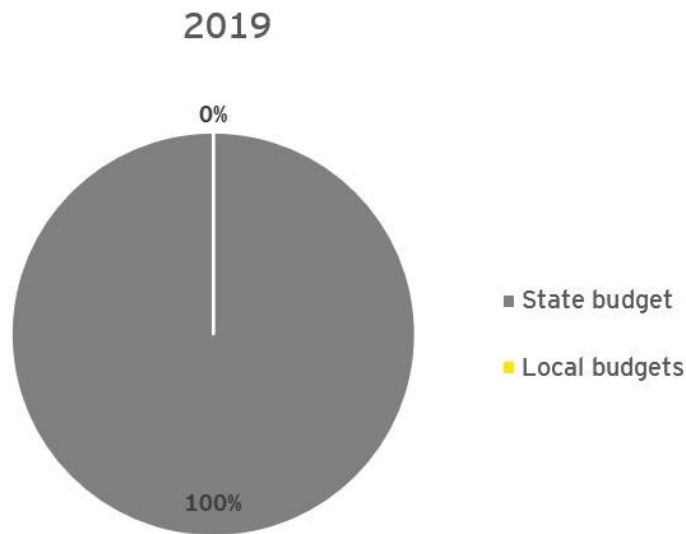


Figure 6.14: Allocation of customs duties between the budgets of various levels under the Budget Code

⁵¹¹ Chapter IX the Customs Code

⁵¹² Law of Ukraine "On the Customs Tariff of Ukraine" No. 584-VII dated 19 September 2013 (Groups 01-72), available at: <http://zakon.rada.gov.ua/go/584%D0%B0-18>

⁵¹³ See, in particular, the official Mineconomy's notification on import duty rates in 2019: <https://www.me.gov.ua/Files/GetFile?lang=uk-UA&fileId=8c65912d-de9e-45d7-b60e-f62ee381fc07>

⁵¹⁴ 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/ed20191021>

⁵¹⁵ 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>.

⁵¹⁶ Chapter XVIII the Tax Code

⁵¹⁷ Para 29.2.9. and para 29.2.10. of the Budget Code

⁵¹⁸ Para 29.3.3. of the Budget Code



Excise tax

Excise tax⁵¹⁹ 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 litres. 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.⁵²⁰

The System for electronic administration of the sale of fuel (including petroleum products and liquefied gas) and the Single register of excise bills were effective in 2019.⁵²¹

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**,⁵²² except for excise tax on fuel and vehicles produced in Ukraine and imported into the customs territory of Ukraine, which was credited to the special fund of the State budget in the amount of 75% in 2019.⁵²³ At the same time, in 2019, as an exception to the provisions of the Budget Code, 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 the local governments budgets.⁵²⁴

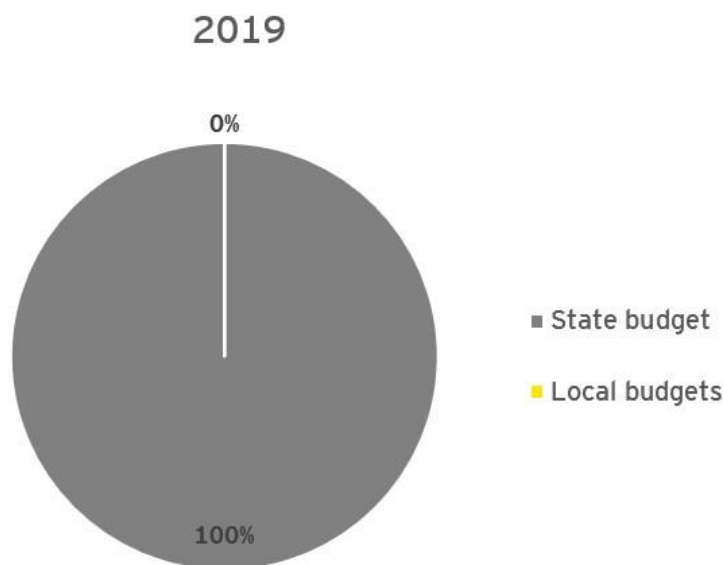


Figure 6.15: Allocation of excise tax on domestically produced excisable goods between the budgets of various levels (under general rule of the Budget Code)

⁵¹⁹ Section VI of the Tax Code

⁵²⁰ Para 215.3.4 of the Tax Code

⁵²¹ Para 231-232 of the Tax Code

⁵²² Para 29.2.7. of the Budget Code

⁵²³ Para 41 of the Budget Code

⁵²⁴ Para 42 of the Budget Code



Land fee

The land fee⁵²⁵ (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 was the 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.

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 in 2019 comparing to 2018.

In 2019, land fee was paid **in full to the local budgets (local governments' budgets)**.⁵²⁶

Land fee for the land plots provided to mining companies for the extraction of mineral resources and the development of mineral deposits was paid at the rate of 25% of the tax calculated under the rules of the Tax Code in 2019.⁵²⁷



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 estate⁵²⁸.

The object of taxation was 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 facilities, manufacturing departments, warehouses of industrial companies, were not subject to this tax.

The tax rates did not change for 2019. The rate had to be no more than 1.5% of the minimum wage per square meter.⁵²⁹ Local governments have the authority to ease the tax.

In 2019, the tax came to the local budgets (local governments' budgets) **in full**.⁵³⁰

⁵²⁵ Section XII of the Tax Code

⁵²⁶ Para 64.1.19 of the Budget Code

⁵²⁷ Para 284.4 of the Tax Code

⁵²⁸ Section XII of the Tax Code of Ukraine

⁵²⁹ Para 266.5.1 of the Tax Code

⁵³⁰ Para 64.1.19 of the Budget Code

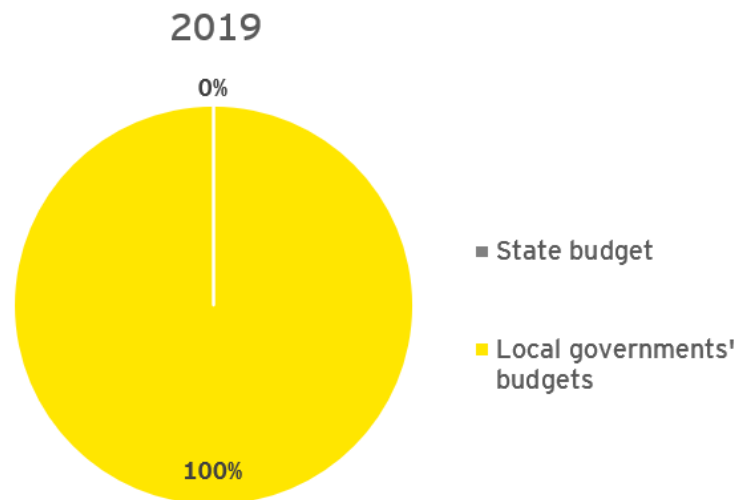


Figure 6.16: Allocation of land fee and property tax on property other than land between budgets of different levels under the Budget Code



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.⁵³¹ The environmental tax rates depend on the type of the source and object of pollution, the type and concentration of waste etc. The rates of environmental tax did not change in 2019 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 2019, 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 tonne⁵³². 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 rate was only UAH 0.41 per tonne).⁵³³ At the same time, the environmental tax was not charged for the volumes of emission not exceeding 500 tonnes per year.⁵³⁴

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 among special funds of local budgets of different levels⁵³⁵(except for the environmental tax levied on emissions of carbon dioxide into the atmosphere by stationary sources of pollution, which was included in the general fund of the State budget in full since 2019).

⁵³¹ Section VIII of the Tax Code

⁵³² Para 246.2 of the Tax Code

⁵³³ Para 243.4 of the Tax Code

⁵³⁴ Para 240.7 of the Tax Code

⁵³⁵ Para 29.2.16-1. and para 69-1.1.4-1. of the Budget Code

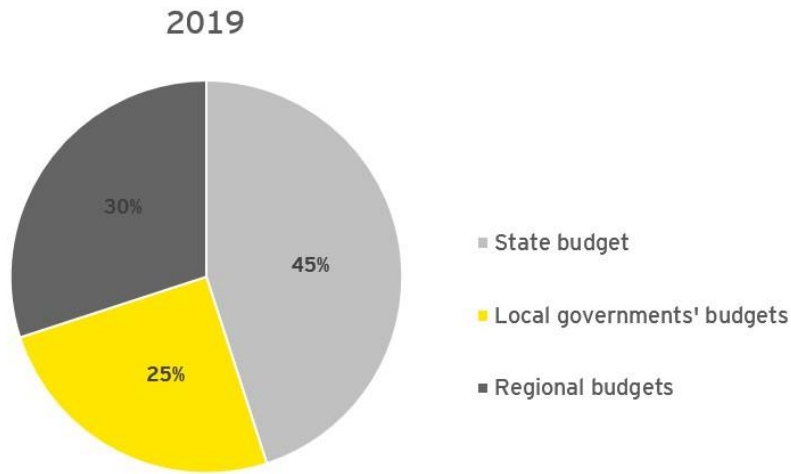


Figure 6.17: Allocation of environmental tax between the budgets of various levels (general rule)



Special water use levy

In 2019, this type of the fee⁵³⁶ was charged on the actual amount of water used by the 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.). The rates did not change in 2019 as compared to 2018.

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 budgets⁵³⁷ (except for rent for special water use of water objects of local significance, which was included in the local governments' budgets at the place of tax registration of the rent payer).⁵³⁸

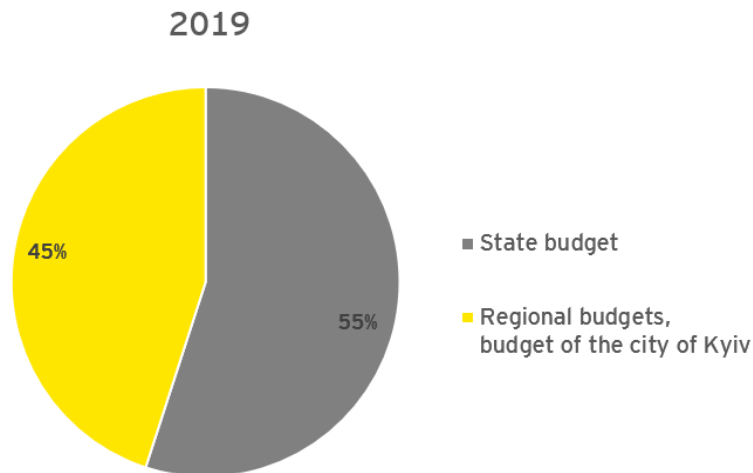


Figure 6.18: Allocation of special water use levy (rent fee) between the budgets of various levels (general rule under the Budget Code)⁵³⁹

⁵³⁶ Para 255 of the Tax Code

⁵³⁷ Para 29.2.4 of the Budget Code

⁵³⁸ Para 64.1.30 of the Budget Code

⁵³⁹ The exception is the special water use levy for water from water objects of local importance, which is allocated to local budgets in full.



Personal income tax

The object and the taxable base were the total (monthly) income of individuals. Personal income tax⁵⁴⁰ is a tax levied on income at 18%. Mining companies accrued and paid PIT 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 among local budgets at different levels.⁵⁴¹ PIT paid on the territory of Kyiv city was distributed as follows: 60% – to the State budget, 40% – to the budget of Kyiv city.

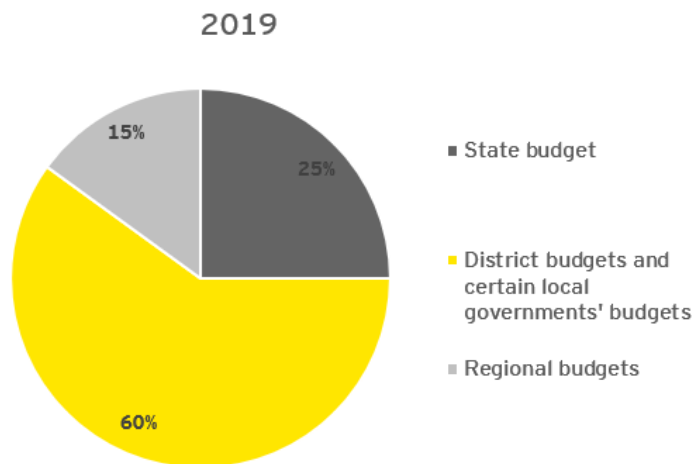


Figure 6.19: Allocation of PIT between budgets of various levels (general Budget Code rule)⁵⁴²



Military levy

In 2019, a military levy⁵⁴³ 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.

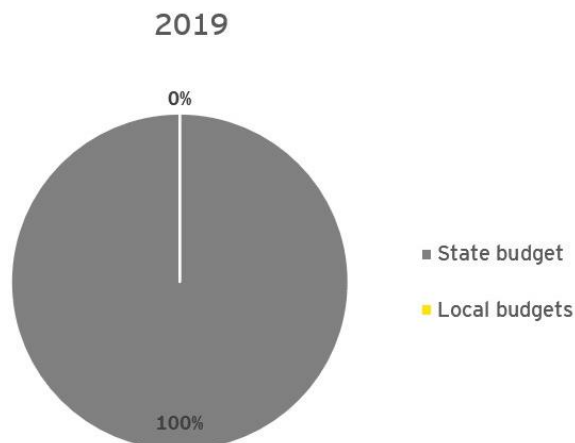


Figure 6.20: Allocation of military levy between the budgets of various levels

⁵⁴⁰ Section IV of the Tax Code

⁵⁴¹ Paragraph 29.2.1 of the Budget Code

⁵⁴² PIT paid at the city of Kyiv was allocated to the budget of the Kyiv city and the State budget at the proportion of 40/60 in 2019.

⁵⁴³ Subsection 10 of Section XX of the Tax Code



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 was paid, was fixed at the level of 15 subsistence minimums established by the law (UAH 62,595⁵⁴⁴).⁵⁴⁵

The funds, paid as USCs and the financial sanctions related to late payment/failures to pay USC, were not transferred to the State budget of Ukraine or any other government budgets of other levels and could not be used for the purposes not specified in the legislation on compulsory state social insurance⁵⁴⁶.

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.⁵⁴⁷

In 2019, USC paid were distributed in three directions (with some exceptions provided for by the relevant Resolution of the CMU)⁵⁴⁸, as shown in the figure below.

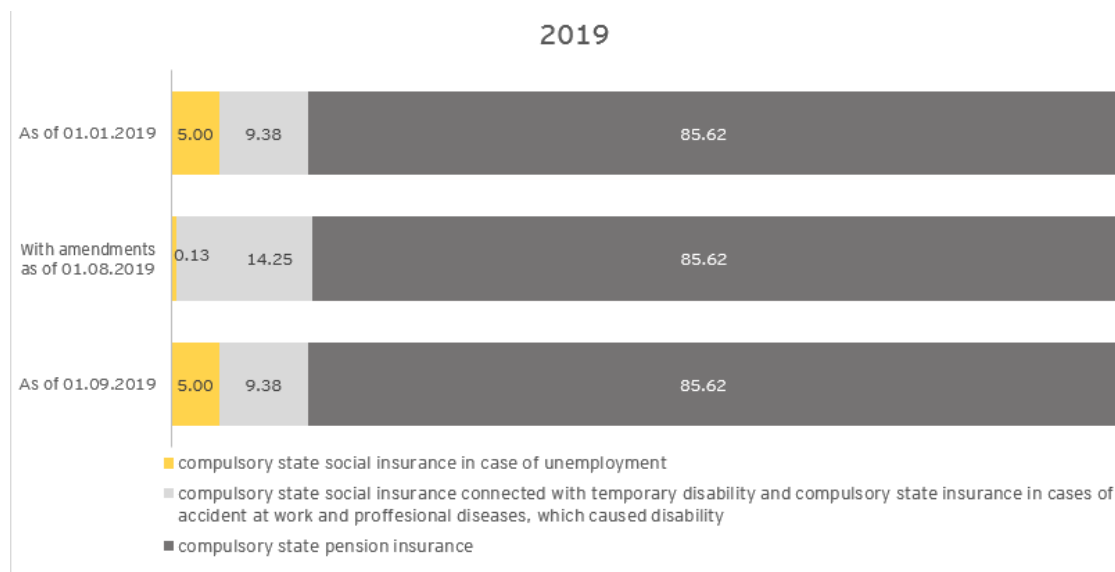


Figure 6.21: Allocation of paid USC for the relevant directions, %

⁵⁴⁴ Article 8 of the Law of Ukraine "On the State Budget of Ukraine for 2019" dated November 23, 2018 No. 2629-VIII. Available at: <https://zakon.rada.gov.ua/laws/show/2629-19/ed20181123>

⁵⁴⁵ Para 1.4. of the Law of Ukraine "On Collection and Accounting of the Unified Contribution for Compulsory State Social Insurance" (Edition as of 01.01.2019) from 08.07.2010 № 2464-VI. Available at: <https://zakon.rada.gov.ua/laws/show/2464-17/ed20190101>

⁵⁴⁶ 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>

⁵⁴⁷ 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: <https://zakon.rada.gov.ua/laws/show/2464-17/ed20190101>

⁵⁴⁸ 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>

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, should be 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 fee 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 payments⁵⁴⁹.

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).

The rules for calculating taxes did not change significantly in 2019 comparing to 2018, except for the production royalty:

- In 2019, production royalty rates for oil increased, including production of oil sold for households' needs for the deposits located at depth of under 5000m to 31% (in 2018 the rate was 29%), and to 16% for the deposits located at depth of over 5,000m (in 2018 the rate was 14%).
- Production royalty rates for condensate reduced, including production of condensate sold for households' needs for the deposits located at depth of under 5000m to 31% (in 2018 the rate was 45%) and to 16% for the deposits located at depth of over 5,000m (in 2018 the rate was 21%).

Coal or certain coal refining products supply operations in the customs territory of Ukraine remained temporarily exempt from VAT in 2019.

From January 1, 2019 to December 31, 2019 (inclusive), a coefficient of 1.1 applied to the production royalty rate for iron ore.

Most of the tax revenues were allocated to the State Budget in 2019. Starting January 1, 2019, 30% of revenues from the production royalty for the extraction of minerals (except hydrocarbons) of national importance have been credited to the general fund of the regional budgets. This change is a positive move that can improve the financial position of the

⁵⁴⁹ Law of Ukraine "On Ensuring Transparency in Extractive Industries" № 2545-VIII dated September 18, 2018, available at: <https://zakon.rada.gov.ua/laws/show/2545-19/ed20180918>

respective regional budgets and improve the dialogue between mining companies and the regional communities in the long run.

An incentive rate 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 5,000m and 6% for deposits located at depths of over 5000m remained in force in 2019. In addition, special royalty rates for PSAs of 2% for oil and condensate and 1.25% for natural gas also remained effective.

The land fee for land plots provided to mining enterprises for mining and development of mineral deposits was collected in the amount of 25% of the tax, calculated according to the rules of the Tax Code, in 2019.

There were special rules on VAT on the transfer of property and natural gas loans in force during 2019.

Starting 2020, a number of changes to the fiscal regime of the extractive industry in terms of rent taxation was introduced, in particular, increase of production royalty rates for the extraction of ferrous metals, nonferrous and alloying metals by 30-50%, changes in rates and conditions for some adjustment coefficients to the royalty rates.

Also, changes to the procedure for administering part of the net profit and dividends on the State's share came into force on February 27, 2020.⁵⁵⁰

⁵⁵⁰ Law of Ukraine "On Amendments to Certain Laws of Ukraine on Improving Tax Administration, Removing Technical and Logical Mismatches in Tax Legislation" dated January 16, 2020 No. 465-IX, available at: <https://zakon.rada.gov.ua/laws/show/465-20#Text>, Law of Ukraine " On Amendments to the Tax Code of Ukraine on Improving Tax Administration, Removing Technical and Logical Mismatches in Tax Legislation" dated January 16, 2020 No. 466-IX, available at: <https://zakon.rada.gov.ua/laws/show/466-20#Text>

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 months⁵⁵¹.

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" section⁵⁵².

As of the date of this Report, the registry of licenses contains information about 162 licenses issued during 2019, of which one is annulled, while the rest are valid.

⁵⁵¹ Available at: <https://data.gov.ua/dataset/f0b36102-1b92-4442-895d-a0d839c4d86b>

⁵⁵² 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, accordingly⁵⁵³:

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"> on land 	20 years
<ul style="list-style-type: none"> on the continental shelf and within the exclusive (marine) economic zone of Ukraine 	30 years

⁵⁵³ 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 February 19, 2020 No. 124 the geological exploration of amber subsoil, including research and industrial development with [subsequent](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) 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](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 product sharing agreements	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 ⁵⁵⁴	Unlimited

As a rule, licenses are granted as a result of a the license auction⁵⁵⁵. 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 extended⁵⁵⁶, 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 fee⁵⁵⁷ (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 use⁵⁵⁸.

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.

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**⁵⁵⁹.

⁵⁵⁴ 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.

⁵⁵⁵ Paragraph 2 of the Procedure for granting licenses.

⁵⁵⁶ Paragraph 14 of the Procedure for granting licenses.

⁵⁵⁷ Paragraph 14 of the Procedure for granting licenses.

⁵⁵⁸ This principle is provided for in Article 12 of the Law on Oil and Gas, available at: <https://zakon.rada.gov.ua/laws/show/2665-14/ed20180404#Text>. However, such principle is not directly provided for other minerals.

⁵⁵⁹ Paragraph 19, 15, 22 of the Procedure for granting licenses.

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 Energy 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.⁵⁶⁰

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".⁵⁶¹

Also, the list of bodies entitled to initiate the suspension of a license was extended to include Minekoenergo. 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 Derzhgeonadra 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.

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 license⁵⁶².

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 licenses⁵⁶³. At the same time, the Interim procedure for a pilot

⁵⁶⁰ 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 May 30, 2011 No. 594 and 615" No. 333 of April 25, 2018, available at: <https://zakon.rada.gov.ua/laws/show/333-2018-%D0%BF/ed20181228#n109>

⁵⁶¹ The CMU Resolution "On Amendments to Certain Resolutions of the Cabinet of Ministers of Ukraine" No. 1131 of 18.12.2018, available at: <https://zakon.rada.gov.ua/laws/show/1131-2018-n>, The CMU Resolution No. 333 of 25.04.2018, available at: <https://zakon.rada.gov.ua/laws/show/333-2018-n>

⁵⁶² Paragraph 14 of Procedure for granting licenses

⁵⁶³ 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>

project on electronic auctions for the sale of subsoil licenses was active in 2019 (the “**Interim procedure**”) ⁵⁶⁴. The Interim procedure lost force simultaneously with approval of the new Procedure for holding auctions for the sale of subsoil licenses in 2020 ⁵⁶⁵.

The procedure for awarding the licenses through auction

The Interim procedure was active in 2019, pursuant to which the licenses were sold through electronic auctions at Prozorro.Sales. These auctions are organized by the operator of the electronic platform, which has entered into a contract with the Geology Service to conduct the auction.

The procedure for determining the list of blocks, licenses for which are the items of the auction, 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 ⁵⁶⁶ and sends them (except for the list of blocks on the continental shelf and the exclusive (marine) economic zone) for approval via registered letter with notification to:

- ▶ The Council of Ministers of the Autonomous Republic of Crimea, the relevant regional, Kyiv or Sevastopol city councils – regarding use of blocks that contain mineral resources of national importance, as well as blocks provided for purposes not related to the extraction of minerals;
- ▶ relevant district, city, rural settlement, village councils – regarding use of blocks that contain minerals of local importance.

The Geology Service submits proposals for determining the list of blocks for which the respective licenses to be put up for auction (together with explanatory notes, overview maps, situation plans, catalogues of geographical coordinates of corner points, work programs) to the Minekoenergo to provide:

- its proposals indicating the conditions for the subsoil use in the proposed blocks in terms of compliance with environmental legislation; or
- substantiated proposals on the impossibility of subsoil use in the proposed blocks in compliance with the requirements of environmental legislation.

The template of an application is posted on the official website of the Geology Service ⁵⁶⁷.

Such approvals and proposals are received, i.a., following the silent consent principle. This means, that if no proposal is received from Minekoenergo 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 applicant will be admitted to this auction. The

⁵⁶⁴ 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>

⁵⁶⁵ Resolution of the CMU “On approval of Procedure for holding 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#n247>

⁵⁶⁶ Para.6 of the Interim Procedure

⁵⁶⁷ Available at: <https://www.geo.gov.ua/rules-and-examples/>.

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 areas⁵⁶⁸ 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 investments⁵⁶⁹.

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;
- ▶ 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.⁵⁷⁰

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.⁵⁷¹ As of the date of this EITI Report, most of the sources and information listed above are not publicly available. Among the priority areas of work of the Geology Service in 2019 is development and submission of a draft resolution to the CMU, which, in particular, should amend Methodology for determining the initial price at the auction for subsoil license⁵⁷². Such new Methodology was approved on 23 September 2020⁵⁷³.

During 10 working days following the day of the approval of the list of blocks and the decision-making on the auction, the Geology Service should post the announcement of the auction in the system of electronic bidding for the sale of licenses (Prozorro.Sales) and on the Geology Service's official website. The announcement should indicate basic information about the

⁵⁶⁸ 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).

⁵⁶⁹ 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.

⁵⁷⁰ 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.

⁵⁷¹ 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.

⁵⁷² Available at: <https://www.geo.gov.ua/priorities/>. Some changes of the Methodology which are aimed at increasing the transparency of the principle of calculating the initial cost of licenses, were planned in 2016 under paragraph 258 of the CMU's Activity Agenda (Coalition Agreement) and Sustainable Development Strategy "Ukraine - 2020" available at: https://www.mil.gov.ua/content/other/postanova_04032015.pdf.

⁵⁷³ 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>

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, requirements to the applicants, the initial price of the license, the auction step, the cost of geological information and the price of package of auction documentation etc.).

The actions the applicant must take to participate in the auction, are presented in the chart below:

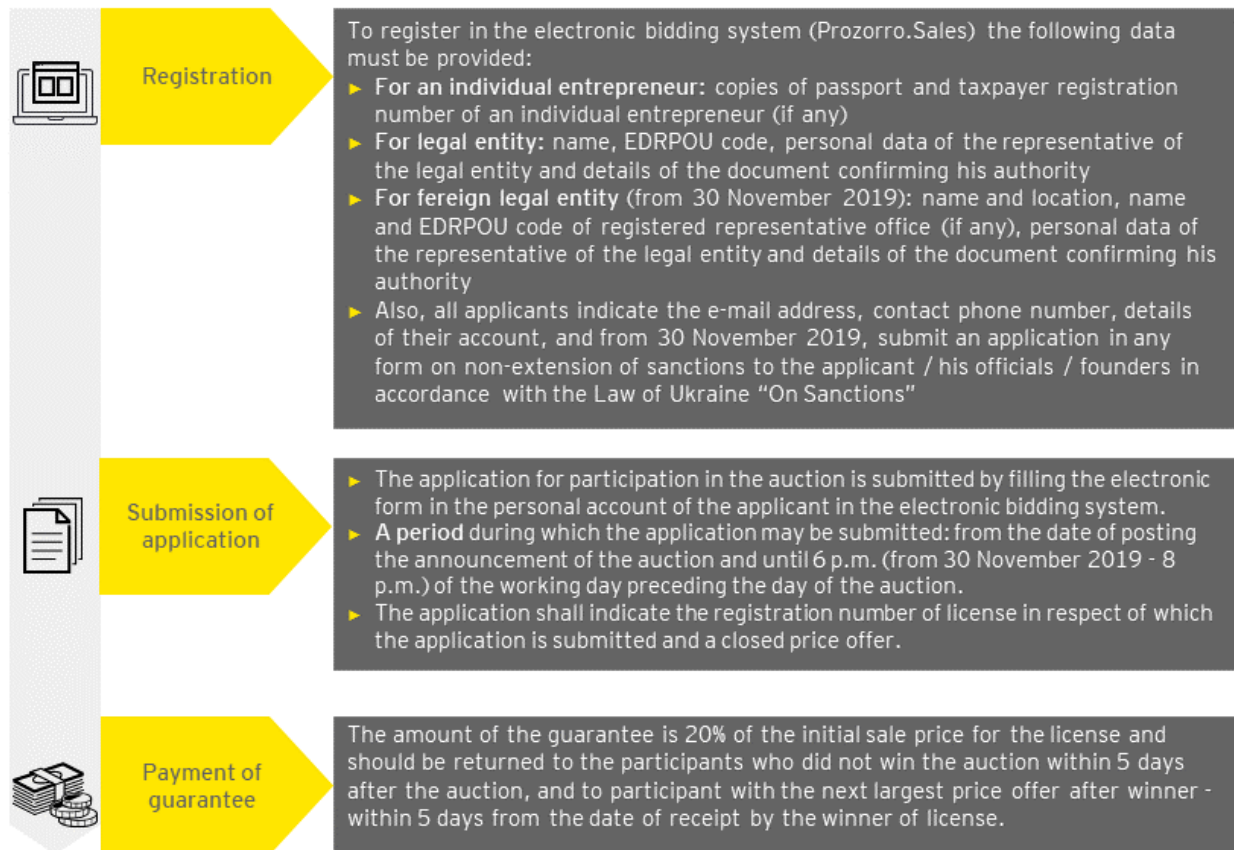


Figure 6.22: Step-plan of actions to participate in an auction for a license

Prior to the auction, the auction organizer shall check the receipt of the guarantee deposit to the account specified in the auction announcement and, subject to confirmation of the fact of such receipt, shall register the applicant as a bidder (participant) and ensure his admission to the auction.

The applicant is not allowed to participate in the auction in case of indication of unreliable and/or incomplete data during registration or non-receipt of the guarantee fee in full. Such applicant shall be notified of non-admission through his personal account in the electronic bidding system.

The auction shall be held:

- ▶ in 90 calendar days after the date of auction announcement (for oil, natural gas, condensate);
- ▶ in 50 calendar days after the date of auction announcement (for all other minerals).

The auction shall take place in the electronic bidding system (Prozorro.Sales) and consists of a repetitive process of raising prices, which is conducted in three rounds in real time.

From November 30, 2019, it is also possible to hold auctions using the step-by-step reduction of the initial price and subsequent submission of price bids.⁵⁷⁴ Such auction shall be announced within 3 working days after the re-auction has been recognized as not having taken place and shall be held within 15 calendar days from the date of placing the auction announcement. This auction shall also be held in Prozorro.Sales and begin with an automatic step-by-step reduction of the initial sale price of the 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 official website of the Geology Service contains the following information: on registration of documents⁵⁷⁵, return of documents⁵⁷⁶, on the status of applications⁵⁷⁷, on applications received for the auction of blocks, scheduled auctions⁵⁷⁸, , auctions results⁵⁷⁹ and certain other information⁵⁸⁰.

An auction is arranged if at least two candidates for the purchase of a license are registered. The auction step (step of electronic auction) depends directly on the initial price for the license and should be determined by the Interim procedure (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 size of the minimum step of the auction stands at 1% of the initial price of the license per the method of step-by-step reduction of the initial price and subsequent submission of price proposals.

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 suspensive condition⁵⁸¹ with the Geology Service. At the same time, the winner must pay in due time:

- ▶ the margin between the sale price of the permit and the guarantee fee;
- ▶ the remuneration to the operator through which the winner acquired the right to participate in the auction. The amount of the fee may be (i) 0.5% of the sale price of the permit if it is UAH 15,000,000 or more (ii) 1% of the sale price of the permit if it is less than UAH 15,000,000⁵⁸²;

⁵⁷⁴ According to the new version of the Provisional Procedure, approved by the CMU Resolution of 23.10.2019 No. 960, available at: <https://zakon.rada.gov.ua/laws/show/960-2019-%D0%BF/ed20191130#n16>

⁵⁷⁵ Available at: <https://www.geo.gov.ua/informaciya-pro-reyestracyu-dokumentiv/>

⁵⁷⁶ Available at: <https://www.geo.gov.ua/informaciya-pro-povernennya-dokumentiv/>

⁵⁷⁷ Available at: <https://www.geo.gov.ua/informaciya-shhodo-stanu-rozglyadu-zayav/>

⁵⁷⁸ Available at: <https://www.geo.gov.ua/aukcioni-2020/>, <https://www.geo.gov.ua/aukcioni-2021/>

⁵⁷⁹ Available at: <http://www.geo.gov.ua/rezultati-aukcioniv/>.

⁵⁸⁰ Different types of information are available for different years.

⁵⁸¹ The agreement that is concluded between the Geology Service and the winner of the auction if the latter receives a positive conclusion on admissibility of planned activity based on results of EIA. The new version of the Interim Procedure of 2020 allows for this type of agreement to be also concluded with a foreign legal entity without a registered representative office in Ukraine. In this case, the agreement includes a condition for a foreign legal entity to register such representative office within 4 months from the date of the agreement.

⁵⁸² The CMU Resolution of October 23, 2019 No. 960 set a deadline for payment of the operator fee, which is within 20 working days from the date of publication by Derzhgeonadra of the auction protocol in the electronic bidding system

- ▶ the cost of geological information;
- ▶ the cost of the auction documentation package, which is 3.12% of the initial price of the lot, but at least UAH 4,500 and no more than UAH 72,550⁵⁸³; and
- ▶ the amount of reimbursement of costs of Derzhgeonadra for the preparation of the license for the auction.

The introduction of electronic bidding for the sale of licenses had positive results. According to information published by Derzhgeonadra,⁵⁸⁴ as of the end of October 2019, six rounds of electronic auctions were successfully held, where 26 subsoil plots were sold in different areas: 16 - with oil and gas deposits and 10 - with other types of minerals. The amount of revenues to the State budget from the sale of the licenses constitutes UAH 500 million. A total of 34 auctions were held in 2019, 33 of which were conducted through electronic bidding. **Annex 6** contains information on the license auctions held during 2019, including information on the bidders and the winners.

For the reference, the procedure for awarding licenses through an auction is presented in the diagram below.

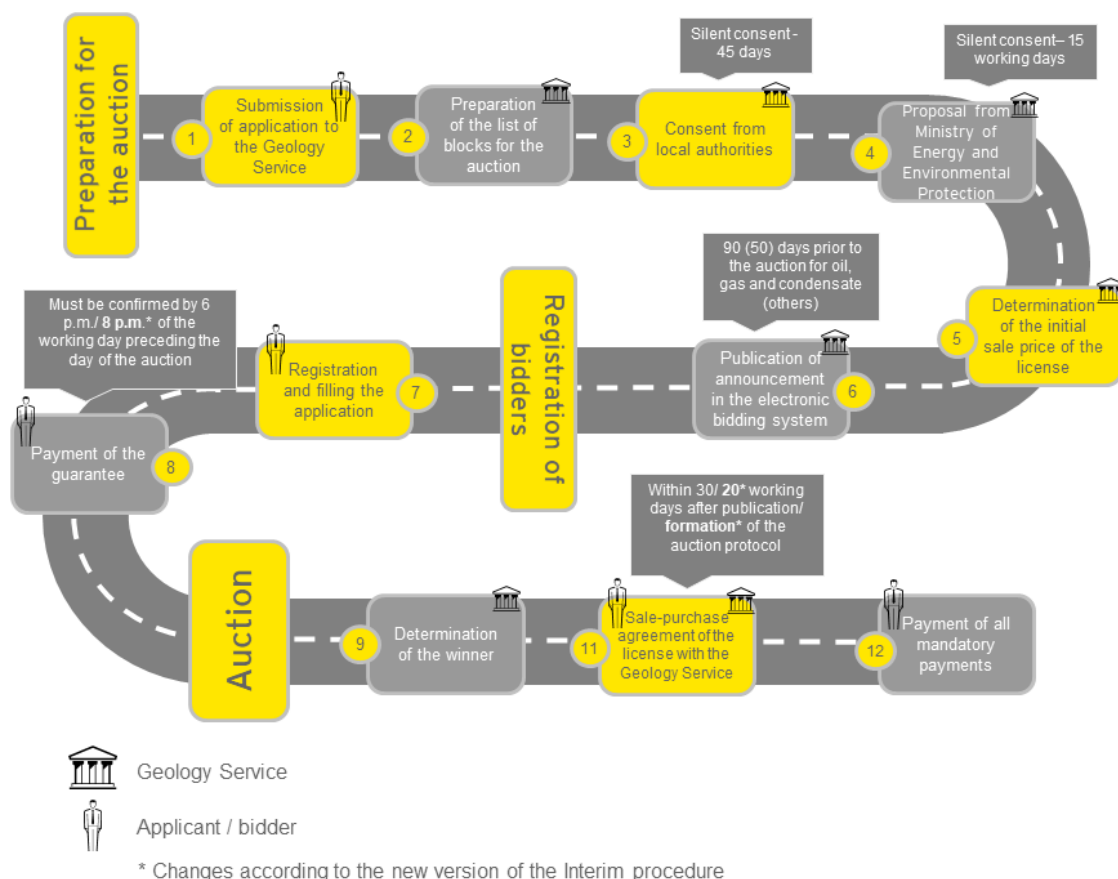


Figure 6.23: The procedure for awarding licenses through an auction

⁵⁸³ The CMU Resolution of October 23, 2019 № 960 set the deadline for paying the cost of the auction documentation package, which is the same as the deadline for payment of the operator fee.

⁵⁸⁴ Publication on the Derzhgeonadra website, available at: <http://www.geo.gov.ua/derzhgeonadra-prodala-26-dilyanok-napivmilyarda-griven-cherez-sistemu-prozorro/>, as well as on the following site: <https://ecolog-ua.com/news/derzhgeonadra-prodala-26-dilyanok-na-pivmilyarda-griven-cherez-sistemu-prozorro>

On October 27, 2020, the Resolution of the Cabinet of Ministers of Ukraine “On Approval of the Procedure for Conducting Auctions for the Sale of Subsoil Licenses” No 993 of 23.09.2020 became effective.⁵⁸⁵ The Procedure determines the steps for selling a license at an auction by conducting electronic bidding on a permanent basis, and replaces the Procedure for conducting auctions for the sale of licenses and the Interim Procedure.

The procedure for granting licenses without an auction

In certain cases, explicitly indicated in the procedure for granting licenses⁵⁸⁶, licenses can be granted without holding an auction, including, but not limited to⁵⁸⁷, if it is either:

- ▶ 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 expense⁵⁸⁸;
- ▶ 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 Service⁵⁸⁹;
- ▶ Receipt by Derzhgeonadra of proposals from the Minekoenergo concerning granting licenses and possible conditions for subsoil use in the proposed areas in terms of compliance with environmental legislation or comments on the permit⁵⁹⁰ (for example,

⁵⁸⁵ Available at: <https://zakon.rada.gov.ua/laws/show/993-2020-%D0%BF#n250>

⁵⁸⁶ Procedure for granting licenses.

⁵⁸⁷ In total, as of the end of 2019 there were 12 grounds for granting licenses off-auction.

⁵⁸⁸ 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).

⁵⁸⁹ Available at: <http://www.geo.gov.ua/forms-samples-of-documents/>

⁵⁹⁰ In accordance with paragraph 25 of the Procedure for granting licenses, Derzhgeonadra shall inform Minekoenergo on the receipt of applications for licenses and annexes thereto and simultaneously send the copies of the documents within 7 working

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);⁵⁹¹

- ▶ Receipt of confirmation regarding the absence of a state tax debt as of the latest reporting period from the SFS (STS) and confirmation on non-involvement in terrorist activities in Ukraine received from the law enforcement authorities and entities responsible for financial monitoring;
- ▶ Consent of the local governments of providing subsoil into use⁵⁹². 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 methodology⁵⁹³ (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 Minekoenergo. Minekoenergo's proposals and remarks 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 (except for the cases when such permit must be granted after obtaining an EIA opinion).⁵⁹⁴ The term of payment of the fee may be extended by the Subsoil Use Commission⁵⁹⁵ under certain conditions.

On November 21, 2019, the mentioned commission was abolished, and the authority to extend the term of payment of the fee for granting license and extend its validity was assigned to

days from the date of their registration. Minekoenergo shall send the proposals or comments to Derzhgeonadra within 15 working days from the date of receipt of the mentioned documents

⁵⁹¹ The full list of cases when Minekoenergo sends its comments is stipulated by paragraph 25 of the Procedure for granting licenses

⁵⁹² 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>

⁵⁹³ The Methodology for determining the initial sale price at the auction for subsoil licenses.

⁵⁹⁴ Paragraph 37 item 8 of the Procedure for granting licenses

⁵⁹⁵ The Subsoil Use Commission was formed by Derzhgeonadra 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 Derzhgeonadra included specialists from the Secretariat of the Cabinet of Ministers, ministries and other central executive bodies, and the regulations on its operations and membership were approved by the Derzhgeonadra State Committee for Geodesy upon the consent of the Ministry of Environment

Derzhgeonadra.⁵⁹⁶ For reference, the procedure for granting licenses without an auction is presented in the diagram below.

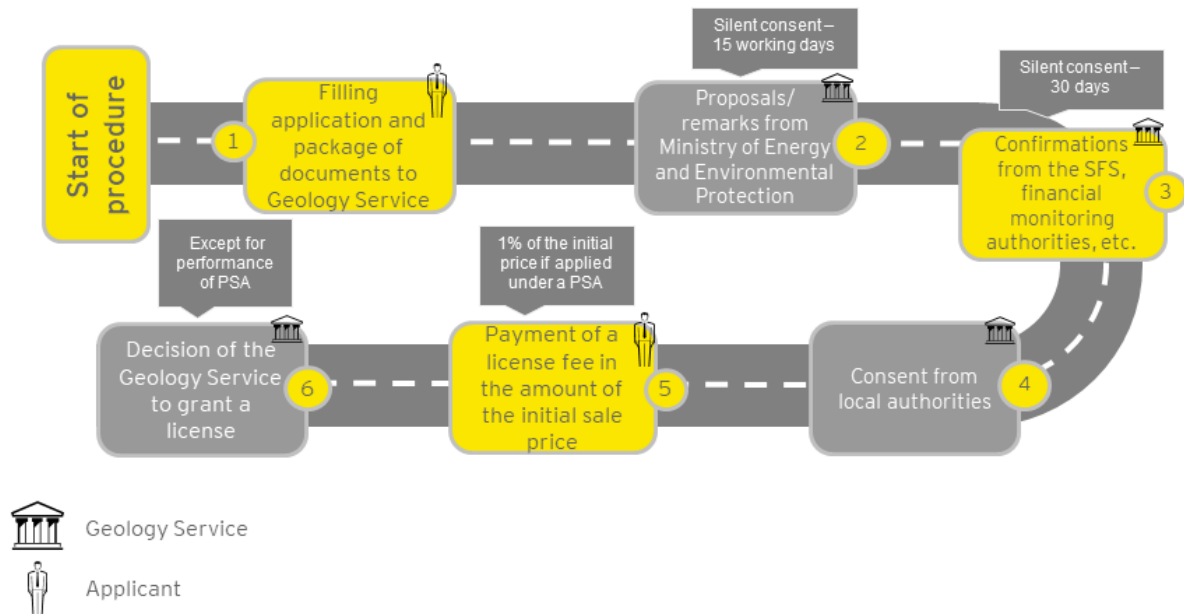


Figure 6.24: Procedure for granting licenses without an auction

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 venture⁵⁹⁷. At the same time, in certain cases the granted licenses may be amended or reissued. In particular, the license is amended in the following cases⁵⁹⁸:

- ▶ 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

⁵⁹⁶ The SMU Resolution "On Amendments to the Procedure of Granting Licenses" No. 928 of 23.10.2019, available at <https://zakon.rada.gov.ua/laws/show/928-2019-n#n2>

⁵⁹⁷ 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>.

⁵⁹⁸ Paragraph 17 of the Procedure for granting licenses.

subsoil use, did not violate the conditions of subsoil use, etc.), if such amendments were agreed by the Minekoenergo⁵⁹⁹ (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.

In 2019, one more ground for amending the license was added, namely, reorganization of a state-owned enterprise by joining another state-owned enterprise⁶⁰⁰. 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 amendment⁶⁰¹. 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 cases⁶⁰²:

- ▶ 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 this Report.

⁵⁹⁹ See paragraph 17 of the Resolution of the CMU No. 333 dated 25 April 2018.

⁶⁰⁰The ground was added according to Resolution of the CMU "On amending paragraph 17 of the Procedure for granting licenses for subsoil use" No. 698 dated 26 July 2019, available at: <https://zakon.rada.gov.ua/laws/show/698-2019-%D0%BF%ED20191121#n7>.

⁶⁰¹ Paragraph 17 of the Procedure for granting licenses.

⁶⁰² 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:⁶⁰³

- ▶ for legal (corporate) entities - any individual who exerts decisive influence (direct or indirect)⁶⁰⁴ 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, based on the Law of Ukraine "On state registration of legal entities, individual entrepreneurs and public organizations"⁶⁰⁵.

⁶⁰³ 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 16.08.2020 (hereinafter - the Law "On Prevention and Counteraction to Legalization (Laundering) of Proceeds"), <https://zakon.rada.gov.ua/laws/show/361-20#n6>

⁶⁰⁴ 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.

⁶⁰⁵ 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 Ukraine⁶⁰⁶ and the Unified State Portal of Open Data⁶⁰⁷.

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 2020⁶⁰⁸).

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-submitted⁶⁰⁹.

In 2020, the USR was updated to improve its functionality as well as the mechanism for providing and verifying data on ultimate beneficial owners,⁶¹⁰ 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 ultimate 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*

⁶⁰⁶ Available at: <https://usr.minjust.gov.ua/ua/freesearch>

⁶⁰⁷ Available at: <https://data.gov.ua/dataset/1c7f3815-3259-45e0-bdf1-64dca07ddc10>

⁶⁰⁸ 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>

⁶⁰⁹ 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/>

⁶¹⁰ 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 USR⁶¹¹). In addition, Ukrainian law does not require disclosing information regarding the status of politically exposed persons⁶¹².

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 April 28, 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.⁶¹³

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,

⁶¹¹ The information on the implementation of the action plan for the implementation of the Open Government Partnership Initiative 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>

⁶¹² 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.

⁶¹³ 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 29.08.2018 as amended by the Order of the Ministry of Justice No. 1716/5 of 19.05.2020, 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.⁶¹⁴

- *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 register⁶¹⁵.

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 Understanding⁶¹⁶. In May 2017, the CMU also amended regulations to provide for free transfer of information on ultimate beneficial owners to the Global Register of Beneficiary Owners⁶¹⁷.

The information on the beneficiary owners of Ukrainian companies contained in the USR is already partially available in the Global Register of Beneficiary Owners⁶¹⁸, 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 as a next step in the Initiative "Partnership "Open Government" in 2018-2020⁶¹⁹.

- *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 governments⁶²⁰.

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 owners⁶²¹.

⁶¹⁴ 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

⁶¹⁵ 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/>

⁶¹⁶ 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

⁶¹⁷ 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>.

⁶¹⁸ Available at: <https://register.openownership.org>

⁶¹⁹ 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>.

⁶²⁰ Unified State Register of Electronic Declarations of persons authorized to fulfil functions of the state or local governments, available at: <https://public.nazk.gov.ua>.

⁶²¹ 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>.

According to the decision of the Constitutional Court of Ukraine No 13-r/2020 of 27.10.2020,⁶²² the legal provisions on open round-the-clock access to the Single State Register of 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 29.10.2020,⁶²³ 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 Market⁶²⁴.

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 133 agreements (one agreement was published in 2020) on 2019, while total of 162 licenses were issued during 2019 (for more details, see **Section 6.6.1. "Registry of licenses"** of the Report)⁶²⁵.

According to the Law of Ukraine "On the Transparency of the Use of Public Funds"⁶²⁶, 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 period⁶²⁷. 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" terms⁶²⁸ and extracts from the agreements related to mineral extraction, such as

⁶²² <https://zakon.rada.gov.ua/laws/show/v013p710-20#Text>

⁶²³ 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 29.10.2020, available at: <https://www.kmu.gov.ua/npas/deyaki-pitannya-diyalnosti-nacionalnogo-agentstva-z-pitan-zapobigannya-korupciyi-i291020-1363>

⁶²⁴ Available at: <https://www.nssmc.gov.ua/register/litsenzuvannia-ta-reestratsiia/stock-exchanges/>.

⁶²⁵ 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/>.

⁶²⁶ 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>.

⁶²⁷ See the website of the Public Fund's Single Web Portal, available at: <https://spending.gov.ua/web/guest>.

⁶²⁸ 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.

agreements on conditions for subsoil use, product sharing agreements, 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 them⁶²⁹.

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, Temporary Procedure and the Law of Ukraine on Oil and Gas⁶³⁰. The agreement should contain provisions on technical, technological, organizational, financial, economic, social, and environmental 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/>⁶³¹.

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 noted above, not all the licenses, granted during 2019, were published. 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 either.

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

⁶²⁹ 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.

⁶³⁰ Article 28 of the Law on Oil and Gas, available at: <http://zakon.rada.gov.ua/laws/show/2665-14/ed20171218#o223>.

⁶³¹ The latest version of template subsoil use agreement was adopted by the Order of the Geology Service No. 182 dated 09 July 2019.

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.⁶³² 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.

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 production sharing agreements (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:⁶³³

- ▶ 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.

⁶³² 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

⁶³³ Part 2 of Article 6 of the Law on PSA

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.⁶³⁴

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.⁶³⁵

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 investments⁶³⁶.

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.

⁶³⁴ 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.

⁶³⁵ 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

⁶³⁶ Part 10 of Article 7 of the Law on PSA

- ▶ 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.⁶³⁷

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.

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 changes⁶³⁸) 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.⁶³⁹

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 be 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.

⁶³⁷ Part 5 of Article 6 of the Law on PSA

⁶³⁸ 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 19.12.2019, available at: <https://zakon.rada.gov.ua/laws/show/402-20/ed20191229#n114>

⁶³⁹ 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 19.12.2019, available at: <https://zakon.rada.gov.ua/laws/show/402-20/ed20191229#n114>

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 2019.

As of the end of 2019, 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 ⁶⁴⁰	19 October 2007
Shell Exploration and Production Ukraine Investments (IV) B.V. (left the project in 2015 ⁶⁴¹) Nadra Yuzivska LLC	Yuzivska ⁶⁴²	24 January 2013
Chevron Ukraine B.V. (In 2014 Chevron informed of unilateral termination of the PSA ⁶⁴³) Nadra Oleska LLC	Oleska ⁶⁴⁴	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 ⁶⁴⁵	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 winner⁶⁴⁶. However, the CMU refused to approve the transfer of the participation share in the PSA⁶⁴⁷. Yuzgaz B.V. challenged the decision of the CMU through court proceedings and the courts declared the Resolution of the CMU unlawful⁶⁴⁸. In December 2018, the CMU approved a transfer of 90% share of participation in the PSA in favour of Yuzgaz B.V.⁶⁴⁹. In December 2020, the Cabinet of Ministers decided for Naftogaz of Ukraine NJSC 100% to acquire of the share capital of Nadra Yuzivska LLC, owned by Nadra of Ukraine

⁶⁴⁰ For more details on signing the PSA, see the link: <http://tsn.ua/groshi/kabmin-domovivsyia-pro-rozrobku-shelfu.html>.

⁶⁴¹ <http://ua.interfax.com.ua/news/general/299606.html>.

⁶⁴² For more details on signing the PSA, see the link: <http://zakon2.rada.gov.ua/laws/show/576-2013-%D1%80>.

⁶⁴³ <http://ua.korrespondent.net/business/economics/3456069-Chevron-vidmovlyasia-vid-proektu-z-osvoiennia-oleskoi-ploschi-zmi>.

⁶⁴⁴ 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.

⁶⁴⁵ For more information on signing the JAA, see: http://www.kmu.gov.ua/control/uk/publish/article?art_id=246879555&cat_id=244276429.

⁶⁴⁶ See <http://nadrakrayny.com.ua/?p=681>.

⁶⁴⁷ See <http://ua.interfax.com.ua/news/general/381004.html>.

⁶⁴⁸ Ruling of the Higher Administrative Court of Ukraine dated 04 July 2017, available at: <http://www.reyestr.court.gov.ua/Review/67684356>.

⁶⁴⁹ 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>.

NJSC (99%) and its Ukrainian Geological Research and Production Center SE (1%)⁶⁵⁰. To complete the transaction, it is necessary to obtain a concentration permit from the Antimonopoly Committee of Ukraine.

New PSA tenders: In February 2019, the CMU announced PSA tenders for 9 sites⁶⁵¹. 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.⁶⁵². On 23 October 2020, negotiations and work on the preparation of the texts of the relevant PSAs are still ongoing⁶⁵³.

On March 6, 2019, a tender was announced for the conclusion of a PSA for the Dolphin site⁶⁵⁴. 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.⁶⁵⁵ According to the public sources, on February 26, 2020 Derzhgeonadra announced the restart of the tender for the Dolphin site.⁶⁵⁶

In August 2019, 3 additional tenders for PSAs were announced.⁶⁵⁷ The winners of the tenders are York Energy (UK) Holdings Limited, as well as EP Ukraine B.V. - for 2 sites⁶⁵⁸.

⁶⁵⁰ The Resolution of the CMU "Some issues of acquisition of the share of corporate rights by the joint-stock company "National joint-stock company "Naftogaz of Ukraine" No. 1574-p dated 16 December 2020, available at: <https://zakon.rada.gov.ua/laws/show/1574-2020-%D1%80#Text>

⁶⁵¹ 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, Ivaniivska, Balakliiska, Sofiivska, Berestyanska, Ugnivska fields, the Ministry of Energy 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.

⁶⁵² 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/npas/pro-viznachennya-peremozhciv-konkursiv-na-ukladennya-ugod-pro-rozpodil-vuglevodni-m-050719>.

⁶⁵³ Information from official web-site of the Ministry of Energy, available at: http://mpe.kmu.gov.ua/minugol/control/publish/article?art_id=245483553.

⁶⁵⁴ 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 March 6, 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.

⁶⁵⁵ 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-delfin>, <https://expro.com.ua/novini/mjvdomcha-komsya-pdtrimala-zayavku-trident-black-sea-na-dlyanku-shelfu-delfin>

⁶⁵⁶ The information from the official website of Derzhgeonadra, 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>

⁶⁵⁷ In pursuance of the CMU resolutions of 18.12.2018 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

⁶⁵⁸ According to the Ordinance of the Cabinet of Ministers "On awarding the winners of tenders for the conclusion of hydrocarbons distribution agreements" dated April 29, 2020 No. 484-p, available at: <https://zakon.rada.gov.ua/laws/show/484-2020-%D1%80#Text>

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 2019, 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 confidential and official.⁶⁵⁹ 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 2013.⁶⁶⁰

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 transactions⁶⁶¹.

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 parties⁶⁶². The Ukrainian legislation does not contain

⁶⁵⁹ 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

⁶⁶⁰ The case materials are available at: <http://www.unece.org/environmental-policy/conventions/public-participation/aarhus-convention/tfwg/envppcc/envpppubcom/acccc2014118-ukraine.html>

⁶⁶¹ 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; 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.

⁶⁶² Chapter 77 of the Civil Code of Ukraine No. 435-IV dated 16 January 2003, available at: <https://zakon.rada.gov.ua/laws/show/435-15/ed20191128>

any specific requirements for JAAs in the field of subsoil use, except for the prohibition to contribute licenses to the joint activity⁶⁶³.

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 of Ukraine, 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.⁶⁶⁴
- ▶ 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 CMU⁶⁶⁵.

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.⁶⁶⁶ 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.⁶⁶⁷

Information regarding JAAs active in 2019, 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

⁶⁶³ Paragraph 9 of Article 16 of the Subsoil Code of Ukraine.

⁶⁶⁴ 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 11.04.2012, available at: <http://zakon.rada.gov.ua/laws/show/296-2012-%D0%BF>

⁶⁶⁵ 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>.

⁶⁶⁶ Paragraph 3 of Part 1 Article 5, Part 2 Article 11 of the Law on EITI

⁶⁶⁷ Part 4 of Article 6 of the Law on EITI, available at: <https://zakon.rada.gov.ua/laws/show/2545-19/ed20180918>

the JAA.⁶⁶⁸ 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.

2. Concession contracts for state and municipal property

The concession is a special form of a public-private partnership⁶⁶⁹. 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 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 2019 the concession was governed by the Law of Ukraine "On Concessions"⁶⁷⁰. 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"⁶⁷¹. On 20 October 2019, the new Law of Ukraine "On Concession" entered into force⁶⁷², the provisions of which do not apply to the projects on prospecting, exploration and extraction of mineral resources⁶⁷³ 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 reform⁶⁷⁴. The Ministry of Economy has published

⁶⁶⁸ Sections II, III, V, XI of the Tax Code of Ukraine.

⁶⁶⁹ 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>.

⁶⁷⁰ 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>.

⁶⁷¹ 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>.

⁶⁷² Law of Ukraine "On Concession" No. 155-IX dated 03 October 2019, available at: <https://zakon.rada.gov.ua/laws/show/155-20>

⁶⁷³ 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>.

⁶⁷⁴ 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>.

on its official website the specified list (as amended in 2017-2018), among which there are no enterprises related to the extractive industries⁶⁷⁵.

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 occurrence⁶⁷⁶);
- ▶ 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;

⁶⁷⁵ 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>.

⁶⁷⁶ 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 04.12.2019, available at: <https://zakon.rada.gov.ua/laws/show/1047-2019-%D0%BF#Text>

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.⁶⁷⁷ 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-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.⁶⁷⁸ 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.⁶⁷⁹

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.⁶⁸⁰

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

⁶⁷⁷ According to Part 2 of Article 7 of the Law on Concessions

⁶⁷⁸ 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"

⁶⁷⁹ 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 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 04.12.2019, available at: <https://zakon.rada.gov.ua/laws/show/1047-2019-%D0%BF#Text>

⁶⁸⁰ 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"

whom the concession agreement shall be concluded within 3 months from the date of publication of the tender results.⁶⁸¹

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 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 CMU⁶⁸².

In 2019, 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:

⁶⁸¹ According to Part 6 of Article 8 of the Law on Concessions

⁶⁸² 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>.

Table 6.3: The valid concession contracts in the extractive industries

Registration date	Registration No	Concessor	Concessionaire	Property granted into concession and its location	Concession fee	Duration of the concession contract
8 February 2012	006	Ministry of Energy	DTEK Rovenkyanthracite LLC	IPG SC Rovenkyantratsyt	17082812 - for 1 st quarter	From 30 December 2011 for 49 years
8 February 2012	007	Ministry of Energy	DTEK Sverdlovanthracite LLC	IPG SC Sverdlovantratsyt	13058227 - for 1 st quarter	From 30 December 2011 for 49 years
5 June 2012	008	Ministry of Energy	DV Naftogazovydobuvna Kompaniia LLC	IPG SC Teploelektrotsentral - Eskhar	819340.30 - for 1 st quarter	From 20 April 2012 for 49 years till 19 April 2061

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 Resolution⁶⁸³ 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 exempt⁶⁸⁴.

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;

⁶⁸³ 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>.

⁶⁸⁴ See Article 196.1.15 of the Tax Code.

- ▶ 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 2019, 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:

- ▶ 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 facilities⁶⁸⁵. 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)⁶⁸⁶.

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

⁶⁸⁵ Paragraph 1 of the Article 6 of the EITI Law.

⁶⁸⁶ 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>.

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 2021⁶⁸⁷.

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 of, among others, the local governments, i.e., regional⁶⁸⁸, district, city, rural settlement, village⁶⁸⁹ 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 legislation⁶⁹⁰, for instance:
 - ▶ The Poltava Regional Council approved (and further updated)⁶⁹¹ 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 licenses⁶⁹², 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:

⁶⁸⁷ 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.

⁶⁸⁸ Subparagraph 2 of paragraph 9 of the Procedure for granting licenses.

⁶⁸⁹ Subparagraph 3 of paragraph 9 of the Procedure for granting licenses.

⁶⁹⁰ 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>.

⁶⁹¹ 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>.

⁶⁹² 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_skykannia/12_sesiya/Dodatok_34.pdf.

- ▶ The Rivne Regional Council does not specify the approval conditions regarding the provision of subsoil for use in its decisions⁶⁹³. 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 basis⁶⁹⁴.
- ▶ 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, effectively providing funding for social and economic development of those territories⁶⁹⁵.

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 licenses⁶⁹⁶. In 2019, 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 2019, Ukraine implemented the initiatives to increase transparency and simplify permitting procedures in the extractive industry. Such initiatives include, in particular:

- ▶ Amendments to a number of regulatory acts regarding simplification of licensing/permitting procedures in the oil and gas industry, reduction of deadlines for state authorities to perform procedural actions, etc.).
- ▶ Active arrangement of electronic auctions for sale of subsoil licenses and implementation of a new type of the auction under the descending price method, which applies after a re-auction fails.
- ▶ Granting of the right to participate in the auctions for sale of subsoil licenses to foreign legal entities.
- ▶ The pilot launch of a subsoil user's electronic cabinet, which, after its full implementation,

⁶⁹³ 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-tovaris>; 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-tovaris>; 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>.

⁶⁹⁴ 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-komisiya-z-pitan-ekologiyi-prirodokoristuvannya-oho>.

⁶⁹⁵ 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>.

⁶⁹⁶ 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>.

should provide subsoil users with simplified access to the information on mineral resources, subsoil use conditions, project documentation, etc., as well as the possibility to register applications for obtaining public services: obtaining geological information, licenses, etc.

Throughout 2020, legislation governing receipt of subsoil licenses in extractive industries continued to evolve:

- ▶ A new Methodology to determine the initial sale price at the subsoil license auction was approved to introduce a transparent and clear mechanism for determining the initial selling price of license through electronic auction and a clear calculation of the fee for license through an off-auction procedure.
- ▶ A new procedure for the electronic auctions entered into force on a permanent basis (after a pilot project ended), etc.

At the same time, there is still a pressing need for further change 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 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).
- ▶ 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 2019 the budget process consisted of the four stages (please refer to the Figure below)⁶⁹⁷:

- 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.

Highlights of the preparation, consideration and approval of the draft State budget for 2019:

- ▶ At the initial stage, the CMU approved⁶⁹⁸ the Main Directions of the Budget Policy for 2019-2021 on April 18, 2018 and sent them for approval to the Parliament together with the draft resolution of the Parliament “On Main Directions of the Budget Policy for 2019-2021” on May 16, 2018.
- ▶ 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 budget⁶⁹⁹ and submitted it with appropriate supporting documents to the Parliament and the President of Ukraine on September 15, 2018 in accordance of the provisions of the Budget Code.⁷⁰⁰
- ▶ The Parliament considered and approved the Law on State budget of Ukraine under a special procedure⁷⁰¹ on November 23, 2018, before the established statutory deadline (1 December of the year preceding the year in planning). The Law on the State budget was signed by the President of Ukraine on December 7, 2018.

Procedure of preparation, review and approval of the draft local budgets for 2019:

- ▶ 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,

⁶⁹⁷ Article 19 of the Budget Code

⁶⁹⁸ Order of the CMU dated of April 18, 2018 No. 315-r "On approval of the draft Main Directions of Budget Policy for 2019-2021", available at: <https://www.kmu.gov.ua/npas/pro-shvalennya-proektu-osnovnih-napryamiv-byudzhetnoyi-politiki-na-20192021-roki>

⁶⁹⁹ Decree of the CMU No. 741 dated 14 September 2018, available at: <https://www.kmu.gov.ua/npas/pro-shvalennya-proektu-zakonu-ukrayini-pro-derzhavnij-byudzhet-ukrayini-na-2019-rik>

⁷⁰⁰ Article 37 of the Budget Code

⁷⁰¹ 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>.

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.

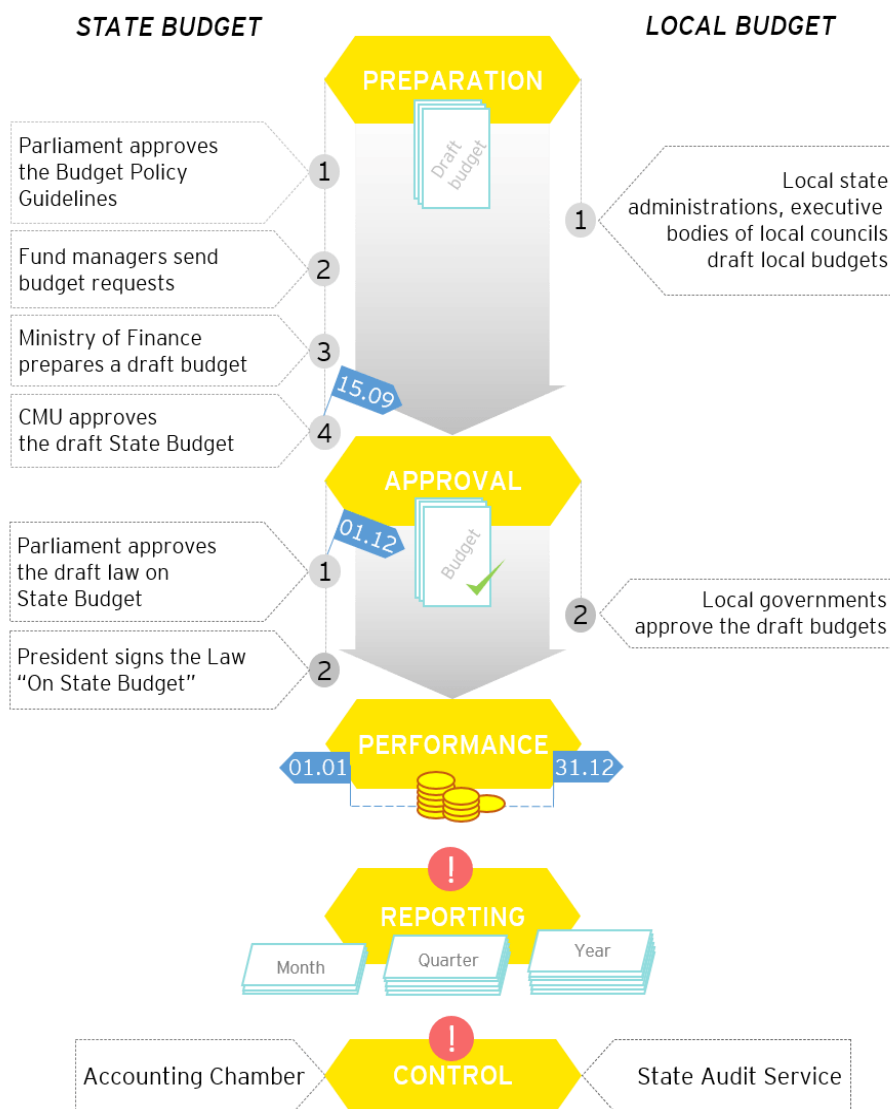


Figure 6-25: Budget process in Ukraine

Amendments to the budget process in terms of drafting budgets according to the Law No. 2646-VIII "On Amendments to the Budget Code of Ukraine related to introduction of medium-term budget planning" dated December 6, 2018:

Starting from January 1, 2019 changes are introduced to the budget process (for the purposes of preparing budgets for subsequent years), including the following:

- ▶ In terms of medium-term budget planning at the national level, the Budget Declaration is introduced as a national strategic planning document, which will determine the key medium term budget policy principles (to replace the Main Directions of Budget Policy for the year in planning and the State Budget Forecast for two years subsequent the planning year).
- ▶ The Budget declaration shall contain, among other things, aggregate expenditure ceilings and expenditure ceilings for the main administrators of public funds, objectives and performance indicators of their activities (actual and those expected for the medium term), overall assessment of fiscal risks.
- ▶ The changes also provide for the updating of the budget calendar, namely, determining deadlines for the preparation of the Budget Declaration and the information required for its preparation.
- ▶ The introduction of medium-term budget planning at the local level involves preparation of the local financial plan, based on the Budget Declaration. From January 1, 2020, local financial authorities jointly with other main administrators of public funds, with the consideration of the Budget Declaration, shall annually compile a local budget forecast – a medium-term budget planning document, which shall determine the local budget targets for the medium term and be the basis for drafting local budgets.⁷⁰²
- ▶ In addition to the draft State budget approved by the CMU and other supporting materials, information on fiscal risks (including contingent liabilities and quasi-fiscal operations) and their impact on state budget targets in the planned budget period shall also be provided.⁷⁰³

Execution of budgets for 2019 and introducing amendments to them

- ▶ Budget was executed from January 01 to December 31 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.⁷⁰⁴ 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.

⁷⁰² Article 75-1 of the Budget Code

⁷⁰³ Article 38 of the Budget Code (paragraph 12 -1)

⁷⁰⁴ 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, available at: <https://zakon.rada.gov.ua/laws/show/1789-19/>.

- ▶ 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”.⁷⁰⁵ During 2019 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 2019

- ▶ The state and local budgets execution reports were prepared on operational, monthly, quarterly and annual basis.⁷⁰⁶ 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 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.⁷⁰⁷

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 Chamber⁷⁰⁸, which published the respective reports on its website.⁷⁰⁹

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.⁷¹⁰ 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.).⁷¹¹

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.⁷¹²

Additionally, in order to determine the level of meeting the needs and interests of women and men and / or their groups in the implementation of budget programs, as well as to identify

⁷⁰⁵ Article 52 of the Budget Code of Ukraine.

⁷⁰⁶ Article 58 of the Budget Code of Ukraine.

⁷⁰⁷ Articles 161-162 of the Law of Ukraine “On the Rules of Parliamentary Procedure of the Verkhovna Rada of Ukraine”.

⁷⁰⁸ 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>.

⁷⁰⁹ Available at: <https://rp.gov.ua/FinControl/FinReports/?id=342>

⁷¹⁰ The Concept was approved by the Ordinance of the Cabinet of Ministers of February 11, 2016 No 92-r, accessible via: [e-data \(edata.gov.ua\)](http://edata.gov.ua)

⁷¹¹ <https://spending.gov.ua/new/>

⁷¹² 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>

gender gaps, gender discrimination and their causes, on January 2, 2019 the Ministry of Finance approved recommendations for the implementation and application of a gender-oriented approach in the budget process.⁷¹³

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.

On December 6, 2018, the Parliament passed a law introducing medium-term budget planning. The law was designed to improve the regulation of relations arising in the process of budgets execution, reporting on their implementation and monitoring compliance with budget regulations. Also, starting January 1, 2020, the law will introduce changes in the local budgets planning processes (in terms of forecasting).

The issue of further implementation of medium-term planning in Ukraine from 2020 is directly related to the economic instability caused by the COVID-19 pandemic, which significantly complicates planning of the macroeconomic targets, which affects the timeliness of all stages of the budget process.

For budget process in 2019 was quite common 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 reduces the ability of local communities to cover their needs and may discourage the communities to cooperate with extractive companies. Nevertheless, the latest trends in the decentralization of public revenues (in particular, transfer of 5% of the production royalty for hydrocarbon to local budgets starting in 2018, an increase in the local budgets' share of production royalty for other minerals (except for hydrocarbon) of the national importance to 30% in 2019) can be considered as positive step.

⁷¹³ The Order of the Ministry of Finance of Ukraine of 02.01.2019 No 1 "On approval of Guidelines for the implementation and application of a gender-oriented approach in the budget process", accessible via: <https://zakon.rada.gov.ua/rada/show/v0001201-19#Text>

7. Statutory regulation in the field of 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),⁷¹⁴ Declaration of the UN Conference on Human Environment,⁷¹⁵ Convention on Environmental Impact Assessment in a Transboundary Context,⁷¹⁶ 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 prevail⁷¹⁷.

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"**⁷¹⁸ (hereinafter - "the Law on EP"). The purpose of the law is

⁷¹⁴ 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

⁷¹⁵ Declaration of the United Nations Conference on the Human Environment of 16 June 1972, https://zakon.rada.gov.ua/laws/show/995_454#Text

⁷¹⁶ Convention on Environmental Impact Assessment in a Transboundary Context of 19 March 1999, https://zakon.rada.gov.ua/laws/show/995_272#Text

⁷¹⁷ Article 71 of the Law of Ukraine "On Environmental Protection" No 1264-XII of June 25, 1991, <https://zakon.rada.gov.ua/laws/show/1264-12#n759>

⁷¹⁸ Law of Ukraine "On Environmental Protection" No 1264-XII of June 25, 1991, <https://zakon.rada.gov.ua/laws/show/1264-12#Text>

to regulate relations in the field of protection, use and reproduction of natural resources, environmental safety, prevention and elimination of negative impacts of economic and other activities on the environment, conservation of natural resources, etc.⁷¹⁹

The Codes such as the Subsoil Code of Ukraine, the Land Code of Ukraine,⁷²⁰ the Forest Code of Ukraine⁷²¹ and the Water Code of Ukraine⁷²² 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.⁷²³ According to the Subsoil Code of Ukraine, **subsoil is the exclusive property of the Ukrainian people and shall be provided for use only.**⁷²⁴ The Subsoil Code provides for the issuance of special permits for subsoil use. 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.⁷²⁵

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 23.05.2017⁷²⁶ (hereinafter - "the Law on EIA"),
- 2) The Law "On Environmental Audit" No 1862-IV of 24.06.2004⁷²⁷ (hereinafter - "the Law on Environmental Audit"),
- 3) The Law "On Strategic Environmental Assessment" No 2354-VIII of 20.03.2018⁷²⁸ (hereinafter - "the Law on Strategic Environmental Assessment"),
- 4) The Law "On Permit System in the Field of Economic Activities" No 2806-IV of 06.03.2005⁷²⁹,
- 5) The Law "On Oil and Gas" No 2665-III of 12.07.2001,

⁷¹⁹ Article 1 of the Law of Ukraine "On Environmental Protection"

⁷²⁰ <https://zakon.rada.gov.ua/laws/show/2768-14/ed20201016>

⁷²¹ <https://zakon.rada.gov.ua/laws/show/3852-12/ed20200703#Text>

⁷²² <https://zakon.rada.gov.ua/laws/show/213/95-%D0%B2%D1%80#Text>

⁷²³ Article 2 of the Subsoil Code of Ukraine, <https://zakon.rada.gov.ua/laws/show/132/94-%D0%B2%D1%80#Text>

⁷²⁴ Article 4 of the Subsoil Code of Ukraine, <https://zakon.rada.gov.ua/laws/show/132/94-%D0%B2%D1%80#n27>

⁷²⁵ Article 26 of the Subsoil Code of Ukraine, <https://zakon.rada.gov.ua/laws/show/132/94-bp#n219>

⁷²⁶ The Law of Ukraine "On Environmental Impact Assessment" No 2059-VIII of May 23, 2017, <https://zakon.rada.gov.ua/laws/show/2059-19#Text>

⁷²⁷ The Law "On Environmental Audit" No 1862-IV of June 24, 2004, <https://zakon.rada.gov.ua/laws/show/1862-15#Text>

⁷²⁸ The Law "On Strategic Environmental Assessment" No 2354-VIII of March 20, 2018, <https://zakon.rada.gov.ua/laws/show/2354-19/print1513861440318984#Text>

⁷²⁹ The Law "On Permit System in the Field of Economic Activities" No 2806-IV of September 06, 2005, <https://zakon.rada.gov.ua/laws/show/2806-15#Text>

- 6) The Law "On Protection of Atmospheric Air" No 2707-XII of 16.10.1992⁷³⁰,
- 7) The Law "On Waste" No 2707-XII of 05.09.1998⁷³¹,
- 8) The Law "On the Basic Principles (Strategy) of the State Environmental Policy of Ukraine till 2030" No 2697-VIII of 28.02.2019⁷³²,
- 9) The Law "On the List of Permits in the Field of Economic Activities" No 3392-VI of 19.04.2011⁷³³ etc.

By-laws are also important in the field of nature management, including, the resolutions of the Verkhovna Rada,⁷³⁴ the ordinances of the Cabinet of Ministers,⁷³⁵ 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**.⁷³⁶

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.⁷³⁷ In practice, most such permits are issued free of charge.⁷³⁸ At the same time, a fee is charged for the issuance of subsoil licenses.

⁷³⁰ The Law "On Protection of Atmospheric Air" No 2707-XII of October 16, 1992, <https://zakon.rada.gov.ua/laws/show/2707-12#Text>

⁷³¹ The Law "On Waste" No 2707-XII of September 5, 1998, <https://zakon.rada.gov.ua/laws/show/187/98-bp#Text>

⁷³² The Law "On the Basic Principles (Strategy) of the State Environmental Policy of Ukraine till 2030" No 2697-VIII of February 28, 2019, <https://zakon.rada.gov.ua/laws/show/2697-19#Text>

⁷³³ The Law "On the List of Permits in the Field of Economic Activities" No 3392-VI of July 03, 2020, <https://zakon.rada.gov.ua/laws/show/3392-17#Text>

⁷³⁴ "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 March 5, 1998, "On the State of Compliance with Environmental Legislation in Carrying out Activities Related to Subsoil Use in Ukraine" No 1310-IV2 of November 20, 2003, etc.

⁷³⁵ "On Approval of the Concept of the National Environmental Policy of Ukraine up to 2020" No 880-r4 of October 17, 2007, "On Approval of the Regulations on the State Environmental Monitoring System" No 391 of March 30, 1998, etc.

⁷³⁶ Article 38 of the Law on EP No. 1264-XII1 of June 25, 1991, <https://zakon.rada.gov.ua/laws/show/1264-12#n498>

⁷³⁷ The Law of Ukraine "On the List of Permitting Documents in the Field of Economic Activities" No. 3392-VI of May 19, 2011, <https://zakon.rada.gov.ua/laws/show/3392-17/ed20200703#Text>

⁷³⁸ 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>

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.

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:⁷³⁹

- ▶ 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.⁷⁴⁰ **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,⁷⁴¹ to be carried out at the expense of individuals and legal entities, whose initiative or fault resulted in the soil cover disturbance.⁷⁴² 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.⁷⁴³ The obligation to re-cultivate land is established by other legislation.⁷⁴⁴

The State Geocadastrе 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.⁷⁴⁵

3. *Obligation to make payments related to the acquisition of the right to use nature and tax payments.*

⁷³⁹ Article 40 of the Law on EP, <https://zakon.rada.gov.ua/laws/show/1264-12#n498>

⁷⁴⁰ Article 166 of the Land Code of Ukraine, <https://zakon.rada.gov.ua/laws/show/2768-14#n1626>

⁷⁴¹ 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.

⁷⁴² Article 52 of the Law of Ukraine "On Land Protection", <https://zakon.rada.gov.ua/laws/show/962-15#Text>

⁷⁴³ Article 8 of the Law of Ukraine "On Product Sharing Agreement", <https://zakon.rada.gov.ua/laws/show/1039-14#Text>

⁷⁴⁴ Article 50 of the Subsoil Code of Ukraine, Art. 166 of the Land Code of Ukraine, <https://zakon.rada.gov.ua/laws/show/2768-14#n1626>, 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>

⁷⁴⁵ Article 18-1 of the Law of Ukraine "On Land Protection", <https://zakon.rada.gov.ua/laws/show/962-15#Text>

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 EP⁷⁴⁶ and a number of special legislation in the field of natural resources, including the Water Code,⁷⁴⁷ the Law on Atmospheric Air Protection, the Law on Waste, the Procedure for Issuing Subsoil Licenses,⁷⁴⁸ 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 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.⁷⁴⁹

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

⁷⁴⁶ Article 12 Of the Law on EP.

⁷⁴⁷ 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.

⁷⁴⁸ Article 21 of the Procedure for granting subsoil licenses, <https://zakon.rada.gov.ua/laws/show/615-2011-n#n11>

⁷⁴⁹ Exemplary subsoil use agreements are available at the Derzhgeonadra website, <https://www.geo.gov.ua/primirni-ugodi-pro-umovi-koristuvannya-nadrami/>

pollution and ensuring the rational use of water and other natural resources etc., and deadlines for their implementation⁷⁵⁰.

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.⁷⁵¹

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 Verkhovna Rada 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 Cabinet of Ministers of Ukraine, 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 **specialized authorized bodies** whose activities have an impact on the extractive sector are the **Ministry of Environment** (since September 2019 - the **Ministry of Ecology and Energy**) and its subordinate central executive bodies:

- ▶ The State Ecological Inspection of Ukraine;
- ▶ The State Service of Geology and Mineral Resources of Ukraine (Derzhgeonadra);
- ▶ 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 **State Geocadastre**.

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.

⁷⁵⁰ The list of environmental measures in the license, <https://zakon.rada.gov.ua/laws/show/z0887-17#Text>

⁷⁵¹ 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.⁷⁵² The system is implemented in accordance with the Concept of the State Program for Environmental Monitoring, approved by the Cabinet of Ministers of Ukraine.⁷⁵³

The procedure for the state monitoring of the environment is determined by the Cabinet of Ministers of Ukraine.⁷⁵⁴

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 system⁷⁵⁵ and procedures and regulations on state monitoring of certain components of the environment (water,⁷⁵⁶ air,⁷⁵⁷ land⁷⁵⁸). 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,⁷⁵⁹ 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.

⁷⁵² Article 22 of the Law on EP

⁷⁵³ Ordinance of the Cabinet of Ministers of Ukraine "On Approval of the Concept of the State Environmental Monitoring Program", <https://zakon.rada.gov.ua/laws/show/992-2004-p#Text>

⁷⁵⁴ Resolution of the Cabinet of Ministers of Ukraine "On Approval of the Regulations on the State Environmental Monitoring System" No. 391 of March 30, 1998, <https://zakon.rada.gov.ua/laws/show/391-98-r#Text>

⁷⁵⁵ 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, State Geocadastre 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

⁷⁵⁶ The CMU Resolution "On approval of the Procedure for state monitoring of waters" No. 758 of September 19, 2018, <https://zakon.rada.gov.ua/laws/show/758-2018-%D0%BF#Text>

⁷⁵⁷ The CMU Resolution "Some issues of state monitoring in the field of air protection" No. 827 of August 14, 2019, <https://zakon.rada.gov.ua/laws/show/827-2019-%D0%BF#Text>

⁷⁵⁸ Resolution of the CMU "On Approval of the Regulations on Land Monitoring" No. 661 dated August 20, 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>

⁷⁵⁹ 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,⁷⁶⁰ 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.⁷⁶¹

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.⁷⁶²

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.⁷⁶³

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.⁷⁶⁴

The information on deposits can be obtained directly through the Public Cadastral Map, including the data on licenses issued by Derzhgeonadra, information on locations of mineral concentration and oil and gas wells.

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**⁷⁶⁵ shall be maintained (accessible via:

⁷⁶⁰ 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

⁷⁶¹ The CMU Resolution "On Approval of the Regulation on Regional Cadastres of Natural Resources" No. 1781 of December 2001, <https://zakon.rada.gov.ua/laws/show/1781-2001-n#Text>

⁷⁶² Article 193 of the Land Code of Ukraine, <https://zakon.rada.gov.ua/laws/show/2768-14#n1792>

⁷⁶³ Article 42 of the Subsoil Code of Ukraine, <https://zakon.rada.gov.ua/laws/show/132/94-bp#Text>, the CMU Resolution "On Approval of the Procedure for State Accounting for Deposits, Reserves and Manifestations of Minerals" No. 75 of January 31, 1995,

<https://zakon.rada.gov.ua/laws/show/75-95-n#Text>

⁷⁶⁴ Article 43 of the Subsoil Code of Ukraine, <https://zakon.rada.gov.ua/laws/show/132/94-bp#n304>

⁷⁶⁵ Article 27 of the Water Code of Ukraine, <https://zakon.rada.gov.ua/laws/show/213/95-bp#n348>

<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.⁷⁶⁶

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).⁷⁶⁷

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.⁷⁶⁸

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.⁷⁶⁹ Also, the environmental information on the objects that are the biggest 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.⁷⁷⁰

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 2019.

⁷⁶⁶ Article 49 of the Forest Code of Ukraine, <https://zakon.rada.gov.ua/laws/show/3852-12#n387>

⁷⁶⁷ The information on the official website of the State Agency of Forest Resources of Ukraine, http://dklg.kmu.gov.ua/forest/control/uk/publish/article?art_id=205115&cat_id=32888

⁷⁶⁸ The CMU Resolution "On Approval of the Regulations on Regional Cadastres of Natural Resources" No. 1781 of December 28, 2001, <https://zakon.rada.gov.ua/laws/show/1781-2001-%D0%BF#Text>

⁷⁶⁹ Article 24 of the Law on EP

⁷⁷⁰ 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 November 1, 2005, <https://zakon.rada.gov.ua/laws/show/z1510-05#Text>

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 May 23, 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 December 18, 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)⁷⁷¹;
- ▶ 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 subject to EIA are taken into account.⁷⁷² 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;

⁷⁷¹ The procedure for ecological impact examination was stipulated by the Law of Ukraine "On Ecological Impact Examination" No. 45/95-VR of 09.02.1995, <https://zakon.rada.gov.ua/laws/show/45/95-VR#o222>, which was replaced with the Law on EIA

⁷⁷² 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 13.12.2017, <https://zakon.rada.gov.ua/laws/show/1010-2017-n>

- 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)⁷⁷³;
- 4) analysis by the Ministry of Environment or the authorized territorial body of the information⁷⁷⁴ 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.⁷⁷⁵

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.

Given the duration of the procedure for obtaining an EIA opinion, from June 8, 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.⁷⁷⁶

Temporarily, in case of submitting documents for obtaining a special subsoil use permit before September 1, 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 December 29, 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.⁷⁷⁷

⁷⁷³ See the CMU Resolution "On approval of the Procedure for holding public hearings in the process of environmental impact assessment" No. 989 of 13.12.2017, <https://zakon.rada.gov.ua/laws/show/989-2017-n>

⁷⁷⁴ 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 December 13, 2017 No. 1026, <https://zakon.rada.gov.ua/laws/show/1026-2017-%D0%BF/ed20191224#Text>

⁷⁷⁵ Article 16 of the Law on EIA

⁷⁷⁶ Paragraph 26, The procedure for conducting auctions for the sale of licenses

⁷⁷⁷ Article 11 of the Law on PSA

Strategic environmental assessment

In 2015,⁷⁷⁸ Ukraine ratified the Protocol on Strategic Environmental Assessment⁷⁷⁹ to the Convention on Environmental Impact Assessment in a Transboundary Context.⁷⁸⁰ Ratification of the Protocol and implementation of the strategic environmental assessment procedure were envisaged by the National Environmental Action Plan for 2011-2015⁷⁸¹ and the National Program for Adaptation of the Legislation of Ukraine to the Legislation of the European Union.⁷⁸²

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 March 20, 2018, the Law on Strategic Environmental Assessment⁷⁸³ 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,
- ▶ 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.

⁷⁷⁸ <https://zakon.rada.gov.ua/laws/show/562-19#n2>

⁷⁷⁹ Protocol on the Strategic Environmental Assessment of May 21, 2003, https://zakon.rada.gov.ua/laws/show/995_b99/ed20150701#Text

⁷⁸⁰ Convention on Environmental Impact Assessment in a Transboundary Context of 19 March 1999,

https://zakon.rada.gov.ua/laws/show/995_272#Text

⁷⁸¹ <https://zakon.rada.gov.ua/laws/show/577-2011-p>

⁷⁸² <https://zakon.rada.gov.ua/laws/show/1629-15#Text>

⁷⁸³ <https://zakon.rada.gov.ua/laws/show/2354-19/print1513861440318984#Text>

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 plans⁷⁸⁴ (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,⁷⁸⁵ 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 April 5, 2007 (hereinafter - the Law on Basic Principles of State Supervision").⁷⁸⁶ Therefore, in 2019, 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 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.⁷⁸⁷

⁷⁸⁴ The inspection plans for 2019 are posted on the official website of the State Environmental Inspection of Ukraine, <https://www.dei.gov.ua/posts/160>

⁷⁸⁵ 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 September 10, 2008, <https://zakon.rada.gov.ua/laws/show/z0018-09#Text>

⁷⁸⁶ The Law of Ukraine "On Basic Principles of State Supervision (Monitoring) in the Field of Economic Activity" No. 877-V of April 5, 2007, <https://zakon.rada.gov.ua/laws/show/877-16#Text>

⁷⁸⁷ Article 12 of the Law on Basic Principles of State Supervision, <https://zakon.rada.gov.ua/laws/show/877-16#n383>

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,⁷⁸⁸ penalties and methods of estimating losses and damages in case of violation,⁷⁸⁹ the results of inspections⁷⁹⁰ (however, there is no access to the results of scheduled inspections for 2019).

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",⁷⁹¹ 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.

⁷⁸⁸ The list of questions: <https://www.dei.gov.ua/posts/744>

⁷⁸⁹ The penalties and methods of estimating losses and damages, <https://www.dei.gov.ua/posts/690>

⁷⁹⁰ 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/>

⁷⁹¹ Article 1 of the Law on Environmental Audit, <https://zakon.rada.gov.ua/laws/show/1862-15#Text>

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,⁷⁹² 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 production sharing agreement in accordance with the law;
- ▶ in other cases provided by law.

Environmental audit shall be conducted by certified environmental auditors.⁷⁹³ 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;
- ▶ 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.⁷⁹⁴ 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.

⁷⁹² The list was approved by the CMU Resolution of August 28, 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".

⁷⁹³ Regulations on certification of environmental auditors approved by the Order of the Ministry of Environment of January 29, 2007 No. 27, <https://zakon.rada.gov.ua/laws/show/z0295-07#n200>

⁷⁹⁴ 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.

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.⁷⁹⁵ 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 Derzhgeonadra 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 Tax 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;
- ▶ 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.⁷⁹⁶

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. Derzhgeonadra 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.⁷⁹⁷

⁷⁹⁵ Article 3 of the Law of Ukraine "On the permit system in the sphere of economic activities", <https://zakon.rada.gov.ua/laws/show/2806-15#n53>

⁷⁹⁶ Part 2 Article 17 of the Law on PSA

⁷⁹⁷ Article 55 of the Water Code of Ukraine, <https://zakon.rada.gov.ua/laws/show/213/95-#p#n542>

Also, the reason for the refusal to issue a permit for special water use is the negative opinion issued by Derzhgeonadra or the Ministry of Health.⁷⁹⁸ 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.⁷⁹⁹ 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 permits⁸⁰⁰ (adopted instead of the Regulations on the procedure for issuing permits for emissions of pollutants into the atmosphere by stationary sources⁸⁰¹) 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.

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.⁸⁰²

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;

⁷⁹⁸ Article 49 of the Water Code of Ukraine, <https://zakon.rada.gov.ua/laws/show/213/95-bp#n493>

⁷⁹⁹ Article 12 of the Law of Ukraine "On Protection of Atmospheric Air", <https://zakon.rada.gov.ua/laws/show/2707-12#n122>

⁸⁰⁰ 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 March 13, 2002, <https://zakon.rada.gov.ua/laws/show/302-2002-n#Text>

⁸⁰¹ 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 May 29, 1995, <https://zakon.rada.gov.ua/laws/show/364-95-n#Text>

⁸⁰² Article 68 of the Law on EP

- ▶ 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.

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 2019, 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. The work of the State Ecological Inspection of Ukraine - the main body of state supervision (monitoring) - in 2019 was partially blocked due to a failed attempt to reform it and resumed its operations in 2020.

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



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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 2019 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 2019. 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 2019.

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

February 25, 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

In order to determine the list of extractive industries to be included in the scope of reconciliation of payments in the EITI Report 2019, a request was prepared to the State Tax Service for revenues in favour of the state from economic activities related to extractive activities. Based on the information received from the State Tax Service, it was found that four extractive industries (mining of coal, extraction of oil, natural gas and iron ore mining), as well as transmission of oil and natural gas are responsible for 95.23% of tax and other payments in favour of the state from all extractive industries in 2019.

Given the economic importance of titanium and manganese ore mining industries, as well as the government's plans to privatize key titanium enterprises in Ukraine, the members of EITI MSG decided (Minutes of the EITI MSG meeting of November 20, 2020) to include them in the scope of reconciliation of payments for the purposes of EITI Report 2019, despite the fact that the revenues in favour of the state from these industries are relatively insignificant. In particular, titanium ores mining and manganese ores mining are included in the type of economic activity "Mining of other non-ferrous metal ores", which accounted for 0.91% of the payments from all mining industries in 2019.

Table 8.1: Tax and other payments in favour of the state from the companies in the extractive industries in 2019

NACE-2010 code	Type of economic activity	Revenues in favour of the state in 2019	
		UAH thousand	% of the total payments
B06.20	Natural gas extraction	57,425,544.69	51.04%
B06.10	Crude oil extraction	16,558,734.98	14.72%
B07.10	Iron ores mining	11,357,395.07	10.09%
H49.50	Pipeline transport	11,217,774.02	9.97%
B05.10	Coal mining	10,581,202.90	9.40%
B08.11	Mining of decorative and building stone, limestone, gypsum, chalk and clay shale	2,060,632.25	1.83%
B08.12	Mining of sand, gravel, clay and kaolin	1,142,386.53	1.02%
B07.29	Mining of ores of other non-ferrous metals	1,028,685.41	0.91%
B07.21	Mining of uranium and thorium ores	485,249.08	0.43%
B08.93	Salt extraction	466,976.15	0.42%
B08.99	Extraction of other minerals and quarrying, providing other individual services	100,480.03	0.09%
B08.92	Peat mining	76,080.90	0.07%
B08.91	Mining of mineral raw materials for chemical industry and production of mineral fertilizers	5,884.09	0.01%
Total		112,507,026.10	100%

So, in the EITI Report 2019, the following extractive industries (hereinafter - the reporting industries) are subject to reconciliation⁸⁰³:

- ▶ coal mining;
- ▶ crude oil extraction;
- ▶ natural gas extraction;
- ▶ iron ores mining;
- ▶ transmission of oil and natural gas;
- ▶ titanium ores mining;
- ▶ manganese ores mining.

According to the State Tax Service, the revenues in favour of the state from the company of the above-listed accountable industries amounted to UAH 108,169,337.07 thousand or 96.14% of the total revenues from all extractive industries. The revenues from other extractive industries that were not subject to reconciliation were relatively insignificant and together accounted for 3.86% of the revenues from all extractive industries.

8.1.2 Determining the list of types of payments for reconciliation in the EITI Report

The list of the most significant types of payments in favour of the state from the accountable industries to be included in the scope of reconciliation for the purposes of the EITI Report 2019 was determined based on the information received from four government agencies (according to the decision of the EITI MSG of November 20, 2020):

- ▶ State Tax Service (STS);
- ▶ State Customs Service (SCS);
- ▶ Ministry of Economy;
- ▶ Geology Service.

The requests were sent to the above-mentioned government agencies for information on the types of payments and the mining companies - the payers, for 2019. The list of the companies included in the requests was formed according to the list of companies holding special permits for subsoil use. To this end, the open information of the Geology Service was used, in particular, the special permits database, which is posted on the official website of Geoinform of Ukraine.

The information on the amount of revenues in favour of the state from all companies in the reporting extractive industries by type of payment is included in the table below (**Table 8.2**).

⁸⁰³ In this section, the extractive industries also mean the oil and gas transportation industry

Table 8.2: Revenues from all companies of the accountable industries in favour of the state in 2019

Budget classification code	Name of payment	Government agencies that control the collection of revenues for the benefit of the state	Revenues in 2019	
			UAH thousand	%
13030000	Production royalty	STS	43,789,884.49	26.48%
11020000	Corporate income tax	STS	39,337,494.83	23.79%
14060000 (without 14060200)	Value added tax on goods and services, produced in Ukraine (excluding budget reimbursement of VAT)	STS	37,127,139.33	22.45%
14060200	Budget reimbursement of value added tax	STS	(16,402,312.68)	(9.92)%
14070000	Value added tax on goods imported into Ukraine	SCS	15,024,647.50	9.09%
21010000, 21010500	Dividends and payment of a share of net profit ⁸⁰⁴	STS, Ministry of Economy	20,791,316.14	12.57%
11010000	Personal income tax	STS	9,643,304.86	5.83%
71010000	Unified social contribution]	STS	9,567,157.34	5.79%
18010000	Property tax	STS	2,056,397.04	1.24%
19010000	Environmental tax	STS	981,251.21	0.59%
22012100	Fees for granting or extending special permits for the use of subsoil and revenues from the sale of such permits	Geology Service	607,790.78	0.37%
Total, material types of payments			162,524,070.84	98.29%
Immaterial types of payments			2,826,799.70	1.71%
Total, all types of payments			165,350,870.54	100%

According to the decision of the EITI MSG (Minutes of the EITI MSG meeting of December 14, 2020), the significance threshold for revenues by type of payment was established at 2%. Given the determined materiality threshold, as well as the requirements of the EITI standard, including Instruction No 13 (on determining materiality, reporting thresholds and accountable entities), and based on the analysis of information received from the government agencies, a list of material types of payments for their inclusion in the scope of reconciliation for EITI Report 2019 was determined:

- ▶ Personal income tax (payment code 11010000);
- ▶ Corporate income tax (payment code 11020000);
- ▶ Production royalty (payment code 13030000);

⁸⁰⁴ The amount of dividends and payment of a share of net profit in this table is indicated without an error in government agencies` s data that was identified during the reconciliation

The payment includes rent for the use of subsoil for natural gas extraction; rent for the use of subsoil for oil extraction; rent for the use of subsoil for the mining minerals of national importance; rent for the use of subsoil for the extraction of gas condensate and other subtypes of rent.

- ▶ Value added tax on goods and services, produced in Ukraine (excluding budget reimbursement of VAT) (payment code 14060000 (without 14060200));
- ▶ Budget reimbursement of value added tax (payment code 14060200);
- ▶ Value added tax on goods imported into Ukraine (payment code 14070000);
- ▶ Unified social contribution (hereinafter - USC / unified contribution) (payment code 71010000).

According to the decision of the EITI MSG (Minutes of the EITI MSG meeting of November 20, 2020), additional types of payments were included in the scope of reconciliation for the purposes of the EITI Report 2019. Due to their importance for filling local budgets, the scope of reconciliation was extended to include:

- ▶ Property tax (payment code 18010000);
The payment includes land tax on legal entities; rent from legal entities and other subtypes of payments;
- ▶ Environmental tax (payment code 19010000);

Due to the need to cover the relationship between the enterprises with state participation and the state the scope of reconciliation also included:

- ▶ Dividends and payment of a share of net profit (payment code 21010000, 21010500);
This type of payment includes two subpayments:
 - The part of the net profit (income) of state or municipal unitary enterprises and their associations, which is withdrawn to the relevant budget, and dividends (income) accrued on shares (stakes) of companies whose authorized capital contains state or communal property (payment code 21010000);
 - Dividends (income) accrued on shares (stakes) of the companies whose authorized capital contains state property (payment code 21010500);
- ▶ Fee for granting or extending special permits for the use of subsoil and revenues from the sale of such permits (payment code 22012100).

Given the established threshold of materiality of revenues by types of payments, the excise tax on excisable goods (products) produced in Ukraine was excluded from the list of material tax payments. Its share in the total revenues in favour of the state from the accountable extractive industries was 1.54% (UAH 2,539,629.76 thousand), which is below the materiality threshold and does not affect the completeness of the reconciliation. In addition, this type of payment is not directly related to mining activities.

So, the amount of revenues in favour of the state from the companies in the accountable extractive industries by material types of payments in 2019 amounted to UAH 162,524,070.84 thousand or 98.29% of the total revenues by all types of payments.

All types of payments that have been identified as material go to the State budget or the budgets of other levels (the proportions in which the revenues are distributed between the

budgets of different levels are described in **Section 6.5**⁸⁰⁵. The exception is the USC (unified contribution), which is divided into types of compulsory state social insurance in the proportions approved by the Cabinet of Ministers⁸⁰⁶ (for more details, see **Section 6.5**).

The government agencies that have provided information on revenues to the state from mining companies for the EITI Report 2019 do not collect payments, since the funds are paid directly to budget accounts with the Treasury of Ukraine⁸⁰⁷. Instead, they are obliged to ensure full and timely receipt of revenues to the state budget according to the budget classification codes⁸⁰⁸:

- ▶ **The State Tax Service** administers and controls the collection of taxes, fees, charges and USC, as a result of which it holds information on the major revenues for the benefit of the state.
- ▶ **The State Customs Service** organizes and carries out accounting and administration of customs and other payments, the control over the collection of which is assigned by law to the State Customs Service.
- ▶ **The Ministry of Economy** ensures the receipt of dividends (income) accrued on shares (stakes) of companies whose authorized capital contains state property (budget classification code 21010500).
- ▶ **Geology Service** ensures receipts of revenues to the state budget by the following types of payments:
 - fee for the issuance of special permits for the use of subsoil and funds 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 subsoil use permits that have not been returned.

The information on the government agency that controls the collection of revenues in favour of the state by each type of material payments is provided in **Table 8.2**. **Table 8.3** shows the total revenues by all types of payments and for material types of payments, the collection of which is entrusted to the State Tax Service, State Customs Service, Ministry of Economy, Geology Service.

⁸⁰⁵ 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>

⁸⁰⁶ The proportions in which the USC is distributed are approved by the Resolution of the Cabinet of Ministers of Ukraine No 675 of 26.11.2014 "On Approval of the Proportions of the Distribution of the Unified Contribution to the Compulsory State Social Insurance", <https://zakon.rada.gov.ua/laws/show/675-2014-n>

⁸⁰⁷ Part 2, Article 4 45 of the Budget Code

⁸⁰⁸ For the government agencies that control the collection of budget revenues, see subparagraph 39 paragraph 1 Art. 2, paragraph 3 of Art. 45 of the Budget Code; The list of budget classification codes in terms of bodies controlling the collection of budget revenues 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>

Table 8.3: Distribution of revenues from all companies of the accountable extractive industries in favour of the state in 2019 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 in 2019, thousand UAH	Revenues by material types of payments in 2019, thousand UAH
STS	141,158,945.97	138,353,573.34
SCS	15,024,647.50	15,024,647.50
Ministry of Economy	8,538,059.23	8,538,059.23
Geology Service	629,217.84	607,790.78
Total	165,350,870.54	162,524,070.84

As a result, the following types of payments were included in the scope of reconciliation for the purposes of the Ukraine EITI Report 2019:

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 (USC /unified 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 payments to the state are subject to reconciliation in the EITI Report 2019, the information from the government agencies on the revenues by significant types of payments by the extractive companies was analyzed. The list of the companies information on which was requested from the government agencies, as noted above, was compiled based on the open publicly available data on the register of subsoil users in Ukraine, including the Geology Service database of special subsoil use permits, published on the official website of Geoinform Ukraine.

According to the government agencies (STS, SCS, Ministry of Economy, Geology Service), in 2019 the revenues in favour of the state from all companies of the accountable extractive industries by all types of payments amounted to UAH 165,350,870.54 thousand, including UAH 162,524,070.84 thousand by material types of payments.

In the structure of total revenues in favour of the state from extractive industries by all types of payments, the largest share is oil and gas industry⁸⁰⁹ - UAH 140,787,164.78 thousand or 85.14% of the total. The metal ore mining industry⁸¹⁰ accounted for UAH 13,647,857.02 thousand or 8.25%, and the coal mining industry - for UAH 10,915,848.74 thousand or 6.60%.

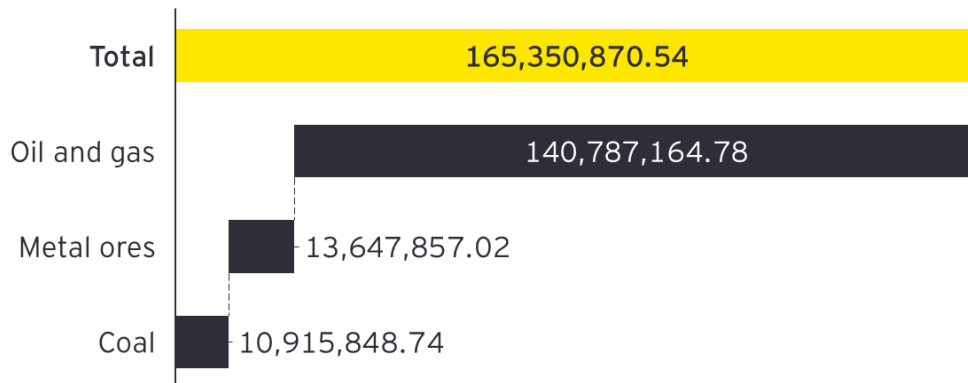


Figure 8.1: Revenues in favour of the state from the companies of the accountable industries by all types of payments in 2019, thousand UAH

According to the decision of the EITI MSG (Minutes of the EITI MSG meeting of November 20, 2020), the threshold of materiality of revenues in favour of the state to determine the reporting companies was set at UAH 120 million. According to the results of technical and economic analysis and assessment of materiality of revenues in accordance with the requirements of the EITI Standard, taking into account the adopted materiality threshold, a list of 51 companies whose revenues in favour of the state were the most significant and subject to reconciliation in the EITI Report for 2019 companies). For the list of the reporting companies see **Annex 2**.

According to government agencies, the amount of revenues by material types of payments from 51 reporting companies amounted to UAH 161,069,023.13 thousand or 97.41% of the total revenues for all types of payments from all companies in the accountable extractive industries. The list of material types of payments includes a 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 (16,157,566.53) thousand in 2019. Without budget reimbursement of VAT, the revenues from the accountable mining companies by material types of payments amounted to UAH 177,226,589.66 thousand (**Table 8.4**).

The stages of assessing the materiality of revenues in favour of the state and identifying significant types of payments and the reporting companies covered by the reconciliation in the EITI Report for 2019 are presented below (**Figure 8.2**).

⁸⁰⁹ 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.

⁸¹⁰ 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.

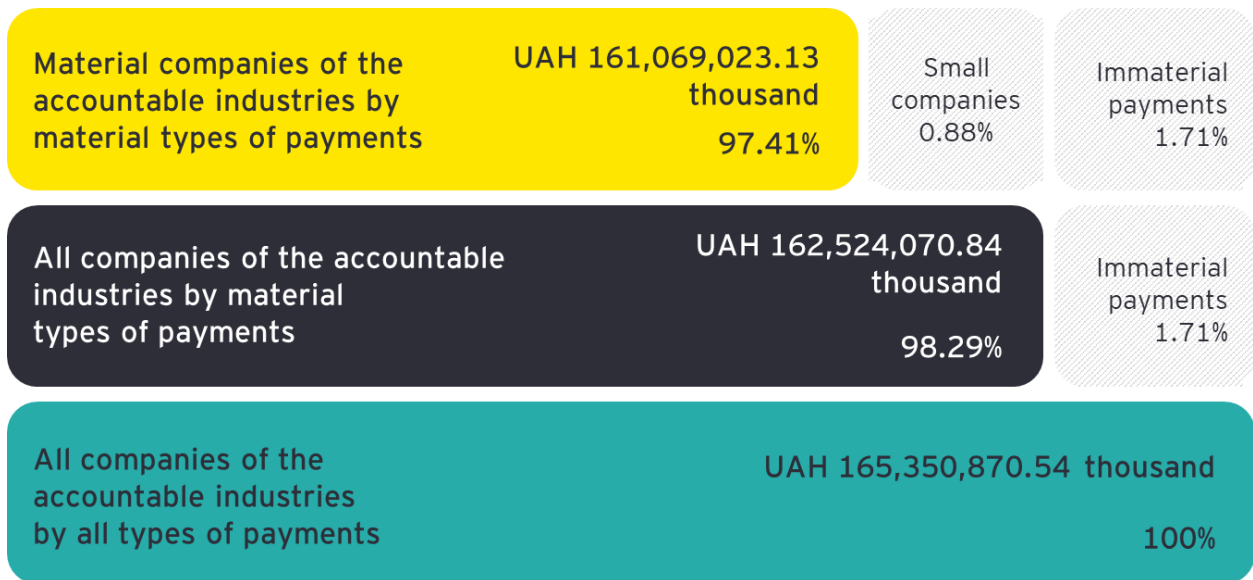


Figure 8.2: Stages of materiality assessment of revenues from extractive companies, covered by the scope reconciliation in EITI Report 2019

The table below provides detailed information on the revenues from the reporting companies by material types of payments and separately on budget reimbursement of VAT (**Table 8.4**).

Table 8.4: Revenues from reporting companies in favour of the state by material types of payments in 2019

NN	EDRPOU code / tax number	Payer	Industry	Revenue (without budget reimbursement of VAT), UAH thousand	Budget reimbursement of VAT), UAH thousand	Revenues by all material types of payments, UAH thousand
	Oil and natural gas, including transportation:			136,893,046.83	-	136,893,046.83
1	20077720	Naftogaz of Ukraine NJSC	Oil and gas	49,511,927.04	-	49 511 927,04
2	30019775	Ukrgezvydobuvannya JSC	Oil and gas	49,262,318.75	-	49,262,318.75
3	135390	Ukrnafta PJSC	Oil and gas	13,881,288.48	-	13,881,288.48
4	32377038	Naftogazvydobuvannia PrJSC	Oil and gas	4,033,458.33	-	4,033,458.33
5	33152471	Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	Oil and gas	3,230,535.71	-	3,230,535.71
6	30732144	Energy Service Company Esco-Pivnich LLC	Oil and gas	1,610,219.64	-	1,610,219.64
7	20041662	Poltava Petroleum Company JV	Oil and gas	1,070,306.86	-	1,070,306.86
8	33100376	Natural resources PrJSC	Oil and gas	954,322.68	-	954,322.68
9	25635581	Ukrgezvydobutok PrJSC	Oil and gas	592,829.27	-	592,829.27
10	38203132	Systemoilingenering LLC	Oil and gas	503,084.93	-	503,084.93
11	26333503	Representative Office of Regal Petroleum Corporation Limited	Oil and gas	502,414.03	-	502,414.03
12	30694895	Kub-gaz LLC	Oil and gas	474,945.17	-	474,945.17
13	23152126	Joint Venture Ukrkarpatoil LTD LLC	Oil and gas	428,317.81	-	428,317.81
14	36050166	Persha ukraiinska gazonaftova kompaniia LLC	Oil and gas	229,199.51	-	229,199.51
15	36282935	Zakhidnadraseriv LLC	Oil and gas	219,445.26	-	219,445.26
16	33862865	Nordik Private Enterprise	Oil and gas	190,971.92	-	190,971.92
17	24186185	Energija-95 LLC	Oil and gas	187,641.67	-	187,641.67
18	39454684	Stryinaftogaz LLC	Oil and gas	186,398.95	-	186,398.95
19	35602704	Nadra-Geoinvest LLC	Oil and gas	186,366.99	-	186,366.99
20	31747429	Prom-Energo Product LLC	Oil and gas	162,796.46	-	162,796.46
21	23703371	Kashtan Petroleum LTD JV	Oil and gas	152,410.36	-	152,410.36

NN	EDRPOU code / tax number	Payer	Industry	Revenue (without budget reimbursement of VAT), UAH thousand	Budget reimbursement of VAT), UAH thousand	Revenues by all material types of payments, UAH thousand
22	534663345	Joint activity agreement of 01/01/1999 No. 35/4 - authorized entity Hals-K PrJSC (31566427)	Oil and gas	139,759.93	-	139,759.93
23	30019801	Ukrtransgaz JSC	Oil and gas	8,144,433.93	-	8,144,433.93
24	31570412	Ukrtransnafta JSC	Oil and gas	1,037,653.15	-	1,037,653.15
		Metal ores:		29 600 214,03	(16 157 566,53)	13,442,647.50
25	24432974	ArcelorMittal Kryvyi Rih PJSC	Iron ores	8,668,822.06	(8,340,130.34)	328,691.73
26	191000	Southern Mining Factory JSC	Iron ores	3,793,582.75	(1,175,886.25)	2,617,696.50
27	191023	Northern Iron Ore Enrichment Works PrJSC	Iron ores	3,840,062.45	(303,867.01)	3,536,195.44
28	190905	Ingulets Iron Ore Enrichment Works PrJSC	Iron ores	3,062,913.36	(328,025.20)	2,645,226.42
29	191282	Poltava Iron Ore Enrichment Works PrJSC	Iron ores	3,218,697.85	(3,557,808.63)	(339,110.78)
30	190977	Central Iron Ore Enrichment Works PrJSC	Iron ores	1,625,369.70	(1,410,086.82)	215,282.88
31	191218	The foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC	Iron ores	1,466,209.23	(9,147.11)	1,457,062.12
32	191307	Krivyi Rig Iron-Ore Combine PJSC	Iron ores	1,282,144.63	-	1,282,144.63
33	35713283	Yerystiv Iron-Ore Combine LLC	Iron ores	746,067.24	(652,127.11)	93,940.13
34	191329	Suha Balka PrJSC	Iron ores	606,597.68	-	606,597.68
35	36716128	United Mining and Chemical Company JSC	Titaneum ores	596,781.35	(280,142.71)	316,638.64
36	190928	Pokrovskiy GZK JSC	Manganese ores	427,097.73	-	427,097.73
37	190911	Pokrovskiy GZK JSC	Manganese ores	265,867.99	(100,345.35)	165,522.64
		Coal:		10,733,328.80	-	10,733,328.80
38	178353	DTEK Pavlogradugol PrJSC	Coal	5,237,008.39	-	5 237 008,39
39	13498562	Shakhtoupravlinnia Pokrovske PJSC	Coal	1,872,230.48	-	1 872 230,48
40	37014600	DTEK Dobropilvuhillia LLC	Coal	1,163,942.78	-	1 163 942,78
41	32323256	Lvivvuhillia SE	Coal	566,577.74	-	566 577,74
42	33426253	Selydivvuhillia SE	Coal	334,538.39	-	334 538,39

NN	EDRPOU code / tax number	Payer	Industry	Revenue (without budget reimbursement of VAT), UAH thousand	Budget reimbursement of VAT), UAH thousand	Revenues by all material types of payments, UAH thousand
43	32281519	Krasnolymanske LLC	Coal	257,235.78	-	257 235,78
44	32320594	Pervomaiskvuhillia SE	Coal	205,734.81	-	205 734,81
45	36028628	Bilozerska Mine LLC	Coal	202,381.85	-	202 381,85
46	32087941	Myrnohradvuhillia SE	Coal	180,211.74	-	180 211,74
47	32359108	Lysychanskvuhillia PJSC	Coal	167,950.12	-	167 950,12
48	34032208	Shakhtoupravlinnia Pivdenodonbaske No 1 SE	Coal	154,032.46	-	154 032,46
49	40695853	Mine named after M. S. Surgai SE	Coal	150,613.32	-	150 613,32
50	33839013	Toretskvuhillia SE	Coal	120,590.73	-	120 590,73
51	31599557	Vuhilna kompaniia Krasnolymanska SE	Coal	120,280.21	-	120 280,21
Total, reporting companies (within the scope of the revenue reconciliation)				177,226,589.66	(16,157,566.53)	161,069,023.13
Other companies (not within the scope of revenue reconciliation)				1,699,793.87	(244,746.16)	1,455,047.71
TOTAL, COMPANIES OF ACCOUNTABLE INDUSTRIES				178,926,383.53	(16,402,312.68)	162,524,070.84

8.2 Summary of payments reconciliation

8.2.1 Completeness of reconciliation

In 2019, the scope of reconciliation of revenues in favour of the state included 51 companies that jointly paid UAH 161,069,023.13 thousand by material types of payments (according to government agencies). As part of the preparation of the EITI Report 2019, 47 out of 51 reporting companies provided information on their payments to the state.⁸¹¹

All state bodies that hold and administer information on the revenues in favour of the state from mining companies, including the State Tax Service, the State Customs Service, the Ministry of Economy and Geology Service, provided relevant data for the purpose of payments reconciliation.

So, the data on revenues in favour of the state from 47 companies in the amount of UAH 159,553,747.60 thousand were compared (according to the data of state bodies). As a result, the completeness of the reconciliation is 99.06% in terms of revenues in favour of the state. The revenues from the reporting companies that did not provide information for reconciliation amounted to UAH 1,515,275.54 thousand or 0.94% of the total revenues from all reporting companies.

For comparison, the completeness of payments reconciliation in the EITI Report 2017 was 98.39%, which indicates an increase in the involvement of the companies in the reporting process for the purpose of preparation of the EITI Report 2019. The share of not reconciled payments in 2019 is relatively insignificant (<1%) and much lower than in the EITI Report 2017.

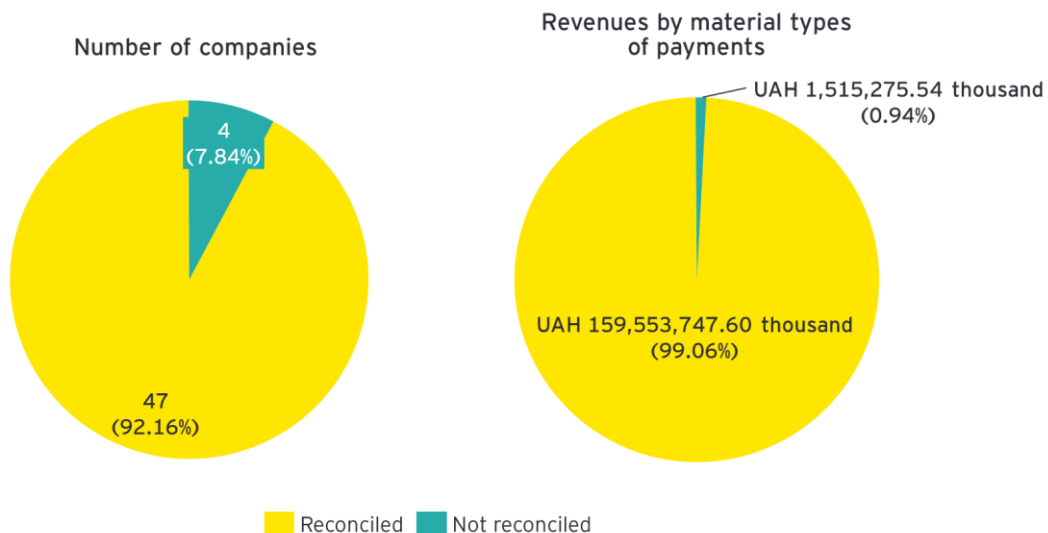


Figure 8.3: The number of companies and the amount of revenues by material types of payments (including budget reimbursement of VAT) reconciled in 2019

Of all the accountable industries, the highest reconciliation completeness was achieved for the metal ore mining industry - all 13 reporting companies provided information on tax and other

⁸¹¹ For more details on the status of providing information by the accountable companies, see *Annex 11*.

payments, which allowed to reconcile 100% of revenues to the state from the companies in this industry. The second top is oil and natural gas industry - out of 24 reporting companies, 21 companies provided information on payments, which allowed reconciliation of 99.16% of the total revenues. The smallest share of payments was reconciled for coal mining - out of 14 reporting companies, 13 companies provided information on payments to the state, and 97.60% of revenues were reconciled.

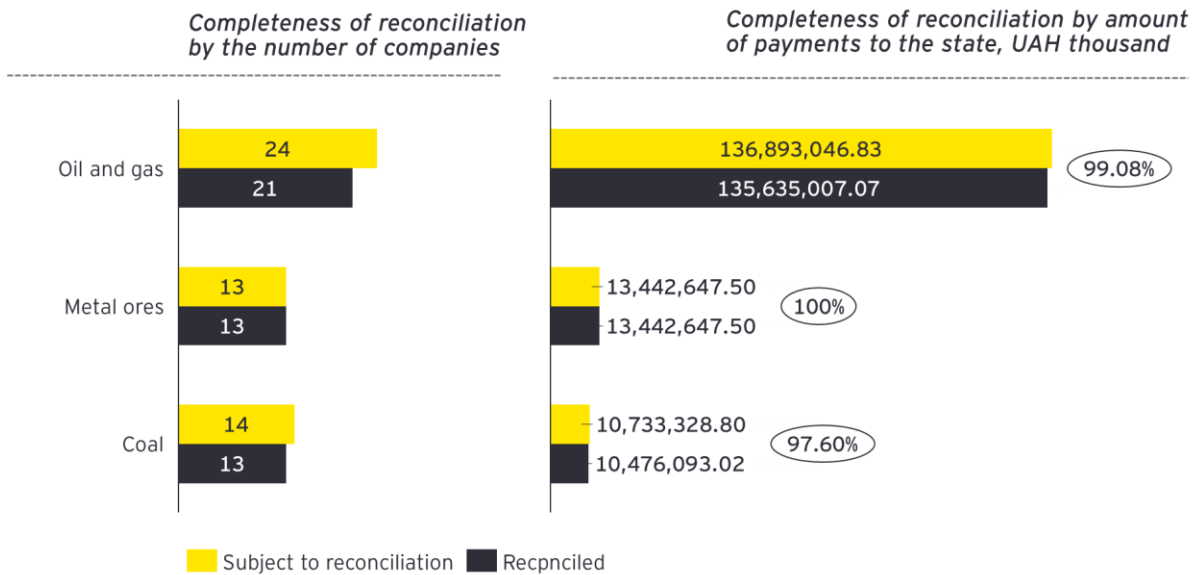


Figure 8.4: Completeness of reconciliation by the amount of revenues in favour of the state and the number of the reporting companies of extractive industries in 2019

According to the form of ownership of companies, the highest share of revenues in favour of the state was reconciled for state-owned companies. Of all the reporting companies, 35 companies are private sector companies and together paid UAH 36,485,915.83 thousand in favour of the state for material types of payments. Of these, 31 companies provided information on tax and non-tax payments, which allowed to compare 95.85% of revenues from all accountable private companies. The remaining 16 reporting companies were directly or indirectly owned by the state and paid UAH 124,583,107.30 thousand in favour of the state by material types of payments. The data for reconciliation were provided by all 16 companies in direct or indirect ownership of the state, which ensured 100 completeness of reconciliation of their revenues.

More detailed information on the completeness of the reconciliation by the extractive industries and forms of company ownership is presented in **Table 8.5**.

In the total revenues in favour of the state from 51 reporting companies in the amount of UAH 161,069,023.13 thousand:

- ▶ 98.86% of the revenues received from the 45 companies whose payments were reconciled and whose financial statements for 2019 were audited, according to the information provided by them;
- ▶ 0.20% of the revenues are accounted for 2 companies whose payments were reconciled but no information was provided about the audit;

- ▶ 0.94% of the revenues are accounted for 4 companies that did not respond to the request to provide information for the purposes of preparation of the EITI Report, so the information on the audit was unavailable.

The detailed information on the fact of an audit of the financial statements of the reporting companies and links to their 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 2019 by mining industries and by type of ownership

Industry	State ownership /private ownership ⁸¹²	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	Total, including:	136,893,046.83	135,635,007.07	99.08%	24	21	87.50%
	State	122,265,939.15	122,265,939.15	100.00%	6	6	100.00%
	Private	14,627,107.69	13,369,067.93	91.40%	18	15	83.33%
Metal ores	Total, including:	13,442,647.50	13,442,647.50	100.00%	13	13	100.00%
	State	316,638.64	316,638.64	100.00%	1	1	100.00%
	Private	13,126,008.86	13,126,008.86	100.00%	12	12	100.00%
Coal	Total, including:	10,733,328.80	10,476,093.02	97.60%	14	13	92.86%
	State	2,000,529.52	2,000,529.52	100.00%	9	9	100.00%
	Private	8,732,799.28	8,475,563.50	97.05%	5	4	80.00%
ALL INDUSTRIES	Total, including:	161,069,023.13	159,553,747.60	99.06%	51	47	92.16%
	State	124,583,107.30	124,583,107.30	100.00%	16	16	100.00%
	Private	36,485,915.83	34,970,640.29	95.85%	35	31	88.57%

⁸¹² "State ownership" means directly or indirectly owned by the state

8.2.2 Key results of reconciliation

According to the government agencies, in 2019 the revenues in favour of the state by material types of payments from 47 reporting companies that provided information for the reconciliation, amounted to UAH 159,553,747.60 thousand. According to the 47 reporting companies, in 2019 they paid UAH 158,936,181.71 thousand to the state. Thus, according to the results of the reconciliation of payments, the final discrepancy between the data provided by the government agencies and the accountable mining companies was UAH 617,565.89 thousand or 0.39%.

After the initial reconciliation, the identified discrepancies were investigated and the final data on the revenues by material types of payments from reporting companies were clarified. As a result, the initial discrepancy in the amount of UAH 5,799,435.25 thousand or 3.63% decreased to the final discrepancy in the amount of UAH 617,565.89 thousand or 0.39%.

The largest discrepancy between the data of the government agencies and the data of the extractive companies after reconciliation and clarifications by material types of payments in absolute terms is in the metal ores mining industry - UAH 650,796.38 thousand or 4.84%. The second top in terms of the volume of discrepancy is the metal ore mining industry - UAH (78,726.62) thousand, with the largest share in discrepancy - (0.06)%. The discrepancy between the data of the state bodies and the data of the companies in the coal mining industry amounted to UAH 45,496.13 thousand or 0.43%.

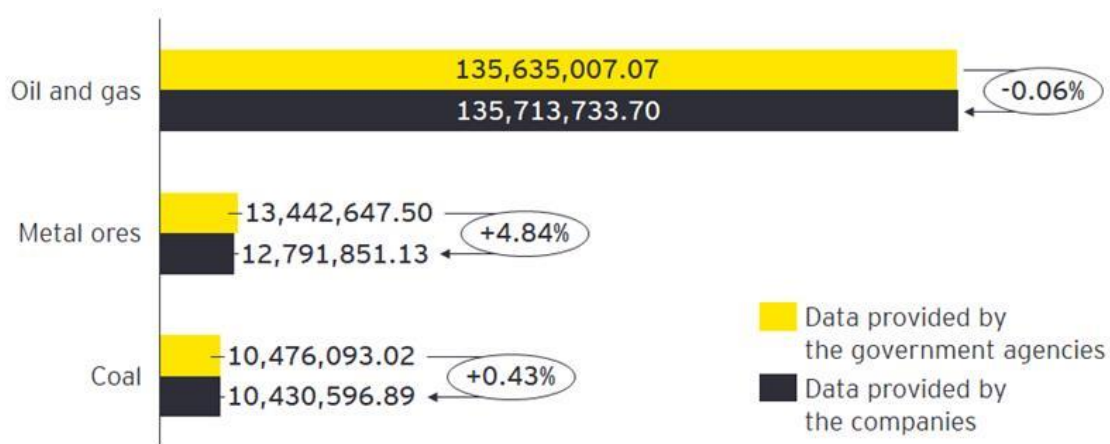


Figure 8.5: The results of the final reconciliation of revenues in favour of the state in 2019 by extractive industries, thousand UAH

In terms of material types of payments, the largest discrepancy between the government data and company data in absolute terms was observed for such types of payments as value added tax on goods imported into Ukraine - UAH 398,986.72 thousand or 2.66% and personal income tax - UAH 300,886.78 thousand or 3.22%.

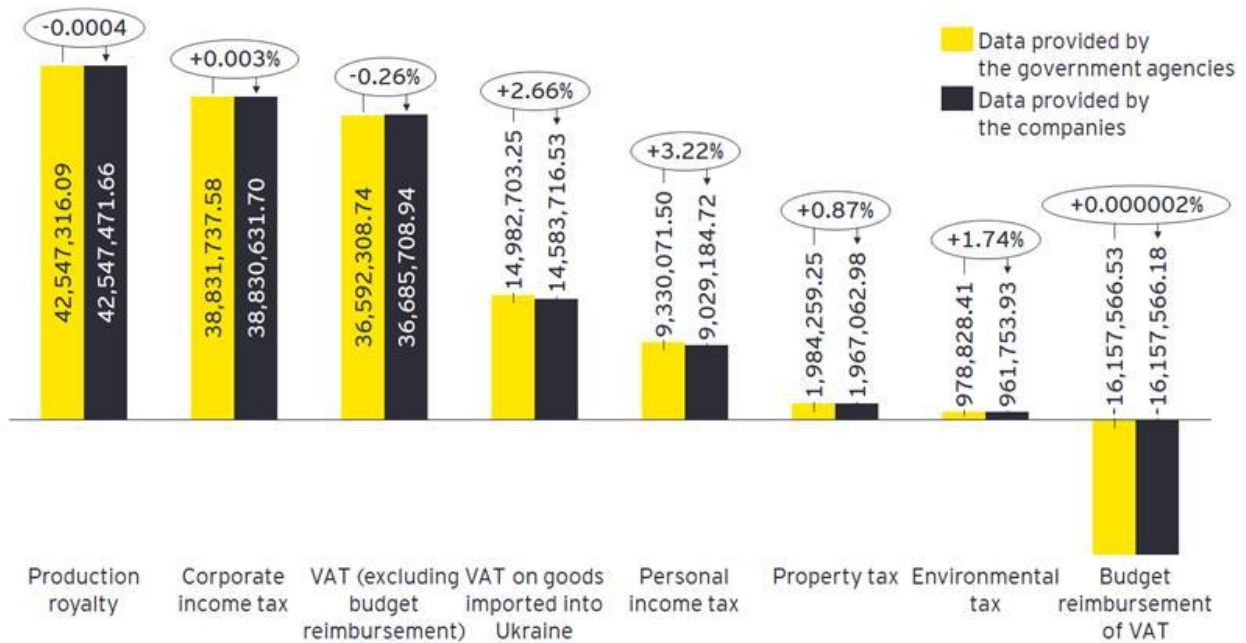


Figure 8.1: The results of final reconciliation of revenues in favour of the state in 2019 by material tax payments, UAH thousand

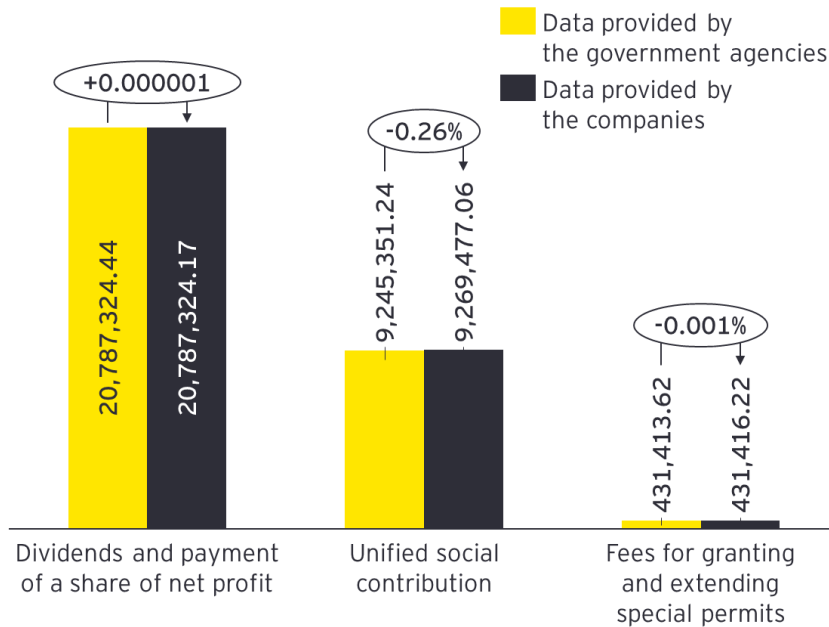


Figure 8.2: The results of final reconciliation of revenues in favour of the state in 2019 by material non-tax types of payments, UAH thousand

In terms of ownership of the reporting extracting companies, the amount of discrepancies between the data provided by the government agencies and the private companies exceeded the amount of discrepancy for companies in direct and indirect ownership of the state. In particular, the discrepancy for the private companies amounted to UAH 695,869.53 thousand or 1.99%, and for the companies in direct and indirect ownership of the state - UAH (78,393.64) thousand or (0.06)%.

Summary of discrepancy study based on the results of reconciliation at the company level

As a result of the reconciliation of payments, significant discrepancies⁸¹³ were found between the data provided by the government agencies and the data submitted by the 40 reporting companies. In order to investigate the identified discrepancies and make adjustments for errors in the primary data, additional requests for clarification were generated and sent to the relevant companies.

In addition, inaccuracies in the data of government authorities on dividends paid by Naftogaz of Ukraine NJSC in 2019 were revealed. The Ministry of Economy was sent a request for information on government revenues from extractive companies from the payment "Dividends (income) accrued on shares (stakes) of the companies whose authorized capital contains state property", which has a budget classification code 21010500. After the analysis of the response to the request, it was revealed that the data of the Ministry of Economy on revenues from Naftogaz of Ukraine NJSC erroneously included the payment "Part of the net profit (income) of state or municipal unitary enterprises and their associations, which is withdrawn to the relevant budget, and dividends (income) accrued on shares (stakes) of companies whose authorized capital contains state or communal property", which has a budget classification code 21010000. Thus, according to initial data of the Ministry of Economy, Naftogaz of Ukraine NJSC paid dividends (payment code 2101500) in the amount of UAH 20,751,932.20 thousand, and after correcting the error, these data were adjusted and amounted to UAH 8,500,000.00 thousand.

Table 8.6: Government agencies` data on dividends and payment of a share of net profit of Naftogaz of Ukraine NJSC in 2019

Name of payment	Budget classification code	Government agencies that control the collection of revenues for the benefit of the state	Data of the government agencies (initial), UAH thousand	Data of the government agencies (corrected), UAH thousand
Dividends and payment of a share of net profit, including:			33,003,864.40	20,751,932.20
Dividends (income) accrued on shares (stakes) of the companies whose authorized capital contains state property	21010500	Ministry of Economy	20,751,932.20	8,500,000.00
Part of the net profit (income) of state or municipal unitary enterprises and their associations, which is withdrawn to the relevant budget, and dividends (income) accrued on shares (stakes) of companies whose authorized capital contains state or communal property	21010000	STS	12,251,932.20	12,251,932.20

⁸¹³ According to the decision of MSG EITI (Protocol of the meeting of MSG EITI dated November 20, 2020), a threshold of materiality of discrepancies between the data of state bodies and data of companies in the amount of 5% of the payment amount was adopted. 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).

As the result of the discrepancies investigation between the data of government agencies and extractive companies, the most common causes of their occurrence were identified:

- ▶ Some companies did not include the information on personal income tax (PIT) and military levy (hereinafter referred to as “personal income tax”) and value added tax (VAT) in the reporting forms due to the fact that the EITI Law and the draft instructions for filling in the relevant reporting forms do not require disclosing data on personal income tax and VAT. As follows:
 - from the total amount of discrepancy on personal income tax in the amount of UAH 300,886.78 thousand, the discrepancy that arose due to the failure of companies to provide data on this type of payment amounted to UAH 258,266.79 thousand;
 - from the total amount of discrepancy on value added tax on goods imported into the customs territory in the amount of UAH 398,986.72 thousand, the discrepancy due to the failure of companies to provide data on this type of payment amounted to UAH 334,746.93 thousand.
- ▶ some smaller components were not included by the companies in the total amount of certain types of payments. Government agencies, on their part, could provide data on a particular type of payment at a more aggregate level, while companies could only provide information on certain smaller types of payments made that are included in that aggregate payment;
- ▶ the fines (penalties) paid for the violation of the requirements of tax legislation on transferring their tax liabilities to the budget were included by some companies in the total amount of taxes paid;
- ▶ technical errors and peculiarities of accounting for the paid tax liabilities with the companies.

For detailed information on the study of the identified significant discrepancies and data corrections (general reconciliation) see **Annex 12**.

Summary of discrepancy investigation based on the results of reconciliation at the level of project activities

The Tax Code requires mining companies to keep separate records of costs and revenues for each type of mineral raw material and for each subsoil facility for which a special permit has been issued⁸¹⁴. At the same time, the Ukrainian legislation does not provide for accounting and declaration of land fees and environmental tax by separate project activity. This makes it impossible to reconcile these payments by special permits due to the lack of necessary data with both mining companies and the relevant government agencies. In view of this, the reconciliation for each individual project activity (special permit) was carried out only for the

⁸¹⁴ Pursuant to paragraph 2 of Article 252 of the Tax Code, mining companies that pay production royalty, shall for tax purposes maintain separate financial and tax accounting for the costs and revenues for each type of mineral resources and for each subsoil object, on which a special permit for subsoil use is granted.

production royalty⁸¹⁵. Instead, the reconciliation of land fees and environmental tax was conducted at the company level - in accordance with Requirement 4.7 of the EITI Standard.

At the same time, in contrast to the reconciliation at the company level, the reconciliation for each individual project activity (special permits) was carried out based on the accrued payments, but not paid payments in the reporting period. This is primarily due to the fact that the government agencies can break down the production royalty under special permits only for accrued payments based on tax returns. Paid payments can technically be broken down only by regions (oblasts) and local budgets, however some special permits apply to the plots located in two or more administrative oblasts, so the revenues from one special permit can be distributed to local budgets of several administrative oblasts.

In total, 47 reporting companies that provided data for reconciliation in 2019, 521 held special permits for subsoil use. The largest number of special permits was held by Ukrkazvydobuvannia JSC and Ukrnafta PJSC, which together had more than 300 special permits.

The detailed data on the accrued rent for the use of subsoil in terms of special permits in their initial responses were provided by 38 companies, and 9 companies provided only the total amount of payments at the company level.

As a result of the reconciliation of the accrued production royalty in terms of special permits, material⁸¹⁶ discrepancies were found for 29 out of 47 accountable mining companies. The most common causes were:

- ▶ Lack of clear methodological guidance in the draft instructions for filling in the report on payments in favour of the state on how to properly reflect the accrued and the paid payments in terms of special permits. As a result, some wording in the reporting forms was interpreted differently by companies ("to be paid" was not in all cases treated as accrual);
- ▶ The difference in the methodology of accounting for accrued production royalty by the government agencies and the accountable mining companies. The reconciliation found that in many cases government data include accrued payments for the Q3 2019 (accrual for Q4 is done in the next calendar year), while the companies indicated in their initial answers the total amount for all 4 quarters;
- ▶ Failure to take into account when filling in the Report on payments in favour of the state by mining companies the production royalty for extraction of other minerals of national importance (state budget classification code 13030100).

The data of the government agencies and of the companies on the accrued royalty by project activities (by special permits) and the results of their reconciliation are presented in **Annex 9**.

⁸¹⁵ The following types of production royalty have been reconciled

- production royalty for natural gas extraction (payment code 13030800);
- production royalty for oil extraction (payment code 13030700);
- production royalty for extraction of minerals of national importance (payment code 13030100);
- production royalty for gas condensate extraction (payment code 13030900).

⁸¹⁶ The decision of the IPVG MSG (Minutes of the IPVG MSG meeting of November 20, 2020) established a threshold of materiality of discrepancies between the data provided by the government agencies and the data provided by the companies as 5% of the payment amount. In addition, the absolute framework was set:

- the discrepancy shall not be treated as material if it is less than UAH 1,000 (regardless of the size of the discrepancy in percentage)
- the discrepancy shall be treated as material if it is more than UAH 1,000,000 (regardless of the size of the discrepancy in percentage)

Table 8.7: The results of reconciliation of revenues in favour of the state in 2019 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	135,635,007.07	127,664,328.03	7,970,679.04	135,635,007.07	135,713,733.70	(78,726.62)
Metal ores	13,442,647.50	17,637,579.02	(4,194,931.52)	13,442,647.50	12,791,851.13	650,796.38
Coal	10,476,093.02	8,452,405.30	2,023,687.72	10,476,093.02	10,430,596.89	45,496.13
Total	159,553,747.60	153,754,312.35	5,799,435.25	159,553,747.60	158,936,181.71	617,565.89

Table 8.8: The results of reconciliation of revenues in favour of the state in 2019 by company ownership

State ownership ⁸¹⁷ / 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	124,583,107.30	116,719,003.10	7,864,104.20	124,583,107.30	124,661,410.95	(78,303.64)
Private	34,970,640.29	37,035,309.25	(2,064,668.96)	34,970,640.29	34,274,770.76	695,869.53
Total	159,553,747.60	153,754,312.35	5,799,435.25	159,553,747.60	158,936,181.71	617,565.89

⁸¹⁷ "State ownership" means directly or indirectly owned by the state

Table 8.9: The results of reconciliation of revenues in favour of the state in 2019 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 and military levy	9,330,071.50	6,231,934.77	3,098,136.73	9,330,071.50	9,029,184.72	300,886.78
Corporate income tax	38,831,737.58	37,162,825.76	1,668,911.83	38,831,737.58	38,830,631.70	1,105.89
Production royalty	42,547,316.09	42,451,530.14	95,785.95	42,547,316.09	42,547,471.66	(155.57)
Value added tax on goods and services, produced in Ukraine (excluding budget reimbursement of VAT)	36,592,308.74	31,510,156.10	5,082,152.65	36,592,308.74	36,685,708.94	(93,400.20)
Budget reimbursement of value added tax	(16,157,566.53)	(9,272,399.81)	(6,885,166.72)	(16,157,566.53)	(16,157,566.18)	(0.35)
Value added tax on goods imported into Ukraine	14,982,703.25	13,525,132.91	1,457,570.34	14,982,703.25	14,583,716.53	398,986.72
Property tax	1,984,259.25	1,945,780.80	38,478.45	1,984,259.25	1,967,062.98	17,196.27
Environmental tax	978,828.41	960,734.15	18,094.26	978,828.41	961,753.93	17,074.48
Dividends and payment of a share of net profit	20,787,324.44	20,787,321.30	3.14	20,787,324.44	20,787,324.17	0.27
Fees for granting or extending special permits for the use of subsoil and revenues from the sale of such permits	431,413.62	2.34	431,411.28	431,413.62	431,416.22	(2.60)
Unified social contribution	9,245,351.24	8,451,293.90	794,057.34	9,245,351.24	9,269,477.06	(24,125.82)
Total	159,553,747.60	153,754,312.35	5,799,435.25	159,553,747.60	158,936,181.71	617,565.89

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 9,330,071.50 thousand and according to extractive companies - UAH 9,029,184.72 thousand in 2019. Total discrepancy between these taxpayers' and government agencies' data, based on the initial request was UAH 3,098,136.73 thousand. The discrepancy after reconciliation was UAH 300,886.78 thousand.

Table 8.10: Reconciliation of revenues from *personal income tax* in 2019, UAH thousand

Personal income tax	Initial data	Adjustments	Final data after reconciliation
Extractive industries, total			
Reported by government agencies	9,330,071.50	0.00	9,330,071.50
Reported by companies	6,231,934.77	2,797,249.94	9,029,184.72
Discrepancy	3,098,136.73	(2,797,249.94)	300,886.78
Oil and gas mining			
Reported by government agencies	3,492,479.74	0.00	3,492,479.74
Reported by companies	2,517,828.95	942,418.15	3,460,247.10
Discrepancy	974,650.79	(942,418.15)	32,232.64
Metal ores mining			
Reported by government agencies	3,318,679.43	0.00	3,318,679.43
Reported by companies	1,824,789.02	1,237,373.09	3,062,162.11
Discrepancy	1,493,890.41	(1,237,373.09)	256,517.32
Coal mining			
Reported by government agencies	2,518,912.33	0.00	2,518,912.33
Reported by companies	1,889,316.80	617,458.71	2,506,775.51
Discrepancy	629,595.53	(617,458.71)	12,136.82

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 38,831,737.58 thousand and according to extractive companies - UAH 38,830,631.70 thousand in 2019. Total discrepancy between these taxpayers' and government agencies' data, based on the initial request was UAH 1,668,911.83 thousand. The discrepancy after reconciliation was UAH 1,105.89 thousand.

Table 8.11: Reconciliation of revenues from corporate income tax in 2019, UAH thousand

Corporate income tax	Initial data	Adjustments	Final data after reconciliation
Extractive industries, total			
Reported by government agencies	38,831,737.58	0.00	38,831,737.58
Reported by companies	37,162,825.76	1,667,805.94	38,830,631.70
Discrepancy	1,668,911.83	(1,667,805.94)	1,105.89
Oil and gas mining			
Reported by government agencies	25,522,591.33	0.00	25,522,591.33
Reported by companies	23,722,209.20	1,800,000.00	25,522,209.20
Discrepancy	1,800,382.12	(1,800,000.00)	382.13
Metal ores mining			
Reported by government agencies	10,935,156.90	0.00	10,935,156.90
Reported by companies	11,066,913.55	(132,196.92)	10,934,716.63
Discrepancy	(131,756.66)	132,196.92	440.27
Coal mining			
Reported by government agencies	2,373,989.36	0.00	2,373,989.36
Reported by companies	2,373,703.00	2.87	2,373,705.87
Discrepancy	286.36	(2.87)	283.50

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 42,547,316.09 thousand and according to extractive companies - UAH 42,547,471.66 thousand in 2019. Total discrepancy between these taxpayers' and government agencies' data, based on the initial request was UAH 95,785.95 thousand. The discrepancy after reconciliation was UAH (155.57) thousand.

Table 8.12: Reconciliation of revenues from production royalty in 2019, UAH thousand

Production royalty	Initial data	Adjustments	Final data after reconciliation
Extractive industries, total			
Reported by government agencies	42,547,316.09	0.00	42,547,316.09
Reported by companies	42,451,530.14	95,941.52	42,547,471.66
Discrepancy	95,785.95	(95,941.52)	(155.57)
Oil and gas mining			
Reported by government agencies	38,529,101.40	0.00	38,529,101.40
Reported by companies	38,433,430.53	95,788.27	38,529,218.80
Discrepancy	95,670.87	(95,788.27)	(117.40)
Metal ores mining			
Reported by government agencies	3,635,213.67	0.00	3,635,213.67
Reported by companies	3,635,275.91	0.00	3,635,275.91
Discrepancy	(62.24)	0.00	(62.24)
Coal mining			
Reported by government agencies	383,001.02	0.00	383,001.02
Reported by companies	382,823.70	153.25	382,976.95
Discrepancy	177.32	(153.25)	24.07

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 36,592,308.74 thousand and according to extractive companies - UAH 36,685,708.94 thousand in 2019. Total discrepancy between these taxpayers' and government agencies' data, based on the initial request was UAH 5,082,152.65 thousand. The discrepancy after reconciliation was UAH (93,400.20) thousand.

Table 8.13: Reconciliation of revenues from value added tax on goods and services produced in Ukraine (excluding budget reimbursement of VAT) in 2019, UAH thousand

Value added tax	Initial data	Adjustments	Final data after reconciliation
Extractive industries, total			
Reported by government agencies	36,592,308.74	0.00	36,592,308.74
Reported by companies	31,510,156.10	5,175,552.84	36,685,708.94
Discrepancy	5,082,152.65	(5,175,552.84)	(93,400.20)
Oil and gas mining			
Reported by government agencies	34,124,970.86	0.00	34,124,970.86
Reported by companies	29,699,645.28	4,520,274.31	34,219,919.59
Discrepancy	4,425,325.58	(4,520,274.31)	(94,948.72)
Metal ores mining			
Reported by government agencies	525,266.15	0.00	525,266.15
Reported by companies	337,059.02	188,204.44	525,263.45
Discrepancy	188,207.13	(188,204.44)	2.70
Coal mining			
Reported by government agencies	1,942,071.73	0.00	1,942,071.73
Reported by companies	1,473,451.80	467,074.10	1,940,525.90
Discrepancy	468,619.93	(467,074.10)	1,545.83

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 (16,157,566.53) thousand and according to extractive companies - UAH (16,157,566.18) thousand in 2019. Total discrepancy between these taxpayers' and government agencies' data, based on the initial request was UAH (6,885,166.72) thousand. The discrepancy after reconciliation was UAH (0.35) thousand.

Table 8.14: Reconciliation of budget reimbursement of value added tax in 2019, UAH thousand

Budget reimbursement of VAT	Initial data	Adjustments	Final data after reconciliation
Extractive industries, total			
Reported by government agencies	(16,157,566.53)	0.00	(16,157,566.53)
Reported by companies	(9,272,399.81)	(6,885,166.37)	(16,157,566.18)
Discrepancy	(6,885,166.72)	6,885,166.37	(0.35)
Oil and gas mining			
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
Metal ores mining			
Reported by government agencies	(16,157,566.53)	0.00	(16,157,566.53)
Reported by companies	(9,272,399.81)	(6,885,166.37)	(16,157,566.18)
Discrepancy	(6,885,166.72)	6,885,166.37	(0.35)
Coal mining			
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 14,982,703.25 thousand and according to extractive companies - UAH 14,583,716.53 thousand in 2019. Total discrepancy between these taxpayers' and government agencies' data, based on the initial request was UAH 1,457,570.34 thousand. The discrepancy after reconciliation was UAH 398,986.72 thousand.

Table 8.15: Reconciliation of revenues from value added tax on goods imported into Ukraine in 2019, UAH thousand

VAT on goods imported into Ukraine	Initial data	Adjustments	Final data after reconciliation
Extractive industries, total			
Reported by government agencies	14,982,703.25	0.00	14,982,703.25
Reported by companies	13,525,132.91	1,058,583.62	14,583,716.53
Discrepancy	1,457,570.34	(1,058,583.62)	398,986.72
Oil and gas mining			
Reported by government agencies	9,330,386.83	0.00	9,330,386.83
Reported by companies	9,055,402.11	274,174.78	9,329,576.88
Discrepancy	274,984.72	(274,174.78)	809.95
Metal ores mining			
Reported by government agencies	5,311,573.88	0.00	5,311,573.88
Reported by companies	4,463,023.80	487,540.07	4,950,563.87
Discrepancy	848,550.08	(487,540.07)	361,010.01
Coal mining			
Reported by government agencies	340,742.54	0.00	340,742.54
Reported by companies	6,707.00	296,868.77	303,575.77
Discrepancy	334,035.54	(296,868.77)	37,166.77

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 1,984,259.25 thousand and according to extractive companies - UAH 1,967,062.98 thousand in 2019. Total discrepancy between these taxpayers' and government agencies' data, based on the initial request was UAH 38,478.45 thousand. The discrepancy after reconciliation was UAH 17,196.27 thousand.

Table 8.16: Reconciliation of revenues from property tax in 2019, UAH thousand

Property tax	Initial data	Adjustments	Final data after reconciliation
Extractive industries, total			
Reported by government agencies	1,984,259.25	0.00	1,984,259.25
Reported by companies	1,945,780.80	21,282.18	1,967,062.98
Discrepancy	38,478.45	(21,282.18)	17,196.27
Oil and gas mining			
Reported by government agencies	409,291.73	0.00	409,291.73
Reported by companies	407,108.59	2,184.08	409,292.67
Discrepancy	2,183.14	(2,184.08)	(0.94)
Metal ores mining			
Reported by government agencies	1,497,990.07	0.00	1,497,990.07
Reported by companies	1,461,960.71	18,848.88	1,480,809.59
Discrepancy	36,029.36	(18,848.88)	17,180.48
Coal mining			
Reported by government agencies	76,977.45	0.00	76,977.45
Reported by companies	76,711.50	249.22	76,960.72
Discrepancy	265.95	(249.22)	16.74

8.3.7 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 978,828.41 thousand and according to extractive companies - UAH 961,753.93 thousand in 2019. Total discrepancy between these taxpayers' and government agencies' data, based on the initial request was UAH 18,094.26 thousand. The discrepancy after reconciliation was UAH 17,074.48 thousand.

Table 8.17: Reconciliation of revenues from environmental tax in 2019, UAH thousand

Environmental tax	Initial data	Adjustments	Final data after reconciliation
Extractive industries, total			
Reported by government agencies	978,828.41	0.00	978,828.41
Reported by companies	960,734.15	1,019.78	961,753.93
Discrepancy	18,094.26	(1,019.78)	17,074.48
Oil and gas mining			
Reported by government agencies	104,271.83	0.00	104,271.83
Reported by companies	104,266.12	1.75	104,267.87
Discrepancy	5.72	(1.75)	3.96
Metal ores mining			
Reported by government agencies	823,892.62	0.00	823,892.62
Reported by companies	806,823.13	0.00	806,823.13
Discrepancy	17,069.49	0.00	17,069.49
Coal mining			
Reported by government agencies	50,663.96	0.00	50,663.96
Reported by companies	49,644.90	1,018.03	50,662.93
Discrepancy	1,019.06	(1,018.03)	1.03

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 20,787,324.44 thousand and according to extractive companies - UAH 20,787,324.17 thousand in 2019. Total discrepancy between these taxpayers' and government agencies' data, based on the initial request was UAH 12,251,935.34 thousand. The discrepancy after reconciliation was UAH 0.27 thousand.

Table 8.18: Reconciliation of revenues from dividends and payment of a share of net profit in 2019, UAH thousand

Dividends and payment of a share of net profit	Initial data	Adjustments	Final data after reconciliation
Extractive industries, total			
Reported by government agencies	33,039,256.64	(12,251,932.20)	20,787,324.44
Reported by companies	20,787,321.30	2.87	20,787,324.17
Discrepancy	12,251,935.34	(12,251,935.07)	0.27
Oil and gas mining			
Reported by government agencies	33,003,864.40	(12,251,932.20)	20,751,932.20
Reported by companies	20,751,932.20	0.00	20,751,932.20
Discrepancy	12,251,932.20	(12,251,932.20)	0.00
Metal ores mining			
Reported by government agencies	34,466.10	0.00	34,466.10
Reported by companies	34,466.10	0.00	34,466.10
Discrepancy	0.00	0.00	0.00
Coal mining			
Reported by government agencies	926.14	0.00	926.14
Reported by companies	923.00	2.87	925.87
Discrepancy	3.14	(2.87)	0.27

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 431,413.62 thousand and according to extractive companies - UAH 431,416.22 thousand in 2019. Total discrepancy between these taxpayers' and government agencies' data, based on the initial request was UAH 431,411.28 thousand. The discrepancy after reconciliation was UAH (2.60) thousand.

Table 8.19: 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 2019, UAH thousand

Fees for granting and extending special permits	Initial data	Adjustments	Final data after reconciliation
Extractive industries, total			
Reported by government agencies	431,413.62	0.00	431,413.62
Reported by companies	2.34	431,413.88	431,416.22
Discrepancy	431,411.28	(431,413.88)	(2.60)
Oil and gas mining			
Reported by government agencies	356,430.90	0.00	356,430.90
Reported by companies	0.00	356,430.90	356,430.90
Discrepancy	356,430.90	(356,430.90)	0.00
Metal ores mining			
Reported by government agencies	0.00	0.00	0.00
Reported by companies	2.34	0.00	2.34
Discrepancy	(2.34)	0.00	(2.34)
Coal mining			
Reported by government agencies	74,982.71	0.00	74,982.71
Reported by companies	0.00	74,982.97	74,982.97
Discrepancy	74,982.71	(74,982.97)	(0.26)

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 9,245,351.24 thousand and according to extractive companies - UAH 9,269,477.06 thousand in 2019. Total discrepancy between these taxpayers' and government agencies' data, based on the initial request was UAH 794,057.34 thousand. The discrepancy after reconciliation was UAH (24,125.82) thousand.



Table 8.20: Reconciliation of revenues from unified social contribution in 2019, UAH thousand




Unified social contribution	Initial data	Adjustments	Final data after reconciliation
Extractive industries, total			
Reported by government agencies	9,245,351.24	0.00	9,245,351.24
Reported by companies	8,451,293.90	818,183.16	9,269,477.06
Discrepancy	794,057.34	(818,183.16)	(24,125.82)
Oil and gas extraction			
Reported by government agencies	3,013,550.25	0.00	3,013,550.25
Reported by companies	2,972,505.06	58,133.43	3,030,638.49
Discrepancy	41,045.19	(58,133.43)	(17,088.23)
Metal ores mining			
Reported by government agencies	3,517,975.21	0.00	3,517,975.21
Reported by companies	3,279,665.24	239,668.93	3,519,334.17
Discrepancy	238,309.97	(239,668.93)	(1,358.96)
Coal mining			
Reported by government agencies	2,713,825.77	0.00	2,713,825.77
Reported by companies	2,199,123.60	520,380.80	2,719,504.40
Discrepancy	514,702.17	(520,380.80)	(5,678.62)





9. Recommendations for improving the EITI reporting process

9.1 Analysis of the implementation the previous Ukraine EITI Report recommendations


Recommendation	Degree of importance	Comments
<p>Improve the regulatory support for EITI:</p> <ul style="list-style-type: none"> ▶ 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 	 High	<p>The recommendation is partially taken into account:</p> <ul style="list-style-type: none"> ▶ 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; ▶ 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. <p>A number of by-laws relating to prosecutions for breaches of EITI legislation have not yet been adopted.</p> <p>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. 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"> ▶ Technical information on mineral reserves, especially titanium ores. 	 High	<p>The recommendation is not taken into account</p>

Recommendation	Degree of importance	Comments
<p>Implement an effective system for planning and managing the process of preparing the next EITI reports, namely:</p> <ul style="list-style-type: none"> ▶ Search and allocate financial and human resources for the preparation of the EITI report by the end of Q1 of the current year ▶ Approve the scope and terms of reference for the preparation of the future EITI report by the end of Q1 of the current year ▶ Run a tender to choose an Independent Administrator by the end of Q2 of the current year 	 High	<p>The recommendation is not taken into account</p> <ul style="list-style-type: none"> ▶ The work on preparation of the EITI Report 2019 began with a significant delay, which complicates 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). ▶ The EITI Law does not regulate the timing of searching resource for the preparation of the EITI Report.
<p>Establish an effective system for prompt receipt of information from the State Tax Service, clarify some figures and explain discrepancies</p>	 High	<p>The recommendation is partially taken into account:</p> <ul style="list-style-type: none"> ▶ 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. ▶ The law does not clearly define the possibility of clarifying the information provided by the State Tax Service and / or obtaining explanations for discrepancies. ▶ 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. ▶ 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

Recommendation	Degree of importance	Comments
		at the draft stage, the Independent Administrator cannot claim that the relevant gap has been completely eliminated.
<p>Introduce a unified methodology for estimating mineral reserves, which would be harmonized with the best 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>	 High	<p>The recommendation is not taken into account</p>
<p>Approve by-laws, including on data collection templates for project reporting under the EITI Standard</p>	 Medium	<p>The recommendation is partially taken into account:</p> <ul style="list-style-type: none"> ▶ 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. ▶ 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.
<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>	 Medium	<p>The recommendation is not taken into account</p>

Recommendation	Degree of importance	Comments
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.	 Medium	The recommendation is partially taken into account: <ul style="list-style-type: none"> ▶ 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. ▶ Despite the fact that an electronic platform for EITI reporting⁸¹⁸ was presented in December 2019, the 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

Nº	Recommendation	Priority	Comment
1.	Supplement the information to be disclosed by the accountable entities in accordance with the		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


⁸¹⁸ <https://mepr.gov.ua/news/34296.html>


№	Recommendation	Priority	Comment
	<p>EITI Law and the reporting forms with other information required to comply with the EITI Standard</p>	<p>High</p>	<p>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 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.</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"> 1) Requirements 2.5 (for example, the status of "politically significant person,"⁸¹⁹ details on the level of ownership and how control is exerted); 2) Requirements 2.6 and 4.5 (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 in the size of the state share during the reporting period, etc.);



⁸¹⁹ 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>

№	Recommendation	Priority	Comment
			<p>3) Requirements 4.1 (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) Requirements 6.1 (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) Requirements 6.2 (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."⁸²⁰ If the draft law is approved, it is recommended to include all necessary information in EITI reporting forms.</p>
2.	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	 High	<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 "Treasury of Ukraine"). 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>



⁸²⁰ 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



№	Recommendation	Priority	Comment
			<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 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 exert control 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"> 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; 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). <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></p>

№	Recommendation	Priority	Comment
			<p>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> <p>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.</p>
4.	<p>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</p>	<p> High</p>	<p>According to Art. 5 of the EITI Law, mining companies are required to:</p> <ul style="list-style-type: none"> - disclose their report on payments to the benefit of the state (or a consolidated report); - disclose information on the essential terms of subsoil use agreements along with the relevant extracts from such agreements; - provide information <i>on payments</i> at the request of the Ministry of Energy and the Independent Administrator. <p>The recipient of payments shall disclose information on payments by:</p> <ul style="list-style-type: none"> - submitting a report on received payments to the Ministry of Energy and the Independent Administrator; - providing information on payments at the request of the Ministry of Energy and the Independent Administrator. <p>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> <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>


№	Recommendation	Priority	Comment
5.	<p>Establish a clear obligation to disclose the essential terms of subsoil use agreements concluded and / or amended <u>before</u> the EITI Law efficiency date, and ensure the actual disclosure of such information on the website of the Ministry of Energy</p>	 High	<p>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:</p> <ul style="list-style-type: none"> - the business entities operating in the extractive industries - to provide the Ministry of Energy with information on the essential terms of subsoil use agreements along with the relevant extracts from such agreements; - the Ministry of Energy - to publish information about the agreements on its official website. <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.⁸²¹</p>
6.	<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>	 High	<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>

⁸²¹ Official web-site of the Ministry of Energy: http://mpe.kmu.gov.ua/minugol/control/uk/publish/officialcategory?cat_id=245328319



№	Recommendation	Priority	Comment
7.	<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> <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"> ▶ Search and allocation of financial and human resources for the preparation of the EITI report by the end of Q1 of the current year 	<p> High</p>	<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,</p>




№	Recommendation	Priority	Comment
	<ul style="list-style-type: none"> ▶ 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 ▶ conducting a tender and selecting an Independent Administrator by the end of Q2 of the current year 		<p>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>
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,⁸²² the current classification of reserves in Ukraine is comparable to CRIRSCO and UNFC-2009, but is less detailed. In</p>



⁸²² 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

№	Recommendation	Priority	Comment
			<p>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 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>	 Medium	<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.⁸²³ 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>

⁸²³ 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>

№	Recommendation	Priority	Comment
			<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 Ukraine: Draft assessment by the EITI International Secretariat" dated 05.01.2021.</p>
12.	<p>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</p>	<p> Medium</p>	<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.	<p>Improve the data collection process for project reporting under the EITI Standard by amending the EITI Law and the reporting forms</p>	<p> Medium</p>	<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>

№	Recommendation	Priority	Comment
			<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 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>	 Medium	<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>	 Medium	<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>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</p>

№	Recommendation	Priority	Comment
		Medium	<p>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>
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 2019

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 Energy⁸²⁴);
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 2019⁸²⁵);
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.

⁸²⁴ 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>

⁸²⁵ 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) 51 companies were included in the scope of reconciliation within the framework of the EITI Report for 2019. 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 ⁸²⁶	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 ⁸²⁷
1	Ukrgezvydobuvannya 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
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

⁸²⁶ 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.

⁸²⁷ 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.

Nº	Companies/Taxpayers	Sector	Business entity of the public sector of the economy in accordance with the law	Owner ⁸²⁶	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 ⁸²⁷
4	Naftogazvydobuvannia 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	Ukrgezvydobutok PrJSC	Oil and gas	No	Private	-	-
11	Persha ukraiinska 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	Energija-95 LLC	Oil and gas	No	Private	-	-
15	Systemoilingenering LLC	Oil and gas	No	Private	-	-
16	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
17	Kashtan Petroleum LTD JV	Oil and gas	No	Private	Ukrnafta PJSC - 55% (there were no changes in the reporting period)	-
18	Prom-Energo Product LLC	Oil and gas	No	Private	-	-
19	Nordik Private Enterprise	Oil and gas	No	Private	-	-

№	Companies/Taxpayers	Sector	Business entity of the public sector of the economy in accordance with the law	Owner ⁸²⁶	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 ⁸²⁷
20	Joint activity agreement of 01/01/1999 No. 35/4 - authorized entity Hals-K PrJSC (31566427)	Oil and gas	No	Private	-	-
21	Zakhidnadraseriv LLC	Oil and gas	No	Private		
22	Striynaftogaz LLC	Oil and gas	No	Private		
23	ArcelorMittal Kryvyi Rih PJSC	Iron ores	No	Private	-	-
24	Northern Iron Ore Enrichment Works PrJSC	Iron ores	No	Private	-	-
25	Southern Mining Factory JSC	Iron ores	No	Private	-	-
26	Central Iron Ore Enrichment Works PrJSC	Iron ores	No	Private	-	-
27	Ferrexpo Poltava mining PrJSC	Iron ores	No	Private	-	-
28	Ingulets Iron Ore Enrichment Works PrJSC	Iron ores	No	Private	-	-
29	Krivoy Rog`s Iron-Ore Combine PJSC	Iron ores	No	Private		-
30	The foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC	Iron ores	No	Private	-	-
31	Suha Balka PrJSC	Iron ores	No	Private	-	-
32	Ferrexpo Yeristovo mining LLC	Iron ores	No	Private	-	-
33	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%	The state carries the risk of loss related to JSC's activities within its (the Ministry for Development of Economy,

Nº	Companies/Taxpayers	Sector	Business entity of the public sector of the economy in accordance with the law	Owner ⁸²⁶	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 ⁸²⁷
					(there were no changes in the reporting period)	Trade and Agriculture) share value
34	Pokrovskiy GZK JSC	Manganese ores	No	Private	-	-
35	Marganets GZK JSC	Manganese ores	No	Private	-	-
36	DTEK Pavlogradugol PrJSC	Coal	No	Private	-	-
37	Shakhtoupravlinnia Pokrovske PJSC	Coal	No	Private	-	-
38	DTEK Dobropolyeugol LLC	Coal	No	Private	-	-
39	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
40	Lvivvuhillia 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
41	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
42	Myrnohradvuhillia 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

Nº	Companies/Taxpayers	Sector	Business entity of the public sector of the economy in accordance with the law	Owner ⁸²⁶	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 ⁸²⁷
43	Pervomaiskvuhillia 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	Lysychanskvuhillia 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
45	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
46	Toretskvuhillia 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
47	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
48	Krasnolymanska LLC	Coal	No	Private	-	-
49	Bilozerska Mine DLC	Coal	No	Private	-	-
50	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

№	Companies/Taxpayers	Sector	Business entity of the public sector of the economy in accordance with the law	Owner ⁸²⁶	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 ⁸²⁷
						of loss related JSC's activity only within its share value
51	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 2019

State authority	Main functions/powers in mineral resource production sector	Subordination to the state authority	Laws and regulations
Verkhovna Rada (Parliament) of Ukraine	1) Adopting the laws ⁸²⁸ ; 2) Setting out the main lines of state policy ⁸²⁹ ; 3) Approving the national programs for development of extractive industries ⁸³⁰ .	Elected body	Constitution of Ukraine Law of Ukraine "On Rules of Parliamentary Procedure of the Verkhovna Rada of Ukraine" ⁸³¹ Subsoil Code Mining Law Law on Oil and Gas Law of Ukraine "On Environmental Protection"
President of Ukraine ⁸³²	1) Participating in the legislative process (legislative initiative right, signing / veto of laws adopted by the Parliament); 2) Issuing decrees and orders that are mandatory on the territory of Ukraine.	Elected body	Constitution of Ukraine
Cabinet of Ministers of Ukraine	1) Procuring financial, pricing, investment and tax policy, as well as policy in the areas of	Accountable to the President of Ukraine and Verkhovna Rada of	Constitution of Ukraine Law of Ukraine "On the

⁸²⁸ 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.

⁸²⁹ 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>.

⁸³⁰ 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.

⁸³¹ Law of Ukraine "On Rules of Parliamentary Procedure of the Verkhovna Rada of Ukraine" No. 1861-VI of 10 February 2010.

⁸³² The President of Ukraine does not formally belong to any branch of government (legislative, executive, judicial).

State authority	Main functions/powers in mineral resource production sector	Subordination to the state authority	Laws and regulations
	<p>environmental safety and use of natural resources;</p> <p>2) Performing state management 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</p>	<p>Ukraine; is controlled by and reports to the Verkhovna Rada of Ukraine</p>	<p>Cabinet of Ministers of Ukraine⁸³³</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>Law of Ukraine "On Production Sharing Agreements"</p>

⁸³³ 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>hearings in the process of EIA, transferring of documentation for issuing an opinion on EIA, and the procedure for financing EIA.</p>		
<p>Ministry of Energy and Environmental Protection of Ukraine (Ministry of Energy)</p>	<ol style="list-style-type: none"> 1) Setting out main tasks of development of fuel and energy sector; 2) Ensuring development and implementation of state policy in the field of environmental protection, reproduction and protection of natural resources; 3) Developing draft laws and other regulations on issues within its competence; 4) Regulating a number of issues, including registration and monitoring of geological exploration works, accounting for the depleted deposits, mining losses, and oil and gas wells etc.; 5) Adopting decisions on commencement of pilot and commercial development of an oil and gas field or deposit; 6) Approving projects for conservation or liquidation of coal extracting companies under its control; 7) Accounting for the state-owned property under its management and exercising control over the efficient use and preservation of such property; 8) Ensuring the safety of fuel and energy 	<p>Directed and coordinated by the CMU (the main body in the system of central executive bodies, which ensures the development and implementation of state policy in the field of environmental protection and environmental safety, as well as in the electric power, nuclear, coal, peat, oil and gas production and oil and gas processing industries)</p>	<p>Regulation on the Ministry of Energy and Environmental protection of Ukraine⁸³⁶ Subsoil Code Law on Oil and Gas Law of Ukraine "On the Natural Gas Market" Law of Ukraine "On Coalbed Gas (Methane)" Law of Ukraine "On peculiarities of lease of fuel and energy complex objects in state ownership" Law of Ukraine "On Environmental Protection" Law of Ukraine "On EIA" Geological Information Management Issues⁸³⁷</p>

⁸³⁶ 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>. 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.

⁸³⁷ 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>

State authority	Main functions/powers in mineral resource production sector	Subordination to the state authority	Laws and regulations
	<p>enterprises (in particular, accounting for the accidents that have occurred at such enterprises, approving measures for their prevention, etc.);</p> <p>9) Participating in development of procedures and conditions for privatization of fuel and energy enterprises;</p> <p>10) Approving the National Action Plan, the procedure for developing the mineral reserves requirements, the regulation on the catalogue of geological data, the procedure for the operation of the State Repository of Geological Data and Stone Material and the procedure for transmitting primary geological information to it;</p> <p>11) Developing and approving rules for the safety of supply of natural gas etc.;</p> <p>12) Selecting the GTS operator of Ukraine;</p> <p>13) Providing suggestions / comments on the issuance of a subsoil license;</p> <p>14) Participating in the EIA procedure;</p> <p>15) Deciding on the feasibility of granting fuel and energy facilities for lease or concession and monitoring the use of the transferred facility⁸³⁴ and monitoring compliance with the terms of the concession agreement by the concessionaire⁸³⁵.</p>		
State Service for Geology and Mineral Resources of	1) Implementing state policy on geological exploration and rational use of subsoil	Directed and coordinated by the CMU through the Minister of Energy and	Subsoil Code Law On oil and gas

⁸³⁴ Powers regarding the concession under the Law of Ukraine "On Concession" were reduced, available at: <https://zakon.rada.gov.ua/laws/show/155-IX#Text>

⁸³⁵ Article 16 of the Law of Ukraine "On Peculiarities of Lease of State-Owned Fuel and Energy Complex Facilities" was excluded in accordance with the Law of Ukraine "On Concession"

State authority	Main functions/powers in mineral resource production sector	Subordination to the state authority	Laws and regulations
Ukraine (Geology Service)	<p>resources;</p> <p>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;</p> <p>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;</p> <p>4) Keeping state records of fields, deposits, and occurrences of minerals⁸³⁸, 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 licenses, the conditions of licenses and the subsoil use agreements;</p> <p>8) Maintaining a catalogue of geological</p>	Environmental protection of Ukraine (central executive body responsible for implementation of state policy in geological exploration of subsoil and its rational and efficient use)	<p>Law of Ukraine "On Coalbed Gas (Methane)"</p> <p>Law of Ukraine "On the State Geological Service of Ukraine"⁸⁴⁰</p> <p>Regulation on the State Service for Geology and Mineral Resources of Ukraine⁸⁴¹</p> <p>The Procedure for Granting Licenses</p>

⁸³⁸ Resolution of the CMU "On approval of the Procedure for state accounting of fields, deposits, and occurrences of minerals" № 75 dated January 31, 1995, available at: <https://zakon.rada.gov.ua/laws/show/75-95-%D0%BF/ed20191224#Text>

⁸⁴⁰ Law of Ukraine "On the *State Geological Service of Ukraine*" No. 1216-VII of 4 November 1999, available at <http://zakon5.rada.gov.ua/laws/show/1216-14>.

⁸⁴¹ 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 <http://zakon5.rada.gov.ua/laws/show/1174-2015-%D0%BF>.

State authority	Main functions/powers in mineral resource production sector	Subordination to the state authority	Laws and regulations
	information; 9) Developing and maintaining the online account of a subsoil user ⁸³⁹ .		
State Commission of Ukraine on Mineral Resources	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; 2) Setting the conditions on mineral raw material for reserves calculation; 3) Conducting state expert appraisal of geological information on mineral reserves calculation; 4) Participating in complex state expert appraisal of projects for industrial fields development, renovation of existing mining and processing complexes and their liquidation; checking the validity, effectiveness and quality of design decisions of mining companies on completeness of proven mineral reserves.	Operates within the Geology Service	Regulations on the State Commission of Ukraine on Mineral Resources ⁸⁴²
National Energy and Utilities State Regulation Commission (NEURC)	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.	Accountable to the President of Ukraine; reporting to the Verkhovna Rada of Ukraine (in accordance with the Regulation on the National Energy and Utilities	Law of Ukraine "On Commission for State Regulation of Energy Sector and Utilities" ⁸⁴⁴ Law of Ukraine "On the

⁸³⁹ According to the Law of Ukraine № 402-IX dated December 19, 2019, available at: <https://zakon.rada.gov.ua/laws/show/402-20#Text>

⁸⁴² Resolution of the CMU "On approval of the Regulations on the State Commission of Ukraine on Mineral Resources" N 1689 dated November 10, 2000, <https://zakon.rada.gov.ua/laws/show/1689-2000-%D0%BF/ed20191224#Text>

⁸⁴⁴ Law of Ukraine "On the National Commission for State Regulation of Energy Sector and Utilities" No. 1540-VIII dated 11 September 2017, available at: <http://zakon3.rada.gov.ua/laws/show/1540-19/print1452596252458519>.

State authority	Main functions/powers in mineral resource production sector	Subordination to the state authority	Laws and regulations
	<ol style="list-style-type: none"> 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; 3) Setting tariffs for transportation of natural gas through transboundary gas pipelines; 4) Approving rules for supply of natural gas; 5) Certifying operators of the transmission system and the gas transportation system; 6) Licensing of activities related to transportation, distribution, storage, supply of natural gas and provision of LNG facility services; 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; 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 	<p>State Regulation Commission)</p> <p>(central executive body with a special status formed by the CMU state which exercises regulation, monitoring and control over the activities of business entities in energy and utility sector)⁸⁴³</p>	<p>Natural Gas Market"</p> <p>Law of Ukraine “On Coalbed Gas (Methane)”</p> <p>Regulation on the National Energy and Utilities State Regulation Commission⁸⁴⁵</p>

⁸⁴³ According to article 1 of the Law on the NEURC, with amendments made by the Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine to Ensure Constitutional Principles in the Fields of Energy and Utilities" No 394-IX dated December 19, 2019, available at: <https://zakon.rada.gov.ua/laws/show/394-20/ed20191229#n47>

⁸⁴⁵ 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>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) Approving the National Action Plan.</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 development of mineral resources deposits⁸⁴⁶ and registering mining allotments for the development of mineral deposits of local significance;</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</p>	<p>Directed and coordinated by the CMU through the Minister of Social Security of Ukraine⁸⁴⁸</p> <p>(central executive body, which ensures the 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>Subsoil Code of Ukraine</p> <p>Mining Law</p> <p>Law on Oil and Gas</p> <p>Law of Ukraine "On High-Risk Objects"⁸⁴⁹</p> <p>Regulation on the State Labor Service⁸⁵⁰</p> <p>Regulation on the Procedure for State Mining Supervision⁸⁵¹</p> <p>Regulation on the Procedure for Granting Mining Allotments⁸⁵²</p>

⁸⁴⁶ Article 17 of the Subsoil Code, available at: <https://zakon.rada.gov.ua/laws/show/132/94-%D0%B2%D1%80/ed20191229#Text>

⁸⁴⁸ During September 17, 2019 - December 24, 2019, the activities of the State Labor Service were directed through the Minister of Economic Development, Trade and Agriculture.

⁸⁴⁹ 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>

⁸⁵⁰ Resolution of the CMU "On approval of the Regulation of the State Labor Service of Ukraine" No. 96 dated 11 February 2015, available at: <http://zakon2.rada.gov.ua/laws/show/96-2015-%D0%BF/print1443083481646335>.

⁸⁵¹ 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>.

⁸⁵² Resolution of the CMU "On Approval of the Regulation on the Procedure for Issuing of Mining Allotments" No. 59 of 27 January 1995.

State authority	Main functions/powers in mineral resource production sector	Subordination to the state authority	Laws and regulations
	<p>enterprises⁸⁴⁷;</p> <p>4) Supervising (controlling) compliance with requirements of special subsoil use permits 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 violations of geological exploration of mineral resources, etc.;</p> <p>9) Performing state regulation and control in the field of activities related to high-risk facilities.</p>		<p>The Procedure for Granting Licenses</p>
<p>State Agency on Energy Efficiency and Energy Saving of Ukraine</p>	<p>1) Performing state regulation in the field of geological exploration, extraction and use of coalbed gas (methane) from undeveloped deposits;</p> <p>2) Preforming state supervision and control over compliance with the legislation in the</p>	<p>Directed and coordinated by the CMU through the Minister of Energy and Environment Protection (central executive body, which implements state policy in the field of efficient use of fuel and energy</p>	<p>Law of Ukraine “On Coalbed Gas (Methane)”</p> <p>Regulations on the State Agency on Energy Efficiency and Energy Saving of</p>

⁸⁴⁷ 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).

State authority	Main functions/powers in mineral resource production sector	Subordination to the state authority	Laws and regulations
	<p>field of geological exploration, extraction and use of coalbed gas (methane);</p> <p>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;</p> <p>4) Implementing public-private partnership in the field of efficient use of fuel and energy resources;</p> <p>5) Monitoring the effective use of fuel and energy resources.</p>	<p>resources, energy saving, renewable energy sources and alternative fuels).</p>	<p>Ukraine⁸⁵³</p>
<p>State Ecological Inspection of Ukraine</p>	<p>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;</p> <p>2) Performing supervision and control over compliance with the requirements of licenses;</p> <p>3) Taking measures to discontinue unauthorized use of subsoil and construction at the location of mineral deposits in violation of the established procedure;</p> <p>4) Hearing disputes over subsoil use.</p>	<p>Directed and coordinated by the CMU through the Minister of Energy and Environmental Protection of Ukraine (central executive body responsible for implementation of state policy in supervision (control) in the field of environmental protection, rational and efficient use, restoration and protection of mineral resources)</p>	<p>Subsoil Code of Ukraine Law of Ukraine "On Environmental Protection" Regulation on the State Ecological Inspection of Ukraine⁸⁵⁴ The Procedure for Granting Licenses</p>

⁸⁵³ Resolution of the CMU "On approval of the Regulations on the State Agency on Energy Efficiency and Energy Saving of Ukraine" № 676 dated November 26, 2014, available at: <https://zakon.rada.gov.ua/laws/show/676-2014-%D0%BF#Text>

⁸⁵⁴ 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#Text>

State authority	Main functions/powers in mineral resource production sector	Subordination to the state authority	Laws and regulations
State Agency of Water Resources of Ukraine	<ol style="list-style-type: none"> 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 Energy and Environmental Protection 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 ⁸⁵⁵
State Agency of Forest Resources of Ukraine	<ol style="list-style-type: none"> 1) Organizing the issuance in the prescribed manner of special permits 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 Energy and Environmental Protection of Ukraine (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 ⁸⁵⁶
State Emergency Service of Ukraine	<ol style="list-style-type: none"> 1) Filing with the Minister of internal affairs proposals concerning list of enterprises, branches of economy and territories subject to continuous and statutory rescue maintenance, as well as procedures of performing such maintenance; 2) Organizing and providing protection against 	Directed and coordinated by the CMU through the Minister of Internal Affairs (central executive body responsible for implementation of state policy in civic protection, protection of civilians and territories from emergency situations and	Code of Civil Protection of Ukraine Law of Ukraine "On High-Risk Objects" ⁸⁵⁷ Regulation on the State Emergency Service of

⁸⁵⁵ Resolution of the CMU "On approval of the Regulations on the State Agency of Water Resources of Ukraine" № 393 dated August 20, 2014, available at: <https://zakon.rada.gov.ua/laws/show/393-2014-n>

⁸⁵⁶ Resolution of the CMU "On approval of the Regulations on the State Agency of Forest Resources of Ukraine" № 521 dated October 08, 2014, available at: <https://zakon.rada.gov.ua/laws/show/521-2014-n>

⁸⁵⁷ 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
	fires for companies, institutions, organizations, and other objects on the basis of the agreements.	prevention of their occurrence, liquidation of consequences of emergency situations, rescue activity, firefighting, fire and technogenic safety, activity of rescue services, and hydrometeorological activities)	Ukraine ⁸⁵⁸
State Service of Ukraine for Geodesy, Cartography and Cadastre	<ol style="list-style-type: none"> 1) Performing state supervision in the field of land management; 2) Coordinating topographic, geodetic and cartographic activities; 3) Maintaining and administering the State Land Cadastre and its information interaction with other information systems; 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. 	Directed and coordinated by the CMU through the Minister of Economic Development, Trade and Agriculture ⁸⁵⁹ (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)	Land Code of Ukraine Regulations on the State Service of Ukraine for Geodesy, Cartography and Cadastre ⁸⁶⁰
State Tax Service of Ukraine	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	Directed and coordinated by the CMU through the Minister of Finance (the Service is a central executive body that implements, among others,	Tax Code of Ukraine Regulations on the State tax service of Ukraine ⁸⁶¹ The Procedure for Granting

⁸⁵⁸ Resolution of the CMU "On approving Regulation on the State Emergency Service of Ukraine" No. 1052 of 16 December 2015, available at: <http://zakon2.rada.gov.ua/laws/show/1052-2015-%D0%BF/ed20151216>.

⁸⁵⁹ According to the Regulations on the Geology Service with amendments made by the Resolution of the CMU № 838 dated September 11, 2019, available at: <https://zakon.rada.gov.ua/laws/show/838-2019-%D0%BF/ed20191224#n640>

⁸⁶⁰ Resolution of the CMU "On the State Service of Ukraine for Geodesy, Cartography and Cadastre" № 15 dated January 14, 2015, available at: <https://zakon.rada.gov.ua/laws/show/15-2015-%D0%BF/ed20191224#Text>

⁸⁶¹ Resolution of the CMU "On approval of the regulations on the State Tax Service of Ukraine and the State Customs Service of Ukraine" № 227 dated March 6, 2019, available at: <https://zakon.rada.gov.ua/laws/show/227-2019-n>

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.	state tax policy)	Licenses
State Customs Service of Ukraine	1) Implementing the state customs policy, state policy in the field of combating offenses in the course of application of customs legislation; 2) Providing and performing control over the collection of customs payments.	Directed and coordinated by the CMU through the Minister of Finance (the Service is a central executive body that implements, among others, state tax policy)	Tax Code of Ukraine Regulations on the State tax service of Ukraine ⁸⁶² The Procedure for Granting Licenses
Ministry of Economic Development, Trade and Agriculture of Ukraine	1) Developing and ensuring implementation of state policy in state-owned property management and state industrial policy, as well as the implementation of state mining supervision; 2) Preparing and reporting to the CMU of a	(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	Resolution of the CMU "On the issues of Ministry of Economic Development and Trade" ⁸⁶³ Law of Ukraine "On Public-Private Partnership" ⁸⁶⁴ Law of Ukraine "On

⁸⁶² Resolution of the CMU "On approval of the regulations on the State Tax Service of Ukraine and the State Customs Service of Ukraine" № 227 dated March 6, 2019, available at: <https://zakon.rada.gov.ua/laws/show/227-2019-n>

⁸⁶³ 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>.

⁸⁶⁴ Law of Ukraine "On Public-Private Partnership" No 2404-VI dated July 01, 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>draft list of state-owned property that can be transferred into concession;</p> <p>3) Providing methodological and legislative support related to the issues of state-owned property management;</p> <p>4) Developing proposals regarding the development and implementation of state pricing policy.</p>	standardization and metrology, in state-owned property management, in stimulating the entrepreneurship)	Management of State-owned Property"
State Architectural and Construction Inspection of Ukraine	<p>1) Issuing and withdrawing permits for carrying out construction works;</p> <p>2) Checking the completed works' compliance with requirements of state construction 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>Directed and coordinated by the CMU through the Vice-Prime-Minister of Ukraine - Minister of Communities and Territories Development⁸⁶⁵</p> <p>(central executive body responsible for implementation of state policy in state architectural and construction control and supervision)</p>	<p>Regulation on the State Architectural and Construction Inspection of Ukraine⁸⁶⁶</p> <p>Procedure of Exercising State Architectural and Construction Control⁸⁶⁷</p> <p>Procedure for Exercising State Architectural and Construction Supervision⁸⁶⁸</p>
Oblast (region), Kyiv city state administrations	<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</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>Constitution of Ukraine</p> <p>Subsoil Code</p> <p>Law of Ukraine "On Environmental Protection"</p> <p>Law of Ukraine "On Local</p>

⁸⁶⁵ According to the Regulations on SACI with amendments made by the Resolution of the CMU № 898 dated September 25, 2019, available at: <https://zakon.rada.gov.ua/laws/show/898-2019-%D0%BF/ed20191102#n5>

⁸⁶⁶ 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>

⁸⁶⁷ 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>.

⁸⁶⁸ 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>.

State authority	Main functions/powers in mineral resource production sector	Subordination to the state authority	Laws and regulations
	<p>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 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 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.</p>	<p>State Administrations⁸⁶⁹</p> <p>The Law of Ukraine "On the Capital of Ukraine - the Hero City of Kyiv"⁸⁷⁰</p>
<p>Oblast (region), Kyiv, city councils</p>	<p>1) Providing mineral resources into use for the development of minerals of local importance;</p> <p>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 resources⁸⁷¹;</p> <p>3) Distributing royalties for subsoil resource use among the relevant local budgets;</p> <p>4) Issuing mining allotments (for development</p>	<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"⁸⁷³</p> <p>Law of Ukraine "On the Capital of Ukraine - the Hero City of Kyiv"</p> <p>Subsoil Code</p>

⁸⁶⁹ 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>

⁸⁷⁰ Law of Ukraine "On the Capital of Ukraine - the Hero City of Kyiv" No. 401-XIV of 15 January 1999, available at: <http://zakon2.rada.gov.ua/laws/show/586-14>

⁸⁷¹ From December 2019, the powers is excluded from the competence of the body in accordance with the Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine to Improve Legislation on Amber and Other Minerals" № 402-IX dated December 19, 2019, available at: <https://zakon.rada.gov.ua/laws/show/402-20/ed20191229#n15>

⁸⁷³ 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>of mineral fields of local importance)⁸⁷²;</p> <p>5) Developing, approving, and executing local programs for the development of mineral resources base, rational use and protection of the subsoil resources;</p> <p>6) Exercising control over the use and protection of subsoil resources.</p>		
<p>Village, rural settlement, city, district councils and councils of united territorial communities</p>	<p>1) Approving allocation of rights to use subsoil for the purposes 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>The authorities of local self-government bodies 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>Constitution of Ukraine</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 Mining Law</p>

⁸⁷² 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" № 352 dated May 06, 2020, available at: <https://zakon.rada.gov.ua/laws/show/352-2020-%D0%BF#n11>

13. Annex 4. Ultimate 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 Esco-Pivnich 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
9.	30694895	Kub-gaz LLC	Brociti Investments Limited, Zlochevska Anna, Ukraine, Zlochevska Karina, Ukraine
10.	25635581	Ukrgezvydobutok PrJSC	Private limited company Smart Energy B.V., Limited Liability Company Pelidona Services LTD, Limited Liability Company Lovitia Investments LTD, Smart Energy LLC - Vadym

No.	Code EDRPOU	Name	Beneficial owner of the company
			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 available on USR
13.	35602704	Nadra-Heoinvest LLC	Guzenko Oleksandr, Ukraine Guzenko Tetyana, Ukraine
14.	24186185	Energiia-95 LLC	Gasolinum LLC - Vitalii Danilov, Ukraine Enerdzhi Aktyv LLC - Ihor Kotvitskyi, Ukraine
15.	38203132	Systemoilinzhenerinh LLC	Brociti Investments Limited, Zlochevska Anna, Ukraine, Zlochevska Karina, Ukraine
16.	23152126	Ukr carpatoil 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 available on 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 Kryvyi 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
23.	00190977	Central GZK PrJSC	Metinvest B.V., Metinvest Management B.V. - Akhmetov Rinat, Ukraine
24.	00191282	Poltavsky GZK 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 available on USR (because the company is state-owned)

No.	Code EDRPOU	Name	Beneficial owner of the company
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 available on 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	Lvivuhillia SE	There are no individuals who meet the status of the ultimate beneficial owner
38.	31599557	Vuhilna kompaniia Krasnolymanska SE	No information available on USR
39.	32087941	Myrnohradvuhillia SE	No information available on USR
40.	32320594	Pervomaiskvuhillia SE	No information available on USR
41.	32359108	Lysychanskvuhillia PJSC	No ultimate beneficial owner
42.	34032208	Shakhtoupravlinnia Pivdenodonbaske No. 1 SE	No information available on USR
43.	33839013	Toretskvuhillia SE	No information available on USR
44.	40695853	Mine named after M. S. Surgai SE	No information available on USR
45.	30019801	Ukrtransgaz JSC	No ultimate beneficial owner
46.	31570412	Ukrtransnafta JSC	No ultimate beneficial owner
47.	39454684	Stryynaftohaz LLC	No information available on USR. According to the company, its beneficial owners are the founders of the company: Kurochkin Oleg, Ukraine Petrushko Yuriy, Ukraine Gryniv Petro, Ukraine
48.	36282935	Zakhidnadraseris LLC	Kozitsky Zinoviy, Ukraine
49.	32281519	Krasnolimans'ke LLC	Ukrdoninvest LLC (30775586) - Kropachov Vitaliy, Ukraine

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 2019⁸⁷⁴

The results of auctions for the sale of special permits for the use of subsoil, which took place in 2019

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 12.02.2019						
1	Prutivskiy ore show	sulfide copper-nickel ores	geological exploration including pilot commercial works	Kirovograd region, Petrivsky district	1) Kolormet of Ukraine LLC, EDRPOU code: 40625372 2) Rud Investium LLC, EDRPOU code: 42630426	Kolormet of Ukraine LLC
Results of the II auction that took place on 06.03.2019						
1	Dubrivsko - Radchenkivska area	oil, natural gas, condensate	geological exploration of oil and gas bearing subsoil, including pilot commercial works with further production of oil and gas (commercial exploration of the field)	Poltava region, Myrhorod and Velykobagachansky districts	1) Optima-resource Private Enterprise: EDRPOU code: 35107478 2) NAFTOGAZPROMYSLOVA GEOLOGIYA LLC, EDRPOU code: 38238322	NAFTOGAZPROMYSLOVA GEOLOGIYA LLC
2	Svitankovo-Logivska area	oil, natural gas, condensate	geological exploration of oil and gas bearing subsoil, including pilot commercial works with further production of oil and gas (commercial	Kharkiv region, Chuguiv, Zmiiv and Kharkiv districts	1) Optima-resource Private Enterprise, EDRPOU code: 35107478 2) JSC Ukrgasvydobuvannya, EDRPOU code: 30019775 3) PROM-ENERGO PRODUCT LLC, EDRPOU code: 31747429 4) NAFTOGAZSYSTEMY LLC, EDRPOU code: 42832275	NAFTOGAZSYSTEMY LLC

⁸⁷⁴ 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		
			exploration of the field)			
3	South-Kobzivska area	oil, natural gas, condensate	geological exploration of oil and gas bearing subsoil, including pilot commercial works with further production of oil and gas (commercial exploration of the field)	Kharkiv region, Kegychiv, Krasnograd, Sakhnovshchyna and Zachepyliv districts	1) Optima-resource Private Enterprise, EDRPOU code: 35107478 2) JSC Ukrgasvydobuvannya», EDRPOU code: 30019775	JSC Ukrgasvydobuvannya
Results of the III auction that took place on 20.03.2019						
1	Gumnyska area (area No1 and No2)	sandstones	geological exploration including pilot commercial works	Ternopil region	1) UKRAINIAN RARE METALS LLC, EDRPOU code: 39948774 2) Bronskiy I.V. Private Entrepreneur, EDRPOU code: 3106520274 3) Boretskiy I.S. Private Entrepreneur, EDRPOU code: 2811402756 4) MPC KFN LLC, EDRPOU code: 38982086	Boretskiy I.S. Private Entrepreneur
Results of the IV auction that took place on 22.04.2019						
1	Zhalyanska-2 area	clay	geological exploration including pilot commercial works	Rivne region, Goshchansky district	1) RIVNE CONCRETE PLANT LLC, EDRPOU code: 41233586 2) Kozachok T.P. Private Entrepreneur, tax number: 2940301543 3) HOLLAND GROUP Private Enterprise, EDRPOU code:	Kozachok T.P. Private Entrepreneur

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		
					42288039	
2	Subsoil area in Zaporizhzhia, where the well №2-re is located	underground drinking water	geological exploration including pilot commercial works	Zaporizhzhia region	1) SECHS TRIAS, Private Enterprise, EDRPOU code: 34157670 2) BALTA LLC, EDRPOU code: 24511412	BALTA LLC
3	Semenivska area	amber	geological exploration including pilot commercial works	Zhytomyr region, Olevsky district	1) LANDPRIDE LLC, EDRPOU code: 42241582 2) Ukrainian investment-industrial construction company LLC, EDRPOU code: 35824889 3) Scarb Polissya LLC, EDRPOU code: 42015687 4) FASHION AND AMBER COMPANY LLC, EDRPOU code: 38488141 5) FINMARK LLC, EDRPOU code: 40424913 6) GID GROUP LLC, EDRPOU code: 42410364	GID GROUP LLC
4	Zarichna area of Zavallivske field	graphite	mining	Odessa region, Savran district.	1) DNEPRO-TORG-INFO LLC, EDRPOU code: 42306183 2) UKRAINIAN SUPPLY GROUP LLC, EDRPOU code: 39259817	UKRAINIAN SUPPLY GROUP LLC
5	Yurivska area	titanium-apatite ore	geological exploration including pilot commercial works	Zhytomyr region, Olevsky district	1) UKRBUSINESS CAPITAL LLC, EDRPOU code: 34429480 2) MINING COMPANY OF UKRAINE LLC, EDRPOU code: 40812016 3) TITANIUM-APATITE GROUP LLC, EDRPOU code:	TITANIUM-APATITE GROUP LLC

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		
					39949165	
6	Yastrebitska area	zircon-rare-earth-fluorite ores	geological exploration including pilot commercial works	Zhytomyr region, Olevsky district	1) Ukrbusiness Capital LLC, EDRPOU code: 34429480 2) Mining Company Of Ukraine LLC, EDRPOU code: 40812016 3) CFR GROUP LLC, EDRPOU code: 42926957	CFR GROUP LLC
7	Perzhanske field	beryllium	mining	Zhytomyr region, Olevsky district	1) Ukrbusiness Capital LLC, EDRPOU code: 34429480 2) Mining Company Of Ukraine LLC, EDRPOU code: 40812016 3) MINING COMPANY OF PERHA LLC, EDRPOU code: 39926457	MINING COMPANY OF PERHA LLC
Results of the V auction that took place on 02.05.2019						
1	Drogobyska area	oil, natural gas, condensate and related components	geological exploration of oil and gas bearing subsoil, including pilot commercial works with further production of oil and gas (commercial exploration of the field)	Lviv region	1) JSC Ukrigasvydobuvannya, EDRPOU code: 30019775 2) Ukrbusiness Capital LLC, EDRPOU code: 34429480 3) UNIFIED OIL AND GAS COMPANY LLC, EDRPOU code: 40249553	UNIFIED OIL AND GAS COMPANY LLC
2	Kadobnyanske field	oil, natural gas, condensate and related components	geological exploration of oil and gas bearing subsoil, including pilot commercial works with further	Ivano-Frankivsk region	1) CARGO PROM LLC, EDRPOU code: 41137437 2) Oil and gas company BanGas, EDRPOU code: 41878811 3) PRYCARPATRESURS LLC,	JSC Ukrigasvydobuvannya

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		
			production of oil and gas (commercial exploration of the field)		EDRPOU code: 40839017 4) JSC Ukgasvydobuvannya, EDRPOU code: 30019775	
3	North-Efremivska area	oil, natural gas, condensate and related components	geological exploration of oil and gas bearing subsoil, including pilot commercial works with further production of oil and gas (commercial exploration of the field)	Kharkiv region	1) Ukrbusiness Capital LLC, EDRPOU code: 34429480 2) JSC Ukgasvydobuvannya, EDRPOU code: 30019775	JSC Ukgasvydobuvannya
4	Dobrenska area	oil, natural gas, condensate and related components	geological exploration of oil and gas bearing subsoil, including pilot commercial works with further production of oil and gas (commercial exploration of the field)	Kharkiv region	1) JSC Ukgasvydobuvannya, EDRPOU code: 30019775 2) CARGO PROM LLC, EDRPOU code: 41137437	JSC Ukgasvydobuvannya
5	Kalyuzhna-1 area	oil, natural gas, condensate and related components	geological exploration of oil and gas bearing subsoil, including pilot commercial works with further production of oil	Sumy region	1) JSC Ukgasvydobuvannya, EDRPOU code: 30019775 2) Optima-Resource Private Enterprise, EDRPOU code: 35107478	JSC Ukgasvydobuvannya

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		
			and gas (commercial exploration of the field)			
6	Opolonivska-1 area	oil, natural gas, condensate and related components	geological exploration of oil and gas bearing subsoil, including pilot commercial works with further production of oil and gas (commercial exploration of the field)	Chernihiv region	1) JSC Ukgasvydobuvannya, EDRPOU code: 30019775 2) Optima-Resource Private Enterprise, EDRPOU code: 35107478	JSC Ukgasvydobuvannya
Results of the VI auction that took place on 18.06.2019						
1	Yasenska area	oil, natural gas, condensate	geological exploration of oil and gas bearing subsoil, including pilot commercial works with further production of oil and gas (commercial exploration of the field)	Ivano-Frankivsk region	1) JSC Ukgasvydobuvannya, EDRPOU code: 30019775 2) Optima-Resource Private Enterprise, EDRPOU code: 35107478	JSC Ukgasvydobuvannya
2	Bolokhivsko-Smolyanska area	oil, natural gas, condensate	geological exploration of oil and gas bearing subsoil, including pilot commercial works with further production of oil	Ivano-Frankivsk region	1) EUROCONSULT-GROUP LLC, EDRPOU code: 38315595 2) JSC Ukgasvydobuvannya, EDRPOU code: 30019775	JSC Ukgasvydobuvannya

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		
			and gas (commercial exploration of the field)			
3	Goshivska area	oil, natural gas, condensate	geological exploration of oil and gas bearing subsoil, including pilot commercial works with further production of oil and gas (commercial exploration of the field)	Ivano-Frankivsk region	1) EUROCONSULT-GROUP LLC, EDRPOU code: 38315595 2) JSC Ukrgasvydobuvannya, EDRPOU code: 30019775	JSC Ukrgasvydobuvannya
4	Kokhivska area	oil, natural gas, condensate	geological exploration of oil and gas bearing subsoil, including pilot commercial works with further production of oil and gas (commercial exploration of the field)	Dnipropetrovsk, Kharkiv regions	1) EUROCONSULT-GROUP LLC, EDRPOU code: 38315595 2) JSC Ukrgasvydobuvannya, EDRPOU code: 30019775	JSC Ukrgasvydobuvannya
5	Rozdolivsko-Uspenivska 1 area	oil, natural gas, condensate	geological exploration of oil and gas bearing subsoil, including pilot commercial works with further production of oil and gas	Dnipropetrovsk, Kharkiv regions	1) EUROCONSULT-GROUP LLC, EDRPOU code: 38315595 2) JSC Ukrgasvydobuvannya, EDRPOU code: 30019775	JSC Ukrgasvydobuvannya

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		
			(commercial exploration of the field)			
6	Rozdolivsko-Uspenivska 2 area	oil, natural gas, condensate	geological exploration of oil and gas bearing subsoil, including pilot commercial works with further production of oil and gas (commercial exploration of the field)	Dnipropetrovsk, Kharkiv regions	1) NOVA STAL LLC, EDRPOU code: 36367823 2) JSC Ukrigasvydobuvannya, EDRPOU code: 30019775	JSC Ukrigasvydobuvannya
7	Orilsko-Brusivska area	oil, natural gas, condensate	geological exploration of oil and gas bearing subsoil, including pilot commercial works with further production of oil and gas (commercial exploration of the field)	Dnipropetrovsk, Kharkiv regions	1) EUROCONSULT-GROUP LLC, EDRPOU code: 38315595 2) JSC Ukrigasvydobuvannya, EDRPOU code: 30019775	JSC Ukrigasvydobuvannya
Results of the VII auction that took place on 07.08.2019						
1	Snyachivska area (parts No1 and No2)	clay	geological exploration including pilot commercial works	Chernivtsi region, Storozhynets district	1) Krupiansky brick factory, EDRPOU code: 31898936 2) SNYACHIVTORG LLC, EDRPOU code: 32908232	SNYACHIVTORG LLC
Results of the VIII auction that took place on 16.09.2019						
1	Tatalivska area	oil, natural gas, condensate	geological exploration of oil and gas bearing	Chernivtsi region,	1) CARGO PROM LLC, EDRPOU code: 41137437 2) JSC	JSC Ukrigasvydobuvannya

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		
			subsoil, including pilot commercial works with further production of oil and gas (commercial exploration of the field)	Vyzhnytskyi district	Ukrigasvydobuvannya, EDRPOU code: 30019775	
Results of the IX auction that took place on 30.09.2019						
1	Kashtanivska area	sand-gravel mixture	geological exploration including pilot commercial works	Khmelnysky region, Kamyanets-Podilskyi district	1) MANTEK LLC, EDRPOU code: 36778425 2) DOBROBUT-RBK LLC, EDRPOU code: 33246983	DOBROBUT-RBK LLC
2	Area Gliboch tract, where well No1 is located	underground water	geological exploration including pilot commercial works	Lviv region, Sambir district	1) GRAND BAG LLC, EDRPOU code: 40920584 2) MISEMBR LLC, EDRPOU code: 41821964	MISEMBR LLC
3	Subsoil area in city type village Pidvolchytsk, where well No1 is located	underground drinking water	geological exploration including pilot commercial works	Ternopil region, Pidvolochysk district	1) Bondarchuk V.A. Private Entrepreneur, EDRPOU code: 2966903972 2) Nykolychyn I.M. Private Entrepreneur, EDRPOU code: 2688713052	Nykolychyn I.M. Private Entrepreneur
Results of the X auction that took place on 11.10.2019						
1	Shumulivska area (source No1)	underground water	geological exploration including pilot commercial works	Tomashpilskyi district, Vinnytsia region	1) ECO-PODILLYA LLC, EDRPOU code: 38171195 2) Dana plus K. LLC, EDRPOU code: 35143626	Dana plus K. LLC
2	Well No1 in village Subotsi	underground water	geological exploration	Znamyansky district, Kirovograd region	1) Tsyrylyuk V.S. Private Entrepreneur, EDRPOU code: 2308504393 2) AREAL Private Enterprise, EDRPOU code: 31960239	AREAL Private Enterprise

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 XI auction that took place on 30.10.2019						
1	Vatazhkivska area	oil, natural gas, condensate	geological exploration of oil and gas bearing subsoil, including pilot commercial works with further production of oil and gas (commercial exploration of the field)	Poltava region, Poltavsky district	1) Optima-Resource Private Enterprise, EDRPOU code: 35107478 2) NAFTA RV LLC, EDRPOU code: 40833371	NAFTA RV LLC
2	Zakhidnotokarsk o-Krasnyanska area	oil, natural gas, condensate	geological exploration of oil and gas bearing subsoil, including pilot commercial works with further production of oil and gas (commercial exploration of the field)	Lugansk region, Svativskyi district	1) DASHAVA LLC, EDRPOU code: 43007329 2) NADRA CARBON LLC, EDRPOU code: 40085907	NADRA CARBON LLC

16. Annex 7. Information on selected indicators of interbudgetary transfers (other subventions) from the State budget to local budgets of Ukraine in 2019⁸⁷⁵

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	1,763,260,600.00	922,734,720.81
03100000000	Budget of Volyn region	1,060,952,500.00	563,954,312.12
04100000000	Budget of Dnipropetrovsk region	2,164,792,800.00	1,544,725,199.74
05100000000	Budget of Donetsk region	1,669,197,100.00	992,751,253.59
06100000000	Budget of Zhytomyr region	1,295,203,200.00	811,638,928.11
07100000000	Budget of Zakarpatya region	760,221,400.00	314,934,385.08
08100000000	Budget of Zaporizhzhia region	1,312,642,300.00	733,397,868.08
09100000000	Budget of Ivano-Frankivsk region	1,511,230,600.00	722,304,721.98
10100000000	Budget of Kyiv region	1,840,655,800.00	1,583,329,290.16
11100000000	Budget of Kirovohrad region	906,421,700.00	521,424,851.00
12100000000	Budget of Luhansk region	721,067,500.00	526,558,796.19
13100000000	Budget of Lviv region	2,716,274,400.00	1,134,664,281.88
14100000000	Budget of Mykolaiv region	602,356,500.00	426,221,133.68
15100000000	Budget of Odesa region	727,383,400.00	687,324,159.52
16100000000	Budget of Poltava region	1,747,708,500.00	1,053,898,287.98
17100000000	Budget of Rivne region	1,049,421,800.00	660,786,494.10

⁸⁷⁵ 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/5e7/cb7/8f0/5e7cb78f08cda737290151.xls>

18100000000	Budget of Sumy region	1,477,201,400.00	839,091,494.91
19100000000	Budget of Ternopil region	1,395,213,900.00	729,796,006.44
20100000000	Budget of Kharkiv region	2,511,087,400.00	1,906,599,135.50
21100000000	Budget of Kherson region	708,838,800.00	361,616,563.65
22100000000	Budget of Khmelnytsky region	1,562,713,200.00	853,906,144.88
23100000000	Budget of Cherkasy region	1,636,680,900.00	1,142,374,498.88
24100000000	Budget of Chernivtsi region	886,347,000.00	350,035,279.64
25100000000	Budget of Chernihiv region	1,415,579,600.00	875,710,571.78
26000000000	Budget the City of Kyiv	1,653,144,800.00	1,301,461,158.25
Total		35,095,597,100.00	21,561,239,537.95

17. Annex 8. Consolidated database on tax and other payments by reporting companies of extractive industries that provided information for EITI Report, in 2019

17.1 Personal income tax

Reconciliation of revenues from personal income tax in 2019 (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 between data reported by government agencies and data reported by companies	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies
Naftogaz of Ukraine NJSC	266,311.95	245,865.42	20,446.53	266,311.95	266,311.95	0.00
Ukrasvydobuvannya JSC	1,129,294.73	1,097,089.00	32,205.73	1,129,294.73	1,097,089.00	32,205.73
Ukrnafta PJSC	873,030.45	0.00	873,030.45	873,030.45	873,030.45	0.00
Naftogazvydobuvannia PrJSC	20,562.31	20,562.31	0.00	20,562.31	20,562.31	0.00
Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	36,707.70	36,707.70	0.00	36,707.70	36,707.70	0.00
Energy Service Company Esco-Pivnich LLC	45,155.10	3,473.47	41,681.63	45,155.10	45,155.10	0.00
Poltava Petroleum Company JV	30,199.04	30,199.04	0.00	30,199.04	30,199.04	0.00
Natural Resources PrJSC	19,567.62	19,567.62	0.00	19,567.62	19,567.62	0.00
Systemoilingeneryng LLC	3,594.28	3,594.28	0.00	3,594.28	3,594.28	0.00
Kub-gaz LLC	11,659.88	10,768.30	891.58	11,659.88	11,661.00	(1.12)
Joint Venture Ukrkarpatoil LTD LLC	1,079.78	0.00	1,079.78	1,079.78	1,079.78	0.00

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies
Persha Ukrainiska Gazonaftova Kompaniia LLC	2,857.93	2,858.00	-0.07	2,857.93	2,858.00	(0.07)
Zakhidnadraseriv LLC	2,787.89	214.70	2,573.20	2,787.89	2,787.89	0.00
Nordik Private Enterprise	2,609.78	83.04	2,526.74	2,609.78	2,609.78	0.00
Energiiia-95 LLC	657.96	657.90	0.06	657.96	657.90	0.06
Striynaftogaz LLC	3,578.32	3,578.68	(0.36)	3,578.32	3,578.68	-0.36
Nadra-Geoinvest LLC	1,242.13	1,125.90	116.23	1,242.13	1,219.77	22.36
Kashtan Petroleum LTD JV	1,200.26	1,107.00	93.26	1,200.26	1,200.26	0.00
1/1999 No. 35/4 - authorized entity Hals-K PrJSC (31566427)	581.59	581.59	0.00	581.59	581.59	0.00
Ukrtransgaz JSC	794,759.96	794,717.00	42.96	794,759.96	794,717.00	42.96
Ukrtransnafta JSC	245,041.07	245,078.00	(36.93)	245,041.07	245,078.00	(36.93)
Total	3,492,479.74	2,517,828.95	974,650.79	3,492,479.74	3,460,247.10	32,232.64

Reconciliation of revenues from personal income tax in 2019 (coal mining), UAH thousand

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies
DTEK Pavlogradugol PrJSC	974,335.84	974,336.00	(0.16)	974,335.84	974,336.00	(0.16)
Shakhtoupravlinnia Pokrovske PJSC	344,800.42	26,524.00	318,276.42	344,800.42	344,800.21	0.21
DTEK Dobropolyeugol LLC	215,997.97	193,159.00	22,838.97	215,997.97	203,688.00	12,309.97
Lvivvuhillia SE	269,205.70	267,800.00	1,405.70	269,205.70	269,206.00	(0.30)
Selydivvuhillia SE	159,718.26	0.00	159,718.26	159,718.26	159,702.03	16.23
Pervomaiskvuhillia SE	98,415.74	98,350.00	65.74	98,415.74	98,415.74	0.00
Bilozerska Mine DLC	44,414.84	44,414.80	0.04	44,414.84	44,414.80	0.04
Myrnohradvuhillia SE	84,186.19	84,098.00	88.19	84,186.19	84,098.00	88.19
Lysychanskvuhillia PJSC	79,548.39	79,548.00	0.39	79,548.39	79,548.00	0.39
Shakhtoupravlinnia Pivdenodonbaske No 1 SE	67,429.04	4,186.00	63,243.04	67,429.04	67,429.04	0.00
Mine named after M. S. Surgai SE	69,627.09	5,362.00	64,265.09	69,627.09	69,627.09	0.00
Toretskvuhillia SE	56,908.52	56,928.00	(19.48)	56,908.52	56,899.00	9.52
Vuhilna Kompaniia Krasnolymanska SE	54,324.34	54,611.00	(286.66)	54,324.34	54,611.60	(287.26)
Total	2,518,912.33	1,889,316.80	629,595.53	2,518,912.33	2,506,775.51	12,136.82

Reconciliation of revenues from personal income tax in 2019 (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 between data reported by government agencies and data reported by companies	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies
ArcelorMittal Kryvyi Rih PJSC	914,092.53	914,086.00	6.53	914,092.53	914,086.00	6.53
Southern Mining Factory JSC	295,729.10	23,475.85	272,253.25	295,729.10	295,729.10	0.00
Northern Iron Ore Enrichment Works PrJSC	279,796.53	21,529.74	258,266.79	279,796.53	21,529.74	258,266.79
Ingulets Iron Ore Enrichment Works PrJSC	233,699.36	18,016.23	215,683.14	233,699.36	233,699.36	0.00
Ferrexpo Poltava mining PrJSC	327,134.02	0.00	327,134.02	327,134.02	327,134.02	0.00
Central Iron Ore Enrichment Works PrJSC	215,869.97	16,605.94	199,264.03	215,869.97	215,869.97	0.00
The foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC	222,212.37	0.00	222,212.37	222,212.37	223,038.65	(826.28)
Krivoj Rog's Iron-Ore Combine PJSC	292,896.25	293,827.89	(931.64)	292,896.25	293,827.89	(931.64)
Ferrexpo Yeristovo mining LLC	66,883.86	66,883.90	(0.04)	66,883.86	66,883.90	(0.04)
Suha Balka PrJSC	118,480.04	118,480.00	0.04	118,480.04	118,480.00	0.04
United Mining and Chemical Company JSC	138,033.44	138,031.52	1.92	138,033.44	138,031.52	1.92
Pokrovskiy GZK JSC	113,013.86	113,013.86	0.00	113,013.86	113,013.86	0.00
Marganets GZK JSC	100,838.11	100,838.10	0.01	100,838.11	100,838.10	0.01
Total	3,318,679.43	1,824,789.02	1,493,890.41	3,318,679.43	3,062,162.11	256,517.32

17.2 Corporate income tax

Reconciliation of revenues from corporate income tax in 2019 (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 between data reported by government agencies and data reported by companies	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies
Naftogaz of Ukraine NJSC	9,719,026.26	7,919,026.26	1,800,000.00	9,719,026.26	9,719,026.26	0.00
Ukrigasvydobuvannya JSC	8,974,636.72	8,974,636.00	0.72	8,974,636.72	8,974,636.00	0.72
Ukrnafta PJSC	1,075,548.16	1,074,873.00	675.16	1,075,548.16	1,074,873.00	675.16
Naftogazvydobuvannya PrJSC	1,353,385.84	1,353,385.84	0.00	1,353,385.84	1,353,385.84	0.00
Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	717,808.63	717,642.91	165.72	717,808.63	717,642.91	165.72
Energy Service Company Esco-Pivnich LLC	252,877.52	252,877.52	0.00	252,877.52	252,877.52	0.00
Poltava Petroleum Company JV	182,750.00	182,750.00	0.00	182,750.00	182,750.00	0.00
Natural Resources PrJSC	204,774.55	204,774.55	0.00	204,774.55	204,774.55	0.00
Systemoilingeneryng LLC	193,157.22	193,157.22	0.00	193,157.22	193,157.22	0.00
Kub-gaz LLC	72,387.12	72,387.00	0.12	72,387.12	72,387.00	0.12
Joint Venture Ukrkarpatoil LTD LLC	17,020.26	17,020.00	0.26	17,020.26	17,020.00	0.26
Persha Ukrainiska Gazonaftova Kompaniia LLC	33,212.79	33,212.00	0.79	33,212.79	33,212.00	0.79
Zakhidnadraserivce LLC	64,010.66	64,010.66	0.00	64,010.66	64,010.66	0.00
Nordik Private Enterprise	26,067.04	26,067.04	0.00	26,067.04	26,067.04	0.00
Energiia-95 LLC	38,030.84	38,030.80	0.04	38,030.84	38,030.80	0.04
Striynaftogaz LLC	47,080.50	47,080.50	0.00	47,080.50	47,080.50	0.00
Nadra-Geoinvest LLC	42,085.92	42,085.90	0.02	42,085.92	42,085.90	0.02

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies
Kashtan Petroleum LTD JV	23,013.68	23,014.00	(0.32)	23,013.68	23,014.00	(0.32)
1/1999 No. 35/4 - authorized entity Hals-K PrJSC (31566427)	0.00	0.00	0.00	0.00	0.00	0.00
Ukrtransgaz JSC	2,165,287.59	2,165,748.00	(460.42)	2,165,287.59	2,165,748.00	(460.42)
Ukrtransnafta JSC	320,430.04	320,430.00	0.04	320,430.04	320,430.00	0.04
Total	25,522,591.33	23,722,209.20	1,800,382.12	25,522,591.33	25,522,209.20	382.13

Reconciliation of revenues from corporate income tax in 2019 (coal mining), UAH thousand

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies
DTEK Pavlogradugol PrJSC	2,070,306.49	2,070,023.00	283.49	2,070,306.49	2,070,023.00	283.49
Shakhtoupravlinnia Pokrovske PJSC	302,983.65	302,984.00	(0.35)	302,983.65	302,984.00	(0.35)
DTEK Dobropolyeugol LLC	0.00	0.00	0.00	0.00	0.00	0.00
Lvivvuhillia 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
Pervomaiskvuhillia SE	0.00	0.00	0.00	0.00	0.00	0.00
Bilozerska Mine DLC	0.00	0.00	0.00	0.00	0.00	0.00
Myrnohradvuhillia SE	91.36	91.00	0.36	91.36	91.00	0.36
Lysychanskvuhillia PJSC	15.00	15.00	0.00	15.00	15.00	0.00
Shakhtoupravlinnia Pivdenodonbaske No 1 SE	2.87	0.00	2.87	2.87	2.87	0.00
Mine named after M. S. Surgai SE	90.00	90.00	0.00	90.00	90.00	0.00
Toretskvuhillia SE	0.00	0.00	0.00	0.00	0.00	0.00
Vuhilna Kompaniia Krasnolymanska SE	500.00	500.00	0.00	500.00	500.00	0.00
Total	2,373,989.36	2,373,703.00	286.36	2,373,989.36	2,373,705.87	283.50

Reconciliation of revenues from corporate income tax in 2019 (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 between data reported by government agencies and data reported by companies	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies
ArcelorMittal Kryvyi Rih PJSC	1,238,278.22	1,237,856.00	422.22	1,238,278.22	1,237,856.00	422.22
Southern Mining Factory JSC	2,670,813.49	2,670,813.50	(0.01)	2,670,813.49	2,670,813.50	(0.01)
Northern Iron Ore Enrichment Works PrJSC	2,351,823.95	2,351,823.95	0.00	2,351,823.95	2,351,823.95	0.00
Ingulets Iron Ore Enrichment Works PrJSC	1,744,354.53	1,744,354.53	0.00	1,744,354.53	1,744,354.53	0.00
Ferrexpo Poltava mining PrJSC	1,622,066.62	1,668,554.43	(46,487.81)	1,622,066.62	1,622,066.62	0.00
Central Iron Ore Enrichment Works PrJSC	364,917.84	364,917.83	0.01	364,917.84	364,917.83	0.01
The foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC	444,330.85	377,114.00	67,216.85	444,330.85	444,312.85	18.00
Krivoy Rog's Iron-Ore Combine PJSC	337,435.03	337,435.03	0.00	337,435.03	337,435.03	0.00
Ferrexpo Yeristovo mining LLC	233,035.31	233,035.30	0.01	233,035.31	233,035.30	0.01
Suha Balka PrJSC	(152,860.97)	47.00	(152,907.97)	(152,860.97)	(152,860.97)	0.00
United Mining and Chemical Company JSC	78,412.99	78,412.99	0.00	78,412.99	78,412.99	0.00
Pokrovskiy GZK JSC	1,998.99	1,998.99	0.00	1,998.99	1,998.99	0.00
Marganets GZK JSC	550.04	550.00	0.04	550.04	550.00	0.04
Total	10,935,156.90	11,066,913.55	(131,756.66)	10,935,156.90	10,934,716.63	440.27

17.3 Production royalty

Reconciliation of revenues from production royalty in 2019 (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 between data reported by government agencies and data reported by companies	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies
Naftogaz of Ukraine NJSC	0.00	0.00	0.00	0.00	0.00	0.00
Ukrigasvydobuvannya JSC	25,380,085.91	25,380,086.00	(0.09)	25,380,085.91	25,380,086.00	(0.09)
Ukrnafta PJSC	7,148,134.21	7,086,743.00	61,391.21	7,148,134.21	7,148,061.23	72.98
Naftogazvydobuvannia PrJSC	1,420,843.71	1,420,846.11	(2.41)	1,420,843.71	1,420,846.11	(2.41)
Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	1,387,504.83	1,387,504.83	0.00	1,387,504.83	1,387,504.83	0.00
Energy Service Company Esco-Pivnich LLC	773,902.01	773,902.01	0.00	773,902.01	773,902.01	0.00
Poltava Petroleum Company JV	573,164.27	573,164.27	0.00	573,164.27	573,164.27	0.00
Natural Resources PrJSC	426,112.42	426,112.93	(0.51)	426,112.42	426,112.93	(0.51)
Systemoilengineering LLC	198,243.46	198,255.77	(12.31)	198,243.46	198,255.77	(12.31)
Kub-gaz LLC	246,623.26	246,623.20	0.06	246,623.26	246,623.20	0.06
Joint Venture Ukrkarpatoil LTD LLC	269,536.07	235,956.00	33,580.07	269,536.07	269,536.07	0.00
Persha Ukrainiska Gazonaftova Kompaniia LLC	127,740.98	127,741.20	(0.22)	127,740.98	127,741.20	(0.22)
Zakhidnadraserivce LLC	80,785.47	80,785.47	0.00	80,785.47	80,785.47	0.00
Nordik Private Enterprise	84,749.12	84,749.12	0.00	84,749.12	84,749.12	0.00
Energiia-95 LLC	92,717.80	92,717.70	0.10	92,717.80	92,717.70	0.10
Striynaftogaz LLC	81,211.09	81,211.09	0.00	81,211.09	81,211.09	0.00
Nadra-Geoinvest LLC	118,134.05	118,134.10	(0.05)	118,134.05	118,134.10	(0.05)

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies
Kashtan Petroleum LTD JV	91,274.25	90,577.00	697.25	91,274.25	91,466.97	(192.72)
1/1999 No. 35/4 - authorized entity Hals-K PrJSC (31566427)	12,925.73	12,925.73	0.00	12,925.73	12,925.73	0.00
Ukrtransgaz JSC	15,396.94	15,379.00	17.94	15,396.94	15,379.00	17.94
Ukrtransnafta JSC	15.82	16.00	(0.18)	15.82	16.00	(0.18)
Total	38,529,101.40	38,433,430.53	95,670.87	38,529,101.40	38,529,218.80	(117.40)

Reconciliation of revenues from *production royalty* in 2019 (coal mining), UAH thousand

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies
DTEK Pavlogradugol PrJSC	213,390.36	213,390.00	0.36	213,390.36	213,390.00	0.36
Shakhtoupravlinnia Pokrovske PJSC	126,418.88	126,419.00	(0.12)	126,418.88	126,419.00	(0.12)
DTEK Dobropolyeugol LLC	29,009.14	29,009.00	0.14	29,009.14	29,009.00	0.14
Lvivvuhillia SE	1,050.23	1,050.00	0.23	1,050.23	1,050.00	0.23
Selydivvuhillia SE	1,334.13	1,311.00	23.13	1,334.13	1,311.00	23.13
Pervomaiskvuhillia SE	165.00	165.00	0.00	165.00	165.00	0.00
Bilozerska Mine DLC	5,833.71	5,833.70	0.01	5,833.71	5,833.70	0.01
Myrnohradvuhillia SE	2,137.67	2,138.00	(0.33)	2,137.67	2,138.00	(0.33)
Lysychanskvuhillia PJSC	545.37	545.00	0.37	545.37	545.00	0.37
Shakhtoupravlinnia Pivdenodonbaske No 1 SE	757.25	604.00	153.25	757.25	757.25	0.00
Mine named after M. S. Surgai SE	2,240.29	2,240.00	0.29	2,240.29	2,240.00	0.29
Toretskvuhillia SE	119.00	119.00	0.00	119.00	119.00	0.00
Vuhilna Kompaniia Krasnolymanska SE	0.00	0.00	0.00	0.00	0.00	0.00
Total	383,001.02	382,823.70	177.32	383,001.02	382,976.95	24.07

Reconciliation of revenues from production royalty in 2019 (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 between data reported by government agencies and data reported by companies	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies
ArcelorMittal Kryvyi Rih PJSC	31,991.10	31,989.00	2.10	31,991.10	31,989.00	2.10
Southern Mining Factory JSC	265,677.36	265,677.36	0.00	265,677.36	265,677.36	0.00
Northern Iron Ore Enrichment Works PrJSC	605,761.32	605,761.32	0.00	605,761.32	605,761.32	0.00
Ingulets Iron Ore Enrichment Works PrJSC	572,860.43	572,860.43	0.00	572,860.43	572,860.43	0.00
Ferrexpo Poltava mining PrJSC	416,726.50	416,689.13	37.37	416,726.50	416,689.13	37.37
Central Iron Ore Enrichment Works PrJSC	441,387.15	441,387.15	0.00	441,387.15	441,387.15	0.00
The foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC	343,187.57	343,289.00	(101.43)	343,187.57	343,289.00	(101.43)
Krivoj Rog's Iron-Ore Combine PJSC	202,475.47	202,475.47	0.00	202,475.47	202,475.47	0.00
Ferrexpo Yeristovo mining LLC	241,477.66	241,477.70	(0.04)	241,477.66	241,477.70	(0.04)
Suha Balka PrJSC	221,918.80	221,919.00	(0.20)	221,918.80	221,919.00	(0.20)
United Mining and Chemical Company JSC	171,550.11	171,550.11	0.00	171,550.11	171,550.11	0.00
Pokrovskiyi GZK JSC	79,197.84	79,197.84	0.00	79,197.84	79,197.84	0.00
Marganets GZK JSC	41,002.36	41,002.40	(0.04)	41,002.36	41,002.40	(0.04)
Total	3,635,213.67	3,635,275.91	(62.24)	3,635,213.67	3,635,275.91	(62.24)

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 2019 (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 between data reported by government agencies and data reported by companies	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies
Naftogaz of Ukraine NJSC	11,937,130.01	11,937,130.01	0.00	11,937,130.01	11,937,130.01	0.00
Ukrigasvydobuvannya JSC	10,019,935.00	10,019,935.00	0.00	10,019,935.00	10,019,935.00	0.00
Ukrnafta PJSC	3,718,636.80	0.00	3,718,636.80	3,718,636.80	3,718,550.84	85.96
Naftogazvydobuvannia PrJSC	1,144,931.28	1,144,931.28	0.00	1,144,931.28	1,144,931.28	0.00
Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	905,000.79	904,923.85	76.94	905,000.79	904,923.85	76.94
Energy Service Company Esco-Pivnich LLC	519,816.93	0.00	519,816.93	519,816.93	519,816.93	0.00
Poltava Petroleum Company JV	255,713.34	255,713.34	0.00	255,713.34	255,713.34	0.00
Natural Resources PrJSC	289,456.48	289,456.48	0.00	289,456.48	289,456.48	0.00
Systemoilingenering LLC	104,879.38	104,879.38	0.00	104,879.38	104,879.38	0.00
Kub-gaz LLC	131,906.86	131,907.80	(0.94)	131,906.86	131,907.80	(0.94)
Joint Venture Ukrkarpatoil LTD LLC	139,636.22	0.00	139,636.22	139,636.22	139,636.22	0.00
Persha Ukrainiska Gazonaftova Kompaniia LLC	62,647.10	62,647.00	0.10	62,647.10	62,647.00	0.10
Zakhidnadraseriv LLC	67,886.06	0.00	67,886.06	67,886.06	67,886.06	0.00
Nordik Private Enterprise	74,384.26	0.00	74,384.26	74,384.26	74,384.26	0.00
Energiia-95 LLC	55,133.72	55,133.70	0.02	55,133.72	55,133.70	0.02
Striynaftogaz LLC	52,714.89	52,714.89	0.00	52,714.89	52,714.89	0.00

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies
Nadra-Geoinvest LLC	23,839.14	24,000.00	(160.86)	23,839.14	24,000.00	(160.86)
Kashtan Petroleum LTD JV	35,720.69	35,604.00	116.69	35,720.69	35,604.00	116.69
1/1999 No. 35/4 - authorized entity Hals-K PrJSC (31566427)	125,594.54	125,594.54	0.00	125,594.54	125,594.54	0.00
Ukrtransgaz JSC	4,225,455.62	4,320,522.00	(95,066.38)	4,225,455.62	4,320,522.00	(95,066.38)
Ukrtransnafta JSC	234,551.73	234,552.00	(0.27)	234,551.73	234,552.00	(0.27)
Total	34,124,970.86	29,699,645.28	4,425,325.58	34,124,970.86	34,219,919.59	(94,948.72)

**Reconciliation of revenues from value added tax of goods and services produced in Ukraine (excluding budget reimbursement of VAT) in 2019 (coal mining),
UAH thousand**

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies
DTEK Pavlogradugol PrJSC	736,389.58	786,772.00	(50,382.42)	736,389.58	736,389.58	0.00
Shakhtoupravlinnia Pokrovske PJSC	507,864.22	0.00	507,864.22	507,864.22	507,864.22	0.00
DTEK Dobropolyeugol LLC	592,819.12	592,129.00	690.12	592,819.12	592,129.00	690.12
Lvivvuhillia SE	2,503.21	2,503.00	0.21	2,503.21	2,503.00	0.21
Selydivvuhillia SE	34.22	34.00	0.22	34.22	34.00	0.22
Pervomaiskvuhillia SE	125.87	126.00	(0.13)	125.87	126.00	(0.13)
Bilozerska Mine DLC	90,148.59	90,102.80	45.79	90,148.59	90,102.80	45.79
Myrnohradvuhillia SE	2,063.51	1,254.00	809.51	2,063.51	1,254.00	809.51
Lysychanskvuhillia PJSC	498.10	498.00	0.10	498.10	498.00	0.10
Shakhtoupravlinnia Pivdenodonbaske No 1 SE	9,237.95	0.00	9,237.95	9,237.95	9,237.95	0.00
Mine named after M. S. Surgai SE	354.17	0.00	354.17	354.17	354.17	0.00
Toretskvuhillia SE	0.00	0.00	0.00	0.00	0.00	0.00
Vuhilna Kompaniia Krasnolymanska SE	33.17	33.00	0.17	33.17	33.17	0.00
Total	1,942,071.73	1,473,451.80	468,619.93	1,942,071.73	1,940,525.90	1,545.83

Reconciliation of revenues from value added tax of goods and services produced in Ukraine (excluding budget reimbursement of VAT) in 2019 (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 between data reported by government agencies and data reported by companies	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies
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	1.06	0.00	1.06	1.06	1.06	0.00
Ingulets Iron Ore Enrichment Works PrJSC	31,167.23	0.00	31,167.23	31,167.23	31,167.23	0.00
Ferrexpo Poltava mining PrJSC	157.17	0.00	157.17	157.17	157.17	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	156,868.79	0.00	156,868.79	156,868.79	156,868.79	0.00
Krivoy Rog's Iron-Ore Combine PJSC	67,466.53	67,466.53	0.00	67,466.53	67,466.53	0.00
Ferrexpo Yeristovo mining LLC	10.18	0.00	10.18	10.18	10.18	0.00
Suha Balka PrJSC	269,591.94	269,592.00	(0.06)	269,591.94	269,592.00	(0.06)
United Mining and Chemical Company JSC	2.39	0.00	2.39	2.39	0.00	2.39
Pokrovskiy GZK JSC	0.86	0.49	0.37	0.86	0.49	0.37
Marganets GZK JSC	0.00	0.00	0.00	0.00	0.00	0.00
Total	525,266.15	337,059.02	188,207.13	525,266.15	525,263.45	2.70

17.5 Budget reimbursement of value added tax

Reconciliation of revenues from budget reimbursement of value added tax in 2019 (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 between data reported by government agencies and data reported by companies	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies
Naftogaz of Ukraine NJSC	0.00	0.00	0.00	0.00	0.00	0.00
Ukrasvydobuvannya 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
Naftogazvydobuvannia 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
Systemoilengenering 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 Ukrainiska Gazonaftova Kompaniia LLC	0.00	0.00	0.00	0.00	0.00	0.00
Zakhidnadraseriv 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
Energiia-95 LLC	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 between data reported by government agencies and data reported by companies	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies
Striynaftogaz 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
1/1999 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
Total	0.00	0.00	0.00	0.00	0.00	0.00

Reconciliation of revenues from budget reimbursement of value added tax in 2019 (coal mining), UAH thousand

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies
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
Lvivvuhillia 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
Pervomaiskvuhillia SE	0.00	0.00	0.00	0.00	0.00	0.00
Bilozerska Mine DLC	0.00	0.00	0.00	0.00	0.00	0.00
Myrnohradvuhillia SE	0.00	0.00	0.00	0.00	0.00	0.00
Lysychanskvuhillia 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
Toretskvuhillia 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
Total	0.00	0.00	0.00	0.00	0.00	0.00

Reconciliation of revenues from budget reimbursement of value added tax in 2019 (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 between data reported by government agencies and data reported by companies	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies
ArcelorMittal Kryvyi Rih PJSC	(8,340,130.34)	(8,340,130.00)	(0.34)	(8,340,130.34)	(8,340,130.00)	(0.34)
Southern Mining Factory JSC	(1,175,886.25)	0.00	(1,175,886.25)	(1,175,886.25)	(1,175,886.25)	0.00
Northern Iron Ore Enrichment Works PrJSC	(303,867.01)	0.00	(303,867.01)	(303,867.01)	(303,867.01)	0.00
Ingulets Iron Ore Enrichment Works PrJSC	(328,025.20)	0.00	(328,025.20)	(328,025.20)	(328,025.20)	0.00
Ferrexpo Poltava mining PrJSC	(3,557,808.63)	0.00	(3,557,808.63)	(3,557,808.63)	(3,557,808.63)	0.00
Central Iron Ore Enrichment Works PrJSC	(1,410,086.82)	0.00	(1,410,086.82)	(1,410,086.82)	(1,410,086.82)	0.00
The foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC	(9,147.11)	0.00	(9,147.11)	(9,147.11)	(9,147.11)	0.00
Krivoj Rog's Iron-Ore Combine PJSC	0.00	0.00	0.00	0.00	0.00	0.00
Ferrexpo Yeristovo mining LLC	(652,127.11)	(652,127.10)	(0.01)	(652,127.11)	(652,127.10)	(0.01)
Suha Balka PrJSC	0.00	0.00	0.00	0.00	0.00	0.00
United Mining and Chemical Company JSC	(280,142.71)	(280,142.71)	0.00	(280,142.71)	(280,142.71)	0.00
Pokrovskiy GZK JSC	0.00	0.00	0.00	0.00	0.00	0.00
Marganets GZK JSC	(100,345.35)	0.00	(100,345.35)	(100,345.35)	(100,345.35)	0.00
Total	(16,157,566.53)	(9,272,399.81)	(6,885,166.72)	(16,157,566.53)	(16,157,566.18)	(0.35)

17.6 Value added tax of goods imported into Ukraine

Reconciliation of revenues from value added tax of goods imported into Ukraine in 2019 (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 between data reported by government agencies and data reported by companies	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies
Naftogaz of Ukraine NJSC	6,729,939.13	6,729,925.38	13.75	6,729,939.13	6,729,925.38	13.75
Ukrigasvydobuvannya JSC	2,250,139.47	2,249,889.00	250.47	2,250,139.47	2,249,889.00	250.47
Ukrnafta PJSC	26,537.88	0.00	26,537.88	26,537.88	26,537.88	0.00
Naftogazvydobuvannia PrJSC	74,274.29	74,274.30	0.00	74,274.29	74,274.30	0.00
Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	170,388.04	0.00	170,388.04	170,388.04	170,388.04	0.00
Energy Service Company Esco-Pivnich LLC	8,489.17	0.00	8,489.17	8,489.17	8,489.17	0.00
Poltava Petroleum Company JV	10,834.12	0.00	10,834.12	10,834.12	10,834.12	0.00
Natural Resources PrJSC	1,313.43	1,313.43	0.00	1,313.43	1,313.43	0.00
Systemoilengenering LLC	0.00	0.00	0.00	0.00	0.00	0.00
Kub-gaz LLC	421.89	0.00	421.89	421.89	496.20	(74.31)
Joint Venture Ukrkarpatoil LTD LLC	0.00	0.00	0.00	0.00	0.00	0.00
Persha Ukrainiska Gazonaftova Kompaniia LLC	0.00	0.00	0.00	0.00	0.00	0.00
Zakhidnadraserivce LLC	1,102.18	0.00	1,102.18	1,102.18	1,102.18	0.00
Nordik Private Enterprise	528.73	0.00	528.73	528.73	528.73	0.00
Energiia-95 LLC	0.00	0.00	0.00	0.00	0.00	0.00
Striynaftogaz LLC	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 between data reported by government agencies and data reported by companies	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies
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
1/1999 No. 35/4 - authorized entity Hals-K PrJSC (31566427)	0.00	0.00	0.00	0.00	0.00	0.00
Ukrtransgaz JSC	43,404.27	0.00	43,404.27	43,404.27	42,816.34	587.93
Ukrtransnafta JSC	13,014.22	0.00	13,014.22	13,014.22	12,982.11	32.11
Total	9,330,386.83	9,055,402.11	274,984.72	9,330,386.83	9,329,576.88	809.95

Reconciliation of revenues from value added tax of goods imported into Ukraine in 2019 (coal mining), UAH thousand

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies
DTEK Pavlogradugol PrJSC	125,856.26	0.00	125,856.26	125,856.26	82,388.69	43,467.57
Shakhtoupravlinnia Pokrovske PJSC	206,596.32	0.00	206,596.32	206,596.32	212,897.00	(6,300.68)
DTEK Dobropolyeugol LLC	6,706.71	6,707.00	(0.29)	6,706.71	6,707.00	(0.29)
Lvivvuhillia SE	68.08	0.00	68.08	68.08	68.08	0.00
Selydivvuhillia SE	0.00	0.00	0.00	0.00	0.00	0.00
Pervomaiskvuhillia SE	0.00	0.00	0.00	0.00	0.00	0.00
Bilozerska Mine DLC	1,515.17	0.00	1,515.17	1,515.17	1,515.00	0.17
Myrnohradvuhillia SE	0.00	0.00	0.00	0.00	0.00	0.00
Lysychanskvuhillia 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
Toretskvuhillia 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
Total	340,742.54	6,707.00	334,035.54	340,742.54	303,575.77	37,166.77

Reconciliation of revenues from value added tax of goods imported into Ukraine in 2019 (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 between data reported by government agencies and data reported by companies	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies
ArcelorMittal Kryvyi Rih PJSC	4,404,791.44	4,367,169.00	37,622.44	4,404,791.44	4,404,791.44	0.00
Southern Mining Factory JSC	77,130.53	0.00	77,130.53	77,130.53	61,242.03	15,888.51
Northern Iron Ore Enrichment Works PrJSC	142,962.72	0.00	142,962.72	142,962.72	124,054.00	18,908.72
Ingulets Iron Ore Enrichment Works PrJSC	89,661.74	0.00	89,661.74	89,661.74	85,316.60	4,345.14
Ferrexpo Poltava mining PrJSC	334,746.93	0.00	334,746.93	334,746.93	0.00	334,746.93
Central Iron Ore Enrichment Works PrJSC	101,686.48	0.00	101,686.48	101,686.48	101,686.48	0.00
The foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC	42,179.91	0.00	42,179.91	42,179.91	42,223.67	(43.76)
Krivoj Rog's Iron-Ore Combine PJSC	2,255.33	0.00	2,255.33	2,255.33	2,255.33	0.00
Ferrexpo Yeristovo mining LLC	83,019.37	95,854.80	(12,835.43)	83,019.37	95,854.80	(12,835.43)
Suha Balka PrJSC	10,538.87	0.00	10,538.87	10,538.87	10,539.00	(0.13)
United Mining and Chemical Company JSC	7,142.84	0.00	7,142.84	7,142.84	7,142.84	0.00
Pokrovskiy GZK JSC	10,248.19	0.00	10,248.19	10,248.19	10,248.19	0.00
Marganets GZK JSC	5,209.53	0.00	5,209.53	5,209.53	5,209.50	0.03
Total	5,311,573.88	4,463,023.80	848,550.08	5,311,573.88	4,950,563.87	361,010.01

17.7 Property tax

Reconciliation of revenues from property tax in 2019 (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 between data reported by government agencies and data reported by companies	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies
Naftogaz of Ukraine NJSC	12,229.46	10,280.91	1,948.55	12,229.46	12,229.47	(0.01)
Ukrigasvydobuvannya JSC	65,256.52	65,256.00	0.52	65,256.52	65,256.00	0.52
Ukrnafta PJSC	176,163.04	176,149.00	14.04	176,163.04	176,149.00	14.04
Naftogazvydobuvannya PrJSC	2,389.86	2,389.86	0.00	2,389.86	2,389.86	0.00
Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	79.43	79.80	(0.37)	79.43	79.80	(0.37)
Energy Service Company Esco-Pivnich LLC	619.83	538.58	81.25	619.83	619.83	0.00
Poltava Petroleum Company JV	1,151.50	1,151.50	0.00	1,151.50	1,151.50	0.00
Natural Resources PrJSC	449.19	449.17	0.02	449.19	449.17	0.02
Systemoilengenering LLC	0.00	0.00	0.00	0.00	0.00	0.00
Kub-gaz LLC	789.82	756.50	33.32	789.82	784.88	4.94
Joint Venture Ukrkarpatoil LTD LLC	10.94	11.00	(0.06)	10.94	11.00	(0.06)
Persha Ukrainiska Gazonaftova Kompaniia LLC	4.61	5.00	(0.39)	4.61	5.00	(0.39)
Zakhidnadraserivce LLC	98.84	98.84	0.00	98.84	98.84	0.00
Nordik Private Enterprise	130.84	130.84	0.00	130.84	130.84	0.00
Energiia-95 LLC	406.53	406.50	0.03	406.53	406.50	0.03
Striynaftogaz LLC	513.49	367.59	145.90	513.49	513.49	0.00
Nadra-Geoinvest LLC	9.90	9.90	0.00	9.90	9.90	0.00

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies
Kashtan Petroleum LTD JV	84.99	105.00	(20.01)	84.99	84.99	0.00
1/1999 No. 35/4 - authorized entity Hals-K PrJSC (31566427)	0.00	0.00	0.00	0.00	0.00	0.00
Ukrtransgaz JSC	131,635.27	131,655.00	(19.73)	131,635.27	131,655.00	(19.73)
Ukrtransnafta JSC	17,267.66	17,267.60	0.06	17,267.66	17,267.60	0.06
Total	409,291.73	407,108.59	2,183.14	409,291.73	409,292.67	(0.94)

Reconciliation of revenues from property tax in 2019 (coal mining), UAH thousand

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies
DTEK Pavlogradugol PrJSC	46,693.65	46,693.00	0.65	46,693.65	46,693.00	0.65
Shakhtoupravlinnia Pokrovske PJSC	8,303.27	8,303.00	0.27	8,303.27	8,303.00	0.27
DTEK Dobropolyeugol LLC	18,456.50	18,456.00	0.50	18,456.50	18,456.00	0.50
Lvivvuhillia SE	644.21	640.00	4.21	644.21	640.00	4.21
Selydivvuhillia SE	34.60	36.00	(1.40)	34.60	36.00	(1.40)
Pervomaiskvuhillia SE	9.48	0.00	9.48	9.48	0.00	9.48
Bilozerska Mine DLC	836.79	836.50	0.29	836.79	836.50	0.29
Myrnohradvuhillia SE	76.32	28.00	48.32	76.32	75.69	0.63
Lysychanskvuhillia PJSC	24.70	25.00	(0.30)	24.70	25.00	(0.30)
Shakhtoupravlinnia Pivdenodonbaske No 1 SE	478.98	325.00	153.98	478.98	478.98	0.00
Mine named after M. S. Surgai SE	678.09	678.00	0.09	678.09	678.00	0.09
Toretskvuhillia SE	5.30	3.00	2.30	5.30	3.00	2.30
Vuhilna Kompaniia Krasnolymanska SE	735.56	688.00	47.56	735.56	735.55	0.01
Total	76,977.45	76,711.50	265.95	76,977.45	76,960.72	16.74

Reconciliation of revenues from property tax in 2019 (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 between data reported by government agencies and data reported by companies	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies
ArcelorMittal Kryvyi Rih PJSC	782,908.82	782,888.00	20.82	782,908.82	782,888.00	20.82
Southern Mining Factory JSC	123,146.78	123,145.76	1.02	123,146.78	123,145.76	1.02
Northern Iron Ore Enrichment Works PrJSC	60,631.25	60,631.25	0.00	60,631.25	60,631.25	0.00
Ingulets Iron Ore Enrichment Works PrJSC	45,495.86	45,495.85	0.01	45,495.86	45,495.85	0.01
Ferrexpo Poltava mining PrJSC	59,588.49	42,413.56	17,174.92	59,588.49	42,413.56	17,174.92
Central Iron Ore Enrichment Works PrJSC	210,820.76	210,820.76	0.00	210,820.76	210,820.76	0.00
The foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC	18,848.88	0.00	18,848.88	18,848.88	18,848.88	0.00
Krivoj Rog's Iron-Ore Combine PJSC	53,148.18	53,148.18	0.00	53,148.18	53,148.18	0.00
Ferrexpo Yeristovo mining LLC	13,684.68	13,747.90	(63.22)	13,684.68	13,747.90	(63.22)
Suha Balka PrJSC	12,674.73	12,675.00	(0.27)	12,674.73	12,675.00	(0.27)
United Mining and Chemical Company JSC	14,728.37	14,702.12	26.25	14,728.37	14,702.12	26.25
Pokrovskiy GZK JSC	95,565.08	95,564.93	0.15	95,565.08	95,564.93	0.15
Marganets GZK JSC	6,748.20	6,727.40	20.80	6,748.20	6,727.40	20.80
Total	1,497,990.07	1,461,960.71	36,029.36	1,497,990.07	1,480,809.59	17,180.48

17.8 Environmental tax

Reconciliation of revenues from environmental tax in 2019 (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 between data reported by government agencies and data reported by companies	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies
Naftogaz of Ukraine NJSC	1.75	0.00	1.75	1.75	1.75	0.00
Ukrigasvydobuvannya JSC	33,936.01	33,936.00	0.01	33,936.01	33,936.00	0.01
Ukrnafta PJSC	12,904.97	12,909.00	(4.03)	12,904.97	12,909.00	(4.03)
Naftogazvydobuvannya PrJSC	238.57	238.57	0.00	238.57	238.57	0.00
Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	55.30	55.30	0.00	55.30	55.30	0.00
Energy Service Company Esco-Pivnich LLC	48.60	48.60	0.00	48.60	48.60	0.00
Poltava Petroleum Company JV	613.72	613.72	0.00	613.72	613.72	0.00
Natural Resources PrJSC	20.25	20.25	0.00	20.25	20.25	0.00
Systemoilengenering LLC	28.02	28.02	0.00	28.02	28.02	0.00
Kub-gaz LLC	70.06	69.80	0.26	70.06	69.80	0.26
Joint Venture Ukrkarpatoil LTD LLC	0.00	0.00	0.00	0.00	0.00	0.00
Persha Ukrainiska Gazonaftova Kompaniia LLC	42.51	42.43	0.08	42.51	42.43	0.08
Zakhidnadraserivce LLC	0.33	0.33	0.00	0.33	0.33	0.00
Nordik Private Enterprise	0.25	0.25	0.00	0.25	0.25	0.00
Energiia-95 LLC	0.00	0.00	0.00	0.00	0.00	0.00
Striynaftogaz LLC	0.04	0.04	0.00	0.04	0.04	0.00
Nadra-Geoinvest LLC	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 between data reported by government agencies and data reported by companies	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies
Kashtan Petroleum LTD JV	0.04	0.00	0.04	0.04	0.00	0.04
1/1999 No. 35/4 - authorized entity Hals-K PrJSC (31566427)	0.00	0.00	0.00	0.00	0.00	0.00
Ukrtransgaz JSC	56,018.61	56,011.00	7.61	56,018.61	56,011.00	7.61
Ukrtransnafta JSC	292.79	292.80	(0.01)	292.79	292.80	(0.01)
Total	104,271.83	104,266.12	5.72	104,271.83	104,267.87	3.96

Reconciliation of revenues from environmental tax in 2019 (coal mining), UAH thousand

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies
DTEK Pavlogradugol PrJSC	24,751.61	24,752.00	(0.39)	24,751.61	24,752.00	(0.39)
Shakhtoupravlinnia Pokrovske PJSC	8,561.96	8,562.00	(0.04)	8,561.96	8,562.00	(0.04)
DTEK Dobropolyeugol LLC	7,447.76	7,448.00	(0.24)	7,447.76	7,448.00	(0.24)
Lvivvuhillia SE	0.00	0.00	0.00	0.00	0.00	0.00
Selydivvuhillia SE	86.97	86.00	0.97	86.97	86.00	0.97
Pervomaiskvuhillia SE	0.00	0.00	0.00	0.00	0.00	0.00
Bilozerska Mine DLC	1,986.88	1,986.90	(0.02)	1,986.88	1,986.90	(0.02)
Myrnohradvuhillia SE	309.03	308.00	1.03	309.03	308.00	1.03
Lysychanskvuhillia PJSC	19.00	19.00	0.00	19.00	19.00	0.00
Shakhtoupravlinnia Pivdenodonbaske No 1 SE	1,926.32	1,525.00	401.32	1,926.32	1,926.32	0.00
Mine named after M. S. Surgai SE	267.71	268.00	(0.29)	267.71	268.00	(0.29)
Toretskvuhillia SE	0.00	0.00	0.00	0.00	0.00	0.00
Vuhilna Kompaniia Krasnolymanska SE	5,306.71	4,690.00	616.71	5,306.71	5,306.71	0.00
Total	50,663.96	49,644.90	1,019.06	50,663.96	50,662.93	1.03

Reconciliation of revenues from environmental tax in 2019 (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 between data reported by government agencies and data reported by companies	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies
ArcelorMittal Kryvyi Rih PJSC	339,842.32	339,842.00	0.32	339,842.32	339,842.00	0.32
Southern Mining Factory JSC	48,540.84	48,540.84	0.00	48,540.84	48,540.84	0.00
Northern Iron Ore Enrichment Works PrJSC	97,955.34	97,955.22	0.12	97,955.34	97,955.22	0.12
Ingulets Iron Ore Enrichment Works PrJSC	95,463.78	95,463.78	0.00	95,463.78	95,463.78	0.00
Ferrexpo Poltava mining PrJSC	126,560.11	109,491.01	17,069.10	126,560.11	109,491.01	17,069.10
Central Iron Ore Enrichment Works PrJSC	62,154.62	62,154.62	0.00	62,154.62	62,154.62	0.00
The foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC	114.63	115.00	(0.37)	114.63	115.00	(0.37)
Krivoj Rog's Iron-Ore Combine PJSC	4,618.14	4,618.14	0.00	4,618.14	4,618.14	0.00
Ferrexpo Yeristovo mining LLC	39,020.69	39,020.70	(0.01)	39,020.69	39,020.70	(0.01)
Suha Balka PrJSC	1,951.29	1,951.00	0.29	1,951.29	1,951.00	0.29
United Mining and Chemical Company JSC	610.22	610.22	0.00	610.22	610.22	0.00
Pokrovskiy GZK JSC	6,115.40	6,115.40	0.00	6,115.40	6,115.40	0.00
Marganets GZK JSC	945.24	945.20	0.04	945.24	945.20	0.04
Total	823,892.62	806,823.13	17,069.49	823,892.62	806,823.13	17,069.49

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 2019 (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 between data reported by government agencies and data reported by companies	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies
Naftogaz of Ukraine NJSC	33,003,864.40	20,751,932.20	12,251,932.20	20,751,932.20	20,751,932.20	0.00
Ukrasvydobuvannya 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
Naftogazvydobuvannia 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
Systemoilengenering 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 Ukrainiska Gazonaftova Kompaniia LLC	0.00	0.00	0.00	0.00	0.00	0.00
Zakhidnadraserivce 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
Energiia-95 LLC	0.00	0.00	0.00	0.00	0.00	0.00
Striynaftogaz LLC	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 between data reported by government agencies and data reported by companies	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies
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
1/1999 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
Total	33,003,864.40	20,751,932.20	12,251,932.20	20,751,932.20	20,751,932.20	0.00

Reconciliation of revenues from dividends and payment of a share of net profit in 2019 (coal mining), UAH thousand

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies
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
Lvivvuhillia SE	519.73	520.00	(0.27)	519.73	520.00	(0.27)
Selydivvuhillia SE	0.00	0.00	0.00	0.00	0.00	0.00
Pervomaiskvuhillia SE	0.00	0.00	0.00	0.00	0.00	0.00
Bilozerska Mine DLC	0.00	0.00	0.00	0.00	0.00	0.00
Myrnohradvuhillia SE	340.54	340.00	0.54	340.54	340.00	0.54
Lysychanskvuhillia PJSC	63.00	63.00	0.00	63.00	63.00	0.00
Shakhtoupravlinnia Pivdenodonbaske No 1 SE	2.87	0.00	2.87	2.87	2.87	0.00
Mine named after M. S. Surgai SE	0.00	0.00	0.00	0.00	0.00	0.00
Toretskvuhillia 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
Total	926.14	923.00	3.14	926.14	925.87	0.27

Reconciliation of revenues from dividends and payment of a share of net profit in 2019 (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 between data reported by government agencies and data reported by companies	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies
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
Krivoj 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	34,466.10	34,466.10	0.00	34,466.10	34,466.10	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
Total	34,466.10	34,466.10	0.00	34,466.10	34,466.10	0.00

17.10 Unified social contribution

Reconciliation of revenues from unified social contribution in 2019 (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 between data reported by government agencies and data reported by companies	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies
Naftogaz of Ukraine NJSC	95,356.28	95,356.28	0.00	95,356.28	95,356.28	0.00
Ukrigasvydobuvannya JSC	1,052,719.17	1,019,447.00	33,272.17	1,052,719.17	1,052,719.17	0.00
Ukrnafta PJSC	850,332.98	838,347.00	11,985.98	850,332.98	850,332.98	0.00
Naftogazvydobuvannya PrJSC	16,832.46	16,832.46	0.00	16,832.46	16,832.46	0.00
Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	12,875.28	0.00	12,875.28	12,875.28	12,875.28	0.00
Energy Service Company Esco-Pivnich LLC	9,310.48	9,310.48	0.00	9,310.48	9,310.48	0.00
Poltava Petroleum Company JV	15,880.88	15,880.88	0.00	15,880.88	15,880.88	0.00
Natural Resources PrJSC	12,628.75	12,628.75	0.00	12,628.75	12,628.75	0.00
Systemoilingeneryng LLC	3,182.57	3,182.57	0.00	3,182.57	3,182.57	0.00
Kub-gaz LLC	11,086.27	11,175.00	(88.73)	11,086.27	11,175.00	(88.73)
Joint Venture Ukrkarpatoil LTD LLC	1,034.54	1,036.00	(1.46)	1,034.54	1,036.00	(1.46)
Persha Ukrainiska Gazonaftova Kompaniia LLC	2,693.58	2,694.00	(0.42)	2,693.58	2,694.00	(0.42)
Zakhidnadraserivce LLC	2,773.82	2,773.84	(0.02)	2,773.82	2,773.84	(0.02)
Nordik Private Enterprise	2,501.90	2,501.90	0.00	2,501.90	2,501.90	0.00
Energiia-95 LLC	694.82	694.80	0.02	694.82	694.80	0.02
Striynaftogaz LLC	1,300.62	1,300.62	0.00	1,300.62	1,300.62	0.00
Nadra-Geoinvest LLC	1,055.84	1,053.40	2.44	1,055.84	1,053.40	2.44

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies
Kashtan Petroleum LTD JV	1,116.44	1,116.00	0.44	1,116.44	1,116.00	0.44
1/1999 No. 35/4 - authorized entity Hals-K PrJSC (31566427)	658.07	658.07	0.00	658.07	658.07	0.00
Ukrtransgaz JSC	712,475.67	730,016.00	(17,540.33)	712,475.67	730,016.00	(17,540.33)
Ukrtransnafta JSC	207,039.82	206,500.00	539.82	207,039.82	206,500.00	539.82
Total	3,013,550.25	2,972,505.06	41,045.19	3,013,550.25	3,030,638.49	(17,088.23)

Reconciliation of revenues from unified social contribution in 2019 (coal mining), UAH thousand

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies
DTEK Pavlogradugol PrJSC	1,045,284.59	1,045,285.00	(0.41)	1,045,284.59	1,045,285.00	(0.41)
Shakhtoupravlinnia Pokrovske PJSC	366,701.76	366,702.00	(0.24)	366,701.76	366,702.00	(0.24)
DTEK Dobropolyeugol LLC	233,523.91	214,717.00	18,806.91	233,523.91	238,859.00	(5,335.09)
Lvivvuhillia SE	286,802.83	285,848.00	954.83	286,802.83	286,803.00	(0.17)
Selydivvuhillia SE	173,330.20	0.00	173,330.20	173,330.20	173,359.88	(29.68)
Pervomaiskvuhillia SE	107,018.72	106,986.00	32.72	107,018.72	107,018.72	0.00
Bilozerska Mine DLC	48,428.58	48,428.60	(0.02)	48,428.58	48,428.60	(0.02)
Myrnohradvuhillia SE	91,007.12	0.00	91,007.12	91,007.12	91,007.00	0.12
Lysychanskvuhillia PJSC	87,236.56	87,234.00	2.56	87,236.56	87,234.00	2.56
Shakhtoupravlinnia Pivdenodonbaske No 1 SE	74,197.19	0.00	74,197.19	74,197.19	74,197.19	0.00
Mine named after M. S. Surgai SE	77,355.97	0.00	77,355.97	77,355.97	77,355.97	0.00
Toretskvuhillia SE	63,557.91	0.00	63,557.91	63,557.91	63,544.00	13.91
Vuhilna Kompaniia Krasnolymanska SE	59,380.43	43,923.00	15,457.43	59,380.43	59,710.04	(329.61)
Total	2,713,825.77	2,199,123.60	514,702.17	2,713,825.77	2,719,504.40	(5,678.62)

Reconciliation of revenues from unified social contribution in 2019 (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 between data reported by government agencies and data reported by companies	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies
ArcelorMittal Kryvyi Rih PJSC	956,917.64	956,911.00	6.64	956,917.64	956,911.00	6.64
Southern Mining Factory JSC	312,544.64	312,544.64	0.00	312,544.64	312,544.64	0.00
Northern Iron Ore Enrichment Works PrJSC	301,130.28	301,130.28	0.00	301,130.28	301,130.28	0.00
Ingulets Iron Ore Enrichment Works PrJSC	250,210.44	250,210.44	0.00	250,210.44	250,210.44	0.00
Ferrexpo Poltava mining PrJSC	331,718.01	331,718.01	0.00	331,718.01	331,718.01	0.00
Central Iron Ore Enrichment Works PrJSC	228,532.89	228,532.89	0.00	228,532.89	228,532.89	0.00
The foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC	238,466.23	0.00	238,466.23	238,466.23	239,744.84	(1,278.61)
Krivoj Rog's Iron-Ore Combine PJSC	321,849.69	321,849.69	0.00	321,849.69	321,849.69	0.00
Ferrexpo Yeristovo mining LLC	68,935.49	69,011.40	(75.91)	68,935.49	68,935.49	0.00
Suha Balka PrJSC	124,302.99	124,303.00	(0.01)	124,302.99	124,303.00	(0.01)
United Mining and Chemical Company JSC	151,834.89	151,921.89	(87.00)	151,834.89	151,921.89	(87.00)
Pokrovskiy GZK JSC	120,957.51	120,957.51	0.00	120,957.51	120,957.51	0.00
Marganets GZK JSC	110,574.52	110,574.50	0.02	110,574.52	110,574.50	0.02
Total	3,517,975.21	3,279,665.24	238,309.97	3,517,975.21	3,519,334.17	(1,358.96)

17.11 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 2019 (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 between data reported by government agencies and data reported by companies	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies
Naftogaz of Ukraine NJSC	0.00	0.00	0.00	0.00	0.00	0.00
Ukrigasvydobuvannya JSC	356,315.20	0.00	356,315.20	356,315.20	356,315.20	0.00
Ukrnafta PJSC	0.00	0.00	0.00	0.00	0.00	0.00
Naftogazvydobuvannia PrJSC	0.00	0.00	0.00	0.00	0.00	0.00
Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	115.70	0.00	115.70	115.70	115.70	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
Systemoilingenerying 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 Ukrainiska Gazonaftova Kompaniia LLC	0.00	0.00	0.00	0.00	0.00	0.00
Zakhidnadraserivce 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



Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies
Energiiia-95 LLC	0.00	0.00	0.00	0.00	0.00	0.00
Striynaftogaz 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
1/1999 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
Total	356,430.90	0.00	356,430.90	356,430.90	356,430.90	0.00

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 2019 (coal mining), UAH thousand

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies
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	59,981.67	0.00	59,981.67	59,981.67	59,981.67	0.00
Lvivvuhillia SE	5,783.74	0.00	5,783.74	5,783.74	5,784.00	(0.26)
Selydivvuhillia SE	0.00	0.00	0.00	0.00	0.00	0.00
Pervomaiskvuhillia SE	0.00	0.00	0.00	0.00	0.00	0.00
Bilozerska Mine DLC	9,217.30	0.00	9,217.30	9,217.30	9,217.30	0.00
Myrnohradvuhillia SE	0.00	0.00	0.00	0.00	0.00	0.00
Lysychanskvuhillia 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
Toretskvuhillia 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
Total	74,982.71	0.00	74,982.71	74,982.71	74,982.97	(0.26)

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 2019 (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 between data reported by government agencies and data reported by companies	Reported by government agencies	Reported by companies	Discrepancy between data reported by government agencies and data reported by companies
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
Krivoj Rog's Iron-Ore Combine PJSC	0.00	2.34	(2.34)	0.00	2.34	(2.34)
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
Total	0.00	2.34	(2.34)	0.00	2.34	(2.34)

18. Annex 9. Consolidated database on payments to the state (production royalty, land fee and environmental tax) by projects from reporting extractive companies in 2019

18.1 Results of reconciliation of production royalty by projects (special permits)

Reconciliation results of production royalty by projects (special permits) in 2019 (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 2019, according to state agencies	Initial data of companies			Final data of companies		
				Accrued in 2019	Paid in 2019	Discrepancies in accrued payments	Accrued in 2019	Paid in 2019	Discrepancies in accrued payments
<i>Ukrigasvydobuvannya JSC</i>									
1772	05.03.1999	13030800	18,622.52	18,623.00	20,297.00	(0.48)	18,623.00	20,297.00	(0.48)
1774	16.03.1999	13030800	2,315.28	2,315.00	2,523.00	0.28	2,315.00	2,523.00	0.28
1775	16.03.1999	13030800	21,397.09	21,397.00	23,321.00	0.09	21,397.00	23,321.00	0.09
1776	16.03.1999	13030800	120.37	120.00	131.00	0.37	120.00	131.00	0.37
1777	16.03.1999	13030800	8,597.92	8,598.00	9,371.00	(0.08)	8,598.00	9,371.00	(0.08)
1778	16.03.1999	13030800	507.99	508.00	554.00	(0.01)	508.00	554.00	(0.01)
1779	16.03.1999	13030800	2,517.21	2,517.00	2,743.00	0.21	2,517.00	2,743.00	0.21
1780	16.03.1999	13030800	2,320.22	2,320.00	2,529.00	0.22	2,320.00	2,529.00	0.22
1786	16.03.1999	13030800	50,025.90	50,026.00	54,524.00	(0.10)	50,026.00	54,524.00	(0.10)
1787	16.03.1999	13030800	3,743.14	3,743.00	4,080.00	0.14	3,743.00	4,080.00	0.14
1791	24.03.1999	13030800	1,129.41	1,129.00	1,231.00	0.41	1,129.00	1,231.00	0.41
1793	24.03.1999	13030800	41,573.39	41,573.00	45,311.00	0.39	41,573.00	45,311.00	0.39
1796	24.03.1999	13030800	11,515.08	11,515.00	12,550.00	0.08	11,515.00	12,550.00	0.08
1803	25.03.1999	13030800	112,972.50	112,973.00	123,131.00	(0.50)	112,973.00	123,131.00	(0.50)
1804	25.03.1999	13030800	6,429.32	6,429.00	7,007.00	0.32	6,429.00	7,007.00	0.32
1805	25.03.1999	13030800	183,308.76	183,309.00	199,791.00	(0.24)	183,309.00	199,791.00	(0.24)
1806	25.03.1999	13030800	92,999.46	92,999.00	101,361.00	0.46	92,999.00	101,361.00	0.46

Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Accrued in 2019, according to state agencies	Initial data of companies			Final data of companies		
				Accrued in 2019	Paid in 2019	Discrepancies in accrued payments	Accrued in 2019	Paid in 2019	Discrepancies in accrued payments
1807	25.03.1999	13030800	303.47	303.00	330.00	0.47	303.00	330.00	0.47
1809	25.03.1999	13030800	87,655.39	87,655.00	95,536.00	0.39	87,655.00	95,536.00	0.39
1810	25.03.1999	13030800	11,342.97	11,343.00	12,363.00	(0.03)	11,343.00	12,363.00	(0.03)
1811	25.03.1999	13030800	10,608.08	10,608.00	11,562.00	0.08	10,608.00	11,562.00	0.08
1812	25.03.1999	13030800	121,644.01	121,644.00	132,581.00	0.01	121,644.00	132,581.00	0.01
1813	25.03.1999	13030800	10,549.64	10,550.00	11,499.00	(0.36)	10,550.00	11,499.00	(0.36)
1814	25.03.1999	13030800	14,320.11	14,320.00	15,608.00	0.11	14,320.00	15,608.00	0.11
1815	25.03.1999	13030800	881.64	882.00	961.00	(0.36)	882.00	961.00	(0.36)
1817	25.03.1999	13030800	277,284.95	277,285.00	302,216.00	(0.05)	277,285.00	302,216.00	(0.05)
1827	05.04.1999	13030800	23,889.76	23,890.00	26,038.00	(0.24)	23,890.00	26,038.00	(0.24)
1935	14.07.1999	13030800	376,736.67	376,737.00	410,610.00	(0.33)	376,737.00	410,610.00	(0.33)
1936	14.07.1999	13030800	1,607,590.89	1,607,591.00	1,752,135.00	(0.11)	1,607,591.00	1,752,135.00	(0.11)
1979	10.09.1999	13030800	228,380.79	228,381.00	248,915.00	(0.21)	228,381.00	248,915.00	(0.21)
1980	10.09.1999	13030800	531,684.85	531,685.00	579,490.00	(0.15)	531,685.00	579,490.00	(0.15)
2102	27.12.1999	13030800	114,208.51	114,209.00	124,478.00	(0.49)	114,209.00	124,478.00	(0.49)
2182	23.03.2000	13030800	269.83	270.00	294.00	(0.17)	270.00	294.00	(0.17)
2228	18.08.2000	13030800	14,896.35	14,896.00	16,235.00	0.35	14,896.00	16,235.00	0.35
2236	07.09.2000	13030800	145,499.77	145,500.00	158,582.00	(0.23)	145,500.00	158,582.00	(0.23)
2271	12.10.2000	13030800	3,252,681.53	3,252,682.00	3,545,140.00	(0.47)	3,252,682.00	3,545,140.00	(0.47)
2272	12.10.2000	13030800	2,775.42	2,776.00	3,026.00	(0.58)	2,776.00	3,026.00	(0.58)
2273	12.10.2000	13030800	26,189.38	26,189.00	28,544.00	0.38	26,189.00	28,544.00	0.38
2343	20.12.2000	13030800	1,252,842.70	1,252,843.00	1,365,489.00	(0.30)	1,252,843.00	1,365,489.00	(0.30)
2350	28.12.2000	13030800	100,472.26	100,472.00	109,506.00	0.26	100,472.00	109,506.00	0.26
2351	28.12.2000	13030800	152,571.49	152,572.00	166,290.00	(0.51)	152,572.00	166,290.00	(0.51)
2352	28.12.2000	13030800	230,615.12	230,615.00	251,350.00	0.12	230,615.00	251,350.00	0.12
2353	28.12.2000	13030800	232,337.30	232,337.00	253,227.00	0.30	232,337.00	253,227.00	0.30

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2354	28.12.2000	13030800	12,068.32	12,068.00	13,153.00	0.32	12,068.00	13,153.00	0.32
2355	28.12.2000	13030800	812,695.14	812,695.00	885,767.00	0.14	812,695.00	885,767.00	0.14
2356	28.12.2000	13030800	542,730.86	542,731.00	591,529.00	(0.14)	542,731.00	591,529.00	(0.14)
2363	31.01.2001	13030800	216,912.41	216,912.00	236,415.00	0.41	216,912.00	236,415.00	0.41
2364	31.01.2001	13030800	2,174.19	2,174.00	2,369.00	0.19	2,174.00	2,369.00	0.19
2365	31.01.2001	13030800	3,329.85	3,330.00	3,629.00	(0.15)	3,330.00	3,629.00	(0.15)
2367	01.02.2001	13030800	1,442,083.52	1,442,084.00	1,571,746.00	(0.48)	1,442,084.00	1,571,746.00	(0.48)
2368	01.02.2001	13030800	96,418.48	96,418.00	105,087.00	0.48	96,418.00	105,087.00	0.48
2369	01.02.2001	13030800	546,151.63	546,152.00	595,258.00	(0.37)	546,152.00	595,258.00	(0.37)
2370	08.02.2001	13030800	413,211.45	413,211.00	450,364.00	0.45	413,211.00	450,364.00	0.45
2371	08.02.2001	13030800	67,594.45	67,594.00	73,672.00	0.45	67,594.00	73,672.00	0.45
2372	08.02.2001	13030800	34,137.55	34,138.00	37,207.00	(0.45)	34,138.00	37,207.00	(0.45)
2373	08.02.2001	13030800	987,072.46	987,072.00	1,075,823.00	0.46	987,072.00	1,075,823.00	0.46
2375	08.02.2001	13030800	444.79	445.00	485.00	(0.21)	445.00	485.00	(0.21)
2386	21.02.2001	13030800	61,806.84	61,807.00	67,364.00	(0.16)	61,807.00	67,364.00	(0.16)
2387	21.02.2001	13030800	379,740.97	379,741.00	413,885.00	(0.03)	379,741.00	413,885.00	(0.03)
2388	21.02.2001	13030800	144,627.68	144,628.00	157,632.00	(0.32)	144,628.00	157,632.00	(0.32)
2389	21.02.2001	13030800	19,344.88	19,345.00	21,084.00	(0.12)	19,345.00	21,084.00	(0.12)
2390	21.02.2001	13030800	50,318.83	50,319.00	54,843.00	(0.17)	50,319.00	54,843.00	(0.17)
2391	21.02.2001	13030800	315,361.99	315,362.00	343,717.00	(0.01)	315,362.00	343,717.00	(0.01)
2398	26.03.2001	13030800	67,434.90	67,435.00	73,498.00	(0.10)	67,435.00	73,498.00	(0.10)
2425	05.04.2001	13030800	189,930.19	189,930.00	207,007.00	0.19	189,930.00	207,007.00	0.19
2427	05.04.2001	13030800	30,151.22	30,151.00	32,862.00	0.22	30,151.00	32,862.00	0.22
2428	05.04.2001	13030800	128.48	128.00	140.00	0.48	128.00	140.00	0.48
2429	05.04.2001	13030800	149,308.33	149,308.00	162,733.00	0.33	149,308.00	162,733.00	0.33
2430	05.04.2001	13030800	1,213,269.64	1,213,270.00	1,322,359.00	(0.36)	1,213,270.00	1,322,359.00	(0.36)

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2452	23.04.2001	13030800	7,630.48	7,630.00	8,316.00	0.48	7,630.00	8,316.00	0.48
2456	27.04.2001	13030800	112,598.65	112,599.00	122,723.00	(0.35)	112,599.00	122,723.00	(0.35)
2462	14.05.2001	13030800	20,314.13	20,314.00	22,140.00	0.13	20,314.00	22,140.00	0.13
2463	14.05.2001	13030800	43,281.18	43,281.00	47,173.00	0.18	43,281.00	47,173.00	0.18
2486	13.06.2001	13030800	46,278.07	46,278.00	50,439.00	0.07	46,278.00	50,439.00	0.07
2487	13.06.2001	13030800	28,960.39	28,960.00	31,564.00	0.39	28,960.00	31,564.00	0.39
2492	20.06.2001	13030800	66,336.13	66,336.00	72,300.00	0.13	66,336.00	72,300.00	0.13
2493	20.06.2001	13030800	277,677.95	277,678.00	302,645.00	(0.05)	277,678.00	302,645.00	(0.05)
2542	09.09.2004	13030800	10,055.06	10,055.00	10,959.00	0.06	10,055.00	10,959.00	0.06
2594	23.11.2001	13030800	48,599.45	48,599.00	52,969.00	0.45	48,599.00	52,969.00	0.45
2653	01.03.2002	13030800	219,313.33	219,313.00	239,032.00	0.33	219,313.00	239,032.00	0.33
2793	31.05.2006	13030800	53,725.58	53,726.00	58,557.00	(0.42)	53,726.00	58,557.00	(0.42)
2990	25.07.2007	13030800	3,981.78	3,982.00	4,340.00	(0.22)	3,982.00	4,340.00	(0.22)
3116	12.08.2003	13030800	854.03	854.00	931.00	0.03	854.00	931.00	0.03
3117	12.08.2003	13030800	14,872.54	14,873.00	16,210.00	(0.46)	14,873.00	16,210.00	(0.46)
3118	12.08.2003	13030800	91,007.93	91,008.00	99,191.00	(0.07)	91,008.00	99,191.00	(0.07)
3340	13.07.2004	13030800	10,042.94	10,043.00	10,946.00	(0.06)	10,043.00	10,946.00	(0.06)
3341	13.07.2004	13030800	49,476.01	49,476.00	53,925.00	0.01	49,476.00	53,925.00	0.01
3342	13.07.2004	13030800	50,596.05	50,596.00	55,145.00	0.05	50,596.00	55,145.00	0.05
4001	09.08.2006	13030800	1,592.36	1,592.00	1,735.00	0.36	1,592.00	1,735.00	0.36
4002	09.08.2006	13030800	27.28	27.00	29.00	0.28	27.00	29.00	0.28
4164	22.12.2006	13030800	86,194.21	86,194.00	93,944.00	0.21	86,194.00	93,944.00	0.21
4165	22.12.2006	13030800	3,095.89	3,096.00	3,374.00	(0.11)	3,096.00	3,374.00	(0.11)
4192	20.07.2012	13030800	4,157.55	4,158.00	4,532.00	(0.45)	4,158.00	4,532.00	(0.45)
4290	17.07.2007	13030800	459,031.63	459,032.00	500,305.00	(0.37)	459,032.00	500,305.00	(0.37)
4581	12.09.2014	13030800	4,081.98	4,082.00	4,449.00	(0.02)	4,082.00	4,449.00	(0.02)

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4620	17.12.2014	13030800	2.39	2.00	2.00	0.39	2.00	2.00	0.39
4621	17.12.2014	13030800	67,877.66	67,878.00	73,981.00	(0.34)	67,878.00	73,981.00	(0.34)
4658	05.03.2015	13030800	11.38	11.00	12.00	0.38	11.00	12.00	0.38
4804	12.12.2016	13030800	2,029.36	2,029.00	2,211.00	0.36	2,029.00	2,211.00	0.36
4805	05.12.2008	13030800	5,975.54	5,976.00	6,513.00	(0.46)	5,976.00	6,513.00	(0.46)
4811	14.12.2016	13030800	41,576.44	41,576.00	45,314.00	0.44	41,576.00	45,314.00	0.44
4924	01.10.2018	13030800	415.34	415.00	452.00	0.34	415.00	452.00	0.34
4946	14.12.2018	13030800	59,981.20	59,981.00	65,374.00	0.20	59,981.00	65,374.00	0.20
4947	19.12.2018	13030800	20.43	20.00	22.00	0.43	20.00	22.00	0.43
4991	23.04.2019	13030800	0.62	1.00	1.00	(0.38)	1.00	1.00	(0.38)
4992	23.04.2019	13030800	19.87	20.00	22.00	(0.13)	20.00	22.00	(0.13)
5009	03.09.2009	13030800	74,771.09	74,771.00	81,494.00	0.09	74,771.00	81,494.00	0.09
5010	03.09.2009	13030800	26,996.46	26,996.00	29,423.00	0.46	26,996.00	29,423.00	0.46
5011	03.09.2009	13030800	157,642.65	157,643.00	171,817.00	(0.35)	157,643.00	171,817.00	(0.35)
5012	03.09.2009	13030800	29,748.58	29,749.00	32,424.00	(0.42)	29,749.00	32,424.00	(0.42)
5177	01.07.2010	13030800	6,291.17	6,291.00	6,857.00	0.17	6,291.00	6,857.00	0.17
5178	01.07.2010	13030800	32,544.35	32,544.00	35,470.00	0.35	32,544.00	35,470.00	0.35
5253	21.12.2010	13030800	2,866.99	2,867.00	3,125.00	(0.01)	2,867.00	3,125.00	(0.01)
5404	31.10.2011	13030800	29,845.14	29,845.00	32,528.00	0.14	29,845.00	32,528.00	0.14
5405	31.10.2011	13030800	146,091.80	146,092.00	159,228.00	(0.20)	146,092.00	159,228.00	(0.20)
5408	31.10.2011	13030800	1,006.95	1,007.00	1,098.00	(0.05)	1,007.00	1,098.00	(0.05)
5409	31.10.2011	13030800	59.12	59.00	64.00	0.12	59.00	64.00	0.12
5410	31.10.2011	13030800	76,350.72	76,351.00	83,216.00	(0.28)	76,351.00	83,216.00	(0.28)
5411	31.10.2011	13030800	158,627.54	158,628.00	172,891.00	(0.46)	158,628.00	172,891.00	(0.46)
5412	31.10.2011	13030800	6,942.97	6,943.00	7,567.00	(0.03)	6,943.00	7,567.00	(0.03)
5413	31.10.2011	13030800	44,964.79	44,965.00	49,008.00	(0.21)	44,965.00	49,008.00	(0.21)

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5414	31.10.2011	13030800	14,718.78	14,719.00	16,042.00	(0.22)	14,719.00	16,042.00	(0.22)
5541	03.05.2012	13030800	20,943.70	20,944.00	22,827.00	(0.30)	20,944.00	22,827.00	(0.30)
5542	03.05.2012	13030800	8,835.05	8,835.00	9,629.00	0.05	8,835.00	9,629.00	0.05
5544	07.05.2012	13030800	286,753.41	286,753.00	312,536.00	0.41	286,753.00	312,536.00	0.41
5650	05.10.2012	13030800	578,518.48	578,518.00	630,535.00	0.48	578,518.00	630,535.00	0.48
5652	05.10.2012	13030800	957.69	958.00	1,044.00	(0.31)	958.00	1,044.00	(0.31)
5713	22.01.2013	13030800	134,903.35	134,903.00	147,032.00	0.35	134,903.00	147,032.00	0.35
5902	30.01.2014	13030800	2,240.78	2,241.00	2,442.00	(0.22)	2,241.00	2,442.00	(0.22)
5903	30.01.2014	13030800	8,044.56	8,045.00	8,768.00	(0.44)	8,045.00	8,768.00	(0.44)
5913	27.02.2014	13030800	1,658.62	1,659.00	1,808.00	(0.38)	1,659.00	1,808.00	(0.38)
5914	27.02.2014	13030800	66,933.08	66,933.00	72,951.00	0.08	66,933.00	72,951.00	0.08
5989	20.10.2014	13030800	27,501.62	27,502.00	29,975.00	(0.38)	27,502.00	29,975.00	(0.38)
6009	17.12.2014	13030800	1,559.43	1,559.00	1,699.00	0.43	1,559.00	1,699.00	0.43
6097	11.02.2016	13030800	460,929.65	460,930.00	502,373.00	(0.35)	460,930.00	502,373.00	(0.35)
6106	16.03.2016	13030800	427.63	428.00	466.00	(0.37)	428.00	466.00	(0.37)
6133	08.07.2016	13030800	12,820.79	12,821.00	13,974.00	(0.21)	12,821.00	13,974.00	(0.21)
6217	01.09.2017	13030800	8,084.68	8,085.00	8,812.00	(0.32)	8,085.00	8,812.00	(0.32)
6218	01.09.2017	13030800	5,506.21	5,506.00	6,001.00	0.21	5,506.00	6,001.00	0.21
6230	18.10.2017	13030800	12,323.09	12,323.00	13,431.00	0.09	12,323.00	13,431.00	0.09
6285	02.10.2018	13030800	8,198.87	8,199.00	8,936.00	(0.13)	8,199.00	8,936.00	(0.13)
6289	18.10.2018	13030800	103.52	104.00	113.00	(0.48)	104.00	113.00	(0.48)
1772	05.03.1999	13030900	833.65	834.00	929.00	(0.35)	834.00	929.00	(0.35)
1777	16.03.1999	13030900	32.56	33.00	37.00	(0.44)	33.00	37.00	(0.44)
1787	16.03.1999	13030900	71.55	72.00	80.00	(0.45)	72.00	80.00	(0.45)
1803	25.03.1999	13030900	11,713.55	11,714.00	13,045.00	(0.45)	11,714.00	13,045.00	(0.45)
1805	25.03.1999	13030900	8,964.31	8,964.00	9,982.00	0.31	8,964.00	9,982.00	0.31

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1817	25.03.1999	13030900	8,462.42	8,462.00	9,423.00	0.42	8,462.00	9,423.00	0.42
1827	05.04.1999	13030900	12.13	12.00	13.00	0.13	12.00	13.00	0.13
1935	14.07.1999	13030900	1,471.93	1,472.00	1,639.00	(0.07)	1,472.00	1,639.00	(0.07)
1936	14.07.1999	13030900	235,275.84	235,276.00	262,002.00	(0.16)	235,276.00	262,002.00	(0.16)
1979	10.09.1999	13030900	28,710.49	28,710.00	31,971.00	0.49	28,710.00	31,971.00	0.49
1980	10.09.1999	13030900	18,261.16	18,261.00	20,335.00	0.16	18,261.00	20,335.00	0.16
2102	27.12.1999	13030900	32,247.45	32,247.00	35,910.00	0.45	32,247.00	35,910.00	0.45
2271	12.10.2000	13030900	9,204.16	9,204.00	10,250.00	0.16	9,204.00	10,250.00	0.16
2343	20.12.2000	13030900	39,465.60	39,466.00	43,949.00	(0.40)	39,466.00	43,949.00	(0.40)
2350	28.12.2000	13030900	2,381.76	2,382.00	2,653.00	(0.24)	2,382.00	2,653.00	(0.24)
2351	28.12.2000	13030900	19,934.67	19,935.00	22,200.00	(0.33)	19,935.00	22,200.00	(0.33)
2352	28.12.2000	13030900	12,941.95	12,942.00	14,412.00	(0.05)	12,942.00	14,412.00	(0.05)
2353	28.12.2000	13030900	24,310.34	24,310.00	27,071.00	0.34	24,310.00	27,071.00	0.34
2355	28.12.2000	13030900	13,426.44	13,426.00	14,951.00	0.44	13,426.00	14,951.00	0.44
2356	28.12.2000	13030900	12,675.16	12,675.00	14,115.00	0.16	12,675.00	14,115.00	0.16
2363	31.01.2001	13030900	58,078.50	58,079.00	64,676.00	(0.50)	58,079.00	64,676.00	(0.50)
2365	31.01.2001	13030900	142.28	142.00	158.00	0.28	142.00	158.00	0.28
2367	01.02.2001	13030900	65,457.90	65,458.00	72,895.00	(0.10)	65,458.00	72,895.00	(0.10)
2368	01.02.2001	13030900	9,088.97	9,089.00	10,121.00	(0.03)	9,089.00	10,121.00	(0.03)
2369	01.02.2001	13030900	15,506.48	15,506.00	17,267.00	0.48	15,506.00	17,267.00	0.48
2370	08.02.2001	13030900	12,094.18	12,094.00	13,468.00	0.18	12,094.00	13,468.00	0.18
2371	08.02.2001	13030900	2,669.91	2,670.00	2,973.00	(0.09)	2,670.00	2,973.00	(0.09)
2372	08.02.2001	13030900	1,837.54	1,838.00	2,047.00	(0.46)	1,838.00	2,047.00	(0.46)
2373	08.02.2001	13030900	243,189.39	243,189.00	270,814.00	0.39	243,189.00	270,814.00	0.39
2386	21.02.2001	13030900	26,583.05	26,583.00	29,603.00	0.05	26,583.00	29,603.00	0.05
2387	21.02.2001	13030900	7,198.98	7,199.00	8,017.00	(0.02)	7,199.00	8,017.00	(0.02)

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2388	21.02.2001	13030900	34,953.17	34,953.00	38,923.00	0.17	34,953.00	38,923.00	0.17
2389	21.02.2001	13030900	2,334.48	2,334.00	2,599.00	0.48	2,334.00	2,599.00	0.48
2390	21.02.2001	13030900	88.45	88.00	98.00	0.45	88.00	98.00	0.45
2391	21.02.2001	13030900	19,617.47	19,617.00	21,845.00	0.47	19,617.00	21,845.00	0.47
2398	26.03.2001	13030900	8,258.53	8,259.00	9,197.00	(0.47)	8,259.00	9,197.00	(0.47)
2425	05.04.2001	13030900	1,891.96	1,892.00	2,107.00	(0.04)	1,892.00	2,107.00	(0.04)
2427	05.04.2001	13030900	2,285.42	2,285.00	2,545.00	0.42	2,285.00	2,545.00	0.42
2428	05.04.2001	13030900	5.81	6.00	7.00	(0.19)	6.00	7.00	(0.19)
2429	05.04.2001	13030900	35,188.59	35,189.00	39,186.00	(0.41)	35,189.00	39,186.00	(0.41)
2430	05.04.2001	13030900	129,330.55	129,330.00	144,021.00	0.55	129,330.00	144,021.00	0.55
2452	23.04.2001	13030900	70.95	71.00	79.00	(0.05)	71.00	79.00	(0.05)
2456	27.04.2001	13030900	16,319.96	16,320.00	18,174.00	(0.04)	16,320.00	18,174.00	(0.04)
2487	13.06.2001	13030900	2,951.22	2,951.00	3,286.00	0.22	2,951.00	3,286.00	0.22
2492	20.06.2001	13030900	2,707.71	2,708.00	3,016.00	(0.29)	2,708.00	3,016.00	(0.29)
2493	20.06.2001	13030900	18,741.41	18,741.00	20,870.00	0.41	18,741.00	20,870.00	0.41
2594	23.11.2001	13030900	3,809.26	3,809.00	4,242.00	0.26	3,809.00	4,242.00	0.26
2653	01.03.2002	13030900	12,508.32	12,508.00	13,929.00	0.32	12,508.00	13,929.00	0.32
2793	31.05.2006	13030900	1,485.00	1,485.00	1,654.00	0.00	1,485.00	1,654.00	0.00
3116	12.08.2003	13030900	24.64	25.00	28.00	(0.36)	25.00	28.00	(0.36)
3117	12.08.2003	13030900	5,076.99	5,077.00	5,654.00	(0.01)	5,077.00	5,654.00	(0.01)
3118	12.08.2003	13030900	2,538.79	2,539.00	2,827.00	(0.21)	2,539.00	2,827.00	(0.21)
3340	13.07.2004	13030900	533.78	534.00	595.00	(0.22)	534.00	595.00	(0.22)
3341	13.07.2004	13030900	690.31	690.00	768.00	0.31	690.00	768.00	0.31
3342	13.07.2004	13030900	1,097.52	1,098.00	1,223.00	(0.48)	1,098.00	1,223.00	(0.48)
4001	09.08.2006	13030900	40.56	41.00	46.00	(0.44)	41.00	46.00	(0.44)
4164	22.12.2006	13030900	2,583.58	2,584.00	2,878.00	(0.42)	2,584.00	2,878.00	(0.42)

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4165	22.12.2006	13030900	84.60	85.00	95.00	(0.40)	85.00	95.00	(0.40)
4290	17.07.2007	13030900	50,581.63	50,581.00	56,327.00	0.63	50,581.00	56,327.00	0.63
4621	17.12.2014	13030900	1,341.51	1,342.00	1,494.00	(0.49)	1,342.00	1,494.00	(0.49)
4804	12.12.2016	13030900	134.74	135.00	150.00	(0.26)	135.00	150.00	(0.26)
4811	14.12.2016	13030900	1,274.42	1,274.00	1,419.00	0.42	1,274.00	1,419.00	0.42
4946	14.12.2018	13030900	7,941.89	7,942.00	8,844.00	(0.11)	7,942.00	8,844.00	(0.11)
5009	03.09.2009	13030900	7,103.53	7,104.00	7,911.00	(0.47)	7,104.00	7,911.00	(0.47)
5010	03.09.2009	13030900	8,038.63	8,039.00	8,952.00	(0.37)	8,039.00	8,952.00	(0.37)
5011	03.09.2009	13030900	7,140.21	7,140.00	7,951.00	0.21	7,140.00	7,951.00	0.21
5178	01.07.2010	13030900	167.92	168.00	187.00	(0.08)	168.00	187.00	(0.08)
5253	21.12.2010	13030900	24.87	25.00	28.00	(0.13)	25.00	28.00	(0.13)
5404	31.10.2011	13030900	3,395.01	3,395.00	3,781.00	0.01	3,395.00	3,781.00	0.01
5405	31.10.2011	13030900	6,747.35	6,747.00	7,513.00	0.35	6,747.00	7,513.00	0.35
5410	31.10.2011	13030900	1,907.52	1,908.00	2,125.00	(0.48)	1,908.00	2,125.00	(0.48)
5411	31.10.2011	13030900	4,238.88	4,239.00	4,721.00	(0.12)	4,239.00	4,721.00	(0.12)
5412	31.10.2011	13030900	82.62	83.00	92.00	(0.38)	83.00	92.00	(0.38)
5413	31.10.2011	13030900	6,450.52	6,451.00	7,184.00	(0.48)	6,451.00	7,184.00	(0.48)
5414	31.10.2011	13030900	12,463.48	12,463.00	13,879.00	0.48	12,463.00	13,879.00	0.48
5544	07.05.2012	13030900	29,524.15	29,524.00	32,878.00	0.15	29,524.00	32,878.00	0.15
5650	05.10.2012	13030900	17,996.95	17,997.00	20,041.00	(0.05)	17,997.00	20,041.00	(0.05)
5713	22.01.2013	13030900	8,075.81	8,076.00	8,993.00	(0.19)	8,076.00	8,993.00	(0.19)
5913	27.02.2014	13030900	134.47	134.00	149.00	0.47	134.00	149.00	0.47
5914	27.02.2014	13030900	350.97	351.00	391.00	(0.03)	351.00	391.00	(0.03)
6097	11.02.2016	13030900	14,877.44	14,877.00	16,567.00	0.44	14,877.00	16,567.00	0.44
6106	16.03.2016	13030900	65.22	65.00	72.00	0.22	65.00	72.00	0.22
6285	02.10.2018	13030900	240.30	240.00	267.00	0.30	240.00	267.00	0.30

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1803	25.03.1999	13030700	9,729.50	9,730.00	10,360.00	(0.50)	9,730.00	10,360.00	(0.50)
1817	25.03.1999	13030700	9.26	9.00	10.00	0.26	9.00	10.00	0.26
1936	14.07.1999	13030700	52,423.81	52,424.00	55,821.00	(0.19)	52,424.00	55,821.00	(0.19)
1979	10.09.1999	13030700	161.93	162.00	172.00	(0.07)	162.00	172.00	(0.07)
2182	23.03.2000	13030700	486.00	486.00	517.00	0.00	486.00	517.00	0.00
2351	28.12.2000	13030700	20,539.21	20,539.00	21,870.00	0.21	20,539.00	21,870.00	0.21
2352	28.12.2000	13030700	1,344.74	1,345.00	1,432.00	(0.26)	1,345.00	1,432.00	(0.26)
2364	31.01.2001	13030700	23,442.68	23,443.00	24,962.00	(0.32)	23,443.00	24,962.00	(0.32)
2372	08.02.2001	13030700	60,323.53	60,324.00	64,233.00	(0.47)	60,324.00	64,233.00	(0.47)
2373	08.02.2001	13030700	15,529.17	15,529.00	16,535.00	0.17	15,529.00	16,535.00	0.17
2386	21.02.2001	13030700	23,475.27	23,475.00	24,996.00	0.27	23,475.00	24,996.00	0.27
2390	21.02.2001	13030700	5,349.22	5,349.00	5,696.00	0.22	5,349.00	5,696.00	0.22
2425	05.04.2001	13030700	703.10	703.00	749.00	0.10	703.00	749.00	0.10
2429	05.04.2001	13030700	7,105.75	7,106.00	7,566.00	(0.25)	7,106.00	7,566.00	(0.25)
2493	20.06.2001	13030700	2,150.58	2,151.00	2,290.00	(0.42)	2,151.00	2,290.00	(0.42)
2653	01.03.2002	13030700	3,059.69	3,060.00	3,258.00	(0.31)	3,060.00	3,258.00	(0.31)
3116	12.08.2003	13030700	1,185.55	1,186.00	1,263.00	(0.45)	1,186.00	1,263.00	(0.45)
3117	12.08.2003	13030700	6,735.24	6,735.00	7,171.00	0.24	6,735.00	7,171.00	0.24
3342	13.07.2004	13030700	17,064.95	17,065.00	18,171.00	(0.05)	17,065.00	18,171.00	(0.05)
4290	17.07.2007	13030700	44,434.29	44,434.00	47,313.00	0.29	44,434.00	47,313.00	0.29
4991	23.04.2019	13030700	90.26	90.00	96.00	0.26	90.00	96.00	0.26
5010	03.09.2009	13030700	268.95	269.00	286.00	(0.05)	269.00	286.00	(0.05)
5011	03.09.2009	13030700	501.49	502.00	535.00	(0.51)	502.00	535.00	(0.51)
5409	31.10.2011	13030700	332.31	332.00	354.00	0.31	332.00	354.00	0.31
5413	31.10.2011	13030700	4,073.30	4,073.00	4,337.00	0.30	4,073.00	4,337.00	0.30
5414	31.10.2011	13030700	2,326.19	2,326.00	2,477.00	0.19	2,326.00	2,477.00	0.19

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5913	27.02.2014	13030700	139.33	139.00	148.00	0.33	139.00	148.00	0.33
6009	17.12.2014	13030700	3,273.24	3,273.00	3,485.00	0.24	3,273.00	3,485.00	0.24
6289	18.10.2018	13030700	2,545.29	2,545.00	2,710.00	0.29	2,545.00	2,710.00	0.29
6009	17.12.2014	13030100	422.57	423.00	385.00	(0.43)	423.00	385.00	(0.43)
4010	09.08.2006	13030100	28.75	29.00	26.00	(0.25)	29.00	26.00	(0.25)
4563	11.08.2014	13030100	19.28	19.00	17.00	0.28	19.00	17.00	0.28
4564	11.08.2014	13030100	92.77	93.00	84.00	(0.23)	93.00	84.00	(0.23)
6315	06.02.2019	13030100	41.41	38.00	35.00	3.41	38.00	35.00	3.41
Naftogaz of Ukraine NJSC									
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
Natural Resources PrJSC									
5745	26.03.2013	13030100	0.00	6.88	6.33	(6.88)	6.88	5.82	(6.88)
5745	26.03.2013	13030800	274,431.32	275,348.74	294,162.46	(917.42)	275,348.74	294,162.46	(917.42)
5745	26.03.2013	13030900	126,703.85	125,641.43	131,944.14	1,062.42	125,641.43	131,944.14	1,062.42
Poltava Petroleum Company JV									
3660	31.12.2004	13030700	3,525.58	3,525.58	3,622.57	0.00	3,525.58	3,622.57	0.00
3660	31.12.2004	13030900	2,849.46	2,849.46	2,692.49	0.00	2,849.46	2,692.49	0.00
3660	31.12.2004	13030800	26,737.26	26,737.26	28,673.23	0.00	26,737.26	28,673.23	0.00
3659	31.12.2004	13030700	34,637.58	34,637.58	33,529.72	0.00	34,637.58	33,529.72	0.00
3659	31.12.2004	13030900	1,995.97	1,995.97	2,064.71	0.00	1,995.97	2,064.71	0.00
3659	31.12.2004	13030800	42,440.33	42,440.33	45,998.16	0.00	42,440.33	45,998.16	0.00

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3658	31.12.2004	13030700	26,976.22	26,976.22	23,601.17	0.00	26,976.22	23,601.17	0.00
3658	31.12.2004	13030900	3,837.20	3,837.20	4,171.65	0.00	3,837.20	4,171.65	0.00
3658	31.12.2004	13030800	17,931.04	17,931.04	18,650.58	0.00	17,931.04	18,650.58	0.00
3661	31.12.2004	13030700	45,388.91	45,388.91	45,420.99	0.00	45,388.91	45,420.99	0.00
3661	31.12.2004	13030900	41,670.84	41,670.84	38,788.44	0.00	41,670.84	38,788.44	0.00
3661	31.12.2004	13030800	198,356.87	198,356.87	197,669.78	0.00	198,356.87	197,669.78	0.00
5966	31.07.2014	13030900	5,137.91	5,137.91	5,062.20	0.00	5,137.91	5,062.20	0.00
5966	31.07.2014	13030800	113,403.14	113,403.14	123,195.80	0.00	113,403.14	123,195.80	0.00
1/1999 No. 35/4 - authorized entity Hals-K PrJSC (31566427)									
1622	27.10.1998	13030800	22.02	-	21.79	22.02	22.02	21.79	0.00
1563	31.08.1998	13030800	281.22	-	260.38	281.22	281.22	260.38	0.00
1439	22.06.1998	13030800	29.46	-	28.24	29.46	29.46	28.24	0.00
2031	11.11.1999	13030800	0.00	-	0.00	0.00	0.00	0.00	0.00
1622	27.10.1998	13030700	149.62	-	144.51	149.62	149.62	144.51	0.00
1563	31.08.1999	13030700	13,165.59	-	10,097.11	13,165.59	13,165.59	10,097.11	0.00
1439	22.06.1998	13030700	2,522.57	-	2,373.70	2,522.57	2,522.57	2,373.70	0.00
Ukrtransgaz JSC⁸⁷⁶									
212	23.10.2014	13030100	2.38	-	-	2.38	-	-	2.38
0456/Пол	15.05.2015	13030100	1.02	-	-	1.02	-	-	1.02
УКР-1161"А"/ТЕР	01.04.2016	13030100	10.11	-	-	10.11	-	-	10.11
1726	16.11.2016	13030100	2.29	-	-	2.29	-	-	2.29
№1726	16.11.2016	13030100	1.85	-	-	1.85	-	-	1.85
УКР-ДОН-6171	21.12.2016	13030100	5.41	-	-	5.41	-	-	5.41

⁸⁷⁶ 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.

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№ 148/ЗК/49д-18	19.10.2018	13030100	1.11	-	-	1.11	-	-	1.11
№148/ЗК/49д-18	19.10.2018	13030100	1.20	-	-	1.20	-	-	1.20
352/пл/42д-19	31.01.2019	13030100	6.51	-	-	6.51	-	-	6.51
370/КР/49д-19	21.08.2019	13030100	1.92	-	-	1.92	-	-	1.92
724/ВН/49д-19	04.10.2019	13030100	1.08	-	-	1.08	-	-	1.08
Ukrtransnafta JSC									
00319	09.12.2014	13030100	0.11	-	-	0.11	-	-	0.11
Nadra-Geoinvest LLC									
2673	23.12.2004	13030800	89,889.55	89,889.60	93,499.70	(0.05)	89,889.60	93,499.70	(0.05)
2673	23.12.2004	13030900	24,675.13	24,675.10	21,688.60	0.03	24,675.10	21,688.60	0.03
4271	06.12.2012	13030700	2,912.53	2,912.50	2,926.60	0.03	2,912.50	2,926.60	0.03
4271	06.12.2012	13030800	15.18	15.20	16.10	(0.02)	15.20	16.10	(0.02)
Nordik Private Enterprise									
4689	04.09.2015	13030800	79,547.32	79,547.32	84,749.12	0.00	79,547.32	84,749.12	0.00
Zakhidnadraseriv LLC									
4884	19.01.2018	13030800	2,721.80	2,721.80	2,985.66	0.00	2,721.80	2,985.66	0.00
4779	01.07.2016	13030800	72,999.39	72,999.39	77,799.81	0.00	72,999.39	77,799.81	0.00
Striynaftogaz LLC									
4748	12.04.2017	13030800	74,672.71	81,211.09	81,211.09	(6,538.38)	76,307.27	80,720.43	(1,634.56)
4748	12.04.2016	13030900	569.93	-	-	569.93	551.46	490.66	18.47
Systemoilengineering LLC									
4212	06.09.2019	13030800	157,419.65	176,864.79	176,864.79	(19,445.14)	157,419.65	176,863.77	0.00
4212	06.09.2019	13030900	19,420.78	21,355.81	21,355.81	(1,935.04)	19,420.78	21,355.81	0.00
4212	06.09.2019	13030100	0.00	22.85	22.85	(22.85)	26.36	22.85	(26.36)
Kashtan Petroleum LTD JV									
518	08.05.1996	13030700	88,714.87	88,715.00	87,358.00	(0.13)	88,715.00	88,232.47	(0.13)

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518	08.05.1996	13030800	1,834.20	1,834.00	2,230.00	0.20	1,834.00	2,245.50	0.20
518	08.05.1996	13030100	888.63	889.00	989.00	(0.37)	889.00	989.00	(0.37)
Kub-gaz LLC									
5480	06.02.2012	13030800	147,127.71	147,127.70	160,734.40	0.01	147,127.70	160,734.40	0.01
5480	06.02.2012	13030900	8,826.46	8,826.50	9,411.40	(0.04)	8,826.50	9,411.40	(0.04)
5506	09.04.2012	13030800	67,945.53	67,945.50	74,229.30	0.03	67,945.50	74,229.30	0.03
5506	09.04.2012	13030900	2,108.42	2,108.40	2,248.10	0.02	2,108.40	2,248.10	0.02
Naftogazvydobuvannia PrJSC									
3333	31.03.2004	13030800	991,801.31	991,801.31	1,081,072.41	0.00	991,801.31	1,081,072.41	0.00
3333	31.03.2004	13030900	118,990.29	118,990.29	120,175.45	0.00	118,990.29	120,175.45	0.00
5965	23.07.2014	13030900	1,712.06	1,712.06	1,672.90	0.00	1,712.06	1,672.90	0.00
5965	23.07.2014	13030800	206,909.87	206,909.87	217,897.22	0.00	206,909.87	217,897.22	0.00
3333	31.03.2004	13030100	12.48	-	-	12.48	0.00	0.00	12.48
0472/Пол	25.05.2015	13030100	5.80	-	-	5.80	6.91	6.91	(1.11)
0473/Пол	27.05.2015	13030100	7.11	-	-	7.11	8.71	8.71	(1.60)
0474/Пол	27.05.2015	13030100	6.41	-	-	6.41	7.71	7.71	(1.30)
Energiia-95 LLC									
5640	18.09.2012	13030800	83,175.35	83,175.30	89,454.90	0.05	83,175.30	89,454.90	0.05
5640	18.09.2012	13030900	3,077.15	3,077.20	3,262.80	(0.05)	3,077.20	3,262.80	(0.05)
Persha Ukrainiska Gazonaftova Kompaniia LLC									
5400	25.10.2011	13030700	0.63	0.60	0.60	0.03	0.63	0.63	0.00
5401	26.10.2011	13030800	93,983.45	103,728.00	103,728.00	(9,744.55)	93,983.45	103,728.08	0.00
5401	26.10.2011	13030900	4,744.35	3,923.00	3,923.00	821.35	4,744.35	3,922.67	0.00
5401	26.10.2011	13030100	1.27	2.00	2.00	90.73	1.91	1.54	(0.64)
5450	30.12.2011	13030800	17,027.83	19,046.00	19,046.00	(2,018.17)	17,027.83	19,046.01	0.00
5450	30.12.2011	13030900	905.81	1,041.00	1,041.00	(135.19)	905.81	1,041.16	0.00



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5450	30.12.2011	13030100	0.31	0.60	0.60	(0.29)	0.62	0.62	(0.31)
<i>Joint Venture Ukrkarpatoil LTD LLC</i>									
310	27.07.1995	13030700	22,736.04	203,022.33	187,123.10	(180,286.29)	203,022.33	209,334.89	(180,286.29)
310	27.07.1995	13030800	6,526.93	51,057.13	47,679.22	(44,530.21)	51,057.13	58,145.12	(44,530.21)
310	27.07.1995	13030100	1,580.49	-	-	1,580.49	1,580.49	2,056.06	0.00
<i>Vydobuvna kompaniia Ukrnaftoburinnia PrJSC</i>									
6349	10.07.2019	13030700	26,438.44	45,754.37	45,951.07	(19,315.94)	26,438.44	23,022.70	0.00
6349	10.07.2019	13030800	482,054.44	995,367.09	1,058,495.72	(513,312.65)	482,054.44	414,814.19	0.00
6349	10.07.2019	13030900	151,488.82	279,523.60	283,042.84	(128,034.78)	151,488.82	125,391.32	0.00
6349	10.07.2019	13030100	0.00	9.55	15.19	(9.55)	0.00	5.64	0.00
5139	05.02.2010	13030800	513,312.65	-	-	513,312.65	513,312.65	643,681.53	0.00
5139	05.02.2010	13030700	19,315.94	-	-	19,315.94	19,315.94	22,928.38	0.00
5139	05.02.2010	13030900	128,034.78	-	-	128,034.78	128,034.78	157,651.52	0.00
5139	05.02.2010	13030100	9.55	-	-	9.55	9.55	9.55	0.00
<i>Ukrnafta PJSC</i>									
1622	27.10.1998	13030700	53,169.86	52,567.00	52,567.00	602.86	53,169.86	53,169.86	0.00
1622	27.10.1998	13030800	7,202.82	6,982.00	6,982.00	220.82	7,202.82	7,202.82	0.00
1563	31.08.1998	13030700	98,474.03	100,614.00	100,614.00	(2,139.97)	98,474.03	98,474.03	0.00
1563	31.08.1998	13030800	1,951.18	2,068.00	2,068.00	(116.82)	1,951.18	1,951.18	0.00
1596	05.10.1998	13030700	29,592.15	30,262.00	30,262.00	(669.85)	29,592.15	29,592.15	0.00
1596	05.10.1998	13030800	3,171.12	3,502.00	3,502.00	(330.88)	3,171.12	3,171.12	0.00
2034	11.11.1999	13030700	6,094.77	5,767.00	5,767.00	327.77	6,094.77	6,094.77	0.00
2034	11.11.1999	13030800	1,080.74	1,025.00	1,025.00	55.74	1,080.74	1,080.74	0.00
1597	05.10.1998	13030700	41,503.61	42,250.00	42,250.00	(746.39)	41,503.61	41,503.61	0.00
1597	05.10.1998	13030800	35,755.01	37,537.00	37,537.00	(1,781.99)	35,755.01	35,755.01	0.00
1597	05.10.1998	13030900	14,232.64	14,740.00	14,740.00	(507.36)	14,232.64	14,232.64	0.00

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2089	24.12.1999	13030700	6,044.38	5,957.00	5,957.00	87.38	6,044.38	6,044.38	0.00
2089	24.12.1999	13030800	115.29	133.00	133.00	(17.71)	115.29	115.29	0.00
1439	22.06.1998	13030700	36,949.14	36,781.00	36,781.00	168.14	36,949.14	36,949.14	0.00
1439	22.06.1998	13030800	381.16	373.00	373.00	8.16	381.16	381.16	0.00
2031	11.11.1999	13030700	107,026.72	104,450.00	104,450.00	2,576.72	107,026.72	107,026.72	0.00
2031	11.11.1999	13030800	11,472.11	11,620.00	11,620.00	(147.89)	11,472.11	11,472.11	0.00
1621	27.10.1998	13030700	9,570.63	10,027.00	10,027.00	(456.37)	9,570.63	9,570.63	0.00
1621	27.10.1998	13030800	147.78	165.00	165.00	(17.22)	147.78	147.78	0.00
2033	11.11.1999	13030800	24.85	26.00	26.00	(1.15)	24.85	24.85	0.00
1736	05.02.1999	13030700	25,009.02	25,054.00	25,054.00	(44.98)	25,009.02	25,009.02	0.00
1736	05.02.1999	13030800	3,470.92	3,406.00	3,406.00	64.92	3,470.92	3,470.92	0.00
2090	24.12.1999	13030700	194,393.21	194,679.00	194,679.00	(285.79)	194,393.21	194,393.21	0.00
2090	24.12.1999	13030800	4,273.76	4,935.00	4,935.00	(661.24)	4,273.76	4,273.76	0.00
1277	26.03.1998	13030700	2,291.42	2,374.00	2,374.00	(82.58)	2,291.42	2,291.42	0.00
1277	26.03.1998	13030800	35,378.20	38,264.00	38,264.00	(2,885.80)	35,378.20	35,378.20	0.00
1277	26.03.1998	13030900	5,959.10	6,295.00	6,295.00	(335.90)	5,959.10	5,959.10	0.00
2032	11.11.1999	13030800	2,412.97	2,469.00	2,469.00	(56.03)	2,412.97	2,412.97	0.00
2032	11.11.1999	13030900	710.57	723.00	723.00	(12.43)	710.57	710.57	0.00
2139	21.02.2000	13030700	175,132.31	174,141.00	174,141.00	991.31	175,132.31	175,132.31	0.00
2139	21.02.2000	13030800	82,347.43	85,906.00	85,906.00	(3,558.57)	82,347.43	82,347.43	0.00
2139	21.02.2000	13030900	7,005.58	6,900.00	6,900.00	105.58	7,005.58	7,005.58	0.00
1671	17.11.1998	13030800	11,029.83	11,818.00	11,818.00	(788.17)	11,029.83	11,029.83	0.00
1671	17.11.1998	13030900	1,464.94	1,520.00	1,520.00	(55.06)	1,464.94	1,464.94	0.00
2142	23.02.2000	13030700	10,248.74	9,780.00	9,780.00	468.74	10,248.74	10,248.74	0.00
2142	23.02.2000	13030800	720.30	767.00	767.00	(46.70)	720.30	720.30	0.00
1637	12.11.1998	13030700	6,809.00	6,745.00	6,745.00	64.00	6,809.00	6,809.00	0.00

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1669	17.11.1998	13030800	76,988.70	81,660.00	81,660.00	(4,671.30)	76,988.70	76,988.70	0.00
1669	17.11.1998	13030900	29,531.43	31,327.00	31,327.00	(1,795.57)	29,531.43	29,531.43	0.00
2061	21.12.1999	13030700	2,703.06	2,572.00	2,572.00	131.06	2,703.06	2,703.06	0.00
2061	21.12.1999	13030800	54.14	55.00	55.00	(0.86)	54.14	54.14	0.00
2181	23.03.2000	13030700	995.00	989.00	989.00	6.00	995.00	995.00	0.00
2181	23.03.2000	13030800	2,098.07	2,415.00	2,415.00	(316.93)	2,098.07	2,098.07	0.00
1825	05.04.1999	13030700	12.21	19.00	19.00	(6.79)	12.21	12.21	0.00
1825	05.04.1999	13030800	0.41	1.00	1.00	(0.59)	0.41	0.41	0.00
1685	07.12.1998	13030700	27,729.02	29,565.00	29,565.00	(1,835.98)	29,795.61	29,795.61	(2,066.59)
1685	07.12.1998	13030800	19,319.72	19,622.00	19,622.00	(302.28)	20,706.22	20,706.22	(1,386.50)
5243	14.12.2010	13030700	43,074.57	42,928.00	42,928.00	146.57	43,074.57	43,074.57	0.00
5243	14.12.2010	13030800	11,203.88	12,590.00	12,590.00	(1,386.12)	11,203.88	11,203.88	0.00
3348	20.07.2004	13030800	401,671.61	433,770.00	433,770.00	(32,098.39)	401,671.61	401,671.61	0.00
3348	20.07.2004	13030900	30,104.17	31,633.00	31,633.00	(1,528.83)	30,104.17	30,104.17	0.00
1826	05.04.1999	13030700	2,135.75	2,146.00	2,146.00	(10.25)	2,135.75	2,135.75	0.00
1826	05.04.1999	13030800	2.85	3.00	3.00	(0.15)	2.85	2.85	0.00
5247	16.12.2010	13030800	25.26	173.00	173.00	(147.74)	25.26	25.26	0.00
5247	16.12.2010	13030900	0.09	1.00	1.00	(0.91)	0.09	0.09	0.00
1434	16.06.1998	13030700	36,217.39	39,453.00	39,453.00	(3,235.61)	39,603.46	39,603.46	(3,386.07)
1434	16.06.1998	13030800	7,739.61	12,004.00	12,004.00	(4,264.39)	10,118.35	10,118.35	(2,378.74)
1643	12.11.1998	13030800	83,219.37	89,270.00	89,270.00	(6,050.63)	83,219.37	83,219.37	0.00
1643	12.11.1998	13030900	25,785.98	27,031.00	27,031.00	(1,245.02)	25,785.98	25,785.98	0.00
2727	06.06.2002	13030700	2,935.32	2,941.00	2,941.00	(5.68)	2,935.32	2,935.32	0.00
2727	06.06.2002	13030800	2,564.59	2,982.00	2,982.00	(417.41)	2,564.59	2,564.59	0.00
944	27.06.1997	13030700	493,944.42	503,694.00	503,694.00	(9,749.58)	493,944.42	493,944.42	0.00
944	27.06.1997	13030800	125,580.62	135,656.00	135,656.00	(10,075.38)	125,580.62	125,580.62	0.00

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945	27.06.1997	13030700	87,468.58	87,645.00	87,645.00	(176.42)	87,468.58	87,468.58	0.00
945	27.06.1997	13030800	28,311.26	29,781.00	29,781.00	(1,469.74)	28,311.26	28,311.26	0.00
945	27.06.1997	13030900	37,085.83	37,624.00	37,624.00	(538.17)	37,085.83	37,085.83	0.00
1511	28.07.1998	13030700	1,160,036.15	1,155,837.00	1,155,837.00	4,199.15	1,160,036.15	1,160,036.15	0.00
1511	28.07.1998	13030800	40,518.29	43,728.00	43,728.00	(3,209.71)	40,518.29	40,518.29	0.00
2088	24.12.1999	13030700	121,963.95	119,481.00	119,481.00	2,482.95	121,963.95	121,963.95	0.00
2088	24.12.1999	13030800	35,384.99	37,514.00	37,514.00	(2,129.01)	35,384.99	35,384.99	0.00
2088	24.12.1999	13030900	3,236.77	3,454.00	3,454.00	(217.23)	3,236.77	3,236.77	0.00
2795	16.10.2002	13030700	18,611.59	18,843.00	18,843.00	(231.41)	18,611.59	18,611.59	0.00
2795	16.10.2002	13030800	1,068.07	1,169.00	1,169.00	(100.93)	1,068.07	1,068.07	0.00
1075	23.09.1997	13030800	8,554.03	9,169.00	9,169.00	(614.97)	8,554.03	8,554.03	0.00
1075	23.09.1997	13030900	1,790.66	1,956.00	1,956.00	(165.34)	1,790.66	1,790.66	0.00
1562	31.08.1998	13030700	142,437.42	138,643.00	138,643.00	3,794.42	142,437.42	142,437.42	0.00
1562	31.08.1998	13030800	26,613.86	29,007.00	29,007.00	(2,393.14)	26,613.86	26,613.86	0.00
1562	31.08.1998	13030900	362.31	485.00	485.00	(122.69)	362.31	362.31	0.00
1038	12.08.1997	13030700	57,422.69	56,102.00	56,102.00	1,320.69	57,422.69	57,422.69	0.00
1038	12.08.1997	13030800	6,738.40	6,995.00	6,995.00	(256.60)	6,738.40	6,738.40	0.00
946	27.06.1997	13030700	31,111.39	31,453.00	31,453.00	(341.61)	31,111.39	31,111.39	0.00
946	27.06.1997	13030800	2,981.04	3,141.00	3,141.00	(159.96)	2,981.04	2,981.04	0.00
1074	23.09.1997	13030700	23,160.42	24,526.00	24,526.00	(1,365.58)	23,160.42	23,160.42	0.00
1074	23.09.1997	13030800	28,344.02	29,464.00	29,464.00	(1,119.98)	28,344.02	28,344.02	0.00
1074	23.09.1997	13030900	4,473.78	4,509.00	4,509.00	(35.22)	4,473.78	4,473.78	0.00
1268	10.03.1998	13030700	13,239.34	14,252.00	14,252.00	(1,012.66)	13,239.34	13,239.34	0.00
1268	10.03.1998	13030800	467.22	540.00	540.00	(72.78)	467.22	467.22	0.00
1773	16.03.1999	13030700	126,843.81	129,690.00	129,690.00	(2,846.19)	126,843.81	126,843.81	0.00
1773	16.03.1999	13030800	38,293.32	40,860.00	40,860.00	(2,566.68)	38,293.32	38,293.32	0.00

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1773	16.03.1999	13030900	3,587.65	3,751.00	3,751.00	(163.35)	3,587.65	3,587.65	0.00
914	09.06.1997	13030700	14,114.35	13,959.00	13,959.00	155.35	14,114.35	14,114.35	0.00
914	09.06.1997	13030800	12,720.22	13,872.00	13,872.00	(1,151.78)	12,720.22	12,720.22	0.00
914	09.06.1997	13030900	3,145.22	4,134.00	4,134.00	(988.78)	3,145.22	3,145.22	0.00
1267	10.03.1998	13030700	2,634.10	1,373.00	1,373.00	1,261.10	2,634.10	2,634.10	0.00
947	27.06.1997	13030700	131,008.75	128,586.00	128,586.00	2,422.75	131,008.75	131,008.75	0.00
947	27.06.1997	13030800	71,982.35	77,941.00	77,941.00	(5,958.65)	71,982.35	71,982.35	0.00
947	27.06.1997	13030900	3,484.41	3,523.00	3,523.00	(38.59)	3,484.41	3,484.41	0.00
2091	24.12.1999	13030700	36,443.51	35,066.00	35,066.00	1,377.51	36,443.51	36,443.51	0.00
2091	24.12.1999	13030800	2,427.95	2,536.00	2,536.00	(108.05)	2,427.95	2,427.95	0.00
1266	10.03.1998	13030700	1,469.90	1,360.00	1,360.00	109.90	1,469.90	1,469.90	0.00
1266	10.03.1998	13030800	51.78	49.00	49.00	2.78	51.78	51.78	0.00
2224	16.08.2000	13030700	22,169.01	23,767.00	23,767.00	(1,597.99)	22,169.01	22,169.01	0.00
2224	16.08.2000	13030800	3,017.38	3,535.00	3,535.00	(517.62)	3,017.38	3,017.38	0.00
2060	21.12.1999	13030800	1,851.33	2,088.00	2,088.00	(236.67)	1,851.33	1,851.33	0.00
2060	21.12.1999	13030900	215.25	234.00	234.00	(18.75)	215.25	215.25	0.00
1435	16.06.1998	13030700	780.92	912.00	912.00	(131.08)	1,098.15	1,098.15	(317.23)
1347	30.04.1998	13030700	375,560.77	514,534.00	514,534.00	(138,973.23)	516,054.09	516,054.09	(140,493.32)
1347	30.04.1998	13030800	75,975.11	116,821.00	116,821.00	(40,845.89)	110,339.20	110,339.20	(34,364.09)
3347	20.07.2004	13030700	171,296.14	183,552.00	183,552.00	(12,255.86)	186,275.10	186,275.10	(14,978.96)
3347	20.07.2004	13030800	30,109.55	35,447.00	35,447.00	(5,337.45)	34,098.64	34,098.64	(3,989.09)
1857	26.04.1999	13030700	1,665.56	1,660.00	1,660.00	5.56	1,665.56	1,665.56	0.00
1857	26.04.1999	13030800	675.41	713.00	713.00	(37.59)	675.41	675.41	0.00
1388	25.05.1998	13030700	75,337.86	76,120.00	76,120.00	(782.14)	75,337.86	75,337.86	0.00
1388	25.05.1998	13030800	19,020.69	20,544.00	20,544.00	(1,523.31)	19,020.69	19,020.69	0.00
1362	13.05.1998	13030700	113,331.76	112,758.00	112,758.00	573.76	113,331.76	113,331.76	0.00

Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Accrued in 2019, according to state agencies	Initial data of companies			Final data of companies		
				Accrued in 2019	Paid in 2019	Discrepancies in accrued payments	Accrued in 2019	Paid in 2019	Discrepancies in accrued payments
1362	13.05.1998	13030800	28,087.52	29,689.00	29,689.00	(1,601.48)	28,087.52	28,087.52	0.00
1869	30.04.1999	13030700	6,304.33	6,258.00	6,258.00	46.33	6,304.33	6,304.33	0.00
1869	30.04.1999	13030800	13,623.28	14,808.00	14,808.00	(1,184.72)	13,623.28	13,623.28	0.00
1869	30.04.1999	13030900	614.13	660.00	660.00	(45.87)	614.13	614.13	0.00
2729	06.06.2002	13030700	2,068.31	2,230.00	2,230.00	(161.69)	2,068.31	2,068.31	0.00
2729	06.06.2002	13030800	589.07	688.00	688.00	(98.93)	589.07	589.07	0.00
2238	07.09.2000	13030700	34,916.37	35,372.00	35,372.00	(455.63)	34,916.37	34,916.37	0.00
2238	07.09.2000	13030800	6,975.84	7,188.00	7,188.00	(212.16)	6,975.84	6,975.84	0.00
1273	10.03.1998	13030700	24,797.50	24,813.00	24,813.00	(15.50)	24,797.50	24,797.50	0.00
1273	10.03.1998	13030800	16,543.17	17,157.00	17,157.00	(613.83)	16,543.17	16,543.17	0.00
2225	16.08.2000	13030800	7,527.70	8,091.00	8,091.00	(563.30)	7,527.70	7,527.70	0.00
2794	16.10.2002	13030700	420.87	3,443.00	3,443.00	(3,022.13)	3,413.65	3,413.65	(2,992.78)
2794	16.10.2002	13030800	65.86	371.00	371.00	(305.14)	313.38	313.38	(247.52)
1269	10.03.1998	13030700	34,657.91	34,681.00	34,681.00	(23.09)	34,657.91	34,657.91	0.00
1269	10.03.1998	13030800	14,129.83	15,532.00	15,532.00	(1,402.17)	14,129.83	14,129.83	0.00
5246	16.12.2010	13030700	102,740.12	102,574.00	102,574.00	166.12	102,740.12	102,740.12	0.00
5246	16.12.2010	13030800	35,827.39	38,431.00	38,431.00	(2,603.61)	35,827.39	35,827.39	0.00
5246	16.12.2010	13030900	866.12	918.00	918.00	(51.88)	866.12	866.12	0.00
4387	25.09.2007	13030800	17,168.59	18,570.00	18,570.00	(1,401.41)	17,168.59	17,168.59	0.00
4387	25.09.2007	13030900	384.75	410.00	410.00	(25.25)	384.75	384.75	0.00
2177	23.03.2000	13030700	11,578.53	11,747.00	11,747.00	(168.47)	11,578.53	11,578.53	0.00
2177	23.03.2000	13030800	68,291.26	74,611.00	74,611.00	(6,319.74)	68,291.26	68,291.26	0.00
2177	23.03.2000	13030900	1,338.77	1,401.00	1,401.00	(62.23)	1,338.77	1,338.77	0.00
2308	13.11.2000	13030700	18,058.13	17,507.00	17,507.00	551.13	18,058.13	18,058.13	0.00
2308	13.11.2000	13030800	5,559.05	5,461.00	5,461.00	98.05	5,559.05	5,559.05	0.00
2397	26.03.2001	13030700	6,144.85	6,086.00	6,086.00	58.85	6,144.85	6,144.85	0.00

Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Accrued in 2019, according to state agencies	Initial data of companies			Final data of companies		
				Accrued in 2019	Paid in 2019	Discrepancies in accrued payments	Accrued in 2019	Paid in 2019	Discrepancies in accrued payments
2397	26.03.2001	13030800	951.01	983.00	983.00	(31.99)	951.01	951.01	0.00
1222	26.01.1998	13030800	15,315.63	16,514.00	16,514.00	(1,198.37)	15,315.63	15,315.63	0.00
2268	10.10.2000	13030700	5,104.11	5,037.00	5,037.00	67.11	5,104.11	5,104.11	0.00
2268	10.10.2000	13030800	745.80	778.00	778.00	(32.20)	745.80	745.80	0.00
1757	22.02.1999	13030700	94,112.57	93,238.00	93,238.00	874.57	94,112.57	94,112.57	0.00
1757	22.02.1999	13030800	24,136.61	27,270.00	27,270.00	(3,133.39)	24,136.61	24,136.61	0.00
4255	14.05.2007	13030700	233,085.96	230,935.00	230,935.00	2,150.96	233,085.96	233,085.96	0.00
4255	14.05.2007	13030800	22,256.54	23,237.00	23,237.00	(980.46)	22,256.54	22,256.54	0.00
832	31.03.1997	13030700	14,190.82	14,142.00	14,142.00	48.82	14,190.82	14,190.82	0.00
832	31.03.1997	13030800	1,863.63	2,120.00	2,120.00	(256.37)	1,863.63	1,863.63	0.00
1670	17.11.1998	13030700	3,881.90	4,024.00	4,024.00	(142.10)	3,881.90	3,881.90	0.00
1670	17.11.1998	13030800	48.29	52.00	52.00	(3.71)	48.29	48.29	0.00
2075	22.12.1999	13030700	6,550.00	6,456.00	6,456.00	94.00	6,550.00	6,550.00	0.00
2075	22.12.1999	13030800	283.28	350.00	350.00	(66.72)	283.28	283.28	0.00
2086	24.12.1999	13030700	12,325.29	12,127.00	12,127.00	198.29	12,325.29	12,325.29	0.00
2086	24.12.1999	13030800	1,649.27	1,707.00	1,707.00	(57.73)	1,649.27	1,649.27	0.00
1278	26.03.1998	13030700	41,095.63	40,395.00	40,395.00	700.63	41,095.63	41,095.63	0.00
1278	26.03.1998	13030800	5,572.10	5,974.00	5,974.00	(401.90)	5,572.10	5,572.10	0.00
1714	25.12.1998	13030700	97,964.20	96,854.00	96,854.00	1,110.20	97,964.20	97,964.20	0.00
1714	25.12.1998	13030800	4,909.51	5,158.00	5,158.00	(248.49)	4,909.51	4,909.51	0.00
2200	30.03.2000	13030700	908.97	883.00	883.00	25.97	908.97	908.97	0.00
2223	16.08.2000	13030700	309.77	290.00	290.00	19.77	309.77	309.77	0.00
2749	16.10.2002	13030800	247.52	-	-	247.52	247.52	247.52	0.00
2749	16.10.2002	13030700	2,992.78	-	-	2,992.78	2,992.78	2,992.78	0.00
518	08.05.1996	13030100	53.15	-	-	53.15	53.15	53.15	0.00
947	27.06.1997	13030100	944.19	-	-	944.19	944.19	944.19	0.00

Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Accrued in 2019, according to state agencies	Initial data of companies			Final data of companies		
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1038	12.08.1997	13030100	609.45	-	-	609.45	609.45	609.45	0.00
1074	23.09.1997	13030100	10.54	-	-	10.54	10.54	10.54	0.00
944	23.09.1997	13030100	6,147.68	-	-	6,147.68	6,147.68	6,147.68	0.00
1273	10.03.1998	13030100	44.03	-	-	44.03	44.03	44.03	0.00
1511	28.07.1998	13030100	11,155.90	-	-	11,155.90	11,155.90	11,155.90	0.00
1562	31.08.1998	13030100	366.61	-	-	366.61	366.61	366.61	0.00
1563	31.08.1998	13030100	3.31	-	-	3.31	3.31	3.31	0.00
1773	16.03.1999	13030100	346.93	-	-	346.93	346.93	346.93	0.00
2031	11.11.1999	13030100	1,327.42	-	-	1,327.42	1,327.42	1,327.42	0.00
2034	11.11.1999	13030100	7.22	-	-	7.22	7.22	7.22	0.00
2090	24.12.1999	13030100	440.02	-	-	440.02	440.02	440.02	0.00
2139	21.02.2000	13030100	6,028.14	-	-	6,028.14	6,028.14	6,028.14	0.00
2794	16.10.2002	13030100	7.77	-	-	7.77	7.77	7.77	0.00
2795	16.10.2002	13030100	58.46	-	-	58.46	58.46	58.46	0.00
1439	07.08.2012	13030100	4.66	-	-	4.66	4.66	4.66	0.00
1596	07.08.2012	13030100	79.51	-	-	79.51	79.51	79.51	0.00
1597	07.08.2012	13030100	1.38	-	-	1.38	1.38	1.38	0.00
1622	07.08.2012	13030100	72.22	-	-	72.22	72.22	72.22	0.00
2033	07.08.2012	13030100	5.97	-	-	5.97	5.97	5.97	0.00
YKP0709CYM	20.07.2016	13030100	2.75	-	-	2.75	2.75	2.75	0.00
479/CM/49д-19	15.05.2019	13030100	16.86	-	-	16.86	16.86	16.86	0.00
Energy Service Company Esco-Pivnich LLC									
5318	13.01.2011	13030700	25,227.56	25,227.56	25,918.57	0.00	25,227.56	25,918.57	0.00
5318	13.01.2011	13030800	212,086.27	212,086.27	225,087.97	0.00	212,086.27	225,087.97	0.00
5318	13.01.2011	13030900	122,394.28	122,473.14	119,929.28	(78.86)	122,473.14	119,929.28	(78.86)
5360	13.01.2011	13030800	274,681.55	274,681.55	311,771.44	0.00	274,681.55	311,771.44	0.00

Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Accrued in 2019, according to state agencies	Initial data of companies			Final data of companies		
				Accrued in 2019	Paid in 2019	Discrepancies in accrued payments	Accrued in 2019	Paid in 2019	Discrepancies in accrued payments
5360	13.01.2011	13030900	17,375.43	17,375.43	17,265.84	0.00	17,375.43	17,265.84	0.00
4096	16.02.2012	13030800	21,335.80	21,335.80	25,525.92	0.00	21,335.80	25,525.92	0.00
4096	16.02.2012	13030900	32,590.69	32,590.69	39,094.40	0.00	32,590.69	39,094.40	0.00
4095	16.02.2012	13030800	7,952.17	7,952.17	8,527.70	0.00	7,952.17	8,527.70	0.00
4178	04.07.2012	13030800	104.93	104.93	122.15	0.00	104.93	122.15	0.00
4178	04.07.2012	13030900	5.01	5.01	5.82	0.00	5.01	5.82	0.00
5395	14.10.2011	13030800	747.83	747.83	593.56	0.00	747.83	593.56	0.00
5395	14.10.2011	13030900	57.19	57.19	41.68	0.00	57.19	41.68	0.00

Reconciliation results of production royalty by projects (special permits) in 2019 (metal ores mining), UAH thousand

Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Accrued in 2019, according to state agencies	Initial data of companies			Final data of companies		
				Accrued in 2019	Paid in 2019	Discrepancies in accrued payments	Accrued in 2019	Paid in 2019	Discrepancies in accrued payments
Northern Iron Ore Enrichment Works PrJSC									
1118	21.10.1997	13030100	0.00	408,230.98	384,687.66	(408,230.98)	408,230.98	384,687.66	(408,230.98)
1119	21.10.1997	13030100	234,853.25	234,853.25	221,073.66	0.00	234,853.25	221,073.66	0.00
Ingulets Iron Ore Enrichment Works PrJSC									
1932	14.07.1999	13030100	0.00	597,223.06	572,860.43	(597,223.06)	597,223.35	572,860.43	(597,223.35)
Central Iron Ore Enrichment Works PrJSC									
2582	23.11.2001	13030100	4,055.90	15,475.90	14,445.83	(11,420.00)	15,490.27	14,445.83	(11,434.37)
2437	11.04.2001	13030100	80,578.57	80,578.83	79,688.75	(0.26)	80,578.57	79,688.50	0.00
2438	11.04.2001	13030100	142,321.55	190,592.69	177,748.03	948,271.14)	190,275.06	177,748.03	(47,953.51)
2439	11.04.2001	13030100	174,282.17	173,978.90	169,504.54	303.27	174,282.17	169,504.54	0.00
165	16.09.2014	13030100	0.19	-	-	0.19	0.19	0.19	0.00
389/KP/49д-19	10.09.2019	13030100	0.06	-	-	0.06	0.06	0.06	0.00
Southern Mining Factory JSC									
585	29.07.1996	13030100	273,237.10	273,237.10	265,677.36	0.00	273,237.10	265,677.36	0.00
ArcelorMittal Kryvyi Rih PJSC									
4482	01.11.2007	13030100	103,122.14	95,351.00	0.00	7,771.14	95,350.51	1,000.00	7,771.63
4483	01.11.2007	13030100	140,367.65	127,770.00	0.00	12,597.65	127,770.64	0.00	12,597.01
4451	23.10.2007	13030100	73,177.80	94,981.00	94,981.00	(21,803.20)	94,980.57	94,980.57	(21,802.77)
Krivoj Rog's Iron-Ore Combine PJSC									
2556	12.10.2001	13030100	37,947.17	24,566.75	24,566.75	13,380.42	24,566.75	24,566.75	13,380.42
2558	15.12.2001	13030100	49,131.08	40,034.03	40,034.03	9,097.05	40,034.03	40,034.03	9,097.05
2557	15.12.2001	13030100	25,116.06	1,853.25	1,853.25	23,262.81	1,853.25	1,853.25	23,262.81
2559	15.12.2001	13030100	0.00	34,060.72	34,060.72	(34,060.72)	34,060.72	34,060.72	(34,060.72)
5068	10.12.2009	13030100	6.18	6.18	6.18	0.00	6.18	6.18	0.00

Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Accrued in 2019, according to state agencies	Initial data of companies			Final data of companies		
				Accrued in 2019	Paid in 2019	Discrepancies in accrued payments	Accrued in 2019	Paid in 2019	Discrepancies in accrued payments
<i>Ferrexpo Poltava mining PrJSC</i>									
1012	29.07.1997	13030100	397,361.55	408,036.83	408,036.83	(10,675.28)	408,036.83	408,036.83	(10,675.28)
16/ПЛ/49д-17	17.08.2017	13030100	38.29	-	-	38.29	37.37	37.37	0.92
<i>Marganets GZK JSC</i>									
610	16.11.2016	13030100	36,990.77	37,084.00	41,002.40	(93.23)	37,084.00	41,002.40	(93.23)
<i>Pokrovskiy GZK JSC</i>									
587	06.08.1996	13030100	0.00	79,197.84	79,197.84	(79,197.84)	0.00	0.00	0.00
597	06.08.1996	13030100	75,598.41	-	-	75,598.41	75,631.44	79,192.24	(33.03)
<i>The foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC</i>									
4586	11.08.2015	13030100	29,834.22	-	-	29,834.22	29,834.22	30,560.01	0.00
1571	08.04.2016	13030100	321,915.41	-	-	321,915.41	321,915.41	312,536.93	0.00
<i>Suha Balka PrJSC</i>									
592	05.08.1996	13030100	127,767.91	127,768.00	133,544.00	(0.09)	127,768.00	133,544.00	(0.09)
599	06.08.1996	13030100	84,163.90	84,164.00	88,375.00	(0.10)	84,164.00	88,375.00	(0.10)
<i>Ferrexpo Yeristovo mining LLC</i>									
2768	27.08.2002	13030100	168,349.00	224,314.50	241,477.70	(55,965.50)	224,314.50	241,477.70	(55,965.50)
<i>United Mining and Chemical Company JSC</i>									
6028	02.02.2015	13030100	125,377.31	127,082.11	127,082.11	(1,704.80)	125,375.96	127,082.11	1.35
6027	11.02.2015	13030100	26,868.95	26,023.56	26,023.56	845.39	26,023.56	26,023.56	845.39

Reconciliation results of production royalty by projects (special permits) in 2019 (coal mining), UAH thousand

Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Accrued in 2019, according to state agencies	Initial data of companies			Final data of companies		
				Accrued in 2019	Paid in 2019	Discrepancies in accrued payments	Accrued in 2019	Paid in 2019	Discrepancies in accrued payments
Myrnohradvuhillia SE									
3110	11.08.2003	13030100	2,010.30	2,215.00	137.00	(204.70)	2,010.30	137.00	0.00
3111	11.08.2003	13030100	1,980.50	2,062.00	290.00	(81.50)	1,980.50	290.00	0.00
3344	13.07.2004	13030100	11,063.30	9,650.00	1,527.00	1,413.30	11,063.30	1,527.00	0.00
3113	11.08.2003	13030100	391.90	231.00	184.00	160.90	391.90	184.00	0.00
Pervomaiskvuhillia SE									
3194	02.10.2003	13030100	23.12	33.00	20.00	(9.88)	33.10	20.00	(9.98)
3252	16.10.2003	13030100	825.47	1,795.00	70.00	(969.53)	1,795.33	70.00	(969.86)
3193	02.10.2003	13030100	1,971.86	4,064.00	55.00	(2,092.14)	4,063.79	55.00	(2,091.93)
3191	02.10.2003	13030100	301.60	1,305.00	20.00	(1,003.40)	1,305.39	20.00	(1,003.79)
Toretskvuhillia SE									
3754	27.12.2005	13030100	14,660.20	14,661.00	80.00	(0.80)	14,661.00	80.00	(0.80)
3751	27.12.2005	13030100	6,791.42	6,791.00	39.00	0.42	6,791.00	39.00	0.42
Mine named after M. S. Surgai SE									
3675	09.12.2005	13030100	23,702.73	24,268.00	2,118.00	(565.27)	24,268.00	2,118.00	(565.27)
4606	18.12.2007	13030100	169.11	169.00	122.00	0.11	169.00	122.00	0.11
Lysychanskvuhillia PJSC									
3618	29.12.2001	13030100	4,110.74	-	-	4,110.74	4,110.74	0.00	0.00
4178	27.09.2012	13030100	1,886.08	-	-	1,886.08	1,886.08	0.00	0.00
Shakhtoupravlinnia Pivdenodonbaske No 1 SE									
4059	17.10.2006	13030100	15,968.28	13,408.00	604.00	2,560.28	16,149.10	757.25	(180.82)
Lvivvuhillia SE									
2970	05.05.2003	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6054	17.06.2015	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3687	09.12.2005	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 2019, according to state agencies	Initial data of companies			Final data of companies		
				Accrued in 2019	Paid in 2019	Discrepancies in accrued payments	Accrued in 2019	Paid in 2019	Discrepancies in accrued payments
2971	05.05.2003	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2968	05.05.2003	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3685	09.12.2005	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3686	09.12.2005	13030100	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Shakhtoupravlinnia Pokrovske PJSC									
4784	24.11.2008	13030100	120,615.38	120,623.00	126,117.00	(7.62)	120,615.38	126,110.12	0.00
72/дн/49д18	28.03.2018	13030100	0.00	20.00	19.00	(20.00)	27.73	26.27	(27.73)
Selydivvuhillia SE									
4778	18.11.2008	13030100	0.00	3,660.00	315.00	(3,660.00)	3,660.00	315.00	(3,660.00)
4781	18.11.2008	13030100	0.00	9,103.00	422.00	(9,103.00)	9,103.00	422.00	(9,103.00)
4779	18.11.2008	13030100	5.26	3,373.00	340.00	(3,367.74)	3,373.00	340.00	(3,367.74)
4780	18.11.2008	13030100	0.00	-	-	0.00	5,616.00	234.00	(5,616.00)
Bilozerska Mine DLC									
4855	21.01.2009	13030100	5,305.57	-	-	5,305.57	5,923.60	5,833.70	(618.03)
DTEK Pavlogradugol PrJSC									
3559	09.12.2004	13030100	17,149.89	-	-	17,149.89	14,214.76	17,564.19	2,935.13
3560	09.12.2004	13030100	23,600.79	-	-	23,600.79	18,974.02	22,914.75	4,626.77
3561	09.12.2004	13030100	14,430.87	-	-	14,430.87	19,049.12	19,600.09	(4,618.25)
3562	09.12.2004	13030100	24,571.67	-	-	24,571.67	25,615.25	27,157.27	(1,043.58)
3563	09.12.2004	13030100	16,349.29	-	-	16,349.29	17,238.32	17,882.61	(889.03)
3688	09.12.2005	13030100	38,618.40	-	-	38,618.40	39,446.20	40,248.58	(827.80)
3689	09.12.2005	13030100	15,361.47	-	-	15,361.47	13,849.58	17,154.76	1,511.89
3691	09.12.2005	13030100	22,016.60	-	-	22,016.60	23,047.12	21,874.20	(1,030.52)
3692	09.12.2005	13030100	27,439.82	-	-	27,439.82	27,007.84	27,827.02	431.98
DTEK Dobropolyeugol LLC									
3034	11.07.2003	13030100	5,783.81	-	-	5,783.81	8,341.89	5,969.60	(2,558.08)

Special permit number	Date of issuance of special permit	Payment number according to the budget classification	Accrued in 2019, according to state agencies	Initial data of companies			Final data of companies		
				Accrued in 2019	Paid in 2019	Discrepancies in accrued payments	Accrued in 2019	Paid in 2019	Discrepancies in accrued payments
3037	11.07.2003	13030100	10,396.61	-	-	10,396.61	14,394.44	13,339.40	(3,997.83)
3038	11.07.2003	13030100	6,977.63	-	-	6,977.63	8,433.08	7,372.00	(1,455.45)
3039	11.07.2003	13030100	915.48	-	-	915.48	1,311.09	2,230.00	(395.61)
4514	10.04.2014	13030100	34.29	-	-	34.29	34.29	34.29	0.00
<i>Vuhilna Kompaniia Krasnolymanska SE</i>									
4403	28.09.2007	13030100	0.00	-	-	0.00	-	-	0.00

18.2 Extractive companies` data on land fee⁸⁷⁷

Data on land fee accrued and paid by the reporting companies of oil and natural gas extraction industry (including transportation) in 2019, provided by companies

Company name	Special permit number	Date of issuance of special permit	Mineral	Payment number according to the budget classification	Type of payment	Accrued in 2019, UAH thousand	Paid in 2019, UAH thousand
Total Naftogaz of Ukraine NJSC, including:						9,429.66	10,280.91
Naftogaz of Ukraine NJSC	-	-	-	18010600	Rent from legal entities	7,586.60	8,276.29
Naftogaz of Ukraine NJSC	-	-	-	18010500	Land tax	1,843.06	2,004.62
Total Ukgasvydobuvannya JSC, including:						52,454.00	55,351.00
Ukgasvydobuvannya JSC	-	-	-	18010500	Land tax	42,427.00	44,921.00
Ukgasvydobuvannya JSC	-	-	-	18010600	Rent from legal entities	10,027.00	10,430.00
Total Ukrnafta PJSC, including:						169,567.00	169,567.00
Ukrnafta PJSC	-	-	-	18010500	Land tax	169,567.00	169,567.00
Total Naftogazvydobuvannia PrJSC, including:						2,038.46	2,343.36
Naftogazvydobuvannia PrJSC	-	-	-	18010600	Rent from legal entities	2,038.46	2,343.36
Total Vydobuvna kompaniia Ukrnaftoburinnia PrJSC, including:						4.80	4.80
Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	6349	10.07.2019	-	18010500	Land tax	4.80	4.80
Total Energy Service Company Esco-Pivnich LLC, including:						465.25	444.58
Energy Service Company Esco-Pivnich LLC	5318	13.01.2011	-	18010600	Rent from legal entities	74.20	74.39
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	389.44	368.57
Energy Service Company Esco-Pivnich LLC	4096	16.02.2012	-	18010500	Land tax	1.23	1.23
Total Poltava Petroleum Company JV, including:						100.63	100.63

⁸⁷⁷ Land fee is a sub-payment of property tax

Company name	Special permit number	Date of issuance of special permit	Mineral	Payment number according to the budget classification	Type of payment	Accrued in 2019, UAH thousand	Paid in 2019, UAH thousand
Poltava Petroleum Company JV	3659	31.12.2004	-	18010600	Rent from legal entities	15.33	15.33
Poltava Petroleum Company JV	3658	31.12.2004	-	18010600	Rent from legal entities	9.11	9.11
Poltava Petroleum Company JV	5966	31.07.2014	-	18010600	Rent from legal entities	76.19	76.19
Total Natural Resources PrJSC, including:						449.17	449.17
Natural Resources PrJSC	5745	26.03.2013	-	18010600	Rent from legal entities	449.17	449.17
Total Systemoilingenernyng LLC, including:						0.00	0.00
Systemoilingenernyng LLC	-	-	-	-	-	0.00	0.00
Total Kub-gaz LLC, including:						662.10	651.60
Kub-gaz LLC	5480	06.02.2012	-	18010500	Land tax	143.30	136.60
Kub-gaz LLC	5506	09.04.2012	-	18010500	Land tax	518.80	515.00
Total Joint Venture Ukrkarpatoil LTD LLC, including:						11.00	11.00
Joint Venture Ukrkarpatoil LTD LLC	-	-	-	18010500	Land tax	11.00	11.00
Total Persha Ukrainiska Gazonaftova Kompaniia LLC, including:						5.00	5.00
Persha Ukrainiska Gazonaftova Kompaniia LLC	5450	30.12.2011	-	18010500	Land tax	5.00	5.00
Total Zakhidnadraseriv LLC, including:						98.84	98.84
Zakhidnadraseriv LLC	4884	19.01.2018	-	18010600	Rent from legal entities	46.91	46.91
Zakhidnadraseriv LLC	4779	01.07.2016	-	18010600	Rent from legal entities	51.93	51.93
Total Nordik Private Enterprise, including:						100.83	94.50
Nordik Private Enterprise	-	-	-	18010500	Land tax	6.21	8.50
Nordik Private Enterprise	-	-	-	18010600	Rent from legal entities	94.62	86.00
Total Energiia-95 LLC, including:						79.10	406.50
Energiia-95 LLC	-	-	-	18010600	Rent from legal entities	79.10	406.50

Company name	Special permit number	Date of issuance of special permit	Mineral	Payment number according to the budget classification	Type of payment	Accrued in 2019, UAH thousand	Paid in 2019, UAH thousand
Total Striynaftogaz LLC, including:						367.59	297.28
Striynaftogaz LLC	4748	12.04.2016	-	18010600	Rent from legal entities	367.59	297.28
Total Nadra-Geoinvest LLC, including:						9.90	9.90
Nadra-Geoinvest LLC	2673	23.12.2004	-	18010600	Rent from legal entities	7.20	7.20
Nadra-Geoinvest LLC	4271	06.12.2012	-	18010600	Rent from legal entities	2.70	2.70
Total Kashtan Petroleum LTD JV, including:						81.00	81.00
Kashtan Petroleum LTD JV	-	-	-	18010500	Land tax	81.00	81.00
Total 1/1999 No. 35/4 - authorized entity Hals-K PrJSC (31566427), including:						0.00	0.00
1/1999 No. 35/4 - authorized entity Hals-K PrJSC (31566427)	-	-	-	-	-	0.00	0.00
Total Ukrtransgaz JSC, including:						84,750.00	90,088.00
Ukrtransgaz JSC	-	-	-	18010600	Rent from legal entities	1,092.00	1,189.00
Ukrtransgaz JSC	-	-	-	18010500	Land tax	83,658.00	88,899.00
Total Ukrtransnafta JSC, including:						13,912.70	13,912.70
Ukrtransnafta JSC	-	-	-	18010500	Land tax	13,912.70	13,912.70

Data on land fee accrued and paid by the reporting companies of metal ores mining in 2019, provided by companies

Company name	Special permit number	Date of issuance of special permit	Mineral	Payment number according to the budget classification	Type of payment	Accrued in 2019, UAH thousand	Paid in 2019, UAH thousand
Total ArcelorMittal Kryvyi Rih PJSC, including:						502,188.00	772,263.00
ArcelorMittal Kryvyi Rih PJSC	-	-	-	18010500	Land tax	280.00	282.00
ArcelorMittal Kryvyi Rih PJSC	-	-	-	18010600	Rent from legal entities	501,908.00	771,981.00
Total Southern Mining Factory JSC, including:						73,084.98	121,831.42
Southern Mining Factory JSC	585	29.07.1996	-	18010500	Land tax	624.37	619.21
Southern Mining Factory JSC	585	29.07.1996	-	18010600	Rent from legal entities	72,460.61	121,212.21
Total Northern Iron Ore Enrichment Works PrJSC, including:						60,689.38	58,477.51
Northern Iron Ore Enrichment Works PrJSC	-	-	-	18010500	Land tax	55,040.32	52,419.93
Northern Iron Ore Enrichment Works PrJSC	-	-	-	18010600	Rent from legal entities	5,649.06	6,057.57
Total Ingulets Iron Ore Enrichment Works PrJSC, including:						44,739.75	42,907.59
Ingulets Iron Ore Enrichment Works PrJSC	-	-	-	18010600	Rent from legal entities	22,451.55	21,556.76
Ingulets Iron Ore Enrichment Works PrJSC	-	-	-	18010500	Land tax	22,288.20	21,350.83
Total Ferrexpo Poltava mining PrJSC, including:						42,413.56	42,413.56
Ferrexpo Poltava mining PrJSC	1012	29.07.1997	-	18010500	Land tax	25,898.62	25,898.62
Ferrexpo Poltava mining PrJSC	1012	29.07.1997	-	18010600	Rent from legal entities	16,514.94	16,514.94
Total Central Iron Ore Enrichment Works PrJSC, including:						189,339.08	208,859.65
Central Iron Ore Enrichment Works PrJSC	-	-	-	18010500	Land tax	3,648.00	3,550.43
Central Iron Ore Enrichment Works PrJSC	-	-	-	18010600	Rent from legal entities	185,691.08	205,309.22
Total The foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC, including:						0.00	0.00
The foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC	-	-	-	-	-	0.00	0.00
Total Krivoj Rog's Iron-Ore Combine PJSC, including:						34,339.84	34,339.84
Krivoj Rog's Iron-Ore Combine PJSC	2556	12.10.2001	-	18010500	Land tax	14.04	14.04

Company name	Special permit number	Date of issuance of special permit	Mineral	Payment number according to the budget classification	Type of payment	Accrued in 2019, UAH thousand	Paid in 2019, UAH thousand
Krivoy Rog's Iron-Ore Combine PJSC	2556	12.10.2001	-	18010600	Rent from legal entities	-868.02	-868.02
Krivoy Rog's Iron-Ore Combine PJSC	2558	15.12.2001	-	18010500	Land tax	0.00	0.00
Krivoy Rog's Iron-Ore Combine PJSC	2558	15.12.2001	-	18010600	Rent from legal entities	21,513.19	21,513.19
Krivoy Rog's Iron-Ore Combine PJSC	2557	15.12.2001	-	18010500	Land tax	16.66	16.66
Krivoy Rog's Iron-Ore Combine PJSC	2557	15.12.2001	-	18010600	Rent from legal entities	6,273.45	6,273.45
Krivoy Rog's Iron-Ore Combine PJSC	2559	15.12.2001	-	18010500	Land tax	2,924.42	2,924.42
Krivoy Rog's Iron-Ore Combine PJSC	2559	15.12.2001	-	18010600	Rent from legal entities	4,464.29	4,464.29
Krivoy Rog's Iron-Ore Combine PJSC	5068	10.12.2009	-	18010600	Rent from legal entities	1.79	1.79
Total Ferrexpo Yeristovo mining LLC, including:						13,662.40	13,662.40
Ferrexpo Yeristovo mining LLC	2768	27.08.2002	-	18010500	Land tax	51.60	51.60
Ferrexpo Yeristovo mining LLC	2768	27.08.2002	-	18010600	Rent from legal entities	13,610.80	13,610.80
Total Suha Balka PrJSC, including:						12,090.00	12,478.00
Suha Balka PrJSC	-	-	-	18010500	Land tax	345.00	403.00
Suha Balka PrJSC	-	-	-	18010600	Rent from legal entities	11,745.00	12,075.00
Total United Mining and Chemical Company JSC, including:						12,243.11	11,866.52
United Mining and Chemical Company JSC	-	-	-	18010500	Land tax	12,243.11	11,866.52
Total Pokrovskiy GZK JSC, including:						92,489.32	92,489.32
Pokrovskiy GZK JSC	587	06.08.1996	-	18010500	Land tax	15,534.05	15,534.05
Pokrovskiy GZK JSC	587	06.08.1996	-	18010600	Rent from legal entities	76,955.28	76,955.28
Total Marganets GZK JSC, including:						6,375.30	6,356.60
Marganets GZK JSC	-	-	-	18010500	Land tax	6,375.30	6,356.60

Data on land fee accrued and paid by the reporting companies of coal mining in 2019, provided by companies

Company name	Special permit number	Date of issuance of special permit	Mineral	Payment number according to the budget classification	Type of payment	Accrued in 2019, UAH thousand	Paid in 2019, UAH thousand
Total DTEK Pavlogradugol PrJSC, including:						39,039.00	39,011.00
DTEK Pavlogradugol PrJSC	-	-	-	18010500	Land tax	680.00	674.00
DTEK Pavlogradugol PrJSC	-	-	-	18010600	Rent from legal entities	38,359.00	38,337.00
Total Shakhtoupravlinnia Pokrovske PJSC, including:						5,539.00	5,543.00
Shakhtoupravlinnia Pokrovske PJSC	-	-	-	18010600	Rent from legal entities	5,527.00	5,377.00
Shakhtoupravlinnia Pokrovske PJSC	-	-	-	18010500	Land tax	12.00	166.00
Total DTEK Dobropolyeugol LLC, including:						18,442.00	18,456.00
DTEK Dobropolyeugol LLC	-	-	-	18010500	Land tax	4,661.00	4,993.00
DTEK Dobropolyeugol LLC	-	-	-	18010600	Rent from legal entities	13,781.00	13,463.00
Total Lvivvuhillia SE, including:						1,159.00	640.00
Lvivvuhillia SE	-	-	-	18010600	Rent from legal entities	4.00	4.00
Lvivvuhillia SE	-	-	-	18010500	Land tax	1,155.00	636.00
Total Selydivvuhillia SE, including:						1,652.00	36.00
Selydivvuhillia SE	-	-	-	18010600	Rent from legal entities	2.00	1.00
Selydivvuhillia SE	-	-	-	18010500	Land tax	1,650.00	35.00
Total Pervomaiskvuhillia SE, including:						484.00	0.00
Pervomaiskvuhillia SE	3194	02.10.2003	-	18010500	Land tax	0.00	0.00
Pervomaiskvuhillia SE	3252	16.10.2003	-	18010500	Land tax	0.00	0.00
Pervomaiskvuhillia SE	3193	02.10.2003	-	18010500	Land tax	0.00	0.00
Pervomaiskvuhillia SE	3191	02.10.2003	-	18010500	Land tax	484.00	0.00
Total Bilozerska Mine DLC, including:						836.10	836.50
Bilozerska Mine DLC	-	-	-	18010500	Land tax	133.10	133.50
Bilozerska Mine DLC	-	-	-	18010600	Rent from legal entities	703.00	703.00

Company name	Special permit number	Date of issuance of special permit	Mineral	Payment number according to the budget classification	Type of payment	Accrued in 2019, UAH thousand	Paid in 2019, UAH thousand
Total Myrnohradvuhillia SE, including:						2,652.00	28.00
Myrnohradvuhillia SE	-	-	-	18010600	Rent from legal entities	85.00	0.00
Myrnohradvuhillia SE	-	-	-	18010500	Land tax	2,567.00	28.00
Lysychanskvuhillia PJSC, including:						1,058.00	25.00
Lysychanskvuhillia PJSC	-	-	-	18010600	Rent from legal entities	34.00	0.00
Lysychanskvuhillia PJSC	-	-	-	18010500	Land tax	1,024.00	25.00
Total Shakhtoupravlinnia Pivdennodonbaske No 1 SE, including:						369.00	283.00
Shakhtoupravlinnia Pivdennodonbaske No 1 SE	-	-	-	18010500	Land tax	369.00	283.00
Total Mine named after M. S. Surgai SE, including:						1,315.00	673.00
Mine named after M. S. Surgai SE	-	-	-	18010500	Land tax	1,315.00	673.00
Total Toretskvuhillia SE, including:						0.00	0.00
Toretskvuhillia SE	3754	27.12.2005	-	18010500	Land tax	0.00	0.00
Toretskvuhillia SE	3751	27.12.2005	-	18010500	Land tax	0.00	0.00
Total Vuhilna Kompaniia Krasnolymanska SE, including:						125.00	118.00
Vuhilna Kompaniia Krasnolymanska SE	4403	28.09.2007	-	18010500	Land tax	125.00	118.00

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 2019, provided by companies

Company name	Special permit number	Date of issuance of special permit	Mineral	Payment number according to the budget classification	Type of payment	Accrued in 2019, UAH thousand	Paid in 2019, UAH thousand
Total Naftogaz of Ukraine NJSC, including:						0.00	0.00
Naftogaz of Ukraine NJSC	-	-	-	-	-	0.00	0.00
Total Ukrasvydobuvannya JSC, including:						37,654.00	33,936.00
Ukrasvydobuvannya JSC	-	-	-	19010000	Environmental tax	37,654.00	33,936.00
Total Ukrnafta PJSC, including:						12,909.00	12,909.00
Ukrnafta PJSC	-	-	-	19010000	Environmental tax	12,909.00	12,909.00
Total Naftogazvydobuvannya PrJSC ⁸⁷⁸, including:						330.83	238.57
Naftogazvydobuvannya PrJSC	Budget of Savintsivka village council Olefirivka - Myrhorodska, OSTI	-	-	19010000	Environmental tax	0.00	4.91
Naftogazvydobuvannya PrJSC	Budget of Savintsivka village council Olefirivka - Myrhorodska, OSTI	-	-	19010000	Environmental tax	35.81	0.00
Naftogazvydobuvannya PrJSC	Budget of Savintsivka village council Olefirivka -	-	-	19010000	Environmental tax	0.00	35.81

⁸⁷⁸ The company, during the preparation of the Report on payments to the state, within the preparation of this EITI Report 2019, made a division on the basis of local budgets, rather than special permits

Company name	Special permit number	Date of issuance of special permit	Mineral	Payment number according to the budget classification	Type of payment	Accrued in 2019, UAH thousand	Paid in 2019, UAH thousand
	Myrhorodska, OSTI						
Naftogazvydobuvannia PrJSC	Budget of Savintsivka village council Olefirivka - Myrhorodska, OSTI	-	-	19010000	Environmental tax	77.33	0.00
Naftogazvydobuvannia PrJSC	Budget of Savintsivka village council Olefirivka - Myrhorodska, OSTI	-	-	19010000	Environmental tax	0.00	77.33
Naftogazvydobuvannia PrJSC	Budget of Savintsivka village council Olefirivka - Myrhorodska, OSTI	-	-	19010000	Environmental tax	80.30	0.00
Naftogazvydobuvannia PrJSC	Budget of Savintsivka village council Olefirivka - Myrhorodska, OSTI	-	-	19010000	Environmental tax	0.00	80.30
Naftogazvydobuvannia PrJSC	Budget of Savintsivka village council Olefirivka - Myrhorodska, OSTI	-	-	19010000	Environmental tax	81.78	0.00
Naftogazvydobuvannia PrJSC	Kalashnikov village council	-	-	19010000	Environmental tax	0.00	2.29
Naftogazvydobuvannia PrJSC	Kalashnikov village council	-	-	19010000	Environmental tax	2.52	0.00

Company name	Special permit number	Date of issuance of special permit	Mineral	Payment number according to the budget classification	Type of payment	Accrued in 2019, UAH thousand	Paid in 2019, UAH thousand
Naftogazvydobuvannia PrJSC	Kalashnikov village council	-	-	19010000	Environmental tax	0.00	2.52
Naftogazvydobuvannia PrJSC	Kalashnikov village council	-	-	19010000	Environmental tax	5.15	0.00
Naftogazvydobuvannia PrJSC	Kalashnikov village council	-	-	19010000	Environmental tax	0.00	5.15
Naftogazvydobuvannia PrJSC	Kalashnikov village council	-	-	19010000	Environmental tax	5.18	0.00
Naftogazvydobuvannia PrJSC	Kalashnikov village council	-	-	19010000	Environmental tax	0.00	5.18
Naftogazvydobuvannia PrJSC	Kalashnikov village council	-	-	19010000	Environmental tax	14.54	0.00
Naftogazvydobuvannia PrJSC	Shishatske branch of Myrhorod OSTI	-	-	19010000	Environmental tax	0.00	7.14
Naftogazvydobuvannia PrJSC	Shishatske branch of Myrhorod OSTI	-	-	19010000	Environmental tax	4.91	0.00
Naftogazvydobuvannia PrJSC	Shishatske branch of Myrhorod OSTI	-	-	19010000	Environmental tax	0.00	4.91
Naftogazvydobuvannia PrJSC	Shishatske branch of Myrhorod OSTI	-	-	19010000	Environmental tax	4.00	0.00
Naftogazvydobuvannia PrJSC	Shishatske branch of Myrhorod OSTI	-	-	19010000	Environmental tax	0.00	4.00
Naftogazvydobuvannia PrJSC	Shishatske branch of Myrhorod OSTI	-	-	19010000	Environmental tax	9.05	0.00
Naftogazvydobuvannia PrJSC	Shishatske branch of Myrhorod OSTI	-	-	19010000	Environmental tax	0.00	9.05
Naftogazvydobuvannia PrJSC	Shishatske branch of Myrhorod OSTI	-	-	19010000	Environmental tax	10.28	0.00

Company name	Special permit number	Date of issuance of special permit	Mineral	Payment number according to the budget classification	Type of payment	Accrued in 2019, UAH thousand	Paid in 2019, UAH thousand
Total Vydobuvna kompaniia Ukrnaftoburinnia PrJSC, including:						73.27	55.30
Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	6349	10.07.2019	-	19010000	Environmental tax	73.27	55.30
Total Energy Service Company Esco-Pivnich LLC, including:						54.67	48.12
Energy Service Company Esco-Pivnich LLC	5318	13.01.2011	-	19010000	Environmental tax	11.72	11.78
Energy Service Company Esco-Pivnich LLC	5360	13.01.2011	-	19010000	Environmental tax	14.68	15.11
Energy Service Company Esco-Pivnich LLC	-	-	-	19010000	Environmental tax	2.23	0.00
Energy Service Company Esco-Pivnich LLC	4096	16.02.2012	-	19010000	Environmental tax	20.81	21.01
Energy Service Company Esco-Pivnich LLC	-	-	-	19010000	Environmental tax	5.02	0.00
Energy Service Company Esco-Pivnich LLC	4178	04.07.2012	,	19010000	Environmental tax	0.21	0.22
Energy Service Company Esco-Pivnich LLC	-	-	-	19010000	Environmental tax	0.92	0.48
Total Poltava Petroleum Company JV, including:						71.81	50.43
Poltava Petroleum Company JV	3660	31.12.2004	-	19010000	Environmental tax	7.07	2.98
Poltava Petroleum Company JV	3658	31.12.2004	-	19010000	Environmental tax	5.57	0.00
Poltava Petroleum Company JV	3661	31.12.2004	-	19010000	Environmental tax	8.73	8.73
Poltava Petroleum Company JV	5966	31.07.2014	-	19010000	Environmental tax	50.43	38.72
Total Natural Resources PrJSC, including:						19.62	20.25
Natural Resources PrJSC	5745	26.03.2013	-	19010000	Environmental tax	19.62	20.25
Total Systemoilingenering LLC, including:						24.84	28.02
Systemoilingenering LLC	4212	06.09.2019	-	19010000	Environmental tax	24.80	27.92

Company name	Special permit number	Date of issuance of special permit	Mineral	Payment number according to the budget classification	Type of payment	Accrued in 2019, UAH thousand	Paid in 2019, UAH thousand
Systemoilingeneryng LLC	4212	06.09.2019	-	19010000	Environmental tax	0.04	0.10
Total Kub-gaz LLC, including:						57.30	46.40
Kub-gaz LLC	5480	06.02.2012	-	19010000	Environmental tax	47.10	38.80
Kub-gaz LLC	5506	09.04.2012	-	19010000	Environmental tax	10.20	7.60
Total Joint Venture Ukrkarpatoil LTD LLC, including:						0.00	0.00
Joint Venture Ukrkarpatoil LTD LLC	-	-	-	-	-	0.00	0.00
Total Persha Ukrainiska Gazonaftova Kompaniia LLC, including:						42.43	42.43
Persha Ukrainiska Gazonaftova Kompaniia LLC	5400	25.10.2011	-	19010000	Environmental tax	0.03	0.03
Persha Ukrainiska Gazonaftova Kompaniia LLC	5401	26.10.2011	-	19010000	Environmental tax	39.00	39.00
Persha Ukrainiska Gazonaftova Kompaniia LLC	5401	26.10.2011	-	19010000	Environmental tax	2.00	2.00
Persha Ukrainiska Gazonaftova Kompaniia LLC	5450	30.12.2011	-	19010000	Environmental tax	1.00	1.00
Persha Ukrainiska Gazonaftova Kompaniia LLC	5450	30.12.2011	-	19010000	Environmental tax	0.40	0.40
Total Zakhidnadraseriv LLC, including:						0.34	0.33
Zakhidnadraseriv LLC	4884	19.01.2018	-	19010000	Environmental tax	0.01	0.01
Zakhidnadraseriv LLC	4779	01.07.2016	-	19010000	Environmental tax	0.32	0.32
Total Nordik Private Enterprise, including:						0.38	0.25
Nordik Private Enterprise	4689	04.09.2015	-	19010000	Environmental tax	0.38	0.25
Total Energiia-95 LLC, including:						0.00	0.00
Energiia-95 LLC	-	-	-	-	-	0.00	0.00
Total Striynaftogaz LLC, including:						0.04	0.04
Striynaftogaz LLC	4750	12.04.2018	-	19010000	Environmental tax	0.04	0.04

Company name	Special permit number	Date of issuance of special permit	Mineral	Payment number according to the budget classification	Type of payment	Accrued in 2019, UAH thousand	Paid in 2019, UAH thousand
Total Nadra-Geoinvest LLC, including:						0.00	0.00
Nadra-Geoinvest LLC	-	-	-	-	-	0.00	0.00
Total Kashtan Petroleum LTD JV, including:						0.00	0.00
Kashtan Petroleum LTD JV	-	-	-	-	-	0.00	0.00
Total 1/1999 No. 35/4 - authorized entity Hals-K PrJSC (31566427), including:						0.00	0.00
1/1999 No. 35/4 - authorized entity Hals-K PrJSC (31566427)	-	-	-	-	-	0.00	0.00
Total Ukrtransgaz JSC, including:						66,841.00	56,011.00
Ukrtransgaz JSC	-	-	-	19010000	Environmental tax	66,841.00	56,011.00
Total Ukrtransnafta JSC, including:						292.80	292.80
Ukrtransnafta JSC	-	-	-	19010000	Environmental tax	292.80	292.80

Data on environmental tax accrued and paid by the reporting companies of metal ores mining in 2019, provided by companies

Company name	Special permit number	Date of issuance of special permit	Mineral	Payment number according to the budget classification	Type of payment	Accrued in 2019, UAH thousand	Paid in 2019, UAH thousand
Total ArcelorMittal Kryvyi Rih PJSC, including:						334,777.00	339,842.00
ArcelorMittal Kryvyi Rih PJSC	-	-	-	19010000	Environmental tax	334,777.00	339,842.00
Total Southern Mining Factory JSC, including:						41,262.15	48,540.84
Southern Mining Factory JSC	585	29.07.1996	-	19010000	Environmental tax	41,262.15	48,540.84
Total Northern Iron Ore Enrichment Works PrJSC, including:						104,547.23	97,955.22
Northern Iron Ore Enrichment Works PrJSC	-	-	-	19010000	Environmental tax	104,547.23	97,955.22
Total Ingulets Iron Ore Enrichment Works PrJSC, including:						97,547.36	95,463.78
Ingulets Iron Ore Enrichment Works PrJSC	-	-	-	19010000	Environmental tax	97,547.36	95,463.78
Total Ferrexpo Poltava mining PrJSC, including:						109,491.01	109,491.01
Ferrexpo Poltava mining PrJSC	1012	29.07.1997	-	19010000	Environmental tax	109,491.01	109,491.01
Total Central Iron Ore Enrichment Works PrJSC, including:						61,157.00	62,154.62
Central Iron Ore Enrichment Works PrJSC	-	-	-	19010000	Environmental tax	61,157.00	62,154.62
Total The foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC, including:						0.00	115.00
The foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC	-	-	-	19010000	Environmental tax	-	115.00
Total Krivoj Rog's Iron-Ore Combine PJSC, including:						4,507.42	4,507.42
Krivoj Rog's Iron-Ore Combine PJSC	2556	12.10.2001	-	19010000	Environmental tax	10.25	10.25
Krivoj Rog's Iron-Ore Combine PJSC	2558	15.12.2001	-	19010000	Environmental tax	40.62	40.62
Krivoj Rog's Iron-Ore Combine PJSC	2557	15.12.2001	-	19010000	Environmental tax	1,690.56	1,690.56
Krivoj Rog's Iron-Ore Combine PJSC	2559	15.12.2001	-	19010000	Environmental tax	2,765.99	2,765.99

Company name	Special permit number	Date of issuance of special permit	Mineral	Payment number according to the budget classification	Type of payment	Accrued in 2019, UAH thousand	Paid in 2019, UAH thousand
Total Ferrexpo Yeristovo mining LLC, including:						44,822.00	39,020.70
Ferrexpo Yeristovo mining LLC	2768	27.08.2002	-	19010000	Environmental tax	44,822.00	39,020.70
Total Suha Balka PrJSC, including:						1,901.00	1,951.00
Suha Balka PrJSC	-	-	-	19010000	Environmental tax	1,901.00	1,951.00
Total United Mining and Chemical Company JSC, including:						668.96	610.22
United Mining and Chemical Company JSC	-	-	-	19010000	Environmental tax	668.96	610.22
Total Pokrovskiy GZK JSC, including:						6,115.40	6,115.40
Pokrovskiy GZK JSC	587	06.08.1996	-	19010000	Environmental tax	6,115.40	6,115.40
Total Marganets GZK JSC, including:						919.80	945.20
Marganets GZK JSC	-	-	-	19010000	Environmental tax	919.80	945.20

Data on environmental tax accrued and paid by the reporting companies of coal mining in 2019, provided by companies

Company name	Special permit number	Date of issuance of special permit	Mineral	Payment number according to the budget classification	Type of payment	Accrued in 2019, UAH thousand	Paid in 2019, UAH thousand
Total DTEK Pavlogradugol PrJSC, including:						25,046.00	24,752.00
DTEK Pavlogradugol PrJSC	-	-	-	19010000	Environmental tax	25,046.00	24,752.00
Total Shakhtoupravlinnia Pokrovske PJSC, including:						9,244.00	8,562.00
Shakhtoupravlinnia Pokrovske PJSC	-	-	-	19010000	Environmental tax	9,244.00	8,562.00
Total DTEK Dobropolyeugol LLC, including:						7,303.00	7,448.00
DTEK Dobropolyeugol LLC	-	-	-	19010000	Environmental tax	7,303.00	7,448.00
Total Lvivvuhillia SE, including:						83,188.00	0.00
Lvivvuhillia SE	-	-	-	19010000	Environmental tax	83,188.00	0.00
Total Selydivvuhillia SE, including:						7,135.00	86.00
Selydivvuhillia SE	-	-	-	19010000	Environmental tax	7,135.00	86.00
Total Pervomaiskvuhillia SE, including:						7,431.00	0.00
Pervomaiskvuhillia SE	3194	02.10.2003	-	19010000	Environmental tax	3,007.00	0.00
Pervomaiskvuhillia SE	3252	16.10.2003	-	19010000	Environmental tax	1,137.00	0.00
Pervomaiskvuhillia SE	3193	02.10.2003	-	19010000	Environmental tax	2,344.00	0.00
Pervomaiskvuhillia SE	3191	02.10.2003	-	19010000	Environmental tax	943.00	0.00
Total Bilozerska Mine DLC, including:						2,083.60	1,986.90
Bilozerska Mine DLC	-	-	-	19010000	Environmental tax	2,083.60	1,986.90
Total Myrnohradvuhillia SE, including:						2,104.00	308.00
Myrnohradvuhillia SE	-	-	-	19010000	Environmental tax	2,104.00	308.00
Total Lysychanskvuhillia PJSC, including:						9,875.00	19.00
Lysychanskvuhillia PJSC	-	-	-	19010000	Environmental tax	9,875.00	19.00
Total Shakhtoupravlinnia Pivdenodonbaske No 1 SE, including:						1,860.00	1,525.00
Shakhtoupravlinnia Pivdenodonbaske No 1 SE	-	-	-	19010000	Environmental tax	1,860.00	1,525.00

Company name	Special permit number	Date of issuance of special permit	Mineral	Payment number according to the budget classification	Type of payment	Accrued in 2019, UAH thousand	Paid in 2019, UAH thousand
Total Mine named after M. S. Surgai SE, including:						3,315.00	268.00
Mine named after M. S. Surgai SE	-	-	-	19010000	Environmental tax	3,315.00	268.00
Total Toretskvuhillia SE, including:						1,368.00	0.00
Toretskvuhillia SE	3754	27.12.2005	-	19010000	Environmental tax	862.00	0.00
Toretskvuhillia SE	3751	27.12.2005	-	19010000	Environmental tax	506.00	0.00
Total Vuhilna Kompaniia Krasnolymanska SE, including:						4,854.00	4,690.00
Vuhilna Kompaniia Krasnolymanska SE	4403	28.09.2007	-	19010000	Environmental tax	4,854.00	4,690.00

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 2019 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	6,432.15	113,880.98	296,775.52	169,765.29	0.00	0.00	0.00	25.97
Representative Office of Regal Petroleum Corporation Limited	19,813.48	80,933.50	262,488.68	124,067.84	0.00	0.00	736.04	37.66
Prom-Energo Product LLC	3,818.21	23,322.28	79,129.04	53,142.21	0.00	0.00	54.75	4.43
Krasnolymanska LLC	44,292.30	128,452.81	18,257.48	24.36	0.00	15,638.27	0.00	0.00
Total	74,356.13	346,589.57	656,650.72	346,999.70	0.00	15,638.27	790.79	68.05



Payments to the state from reporting companies by material types of payments (non-tax payments) in 2019 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 subsoil and revenues from the sale of such permits	Unified social contribution
Ukrgezvydobutok PrJSC	0.00	0.00	5,949.36
Representative Office of Regal Petroleum Corporation Limited	0.00	0.00	14,336.84
Prom-Energo Product LLC	0.00	0.00	3,325.53
Krasnolymanska LLC	0.00	0.00	50,570.56
Total	0.00	0.00	74,182.30

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	Audit of financial report (open access)
1	Ukrigasvydobuvannya JSC	✓	✗	✓	https://www.ugv.com.ua/page/docs?count=1	https://www.ugv.com.ua/page/docs?count=1
2	Naftogaz of Ukraine NJSC	✓	✗	✓	https://www.naftogaz.com/files/Zvity/Naftogaz_2019_UA.pdf	https://www.naftogaz.com/files/Zvity/Naftogaz_2019_UA.pdf
3	Ukrnafta PJSC	✓	✓	✓	Ukrnafta 2019 Standalone FS UKR (006).pdf	Ukrnafta 2019 Standalone FS UKR (006).pdf
4	Naftogazvydobuvannya PrJSC	✓	✗	✓	https://dtek.com/content/files/fin-zvit-2019.pdf	https://dtek.com/content/files/fin-zvit-2019.pdf
5	Energy Service Company Esco-Pivnich LLC	✓	✗	✓	https://esco-pivnich.com/wp-content/uploads/2020/03/Finansova_zvitnist_za_2019_rik.pdf	✓
6	Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	✓	✗	✓	✓	✓
7	Natural Resources PrJSC	✓	✓	✓	✓	✓
8	Poltava Petroleum Company JV	✓	✗	✓	✗	✗
9	Kub-gaz LLC	✓	✗	✓	✓	✓
10	Ukrgazvydobutok PrJSC	✗	✗	✗	http://ukrgv.com/files/zvit.pdf	http://ukrgv.com/files/zvit.pdf
11	Persha Ukrainiska Gazonaftova Kompaniia LLC	✓	✗	✓	✓	✓
12	Representative Office of Regal Petroleum Corporation Limited	✗	✗	✗	https://regalukraine.com/files/zvit.pdf	https://regalukraine.com/files/zvit.pdf
13	Nadra-Geoinvest LLC	✓	✗	✓	http://nadrageo.com.ua/reporting/	http://nadrageo.com.ua/reporting/

№	Company name	Report on payments to the state	Consolidated report on payments to the state	Confirmation letter	Public financial report	Audit of financial report (open access)
14	Energija-95 LLC	✓	✗	✓	http://e95.gasco.com.ua/?page_id=2	http://e95.gasco.com.ua/?page_id=2
15	Systemoilengeryng LLC	✓	✗	✓	https://soe-ukraine.com/images/files/richna-zvitnist-za-2019-rik.pdf	✓
16	Joint Venture Ukrkarpatoil LTD LLC	✓	✗	✓	http://www.uko.kiev.ua/audit%202019.pdf	http://www.uko.kiev.ua/audit%202019.pdf
17	Kashtan Petroleum LTD JV	✓	✗	✓	✓	✓
18	Prom-Energo Product LLC	✗	✗	✗	https://prom-energo.com.ua/files/zvit.pdf	https://prom-energo.com.ua/files/zvit.pdf
19	Nordik Private Enterprise	✓	✗	✓	✓	✓
20	1/1999 No. 35/4 - authorized entity Hals-K PrJSC (31566427)	✓	✗	✓	✗	✗
21	Zakhidnadraserice LLC	✓	✗	✓	✓	✓
22	Striynaftogaz LLC	✓	✗	✓	https://struinaftogaz.com.ua/zvitnist/	✗
23	ArcelorMittal Kryvyi Rih PJSC	✓	✗	✓	https://ukraine.arcelormittal.com/te nders/doc/akcioneram/amkr/Audit%20Report%20AMKR%202019.pdf	https://ukraine.arcelormittal.com/te nders/doc/akcioneram/amkr/Audit%20Report%20AMKR%202019.pdf
24	Northern Iron Ore Enrichment Works PrJSC	✓	✗	✓	https://sevgok.metinvestholding.com/upload/sevgok/content/51/PJSC %20C2%ABNORTHERN%20GOK%C2%BB %20Financial%20statements_2019.pdf.pdf	https://sevgok.metinvestholding.com/upload/sevgok/content/51/PJSC %20C2%ABNORTHERN%20GOK%C2%BB %20Audit%20report_2019.pdf.pdf
25	Southern Mining Factory JSC	✓	✗	✓	✓	✓
26	Central Iron Ore Enrichment Works PrJSC	✓	✗	✓	https://cgok.metinvestholding.com/upload/cgok/content/51/%D0%A4%D0%B8%D0%BD%D0%B0%D0%BD%D1%81%D0%BE%D0%B2%D0%B0%D1%8F%D0%BE%D1%82%D1%87%D0%B5%D1%82%D0%BD%D0%BE%D1%81%D1%82%D1%8C%20%D0%A7%D0%9	https://cgok.metinvestholding.com/upload/cgok/content/51/%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

№	Company name	Report on payments to the state	Consolidated report on payments to the state	Confirmation letter	Public financial report	Audit of financial report (open access)
					0%DO%9E%20%DO%A6%DO%93%DO%9E%DO%9A%20%DO%B7%DO%B0%202019%20%DO%B3%DO%BE%DO%B4.pdf	%82%DO%BD%DO%BE%D1%81%D1%82%DO%B8%20%DO%A7%DO%90%DO%9E%20%DO%A6%DO%93%DO%9E%DO%9A%20%DO%B7%DO%B0%202019%20%DO%B3%DO%BE%DO%B4.pdf
27	Ferrexpo Poltava mining PrJSC	✓	✗	✓	final_fs_fpm_311219_with_audit_report_signed_updated_p.1292.pdf (ferrexpo.ua)	final_fs_fpm_311219_with_audit_report_signed_updated_p.1292.pdf (ferrexpo.ua)
28	Ingulets Iron Ore Enrichment Works PrJSC	✓	✗	✓	https://ingok.metinvestholding.com/upload/ingok/content/51/%DO%9F%D1%80%DO%90%DO%A2%20%DO%86%DO%9D%DO%93%DO%97%DO%9A%20%DO%97%DO%B2%D1%96%D1%82%20%DO%BD%DO%B5%DO%B7%DO%B0%DO%BB%DO%B5%DO%B6%DO%BD%DO%BE%DO%B3%DO%BE%20%DO%B0%D1%83%DO%B4%DO%B8%D1%82%DO%BE%D1%80%DO%B0%202019%20%D1%80%D1%96%DO%BA%20%DO%BD%DO%B0%20%DO%BF%D1%83%DO%B1%DO%BB%DO%B8%DO%BA%DO%B0%D1%86%DO%B8%D1%8E.pdf	https://ingok.metinvestholding.com/upload/ingok/content/51/%DO%9F%D1%80%DO%90%DO%A2%20%DO%86%D0%9D%DO%93%DO%97%DO%9A%20%DO%97%DO%B2%D1%96%D1%82%20%DO%BD%DO%B5%DO%B7%DO%B0%DO%BB%DO%B5%DO%B6%DO%BD%DO%BE%DO%B3%DO%BE%20%DO%B0%D1%83%DO%B4%DO%B8%D1%82%DO%BE%D1%80%DO%B0%202019%20%D1%80%D1%96%DO%BA%20%DO%BD%DO%B0%20%DO%BF%D1%83%DO%B1%DO%BB%DO%B8%DO%BA%DO%B0%D1%86%DO%B8%D1%8E.pdf
29	Krivoy Rog's Iron-Ore Combine PJSC	✓	✗	✓	https://www.krruda.dp.ua/wp-content/uploads/2020/04/emitent_2019.zip	https://www.krruda.dp.ua/wp-content/uploads/2020/04/emitent_2019.zip
30	The foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC	✓	✗	✓	http://www.zgrk.com.ua/content/docs/report/financial/2020/07/finansova_zvitnist_z_vysnovkom_29_05_2020.pdf	http://www.zgrk.com.ua/content/docs/report/financial/2020/07/finansova_zvitnist_z_vysnovkom_29_05_2020.pdf
31	Suha Balka PrJSC	✓	✗	✓	http://sukhabalka.com/ru/r-chna-regulyarna-nformats-ya-emitenta.html	✓
32	Ferrexpo Yeristovo mining LLC	✓	✗	✓	http://ferrexpoyeristovomine.com/wp-content/uploads/2020/04/FS_FYM_31.12.19_UKR_to-Client.pdf	http://ferrexpoyeristovomine.com/wp-content/uploads/2020/04/FS_FYM_31.12.19_UKR_to-Client.pdf
33	United Mining and Chemical Company JSC	✓	✗	✓	https://umcc.com.ua/purchase	https://f984837a-9cb8-4fcf-9ff2-c67f8723d19c.filesusr.com/ugd/fe2

№	Company name	Report on payments to the state	Consolidated report on payments to the state	Confirmation letter	Public financial report	Audit of financial report (open access)
						072_3fbb6ce4c62249b59cb98564f03aa04e.pdf
34	Pokrovskiy GZK JSC	✓	✗	✓	https://pokrovqzk.com.ua/wp-content/uploads/2020/05/%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%D1%96%D0%BD%D1%84%D0%BE%D1%80%D0%BC%D0%B0%D1%86%D1%96%D1%8F-%D0%B7%D0%B0-2019-%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-2020-%D1%80%D0%BE%D0%BA%D1%83.pdf	https://pokrovqzk.com.ua/wp-content/uploads/2020/05/%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%BD%D1%96%D0%BD%D1%84%D0%BE%D1%80%D0%BC%D0%B0%D1%86%D1%96%D1%8F-%D0%B7%D0%B0-2019-%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-2020-%D1%80%D0%BE%D0%BA%D1%83.pdf
35	Marganets GZK JSC	✓	✗	✓	https://smida.gov.ua/db/feed/34339	https://smida.gov.ua/db/feed/34339
36	DTEK Pavlogradugol PrJSC	✓	✗	✓	✓	✓
37	Shakhtoupravlinnia Pokrovske PJSC	✓	✗	✓	http://pokrovskoe.com.ua/sites/default/files/files/company/forshareholders/2019/ConsolidatedFinancialStatements2019.pdf	http://pokrovskoe.com.ua/sites/default/files/files/company/forshareholders/2019/ConsolidatedFinancialStatements2019.pdf
38	DTEK Dobropolyeugol LLC	✓	✗	✓	✓	✓
39	Selydivuhillia SE	✓	✗	✓	http://mpe.kmu.gov.ua/minugol/dccatalog/document?id=245439273	✓
40	Lvivuhillia SE	✓	✗	✓	http://mpe.kmu.gov.ua/minugol/dccatalog/document?id=245439256	http://www.lvug.com.ua/2020/12/31/zvit-nezalezhnogo-auditora/
41	Vuhilna Kompaniia Krasnolymanska SE	✓	✗	✓	https://krasnodolimanskaya.com.ua/?cat=65	https://krasnodolimanskaya.com.ua/?cat=65
42	Myrnohraduhillia SE	✓	✗	✓	http://mpe.kmu.gov.ua/minugol/dccatalog/document?id=245439258	https://www.mvug.com.ua/?page_id=1819

№	Company name	Report on payments to the state	Consolidated report on payments to the state	Confirmation letter	Public financial report	Audit of financial report (open access)
43	Pervomaiskvuhillia SE	✓	✗	✓	http://mpe.kmu.gov.ua/minugol/dccatalog/document?id=245439267	✓
44	Lysychanskvuhillia PJSC	✓	✗	✓	http://www.lisugol.com/Content/RegInf/2019.pdf	http://www.lisugol.com/Content/RegInf/2019.pdf
45	Shakhtoupravlinnia Pivdenodonbaske No 1 SE	✓	✗	✓	http://mpe.kmu.gov.ua/minugol/dccatalog/document?id=245439291	✓
46	Toretskvuhillia SE	✓	✗	✓	http://mpe.kmu.gov.ua/minugol/dccatalog/document?id=245439279	https://toretskvugillya.com.ua/finance/016-%D0%97%D0%B2%D1%96%D1%82-%D0%BD%D0%B5%D0%B7%D0%B0%D0%BB%D0%B5%D0%B6%D0%BD%D0%BE%D0%B3%D0%BE-%D0%B0%D1%83%D0%B4%D0%B8%D1%82%D0%BE%D1%80%D0%B0-%D0%BD%D0%B0-31.12.2019.pdf
47	Mine named after M. S. Surgai SE	✓	✗	✓	http://mpe.kmu.gov.ua/minugol/dccatalog/document?id=245439290	✓
48	Krasnolymanska LLC	✗	✗	✗	✗	✗
49	Bilozerska Mine DLC	✓	✗	✓	✓	✓
50	Ukrtransgaz JSC	✓	✗	✓	http://utg.ua/img/menu/company/docs/2020/%D0%A4%D1%96%D0%BD%D0%B0%D0%BD%D1%81%D0%BE%D0%B2%D0%B0%20%D0%B7%D0%B2%D1%96%D1%82%D0%BD%D1%96%D1%81%D1%82%D1%8C%202019%20-%20%D1%81%D1%82%D0%B0%D1%81%D1%82%D0%B8%D1%81%D1%82%D0%B8%D0%BA%D0%B0_compressed.pdf	http://dvtec2.com.ua/doc/zv2019/1_audit.pdf
51	Ukrtransnafta JSC	✓	✗	✓	https://www.ukrtransnafta.com/wp-content/uploads/2020/04/UTN_Stand-alone_19fsu_with-signatures.pdf	https://www.ukrtransnafta.com/wp-content/uploads/2020/04/UTN_Stand-alone_19fsu_with-signatures.pdf

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	Ukrgezvydobuvannya JSC	1,129,294.73	1,097,089.00	1,097,089.00	The discrepancy may have occurred due to the crediting of payments for the last reporting period of 2018 at the beginning of 2019. The company data was not adjusted.
2	Naftogaz of Ukraine NJSC	266,311.95	245,865.42	266,311.95	The discrepancy was that the company did not include the military levy in the amount of UAH 20,446.53 thousand in the personal income tax. At the same time, the government agencies provided data on an aggregated indicator that includes both personal income tax (payment code 11010100) and military levy (payment code 11011000). The company made adjustments to the initial data.
3	Nadra-Geoinvest LLC	1,242.13	1,125.90	1,219.77	The discrepancy was that the company did not include the military levy in the personal income tax. At the same time, the government agencies provided data on an aggregated indicator that includes both personal income tax (payment code 11010100) and military levy (payment code 11011000). An insignificant discrepancy in the amount of UAH 22.36 thousand, which remains, includes incorrectly credited funds from outside parties due to incorrectly specified payment details. The company made adjustments to the initial data.
4	Southern Mining Factory JSC	295,729.10	23,475.85	295,729.10	The company did not provide data on personal income tax, as it was guided by the draft instructions for filling out the forms of the Report on payments in favour of the state (paragraph 5.1 of Section 5, which stated that the report indicates all taxes, except VAT and personal income tax). The company made adjustments to the initial data.
5	The foreign investment enterprise Zaporizhzhia Iron Ore Industrial complex PrJSC	222,212.37	0.00	223,038.65	The company provided data on personal income tax not separately, but in the "Other" category. The company made adjustments to the initial data.
6	Northern Iron Ore Enrichment Works PrJSC	279,796.53	21,529.74	21,529.74	The company did not provide any clarifications. The company data was not adjusted.

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	Central Iron Ore Enrichment Works PrJSC	215,869.97	16,605.94	215,869.97	In the initial response the company provided data on the military levy only and did not provide data on personal income tax, as it was guided by the draft Instruction for filling out the forms of the Report on payments in favour of the state (paragraph 5.1 of Section 5, which stated that the report indicates all taxes, except VAT and personal income tax). The company made adjustments to the initial data.
8	Ingulets Iron Ore Enrichment Works PrJSC	233,699.36	18,016.23	233,699.36	In the initial response the company provided data on the military levy only and did not provide data on personal income tax, as it was guided by the draft Instruction for filling out the forms of the Report on payments in favour of the state (paragraph 5.1 of Section 5, which stated that the report indicates all taxes, except VAT and personal income tax). The company made adjustments to the initial data.
9	Poltava GZK PrJSC	327,134.02	0.00	327,134.02	The company did not provide data on personal income tax, as it was guided by the draft instruction for filling out the forms of the Report on payments in favour of the state (paragraph 5.1 of Section 5, which stated that the report indicates all taxes, except VAT and personal income tax). The company made adjustments to the initial data.
10	Lvivuhillia SE	269,205.70	267,800.00	269,206.00	The company made adjustments to the initial data without detailed clarifications.
11	Kashtan Petroleum LTD JV	1,200.26	1 107,00	1,200.26	The discrepancy was that the company did not include in the personal income tax the military levy in the amount of UAH 93.26 thousand. At the same time, the government agencies provided data on an aggregated indicator that includes both personal income tax (payment code 11010100) and military levy (payment code 11011000). The company made adjustments to the initial data.
12	Nordik Private Enterprise	2,609.78	83.04	2,609.78	In the initial response the company provided data on the military levy only and did not provide data on personal income tax, as it was guided by the draft Instruction for filling out the forms of the Report on payments in favour of the state (paragraph 5.1 of Section 5, which stated that the report indicates all taxes, except VAT and personal income tax). The company made adjustments to the initial data.
13	Zakhidnadraserbis LLC	2,787.89	214.70	2,787.89	In the initial response the company provided data on the military levy only and did not provide data on personal income tax, as it was guided by the draft Instruction for filling out the forms of the Report on payments in favour of the state (paragraph 5.1 of Section 5, which stated that the report indicates all taxes, except VAT and 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
					The company made adjustments to the initial data.
14	Kub-gaz LLC	11,659.88	10,768.30	11,661.00	The discrepancy was that the company did not include in the personal income tax the military levy in the amount of UAH 892.7 thousand. At the same time, the government agencies provided data on an aggregated indicator that includes both personal income tax (payment code 11010100) and military levy (payment code 11011000). The company made adjustments to the initial data.
15	Shakhtoupravlinnia Pivdenodonbaske No 1 SE	67,429.04	4,186.00	67,429.04	In the initial response the company provided data on the military levy only and did not provide data on personal income tax, as it was guided by the draft Instruction for filling out the forms of the Report on payments in favour of the state (paragraph 5.1 of Section 5, which stated that the report indicates all taxes, except VAT and personal income tax). The company made adjustments to the initial data.
16	Toretskvuhillia SE	56,908.52	56,928.00	56,899.00	The difference is due to the crediting of several payments to the same budget account. The company made adjustments to the initial data.
17	Mine named after M. S. Surgai SE	69,627.09	5,362.00	69,627.09	In the initial response the company provided data on the military levy only and did not provide data on personal income tax, as it was guided by the draft instruction for filling out the forms of the Report on payments in favour of the state (para 5.1 of Section 5, which stated that the report indicates all taxes, except VAT and personal income tax). The company made adjustments to the initial data.
18	Shakhtoupravlinnia Pokrovske PJSC	344,800.42	26 524,00	344,800.21	In the initial response the company provided data on the military levy only and did not provide data on personal income tax, as it was guided by the draft Instruction for filling out the forms of the Report on payments in favour of the state (paragraph 5.1 of Section 5, which stated that the report indicates all taxes, except VAT and personal income tax). The company made adjustments to the initial data.
19	Selydivvuhillia SE	159,718.26	0.00	159,702.03	The company erroneously did not include the personal income tax in the initial response . After adjusting the initial data, an insignificant discrepancy remained due to the incorrectly reflected correspondence of accounts in 2019 accounting records. The company made adjustments to the initial data.
20	DTEK Dobropilliavuhillia LLC	215,997.97	193,159.00	203,688.00	The company provided data on tax liabilities actually paid during the calendar year, without specifying the period for which such liabilities were paid. In the

No	Company name	Government agencies data, UAH thousand	Company data (initial), UAH thousand	Company data (adjusted), UAH thousand	Reason for discrepancies and/or adjustments
					<p>process of adjusting the source data, the company added the amounts of tax liabilities paid by its autonomous subdivisions. After the adjustment, the discrepancy remained.</p> <p>The company made adjustments to the initial data.</p>
21	Joint Venture Ukrkarpatoil LTD LLC	1,079.78	0.00	1,079.78	<p>The company erroneously did not include the payment in the initial response.</p> <p>The company made adjustments to the initial data.</p>
22	Vuhilna kompaniia Krasnolymanska SE	54,324.34	54,611.00	54,611.60	<p>The discrepancy is related to the inclusion in the payment of the amount of tax liabilities paid by two autonomous subdivisions of the company that were established in 2019.</p> <p>The company data was not adjusted.</p>
23	Pervomaiskvuhillia SE	98,415.74	98,350.00	98,415.74	<p>The difference arose due to the company's failure to include the amount of personal income tax accrued on the cost of additional benefits provided by the company.</p> <p>The company made adjustments to the initial data.</p>
24	Energy Service Company Esco-Pivnich LLC	45,155.10	3,473.47	45,155.10	<p>In the initial response, the company provided data on the military levy only and did not provide data on personal income tax, because it was guided by the norm of Article 1 of the EITI Law, which stated that mining companies must report on all payments in favour of the state, except for VAT and personal income tax.</p> <p>The company made adjustments to the initial data.</p>
25	Ukrnafta PJSC	873,030.45	0.00	873,030.45	<p>The company did not provide data on personal income tax, as it was guided by the draft instruction for filling out the forms of the Report on payments in favour of the state (paragraph 5.1 of Section 5, which stated that the report indicates all taxes, except VAT and personal income tax).</p> <p>The company made adjustments to the initial data.</p>

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	Naftogaz of Ukraine NJSC	9,719,026.26	7,919,026.26	9,719,026.26	In the final window "Paid for the year" in the Taxpayer's Webroom, the amount of UAH 1,800,000.00 thousand is not taken into account (technical error in the system operation). The company made adjustments to the initial data.
2	The foreign investment enterprise Zaporizhzhia Iron Ore Industrial complex PrJSC	444,330.85	377,114.00	444,312.85	The company made adjustments to the source data without detailed clarifications.
3	Suha Balka PrJSC	(152,860.97)	47.00	(152,860.67)	When filling out the report form, the company did not take into account the funds returned in 2019 as overpaid in previous periods. The company made adjustments to the initial data.
4	Poltava GZK PrJSC	1,622,066.62	1,668,554.43	1,622,066.62	The company did not include in the payment the data on one of the subtypes of payments that are included in the corporate income tax according to the budget classification, namely, on the income tax of non-residents (foreign legal entities) (payment code 11020500) in the amount of UAH 2,512.19 thousand. The company made adjustments to the initial data.
5	Shakhtoupravlinnia Pivdenodonbaske No 1 SE	2.87	0.00	2.87	The company did not include the amount of financial sanctions (fines) paid related to the violation of tax legislation in terms of paying corporate income tax. The company made adjustments to the 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	Kashtan Petroleum LTD JV	91,274.25	90,577.00	91,466.97	<p>The initial discrepancy consists of discrepancies in the following subtypes of rent:</p> <ul style="list-style-type: none"> - The discrepancy in the subtype of rent under the budget classification code 13030100 (rent for the use of subsoil for the mining minerals of national importance) in the amount of UAH 192.72 thousand is the amount paid by the enterprise in January 2019 for the 4th quarter of 2018. The source data was not adjusted. - The discrepancy in the subtype of rent under the budget classification code 13030700 (rent for the use of subsoil for oil extraction) in the amount of UAH 847.47 thousand is the amount of the fine paid for late tax. The source data was adjusted. - The discrepancy in the subtypes of rent under the budget classification code 13030800 (rent for the use of subsoil for natural gas extraction) in the amount of UAH 15.10 thousand is the amount of the fine paid for late tax. The source data was adjusted.
2	Shakhtoupravlinnia Pivdennodonbaske No 1 SE	757.25	604.00	757.25	<p>The company did not include the amount of financial sanctions (fines) paid related to the violation of tax legislation in terms of production royalty. The company made adjustments to the initial data.</p>
3	Joint Venture Ukrkarpatoil LTD LLC	269,536.07	235,956.00	269,536.07	<p>In the initial response, the company provided the amount of rent paid in accordance with the declarations for 2019. In addition, the amount according to the government agencies (UAH 269,536.07 thousand) included payments made in 2019 for previous periods (2017). In the initial response, the company erroneously did not add this portion of the tax payment. The company made adjustments to the initial data.</p>
4	Ukrnafta PJSC	7,148,134.21	7,086,743.00	7,148,061.23	<p>The initial discrepancy consists of discrepancies in the following subtypes of rent:</p> <ul style="list-style-type: none"> - The discrepancy in the subtype of rent according to the budget classification code 13030100 (rent for the use of subsoil for the mining minerals of national importance) is the amount of incorrectly credited payments that are not included in the production royalty. The source data was adjusted. - The discrepancy in the subtypes of rent according to the budget classification codes 13031200/13031100/13031300 (rent for the use of subsoil for the



No	Company name	Government agencies data, UAH thousand	Company data (initial), UAH thousand	Company data (adjusted), UAH thousand	Reason for discrepancies and/or adjustments
					extraction of natural gas/oil/gas condensate, accrued before 01.01.2018, repayment of tax debt and return of erroneous or overpaid amounts before 31.12.2017) arose due to erroneous non-inclusion of data on these payments in the initial response, since such payments concerned previous years. The source data was adjusted.

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	Ukrtransgaz JSC	4,225,455.62	4,320,522.00	4,320,522.00	<p>The occurrence of a discrepancy may be due to the following factors:</p> <ul style="list-style-type: none"> - UAH 4,293,094.00 thousand was paid in cash; - UAH 20,000.00 thousand was paid from the funds reimbursed from the budget to the EAS VAT account in accordance with paragraph 43.4 Note 1 of Article 43 of the Tax Code of Ukraine (as erroneous and/or overpaid monetary obligations); - UAH 100 000,00 thousand reimbursed from the budget to the EAS (electronic administration system) VAT account in the in accordance with para 43.4, Note 1, Article 43 of the Tax Code of Ukraine (as erroneously and/or overpaid monetary obligations); - Penalties paid due to overpayment – UAH 7,428. 0 thousand. <p>The company data was not adjusted.</p>
2	The foreign investment enterprise Zaporizhzhia Iron Ore Industrial complex PrJSC	156,868.79	0.00	156,868.79	<p>The company provided VAT data not separately, but in the "Other "category. The company made adjustments to the initial data.</p>
3	Yerystovo mining LLC	10.18	0.00	10.18	<p>The company did not include in the VAT paid the amount of fines for late registration of tax invoices. The company made adjustments to the initial data.</p>
4	United Mining and Chemical Company JSC	2.39	0.00	0.00	<p>The reason for the discrepancy was not clarified</p>
5	Northern Iron Ore Enrichment Works PrJSC	1.06	0.00	1.06	<p>The company did not provide data on VAT, as it was guided by the draft Instruction for filling out the forms of the Report on payments in favour of the state (paragraph 5.1 of Section 5, which stated that the report should indicate all taxes, except VAT and personal income tax). The company made adjustments to the initial data.</p>
6	Ingulets Iron Ore Enrichment Works PrJSC	31,167.23	0.00	31,167.23	<p>The company did not provide data on VAT, as it was guided by the draft Instruction for filling out the forms of the Report on payments in favour of the state (paragraph 5.1 of Section 5, which stated that the report should indicate all taxes, except VAT and personal income tax). The company made adjustments to the initial data.</p>
7	Poltava GZK PrJSC	157.17	0.00	157.17	<p>The company did not provide data on VAT, as it was guided by the draft Instruction for filling out the forms of the Report on payments in favour of the state (paragraph 5.1 of Section 5, which stated that the report should indicate all taxes, except VAT and personal income tax).</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
					The company made adjustments to the initial data.
8	Myrnohradvuhillia SE	2,063.51	1,254.00	1,254.0	The company's data include the amount directly paid in cash. The data of the government agencies, in turn, also include amounts that were repaid at the expense of the property of the business entity that was in the tax lien. The company data was not adjusted.
9	Nordik Private Enterprise	74,384.26	0.00	74,384.26	The company did not provide data on VAT, as it was guided by the draft Instruction for filling out the forms of the Report on payments in favour of the state (paragraph 5.1 of Section 5, which stated that the report should indicate all taxes, except VAT and personal income tax). The company made adjustments to the initial data.
10	Zakhidnadraserbis LLC	67,886.06	0.00	67,886.06	The company did not provide data on VAT, as it was guided by the draft Instruction for filling out the forms of the Report on payments in favour of the state (paragraph 5.1 of Section 5, which stated that the report should indicate all taxes, except VAT and personal income tax). The company made adjustments to the initial data.
11	Shakhtoupravlinnia Pivdennodonbaske No 1 SE	9,237.95	0.00	9,237.95	The company did not provide data on VAT, as it was guided by the draft Instruction for filling out the forms of the Report on payments in favour of the state (paragraph 5.1 of Section 5, which stated that the report should indicate all taxes, except VAT and personal income tax). The company made adjustments to the initial data.
12	Mine named after M. S. Surgai SE	354.17	0.00	354.17	The company did not provide data on VAT, as it was guided by the draft Instruction for filling out the forms of the Report on payments in favour of the state (paragraph 5.1 of Section 5, which stated that the report should indicate all taxes, except VAT and personal income tax). The company made adjustments to the initial data.
13	Shakhtoupravlinnia Pokrovske PJSC	507,864.22	0.00	507,864.22	The company did not provide data on VAT, as it was guided by the draft Instruction for filling out the forms of the Report on payments in favour of the state (paragraph 5.1 of Section 5, which stated that the report should indicate all taxes, except VAT and personal income tax). The company made adjustments to the initial data.
14	DTEK Pavlogradvuhillia PrJSC	736,389.58	786,772.00	736,389.58	The discrepancy arose due to the fact that the company did not take into account the budget reimbursement in the amount of UAH 50,382.43 thousand. The company made adjustments to the initial data.

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	Joint Venture Ukrkarpatoil LTD LLC	139,636.22	0.00	139,636.22	The company erroneously did not include the payment in the initial response. The company made adjustments to the initial data.
16	Energy Service Company Esco-Pivnich LLC	519,816.93	0.00	519,816.93	The company did not provide data on VAT, as it was guided by the norm of Article 1 of the EITI Law, which stated that mining companies must report on all payments in favour of the state, except for VAT and personal income tax. The company made adjustments to the initial data.
17	Ukrnafta PJSC	3,718,636.80	0.00	3,718,550.84	The company did not provide data on VAT, as it was guided by the norm of Article 1 of the EITI Law, which stated that mining companies must report on all payments in favour of the state, except for VAT and personal income tax. The company made adjustments to the 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	(1,175,886.25)	0.00	(1,175,886.25)	The company did not provide data on VAT, as it was guided by the draft Instruction for filling out the forms of the Report on payments in favour of the state (paragraph 5.1 of Section 5, which stated that the report should indicate all taxes, except VAT and personal income tax). The company made adjustments to the initial data.
2	The foreign investment enterprise Zaporizhzhia Iron Ore Industrial complex PrJSC	(9,147.11)	0.00	(9,147.11)	The company did not include the budget reimbursement of value added tax in payments, as this was not explicitly provided for in the reporting form. The company made adjustments to the initial data.
3	Marganets GZK JSC	(100,345.35)	0.00	(100,345.35)	The company made adjustments to the initial data without detailed clarifications.
4	Northern Iron Ore Enrichment Works PrJSC	(303,867.01)	0.00	(303,867.01)	The company did not provide data on VAT, as it was guided by the draft Instruction for filling out the forms of the Report on payments in favour of the state (paragraph 5.1 of Section 5, which stated that the report should indicate all taxes, except VAT and personal income tax). The company made adjustments to the initial data.
5	Central Iron Ore Enrichment Works PrJSC	(1,410,086.82)	0.00	(1,410,086.82)	The company did not provide data on VAT, as it was guided by the draft Instruction for filling out the forms of the Report on payments in favour of the state (paragraph 5.1 of Section 5, which stated that the report should indicate all taxes, except VAT and personal income tax). The company made adjustments to the initial data.
6	Ingulets Iron Ore Enrichment Works PrJSC	(328,025.20)	0.00	(328,025.20)	The company did not provide data on VAT, as it was guided by the draft Instruction for filling out the forms of the Report on payments in favour of the state (paragraph 5.1 of Section 5, which stated that the report should indicate all taxes, except VAT and personal income tax). The company made adjustments to the initial data.
7	Poltava GZK PrJSC	(3,557,808.63)	0.00	(3,557,808.63)	The company did not provide data on VAT, as it was guided by the draft Instruction for filling out the forms of the Report on payments in favour of the state (paragraph 5.1 of Section 5, which stated that the report should indicate all taxes, except VAT and personal income tax). The company made adjustments to the 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	Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	170,388.04	0.00	170,388.04	The specified amount (UAH 170,388.04 thousand) under the code 14070000 "Value added tax on goods imported into Ukraine" was accrued according to the cargo customs declaration (line 028). The actual amount paid to the customs bodies as advance payment for customs clearance is UAH 172,100.52 thousand. The company made adjustments to the initial data.
2	Kub-gaz LLC	421.89	0.00	496.20	The company did not include VAT data on goods imported into Ukraine in the initial response. Despite the remaining discrepancy between the data, the company considers its data to be correct. The company made adjustments to the initial data.
3	Nordik Private Enterprise	528.73	0.00	528.73	The company did not include VAT data on goods imported into Ukraine in the initial response. The company made adjustments to the initial data.
4	Zakhidnadraserervis LLC	1,102.18	0.00	1,102.18	The company did not include VAT data on goods imported into Ukraine in the initial response. The company made adjustments to the initial data.
5	ArcelorMittal Kryvyi Rih PJSC	4,404,791.44	4,367,169.00	4,404,791.44	The company made adjustments to the initial data without detailed clarifications.
6	Poltava Petroleum Company JV	10,834.12	0.00	10,834.12	The payment was erroneously not included in the company's initial response. The company made adjustments to the initial data.
7	Northern Iron Ore Enrichment Works PrJSC	142,962.72	0.00	124,054.00	The company did not include VAT data on goods imported into Ukraine in the initial response. Despite the remaining discrepancy between the data, the company confirms the amount of VAT on goods imported into Ukraine in the amount of UAH 124,054 thousand. According to an extract from the Taxpayer's Webroom, the amount is also UAH 124,054 thousand. The company made adjustments to the initial data.
8	Southern Mining Factory JSC	77,130.53	0.00	61, 242.03	The company did not provide data on VAT on goods imported into Ukraine, as it was guided by the draft Instruction for filling out the forms of the Report on payments in favour of the state (paragraph 5.1 of Section 5, which stated that the report should indicate all taxes, except VAT and personal income tax). The company adjusted the data according to the information from the

No	Company name	Government agencies data, UAH thousand	Company data (initial), UAH thousand	Company data (adjusted), UAH thousand	Reason for discrepancies and/or adjustments
					electronic VAT administration system for import customs declarations, which registered VAT in the amount of UAH 61,242,026 thousand. The company made adjustments to the initial data.
9	Central Iron Ore Enrichment Works PrJSC	101,686.48	0.00	101,686.48	The company did not include VAT data on goods imported into Ukraine in the initial response. After the first adjustment of the data, there was a discrepancy that arose due to the difference between settlements on the personal account and in accordance with the company's accounting records, since the payment of funds to the personal account is an advance payment that is debited after the import declaration. The reasons are transitional cargo customs declarations at the end and beginning of the reporting year, personal account balances at the beginning and end of the reporting year. The company made adjustments to the initial data.
7	Poltava GZK PrJSC	334,746.93	0.00	0.00	The company did not include VAT data on goods imported into Ukraine in the initial response. The company data was not adjusted.
8	Ingulets Iron Ore Enrichment Works PrJSC	89,661.74	0.00	85,316.60	The company did not include VAT data on goods imported into Ukraine in the initial response. After the first adjustment of the data, the discrepancy remained, however the company confirms the correctness of the data provided. The company made adjustments to the initial data.
9	Kryvyi Rih Iron-Ore Combine PJSC	2,255.33	0.00	2,255.33	The company provided data for the preparation of the EITI Report in accordance with the information contained in the Taxpayer's Webroom. VAT data on goods imported into Ukraine is not reflected in the Webroom. Therefore, due to the lack of detailed instructions for filling out the report on payments in favour of the state, the company did not include this payment in its initial response. The company made adjustments to the initial data.
10	The foreign investment enterprise Zaporizhzhia Iron Ore Industrial complex PrJSC	222,212.37	0.00	223,038.65	The company did not include VAT data on goods imported into Ukraine in the initial response. The company made adjustments to the initial data.
11	Suha Balka PrJSC	10,538.87	0.00	10,539.00	The company did not include VAT data on goods imported into Ukraine in the initial response. The company made adjustments to the initial data.

No	Company name	Government agencies data, UAH thousand	Company data (initial), UAH thousand	Company data (adjusted), UAH thousand	Reason for discrepancies and/or adjustments
12	Yerystovo mining LLC	83,019.37	95,854.80	95,854.80	The company's data is indicated according to the register of customs cargo declarations for 2019. The company data was not adjusted.
13	United Mining and Chemical Company JSC	7,142.84	0.00	7,142.84	The company did not include VAT data on goods imported into Ukraine in the initial response. The company made adjustments to the initial data.
14	Pokrovskiy GZK JSC	10,248.19	0.00	10,248.19	The company did not provide data on VAT on goods imported into Ukraine, as it was guided by the draft Instruction for filling out the forms of the Report on payments in favour of the state (paragraph 5.1 of Section 5, which stated that the report should indicate all taxes, except VAT and personal income tax). The company made adjustments to the initial data.
15	Marganets GZK JSC	5,209.53	0.00	5,209.50	The company made adjustments to the initial data without detailed clarifications.
16	Shakhtoupravlinnia Pokrovske PJSC	206,596.32	0.00	212,897.00	The company did not include VAT data on goods imported into Ukraine in the initial response. After the first adjustment of the data, the discrepancy remained. The company made adjustments to the initial data.
17	Lvivuhillia SE	68.08	0.00	32.81	The company did not include VAT data on goods imported into Ukraine in the initial response. After the first adjustment of the data, the discrepancy remained. The company made adjustments to the initial data.
18	Bilozirska Mine ALC	1,515.17	0.00	1,515.00	The company did not include VAT data on goods imported into Ukraine in the initial response. The company made adjustments to the initial data.
19	Ukrtransgaz JSC	43,404.27	0.00	42,816.34	The company did not include VAT data on goods imported into Ukraine in the initial response. The company made adjustments to the initial data.
20	Ukrtransnafta JSC	13,014.22	0.00	12,982.11	The company did not include VAT data on goods imported into Ukraine in the initial response. After the adjustment of the data, a minor discrepancy remained.

No	Company name	Government agencies data, UAH thousand	Company data (initial), UAH thousand	Company data (adjusted), UAH thousand	Reason for discrepancies and/or adjustments
					<p>When preparing the report of Ukrtransnafta JSC, the data on the payment of taxes to budgets of all levels from the the STS website resource page Information on Payment to the Consolidated Budget of Ukraine by Payers - Subjects of Natural Monopolies and Business Entities that are Payers of Production Royalty (tax payments)"were taken into account. The data of the STS website resource page do not include VAT payment to the single customs account.</p> <p>Ukrtransnafta JSC did not reflect in the report the VAT amounts paid to the single customs account, since the corresponding amounts of tax paid were included in the tax credit in 2019, which reduced the VAT obligations. According to an extract from the STS website, in 2019 Ukrtransnafta JSC actually paid to the single customs account UAH 12,982.11 thousand.</p> <p>The company made adjustments to the initial data.</p>
21	Energy Service Company Esco-Pivnich LLC	8,489.17	0.00	8,489.17	<p>The company did not provide data on VAT, as it was guided by the norm of Article 1 of the EITI Law, which stated that mining companies must report on all payments in favour of the state, except for VAT and personal income tax.</p> <p>The company made adjustments to the initial data.</p>
22	Ukrnafta PJSC	26,537.88	0.00	26,537.88	<p>The company did not provide data on VAT, as it was guided by the norm of Article 1 of the EITI Law, which stated that mining companies must report on all payments in favour of the state, except for VAT and personal income tax.</p> <p>The company made adjustments to the initial data.</p>

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	Naftogaz of Ukraine NJSC	12,229.46	10,280.91	12,229.47	Some subtypes of payments included in the property tax were not reflected by the company separately or in the amount of property tax, but were included in the category "Other". The company made adjustments to the initial data.
2	The foreign investment enterprise Zaporizhzhia Iron Ore Industrial complex PrJSC	18,848.88	0.00	18,848.88	The company provided data on property tax in the "Other" category. The company made adjustments to the initial data.
3	Poltava GZK PrJSC	59,588.49	42,413.56	42,413.56	The government agencies provided information on the total amount of property tax paid. But the company indicated only the portion of the rent from legal entities (payment code 18010600) and land tax from legal entities (payment code 18010500), which was paid for land plots that were used directly in mining activities (allocated for quarry and dump placement). In addition, the company did not provide data on such subtypes of property tax payments as the tax on immovable property other than land paid by legal entities that own residential properties (payment code 18010100) and the tax on immovable property other than land paid by legal entities that own non-residential properties (payment code 18010400), since they were paid by the company from activities other than mining. The company data was not adjusted.
4	Myrnohradvuhillia SE	76.32	28.00	75.69	Some subtypes of payments included in the property tax were not reflected by the company separately or in the property tax, but were included in the category "Other". The company made adjustments to the initial data.
5	Pervomaiskvuhillia SE	9.48	0.00	0.00	The discrepancy includes an incorrectly transferred amount (adjusted in the State Tax Inspectorate on 29.01.2020). The company data was not adjusted.
6	Kashtan Petroleum LTD JV	84.99	105.00	84.99	The discrepancy in the subtype of property tax under the budget classification code 18010600 (rent from legal entities) arose due to the fact that the company erroneously reflected the amount of accrued but not actually paid rent. The company made adjustments to the initial data.

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	Stryinaftogaz LLC	513.49	367.59	513.49	The discrepancy arose due to the fact that the company's data took into account the payment of rent only on the territory of one village council. During the year, rent was paid on the territory of two village councils. The company made adjustments to the initial data.
8	Kub-gaz LLC	789.82	756.50	784.88	The company did not include in its response the data on one of the subtypes of payments included in the property tax (tax on real estate other than land paid by legal entities that are owners of non-residential real estate, budget classification code 18010400), as it does not keep records of taxes by items of budget revenue classification codes. The company made adjustments to the initial data.
9	Shakhtoupravlinnia Pivdenodonbaske No 1 SE	478.98	325.00	478.98	The discrepancy arose due to inaccuracies in the indicators and due to the fact that the company did not take into account the amount of financial sanctions (fines) paid related to the payment of property tax. The company made adjustments to the initial data.
10	Toretskvuhillia SE	5.30	3.00	3.00	The difference is due to the crediting of several payments within the same budget account. The company made adjustments to the initial data.
11	Vuhilna kompaniia Krasnolymanska SE	735.56	688.00	735.55	The company made adjustments to the initial data without detailed clarifications.
12	Yerystovo mining LLC	13,547.85	13,610.80	13,547.85	Although the discrepancy was insignificant, the company made adjustments due to the fact that an extra amount was erroneously included in the initial data.
13	Energy Service Company Esco-Pivnich LLC	619.83	538.58	619.83	The company did not include in its response the data on one of the subtypes of payments (transport tax from legal entities, payment code 18011100) included in the property tax. The company made adjustments to the initial data.

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	Naftogaz of Ukraine NJSC	1.75	0.00	1.75	The environmental tax was not reflected by the company separately, but was included in the "Other" category. The company made adjustments to the initial data.
2	Poltava GZK PrJSC	126,560.11	109,491.01	109,491.01	The government agencies provided information on the total amount of the environmental tax paid. But the company provided information only on a portion of the environmental tax paid for "low-risk non-toxic mining waste". The remaining amount of the environmental tax was not specified, as it was paid by the company from activities other than mining. The company data was not adjusted.
3	Shakhtoupravlinnia Pivdennodonbaske No 1 SE	1,926.32	1,525.00	1,926.32	The discrepancy arose due to inaccuracies in the indicators and due to the fact that the company did not take into account the amount of financial sanctions (fines) paid related to the payment of environmental tax. The company made adjustments to the initial data.
4	Vuhilna kompaniia Krasnolymanska SE	5,306.71	4,690.00	5,306.71	The company made adjustments to the initial data without detailed clarifications.

21.9 Dividends and payment of a share of net profit

No	Company name	Government agencies data (initial), UAH thousand	Government agencies data (adjusted), UAH thousand	Company data (initial), UAH thousand	Company data (adjusted), UAH thousand	Reason for discrepancies and/or adjustments
1	Shakhtoupravlinnia Pivdenodonbaske No 1 SE	2.87	2.87	0.00	2.87	The company did not take into account the amount of financial sanctions (fines) paid related to the payment of dividends and the share of net profit. The company made adjustments to the initial data.
2	Naftogaz of Ukraine NJSC	33,003,864.40	20,751,932.20	20,751,932.20	20,751,932.20	No inaccuracies were found on the part of the company. The data was corrected by government agencies due to incorrect display of sub-budget classification codes in the initial response

21.10 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	Ukrgazvydobuvannya JSC	1,052,719.17	1,019,447.00	1,052,719.17	The company made adjustments to the initial data without detailed clarifications.
2	Ukrtransgaz JSC	712,475.67	730,016.00	730,016.00	The amount of the unified social contribution paid is reflected based on the company's accounting data. The company data was not adjusted.
3	The foreign investment enterprise Zaporizhzhia Iron Ore Industrial complex PrJSC	238,466.23	0.00	239,744.84	The company provided the data on the unified social contribution not separately, but in the "Other" category. After the first adjustment of the data, the discrepancy remained. The company made adjustments to the initial data.
4	Myrnohradvuhillia SE	9,007.12	0.00	91,007.00	The company made adjustments to the initial data without detailed clarifications.
5	Shakhtoupravlinnia Pivdenodonbaske No 1 SE	74,197.19	0.00	74,197.19	The company did not include the data on the unified social contribution in the initial response due to a methodological error. The company's data fully correspond to the data of the government agencies. The company made adjustments to the initial data.
6	Toretskvuhillia SE	63,557.91	0.00	63,544.00	The difference is due to the crediting of several payments within the same budget account. The company made adjustments to the initial data.
7	Mine named after M. S. Surgai SE	77,355.97	0.00	77,355.97	When filling out the reporting forms, the paid unified social contribution line was erroneously omitted. The company's data fully correspond to the data of the government agencies. The company made adjustments to the initial data.
8	Selydivvuhillia SE	173,330.20	0.00	173,359.88	The company erroneously did not include the unified social contribution in the initial response. After adjusting the initial data, an insignificant discrepancy remained due to the fact that: <ul style="list-style-type: none"> - the correspondence of accounts was incorrectly reflected in accounting in 2019; - as a result of the enforcement of the justice proceedings of the Donetsk Oblast and the memorial order, the unified social contribution in the amount of UAH 1.72 thousand was collected from the account of Selydivvuhillia SE, but the State Tax Service did not offset the liability; claim work is underway. The company made adjustments to the initial data.

No	Company name	Government agencies data, UAH thousand	Company data (initial), UAH thousand	Company data (adjusted), UAH thousand	Reason for discrepancies and/or adjustments
9	DTEK Dobropilliavuhillia LLC	233,523.91	214,717.00	238,859.00	The company provided data on tax liabilities actually paid during the calendar year, without specifying the period for which such liabilities were paid. In the process of adjustment of the initial data, the company added the amounts of tax paid by its autonomous subdivisions, but after the adjustment the discrepancy remained. The company made adjustments to the initial data.
10	Vuhilna kompaniia Krasnolymanska SE	59,380.43	43,923.00	59,710.04	The company made adjustments to the initial data without detailed clarifications. The remaining discrepancy may be related to the creation of two autonomous subdivisions of the company in 2019.
11	Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	12,875.28	0.00	12,875.28	The payment was erroneously not included in the company's initial response due to the fact that it is recorded in accounting on an account other than paying taxes. The company made adjustments to the initial data.
12	Yerystovo mining LLC	68,935.49	6,011.40	68,935.49	A minor discrepancy arose as a result of the refund of funds in May 2019 due to their transfer using invalid banking details. The company made adjustments to the initial data.
13	Pervomaiskvuhillia SE	107,018.72	106,986.00	107,018.72	The company did not take into account the amount of financial sanctions (fines) paid related to the payment of the unified social contribution. The company made adjustments to the initial data.
14	Ukrnafta PJSC	850,332.98	838,347.00	850,332.98	The company made adjustments to the initial data without detailed clarifications.

21.11 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	Ukrgezvydobuvannya JSC	356,315.20	0.00	356,315.20	The company made adjustments to the initial data without detailed clarifications.
2	Lvivvuhillia SE	5,783.74	0.00	5,784.00	The company made adjustments to the initial data without detailed clarifications.
3	DTEK Dobropilliavuhillia LLC	59,981.67	0.00	59,981.67	The company made adjustments to the initial data without detailed clarifications.
4	Bilozirska Mine ALC	9,217.30	0.00	9,217.30	The company made adjustments to the initial data without detailed clarifications.
5	Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	115.70	0.00	115.70	An erroneous non-inclusion of the payment in the initial response is due to the fact that calculations for this payment are not recorded in the Taxpayer's Webroom. The company made adjustments to the initial data.

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	Owner	Location
	DVNK SE		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 ⁸⁷⁹	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	
	Makiyivvuhillia SE		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	
	Artemvuhillia SE		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	
	Ordzhonikidzevuhillia SE		Donetsk region
26	Enakiivska Mine	State	
27	Mine named after K. Marx	State	
28	Poltavska Mine	State	
29	Vuhlehrska Mine	State	
30	Bulavynska Mine	State	
31	Olkhovatska Mine	State	
	Shakhtarskanratsyt SE		Donetsk region
32	Ilovaiska Mine	State	
33	Mine named after XVII Partyzdu	State	
34	Mine named after S.P. Tkachuk, Group III	State	
35	Shakhtarska-Hlyboka Mine	State	
	Torezanratsyt SE		Donetsk region

⁸⁷⁹ 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	
	Snizhneantratsyt SE		Donetsk region
40	Udarnyk Mine	State	
41	Zoria Mine	State	
42	Mospinska Mine SE, Group III	State	Donetsk region
43	Lidiievka Mine SE, Group III	State	Donetsk region
44	Mine №13-bis SE, Group III	State	Donetsk region
45	Pivnichna Mine SE, Group III	State	Donetsk region
46	Mine named after O.F. Zasiadko PJST	Private	Donetsk region
47	Zhdanivska Mine RE PJST	Private	Donetsk region
	Luhanskvuhillia SE		Luhansk region
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	
	Donbasantratsyt SE		Luhansk region
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 Izviestiia	State	
62	Krasnokutska Mine	State	
	Antratsyt SE		Luhansk region
63	Partyzanska Mine	State	
64	Komsomolska Mine	State	
65	Krepinska Mine, Group III	State	
	Pervomaiskvuhillia SE		Luhansk region
66	Pervomaiska Mine	State	
67	Lomovatska Mine	State	
68	Pervomaiska-Zakhidna Mine	State	
69	Bilorichenska Mine PJSC	State	Luhansk region
	Shakhtoupravlinnia Donbas PJSC		Donetsk region
70	Shchehlovska-Hlyboka Mine	State	
71	Komunarska №22 Mine	State	
72	Komsomolets Mine SE, Group III	State	Donetsk region
73	Putylivska Mine RE ALC	Private	Donetsk region
74	DTEK Mine Komsomolets Donbassa PrJSC	Private	Donetsk region
	Shakhtoupravlinnia Blahovishchenske RE ALC		Donetsk region
75	Mine named after V.I. Chapaiev	Private	
76	Mine named after 1 Travnia	Private	
77	Ternopilska Mine	Private	

78	Rassvet-1 Mine LLC	Private	Donetsk region
	DTEK Rovenkyanthracite LLC		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	
	DTEK Sverdlovantratsyt LLC		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	
	Krasnodonvuhillia PrJSC		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	Sadova Mine LLC	Private	Luhansk region
99	Mine №4-21 SE, Group III	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 Section 6 of the Report, including:</p> <ul style="list-style-type: none"> • Review of the legislation governing mineral extraction, including regulations in the field of mining taxation - Section 6.1 • Functions and powers of public authorities - Section 6.2, Annex 5 • Reforming the extractive industry regulatory and fiscal environment- Section 6.3 • Regulation of state participation in extractive industries - Section 6.4 • Fiscal regime, including the information on tax revenues to different levels of budget (tax decentralization) - Section 6.5 • Regulatory regime - Section 6.6, including: <ul style="list-style-type: none"> ○ Overview of special permits for subsoil use - Section 6.6.2 • Overview of the agreements in the extractive industries and other mining related contracts - Sections 6.6.4 and 6.6.5
2.2	<p>Section 6.6.2 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 Annex 6. Sections 6.6.4-6.6.5 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 Section 6.3.</p>
2.3	<p>The information on the registry of special subsoil use permits and the data available in the registry is provided in Section 6.6.1.</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 Sections 6.6.4 and 6.6.5. For information on the reform of the agreements in the extractive industries, see Section 6.3.</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 Section 6.6.3. The information on the final beneficial owners (controllers) of the reporting entities according to the Unified State Register is provided in Annex 4.</p>
2.6	<ul style="list-style-type: none"> • Explanation of the role of state-owned enterprises in the extractive industries (requirement 2.6 a) I.) - 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 • The rules governing the relationship between the state-owned enterprises and the state (requirement 2.6 a) I.) - Section 6.4 • The existing practice of relationship between the state-owned enterprises and the state (requirement 2.6 a) I.): <ul style="list-style-type: none"> – the information on the retained earnings, reinvestment and external financing - Sections 5.1.1, 5.2.1, 5.4.1, 6.4.1.2 – the information on dividends - Section 5.3.1, Section 6.4.3, Section 8.4.1, Annex 8 (Section 17.9)

EITI Standard requirement	Section of the EITI Report
	<ul style="list-style-type: none"> • 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"> – share of the state in the authorized capital of the extractive enterprises - Sections 5.1.1, 5.2.1, 5.4.1 – the scope of liability of the state for the extractive companies' obligations - Sections 5.1.1, 5.2.1, 5.4.1, 6.4.1.3 – loans and borrowings against the state guarantees - Sections 5.1.1, 5.2.1, 6.4.4.3 • financial statements and findings of the independent auditor of public sector extractive companies (requirement 2.6 b) - Annex 11 <p>The information on government involvement in the extractive industries can be found in Section 6.4 of the Report, including:</p> <ul style="list-style-type: none"> • Definition of SOE, financing of their activities and responsibility of the state for covering the costs of such enterprises - Section 6.4.1 • Public policy in the area of management of public sector entities, including current and planned reforms in public administration - Section 6.4.2 • Overview of the payments by the state-owned enterprises - Section 6.4.3 • Overview of the government payments to the state-owned enterprises (including state support and state aid actions) - Section 6.4.4 • Functions of state-owned enterprises and payments in favour of the state-owned enterprises - Section 6.4.5. <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"> • 6.4.1.3 (regarding the liability for obligations of enterprises with state participation) • 6.4.4 (regarding certain state support actions) • 6.6.4 and 6.6.5 (regarding the role and responsibility of the state under the PSA and the JAA, respectively) • the information about the SOEs financial statements audit and disclosure is provided in Section 4.3. <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 (Annex 2).</p>
3.1	The information on significant exploratory activities is provided in each <i>section</i> on a specific industry, namely: 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.
3.2	<ul style="list-style-type: none"> • The information on mineral reserves is provided in Section 5, namely in: 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. • The information on the volume (in physical units) of mineral production is stated in Section 5, namely in: 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. • The information on the value of the extracted minerals is provided in Section 5, namely 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.
3.3	Exports and imports information is provided in Section 5 , namely: 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. The official statistics provides no information on the exports and imports of minerals, which are covered by the EITI Report 2019, disaggregated by the regions of Ukraine
4.1	The information on taxes and other government revenue from the extractive industries is presented in Section 8 , as well as in Annexes 8, 9, 10. Revenue information is provided in Annex 10.

EITI Standard requirement	Section of the EITI Report
	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 were determined as insignificant) for all types of payments is available at http://eiti.org.ua/ , https://menr.gov.ua/ , https://data.gov.ua/
4.2	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.
4.3	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.
4.4	The information on oil and gas transportation, including transit activities is described in Section 5.2.5 . The revenues from oil and gas transportation are disclosed in Section 5.2.5 , 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.
4.5	<ul style="list-style-type: none"> • the information on transfer payments (subsidies, subventions etc.) from the state to the state owned extractive companies - Sections 5.1.1, 5.2.1, 5.4.1, 6.4.4 • the Information on dividends paid by the state owned extractive enterprises for the benefit of the state - Section 5.2.1 (dividends of Naftogaz of Ukraine NJSC subsidiaries), Section 8.2 (general results of reconciliation), Annex 8 (Section 17.9) (detailed reconciliation result in terms of each mining company that paid dividends in 2019) • the relationship between the state and state-owned enterprises under the joint activity agreements, concession agreements, product sharing agreements - Sections 5.1.1, 5.2.1, 5.4.1 • 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 2019 EITI Report in accordance with the decision of the MSG dated 20.11.2020. <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 - Section 6.4.3</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"> • corporate income tax - Section 8.3.2, Annex 8 (section 17.2); • personal income tax - Section 8.3.1, as well as Annex 8 (section 17.1); • land fee (included in property tax) - Section 8.3.7 and Annex 8 (Section 17.6); • environmental tax - Section 8.3.8, as well as Annex 8 (section 17.8); • production royalty for extracting nationally significant minerals - Section 8.3.3, Annex 8 (Section 17.3). <p>The information on the distribution of tax revenues between the budgets of different levels by specific tax / fee is provided in Section 6.5.</p>
4.7	The report presents disaggregated information on government revenues from the extractive industries:

EITI Standard requirement	Section of the EITI Report
	<ul style="list-style-type: none"> • by type of payment and reporting companies (Annex 8, 10) • by certain type of payment and specific project activity of reporting companies (Annex 9)
4.8	EITI Report of Ukraine 2019 is published in February, 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 Annex 11. More details on the audit procedure in mining companies and government agencies are in Section 4.3.</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"> – 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. – On the part of the state bodies - the signatures of the higher officials of the respective agency.
5.1	The information on the distribution of tax revenues between the budgets of different levels is provided in Section 6.5, Section 8 .
5.2	The information on the distribution of tax revenues between the budgets at different levels is provided in Section 6.5, Section 8 .
5.3.	The Ukrainian budget process, and the requirements for auditing and evaluating the effectiveness of budget management are described in Section 6.7 .
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 Sections 6.6.6 and 6.6.7. The information on the actual costs of the extractive companies for social and environmental purposes is presented in Section 5.10.3.</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 (Section 6.6.7).</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 Sections 6.6.6 and 6.6.7. The information on quasi-fiscal operations of the extractive companies is provided in Section 5.11.1.</p>
6.3	The information on the contribution of the extractive industries to the economy of the country is provided in Section 5.10 .
6.4	<p>Information on the impact of extractive industries on the environment is provided in Section 7, in particular:</p> <ul style="list-style-type: none"> - General overview of the provisions of the legislation in the field of environmental protection (Section 7.1) - environmental commitments, including rehabilitation and restoration (Section 7.2) - roles and responsibilities of relevant government agencies (Section 7.3) - 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 (Section 7.4). <p>Statistical information on the impact of extractive industries on the environment and their expenditures for environmental protection is provided in Section 5.13.</p>



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