

The prospect of losing Pokrovsk – a blow to Ukraine’s metallurgical sector

Sławomir Matuszak

On 12 December, Metinvest, a corporation owned by Rinat Akhmetov, announced that it had suspended operations at one of its coal mining facilities (shaft no. 3) in the village of Pishchane near Pokrovsk in Donetsk Oblast. The decision was made in view of the deteriorating security situation, which included intensified shelling and the advancing front line. Employees of the facility, along with their families, were evacuated. The site, which is part of the Coal Group Pokrovske, accounted for approximately half of Metinvest’s total coking coal production. Currently, the company’s remaining mines continue operations.

The Coal Group Pokrovske is Ukraine’s largest mining enterprise. It accounts for extracting approximately 90% of the country’s coking coal used for coke production, a critical raw material in steel manufacturing. Given the deteriorating military situation around Pokrovsk, it appears likely that the mines will eventually cease operations entirely. The loss of this enterprise would deal a severe blow to Ukraine’s metallurgical industry; therefore, significantly impacting both the production and export of metallurgical products.

Commentary

- **Pokrovsk plays a vital role in Ukraine’s metallurgical industry as the largest coking coal mining hub.** The mining facilities in the area have the capacity to extract 3.6 million tonnes of coal annually, and as a result have been able to meet the demands of the country’s steel industry almost entirely. If operations at even a portion of the mines in Pokrovsk are halted, the sector will be compelled to import coking coal or coke. These imports are over 30% more expensive than domestic production, resulting in a significant increase in steel production costs. Currently, Ukraine imports limited quantities of coke, primarily from Poland (over 400,000 tonnes between January and September this year). However, a substantial increase in such purchases would give rise to logistical challenges, and rebuilding supply chains could take several years.
- **The loss of domestic coking coal production would adversely impact the metallurgical sector, which remains one of the key branches of Ukraine’s economy.** The Russian invasion, combined with the destruction of two major steelworks in Mariupol, led to Ukraine’s steel production plummeting, from 21 million tonnes in 2021 to approximately 6.2 million tonnes in 2022. Additionally, companies in this sector have faced labour shortages and disruptions in electricity supplies. Some improvement occurred with the opening of a new Black Sea corridor in September 2023 (see [‘Ukraine: the new Black Sea corridor is a success’](#)), which enabled the export of a wide range of products, including

metallurgical goods. As a result, exports of cast iron and steel rose from 1.1 million tonnes in Q4 2023 to 1.7 million tonnes in Q3 2024. Increased export capacity has also boosted steel production, which is projected to reach 7.3 million tonnes in 2024. However, according to Ukrmetallurgprom, the association of metallurgical enterprises, the loss of Pokrovsk could result in a reduction of metallurgical production by up to 50%. This would adversely affect not only exports but also budget revenues, which Ukrmetallurgprom estimates could decrease by as much as 15 billion hryvnias (approximately \$360 million).