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“Despite the Challenging Circumstances, We Continue to Invest in Ukraine’s Future” — Metinvest COO Oleksandr Myronenko



In an extensive interview with [Interfax-Ukraine](#) news agency, **Oleksandr Myronenko, chief operating officer of [Metinvest](#) Group**, discussed raw material supply and sales markets, energy security and staffing challenges, enterprise operations, investment priorities and new projects for the front line.

Raw material supply

— Recently, Metinvest Group announced that it had received an offer to sell its coal asset in the US — United Coal, a subsidiary that mines coking coal — and is considering it. If United Coal is sold, where will you procure coking coal?

— The coal market is quite broad. Currently, in blending [the preparation of the blend for coke production — Interfax-Ukraine] at the coke plants, we use coal of appropriate grades from two of our mines in the US: Wellmore and Affinity.

We are considering the option of discontinuing coal from the Wellmore mines, after which we will source a small quantity of coal from the Affinity mines: low-caking lump coal (OS grade), which is used in blending at our coke plants. However, we procure coal of grades such as K and G not only from the US, but also from other countries worldwide. Therefore, I see no issues with the coal supply to our coke plants regarding the future prospects and operations of United Coal.

— What is the overall situation with the provision of raw materials for the enterprise, particularly coking coal and coke? Do you import only coal or coke as well?

— We import coal to supply our coke plants, bringing it in from the EU, Australia, the US and all countries able to export coal with the required quality characteristics. We have longstanding relations with W?glokoks (Poland), which is currently the main supplier of coke to our enterprises in Zaporizhzhia and Kamianske.

We operate coke plants that cover part of our metals producers' demand for coke and import the shortfall from the EU. Currently, we have no issues with the supply of coal or coke. There are some temporary issues: for example, wagons may be derailed in Poland or other disruptions, resulting in delivery delays of a day or two. However, these are not critical and do not affect the overall situation regarding standard delivery times of raw materials to our metals enterprises.

— Have you sold coke to other enterprises, particularly ArcelorMittal Kryvyi Rih (AMKR)? Does the Group currently sell coke to this company?

— We did not sell coke to AMKR; rather, we bought some from them to meet our own needs. We sold them K-grade coking coal, which they used in their coke production. However, we currently do not have K-grade, due to the temporary suspension of mining at Pokrovske Coal, so we are not purchasing coke from AMKR at present.

— **Are there any issues with limestone supply?**

— No, at the moment, we have no problems; we source limestone from quarries in western Ukraine. The only issue, which is seasonal, is that during autumn and winter, we slightly adjust the fraction of raw material. We take more of the larger fraction and less of the finer one, but this relates to the moisture content of the limestone, as the finer fraction absorbs more moisture. These are all manageable matters, and we currently have no issues with this: we purchase all the resource within Ukraine and use it in the production of both pellets and sinter.

Issues facing the mining and metals sector

— **What are the general issues faced by companies in the mining and metals sector in Ukraine? What is the outlook for operations in the second half of the year, and what are the future prospects?**

— The main problem is the ongoing war, which creates instability. We cannot influence this situation, and it creates certain risks for the operations of our enterprises. However, over the 3.5 years of full-scale invasion, we have learned to manage these.

Regarding workload for the second half of the year, a solid order book is forming for both metals and mining enterprises. We believe that we will maintain the current operational configuration until the year-end, barring any unforeseen circumstances.

The main issue we face now is a staff shortage: we are lacking 15–20% of the required personnel. We are addressing this through various means. However, overall, this remains a major problem. There is an outflow of experienced workers and a small inflow of young people. Unfortunately, due to the outflow, experienced employees cannot pass on their experience to young specialists. We are virtually forced to work with young, inexperienced specialists who make many, even elementary mistakes, and sometimes these can result in equipment downtime.

The quality of personnel is a significant risk for us. The level of education leaves much to be desired. These are the main risks that could affect our operations. However, we are working on them and trying to mitigate them to complete all work tasks by the year-end.

— Since we have touched on the issue of staff shortages, what problems do you face with employee draft deferrals and how are these being addressed?

— The problem is that our draft deferral quota stands at 50%. This means we cannot defer all employees liable for military service. But we currently have quite a positive dialogue with the government, which fully understands that metals and mining is an important industry that needs to be supported.

Some steps are already being taken that will help to increase the percentage of our employees who receive draft deferrals and, accordingly, reduce staff turnover. I think that in the near future, within a month or two, we will take certain steps with the government that will allow us to defer more employees, reduce the outflow of qualified personnel and somewhat stabilise the hiring situation for new employees.

Market situation and operation of mining and processing plants

— Let's move on to market matters. What is the current situation there? Where do you supply steel products? How much goes to the domestic market and how much to foreign ones?

— For metals enterprises, around 30% goes to the domestic market and 70% to foreign markets. The main share of our steel products goes to European countries bordering Ukraine or to Southeastern Europe.

In addition, we supply rolled products (mainly coils) to Middle Eastern and Asian countries. We ship pig iron to the US.

Regarding iron ore products, the main consumer of our iron ore concentrate is China. Over 60% of our iron ore concentrate is shipped to China through Ukrainian ports.

Consumers also include Northern European countries, access to which we opened around two years ago by significantly improving the quality of our iron ore pellets. We are shipping iron ore products there to develop a new market for us.

— A question about mining and processing plants. How are they operating: specifically, is Ingulets Iron Ore operational? What are the overall plans for their capacity utilisation?

— Northern Iron Ore has almost returned to its pre-war levels. It operates two quarries and its beneficiation plant is running at full capacity. The production of pellets involves both roasting machines — LURGI 552A and LURGI 552B — which operate alternately, depending on the required production volume.

Central Iron Ore is operating below pre-war levels. Two of its quarries have suspended mining, but the beneficiation plant is operating at nearly 80% capacity, receiving ore from other quarries for processing.

Ingulets Iron Ore is currently idle. A small amount of ore is being mined and produced for technological purposes, with volumes reaching up to 40,000 tonnes a month. This is maintenance mode.

— What are the future prospects?

— This depends largely on market price conditions, as electricity costs make up a significant portion of the production costs at Ingulets Iron Ore. Currently, due to relatively high electricity tariffs, the plant's concentrate is uncompetitive even on the Chinese market. Two factors need to align for its relaunch: affordable electricity and rising prices for iron ore products.

We have a relaunch plan. We understand what needs to be procured and how much time it will take to fully restore production at Ingulets Iron Ore, including the future of the workforce. This requires stable markets, both domestic and foreign.

Finance and investments

— Are the enterprises, both metals and mining and processing, operating profitably, or are they loss-making?

— We comment on financial results only within the scope of the Group's consolidated financial statements, which are publicly available.

— The Group is paying coupons on its bonds, has recently redeemed its 2025 Eurobonds and has repaid its debt obligations. Can we expect this to continue?

— As of today, the Group is fulfilling all its obligations. If there are any changes, we will inform.

— Are you planning to attract additional funding, and where?

— We have a portfolio of trade financing with European and Ukrainian institutions to maintain our supply chain.

In addition, we are analysing financing volumes for specific projects in Ukraine and abroad.

Yes, in July, we announced that we had secured a EUR23.6 million credit facility for Northern Iron Ore. The facility is covered by Finnvera, Finland's export credit agency. Deutsche Bank is acting as the sole arranger and lender. The loan will finance the purchase of equipment from Metso Finland, a Finnish industrial manufacturer, for a project to thicken enrichment waste.

We are working separately on financing options for the Adria project to construct a 'green' steel plant in Italy.

— Regarding investments, I would like to clarify: where does the Group intend to invest money in the short and long term? And a question about Zaporizhstal. Metinvest has a joint venture there with sanctioned owners. Will you participate in the privatisation?

— For this issue to become relevant, many procedures need to be completed. When this issue becomes urgent, and the state decides to offer a stake in the enterprise for sale, or if any other developments occur, we will consider it. Currently, this issue is not relevant: there are ongoing hostilities, particularly around Zaporizhzhia.

If we are talking about investments in Ukraine, the priority and main funds we are attracting are for the modernisation of Northern Iron Ore. We are building a waste thickening plant there, and this project is already practically at the construction phase.

In addition, we are considering a project to modernise one of the LURGI 552 roasting machines to prepare it for the production of enhanced pellets for 'green' steelmaking in the EU. We are currently at the stage of designing and developing project solutions.

When it comes to metals production, our focus is currently on Kamet Steel and bringing its blast furnace and converter shops up to standard. This year, we carried out a significant overhaul of blast furnace no. 9 at a cost of US\$20 million and fully refurbished the equipment of one converter in the converter shop.

At Zaporizhstal, repairs are ongoing to maintain equipment. Given the proximity of the front line, we cannot develop any major projects there until the situation stabilises.

In 2026, we will continue our programmes at Kamet Steel, where blast furnace no. 1 will be fully restored, and we will continue repairs in the converter shop.

Therefore, despite the challenging circumstances, we continue to invest in the future, of both Ukraine and the Group. We believe that after the war, we will have even more large-scale investments in infrastructure restoration, primarily within the country.

— **To what extent is the Group concerned with the issue of CBAM (Carbon Border Adjustment Mechanism)?**

— This is a very pressing issue for us. We understand the need to modernise the equipment to transition to ‘green’ steelmaking. There are certain circumstances, such as the war, which prevent us from doing this at the moment.

We are very grateful to the government, which included a provision in the programme of measures for our European integration regarding the necessity of postponing the CBAM requirements for Ukrainian producers. There is a need to postpone them for the duration of martial law, plus three to four years, so that we have the opportunity to recover after the war and start the modernisation.

While we have a complete understanding of what needs to be done and how, we do not have the means to finance it all. In total, the ‘green’ modernisation of our assets in Ukraine, including joint ventures, is estimated at around US\$8 billion.

New developments for the front line

— Another topic is the Steel Front, which is a great defence initiative. What new developments are planned or already in place?

— We have focused on several areas as part of the Steel Front. I will not go into the items we are purchasing: that is a separate stream. Everyone can see what is being financed through the Steel Front and how everything is progressing.

As for our in-house production, we continue to develop the mobile shelter project. It has now evolved into the Citadel project, which will be for both military and civilian purposes, such as equipping shelters in educational institutions. We have presented this project and it is at the development stage. I think that in the near future, we will begin delivering practical solutions and designs that will be applied for military and civilian purposes.

The Citadel shelter has undergone full testing involving military representatives: all necessary detonations and other checks have been completed, and the project is now being prepared for practical implementation.

I should add that yesterday [the interview took place on 28 August – Interfax-Ukraine], we opened the second underground hospital in one of the frontline sectors. The first was opened last year. The new hospital began operating three to four days before its opening, and many soldiers have already received assistance there.

By the year-end, we plan to build one or two more hospitals, depending on the design solution we choose. If we opt for a standard hospital using timber, as we did previously, we will build one hospital. But if we apply the Citadel model, which is more practical and cheaper to implement, we will build two hospitals by the year-end. This is because, through the Citadel project, we can significantly reduce implementation timelines and cut construction costs. We are in the design stage for the next hospitals with the medical forces command.

Another area is the screens for equipment that protect against drones. We have increased their production volumes. Thanks to the efforts of the command, brigades and operational-level command, we are effectively transitioning to self-financing these projects and securing government contracts for these screens. As a result, our ability to scale up production volumes and attract additional funds is growing, as this is now being financed and somewhat easing our investment schedule.

We have several other projects that we continue to work on, but we cannot discuss them due to security concerns.

— I would like to receive an expert response. If you are making armour grilles to protect equipment from drones, is it possible to protect civilian buildings in this way, by installing grilles on the outside walls? Of course, if there are shells and missiles, it would be difficult to reduce the damage.

— From a military perspective, how are strikes on equipment carried out? They are carried out by FPV drones, which have a relatively small combat payload. They carry 1.5-2 kilogrammes of TNT and strike equipment to disable it. To completely destroy equipment — an armoured vehicle or tank — 7 to 10 FPV drones would need to hit it.

When it comes to buildings, an FPV drone will not cause significant damage to them in a combat zone. While it might break windows or damage the roof, this is no reason to protect the building with metal structures, as it is better to bury underground.

When it comes to cities, they are shelled with completely different calibres: missiles with a warhead equivalent to 100-200 kilogrammes of TNT or more. Screens will not be effective against such weapons. No matter how much you reinforce a building with a metal frame, it will not protect it from a missile strike or reduce the damage.

The Shahed drones have a payload of 5-10 kilogrammes. If a Shahed hits a concrete building, apart from breaking windows and damaging some rooms, it will not cause significant harm.

In my opinion, this will not help our cities, which, unfortunately, are suffering from shelling.

Market challenges and energy security

— How do you assess the relaxation by the National Bank of Ukraine (NBU) regarding settlements with foreign counterparties? Do you support such actions? Are they sufficient?

— We support the actions of the NBU and the government aimed at simplifying the conditions for doing business. This is because it is crucial for us to settle with our suppliers on time, understand how to build relationships with them and receive payments for our products on time. We can only welcome the creation of additional conditions for attracting investment and simplifying business operations in the country.

We are ready to provide the government with all the necessary recommendations and proposals, based on our vision of the situation and how it can be improved. We work with them constantly to support each other in this challenging situation.

— What needs to be done to attract investment to Ukraine?

— Above all, the war must end. Right now, no investor or bank will provide funds to a risk zone without insurance. In fact, it is quite difficult to negotiate with them about financing projects in Ukraine based on the modernisation plans that we are currently implementing.

Problems with obtaining trade financing exist even when products have already been loaded onto the vessel. Banks are willing to provide financing under a trade credit when the vessel is already somewhere beyond Ukraine in the Black Sea. Banks are quite cautious when allocating funds for those projects that, in their view, are in a risk zone in terms of return on investment.

— In this regard, what is the forecast for the situation in the country during the war? If the war continues, how much worse will the situation become? And, according to your predictions, how long might the war drag on?

— We cannot make any predictions about when or how the war will end. I know one thing: we will stand here for as long as necessary, no matter how long this war lasts. We will do everything to ensure that our Group survives and develops within our capabilities. And we will make every effort to prevent the enemy from seizing more of our territory.

We must do everything in our power to preserve what we have. And we will do so, no matter what the cost.

— How have Trump's tariff initiatives impacted the market? Are Ukrainian producers at an advantage or disadvantage? And how might this affect your assets in Europe?

— Cast iron is not subject to the 50% “steel” tariff but is subject to the general 10% tariff imposed on Ukraine. We had some mild negative expectations that the Europeans, when implementing these additional tariffs from Trump, would also impose tariffs on their own products, further protecting their market, which would have impacted us as well. And that would have created problems for us if we were

cut off from free access to the European market. But for now, this has been postponed for three years.

I think we will continue to operate under the same arrangement as we have since the start of the war, when we were granted duty-free access to European markets.

— **How did that affect you?**

— It had the greatest impact on our plant in Bulgaria (Promet Steel), which had quite major contracts in the US. The duty on supplying rebar to the US increased by up to 50%, and we lost those contracts.

At the moment, we have reoriented our focus: we are now more involved in developing the domestic market and working with traditional markets, such as Greece, Romania, Hungary and other countries that use reinforcement in construction. While we have experienced a slight decline in our contracts in monetary terms, due to slightly lower prices, overall production volumes have been maintained for now.

— **How are projects for alternative electricity supply progressing, taking into account the strikes on energy infrastructure?**

— Regarding Zaporizhzhia, we are covered by in-house generation. Next month, we will carry out repairs on our turbogenerator in the city. In the event of any disruptions, this will enable us to maintain the required minimum to preserve the equipment during the system recovery period.

We have additionally installed up to 10 MW of generation capacity at Kamet Steel, which is now operational. This is flexible generation capacity. When tariffs are high, we switch it on and reduce costs thanks to cheaper generation, and turn it off when tariffs are low. In this way, we achieve an effect. While small, it allows us to pay for the installed generators.

However, the main idea is backup generation. In the event of military damage to energy facilities, this kicks in and allows us to maintain the minimum to preserve the equipment at the enterprise.

We are completing an energy project at Central Iron Ore: its second stage is undergoing hot testing. I think we will launch it in a few weeks.

Another 50% of the project has been implemented at Northern Iron Ore, and we are completing the remaining 50% with the contractor. This project is aimed at, first, ensuring power generation during peak electricity prices throughout the day, and second, providing backup power generation during emergency situations caused by military action.

The Unistil plant, which produces cold-rolled galvanised flat products in Kryvyi Rih, is equipped with two powerful diesel generators. When Kryvyi Rih was struck and the power substation was partly destroyed, the enterprise operated on diesel generators for a week and a half, fully maintaining the production process and output of rolled steel until the substation was restored and power was supplied from the grid.

There are measures aimed at ensuring the minimum to maintain equipment. During the network restoration period, we need to preserve this minimum, prevent accidents, ensure generation and, once it is restored, start up and stabilise production performance more quickly.

The main task is energy security during emergency situations in Ukraine's energy grid. We calculated that to become fully energy-independent, we would need to invest nearly US\$600 million and essentially build a gas power station, which would be recouped in 15 to 20 years. At the moment, we cannot afford to build high-capacity gas power plants and generators that would meet the needs of our enterprises. In Kryvyi Rih alone, we will need about 500 megawatt-hours of generation.

— Are you considering sea freight with your own fleet?

— We are not currently considering options with our own fleet. We work with a pool of shipowners and try to optimise the loads together with them. For example, the vessels that bring us coal are loaded with iron ore concentrate on their return trip. We are working on such solutions with the owners to reduce freight rates.

— Regarding iron ore prices, if they continue to fall and global economic conditions worsen, how critical could this be for you?

— Ore prices have remained low for a long time. There have been some fluctuations of US\$10 up and down. We understand that we are facing a long-term market decline, and we have already responded by suspending operations at Ingulets Iron Ore, due to high electricity tariffs and low prices for finished products. Other plants are still operating more or less efficiently.

And we will continue to monitor the situation. Every month, we make a forecast for the next four months and consider different scenarios for the Group's operations. This is an ongoing process. We will assess market conditions, prices for raw materials, electricity and natural gas to plan the operational configuration so that the Group generates revenues and avoids unnecessary spending.

If we just went with the flow, our performance would be much worse. That is why we work on our efficiency every day.

— What kind of assistance would you like from the government?

— We work with the authorities constantly. We welcome any initiatives that enhance our competitiveness, whether insurance, assistance in securing affordable loans or state guarantees for attracting investment. Eventually, we will see positive results: we just need to wait a little, as the outcomes will come in the long term.

This is a process of formation, so we will welcome any initiative that helps Ukrainian businesses.