

RESOLUTION
Ukraine's National Energy Sector Virtual Conference
“Review of Ukrainian Energy Sector and its Perspectives”
(coal industry of Ukraine)

We, participants of National Energy Sector Conference representing the mining trade unions note that Ukrainian coal industry has never been in such deep crisis which is currently being aggravated due to the global economic turbulence caused by COVID-19 pandemic.

The current state of public sector enterprises:

Coal production at state-owned coal mining enterprises located in areas controlled by the Ukrainian government has declined significantly.

So far, no effective and well-coordinated systemic disposal of coal products and timely payment has not been established at the state level.

There are no balanced tariff and pricing systems for coal products with account taken of cross-subsidization which is one of the main reasons for the financial downgrade of the coal industry.

Due to the absence of enterprises' working capital and significant creditor indebtedness:

- coal enterprises are still being disconnected from the energy supply resulting in its complete shutdown with relevant technical, economic, environmental and social consequences;
- payroll arrears as of November 27, 2020 reach UAH 1.2 billion while payment of wages to employees of non-industrial group and administrative staff is carried out in discriminatory manner;
- the wage level in the industry does not comply with the provisions of the current Sectoral Agreement and the Law of Ukraine "On increasing the prestige of mining industry";
- labour protection measures are not sufficiently funded which leads to increased accident rate at enterprises of all forms of ownership;
- existing single social security tax arrears (current amount including fines and penalties - over UAH 4.8 billion) result in violation of the rights of coal mining enterprises employees to social protection, namely a violation of the constitutional right to healthcare and retirement benefits (*if the employer fails to pay a single social security tax for a certain period to the insurance funds, is not included in the employee's pension insurance record when assigning a pension, temporary disability benefits are calculated on the basis of minimum wage instead of individual employee's earnings etc.*

For more than four years, with relevant justifications and conclusions of medical institutions available, including the Ministry of Health of Ukraine, the issue of restoring the right to a pension on preferential terms for mid-level miners (minimum 50% of working time spent underground in the accounting period) remains groundlessly unresolved thus violating the constitutional right to healthcare. This is the main factor stimulating the outflow of highly qualified specialists from the enterprises and for the first time in the coal industry history we observe significant deficit of staff workers responsible for control and ensuring the safety of coal mining process.

The previous "reforming" practice shows that the main goal of declared transformation was to reduce public funding for the coal industry, including total elimination of state subsidies for the industry in all areas to create conditions for forced shutdown of coal enterprises and further staff impoverishment by limiting and violating their rights and guarantees. Unfortunately, the next reforming stage approved by the Government in October 2020 for the coal industry would not solve all the problems of coal industry enterprises and its employees.

This statement is proved by the threshold of expenses envisaged by the draft Law of Ukraine «On the state budget of Ukraine for 2021» - UAH 4,5 bln is planned for the coal industry covering only 34% of the calculations presented by the Ministry of Energy of Ukraine.

The decisions made were typically sporadic by nature, without strategic basis and balance. Moreover, until now the issues of formation and implementation of state policy on coal industry reforming are considered without ensuring the social dialogue at appropriate level with the

participation of all parties at the sectoral level. At the same time the provisions of existing General Agreement and Sectoral Agreement, envisaging participation of agreement parties in consideration of these issues and presentation of appropriate decisions, are being completely ignored.

The demands of Trade Unions to ensure socially responsible reforms implemented openly with the support of workers' associations at enterprises and mining regions on the basis of a comprehensive social dialogue are still not satisfied.

Moreover, along with the attempts of decision-makers to launch the liberalized labour relations in Ukraine, we observe the unseen exclusion of Trade Unions from the process of state policy formation and implementation.

Currently this also relates to the processes connected with the elaboration of measures to reform state-owned coal mining enterprises, as well as the returning the leased industrial complex of SE "Dobropillyavugillia" (taken under lease by SE "Dobropillyavugillia LLC" since 2010) to the state; due to the lack of information about the future of enterprises and labour relations, as well as ignorance of trade unions' proposals regarding the violation of workers' rights and guarantees, spontaneous protests are provoked, both at enterprises and in mining regions.

Having recognized the need to reform the coal industry, the unions note that detailed calculations are required before the start, in cooperation with workers' associations and local authorities and unions it is necessary to determine the social consequences for miners, their families and coal regions in general, ensure the necessary funds for all measures and identify real sources of funding.

Even potentially powerful state-owned coal mining enterprises are on the brink of destruction in need for reconstruction and modernization to be funded. Such enterprises should remain in the generation mix of Ukraine for certain time, and the available coal resources should be used even in the context of the global trend of renewable energy development in accordance with state policy and transition period established by this policy.

Trade Unions consider that it is possible to determine the period of mines' functioning prolongation and the amount of coal resources required by the state to ensure its energy sector independence and security only if there is a clear and transparent generation mix and justified long-term development policy.

This is possible only with productive and skilled staff, both in the coal industry and in the Government of Ukraine which is obliged to coordinate the activities of all enterprises of the energy sector, regardless of the form of ownership.

Under such conditions it will be possible to take appropriate, balanced and coordinated measures with aim to reform the coal industry, ensure fair transformation of coal mining companies and coal regions, as well as proper recognition of all processes by workers' associations and communities of mining towns with access to new jobs.

Taking account of these circumstances, trade unions cannot ignore the existing problems and draw attention to the following:

1. Coal industry must be reformed gradually, residents of coal regions should understand the future of their regions and get employment opportunities for which it is necessary to ensure an appropriate level of social dialogue regarding these issues in accordance with applicable legislation and the Sectoral Agreement by holding the regular meetings, including the Ministry of Energy of Ukraine, Tripartite Social - Economic Council etc.

2. An effective system of social support and protection must be developed to support coal industry workers, their families and residents of coal regions.

3. In order to ensure the effective reforms in the coal industry and sustainable functioning of economically active enterprises, as well as the protection of social-economic and labour rights of workers, it is necessary to provide additional funding from the budget and ensure the following:

- 3.1. **Amending the State Budget of Ukraine for 2021 to provide funds** and ensure sustainable functioning of coal industry state-owned enterprises in the amount fully corresponding to calculations provided by the Ministry of Energy of Ukraine and production programs of coal

mining enterprises. In particular, for the reforming of coal mining enterprises and comprehensive social protection programs for dismissed workers whose dismissal from mines will take place this year (enterprises planned to be shut this year).

3.2. Adoption of amendments to the applicable legislation regarding:

- discharge of debts for electricity consumed by coal mining enterprises within the past years;

- discharge (restructuring) of coal industry enterprises debts to the funds of compulsory state pension insurance and budgets of all levels, unsettled as of 01.01.2020, as well as debts of enterprises to reimburse the actual costs of payment and delivery of preferential pensions to the Pension Fund of Ukraine;

- incorporation of changes in the personal accounting in the system of compulsory state pension insurance regarding inclusion of the entire period of work performed by employees with contributions to the Pension Fund of Ukraine accrued but not paid by the employer to the insurance period (under discharge or restructuration etc);

- improvement of the mechanism of current payments crediting from SSST to the Pension Fund of Ukraine without being credited to arrears for the previous years, as well as fines and penalties;

- restoring social guarantees for coal industry workers provided by Articles 43 and 48 of the Mining Law of Ukraine, which were subject to illegal cancellation dd. 01.01.2015;

- amending the Resolution of the Cabinet of Ministers of Ukraine dated 24.06.2016 № 461 on restoration of the right to a preferential pension for employees of coal industry enterprises with minimum 50% of working time spent underground in the accounting period;

- ensuring the opportunity of early retirement for employees of pre-retirement age in the event of coal mining enterprise shutdown.

4. The Cabinet of Ministers of Ukraine shall ensure effective coordination of activities of energy sector enterprises (all forms of ownership) and profound changes in the process of talent capacity formation in the Ministry of Energy and enterprises which are its subordinates.