

Oleksandr Vodoviz: To Attract Foreign Investment, Ukraine Needs a Predictable Tax and Tariff Policy

Attracting foreign investment into Ukraine is impossible without a predictable tax and tariff policy; otherwise, major players will not invest in domestic enterprises. This view was expressed by Oleksandr Vodoviz, head of the Chief Executive Officer's Office at Metinvest Group, during the conference titled "Strategic Resources of Ukraine: Development Scenarios for the Subsoil Industry", held on 23 January in Kyiv.



The conference focused on the challenges and opportunities for developing resources: critical materials that will enable the country to become a key player in the global raw materials market. This can be achieved through transparent legal mechanisms, the protection of investors' rights, an effective anti-corruption policy, government support for strategic projects and improvements to the investment climate. The event was organised by the We Build Ukraine think tank and the National Association of Extractive Industry of Ukraine.

Vodoviz took part in the "Ukraine's Raw Materials: The Path to Global Integration" panel. The discussion featured representatives from the Ministry of Environmental Protection and Natural Resources of Ukraine, the State Geological and Mineral Resources Survey, Velta, UkrLithiumMining, Ernst & Young in Ukraine and ARZINGER.

The head of the Metinvest CEO's office noted that mining and processing mineral resources is a capital-intensive business, requiring a potential investor to commit significant funds to developing an enterprise straightaway. Only large international players have access to such resources, and they place a high value on stability and predictability in government policy.

Vodoviz stated: "While Ukraine is rich in mineral resources, this business requires billions of dollars of investment. Will small or medium-sized businesses enter this sector? No, it must be large corporations. For example, developing a mine similar to the one in Pokrovsk would require around US\$10 billion. Let me remind you that Pokrovsk is the last coking coal mine in Ukraine. Currently, there is much discussion about coking coal mines in western Ukraine. Initial investments in such projects could amount to US\$3-4 billion, and this is only to reach the minerals. Will any company be willing to invest such funds when transportation, electricity and tax rates are constantly fluctuating? There must be some measure of stability to attract investment."

Additionally, projects in the mining industry have an especially long payback period. According to Ernst & Young, it takes an investor an average of 18 years from obtaining a licence and securing permits to launching an enrichment facility.

Vodoviz noted: "The best indicator of how well the country is doing in terms of the mining industry is the number of new mines and processing plants opened in Ukraine over the past 20 years. Yes, we have some projects at the feasibility stage. The number of completed ones is zero. That says it all."



In his estimation, Ukrainian businesses are currently investing in the development and maintenance of their enterprises on their own. Vodoviz commented: "Investments in the mining industry are primarily our own. Ukrainian business is oriented on exports. We sell products abroad and invest the proceeds here. We invest an average of US\$1 billion annually. How many businesses can allocate such funds just to maintain ongoing operations?"

He added that the share of small and medium-sized businesses in Ukraine's GDP is only around 20%. Vodoviz stated: "The rest is industry. We live thanks to what industry produces, not small and medium-sized businesses."

In addition, the head of the Metinvest CEO's office emphasised that operating during wartime creates extra challenges for businesses. He stressed that the government must take this into account, particularly during the process of integrating European legislation.

He reminded attendees that Ukraine's rapprochement with the EU would involve three stages. The first is legislative monitoring, which in the mining sector alone covers some 550 regulations. The second is the development of new legislation or amendments to existing laws. The third is the implementation of the adopted laws. Altogether, this process will take around four to five years.

Vodoviz concluded: "We have repeatedly noted that Brussels' position is very strict. Essentially, the EU sets clear requirements for Ukraine: either you adopt European legislation, or you do not. There is no room for negotiation. What is concerning is the stance of our government officials, who tell businesses that they cannot do anything about these European requirements. But we are at war, and our economic situation is completely different. For example, steel plants in Europe receive grants for environmental modernisation. We do not have that here. We are unable to meet European standards. We are asking the government to pay attention to this issue."