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## **PRICE FORMATION ON ENERGY PRODUCTS FROM THE MINE METHANE GAS**

Ukrainian national energy program worked out the ways of the country effective ensuring of energy resources for account of activation the own fuel and energy complex. Herewith coal, on the outlook, continues to be the main native energy source. At the same time, only 14% of oil and 30 % of gas from the total requirement of Ukraine will be expected to cover for the expense of internal resources. So, the important place in the Program is given for alternative types of energy, for account of which after 2010 will be manufactured up to 10 % of all energy. The considerable place in this area is given for coaly methane. The program provides that till 2014 the processing volume of methane will be 500 millions cbm. in a year. In all for recycling of methane is planning to spend 650 millions hryvnas. Facilities will be engaged from the state budget, for account of credits and investments.

According to the methane resources Ukraine takes the forth place in the world, the last theirs evaluation was about 12 trillions cbm., that in 3 – 3,5 times overpass natural gas reserves. Potential options for energy applying the mine methane in the concentration range of 30% - 100%: using as fuel in metallurgical furnaces; production of thermal energy in boiler units; incineration in internal combustion engines or in turbines for electricity production; using for injection of natural gas in pipelines; incineration as engine fuel.

All factors, that have influence on commercial products from methane, should be divided into two groups. The first group includes factors of outside influence: economic environment, in which operates mining establishment; level of competition and demand on the resource markets; government regulation in the form of legislative restriction or preferences in price formation.

The second group includes factors of inner influence: the purpose of mine marketing policy; costs on manufacturing and selling products; stages of life cycle of these products; organization the price formation process. For example, when we set up the basic price on the trade gas methane for filling in vehicles, it's necessary

to take into consideration the quantity of costs impact on the unit of product, presence of unique characteristics of the products, level of market price on goods – substitutes or similar goods.

Depending on, which factor or factors dominate, two main methods of price formation are applying: costly (based on costs calculation) and market (based on registration the market factors activity). The model of price formation, which is based on product cost and on necessary level of profit, considers the internal economic situation of the coal mine. The advantage of such price formation is simplicity of calculation.

Application of this model displays the policy of a coal mine, which ensures average, not maximum profit from the sale. Required level of profit (as minimum value of normal profit) depends on the level of competition, feature of demand and sales volume of products. The lower level of price on the trade gas methane in realization of this model is determined by the purchase price of natural gas.

According to the law of Ukraine “about gas (methane) of coal occurrences” a mine has the right to sell the gas at bargain prices. The limit prices on methane the government establishes, if extraction and elaboration of this resource is carried out for account of the government budget. The prices on electronic power, which was obtained at a mine from the methane and implemented for consumer, is setting up on the basis of current legislation by structures, that control the electricity market. At the same time, the law liberates till 2020 from profit taxing, which was received from extraction and using of the methane activities. In this way, the law determines government guarantees and stimulation properties of extraction and elaboration mine gas sphere activities.

On the level of mine establishment, which produces from methane gas has dual meaning. On one side, it protrudes as tool of demand stimulation on products. On the other side – it’s determined factor of formation the necessary profit. Strategic price solutions of energetic products should be consensual with the coal mine aim and strategy of manufacture, selling the major products and solutions of positioning the products species from methane in the energetic market segment.