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Ukraine's Mariupol Steel Plants in Critical State After Gas Cut-Off

By The Moscow Times

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A member of the Ukrainian armed forces walks in a trench at the positions located in the village of Shirokino near Mariupol, Ukraine.

Two of Ukraine's largest steel plants are in a critical situation and may have to cut production, owner Metinvest said on Friday, after fighting in the separatist east severed gas supplies to the port city of Mariupol and two other towns.

Mariupol, a southeastern government-controlled city on the Sea of Azov, lies close to the frontline with rebel territories. Metinvest's Ilyich and Azov Steel plants employ 10 percent of Mariupol's population.

The interior ministry accused rebels on Friday of shelling the pipeline, causing damage which gas transport monopoly Ukrtransgaz said had left three towns, including Mariupol, without gas supplies for up to two days.

"The situation is critical. We are considering temporarily idling blast furnaces and also limiting steelmaking and rolling production operations," Metinvest said in a statement.

Prime Minister Arseny Yatseniuk said Russia-backed had deliberately targeted the pipeline in a bid to destabilise Mariupol.

"They're doing this on purpose to sow panic in Mariupol, to shut down the factories so that people don't get wages. It's part of the Russian plan," he said in a government meeting.

Rebel officials denied responsibility for the attack on the pipeline around 100 km north of Mariupol. "The area indicated by Ukrainian authorities is beyond the reach of our mortars," separatist news service DAN quoted them as saying.

The industrial hub has been under threat from rebel attacks for months despite a ceasefire deal. Control of the city would help the rebels form a corridor to the Crimea peninsula which Russia annexed from Ukraine last year.

Production has fallen significantly at the plants since fighting erupted last April but they have kept working despite severe supply disruptions.

Output at Ilyich, which is producing around half as much steel as before the conflict, was 1.1 million tonnes in the first four months of 2015, while Azov Steel produced 590,000 tonnes in the first quarter.

Overall, steel production in Ukraine was down by 28 percent to 9.247 million tonnes in the first five months of 2015 compared with the same period last year, producers' union Metalurgprom said this month.

Steel, chemical and agricultural goods make up the majority of Ukraine's exports.

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