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Leading Russian Coal Producer to Receive State Support Amid Deepening Industry Crisis

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Mikhail Klimentyev / TASS

One of Russia's leading mining companies has become the first coal producer to secure government aid amid a deepening crisis in the coal industry, the company's deputy director for finance told journalists Monday.

Mechel has been granted a three-year deferral on tax and social security payments totaling over 13 billion rubles ($166,000,000), deputy director for finance Nelli Galeeva said.

The company expects to save an additional 500 million rubles ($6,000,000) per month once industry-wide assistance measures like deferred mineral extraction tax and social insurance payments come into effect.

"We were among the first to apply to the government for support and were the first to receive aid from the commission chaired by Finance Minister Anton Germanovich Siluanov," Galeeva

added.

Despite this assistance, the outlook for coal producers remains grim.

Mechel chief executive Oleg Korzhov said the industry is facing "significant difficulties," and coal producers are bracing for a downturn in sales.

"Mechel plans to reduce coal shipments by about 25% compared with last year," Korzhov added.

Korzhov characterized this as a "pessimistic" scenario, noting that "changes in either domestic or international circumstances could alter the outcome."

However, he conceded that current conditions for the coal sector remain unfavorable, with prices at multi-year lows, a strong ruble hampering exports and rising company losses.

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Vladimir Korotin, the head of Russian Coal, one of the largest coal producers in Russia, called the crisis "the worst since the 1990s."

In 2024 and the first quarter of 2025, coal was the only major industry in Russia in which the proportion of loss-making companies, 61.8%, surpassed that of profitable ones.

Though production has risen by 1.4% in the first five months of this year, a growing share of this coal output is accumulating in storage instead of being sold.

Production is already falling in the Kemerovo region, the country's coal-mining hub.

The Kremlin-aligned Center for Macroeconomic Analysis and Short-Term Forecasting found that coal companies are under stress across all major company health indicators except bankruptcy, which many companies manage to avoid thanks to state support.

Industry participants believe that conditions may not deteriorate further and are hopeful for an improvement in the second half of the year.

"Nearly all coal producers are facing extremely difficult conditions, leading to reductions in both production and investment programs. At the current exchange rate, selling coal is unprofitable," Korzhov said.

However, he added that "prices are unlikely to decrease further, as around 20% of global coal companies are already operating at a loss. Curtailed production will drive prices higher, a potential decrease in the key interest rate will boost the dollar exchange rate, and debt burdens will lessen for companies."

These factors could prompt a turnaround in the third and fourth quarters of 2025, he said.

In 2023, Mechel's EBITDA — earnings before interest, taxes, depreciation and amortization — fell by 35% to 56 billion rubles, while its debt burden increased, with net debt reaching 4.6 times EBITDA.

To reduce leverage, Mechel intends to sell a portion of its assets, mainly in the energy sector.

Despite the planned divestiture and state assistance, Analysts at BCS World of Investments, a Russian financial services company, maintain a negative outlook for Mechel's stock.

Government support for the coal sector has included deferrals on mineral extraction taxes and social security payments through December, with the potential for extension.

Additional measures involve partial compensation for export shipping tariffs to northwestern and southern regions, and targeted subsidies to cover some logistics costs on exports to the west and south.

Companies with the highest debt burdens are eligible for debt restructuring, and some will receive other tailored forms of support.

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