

# Russia's Coal Sector Losses Set to Deepen as Government Winds Down Tax Relief

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Russia's coal industry is heading for sharply deeper losses this year as the government prepares to end key tax deferrals, adding pressure to a sector already grappling with falling exports, high borrowing costs and a strong ruble, officials and analysts say.

Deputy Energy Minister Dmitry Islamov said the sector's net losses are expected to widen by 41% in 2026 to 576 billion rubles (\$7.06 billion) after hitting a record 408 billion rubles (\$4.4 billion) last year.

The worsening outlook comes as temporary tax breaks — including deferred mineral extraction tax (MET) and social contributions — are set to expire on April 30, with no plans for extension, Islamov [said](#) Tuesday.

The rollback of state support marks a turning point for one of Russia's largest resource

industries, raising the risk of further mine closures, job losses and fiscal strain in coal-dependent regions already under pressure.

The number of loss-making coal companies is “rapidly increasing,” with 62 enterprises now in the red, Islamov said. Of those, 20 have already halted production, while 14 are undergoing liquidation or mothballing.

The sector, which employs around 150,000 people and underpins more than 30 single-industry towns, is now facing its deepest crisis since the 1990s.

Last year, three-quarters of coal producers operated at a loss, with each ton of coal generating an average loss of around 1,000 rubles (\$12.25). Cumulative losses for 2024-2026 are projected to exceed 1 trillion rubles (\$12.25 billion).

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Industry headwinds have intensified as Western sanctions disrupted traditional export markets, forcing miners to pivot to Asia.

China, now Russia’s largest coal buyer, has [cut](#) imports for three consecutive years, from 102.1 million tons in 2023 to 88.8 million tons in 2025. Shipments fell a further 15% year-on-year in January-February to 10.8 million tons.

At the same time, high interest rates have driven up debt servicing costs, while the strong ruble has eroded export revenues already strained by delayed payments.

“The coal sector is in a systemic crisis,” said Finam analyst Yaroslav Kabakov, warning that Energy Ministry forecasts point to a “prolonged recession” in the industry.

The impact is particularly acute in the Kemerovo region, Russia’s coal-producing hub, where around [80%](#) of companies are now unprofitable.

The regional budget [faces](#) a shortfall equivalent to 15% of its own revenues, according to local economist Yevgeny Kharlampenkov.

Kuzbass authorities expect revenues to fall 14% this year to 195 billion rubles (\$2.3 billion). Spending cuts are already underway, including a 30% reduction in healthcare funding, following layoffs and delayed public-sector wages late last year.

Analysts warn that the end of tax deferrals will further strain companies’ working capital, potentially accelerating losses and forcing additional shutdowns.

“The belts will have to be tightened across the board,” Kharlampenkov said.

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