

EDITOR'S NOTE

Welcome to the Opportunity

Ukraine embarks on a large-scale construction journey, international investors have a unique opportunity to contribute to and benefit from their building of critical sectors.

This newsletter will spotlight a specific industry each month, offering statistics, investment opportunities, and guidance tailored to foreign investors.

In this edition, we focus on Ukraine's cement industry, a cornerstone of reconstruction efforts.

Why Invest in Ukraine's Cement Sector?

Investing in this sector not only aims at capitalizing on the current market opportunities but also contributes to the rebuilding and economic development of Ukraine. Ukraine has the potential to become a key production hub, arsenal, and energy center for the EU, playing a vital role in the value chain of emerging technologies. This vision was articulated by Yuliia Svyrydenko, First Deputy Prime Minister and Minister of Economy of Ukraine, during the panel discussion "Ukraine and Europe: Toward a Common Future" at the Kyiv International Economic Forum on November 7, 2024.



Ukraine's cement industry is playing a pivotal role in the nation's reconstruction efforts, driven by a surge in construction activities despite ongoing challenges from the war. Cement production increased by 25% in 2024 compared to the previous year, with a reported production of 3.7 million tonnes (Mt) from January to June 2024. Clinker production also saw a significant rise of 12.7% year-on-year during the same period. This growth is closely linked to the accelerated pace of construction projects, which grew by 40.3% in the first half of 2024 compared to 2023. Experts from the Ukrcement Association anticipate that ongoing reconstruction and recovery programmes will drive steady growth. However, a full recovery to pre-war consumption levels will take time, with the market requiring 4-5 years to stabilize. They also predict that demand for construction materials could eventually surpass pre-war levels by 30%.

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KEY STATISTICS AND FACTS

Reconstruction

Ukraine will need to produce 15-16 million metric tons of cement annually over a three-year reconstruction phase, a report commissioned by USAID says. That's around 2-3 million more than the 8 operating plants can currently handle.

- Reconstruction requires 50+ million tons of cement over the next 5 years, creating steady demand.

- Over 1,500 km of roads and bridges need reconstruction, significantly boosting cement needs.

- Ukraine's cement exports to the EU grew by 15% in 2023, driven by the demand for high-quality products.

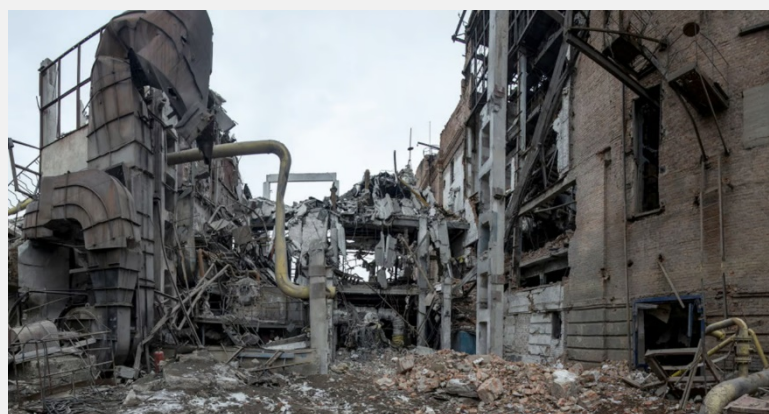
CRH, one of the world's largest producers of construction materials.

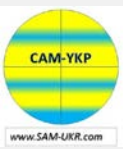
Experts at the Kyiv School of Economics highlight that several major international companies have already unveiled investment projects in Ukraine.

Since the full-scale invasion, the company has invested \$80 million in the country. In 2023, CRH signed a mandate letter with the European Bank for Reconstruction and Development (EBRD) to jointly acquire the Ukrainian assets of the Italian company Buzzi. The transaction, valued at approximately \$100 million, is currently under review by Ukraine's Antimonopoly Committee (AMCU). Kingspan, an Irish building materials company, plans to invest \$300 million in a project named "Сірша" (Irish for "Freedom"). The project aims to establish a manufacturing campus in western Ukraine, which is expected to become operational by 2026.

Ukrainian companies are also contributing to the sector's development. In 2022, City One Development initiated the construction of a glass manufacturing plant in the Kyiv region, aiming to replace a similar facility destroyed in 2014. The project, estimated at €100 million, is expected to take several years. Additionally, the company announced plans to build another glass plant by 2025.

In their research, the Kyiv School of Economics collaborated with the NGO "Technologies of Progress" to leverage data from BRP.org.ua for an analysis of current reconstruction projects and the related demand for building materials. The findings are published in July 2024.





PLANS FOR 2024

Expansion of Decarbonization Efforts:

Allocate \$26 million for the Decarbonization and Energy Efficiency Transformation Fund.

Open additional regional offices.

Promote the use of alternative fuels.

Strengthening Policy Implementation:

Enhance tools and programs for energy efficiency and decarbonization. Continue supporting communities and businesses in adopting sustainable practices.

Strategic Focus

The SAEE remains committed to increasing energy efficiency, fostering alternative fuel development, and accelerating Ukraine's transition to a low-carbon economy in line with its European integration roadmap.

Green Cement Technologies

The EU's Green Deal provides grants and incentives for the adoption of low-carbon cement production technologies. Investment Opportunities in Green Cement Technologies in Ukraine

Reconstruction and Infrastructure Development:

With ongoing repairs and infrastructure projects following conflict, there's an urgent need for sustainable building materials. Investing in low-carbon cement production can align with EU sustainability goals and foster a green recovery.

Access to EU Grants and Incentives:

As part of its EU integration process, Ukraine could benefit from grants and incentives available through the EU's Green Deal, aimed at reducing carbon emissions and promoting sustainable practices. Engaging with these funding opportunities can help startups and established companies develop green cement technologies.

Local Resource Utilization:

Ukraine has abundant resources for alternative raw materials (like fly ash and slag) that can be utilized in the production of low-carbon cements, making it easier to establish eco-friendly manufacturing processes domestically.

Energy Efficiency Solutions

Alternative Energy Sources: Ukraine is exploring various projects aimed at improving energy efficiency, including the use of alternative energy sources.

Producing Electric Energy from Cement Processing

Utilizing Waste Heat: The concept of using heat generated from cement processing for electricity production is a viable option.

Renewable Energy Impact

Growth of Renewable Sources: As of 2023, renewable energy sources have become a significant part of electricity production in the EU.

KEY CEMENT PLANTS

1. Volyn-Cement (Rivne region) – Part of Dyckerhoff (Buzzi SpA).
2. Mykolaiv Cement (Lviv region) – Owned by CRH Ukraine.
3. Yugcement (Mykolaiv region) – Also part of Dyckerhoff (Buzzi SpA).
4. Podilsky Cement (Kamianets-Podilskyi, Khmelnytskyi region) – Owned by CRH Ukraine.
5. Ivano-Frankivskcement (Yamnytsia, Ivano-Frankivsk region) – A leading domestic producer.
6. Balakliya Cement Plant (Kharkiv region) – Owned by HeidelbergCement.
7. Amvroshivka Cement Plant (Donetsk region) – Currently located in a conflict zone.
8. CRH (Ireland):
9. Heidelberg Materials (Germany):
10. Potential New Entrants:

Global investors from regions such as the Middle East, China, and Turkey.

Investor insights

As Russia's ongoing war continues to wreak havoc, the early stages of Ukraine's reconstruction are already highlighting challenges, particularly concerning a vital resource: cement. The cost of rebuilding Ukraine, estimated at \$487 billion, will require vast amounts of construction materials to restore housing, infrastructure, and facilities like roads, bridges, schools, hospitals, and ports—many of which remain targets of Russian attacks.

The conflict, especially in eastern Ukraine, has led to the closure of several cement factories. Additionally, protective trade policies implemented since 2019 have limited cement imports. Experts warn that declining production and a contracting market could significantly increase reconstruction costs.

According to a USAID-commissioned report, Ukraine will need to produce **15-16 million metric tons** of cement annually over three years to meet reconstruction demands. This figure exceeds the current capacity of the country's eight operational plants by **2-3 million tons**.



EXCLUSIVE

Guillaume Cavalier, President of CRH CEE, on Ukraine's Reconstruction Efforts

Irish building materials giant CRH has already invested \$80 million in Ukraine during the war and plans to commit another \$100 million, bringing its total investment to \$180 million. CRH operates three cement plants in Ukraine and is pursuing further expansion with plans to acquire assets from Buzzi for €100 million, pending regulatory approval.

CRH views Ukraine as a strategic market, vital for post-war reconstruction. "Cement is critical for rebuilding, and Ukraine's prospects outweigh the risks," says Guillaume Cavalier, CRH's President in Central and Eastern Europe. Over the past 25 years, the company has invested \$500 million in Ukraine, underscoring its confidence in the country's future.

Stay Connected: Rebuilding Ukraine Together

As Ukraine continues its reconstruction journey, the cement industry remains a cornerstone of its transformation. The resilience, innovation, and opportunities in this sector are a testament to Ukraine's potential as a hub for investment and sustainable growth.

We invite you to be part of this critical effort. Explore investment opportunities, collaborate with industry leaders, and contribute to building a stronger, more prosperous Ukraine.

For further inquiries, insights, or collaboration opportunities, please visit our website or reach out directly:

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