

OKD

SOLID AS A ROCK



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Operations at one of Europe's largest coal producers are underpinned by strong customer relationships, the continued implementation of top-class training and safety measures, and solid revenues and reserves

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Coal represents the Czech Republic's only significant indigenous energy resource; and as such, its importance to the economy in relation to export revenue and employment cannot be understated, and is as crucial today as it has been for the last two centuries.

OKD operates as a subsidiary of New World Resources Plc (NWR), headquartered in the Netherlands and one of Central Europe's leading hard coal and coke producers. As well as OKD, NWR also owns OKK Koksovny, a.s. (OKK), which is Europe's largest producer of foundry coke. The company is listed on the London, Prague and Warsaw Stock Exchanges and can also be found on the FTSE 250 Mining Index.

Today, OKD produces coking and thermal coal, mainly for the steel and energy sectors, and is the only producer of bituminous coal in the Czech Republic. As such, it represents both the history and the future of this most traditional of industries. A nod to the past is hard to ignore: generations of men have mined the same area in the Ostrava-Karviná, in the east of the country.

"We are mining in old infrastructure: some of the shafts are close to 100 years old. The new shafts are 25 years old, but on average each is 40 to 50 years old," says OKD's CEO, Klaus Dieter-Beck.

The current operations of OKD are split between four operating mines. The Karvina and Darkov mines are the largest sites, with Karvina holding the title of the largest deep mine in the Czech Republic. The CSM mine in Stonava and Paskov mine



Klaus Dieter-Beck, CEO

in the Staric area of Ostrava make up the other operating sites which when pooled together, offer a total reserve of about 200 million tonnes. It is not just the age of these mines that creates a challenge to those who work at them but also the diverse nature of the geology, as Beck explains. “Our seams range from 80 centimetres up to almost eight metres in height, which poses its own challenges. Each year we go deeper and deeper. We are currently close to 1,000 metres, and it’s here that we face additional technical challenges in terms of air conditioning and rock pressure. In fact, we are in one of the most bounce-prone areas in the world.”

In many people’s eyes, coal mining still conjures an image of pick hammer-wielding men with coal dust-covered faces, but today this could not be further from the truth. OKD has embraced the future and is rightly regarded as a truly modern company, utilising and often designing the latest technologies. Within the modern coal mining industry the greatest investments are generally split between new innovation for performance or for safety, although the two are intrinsically linked. If maximum efficiencies are to be realised, it is imperative that continual improvement be the watchword. This is not lost on Beck. “We are investing permanently in new equipment,



spending on average €200 million each year in CAPEX. This brings in new levels of technology for our investment programme, and it will also help develop new coal field access in the future. Our level of investment today has tripled from six or seven years ago, when I first came here.”

It is clear that OKD’s investment strategy has led the company into a bright and ambitious new era. Despite the rise of alternative forms of energy in some countries, coal remains the only viable

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energy source for both the energy and steel sectors in this area of Eastern Europe and this is something that will not be changing any time soon. By Beck’s own admission, “the long-term outlook six or seven years ago was not so bright, but there is now a different perspective. There are huge resources here: last year we exceeded 11 million tonnes again and we plan for the next 20 years to mine coal.”

One of the main foundations that enable OKD to plan for a profitable future lies in its relationships with its customers, which have been forged over many years. A key advantage that OKD’s operation has over many of its rivals is that it mines coking coal for the steel industry and thermal coal for power in equal measures, thus

The company invests heavily in safety programmes

creating a more flexible supply model. The companies it supplies represent some of the major blue chip organisations in the region, all located within an excellent logistical infrastructure—companies such as Arcelor Mittal, Moravia Steel, US Steel, CEZ, ThyssenKrupp and voestalpine.

The latter recently granted OKD with an award in recognition of the relationship the two companies share, as Beck explains: “We were rewarded for being their Supplier of the Year. They know we deliver on time; and they are pleased with the quality. We talk, we meet, and we quickly eliminate any problems that arise. After safety, the customer is our number one priority.” Beck speaks of simple and honest principles but there is no doubt

that they are a recipe for success.

As Beck makes clear, the issue of safety should always be the main concern for any modern day mining house. This is especially true when mining underground to the depths witnessed at OKD's properties. The company invests heavily in programmes to minimise the risk of accident and injury, one of its major initiatives in recent times being 'SAFETY 2010', which focused on

providing all staff with the very latest personal safety gear including hi-visibility work wear, personal lamps and detection devices—vital for the rescue of workers should an accident occur.

OKD is also well known for its Productivity Optimisation Programme ('POP 2010'). Between 2008 and 2010, POP 2010 saw OKD mines equipped with the most sophisticated gateroad and longwall technology, worth

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Operations underground



Mining machinery in use

nearly CZK10 billion. All underground coal mining might be hazardous if not properly managed; but the workforce at OKD face additional challenges specific to the region, which are bounces related to the extraction of coal seams in connection with sandstone layers in between.

The fact that such natural geological conditions occur in this part of the world holds OKD up as an example to the wider coal mining community. Beck explains that OKD is not 'shy' when hiring expert consultants in the fields of rock mechanics, process improvement and training related to safety and new technologies. The unique conditions also mean that many international manufacturers approach OKD to request their equipment be tested in the

extreme conditions of its mines, in the knowledge that should equipment perform well here, it will do so anywhere else: a true testament to the workforce of OKD and the results it achieves.

Under Beck's leadership, the short and medium term outlook for OKD is secure and it seems that everything is in place. "We have solid customer relationships, an experienced and knowledgeable workforce and management team, a solid reserve and solid revenues every year—what else could you want?" he concludes. **BE**

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