



Monitoring of the Implementation of Ukraine's Commitments under the Energy Community Treaty

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In October, pursuant to the Government Ordinance No. 864, the Ministry of Energy and Coal Industry of Ukraine by its [Order No. 766](#) established a multilateral working group for development, implementation and monitoring of performance of reforms according to the commitments undertaken within the framework of participation in the Energy Community. Representatives of respective ministries and authorities, state-owned companies and business associations, as well as civil society, in particular, 6 members of the “Energy Reforms” Expert Coalition joined this Group.

According to [communication of the Minister of the Cabinet of Ministers of Ukraine](#), ministries and other central executive authorities had to submit their sectoral plans for the implementation of Ukraine-EU Association Agreement until 17 November.

On 24 November, experts and representatives of Ukrainian NGOs, consolidated in “Energy Reforms” Coalition, held a [meeting with the Energy Community Secretariat](#) in Vienna where they presented their [Monitoring Report](#). Participants of the meeting also discussed changes in Ukrainian energy policy and how compliance with EC energy rules helps Ukraine to address the problem of security of conventional fuels supply. See information regarding the meeting and presentations [here](#).

On 25 November, expert discussion “Ukraine and European Energy Security: from Cooperation to Integration” was held in Brussels, organized by “Energy Reforms” Coalition, European Office of Konrad Adenauer Foundation and Ukrainian Think Tanks Liaison Office in Brussels, supported by the Mission of Canada to the EC. See report on the held meeting [here](#).

Moreover, coalition talks between political parties – winners of the election on 26 October, started in October. The Draft Coalition Agreement proposed by “Petro Poroshenko Bloc” addresses a number of reforms: in particular, [transfer to direct contracts of purchases of coal](#) and liquidation of the State Enterprise “Coal of Ukraine”, [abolishment of cross-subsidies](#) on gas and electricity markets, introduction of [single wholesale price for gas](#) for all categories of consumers, setting the goal to limit imports of gas by one company to [30%](#) and reducing to same figure [the fee for the use of mineral resources](#) for private extraction companies.

On 27 November, the first meeting of the Verkhovna Rada of Ukraine of VIII convocation was held, in the course of which leaders of 5 parliamentary factions signed [the Coalition Agreement](#). Among others, this document set the following priorities – reforms [on gas and electricity markets according to the Third Energy Package](#), diversification of supplies, and [major reconstruction of coal sector](#).

On 2 December, [new composition of the Cabinet of Ministers was approved](#), on 9 December, the [Action Programme of the Cabinet of Ministers \(Resolution No. 695\)](#) was adopted and endorsed by Ukrainian Parliament on 11 December ([Resolution No. 26-VIII](#)). This document declared the “new policy of energy independence”.

On 16 December, the [first meeting of Ukraine-EU Association Council](#) was held, emphasizing on the importance of cooperation in energy sector.

On 19 December, in the course of [the meeting of the Public Council](#) of the Ministry of Energy and Coal Industry of Ukraine, community, experts and management of the Ministry discussed draft new version of the Energy Strategy of Ukraine for the period till 2030.

On 22 December, the [Decree of the President of Ukraine No. 947/2014](#) approved the composition of the National Reforms Council, and on 24 December, the [first meeting](#) of this body was held. In the course of the meeting, the President of Ukraine Mr. Petro Poroshenko expressed his conviction that the implementation of the Strategy-2020, Coalition Agreement, Action Programme of the Government, National Action Plan for the Implementation of Ukraine-EU Association Agreement is the “landmark for the country for the next year”. On the same day, Director of the Energy Community Secretariat Mr. J. Kopač held a [number of meetings with Ukrainian officials](#).



All in all, Ukraine's progress in the implementation of its commitments within the framework of the Energy Community in October – December 2014 appeared to be the following:

In the field of security of supply:

Arrangements regarding “winter gas package” have not strategically solved the problem of security of supply.

On 30 October, final negotiations in Ukraine-EU-RF format were held which started back on 2 May, preceded by intensive consultations between Ukrainian and EU officials. [3 documents were signed](#) following this meeting:

- Binding Protocol Regarding the Conditions for Gas Delivery from the Russian Federation to Ukraine for the Period from November 2014 until 31 March 2015;
- Supplement No. 33 to Contract No. KP of 19 January 2009 between “Naftogaz of Ukraine” and “Gazprom” on the purchase and sale of natural gas in 2009–2019;
- Letter of European Commission President Jose Manuel Barroso to President of Ukraine Petro Poroshenko securing guarantees of financial support and willingness of the EC to contribute to the further consolidation of reverse gas supplies to Ukraine.

On the same day, by the Ordinance [No. 1045-p](#) “On ensuring Energy Security of Ukraine and European Union in autumn and winter period of 2014/15” the Cabinet of Ministers adopted the draft Binding Protocol and allowed “Naftogaz” to use respective funds to repay the indebtedness for imported gas (also governed by the [Order No. 767](#) of the Ministry of Energy and Coal Industry).

On 16 October, “Naftogaz” initiated arbitration in the Arbitration Institute of Stockholm Chamber of Commerce regarding amendments to the contract with “Gazprom” on gas transit. According to the company's [statement](#), this step was connected with the implementation of Ukraine's commitments to the Energy Community. On 11 November, “Naftogaz” CEO Mr. A. Koboliev invited representatives of EU Member States and the European Commission [to visit gas measuring stations to monitor transit](#). Even more, operator “Ukrtransgaz” [started publishing daily information on gas transportation](#).

On 9 December, Ukraine started to [import gas from Russia](#), having settled accounts with Russia according to the Brussels Agreement (USD 3.1 billion) and [transferred prepayment](#) for the import of 1 billion cubic meters of gas. Prime Minister A. Yatsenyuk allowed for [possibility of signing one more interim agreement with Russia](#) before arbitration judgement in dispute between “Naftogaz” and “Gazprom” is awarded by Stockholm arbitration.

In late November, the Cabinet of Ministers approved the forecast balance for 2014 ([Ordinance No. 1211-p](#)), according to which during this year the country is to use a little [more than 53 billion cubic meters of gas](#), including [20.5 billion cubic meters of domestic gas](#), 5 billion cubic meters of gas imported from EU Member States, and [14.9 billion cubic meters](#) imported from RF. The rest should be taken from storage facilities.

Extension of gas supplies from the EU provides for volumes required by Ukraine

On 16 October, the EU published results of stress-tests of gas systems. For Ukraine, this study highlights [the possibility to cover 70% of gas demand from other sources](#), with estimated deficit at a level of 5 billion cubic meters. In December, [Ukraine-EU Association Council](#) underlined the importance of cooperation with the purpose of ensuring energy security of Ukraine and the whole continent. A decision was made to continue cooperation, including in terms of securing gas supply from the EU to Ukraine.

“Naftogaz” [suggested](#) a technical solution to Slovak operator “Eustream” allowing to significantly expand the capacity of this gas transportation route. The Ministry of Energy and Coal Industry with its [Order No. 746](#) of 24 October, approved signing the Agreement between “Naftogaz” and “Eustream” regarding access to gas transportation system and transportation of gas. [The “big reverse” from Slovakia](#) is expected to be launched in April 2015 with the volume of up to 100 billion cubic meters per year.

According to Yu. Vitrenko, “Naftogaz” Business Development Director, to attain this goal, the Agreement between “Eustream” and “Gazprom Export” should be aligned with the European regulations, and the European Commission and Slovak regulator can contribute to this. He also admitted possibility of launching similar virtual reverse from Romania, having signed the agreement on direct connection of Ukrainian and Romanian operators.

“Ukrtransgaz” completed installation of connecting section between gas transmission pipelines “Voyany-Uzhgorod” and “Soyuz”, allowing increase of Slovak reverse of up to 40 million cubic meters per day. In its turn, Slovak operator “Eustream” intends to construct gas transmission pipeline “Eastring” to allow import of gas from Turkey to Ukraine.

In November, President Poroshenko invited to unite Hungarian, Slovak and Ukrainian networks thus enhancing energy security, and received guarantees from Slovakia regarding further reverse supplies of gas. Therefore, negotiations with V4 Visegrad Countries were launched regarding gas systems integration and creation of gas hub on the basis of Western Ukrainian underground gas storage facilities.

Additionally, it is intended to construct new interconnect to Poland with the capacity of 8 billion cubic meters per year (from Poland to Ukraine) and 7 billion cubic meters per year (from Ukraine to Poland). Estimated cost for construction of this facility on Ukraine’s territory is USD 245 million. Prime-Minister A. Yatsenyuk requested to urgently draft the interconnect construction project and hold negotiations with EIB and EBRD. In December, “Ukrtransgaz” and Polish “Gaz-System” signed the Agreement on cooperation with the purpose of integration of gas transportation systems.

Additionally, pursuant to a separate instruction of the Ministry of Energy and Coal Industry, “Naftogaz” started to regularly publish reports on gas consumption with the breakdown by categories of consumers and Ukrainian regions. These reports also contain information on levels of use of quotas for gas consumption set by the Government Resolution No. 296 of 9 July 2014.

Government applies administrative measures to address increased deficit of energy resources

The Cabinet of Ministers enhanced its own supervision powers by adopting the procedure of control over the implementation of investment programmes in heat and water supply sectors, and by registering the draft Law on approval of annual forecast balance of production and consumption of fuel and energy resources.

On 14 October, the draft Law prepared by the Government was registered with the Verkhovna Rada under No. 5166 regarding emergency powers in gas sector, providing for the right of the Cabinet of Ministers to suspend or terminate supply of gas, change its price, compulsorily purchase gas from private companies within the period of suspension or termination of supply to Ukraine’s territory. Operations of GTS operator and other market players under emergency situation shall be governed by Government decisions. Additionally, the Government submitted the draft Law "On Special Period in Fuel and Energy Sector" (registration No. 0930), adopted as the basis yet on 4 July 2014.

On 14 November, the President by its Decree No. 876/2014 enacted the decision of the National Security and Defence Council of Ukraine of 4 November “On the Current Level of Energy Security of the State and Urgent Measures to Ensure Sustainable 2014/2015 Heating Season”. This decision requested the Government and respective ministries to ensure the use of gas produced in Ukraine only to cover household needs and needs of district heating companies, to take measures to enhance financial discipline (including payments to guaranteed natural gas suppliers only through current accounts with special conditions of use, introduction of prepayment system for energy resources consumption since 1 December, collection of indebtedness from combined heat power plants and thermal power plants), transfer of all categories of consumers to commercial heat and gas metering, optimization of gas consumption and municipal heat supply systems. Law enforcement authorities were instructed to inspect application of budget allowances to coal mines and payments for gas and electricity.

Public authorities were focused on security of electricity supply

War in Donbas and [takeover of coal mines by terrorists](#) resulted in coal deficit in Ukraine due to outflow of coal to Russia in [October–December](#) and increasing of rates of [outflow in January](#); [shellfire and damage to](#) coal mines on Ukrainian territory caused [losses of lives](#). The Government [resumed supply of coal](#) from SAR ([fifth and sixth](#) vessels are ordered), held negotiations with Poland [regarding joint re-equipment](#) of thermal power plants in order to use coal of other types, launched import of coal [from Russia](#).

[The Ministry of Energy and Coal Industry was prepared](#) to possible shortfalls in electricity supply back in October under conditions of limited supplies of gas and coal. Due to imbalance on the electricity market, [rotating power cut-offs began](#). In December, the Ministry of Energy and Coal Industry published the [draft Ordinance of the Cabinet of Ministers](#), according to which energy supply companies were allowed to develop schedules of periodic power cut-offs, and “Ukrenergo” was allowed to disconnect consumers on the occupied territories from main and interstate grids in case of non-compliance with the threshold values of electricity consumption in the time of maximum demand from Ukrainian UES.

Concurrently, members of Parliament started to register a number of draft Laws and Resolutions establishing moratorium on loadshedding or prohibiting loadshedding for certain categories, e.g. [public health establishments, education establishments](#), or for companies [manufacturing defence products](#). Group of members of Parliament “Economic Development” established a [provisional investigatory commission \(PIC\)](#) in the Parliament to clarify reasons and necessity of electricity cut-offs for households.

In early December, the [Cabinet of Ministers adopted a decision](#) on temporary import of electricity from adjacent countries, [negotiations regarding the contracts to be signed](#) were launched between Ukrainian “Ukrinterenergo” and Russian “InterRAO”. The Ministry of Energy and Coal Industry [established the Audit Group](#) to conduct an audit of “Ukrinterenergo”, and its previous director was [apprehended due to suspicion](#) in corruption when purchasing coal from SAR, and in late December [new acting Director of the company was appointed](#) – Mr. V. Andrienko. On 28 December, [the company announced an auction](#) for the right to supply electricity to Crimea during 2015. Additionally, the Government [permitted any company](#) operating in the market to directly import electricity.

In terms of enhancing security of nuclear power plants, the Government [amended the list of particularly](#) important electricity facilities subject to protection by corporate paramilitary security in cooperation with specialized departments of other central executive authorities, by adding nuclear power plants. In December, members of Parliament registered the draft Law [No. 1394 of 11 December 2014](#), proposing to include costs of implementation of measures under programmes for enhancing security of nuclear facilities and extending nuclear facilities life in electricity tariffs.

In the sphere of gas market reforms:

Drafting a new framework Law and other measures to implement the requirements of the EU Third Energy Package is completed

On 23 December, the [draft Law “On Natural Gas Market”](#) was published on the website of the Ministry of Energy and Coal Industry. According to the announcement, this document was drafted for the purpose of “creation of efficient competitive environment in the natural gas market pursuant to the basic requirements of EU legislation”, in particular, Directives of the Third Energy Package. The draft Law was developed by [respective Working Group](#), and in the course of [the meeting with Director](#) of Energy Community Secretariat Mr. J. Kopač, Minister V. Demchyshyn announced that drafting of the document would be completed in January, and that the document would be developed in close cooperation with the Secretariat.

[The Action Programme of the Cabinet of Ministers](#), approved by the Government Ordinance in December, provides for a number of measures to be taken for the implementation of commitments under the Energy Community Treaty, in particular, the Third Energy Package. Amongst other declared measures, the document provides for attraction of investors to GTS modernization and operation (including announcement of international tender), implementation of GTS modernization project jointly with EBRD and EIB (till 2020), reorganization of NJSC “Naftogaz of Ukraine” (incorporation of PJSC to be in charge of managing the main gas transmission pipelines and underground gas storage facilities, complete financial sanation of the holding before 2017).

At the same time, the National Commission of Ukraine for State Energy and Public Utilities Regulation published a number of draft resolutions, in particular, new version of the [License Terms for Business Activities Related to Supply of Natural Gas](#), [Template Contract for Gas Distribution](#) and [Template Contract for Supply of Gas at a Regulated Tariff](#). The [draft Resolution](#) introducing 100 % prepayment for natural gas transportation services seems less unambiguous.

Against the scheduled transition of gas transportation to “input/output” system, the Government managed to attract first investments, though seeking of partners for GTS and storage facilities administration is underway

By its Resolution of 1 October [No. 577](#), the Government established that the requirements of the Resolution of 2 October 2012 [No. 899](#) related to prohibition to pay for consulting and audit services, shall not apply to “Naftogaz”. In particular, this refers to possibility to pay for audit and appraisal services in 2014 within the framework of reforming the management system of Ukrainian United Gas Transportation System according to the Directive 2009/73/EC.

On 9 October, the Cabinet of Ministers published its [Resolution No. 510 of 3 September 2014](#) “On Improvement of the National Policy in the Sphere of Regulating Natural Gas Transportation Activities via the Main Gas Pipelines on Ukraine’s Territory”. As Prime-Minister A. Yatsenyuk [stated](#), the procedure of establishing the tariff for natural gas transportation had been set based on market principles. On 17 October, the Ministry of Energy and Coal Industry by its [Order No. 726](#) approved the Template Contract for Gas Transit and recommended “Ukrtransgaz” to apply new principles in its contractual framework. On 31 October, the National Commission of Ukraine for State Energy and Public Utilities Regulation published the [draft resolution](#) approving the procedure of establishing tariffs for gas transportation on the basis of “input/output” system pursuant to the goals of performance-based regulation approach.

On 31 October, during the meeting of Anti-crisis Energy Office, Prime-Minister A. Yatsenyuk [requested](#) the Ministry of Energy and Coal Industry and “Naftogaz” to submit the terms and conditions of a tender to attract investors from EU and US to operation and modernization of GTS and gas storage facilities within the first week of November. At the same time, according to the forecast suggested by Y. Vitrenko, “Naftogaz” Business Development Director, sale of 49% of shares in GTS operators [will be effected not earlier than 2017](#).

Considering a certain progress in reforms, EIB [endorsed allocation of a loan in the amount of EUR 150 million](#) for the reconstruction of “Urengoy-Pomary-Uzhgorod” main gas transmission pipeline, and the loan agreement itself [was signed](#) on 1 December. A similar loan agreement was [signed with EBRD](#) on 15 December. The Ukraine-EU Association Council welcomed these agreements: according to the [release](#), these steps are of crucial importance for ensuring reliability of Ukrainian GTS, along with Trust Fund for “Naftogaz” reformation established by European Commission and the World Bank.

In early December, “Naftogaz” also proposed the [Concept on Principles of Corporate Management in Ukrainian State Enterprises](#) providing for the introduction of modern European corporate management standards in state energy companies in 2015–2016. [The Concept](#) itself is a set of recommendations for PJSC “Main Gas Pipelines of Ukraine” and will be finalized in cooperation with representatives of EC, WB, EIB and EBRD, Deloitte and other experts.

Regulator is the key initiator of unbundling of oblast gas transportation and distribution enterprises (oblgases) and access to networks

According to the [study](#) performed by Energy Community Secretariat, Ukraine is one of 2 Energy Community countries where distribution companies render services to more than 1 gas supplier. In 2013, the market share of 3 of 50 regional gas supplying companies was 18,9%.

On 14 October, the draft Law [No. 5171](#) was registered with the Verkhovna Rada (re-registered with the Verkhovna Rada of new convocation under the [No. 1064](#)) “On Amending the Law of Ukraine on the Principles of Natural Gas Market Operation” (author – member of the Parliament O. Kuzhel, “Batkyvshchyna” parliamentary faction). They proposed to resume free competition between service providers rendering services of connection of customers to GTS. Currently, regional gas transportation and distribution enterprises remain dominating players on this market, though document establishes the right of the customer to freely select provider of such connection services (on the basis of available permits and licenses).

Instead, the National Commission of Ukraine for State Energy and Public Utilities Regulation established a [special group for addressing problems in the sphere of connection to gas networks](#).

Representatives of NGOs, regional gas transportation and distribution enterprises, state authorities, etc. joined the group. Meetings of the Working Group shall be held when necessary, rapid exchange of information shall be arranged via e-mail. On 27 November, by [Resolution No. 411](#), the National Commission of Ukraine for State Energy and Public Utilities Regulation set rates for standard connection to gas networks for 2015.

In order to meet the requirements on unbundling of natural gas distribution and supply functions, on 30 October, the National Commission of Ukraine for State Energy and Public Utilities Regulation published the [draft Resolution](#) of the Cabinet of Ministers of Ukraine “On Amending Template Contract for Rendering Services Related to Gas Supply to Households”. According to this draft, contracts for rendering gas supply services must be concluded by three parties – consumer, gas supply company and gas distribution company.

Additionally, for the purpose of preparation to unbundling functions of regional gas transportation and distribution enterprises, the regulator developed draft Resolutions [”On Approval of Template Contract for Supply of Natural Gas at a Regulated Tariff”](#), [”On Approval of Template Contract for Distribution of Natural Gas”](#), and, for the purpose of market deregulation, on simplifying licensing procedures in the sphere of gas [supply](#) and [distribution](#).

Conflict still remains on the domestic market due to the Government’s decision on temporary monopoly of “Naftogaz”

Significant outrage was caused by the Government Resolutions [No. 596](#) of 7 November, and [No. 599](#) of 12 November, binding the majority of industrial, energy generating and heat generating companies to purchase gas only from NJSC “Naftogaz of Ukraine” as the guaranteed supplier. Accordingly, gas distribution and gas transportation companies, including GTS operator, were forced to render their services only when the resources were generated by “Naftogaz”. According to mass media, industrial companies were forced to [make advance payments for gas](#).

Moreover, on 6 November, the Ministry of Energy and Coal Industry published a [draft Order](#) initiating delegation of temporary functions of drafting monthly gas balances to “Naftogaz”. “Naftogaz” itself explains the renewal of monopoly status with [complicated payments for imported gas](#), which requires “counter-guarantees from consumers on the domestic market”.

Dudgeon caused by such discriminatory rules was expressed by [independent gas traders](#) and [private extraction companies](#) that [threatened to stop extraction works](#). On 14 November, a number of companies [filed class action lawsuit](#) to District Administrative Court of Kyiv against the Government and “Naftogaz”. According to [mass media](#), claims under the lawsuit were supported by main players in the sector: “Naftogazvydobuvannya”, “Burisma Holdings”, “Poltavska Gazonaftova Companiya” (JKX Oil & Gas), “Geo-Alliance”, “Cube-Gas”.

In [his letter to Prime-Minister A. Yatsenyuk](#), Director of the Energy Community Secretariat Mr. J. Kopač made it clear that the mentioned Resolution raised serious doubts compliance with the Treaty Establishing the Energy Community. Nevertheless, on 26 November, the Cabinet of Ministers adopted the Resolution [No. 647](#), substituting the previous ones and expanding the number of companies subject to limitations from 90 to 167.

On 11 December, the [Secretariat of Energy Community expressed its concern](#) caused by “distortion of the legal framework of gas market” and addressed a [follow letter](#) to Minister V. Demchyshyn asking to review legislation limiting the rights of gas market players. The document was also challenged by market players, [stating](#) that on 16 December, the District Administrative Court of Kyiv declared this Resolution unlawful. On 3 December, NJSC “Naftogaz of Ukraine” addressed the Secretariat of Energy Community and gas market players in an [open letter](#) presenting its proposals regarding the establishment of non-discriminatory conditions on Ukrainian gas market.

The Government partially met the needs of private companies by [allowing them to freely import gas](#) and by [excluding energy resources from the list of goods](#) ([Law No. 73-VIII of 28 December 2014](#) “On Measures Aimed at Stabilizing the Balance of Payments of Ukraine according to Article XII of GATT 1994”) subject to import duty proposed by the Government.

Nevertheless, even non-market measures failed to significantly improve the financial situation of “Naftogaz”

Right before the [arrival of the IMF Mission](#) to Ukraine, “Naftogaz” announced [40% increase in gas prices for households](#) since 1 May 2015. According to Prime Minister A. Yatsenyuk, the State [spent over UAH 103 billion](#) to cover the deficit of “Naftogaz”. By the Ordinance [No. 1161-p](#) of 26 November 2014, the Government approved the Additional Agreement to the Loan Agreement between “Oshchadbank” and NJSC “Naftogaz of Ukraine”.

According to the Order [No. 837](#), the relevant Ministry shall conduct unscheduled internal audit of NJSC “Naftogaz of Ukraine”. The holding itself announced a tender for [conducting financial audit for 2014–2015](#), and its management intends to [replace most employees](#).

In late December, [by the Ordinance No. 1281-p](#), the Cabinet of Ministers approved the financial plan of “Naftofaz” for 2014 and recommended to take measures to defer repayment of indebtedness to state banks (“Oshchadbank” and “Ukreximbank”) for future periods without reducing the amount of indebtedness. [According to](#) Y. Vitrenko, “Naftogaz” Business Development Director, the proposed mechanisms, namely reform of prices and tariffs, addressing corruption, more efficient market performance, may fully eliminate the company’s deficit yet in 2015. At the same time, the [State Budget for 2015](#) retains the possibility for financing the deficit of “Naftogaz” in the amount UAH 31.5 billion.

In the sphere of electricity market reforms:

In October, when electricity deficit problem was not so pressing, the Government stimulated substitution of gas for heating with electricity – the National Commission of Ukraine for State Energy and Public Utilities Regulation issued a resolution [on increasing consumption](#) of electricity for households in buildings equipped with electric heating units with the capacity of 3600 through 5000 kWh. For this category of households, the lowest possible electricity tariff applies – UAH 0.237 per 1 kWh, incl. VAT.

As far as situation was getting more and more complicated – increasing prices for energy resources, in particular, coal, in view of the financial imbalance of generating companies, – in October [the National Commission of Ukraine for State Energy and Public Utilities Regulation adjusted tariffs](#) by reducing the tariff for electricity transmission via bulk and interstate electricity networks and the tariff for sale of electricity by NNEGC “Energoatom”, and suspended the charge of the investment compound of the tariff for the reconstruction and modernization of energy units of thermal power plants. Moreover, the Government [revoked its decisions](#) taken in 2009 through 2012 which established privileged prices for electricity export and privileged [electricity prices](#) for certain ferroalloy manufacturers.

Yet in December, while addressing the issue of peak demand, the regulator adopted the [Resolution No. 752](#) optimizing tariff multipliers for consumed electricity in periods of maximum demand from Ukrainian UES for non-domestic customers, and [published the draft Resolution](#) “On the Introduction of Amendments to the Procedure of Application of Electricity Tariffs” providing for the reduction of tariff multiplier from 0.7 to 0.5 at night when load on energy system is minimal. These measures are expected to stimulate households to use electricity at night, thus allowing to align the schedule of loads on the national energy system.

On 14 November, the Ministry of Energy and Coal Industry of Ukraine [published](#) the draft Law “On Compulsory Unbundling of Types of Activities in Electrical Energy Industry” which was finalized with due consideration of the proposed comments. According to the release, the draft Law was developed, inter alia, with the purpose to bring the Ukrainian energy legislation in compliance with Directive 2009/72/EU.

The Government intends to introduce advance payments for electricity consumers – in December, the National Commission of Ukraine for State Energy and Public Utilities Regulation published the [draft Resolution](#) providing for advance payments for consumed electricity for all categories of consumers; nevertheless, [housing and public utility companies](#) oppose such initiative. Presently, initiatives appear aimed at granting privileges to certain categories of consumers – in particular, a [draft Law was registered](#) with the Parliament, proposing to decrease the electricity tariff for consumers residing in 30-kilometer area around nuclear power plants, to 70 % of the common tariff.

Working on bringing the electricity market rules in compliance with the European requirements, the National Commission of Ukraine for State Energy and Public Utilities Regulation published the [draft Resolution](#) “On Approval of Template Contract for Access to Transmission Capacity of Interstate Electricity Networks of Ukraine”. The [Draft Resolution](#) “On Approval of the Procedure of Holding e-Auctions for Distribution of Transmission Capacity of Interstate Electricity Networks”, which in December was [presented for repeated public hearings](#), was disseminated as well. Both documents are the elements of implementation of the Law of Ukraine “On Principles of the Electricity Market Operation in Ukraine”.

Moreover, in November, the Ministry of Energy and Coal Industry of Ukraine and the World Bank [signed a protocol and initialled loan agreements](#) providing for receiving a loan for the implementation of the Second Power Transmission Project by SE “NPC Ukrenergo” aimed at facilitating integration of Ukrainian UES with the European Network of Transmission System Operators for Electricity (ENTSO-E). The Order of the Ministry of Energy and Coal Industry [No. 840](#) of 25 November, approves the Programme of Urgent Administrative and Technical Measures to Prepare UES of Ukraine to Unite with Energy Systems of European States until 2016.

In the sphere of state regulation of energy sector:

New regulator seeks to secure its independent status

In October, pursuant to the Government Ordinance [No. 1038-p](#), budget allowances for the National Commission of Ukraine for State Energy and Public Utilities Regulation were consolidated, and regulator itself [approved](#) its own regulation.

On 10 November, the draft Law “On State Regulation in Energy Sector” developed “with the purpose to arrange for strategic and institutional reforms” pursuant to the Third Energy Package [was published](#) on the website of the National Commission of Ukraine for State Energy and Public Utilities Regulation. According to the accompanying documents, the purpose of this draft Law was to create a legal framework in order to secure the legal status of the National Commission of Ukraine for State Energy and Public Utilities Regulation as independent state collegial body.

The Action Plan of the National Commission of Ukraine for State Energy and Public Utilities Regulation for the preparation of draft regulations for 2015 ([Resolution No. 762](#)) provides for the adoption of the draft Law in II quarter.

*In the sphere of renewables:***Government approved the National Renewable Energy Action Plan through 2020**

The Cabinet of Ministers of Ukraine by its [Ordinance No. 902-p](#) of 1 October 2014 approved the [National Renewable Energy Action Plan through 2020](#). The draft was developed pursuant to Directive 2009/28/EU. According to the National Action Plan, aggregate capacity of all sources of renewable energy should increase by over 5.5 times – from current (as of 1 October) 1,024 MW to 5,700 MW (disregarding major hydro power plants). The share of electricity produced in Ukraine from all renewable sources should amount to at least 11 % of all electricity consumption in Ukraine before 2020. The Energy Community Secretariat [decided to close the case ECS-07/14 regarding Ukraine's non-implementation with the legislation in renewables sector](#) initiated on 6 November.

Within the framework of institutional improvements facilitating implementation of the Plan, on 26 November, the Government Resolution No. 676 approved the [new version of the Regulation on the State Agency on Energy Efficiency and Energy Saving of Ukraine](#). This document provides for the possibility of establishing state support funds, development of public-private partnership, promotion and information campaigns.

Review of the terms and conditions of getting a “green tariff”, in particular, abolishment of discriminatory requirement of “local component” caused major discussions

On 2 October, the Energy Community Secretariat [opened a case ECS-7/13 against Ukraine](#) regarding so called “local component”. According to the Secretariat, the above-mentioned requirement violated Directive 2009/28/EC on the promotion of the use of energy from renewable sources, and Article 7 of the Treaty Establishing the Energy Community prohibiting discriminatory approaches.

In December, the State Agency on Energy Efficiency and Energy Saving of Ukraine ended the acceptance of proposals to [the draft Law “On the Introduction of Amendments to the Law of Ukraine “On Electricity”](#) abolishing requirements regarding the local component for getting a “green” tariff. This document also broadens the meaning of the term “biomass” to cover agricultural products; encourages application of minor wind turbines in households; increases multiplier of the “green” tariff for electricity produced from biomass and biogas (for facilities put into operation in 2015 through 2019).

Nevertheless, according to wind power plant operators, since August, the National Commission of Ukraine for State Energy and Public Utilities Regulation no longer [adjusts the green tariffs](#) depending on Euro exchange rate, though this is provided for by the Law. Eventually, the [European Wind Energy Association sent an official letter to Prime Minister A. Yatsenyuk](#) requesting to discuss the need to ensure compliance with the legislation in the sphere of tariff policy.

Moreover, the Ministry of Energy and Coal Industry drafted a [range of proposals, including tariff reduction for “green” generation](#), first of all solar energy, with the purpose to free up UAH 1.5-2 billion to purchase anthracite coal for thermal power plants. Mr. Oleksandr Kozakevch, expert of the Department of Generation Companies of the National Commission of Ukraine for State Energy and Public Utilities Regulation, explained that the [regulator had not objected against this review, nevertheless it insisted that there was not enough time to draft and lobby all the required documents](#).

Meanwhile, a number of draft Laws aimed at promotion of electricity production from alternative sources were registered with the Verkhovna Rada:

- [”On the Introduction of Amendments to the Final Provisions of the Law of Ukraine “On Electricity” Regarding Improvement of Conditions for Generating Electricity Using Solar Energy”](#) (No. 1309 of December 9, 2014). This draft Law proposes to cancel the requirement regarding the share of “local component” for solar power plants generating electricity, until 1 January 2018.

- [”On the Introduction of Amendments to Article 17-3 of the Law of Ukraine “On Electricity” Regarding Improvement of Conditions for Generating Electricity Using Wind Energy”](#) (No. 1457 of 12 December 2014). This document proposes to adjust correlation between the fixed shares of “local components” for wind power plants with the purpose of their cancellation for the manufacture of blades and manufacture and assembly of rotors.

- [“On the Introduction of Amendments to the Law of Ukraine “On Electricity” \(Regarding Promotion of Electricity Production Using Alternative Energy Sources\)”](#) (No. 1478 of 16 December 2014). The draft Law (1) introduces separate multipliers of the “green” tariff for electricity generated by small solar power plants (with the installed capacity less or equal to 10 MW) and major solar power plants (with the capacity over 10 MW); (2) limits guarantees of stimulation of electricity production by major wind power plants.

Average weighted tariff for heat production using alternative fuels has been set

On 19 December 2014, during the public meeting of the Department of Generation Companies the [average weighted tariff for heat energy generation was set](#) for budget-financed establishments and organizations on heat generating facilities (except for combined heating and power plants, thermal power plants and nuclear power plants) using gas at the level of UAH 1,097.24 / Gcal (without VAT) and for thermal power generation (except for combined heat and power plants, thermal power plants and nuclear power plants) using gas for budget-financed establishments and organizations, other consumers (except for households) in the amount of UAH 1,092.12 / Gcal (without VAT). These decisions were adopted pursuant to the Government Resolutions No. 239 of 9 July 2014, and No. 453 of 10 September 2014 stimulating thermal power generation using alternative fuels. The implementation of the above-mentioned decisions will facilitate the increase of investments in thermal power generation facilities using any fuel and sources of energy (other than natural gas).

In the sphere of environment:

Measures which may contribute to conservation of wild birds

On 22 October 2014, the Government approved the [Concept of Combating Land Degradation and Desertification](#) (Ordinance of the Cabinet of Ministers of Ukraine No. 1024-p). Its purpose was to raise effectiveness of public policies on combating land degradation and desertification, define priority tasks, strengthen institutional capacity and improve coordination of competent authorities in the relevant sphere, as well as to ensure compliance with international commitments of Ukraine as a party to the UN Convention to Combat Desertification in Those Countries Experiencing Serious Drought and/or Desertification, Particularly in Africa.

In addition, on 8 October 2014, the Cabinet of Ministers of Ukraine approved the [Regulations on the State Agency on Forest Resources of Ukraine](#) (Resolution No. 521). The Regulations defined the legal status of the State Agency on Forest Resources of Ukraine, the main task of which was to implement the national policy on forestry and hunting and to submit proposals on the development of the national policy in the field of forestry and hunting to the Minister of Agrarian Policy and Food.

The World Wildlife Fund (WWF) will provide assistance in adapting the Ukrainian legislation to the European law in the field of environmental protection. The Minister of Ecology and Natural Resources of Ukraine Ihor Shevchenko signed the relevant [Memorandum of Understanding](#) with the WWF Danube-Carpathian Programme. Within the framework of this cooperation, particular attention was paid to two EU directives on the preservation of natural habitats and conservation of birds.

On 18 November 2014, the first meeting of the [Working Group on Nature Protection](#) was held, which aimed at the approximation of the national legislation to Directive 2009/147/EC on the conservation of wild birds and Directive 92/43/EEC on the conservation of natural habitats and of wild fauna and flora, as amended by Directive 97/62/EC, Directive 2006/105/EC and Regulation (EC) No. 1882/2003.

The Verkhovna Rada of Ukraine registered a number of draft laws aimed at protecting the environment as a whole and its individual components. Namely:

- [“On the Introduction of Amendments to Certain Legislative Acts \(on Strengthening Measures to Protect Forests\)”](#) (registration No. 1307). The amendments prohibit privatization of forests, enhance the supervisory role of the State in the protection and use of forests as well as improve forest biodiversity protection (there is a mandatory requirement to create special protected forest areas with a limited forest management regime, and the prohibition against logging and damaging hollowed trees as well as trees with nests of birds listed in the Endangered Species List ("Red Book") of Ukraine, etc.);

- [“On the Introduction of Amendments to the Law of Ukraine “On Nature Reserve Fund of Ukraine” \(on Improvement of Certain Provisions\)”](#) (registration No. 1427);
- [“On the Introduction of Amendments to Certain Legislative Acts of Ukraine \(regarding Protection of Fauna, Flora and on Stepping up the Fight against Poaching\)”](#) (registration No. 1665).

Financial and organizational measures to support adaptation of the environmental legislation of Ukraine to EU standards

On 22 October 2014, the Government approved the Ordinance No.1013-p [“On Transfer of Certain Budget Allocations to the Ministry of Ecology and Natural Resources in 2014”](#) regarding the transfer of budget allocations to the Ministry of Ecology and Natural Resources from the third tranche under the Financing Agreement supporting the programme “Support to the Implementation of the National Environmental Strategy of Ukraine” within the framework of the Programme 2401500 “Measures for the Implementation of Priorities of the Development of Environmental Protection Sector”.

On 28 October 2014, [experts of the EU Group of Support for Ukraine](#) (Balazs Group) paid a working visit to the Ministry of Ecology and Natural Resources. During the meeting, heads of the Ministry’s departments and the guests discussed possibilities of diversified assistance in the environmental field to align the national legislation with the European law.

Action Programme of the Cabinet of Ministers of Ukraine and environmental issues

On 9 December 2014, the Government approved the [Action Programme of the Cabinet of Ministers of Ukraine \(Resolution No. 695\)](#). However, it addressed no environment issues, which caused a wave of criticism from different circles of society. On 11 December, the Government approved the [Resolution No. 699 “On the Introduction of Amendments to the Action Programme of the Cabinet of Ministers of Ukraine”](#), having supplemented the preamble of the Programme with the provision stating that the Coalition Agreement was to be deemed an integral part of the Action Programme. The Coalition Agreement provides for the reform of environmental control system and for the integration of environmental policy into other sectoral policies as a separate component, as well as for the implementation of the relevant directives as provided for in the Association Agreement between Ukraine and the EU. However, the Coalition Agreement sets no definite deadlines for the relevant measures as required by the Action Programme of the Cabinet of Ministers of Ukraine.

In the energy efficiency sphere:

In November, the Government [approved plans for the implementation of EU directives on energy efficiency](#). However, [they were published](#) only in late December and regarded Directive 2010/30/EU, Directive 2010/31/EU, Directive 2006/32/EC. Progress reports shall be submitted by the Ministry for Regional Development, Building and Housing of Ukraine on a quarterly basis before the 10th day of the following month. The deadline for the implementation of certain elements of the published plans was set to 31 December 2014. In addition, at the end of the year, there were published the [Action Plan of the Ministry for Regional Development, Building and Housing of Ukraine regarding the preparation of draft regulations for 2015](#) (as approved by [Order of the Ministry for Regional Development, Building and Housing of Ukraine No.349](#) of 15 December 2014) and [the Legislative Work Plan of the State Agency on Energy Efficiency and Energy Saving of Ukraine for 2015](#), which lists the regulations to be drafted and, often, followed up until their adoption. Meanwhile, the [Action Programme](#) of the Government approved by the Parliament mentions energy efficiency issues only in the context of alternative energy sources and the construction/reconstruction of housing buildings.

In December, [a new composition of the Cabinet of Ministers of Ukraine was approved](#), and rotating power outage took place. In order to give up such measures, [a 15% energy saving in peak hours was needed](#), therefore, companies were invited [to reduce energy consumption and to switch to night work schedule](#), and the National Commission of Ukraine for State Energy and Public Utilities Regulation announced relevant [initiatives](#) concerning households, meanwhile the situation was resolved due to the [increase in procurement](#) of coal and electricity.

Ukraine cancelled exemptions on import of energy-saving materials, equipment and their components

In order to create equal conditions for business operators, on 29 December, the Cabinet of Ministers of Ukraine issued the [Resolution No.719](#), cancelling any exemptions on import of energy-saving materials, equipment and their components into Ukraine.

Replacement of gas instead of energy saving

Resolution of the Cabinet of Ministers “On the Introduction of Amendments to the Procedure of the Use of Funds Allocated in the State Budget for the Implementation of Measures for Energy Efficiency and Energy Saving” ([No.491 of 1 October 2014](#)) establishes a mechanism for funding [part of the principal amount of the loan for the purchase of electric or solid fuel boilers by the population; for this purpose, they allocated UAH 50 million, while, in general, UAH 440 million provided by the EU was intended to be used for energy-saving incentive mechanisms](#). As of 6 November, the granted loans amounted to UAH 4 million, UAH 16 million – as of 1 December 2014, and as of 17 December [the loans amounted to over UAH 19 million, which were received by 1,155 households](#).

Overall in 2014, the Government planned to give loans to 30–[36 thousand households](#), encouraging local administrations to conduct [large-scale awareness raising campaigns](#) among the population and requesting the State Agency on Energy Efficiency and Energy Saving to develop a kind of a “roadmap” for the regions. The said Agency undertook to develop a [model road map](#) to reduce consumption and replace gas for each Ukraine’s region.

They also promise to seek to [ease credits](#) for Ukrainian manufacturers of solid fuel boilers, as well as to stimulate manufacturers of solid fuel (solid biomass and biogas is expected to replace [18.16 billion cubic meters of gas](#)). It is planned to support lending for the purchase of energy-efficient equipment, refunding consumer credit for energy saving measures ([Plan of Short- and Medium-Term Measures to Reduce Natural Gas Consumption for the Period until 2017](#), Ordinance No. 1014-p of 16 October 2014), and in general, this year [the State promises](#) to compensate 20–30% of the funds invested in the projects of replacing natural gas.

The National Commission of Ukraine for State Energy and Public Utilities Regulation increased electricity consumption for households which use electric heaters for heating, to [5,000 kW per hour at the lowest tariff](#), thereby stimulating the installation of such devices (the Resolution of the National Commission of Ukraine for State Energy and Public Utilities Regulation No. 164 “On Approval of Amendments to the Tariffs for Electricity Supplied to Households”, as recommended by the Resolution of the Cabinet of Ministers of Ukraine No. 540 of 16 October “On Stimulating Consumers of Natural Gas and Thermal Power to Switch to the Use of Electricity for Heating and Water Heating”).

The Ministry for Regional Development, Building and Housing of Ukraine intends to replace [20% of gas consumption by 2020](#). The State Agency on Energy Efficiency and Energy Saving expects to replace [6.3 billion cubic meters of gas by 2020](#), due to stimulating the growth of energy crops; and according to the Ministry of Agrarian Policy and Food of Ukraine, provided all capacities of biofuels are used, it will be possible to replace [30 billion cubic meters of gas](#). S. Savchuk announced that the aim was to reduce gas consumption in Ukraine to [18 billion cubic meters of gas per year](#). However, by 2020, he expects to reduce gas consumption by only [7–8 billion cubic meters](#). In 2014, state-financed institutions [reduced gas consumption by 20%](#) as compared to 2013.

At the same time, NJSC “Naftogaz of Ukraine” stated that for the period of 1 through 20 December, gas consumption by industrial consumers, public institutions and district heating companies [exceeded by 25% the level](#), established by the Cabinet of Ministers of Ukraine in its Resolution No. 296 of 9 July 2014 “Certain Issues of Supplying Natural Gas to Households, Enterprises, Entities and Organizations until the End of 2014/15 Heating Season”. The said took place despite numerous government officials’ [requests](#) to observe the limits of gas consumption and threats to bring heads and deputy heads of oblast administrations to disciplinary responsibility.

The Ministry for Regional Development, Building and Housing of Ukraine emphasized the need of mandatory development of [heating supply schemes of cities and town for a period of at least 5 years](#) and proposed a draft Law “On the Introduction of Amendments to Certain Legislative Acts of Ukraine to Improve Relations in the Sphere of Heating Supply”. According to the officials, this will help to better understand the ways of replacing 50% of gas in the communal energy sector in 5 years.

Energy Efficiency Fund

The State Agency on Energy Efficiency and Energy Saving of Ukraine is currently developing the idea of establishing the Energy Efficiency Fund in an attempt to effect financing of governmental energy efficiency programmes through it. The Agency [agreed](#) with the representatives of the European Commission Support Group for Ukraine to create a working group to develop the concept of the Fund and to study the European experience in this field. Conceptual approaches to the creation of an institutional framework for the Energy Efficiency Fund in Ukraine will be analysed at the board meeting of the State Agency on Energy Efficiency and Energy Saving of Ukraine on [21 May 2015](#).

Energy services

While the Government discussed the [need to amend](#) the legislative package on the mechanisms for awarding Energy Service Contracts, the public [reported](#) on the removal of a number of important issues from draft laws as a result of their revision and accused the Ministry of Finance of sabotage; the Ministry for Regional Development, Building and Housing of Ukraine promised to [“promptly”](#) submit for consideration of the Cabinet of Ministers of Ukraine draft laws on the mechanisms for energy service contracts, while the State Agency on Energy Efficiency and Energy Saving of Ukraine [planned](#) to hold electronic public consultations in February 2015; on 9 December, members of Parliament registered with the Verkhovna Rada of Ukraine [the draft Law “On the Introduction of New Investment Opportunities and Guaranteeing the Rights and Interests of Business Entities to Arrange Large-Scale Energy Modernization”](#) (No. 1313). The draft Law concerns public procurement of energy services, where the value of the procurement object (excluding VAT) amounts to at least UAH 100 thousand, and proposes to allow energy service companies to implement energy efficiency projects at their own expense and to further refund them with the saved costs for the consumption of energy resources and utility services during the period of such energy service contract. In addition to the above-mentioned draft Law, on 11 December members of Parliament submitted for consideration [the draft Law “On the Introduction of Amendments to the Budget Code of Ukraine \(Concerning the Introduction of New Investment Opportunities and Guaranteeing the Rights and Interests of Business Entities to Arrange Large-Scale Energy Modernization\)”](#) (No. 1409), the aim of which was “to create a legal framework for the procurement of energy services”. In addition, member of Parliament O. H. Dombrovskiy introduced an alternative draft Law [\(No. 1409-1\)](#). The same author introduced two other draft laws on energy services, which should be considered together (including the one mentioned above): [“On Peculiarities of Energy Services Procurement”](#) (No. 1532 of 22 December 2014) and [“On Peculiarities of Energy Services Procurement”](#) (No. 1533 of 22 December 2014).

Status of public authorities in the field of energy efficiency

The State Agency on Energy Efficiency and Energy Saving of Ukraine [gave up supervisory functions](#). The Government approved the new version of the Regulation on the State Agency on Energy Efficiency and Energy Saving of Ukraine, expanding its functions [in accordance with the commitments of Ukraine to the Energy Community](#) and assigning the Vice Prime Minister of Ukraine – the Minister for Regional Development, Building and Housing to direct and supervise the Agency ([Resolution of the Cabinet of Ministers of Ukraine No. 676 of 26 November 2014](#)). The State Agency on Energy Efficiency and Energy Saving of Ukraine also intends to introduce a [modern monitoring system](#) in the sphere of energy efficiency and renewable energy for the purpose of tracking the effect of the implemented measures as well as obtaining analytical data in the relevant areas. In addition, the Agency invited experts and the public to cooperate in discussing the incentives.

The Regulations on the Ministry for Regional Development, Building and Housing of Ukraine were also amended ([Resolution of the Cabinet of Ministers of Ukraine No.690 of 26 November 2014](#)).

National Action Plan for Energy Efficiency

The Government's [Plan of Short- and Medium-Term Measures to Reduce Natural Gas Consumption for the Period until 2017](#), and the [Legislative Work Plan of the State Agency on Energy Efficiency and Energy Saving of Ukraine for 2015](#) require to develop and submit for consideration the “draft act of the Cabinet of Ministers of Ukraine on the approval of the National Action Plan for Energy Efficiency for the period until 2020 as part of Ukraine's commitments to the Energy Community” by March 2015. On 25 October, Head of the State Agency on Energy Efficiency and Energy Saving of Ukraine S. Savchuk [stated](#) that the National Action Plan for Energy Efficiency was planned to be submitted for the Government's consideration within a two-month period.

Energy efficiency of buildings

The Government estimated the need for thermal modernization of apartment buildings at [75–85%](#). The Ministry sees the reason for this situation in the absence of an efficient owner, and believes the draft Laws “On Utility Services” and “On Peculiarities of Property Rights in Apartment Buildings” ([No. 1565 of 22 December 2014](#)) to be the solution. The State Agency on Energy Efficiency and Energy Saving of Ukraine estimates the need for energy efficiency measures in housing stock at [UAH 1 trillion](#) by 2020, while [the estimates](#) of international experts (GIZ, EBRD, World Bank) for modernization of apartment buildings amount to about UAH 500 billion.

The Ministry for Regional Development, Building and Housing of Ukraine [is drafting a resolution](#) to enable condominiums to take loans for thermal modernization as well as for purchasing energy efficient equipment. The Ministry also reports that it is considering the possibility [for condominiums and owners of private buildings to receive a 30% state refund of the principal amount of loans](#) provided that such loans are used for fuel saving purposes; a relevant draft decision of the Government [on a 40% state refund of loans for condominiums](#) is currently being agreed on. The Ministry for Regional Development, Building and Housing expected the relevant draft legislative act to have been considered by the Government [by the end of 2014](#), and to be implemented starting from 2015.

The Cabinet of Ministers of Ukraine submitted a [draft Law to the Verkhovna Rada of Ukraine “On Energy Efficiency of Buildings” \(No. 1566 of 22 December 2014\)](#), the aim of which was to “determine the legal, economic and organizational basis for the activity in the area of ensuring energy efficiency of buildings” and to create conditions for rational use of energy in them”. Based on the results of the first reading, the Committee [in a relevant resolution](#) recommended to return the draft Law for refinement in order to prepare it for the repeated first reading. The State Agency on Energy Efficiency and Energy Saving of Ukraine [plans](#) to hold electronic public consultations on the draft Law “On Energy Efficiency of Buildings” in February 2015.

Equipment with metering devices

Despite the plans of the Ministry for Regional Development, Building and Housing to bring the level of equipment with thermal heat meters in 2014 to 42–45%, it [reported](#) to have allocated the funds, initially aimed at the installation of measuring equipment, to the measures of gas replacement and the reduction of gas consumption, while the problem of heat metering is intended to be solved “in the next 1.5–2 years”. The Ministry for Regional Development, Building and Housing [mentioned](#) that in 2014 the level of equipment of households with commercial metering devices increased by 2%, namely 4,434 buildings were equipped with individual cold and hot water metering devices as well as heat meters. At the same time, experts [invite](#) to equip all apartment buildings with heat meters and heating units with weather control as one of the first steps, suggesting that such projects allow a one-year payback period and reduction of heat consumption by an average of 30%.

Meanwhile, as of 1 October and as of 1 November, the level of equipment with heat meters in Ukraine amounted to [98.6%](#), [98.7%](#) as of 1 December, while the Ministry of Energy and Coal Industry of Ukraine requested local self-government authorities to ensure 100% equipment with meters before the heating season.

The State Agency on Energy Efficiency and Energy Saving of Ukraine [planned to hold](#) electronic public consultations on the draft Law “On Commercial Metering in the Spheres of Heating, Central Water Supply and Sewerage, the Provision of Utility Services” in January 2015.

Technical regulations

The State Agency on Energy Efficiency and Energy Saving of Ukraine intends to develop and follow up the draft Resolutions of the Cabinet of Ministers of Ukraine “On Approval of the Technical Regulation on Energy Labelling of Household Electric Lamps and Lighting Fixtures”, as well as “...of Television Sets” in [February 2015](#). Meanwhile, similar documents for household dishwashers and air conditioners are expected to be drafted and followed up in [April 2015](#).

In accordance with the [Action Plan of the Ministry for Regional Development, Building and Housing of Ukraine regarding the preparation of draft regulations for 2015](#), the following draft resolutions are planned to be submitted for consideration of the Cabinet of Ministers of Ukraine in December: “On Approval of the Technical Regulation on Energy Labelling of Electric Lamps and Lighting Fixtures”, “On Approval of the Technical Regulation on Energy Labelling of Television Sets”, “On Approval of the Technical Regulation on Labelling of Household Dishwashers”, “On Approval of the Technical Regulation on Energy Labelling of Household Air Conditioners”. In accordance with [the Legislative Work Plan of the State Agency on Energy Efficiency and Energy Saving of Ukraine for 2015](#), the following draft resolutions of the Cabinet of Ministers of Ukraine are planned to be developed and followed up: “On Approval of the Technical Regulation on Energy Labelling of Electric Lamps and Lighting Fixtures”, “On Approval of the Technical Regulation on Energy Labelling of Television Sets” (by February 2015), “On Approval of the Technical Regulation on Labelling of Household Dishwashers”, “On Approval of the Technical Regulation on Energy Labelling of Household Air Conditioners” (by April 2015). The State Agency on Energy Efficiency and Energy Saving of Ukraine [planned](#) to hold electronic public consultations on the first two technical regulations in January 2015, and on the remaining two regulations – in February the same year.

In the sphere of oil and petroleum products:

“Creation of a stabilization reserve for petroleum products” rhetoric is used in a conjunctural manner, with the aim to serve the interests of a certain business group

On 21 October, Arseniy Yatsenyuk stated that [the Government possessed enough oil reserves to be recycled and to deliver 200 thousand tons of residual fuel oil to Ukrainian thermal power stations](#). Thus, the Cabinet of Ministers of Ukraine planned to replace 3 billion cubic meters of Russian gas. Reportedly, [it is the “Privat” group which can benefit from such scenario](#) holding control over the main producer – “Ukratnafta” (Kremenchuk refinery). The Chairman of the Board of “Ukratnafta” Pavlo Ovcharenko reiterated to the media that the plant stopped exports completely, preparing to meet the domestic demand.

In addition, a conflict broke out between NJSC “Naftogaz of Ukraine” and the Ministry of Energy and Coal Industry of Ukraine concerning [the appointment of Andrii Kushch as Head of the Auction Committee on Energy Sales](#), who was associated with “Ukrnafta” controlled, in its turn, by the “Privat” group. NJSC “Naftogaz of Ukraine” insisted on the appointment of Petro Stoliar in accordance with Government Resolution No.570, and also proposed to introduce [mandatory recording of meetings on data carriers and free access to them for press](#).

On 9 December, in the fight for changing the management of “Ukrnafta”, the Government submitted to the Verkhovna Rada the [draft Law No.1310](#) on reducing the quorum for the general meeting of the joint stock company from 60% plus one share to 50% plus one share.

After its approval, [Arseniy Yatsenyuk stated](#) that the said law had no relation to the management of “Ukrnafta”. The Premier instructed the Ministry of Energy and Coal Industry of Ukraine to replace the management of the company, which was still controlled by the “Privat” group, despite the fact that 51% of its shares were owned by the State.

The Government changed the procedure of trading petroleum products to require mandatory obtaining of documents to confirm fuel quality

At the meeting of the Cabinet of Ministers on 19 November, [the Resolution No.636 was approved “On the Introduction of Amendments to the Rules for Retail Sale of Petroleum Products”](#). In accordance with this document, fuel filling stations are prohibited to sell petroleum products which do not comply with regulatory requirements to quality and safety; on customer request, the seller must provide a copy of the quality certificate (quality passport) and a copy of the conformity declaration; the document also provides for the mandatory installation of standard meters at fuel filling stations for checking the accuracy of oil-filling pumps and fuel- and gas-dispensing columns; it is also specified that measuring equipment used at fuel filling stations, including tanks, shall undergo state metrological certification.

In Ukraine, excise duty on biodiesel and special petroleum containing bioethanol went up

On 22 December, the Cabinet of Ministers submitted the [draft Law to the Verkhovna Rada No.1578 “On the Introduction of Amendments to the Tax Code \(Concerning the Tax Reform\)”](#), which proposed to charge excise duty on alternative motor fuel in the amount of EUR 202 per ton on a regular basis (previously, the excise duty was introduced on a temporary basis until 1 January 2015 in the amount of EUR 99 per ton). Excise duty on biodiesel was also to increase by 4% (by EUR 4 per ton) – up to EUR 102 per ton.

In accordance with [the version of the Law of 28 December approved by the Verkhovna Rada](#), the excise duty on alternative motor fuel was fixed at EUR 99 per ton; the rate for biodiesel went up to EUR 102 per ton, while the excise duty on special petroleum containing bioethanol went up by at least 5% to EUR 202 per ton.

In the sphere of statistics:

Expansion of international cooperation may enhance operation of the statistical system

On 7 October, the Government signed [the Memorandum of Understanding](#) with the Organization for Economic Cooperation and Development (OECD), which named the issue of developing statistics among the priority spheres and forms of cooperation. On November 12, by its Ordinance No. [1091-p](#), the Cabinet of Ministers of Ukraine approved the final report on the results of the joint investment projects with IBRD “Development of the state statistics for monitoring social and economic transformations”.

The State Statistics Service published [the Energy Balance of Ukraine for 2013](#), and it did so earlier than planned – in late November.

*In the sphere of competition:***Inspections of the Antimonopoly Committee of Ukraine expanded to energy markets**

At the end of October, [the Antimonopoly Committee of Ukraine published the results of the surveys of the market of petroleum products](#). These surveys revealed monopoly abuse in the regional markets, as well as the total overpricing of light petroleum products by 40% (5–6 million tons).

<http://zakon4.rada.gov.ua/laws/show/n0015525-14>. [The Decision of the National Security and Defense Council](#) of 4 November 2014 “On the Status of Ensuring Energy Security of the State and on High Priority Measures for Stable 2014/15 Heating Season” proposed that the AMCU conduct inspections of regional gas transportation and distribution enterprises (oblgases) and regional power distribution companies (oblenergos).

Meanwhile, the Cabinet of Ministers of Ukraine included [“Centrenergo”, Odesa and Kherson thermal power stations](#) in the list of objects for privatization, and also changed the schedules of selling shares of [8 energy companies](#), [3 oblenergos](#), and [25% of 2Donbasenergo](#)”.

In the sphere of social policy:

The National Commission of Ukraine for State Energy and Public Utilities Regulation announced [the establishment of tariffs for central heating and hot water supply services](#) to households at a significantly higher level than last year, justifying this with the change in methodology, and bringing the tariffs to economically feasible levels. The Minister of Social Policy emphasized the need in “bringing the prices for gas and electricity [to market levels](#) while introducing and improving the compensation mechanism for low-income citizens”, noting that this process would continue until 2017.

The officials urged local authorities to inform the public on possibility to apply for subsidies. The line [minister and the Prime Minister also invite citizens](#) to apply for subsidies. The Government reported that 4.5 thousand families had requested a refund for the raise in tariffs for housing and utility services before the heating season and stressed out that [there were about 10 million families](#) in Ukraine entitled to benefits and subsidies.

At that, A. Yatsenyuk [instructed to develop additional compensation mechanisms](#) due to increased tariffs, recognizing that the existing mechanism was not perfect. In the meantime, on 1 October, the [improved procedure of paying housing subsidies](#) entered into force providing for new social standards. The Ministry for Regional Development, Building and Housing went on explaining the related innovations, paying attention not only to the reduction of standards for the gas supply with a view to a number of people in residential premises not equipped with meters, but also to the increase in heated area standards entitling for subsidies. At the same time, the Ministry [noted](#) that water consumption standards were set by local authorities to play, *inter alia*, a “psychological” role, encouraging saving and installation of meters. The Cabinet of Ministers [developed](#) and agreed on with trade unions the draft Resolution “On the Introduction of Amendments to the Resolution of the Cabinet of Ministers of Ukraine No. 83 of 5 April 2014”, which established compensation for other services (i.e. centralized cold water supply, sewerage, electricity supply, waste removal, maintenance of buildings and building surrounding territories), and offered to let citizens choose either compensation or housing subsidy, and to provide compensation to families with the income not exceeding one and a half subsistence minimum. The Ministry of Social Policy [recognizes](#) the need for greater targeting of public support programmes and strengthening the availability of certain programmes – including housing subsidy programme, and [promises](#) to bring the system of social welfare closer to the public and make it more targeted. Transition to targeted benefits is also provided for in the [Government Action Programme](#).

The Government decided [to continue to supply gas and electricity](#) to Donetsk and Luhansk territories occupied by terrorists in order to prevent a humanitarian disaster, however, it decided against allocation of social payments to those areas because of the threat of theft by terrorists, promising to pay them off after the liberation of the territories. The Cabinet of Ministers approved the Resolution on the [redistribution](#) in 2014 of subventions between the regions in the amount of UAH 294.2 million for the repayment of the difference in tariffs for heat and water supply services as well as sewerage services rendered to the population, with further settlements for gas.

The Cabinet of Ministers [amended](#) paragraph 4 of the Procedure of Compensation to Persons Entitled to Free Coal for Domestic Needs, but Living in Households with Central Heating. In particular, the amount of compensation to miners is calculated as the sum of payments for the services of central heating, electricity and gas supply (with account of the benefits provided under the legislation) within the social standard for living space and standards for the use of electricity and natural gas for cooking, which are taken into account when deciding on the provision of benefits for housing and utility services.

On 22 December 2014, the Government submitted a draft Law to the Verkhovna Rada “On the Introduction of Amendments to Certain Laws of Ukraine Regarding Improvement of Settlements for Energy Resources and for Repayment of Loans Received from International Finance Organizations” (No. 1538), which proposed to introduce current accounts with special conditions of use for entities in the sphere of centralized water and heat supply and sewerage; to improve the legislation regulating such accounts and to determine common approaches to the introduction of such accounts by enterprises. The Committee of the Verkhovna Rada on Construction, Urban Development, Housing and Utilities recommended to reject the draft law because it was in conflict with Articles 12, 19, 44 of the Commercial Code of Ukraine prohibition interference in economic and commercial activities, as well as with the provisions of the Coalition Agreement. Therefore, on 24 December 2014, the Committee Chairman, a Member of Parliament S. I. Skuratovskiy (O. Liashko’s Radical Party) filed the [draft Resolution “On Rejecting the Draft Law “On the Introduction of Amendments to Certain Laws of Ukraine Regarding Improvement of Settlements for Energy Resources and for Repayment of Loans Received from International Finance Organizations” \(No. 1538/II\).](#)

Social Action Plan

In accordance with the amendments to the Action Plan for the Implementation of Commitments under the Treaty Establishing the Energy Community, introduced by the Cabinet of Ministers by its [Ordinance No.864-p of 17 September 2014](#), the Ministry of Social Policy, the Ministry of Energy and Coal Industry of Ukraine and the National Commission of Ukraine for State Energy and Public Utilities Regulation were to develop a social action plan in line with the requirements of the Memorandum of Understanding on social issues within the framework of the Energy Community by 1 January 2015.

Draft Law on Housing and Utility Services

The draft Law [introduces](#) a penalty of 0.1% for each day of delay of payment, but which may not exceed 100% of the amount of debt. The Public Council attached to the Ministry for Regional Development, Building and Housing at its meeting on 16 December 2014, recognized [the need for the revision](#) of the draft Law and promised to give its suggestions (not published). In addition, experts [proposed](#) to the Ministry to create a working group for developing necessary amendments to the laws of Ukraine to resolve the issues related to the Law of Ukraine “On the Introduction of Amendments to Certain Laws of Ukraine Regarding Improvement of Settlements for Energy Resources” (No. 1198-VII). In accordance with the [Action Plan of the Ministry for Regional Development, Building and Housing of Ukraine Regarding the Preparation of Draft Regulations for 2015](#) (as approved by [Order of the Ministry for Regional Development, Building and Housing of Ukraine No. 349](#) of 15 December 2014 “On Approval of the Action Plan of the Ministry for Regional Development, Building and Housing of Ukraine Regarding the Preparation of Draft Regulations for 2015”), the relevant draft law was planned to be submitted to the Cabinet of Ministers of Ukraine in December.

In addition, within six months after the adoption of this Law, it is planned to submit a number of draft resolutions to the Cabinet of Ministers of Ukraine, to resolve the issues of charging for utility services in hostels and to amend the Procedure of calculation of tariffs for services of maintenance of buildings and building surrounding territories, and to Resolution of the Cabinet of Ministers of Ukraine No. 409 of 6 August 2014 “On the Establishment of Social Standards for Housing and Utility Services”.

The draft Law “On Peculiarities of Exercising Property Rights in Apartment Buildings” provides for [the establishment of the threshold value of the state refunds through the system of benefits and subsidies](#) for payments for housing and utility services. The Ministry for Regional Development, Building and Housing of Ukraine justifies the draft Law with the fact that the social welfare system must encourage those who receive state support to save energy resources.