

Monitoring of Ukraine's implementation of its commitments within the framework of the Energy Community Treaty

Issue 21 (April– June 2015)

In April, the Cabinet of Ministers approved certain action plans for the implementation of the EU legislation. Those of them relating to energy were developed by the Ministry of Energy and Coal Industry (Ordinance [No. 346-p](#)), and those covering environmental issues — by the Ministry of Ecology and Natural Resources (Ordinance [No. 371-p](#)). Also, the [Danish – Ukrainian Energy Centre was opened](#) whose work is supposed to facilitate comprehensive collection and compilation of data required to analyse the energy balance.

On 23 April, the President approved the Annual National Program of the NATO – Ukraine Cooperation for 2015 (Decree [No. 238/2015](#)). The priorities set in the Energy Security section of this document, include, among others, further measures relating to the implementation of Ukraine's commitments within the Energy Community Treaty with due regard to the relevant provisions of the Association Agreement.

On 27 April, the EU – Ukraine summit took place in Kyiv. According to the [joint statement](#), the parties welcomed “the decisive commitment to the ambitious reform process” and supported the idea of accelerating the energy sector restructuring to meet the requirements of the Third Energy Package, particularly with regard to the distribution of functions of Naftogaz of Ukraine NJSC and focusing on the energy efficiency issues. The [press release](#) of the International Support for Ukraine Conference that took place on 28 April had a similar message.

On 7 May, the [EU Coordination Meeting](#) was held in Brussels to discuss the energy sector reforms in Ukraine. During this meeting, the EU representatives presented a consolidated proposal on Ukraine's energy sector support priorities.

On 15 May, [a meeting of the National Reform Council](#) took place, during which [a report was presented on the implementation of the Association Agenda and the EU – Ukraine Association Agreement](#). According to the Government Office for European Integration, a certain progress was obvious in the implementation of the energy sector reform.

On 21–22 May, the Eastern Partnership summit took place in Riga (Latvia). In their [final declaration](#), the participants of the meeting highlighted the progress made in the implementation of the flagship initiatives in the areas of energy, environment and climate change, as well as took note of the progress achieved in the energy sector reforms in Ukraine, and invited the stakeholders to keep on working in this area.

On 3 June, the Ministry of Energy and Coal Industry issued the order to ensure the implementation of the updated EU – Ukraine Association Agenda and report on the progress on a monthly basis ([Order No. 333](#)). At the same time, Minister Volodymyr Demchyshyn initiated [the “reload” of the EU – Ukraine cooperation system](#) to replace the 2005 Memorandum.

On 4 June, the Verkhovna Rada approved the Plan for Legislative Support to Reforms in Ukraine ([Resolution No. 509-VII](#)) meant to arrange the [work of the Parliament](#) in a way to ensure the introduction of reforms provided for by the strategic documents (Association Agreement, Sustainable Development Strategy “Ukraine – 2020”, Coalition Agreement, Action Program of the Cabinet of Ministers). At the same time, the Government and the Verkhovna Rada showed poor coordination of their activities: [on 23 June](#), the meeting of the National Reform Council established that 19% of the Cabinet of Ministers' draft laws had been withdrawn.

In June, President P. Poroshenko [delivered his Annual Message to the Verkhovna Rada](#), in which he expressed his confidence in the [stabilization of Naftogaz's financial situation](#), set the goal of [deoligarchization](#), particularly, cancelling the coal subventions and resuming control over the state-owned companies, as well as [demonopolization](#) through reducing the maximum market share to 30–50%.



This writing was prepared within the framework of the Project “Improving Implementation of Ukraine’s Commitments within the Energy Community through Enhancing Impact of Civil Society” implemented by DiXi Group NGO in cooperation with the Society and Environment think tank.



Ресурсно-аналітичний центр
"СУСПІЛЬСТВО І ДОВКІЛЛЯ"

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Generally speaking, Ukraine’s progress in the implementation of its commitments within the framework of the Energy Community Treaty in April – June 2015 appeared to be as follows:

Security of supply

Both strategic and tactical plans were approved in the energy security sector.

On 21 May, Ukraine represented by Minister of Energy Volodymyr Demchyshyn [signed](#) the Final Document of the International Conference (Hague II) on the International Energy Charter. This document is not binding, however, it highlights mutual aspirations of all the signatories to ensure energy safety.

On 26 May, the President approved the new version of [Ukraine’s National Security Strategy \(Decree No. 287/2015\)](#). According to this Strategy, the factors that threaten the energy security are market distortions, low diversification of energy supplies, criminalization and corruption in the sector, ineffective energy efficiency policy. To address these challenges, the Strategy sets the following priorities: energy markets reform, ensuring transparency and competition, demonopolization, integration in the EU energy markets and Europe’s energy security system, enhancing energy efficiency, diversification of sources and routes of energy supply, development of renewable and nuclear energy sectors, creating favourable conditions to ensure safe energy transit through Ukraine, protection of energy infrastructure against terrorist threat, etc.

Meanwhile, to ensure proper preparations for the next heating season, on 28 May, the President brought the [decision of the National Security and Defence Council of 6 May 2015](#) into force. This document bound the Government to approve financial plans of state-owned enterprises, implement a series of measures in the coal, nuclear fuel, oil products markets, as well as in the hydrocarbons segment (particularly, to improve the rent formula), and to submit a draft law on approval of annual projected fuel and energy production and consumption balance in Ukraine. By 15 July, the Government has to adopt the new Energy Strategy of Ukraine and then approve the action plan for the preparation to the 2015/16 heating season within a one-month period.

In its turn, the Ministry of Energy and Coal Industry [reported](#) on having started the implementation of a series of measures provided for by the decision of the National Security and Defence Council. Particularly, the Ministry was instructed to approve the 2015 energy production and consumption balance, identify the volumes and sources for covering the coal deficit, take measures to facilitate the repayment of debts of thermal power companies, repayment of arrears in salaries to miners, conduct various inspections at energy companies, etc.

On 12 June, Minister of Energy [Volodymyr Demchyshyn discussed](#) the task of developing a plan to tackle emergencies with representatives of the US Department of Energy, US and Canada’s embassies to Ukraine. Particularly, the parties agreed that experts from the US, Canada and EU would commence their work in July to present the elaborated plan in a month. According to the preliminary arrangements, the plan will consist of two documents: The winter action plan to deal with the reserves of gas, coal and other sources of energy necessary to organize the heating season, and the Sustainability Plan to introduce the system of tackling emergencies to be approved once every 3 to 5 years.

In June, the Cabinet of Ministers declared its intention to [rate every oblast based on the energy efficiency criterion](#) (according to the Prime Minister, this rating would reflect the following figures: number of replaced boilers, reduction in gas, electricity and coal consumption) and allocate larger amounts of compensation to the population in ‘most energy efficient’ regions. The oblast monitoring will be conducted by the Ministry of Economic Development and Trade since July 2015.

The most important factor of successful preparation to a heating season is procurement of energy reserves (gas and coal).

On 8 June, Minister Volodymyr Demchyshyn held a [special briefing](#), and on 11 June, Deputy Minister of Energy Oleksandr Svetelik held a [meeting to discuss the issues of preparation to the upcoming heating season](#). Particularly, the Ministry spoke of such measures as procuring coal and gas reserves for the heating season, repair of equipment at energy companies, development of new Operating Security Standard (Instruction on drafting and application of constraints and emergency shutdown schedules), increasing NPP loads, ensuring settlements for the consumed energy in full.

At the same time, speaking of the prospects of switching on to gas coal-fired thermal power units, Minister Volodymyr Demchyshyn said that such projects require large investments, and thus their implementation may take several years. Therefore, the time remaining before the 2015/16 heating season is not sufficient to complete such projects. According to the Government, to ensure smooth heating season, the State [needs about 4 million tons of anthracite](#). The coal deficit issue is expected to be settled by [importing coal from the RSA](#) and [Kazakhstan](#). Meanwhile, according to Volodymyr Demchyshyn, [some 15–20 thousand tons of coal](#) are transported from the ATO zone daily.

For this purposes, the Ministry of Energy and Coal Industry [drafted](#) the Concept and the Program of the coal industry reform meant to stimulate extraction at state-owned mines. The Ministry also [invited](#) potential investors to participate in the tender for purchasing relevant assets.

Also, [Ukraine is negotiating with the EBRD, the World Bank and other financial institutions a possibility to raise loans in the amount of USD 1.5 billion](#) to fill up its storage facilities. According to [Naftogaz’s estimations](#), Ukraine needs as much as USD 1.5–2 billion to finance its working capital (to fill up its underground gas storage facilities), that is why the country is also in the process of negotiations with the European suppliers and Ukrainian industrial companies that were invited to pump gas at their own expense in the summer. On 12 May, the G7 Ministers of Energy published a joint declaration [inviting the World Bank and the IMF to help Ukraine reduce its dependence on Russian energy](#), and urging Ukraine itself to reform its energy market and enhance competition.

On 24 June, the Cabinet of Ministers created an energy stabilization fund in the amount of USD 1 billion to be financed by Naftogaz of Ukraine NJSC under agreements with foreign creditors ([Resolution No. 459](#)). In addition, funds will be raised against the State guarantees given by particular decisions of the Government and spent on purchase of imported gas, services of connecting and access to the GTS, gas transportation and storage only.

Minister Volodymyr Demchyshyn also mentioned that [settlement of the issue of procuring coal reserves for the upcoming heating season is in progress](#). Representatives of the Ministry of Energy and Coal Industry [had a series of meetings](#) to discuss the state of the art in energy supply and the system’s readiness for the winter season, and, in cooperation with TPPs, [commenced](#) procurement of the necessary volumes of coal: if the State has to import the necessary coal, the companies will have to identify the suppliers at their own discretion.

The Plan of Development of the United Energy System of Ukraine of which the draft [was presented](#) for public discussion, is important in terms of ensuring stable work of the energy system. Moreover, an [expert discussion](#) took place in the Ministry of Energy and Coal Industry relating to the synchronization of Ukraine’s energy system with the European. In addition, the National Commission for State Energy and Public Utilities Regulation developed a draft [resolution](#) changing the rules of the electric power use, particularly, introduction of the system of prepayment for the consumed electricity by all categories of consumers.

Gas negotiations on the prolongation of the winter package have failed.

On 1 April, following trilateral consultations between Ukraine, the EU and Russia, Naftogaz and Gazprom [signed a supplement agreement](#) to the gas supply contract to prolong the period of duration of the key provisions of the Brussels agreement (the winter gas package) by the end of June 2015.

During the negotiations that took place on 30 June in Vienna, [Ukraine](#) insisted that the gas issue had to be resolved by means of signing a trilateral, binding document to lay down the interim arrangements between the parties to be applicable by the end of Q1 2016 at least. Russia [offered](#) the price of USD 247.18 per thousand cubic meters, however, [refused](#) to discuss it during the negotiations and [sign the final protocol](#). The next round of negotiations is expected to take place in [September](#).

At the same time, there are other lines of confrontation at the corporate level. Ukraine [welcomed the decision of the European Commission](#) to lodge a claim against Gazprom for the suspected abuse of its dominant position in the EU markets. At the same time, [the Ukrainian Government](#) requested the Antimonopoly Committee of Ukraine to investigate Gazprom's non-competitive policy which, according to [Naftogaz's statement](#), also prevents integration of the Ukrainian and the EU energy systems. [The Antimonopoly Committee of Ukraine initiated investigation of activities of Russia's gas monopolist](#).

Naftogaz also suggested that it would be expedient [to give the 'take or pay' approach](#). According to Russia's Minister Aleksandr Novak, Gazprom [will not charge fines](#) under the 'take-or-pay' contract, however, this will be reported to the Arbitration Institute of the Stockholm Chamber of Commerce. The Arbitration Institute itself, according to Head of Naftogaz Andrii Koboliev, [has already held the first hearing in the case](#). Moreover, it denied [consolidation of the case due to Naftogaz's filing the claim to review the transit contract](#).

As the resolution of the dispute with Gazprom was in progress, Naftogaz [filed](#) a claim to the Arbitration Institute of Stockholm in the amount of over USD 10 billion within the framework of the arbitration proceedings against Gazprom regarding the transit contract. Naftogaz demands recognition of a series of its provisions invalid, including the gas transit tariff, and seeks to receive compensation for the undersupplies under the contract (within the framework of Gazprom's obligations). In response, Gazprom [charged Naftogaz a fine under the take-or-pay contract in the amount of USD 26.7 billion](#), and stated that it was [not going to prolong the transit contract with Ukraine after 2019](#). Ukraine believes that this means [a possibility of retrospective increase in the gas transit tariff](#) (Minister Volodymyr Demchyshyn [mentioned possible](#) increase in the rates up to 5 USD per thousand cubic meters / 100 km) and covering the relevant costs until 2020.

The failed negotiations became a driver for diversification, particularly expansion of reverse supplies from Slovakia.

On 15 April, the Cabinet of Ministers approved [the 2015 projected natural gas inflow and distribution balance](#) (Ordinance [No. 410-p](#)). The overall gas resources are estimated at 54.235 billion cubic meters, of which 25.985 billion cubic meters imported.

During the meeting of the National Security and Defence Council, President Petro Poroshenko [invited to prevent](#) increase in supplies [from one source by over](#) 30%. Later, Prime Minister Arsenii Yatseniuk [announced the country's decision to](#) procure at least 50% from the EU, which was reflected in the annual gas balance. Pursuant to the above-mentioned decision of the National Security and Defence Council, the Government had to ensure booking of capacities to transport the imported gas to Ukraine and guarantee equal access for all companies.

Naftogaz conducted successful negotiations with Romania regarding [joint development of gas transportation networks](#). At the same time, in late May, Ukrainian operator Ukrtransgaz and Hungarian FGSZ [signed an interconnection agreement on the merger of cross-border gas pipelines](#), which became unprecedented in the history of Ukraine's relations with the EU. According to

Naftogaz, this cooperation implies backhaul transactions. Ukrtransgaz is working on signing similar agreements with Slovak and Polish operators.

At the same time, in July, Slovakia became the only supplier of gas to Ukraine after Naftogaz [reported](#) on terminating procurement of the Russian gas in view of the expiry of the ‘winter package’. On 19 June, Prime Minister Arsenii Yatseniuk sent an official letter to the European Commission, the European Council and the European Parliament with the request to check the contract between the Slovak operator Eustream and Gazprom, since it does not comply with the EU legislation and impedes free gas supply to Ukraine. Naftogaz [called for Slovakia’s recognition of the fact that conditions of gas connection with Ukraine were not compliant with the EU legislation](#) and insisted on developing an action plan for the implementation of the EU rules.

While developing joint infrastructure with the EU, Ukraine also [raises funds](#) for the new interconnector with Poland. Potential gas supplies from the LNG-terminal in Lithuania faced [blocking of transit through Belarus](#) by Beltransgaz fully owned by Gazprom. [Lithuania stated that it could sell gas to Ukraine under swaps](#).

Special rules for supplying electric power to the occupied territories have been established.

On 7 April, the Verkhovna Rada [adopted the Law No. 284-VIII](#) introducing amendments to Article 23 of the Law “On Electric Power” to [authorize the Government](#) to introduce special regulation of the issues relating to the activities of energy companies within the zone of the anti-terrorist operation.

Also, since 10 April, Ukraine [pays no more for the electricity](#) supplied from Russia. Meanwhile, [the Ministry of Energy and Coal Industry issued the Order No. 261](#) of 27 April to step up measures to protect facilities of state-owned companies working in the fuel and energy sector.

On 7 May, the Cabinet of Ministers issued the [Resolution No. 263](#) according to which energy companies located within the occupied territories must procure electricity directly from local producers and supply it to consumers without Energorynok being an intermediary. Pursuant to that Resolution, the Ministry of Energy and Coal Industry published the [Order No. 273](#) with the list of electricity producers whose capacities are located in the occupied territories.

Gas market reform

Basic legislation was adopted on the gas market together with plans for the implementation of relevant directives.

On 8 April, the Cabinet of Ministers approved certain action plans for the implementation of the EU energy legislation developed by the Ministry of Energy and Coal Industry (Ordinance [No. 346-p](#)). In particular, these action plans have regard to four documents under the Third Energy Package, namely Directive 2009/73/EC concerning common rules for the internal market in natural gas, and Regulation 715/2009 on conditions for access to the natural gas transmission networks.

On 9 April, the Verkhovna Rada adopted the Law [No. 329-VIII](#) “On the Natural Gas Market” as is which will enter into force on 1 October 2015. The document was [signed by the President](#) on 30 April. According to the transmittal letter, the Law lays down feasible approaches to operating the gas market well-established in the EU, and provides for the segregation of producer’s and supplier’s functions, clear description of the State’s functions, regulator’s independence, as well as free pricing. The adoption of this Law was welcomed in the [Joint Statement on the 17th EU–Ukraine Summit](#) held on 28 April.

The Government took necessary measures for restructuring Naftogaz, however, requires transparency of its corporate finances.

On 30 April, Naftogaz published the audited [financial statements for 2014](#). In 2014, Naftogaz’s net loss was UAH 85 billion, of which 71% were caused by hryvnia devaluation, annexation of Crimea and the war in the east of Ukraine, and the rest was related to the loss from sale of natural gas to

households. At the same time, the published statements reflect only the company's position as a legal entity, and experts from Deloitte rated it as [relatively positive](#).

The National Reform Council insists on [publishing the consolidated 2014 statements as soon as possible](#), which Naftogaz postponed since April to complete in July. Meanwhile, on 8 May the company [published](#) unaudited [financial statements](#) as a separate legal entity (non-consolidated) for Q1 2015. For the first three months of the current year, Naftogaz's net loss was UAH 21.9 billion, including the loss on foreign exchange differences, unauthorized gas withdrawal in the ATO zone, sale of natural gas to households.

On 14 May, the Verkhovna Rada adopted the [Law No. 423-VIII](#) as is "On the Introduction of Amendments to Certain Laws of Ukraine Regarding Stabilization of Financial Standing of Naftogaz of Ukraine NJSC". The document establishes strict requirements to payment discipline in the gas supply sector, particularly, in respect to heat production and heat supply organization, and provides for advance payments to a guaranteed supplier, a possibility to terminate supplies in case of payment delays or gas off-take above the threshold limits, to assign claims to third parties, etc. The Law is included in the package of amendments within the framework of the IMF credit program.

On 27 April, Naftogaz announced the beginning of the [process of termination of gas supplies](#) to companies in the red. At the same time, Naftogaz started regular publishing of [detail information about debtors](#), as well as [quarterly reports on the actual prices and volumes](#) of the imported gas confirmed by relevant statements and customs declarations. According to the [information](#) published by the company itself, as of 1 July, the debt of the companies in the red for the consumed gas reduced and amounted to UAH 21.6 billion.

In early June, the Government increased the authorized capital of Naftogaz of Ukraine NJSC by UAH 104.6 billion ([Resolution No. 362](#)), and later these changes were authorized by the Ministry of Energy and Coal Industry ([Order No. 368](#)). On 18 June, the Verkhovna Rada [approved in principle](#) the draft Law "On the Introduction of Amendments to the Law of Ukraine "On Moratorium on Forced Sale of Property" (regarding the Mechanism of Influence on Indebted Companies)" ([registry No. 2956](#)). It aimed at stabilizing the financial standing of Naftogaz through providing the company with instruments of collecting debts from consumers and effective mechanisms of influence on indebted companies.

Also, [according to the report of the Ministry of Energy and Coal Industry](#), Naftogaz launched the EBRD-financed project of the introduction of modern European standards of corporate management together with consultants from PricewaterhouseCoopers (PwC) and lawyers from Baker & McKenzie. Results are expected by 1 August 2015.

In the internal gas market, consumption optimization is underway, with the focus on gas consumption metering.

On 15 April, the Cabinet of Ministers approved [the 2015 projected natural gas inflow and distribution balance](#) (Ordinance [No. 410-p](#)). According to the plan, 20.8 billion cubic meters are supposed to be allocated for household needs: 14 billion cubic meters directly to households, and another 6.8 billion cubic meters — to thermal power companies and thermal power plants for the production of thermal power to satisfy the needs of the population and religious organizations.

With the view to optimize the consumption structure, the Government also decided on double reduction of [natural gas consumption norms for households with no gas meters installed](#) (Resolution [No. 237](#)) — to 3 (gas stove, with hot water supply), 4.5 (gas stove, without hot water supply) and 9 (gas stove and water heater) cubic meters per man-month. According to Prime Minister Arsenii Yatseniuk, this will force oblast gas companies to install gas meters for [7% of consumers \(2.5 million people\)](#), and [owners of elite apartments will not benefit from cheap gas for heating](#).

Prime Minister [requested](#) the National Commission for State Energy and Public Utilities Regulation revoke licenses of and impose fines on those oblast gas companies that fail to arrange installation of gas meters for consumers at their own expense. The National Commission for State Energy and Public Utilities Regulation suggested that the Cabinet of Ministers [update fuel and thermal power consumption norms for heating of residential and public buildings](#) and have regard to the regulatory

acts (ДСТУ — national standards, and ДБН — building codes), as well as instruct the Ministry of Regional Development to [develop the method of adjustment](#) of district heating fees for consumers with no installed thermal power meters in case of deviation of actual climatological indicators from the standards.

The Ministry of Regional Development published the draft Resolution of the Cabinet of Ministers [“On the introduction of amendments to the Resolution of the Cabinet of Ministers of Ukraine of 6 August 2014 No. 409”](#) for discussion; this document provides for the establishment of social norms for utility services of district heating (thermal power supply) with thermal power meters installed, establishment of adjustment factors, review of social norms for gas supply services, etc.

At the same time, according to Naftogaz, as of 28 May, [ten million gas meters were installed in Ukraine](#), and 71.2% of almost 14 million gas-consuming households were equipped with meters. According to [the National Commission for State Energy and Public Utilities Regulation](#), in 2014, households consumed about 14.5 billion cubic meters of gas, of which 13.5 billion cubic meters (93%) were measured by gas meters. Households using gas for individual heating or complex services (heating, cooking and/or water heating) — 6.533 million consumers with the total annual consumption of 12.9 billion cubic meters — are all equipped with gas meters. 72% of households using gas for cooking and water heating (858 thousand consumers with the total annual consumption of 0.638 billion cubic meters) are already equipped with gas meters, and the rest of households in this category are expected to be covered by the end of this year. Only 25% of households using gas for cooking only (3,797 million consumers with the total annual consumption of 0.957 billion cubic meters) are equipped with gas meters, and the rest of households in this category are expected to be covered by the end of 2017.

With regard to reform of gas suppliers, pricing turned out to be the most burning issue. At the same time, the process of unbundling of city/town and oblast gas companies was launched.

In June, the National Commission for State Energy and Public Utilities Regulation [published amendments](#) to the Procedure of establishing retail prices for natural gas for households providing for the differentiation of prices depending on the volume of consumption of gas and/or ways of its use. Special working group consisting of representatives of the National Commission for State Energy and Public Utilities Regulation and leading international audit companies Deloitte, PwC, EY and KPMG ([Order No. 178](#) of 2 June) [confirmed](#) that the natural gas retail pricing formula applied by the regulator to households is correct. This is confirmed by the [relevant report](#).

Meanwhile, the process of [segregation of gas supply and distribution functions](#) started in the market. Thus, since 1 July, new guaranteed operator — Chernivtsigaz Zbut LLC — is supposed to supply gas to consumers in Chernivtsi oblast. Chernivtsigaz PJSC decided on continuing its activity as a gas distribution company.

Also, pursuant to the [decision of the National Security and Defense Council of 6 May](#), the Cabinet of Ministers, together with the State Property Fund, was instructed to take measures to conclude agreements on the use of gas distribution system facilities on a competitive basis. On 14 May, Prime Minister Arsenii Yatseniuk entrusted Minister Volodymyr Demchyshyn with the task to develop a regulation on [payment for the use of state-owned gas distribution networks](#).

At the same time, [mass media](#) report on certain differences between officials regarding the regional gas network models: the Government developed the draft Resolution of the Cabinet of Ministers providing for putting the networks on the balance of Gaz Ukrainy State Enterprise (Naftogaz’s subsidiary), as well as Step-by-step action plan for creating conditions for the paid use of gas distribution facilities; while the Minister issues the Instruction No. 01/12-1300 requesting the creation of a new state-owned enterprise by 18 June to accept all the state-owned gas distribution networks on its balance.

As for the de-merger of Naftogaz, Minister Volodymyr Demchyshyn says that [the process may drive the interest on the part of Western investors](#). At the same time, the company [is building its plans having regard to the competitive environment in the gas market](#), even if limited: according to

Business Development Director Yurii Vitrenko, since 1 October [households will be able to choose between gas suppliers](#).

The Government recognized application of the entry/exit tariff model to gas transit impossible, however, did not fully give it up as it continues its work on developing the network code.

The Cabinet of Ministers adopted the Resolution of 22 April No. 243 to introduce amendments to the [Resolution of 3 September 2014 No. 510](#) laying down the conditions for switching to the entry/exit tariff for gas transportation (temporary procedure and duties of responsible bodies, in particular). The new amendments, in fact, rendered the temporary procedure non-viable — the provision approving it was deleted; instead, the new version clarifies that the mechanism does not apply to transit gas transportation. The requirement of bringing the transit-related contractual relations in compliance with the new rules was excluded as well.

These amendments also extended the deadline for the key tasks until 2015 instead of 2014. It should be noted that certain tasks are completed, even though with delays. Thus, on 29 April, the Ministry of Economic Development and Trade issued the [Order No. 433](#) to approve the threshold regulatory norm of income in the sector of natural gas transportation through major pipelines for 2015 — 15.13%. [Ernst & Young auditors](#) are evaluating the value of the Naftogaz group's assets.

Meanwhile, another basic document — the network code — is now the focus of discussion. In April, a [working meeting was held in the office of Ukrtransgaz to discuss the draft gas transportation system code](#). This draft document was presented by Head of Strategic Planning Division Anton Kolisnyk who mentioned that the document was being discussed with representatives of the National Commission for State Energy and Public Utilities Regulation. The company [hopes](#) that the code will be approved by the regulator and come into force on 1 October along with the Law “On Natural Gas Market”.

Electricity market reform

Work on elaborating the draft law on electricity market continues.

In early April, [consultations were held with](#) representatives of the Ministry of Energy and Coal Industry and the Secretariat of the Energy Community on the new draft Law on electricity market and the implementation of the Third Energy Package; [a relevant Working Group was established](#).

In June, the Ministry of Energy and Coal Industry [presented](#) a new draft Law on electricity market and promised to give sufficient time for [its public discussion](#). According to Minister of Energy Volodymyr Demchyshyn, [this draft Law will be submitted to the Verkhovna Rada already in September – October](#) this year. At the same time, the Parliament registered the draft Law [No. 2199a](#) (author — Serhii Sazhko from the Opposition Bloc faction) proposing an alternative electricity market model.

Apart from the comprehensive draft Law on the sector reform, selective changes in the market are being attempted.

On 22 May, [the draft Law on the introduction of amendments](#) to the Law “On Electricity” was registered under the No. 2944, which, in the authors' opinion, would not let electricity suppliers collect advance payments from consumers. At the same time, however, [the draft Resolution](#) on dismissal of this draft Law was registered.

On 19 June, the Parliament registered the draft Law [No. 2130a](#) on cancelling payments for connecting to the networks owned by natural monopolies. The authors suggest changing the definition of and the procedure of payment for the ‘standard connection’ to the networks, as well as the principles of establishing the tariffs.

Also, the Parliamentary Committee for Fuel and Energy Sector [rejected the draft Law](#) that [suggested maintaining uninterrupted power supply](#) to district water supply facilities even if the latter have due debts.

Moreover, in June, the Ministry of Energy and Coal Industry [published](#) the Plans of Distribution Networks Development for 2016–2020 developed by power transmission organizations.

At the same time, Ukraine is implementing the projects that held create favourable conditions for raising investments.

On 15 June, the Government adopted the [Ordinance No. 671-p](#) to approve the proposal to launch the EU – Ukraine Energy Bridget pilot project aimed at increasing capacity of international power networks, creating favourable conditions for raising investments and implementing the Regulation (EC) No. 714/2009. The Cabinet of Ministers also ordered the Ministry of Energy and Coal Industry to approve the action plan for the implementation of that project.

Back in early May, the Ministry of Energy [presented the State Target Program](#) of Coal Industry Reform for 2015–2020, [which was, in general, approved](#) by trade unions of mineworkers. In addition, pursuant to the Law adopted in April 2014, [amendments were introduced to the State Budget](#) providing for the allocation of additional funds to pay salaries to miners. In June, the Ministry of Energy and Coal Industry [proceeded with seeking investors](#) to purchase the assets of the state-owned mines.

Meanwhile, the regulator goes on working on perfecting the secondary legislation to improve functioning of the market and increase transparency of licensees' activities.

On 24 April, the National Commission for State Energy and Public Utilities Regulation published the draft Resolution approving [amendments to the Procedure of access of suppliers of power at non-regulated tariff](#) to local power networks. The regulator also reported on [working on the introduction](#) of prepayment for power supply services for all consumers (other than households).

With the purpose to increase transparency of licensees' activities, the National Commission for State Energy and Public Utilities Regulation [once again published the draft Resolution aiming at](#) improving the quality and reliability of power supply and energy security of consumers. In order to introduce stimulating tariffs, the regulator published the draft [Resolution](#) providing for the segregation of activities in terms of planned and actual expenses incurred by licensees, as well as simplified form of reporting thereon.

On 17 June, the National Commission for State Energy and Public Utilities Regulation published the [draft regulation](#) introducing amendments to the method of payment for connecting electricity-generating plants to power networks. In the opinion of the Commission, this will facilitate the establishment of reasonable and transparent procedure of calculating the connection fee. Moreover, with the purpose to prevent abuse of monopoly on the part of the companies providing services of connecting electricity-generating plants to power networks, the National Commission for State Energy and Public Utilities Regulation prepared the [draft Resolution](#) providing for the introduction of consistent and transparent mechanisms to regulate activities of retail electricity market players in terms of connecting to the networks.

Low competition remains in the electricity export market, however, export to Poland is increasing due to the implementation of new projects.

[As a rule, only a few companies participate](#) in auctions for obtaining access to capacities of international power networks: DTEK, Zakarpattiaoblenergo and Donbasenergo. In April, the electricity export market once again saw [Ukrinterenergo becoming more active](#), however, the company continued participating in the auctions neither in May, nor in June. At the same time, in view of the launch of the EU – Ukraine Energy Bridge pilot project, [electricity export to Poland considerably increased](#).

Meanwhile, according to the National Commission for State Energy and Public Utilities Regulation, on 5 June, the new Procedure of e-auctions for the distribution of throughput capacity of

international power grids [came into force](#). It provides for the possibility to use e-auction, e-documents and EDS.

State regulation in the energy sector

Legislative initiatives of the Government were not supported by the Verkhovna Rada, hence the regulator's status remains uncertain.

According to the [report of the Government Office for European Integration](#) on the implementation of the Association Agenda and the Association Agreement, on 7 April, the Cabinet of Ministers approved the draft Law “On the National Commission for State Energy and Public Utilities Regulation”. On 28 May, the Government filed the document with the Verkhovna Rada.

The draft Law (registry [No. 2966](#)) provided for enhancing political, functional and financial independence of the National Commission for State Energy and Public Utilities Regulation. According to the document, 7 members of the Commission are appointed for a 6-year period. Members are appointed and dismissed by the President of Ukraine, but the candidates are nominated by the independent commission based on the results of open competition. Members of the competition commission are appointed by the President (2 persons), the Verkhovna Rada at the proposal of its Chairman (2 persons) and the Government (the Ministry of Energy acting on the basis of the relevant decision of the Cabinet of Ministers).

Also, the draft Law prohibited any forms of interference with the work of the National Commission for State Energy and Public Utilities Regulation on the part of both public authorities and officials, and business. Particularly, interests were supposed to be divided by means of the introduction of clear qualification requirements to members of the Commission, prohibiting execution of any instructions, orders or errands, prohibiting meetings with representatives of the regulated companies in private, prohibiting occupation of positions or contractual relations with any energy or utility company, prohibiting approval of the Commission's decisions by public authorities, and authorizing challenging the decisions as such in court only.

The draft Law provided for more opportunities for market monitoring and control. The regulator was supposed to be financed from the regulatory fees payable to the special fund of the State Budget and calculated as a portion of quarterly payers' income from a licensed activity. The budget was to be developed based on proposals of the Budget Council — a special temporary body consisting of 6 persons — two representatives appointed by the President, the Verkhovna Rada and the Cabinet of Ministers. The draft Law also set forth the requirement of annual audit of the regulator to be conducted by reputable and independent company.

On 18 June, the Verkhovna Rada returned the draft Law for further improvement, having agreed with the [opinion of the Chief Scientific and Expert Department](#). During the [briefing on 22 June](#), Minister Volodymyr Demchyshyn said that he would persuade the deputies to approve the improved version of the Law.

Alternative draft Law [No. 2966-1](#) suggested by member of the Parliament Artur Martovytskyi (from the Opposition Bloc faction) had a number of differences. Particularly, candidates for the seven members of the National Commission for State Energy and Public Utilities Regulation are nominated by the competition commission consisting of 13 members appointed by the President (3 persons), the Verkhovna Rada (3 persons), the Cabinet of Ministers (3 persons), the Secretariat of the Energy Community (2 persons) and the Public Council attached to the National Commission for State Energy and Public Utilities Regulation (2 persons). These entities also create the Budget Council delegating one person each as its member, and this body is supposed to not only consider, but also approve the regulator's budget.

Also, the draft Law suggested by Mr. Martovytskyi provides for the approval of new composition of the National Commission for State Energy and Public Utilities Regulation, with random rotation, unlike the draft Law presented by the Government under which the rotation takes the form of staged dismissal in 2017–2020.

Another alternative draft Law [No. 2966-2](#) suggested by member of the Parliament Yurii Levchenko (non-affiliated with any faction, Svoboda party) provided for the quota-based composition of the National Commission for State Energy and Public Utilities Regulation: 3 members to be appointed by the Verkhovna Rada, the President and the Cabinet of Ministers each. The ranked lists of candidates to be elected is made by the Committee for Fuel and Energy Sector, and deputy factions and/or all-Ukrainian citizens associations may nominate their candidates. Other provisions of the draft Law provide for compulsory registration and regulatory control over the regulator's decisions under the legislation in force, and financing from the State Budget only.

Meanwhile, on 29 June, the President appointed Dmytro Vovk as Chairman of the National Commission for State Energy and Public Utilities Regulation (Decrees No.No. [385/2015](#) and [386/2015](#)). Also, two members of the regulator were replaced — Viktoria Morozova and Yurii Golliak replaced Andrii Gerus and Yurii Kovaliv (Decrees No.No. 368-371/2015).

Renewable energy

The ‘local component’ rule was cancelled by the adopted draft Law No. 2010-д aiming to facilitate development of competition.

On 4 June, the Verkhovna Rada adopted in principle the [draft Law No. 2010-д](#) “On the Introduction of Amendments to Certain Laws of Ukraine Regarding Competitive Conditions of Production of Power from Alternative Sources” developed by a group of deputies members of the Committee for Fuel and Energy Sector. The document cancels the ‘local component’ rule and instead, introduces a 5–10% surcharge to the tariff in case 30–50% of the used equipment is of Ukrainian origin.

Also, the draft Law establishes a reduced green tariff rate for large solar power stations, increased rates for small solar power stations and hydro-electric power stations, as well as introduces the green tariff for power stations using geothermal sources of energy. Private households are authorized to install power plants to generate electricity from not only solar, but also wind energy, with the capacity of up to 30 kW. Moreover, the proposal was to cancel allowances for those connecting to alternative power networks.

Wind power companies managed to achieve recognition of the resolution of the National Commission for State Energy and Public Utilities Regulation on reduced green tariff as unlawful after it ceased to be in effect.

After in April [the green tariff rate returned](#) to where it had been before — to the level established by law — in view of the end of the state of emergency in the power sector, owners of wind parks filed three different lawsuits in Kyiv District Administrative Court against the regulator's provisional decision. Krasnodonskyi Wind Park LLC, Novoazovskyi Wind Park LLC [claimed](#) that the Resolution of the National Commission for State Energy and Public Utilities Regulation [of 18 February 2015 No. 203](#) restricting cash flows to companies located in the uncontrolled territories, be recognized unlawful and cancelled. Wind Power LLC [asked the court](#) to recognize unlawful the Resolution of the National Commission for State Energy and Public Utilities Regulation No. 492 [on 50–55% reduction of the green tariffs](#) within the framework of temporary emergency measures in the electricity market. In addition, six wind power companies (Vitroenergoprom Production and Energy Association, Wind Power LLC, Lutugynskyi Wind Park LLC, Ochakivskyi Wind Park LLC, Novoazovskyi Wind Park LLC, Krasnodonskyi Wind Park LLC) joined in a [joint lawsuit](#) against the regulator, Energorynok, the Ministry of Energy and Coal Industry and the Ministry of Justice with the claim of recognizing unlawful [the 10–20% reduction of the green tariffs](#) within the framework of the Resolution of 31 January 2015 No. 105, and compensation of loss. Only the third lawsuit went to trial in the long run. On 23 June, the court recognized the Resolution No. 105 unlawful and [bound the National Commission for State Energy and Public Utilities Regulation to consider compensation of the difference](#) between the value of the actually sold electricity in February 2015 and the green tariff rate established by law.

Along with the attempts of the Government aimed at eliminating corruption schemes around bioethanol production, members of the Parliament also presented a number of proposals on reducing the tax on imported alternative fuel.

Considering that before July 2014, [Ukrspyrnt State Enterprise had been involved in corruption schemes](#) relating to supply of hard alcohol drinks, for which purpose finished products were written off as alcohol to be used in bioethanol production free from excise duty, on 20 May, the Government adopted the [Resolution No. 319](#) to exclude 12 state-owned alcohol-producing plants from the list of companies authorized to produce bioethanol.

At the same time, the Verkhovna Rada registered four draft laws proposing reduction or cancellation of excise duties. The first one (registry [No. 2044a](#)) submitted by a group of deputies was aimed at harmonization of laws with the regulations of the Energy Community, proposed cancellation of licensing of bioethanol production, as well as setting the zero duty for ethanol produced from agricultural products, and its blends with gasoline. The draft Law [No. 2114a](#) suggests a 25% reduction of excise duty, particularly for biodiesel and its blends, alternative motor fuels. The alternative draft Law [No. 2114a-1](#) proposes even to exempt alternative motor fuels from excise duty. The fourth draft Law [No. 2114a-2](#) provides for exempting biodiesel and its blends from excise duty.

Deputies also initiated support to electric cars market development.

On 21 May, the Verkhovna Rada adopted in the first reading amendments to the Law “On Customs Tariff of Ukraine” to cancel import duty on electric cars (registry [No. 1674](#)). The document provides for setting the zero import duty on electric motor vehicles. The [draft Law No. 1912](#) was also adopted in the first reading, under which electric cars imported to Ukraine by 1 January 2020 will be exempted from VAT.

Environmental protection

Legislative initiatives in the sphere of environmental impact assessment.

On 20 May, the Verkhovna Rada registered the draft Law “[On the Introduction of Amendments to Certain Laws of Ukraine \(Regarding the Implementation of Provisions of Certain EU Directives on Environmental Impact Assessment\)](#)” (registry No. 2910). This document repeats the draft Law No. 2109a withdrawn in 2012, and suggests bringing back the state environmental audit of construction sites, however, does not provide for the implementation of the EU Directives, though, as the title says, it is exactly what it should aim at.

On 3 June, [an alternative draft Law on environmental impact assessment was registered](#) (under the No. 2009a) that identifies the principles and procedure of environmental impact assessment, including in a transboundary context, as well as the mechanism of participation of the public in conducting such assessment. As for the latter draft Law, [expert discussion took place](#) on 2 April, and 22 April saw [the meeting of the Sub-committee for State Environmental Monitoring](#) of the Committee of the Verkhovna Rada for Environmental Policy, Natural Resources and Liquidation of Consequences of Chornobyl Accident. The Government Office for European Integration published [the Report on the implementation of the Association Agenda and the Association Agreement for the period September 2014 through April 2015](#) where it mentions discussion of the draft Law on EIA as one of the major achievements in the sphere of environmental protection.

Strategic environmental assessment of the Energy Strategy.

The National Security and Defence Council addressed the Secretariat of the Espoo Convention with the proposal to conduct strategic environmental assessment of the draft Energy Strategy of Ukraine. The Secretariat is considering a possibility to launch a pilot project to provide assistance in this process. This was reported during the meeting of the Working Group of the Parties to the Espoo

Convention in Geneva on 26–28 May 2015. At the same time, on 19 June, [the draft Law was registered ratifying the Protocol on Strategic Environmental Assessment to the Convention on Environmental Impact Assessment in a Transboundary Context](#) (registry No. 0032).

Review of the National Environmental Policy Strategy.

On 9 April, [the Ministry of Ecology published the report on the assessment of the Strategy of the National Environmental Policy of Ukraine](#) until 2020 and the National Action Plan for Environmental Protection for 2011-2015. Review of the Strategy was discussed within the framework of the International Environmental Forum “Environment for Ukraine 2015”.

On 24 June, draft amendments to the [Law of Ukraine “On Basic Principles \(Strategy\) of the National Environmental Policy of Ukraine](#) until 2020” were published for public discussion. The set tasks include, among others, the implementation of a number of environmental directives within the framework of the Energy Community Treaty.

Plans for the implementation of environmental directives were approved.

On 15 April, [the Cabinet of Ministers approved action plans for the implementation of the EU environmental legislation developed by the Ministry of Ecology](#). In particular, Directive 2011/92/EU on the assessment of the effects of certain public and private projects on the environment (codification), Directive 2009/147/EC on the conservation of wild birds, Directive 2010/75/EU on industrial emissions (integrated pollution prevention and control) (recast).

Discussion of the draft National Emission Reduction Plan.

On 29 April, [public discussion of the draft National Emission Reduction Plan for large combustion plants](#) took place in Kyiv. It was organized by the Ministry of Energy and Coal Industry and supported by the EU Delegation to Ukraine. Based on the results of this discussion, the Ministry of Energy and Coal Industry together with consultants will summarize the received comments and proposals, analyse them and take account for them when elaborating the final version of the document.

Energy efficiency

The Energy Community and Ukraine discussed the law on energy efficiency.

Director of the Secretariat of the Energy Community Janez Kopac and Vice Prime Minister, Minister of Regional Development, Construction, Housing and Utilities Gennadii Zubko discussed [the progress in drafting the Law “On Efficient Use of Fuel and Energy Resources”](#) which suggests, in particular, introduction of energy marking and standardization, energy audit and management. During the [37th meeting of the Permanent High Level Group](#) in June, participants discussed the Energy Efficiency Directive (2012/27/EU). The European Commission presented its proposal on the implementation of the document and completed final terms. Moldova and Ukraine expressed their concerns about a series of commitments, including the date of transposition, the objectives as such and methods of their identification, and proposed relevant amendments. Ukraine requested additional consultations. At the same time, the Group highlighted the need to finalize the process on time before this year’s meeting of the Council of Ministers.

Moreover, [the Energy Efficiency Coordination Group](#) met in June to discuss, among other, the Energy Efficiency Directive. Pursuant to the proposal of the European Commission, energy efficiency targets will be identified using the method applicable to the EU countries. Also, considering shorter deadlines and financial challenges faced by the countries, certain requirements became less strict, such as modernization of central governmental buildings (3% to 2% annually), fulfilment of commitments under energy efficiency schemes (1.5% to 1% annually), etc.

The Government and international partners do not share same opinion on certain issues of metering and reduction of energy consumption.

The Government announced its plan to [reduce gas consumption by 10 billion cubic meters](#) in two years, and reported saving USD 3.4 billion in 2014, however, did not specify the role of the economic crisis and the Russian aggression in this reduction. Besides, in autumn and winter [gas consumption was reduced by 1.8 billion cubic meters](#) — i.e. by 21% instead of the planned 30%.

According to the State Agency on Energy Efficiency and Energy Saving, application of a comprehensive approach allowed [gas consumption reduction from 26 to 22.9 billion cubic meters](#) by such categories of consumers as households, state-financed institutions, and district heating companies generating thermal energy for households. At the same time, the IFC insists that Ukraine saved gas [due to reduction of consumption in the industrial sector](#), while no reduction took place in the utilities sector at all.

According to Gennadii Zubko's [estimations](#), Ukraine needs UAH 3 billion to finance installation of household meters. In his opinion, effective equipping of households with meters is possible only through borrowing the necessary funds from international organizations. He also said that installation of meters and introduction of relevant regulation were among the priority tasks that would allow 10–15% economy, and thermal modernization of buildings would help achieve up to 55% economy. The Vice Prime Minister [emphasized](#) that installation of heat meters is covered by the Governmental program providing for 30% compensation of the loan taken for the purchase of energy efficient devices and materials.

Meanwhile, the Verkhovna Rada approved the [draft Law “On the Introduction of Amendments to Certain Laws of Ukraine on Utility Services”](#) in the first reading. This draft Law suggests prevention of setting prices/tariffs for housing and utility services below the level of respective economically feasible production expenses, and resolution of disputes regarding their calculation and approval in court. Tariffs must include the cost of thermal energy generation and be profitable for the supplying company. When presenting the draft Law in the Parliament, Vice Prime Minister Gennadii Zubko [referred to](#) the Energy Community and said that adoption of this document would allow utility companies to raise investments, and therefore improve the quality of their services.

New mechanisms of stimulating energy saving at the regional level were approved.

In April, the Government [prolonged](#) the program of compensation of 20% of the loan for the purchase of alternative fuel boilers ([Resolution of the Cabinet of Ministers No. 177](#)). At the same time, [no compensations were paid](#) since the beginning of this year, and the State Agency on Energy Efficiency and Energy Saving [resumed payments](#) only on 22 June. The period between taking the loan and receiving assistance will not exceed 3 months.

Partial compensation of loans to households and condominiums for the purchase of energy efficient equipment and/or materials with the purpose to increase energy efficiency was introduced in April ([Resolution of the Cabinet of Ministers No. 231](#)). Loans taken from Oshchadbank, Ukrgazbank and Ukreximbank will be subject to such compensation. Condominiums will take back 40% of the loan, and the Government plans to allocate [UAH 344 million](#) (given the banks will be able to raise additional UAH 1.23 billion under a mixed financing scheme). Also, the Government is expecting to raise private funds — UAH 259 million for non-gas boilers, UAH 726 million for energy efficient equipment and materials for households, and UAH 245 million for same equipment for condominiums.

Households may receive [30% of the principal amount of the loan](#), however, not exceeding UAH 10 thousand. UAH 198 million were allocated for this purpose in 2015. The Resolution [identifies](#) particular equipment and materials the cost of which may be partially compensated to each of the above-mentioned groups, without [any limitations as to the manufacturer](#) or supplying companies. The Government emphasizes that they are going to raise [UAH 1.57 billion to finance the program and are expecting about 134 thousand families to participate in it](#) (along with purchasing non-gas boilers). The State Agency on Energy Efficiency and Energy Saving of Ukraine already filed documents with the Ministry of Regional Development to prolong the program in 2016.

Regions were actively involved in the program. Thus, Prime Minister Arsenii Yatseniuk [requested](#) oblast state administrations to co-finance the program of partial compensation of the cost of purchased boilers and thermal insulation of houses and flats. Against this background, Vice Prime Minister Gennadii Zubko reported on a possibility of additional financing by the State Fund of Regional Development (UAH 3 billion). The State Agency on Energy Efficiency and Energy Saving of Ukraine also [addressed](#) local self-governing authorities with the proposal to sign a memorandum binding oblasts to include funds for compensating interests on loans granted for thermal insulation of apartments in their budgets already this year. As of June, 14 such memoranda were signed.

Together with the USAID's Municipal Energy Reform in Ukraine project and GIZ's Energy Efficiency in Municipalities project, the State Agency on Energy Efficiency and Energy Saving of Ukraine held awareness-raising meetings and seminars in the regions — particularly, in [Kyiv](#), [Zaporizhzhia](#), [Ivano-Frankivsk](#), [Vinnytsia](#), [Chernihiv](#). Along with the national, regional programs were launched in the cities of Lviv and Lutsk. In early June, [first condominium received a loan under the national program](#) to finance installation of individual heat meter and balancing of individual heating network in the city of Lutsk.

In April, the State Agency on Energy Efficiency and Energy Saving of Ukraine proceeded with explaining the principles of managing new compensation-related documents — a series of seminars for officials was launched in Ukraine's regions. These programs were also promoted by the Agency during the [Forum of the Partnership for Energy Efficiency](#). The Government also presented [energy efficiency calculator](#) (calculator of cost savings due to installing a new boiler) which, as announced, helps make an approximate estimation of costs and the payback period.

A [roundtable meeting](#) was also organized by the Secretariat of the Energy Community, Dixi Group think tank, For the Energy Independence of Ukraine inter-faction association and the State Agency on Energy Efficiency and Energy Saving of Ukraine. Participants of the event discussed achievements in the sphere of energy efficiency and the roadmap of priority laws and regulations that need to be developed and adopted by the end of 2015.

Energy service now has a legal basis, however, the implementation process is delayed due to lack of relevant secondary legislation.

The Secretariat of the Energy Community published the results of the study [Tapping on Its Energy Efficiency Potential](#) in which it presented its assessment of the process of transposing Directive 2006/32/EC in the Ukrainian legislation as of April 2015. According to the data presented, a bit more than 30% of requirements were transposed, drafts were developed for another 40%, and over 20% of requirements were pending.

The Verkhovna Rada adopted in April, and the President [signed](#) in May the Laws [“On the Introduction of New Investment Opportunities, Securing Rights and Legitimate Interests of Economic Operators for the Purposes of Large-scale Energy Modernization”](#) and [“On the Introduction of Amendments to the Budget Code of Ukraine Regarding the Introduction of New Investment Opportunities, Securing Rights and Legitimate Interests of Economic Operators for the Purposes of Large-scale Energy Modernization”](#). Both laws will come into force in [October](#). According to the State Agency on Energy Efficiency and Energy Saving of Ukraine, around 100 thousand buildings of state-financed institutions need thermal modernization which would allow saving up to 200 million cubic meters of gas and other resources annually by 2020. The state-financed sector needs EUR 4.4 billion investments in energy efficiency.

In 2015, the State Agency on Energy Efficiency and Energy Saving of Ukraine is planning on developing [two acts of secondary legislation](#) on energy service mechanisms. Meanwhile, [the first meeting of the Working Group on drafting the sample energy service agreement](#) was held. The form of this agreement must be approved to let energy service companies and local authorities commence their work in state-financed institutions. The Agency is also conducting a [dialogue](#) on this with the OECD. When discussing this issue during the meeting of the Public Council of the State Agency on

Energy Efficiency and Energy Saving of Ukraine, representatives of the Agency reported on having completed the first draft of the document, however, the work would last six months at the least.

Energy marking remains the most significant achievement in the course of implementation of energy efficiency commitments.

Within the framework of its [study](#), the Secretariat of the Energy Community assessed Ukraine's progress in transposing Directive 2010/30/EU naming it positive. According to the Secretariat's estimations, about 85% of commitments have been transposed, and 15% pending (as of April 2015). In April, the Ministry of Regional Development [introduced amendments to the action plan for drafting regulatory documents for 2015](#) by adding a requirement to the State Agency on Energy Efficiency and Energy Saving of Ukraine to develop resolutions of the Cabinet of Ministers on approval of technical regulations on energy marking (particularly, of domestic cylinder dryers, vacuum cleaners).

In May, the Government approved the [Technical Regulation on Energy Marking of Light Bulbs and Fixtures](#) (Resolution No. 340) and entrusted the State Agency on Energy Efficiency and Energy Saving of Ukraine with ensuring the implementation thereof. Thus, light bulbs of Ukrainian and foreign origin will have to be sold with [labels compliant with the European standards, and suppliers and distributors will have to include information about the product's energy efficiency class in advertising materials](#). Another resolution of the Cabinet of Ministers [brought another three regulations on energy marking](#) in compliance with the EU legislation — on energy using products, refrigerators and washing machines (Resolution No. 338). Amendments to the Resolution concern [identifying the scope of application of these technical regulations, requirements to technical energy documentation, obligations of suppliers and distributors, requirements to the design of energy labels and microfiche of relevant products](#).

Also, the State Agency on Energy Efficiency and Energy Saving of Ukraine developed the draft Resolution of the Cabinet of Ministers [“On approval of the Technical Regulation on energy marking of domestic cylinder dryers”](#) along with [supporting documents](#). This draft document provides for compulsory application of the regulation by manufacturers, suppliers and distributors of domestic dishwashers six months after it comes into force. This year's plan also includes drafting technical regulations on energy marking of [TV sets, air-conditioners and dishwashers](#).

In May, the Cabinet of Ministers approved the [Plan for the implementation of certain acts of the EU legislation developed by the State Agency on Energy Efficiency and Energy Saving of Ukraine](#) (Ordinance No. 499-p). Before that, the Government had also approved the [Plan for the implementation of EU ecodesign legislation](#) within the framework of fulfilling Ukraine's commitments under the Association Agreement.

The National Energy Efficiency Action Plan is losing momentum.

In May, Director of the Secretariat of the Energy Community Janez Kopac and Vice Prime Minister Gennadii Zubko [fully supported](#) the draft National Energy Efficiency Action Plan until 2020 and invited the Government of Ukraine to approve it as soon as possible. During the [meeting of the Energy Efficiency Coordination Group](#) of the Secretariat of the Energy Community in June, the parties discussed that Plan and the issue of monitoring of compliance therewith. Reporting was a particular focus of the discussion, and Ukraine will need relevant methodology, training and instructions.

During the meeting of the Public Council of the State Agency on Energy Efficiency and Energy Saving of Ukraine, representatives of the Agency reported on having forwarded the draft National Energy Efficiency Action Plan to be endorsed by the Ministry of Justice. The State Agency on Energy Efficiency and Energy Saving of Ukraine is expecting this to be completed by the end of the summer. At the same time, there is a three-month delay on the part of the Ministry of Finance which succeeded in prohibiting financing of this Plan from the State Budget. Therefore, according to

representatives of the State Agency on Energy Efficiency and Energy Saving of Ukraine, this National Plan is a declarative, political and indicative document.

Adoption of the Law on energy efficiency of buildings has also been postponed.

The Verkhovna Rada adopted in May, and the President [signed](#) in June the Law [“On Special Aspects of Exercising the Right to Ownership of Multifamily Houses”](#) which is supposed to allow residents of such buildings to choose the method of managing thereof at their own discretion. The Law will come into force on 1 July 2015 and may facilitate the implementation of measures aiming at increasing energy efficiency through clearly identifying the role of co-owners in the management of their house.

According to the Ministry of Regional Development, [a number of legislative and regulatory documents](#) will be developed and approved for the purposes of implementation of that Law. The estimated investments in increasing energy efficiency of buildings amount to [UAH 686 billion](#), of which State support may cover UAH 154 billion.

According to the April results of the study of the Secretariat of the Energy Community, Ukraine transposed less than 5% of provisions of Directive 2010/31/EU, drafted about 45% of the required documents, and 50% remained pending. In April, Janez Kopac [communicated](#) comments of the Secretariat of the Energy Community to the presented draft Law “On Energy Efficiency of Buildings” to Vice Prime Minister Gennadii Zubko according to which provisions of that draft did not comply with the EU legislation. Mr. Zubko suggested that the draft Law be brought in compliance with the relevant directives in the course of improving thereof before presenting to the Parliament.

This draft Law was also the focus of the [roundtable discussion](#) in May between representatives of executive bodies, people’s deputies, experts of the Secretariat of the Energy Community, the European Commission’s Support Group for Ukraine, representatives of the public, international financial institutions and other stakeholders. The parties agreed on joining efforts to improve the document and submit it to the Verkhovna Rada by the end of May.

In June, the State Agency on Energy Efficiency and Energy Saving of Ukraine informed that the draft Law submitted to the Cabinet of Ministers had been visaed by the Vice Prime Minister and was waiting to be forwarded to the responsible Government’s committee. Officials confessed that the Ministry of Regional Development, the State Agency on Energy Efficiency and Energy Saving of Ukraine and the Secretariat of the Energy Community had still different vision of the document in June. The latter, according to representatives of the State Agency on Energy Efficiency and Energy Saving of Ukraine, is seeking to implement the Law by transposing provisions of Directive 2010/31/RU that may become a concern for the Ministry of Finance. That is why the State Agency on Energy Efficiency and Energy Saving of Ukraine deems it necessary to hold another round of negotiations with the Energy Community in July.

Public authorities are still hesitating whether equipping of residential houses with meters requires drafting a separate Law.

Pursuant to the 2015 Action Plan of the Ministry of Regional Development for drafting regulatory documents amended in April, the State Agency on Energy Efficiency and Energy Saving of Ukraine had to develop the draft Law [on commercial metering of heating, district water supply and disposal, provision of utility services](#) by December.

The National Commission for State Energy and Public Utilities Regulation also proposed adoption of the law on 100% commercial metering of heating and water supply, indicating that this is one of Ukraine’s obligations of which fulfilling will enable the receipt of the third tranche of the EU macro-financial assistance. The regulator said that it had [developed such draft Law](#) and forwarded it to the Government to be considered by the latter. The National Commission for State Energy and Public Utilities Regulation decided that [inclusion of measures relating to equipping residential buildings with commercial heat meters in licensees investment programs](#) had to be another priority. Moreover, the regulator reminded that, pursuant to the draft Memorandum of Economic and

Financial Policies approved by the Ordinance of the Cabinet of Ministers of 27 February 2015 No. 129-p, Ukraine undertook to achieve 100% heat metering by the end of 2016.

Meanwhile, during the meeting of the Public Council of the State Agency on Energy Efficiency and Energy Saving of Ukraine in June, representative of the Agency said that there were different viewpoints on legal regulation of the issue. The State Agency on Energy Efficiency and Energy Saving of Ukraine and the National Commission for State Energy and Public Utilities Regulation think it necessary to have a special Law on metering, while the Ministry of Regional Development insists that no special law is required, and it would be sufficient to introduce relevant amendments to the Law “On Housing and Utility Services”. Inter-departmental consultations are now in process, at the same time donors also insist on a separate law.

In the meantime, in April, deputy Vitalii Stashuk (People’s Front faction) registered [the draft Law on the introduction of amendments to certain legislative acts on ensuring proper commercial metering of natural gas, thermal energy, hot and cold water supply in households](#) (registry No. 2636) that suggests introduction of a reduction factor to gas price in case of failure to equip all households with meters within the set term on a free-of-charge basis. Responsible committee of the Verkhovna Rada recommended to improve this draft Law. In May, deputy Viktor Baloga, non-affiliated with any faction, presented the [draft Law on the introduction of amendments to the Law “On Ensuring Commercial Metering of Natural Gas”](#) (registry No. 2824) suggesting a possibility for the consumer to install meters at his own expense with further compensation of the costs from his payments for the natural gas to the economic operator in charge of distributing gas in a particular territory.

Cooperation with international financial institutions is rather dynamic, but still sporadic.

In April, the State Agency on Energy Efficiency and Energy Saving of Ukraine held negotiations with international partners concerning support to certain components of the Agency’s activities. Thus, the Agency spoke with the [European Investment Bank](#) and [representatives of American business circles](#) about involvement in the Energy Efficiency Fund, and with American companies about [investment opportunities](#). The Ministry of Regional Development and the USAID [approved the 2015 Joint Action Plan](#) on the implementation of the Municipal Energy Reform project in 2015. [German and Polish](#) specialists may provide support to Ukraine in implementing energy efficiency measures, particularly in terms of energy service. [France](#) supported the development of energy efficiency projects in the cities of Kharkiv, Rivne, the towns of Berdychiv and Ladyzhyn. In May, the Government of Switzerland, the Ministry of Regional Development, Zhytomyr City Council, Zhytomyrteplokomunenergo Utility Company signed [a memorandum on technical and financial support](#) to the energy efficiency project in the city of Zhytomyr with the overall budget of CHF 18.6 million.

In June, during the [meeting of the Energy Efficiency Coordination Group](#), the EBRD presented the support package for Ukraine that includes support to the Warm House site, assistance in the adoption of further technical regulations on energy efficiency in public buildings, while the International Finance Corporation (IFC) provides assistance in drafting primary legislation. The EBRD also works on further development of sustainable financial instrument for the housing sector. The Eastern Europe Energy Efficiency and Environmental Partnership (E5P) expressed its [readiness](#) to allocate funds in order to facilitate the process of increasing energy efficiency in Ukraine, particularly, support thermal modernization of buildings.

The Energy Efficiency Fund still remains just an idea.

Managers of the State Agency on Energy Efficiency and Energy Saving of Ukraine keep on [promoting the idea of creating the Energy Efficiency Fund](#) during their meetings with foreign colleagues and representatives of [international financial institutions](#). The Fund is expected to cooperate with the Donors Fund. The latter perhaps will be managed by the EBRD. Model of this institution [was elaborated](#) by the State Agency on Energy Efficiency and Energy Saving of Ukraine together with the Ministry for the Environment of Germany and Berlin Economics. The Fund is

expected to open this year, and the energy efficiency market of Ukraine with the estimated volume of EUR 40 billion, will allow gas consumption reduction to [13 billion cubic meters annually](#) by 2030.

Oil and petroleum products

The Government is still working on the plans for the implementation of oil Directives, on maintaining minimum oil (products) reserves in particular.

The Cabinet of Ministers issued the Ordinance [No. 346-p of 8 April](#) to approve the plans developed by the Ministry of Energy and Coal Industry for the implementation of Directive 94/63/EC (on the control of volatile organic compound (VOC) emissions resulting from the storage of petrol and its distribution from terminals to service stations); Directive 98/70/EC (relating to the quality of petrol and diesel fuels); Council Directive 2009/119/EU (imposing an obligation on Member States to maintain minimum stocks of crude oil and/or petroleum products). In view thereof, the Ministry of Energy must submit relevant quarterly progress reports to the Government by the 10th of the month following the reporting one.

The scandal around the withdrawal of process oil reserves from the major pipelines that were stored at Ukratnafta's facilities has not yet cooled down.

Following the [commencement of process oil inventory](#), [Ukratnafta controlled by Igor Kolomoiskyi requested](#) Ukrtransnafta to pump process oil reserves to reservoirs by 1 July and make full settlements for temporary storage thereof due to non-compliance with contractual obligations under tank lease agreements. In response, top managers of Ukrtransnafta asked the Prosecutor General's Office of Ukraine and Kyiv Prosecutor's Office to [advance the investigation with regard to the ex-managers of the company](#) who signed relevant storage agreements with Igor Kolomoiskyi's companies. That same day, Naftogaz proposed to [sell up to 138,7 thousand tons of Azeri Light oil](#) that had been pumped out of Ukrtransnafta's pipelines, to the Ministry of Defence and the Ministry of Internal Affairs for the purpose of further processing thereof.

Change of Ukrnafta's top managers may result in a lawsuit against Ukraine on the part of the company's minority shareholders.

After amendments to the Law on joint stock companies came into force, the Government got an opportunity to change Ukrnafta's top managers. During its meeting in late May, the Supervisory Board [scheduled the meeting of shareholders for 22 July](#) and approved the agenda that included the issue of changing the head and one of directors. Review of 2014 Ukrnafta's reporting, the report of the Audit Committee, and setting the date for dividend payment were also included in the agenda. The meeting was supposed to be open, and the plan was to hold [a competition](#) by 22 July to fill the vacancy of Ukrnafta's head.

However, on 5 June, Prime Minister Arsenii Yatseniuk, during his speech in the Parliament, said that the Government could not change top managers of Ukrnafta, as Yulia Tymoshenko signed an agreement with Ukrnafta's shareholders in 2010 according to which the State, if attempts to change the company's management, [would be suited, and the case would be considered in a court of London](#).

Ukrnafta's non-payment of dividends and rent brought a scandal that has not yet cooled down. A court proceeding was initiated in respect to the company's debt in the amount of UAH 1.779 billion to Naftogaz that had resulted from [non-payment of dividends](#) for 2011–2013, and Ukrnafta insists on [the debt set-off](#). In addition, in June, the Ministry of Ecology asked the State Service for Geology and Mineral Resources of Ukraine [to cancel Ukrnafta's license](#) if that fails to pay the debt of UAH 5 billion that includes due rent and other taxes. In response, the State Service for Geology and Mineral Resources [said](#) that such licenses may be cancelled by court only. Under these circumstances, on 25 June, the National Commission for State Energy and Public Utilities Regulation [increased the tariff for oil transportation](#) through major pipelines 3.8 to 7.5 times.

Statistics

The Plan for the implementation of Directive 2008/92/EC was approved.

On 4 June, the Cabinet of Ministers approved the Plan for the implementation of certain acts of the EU legislation on statistics developed by the State Statistics Service of Ukraine ([Ordinance No. 564](#)). Among them was the [Plan for the implementation of Directive 2008/92/EC](#) concerning a Community procedure to improve the transparency of gas and electricity prices charged to industrial end-users.

It was reported that the State Statistics Service, based on the data provided by the National Commission for State Energy and Public Utilities Regulation on actual gas and electricity prices for industrial and household end-users, provided relevant information about Ukraine's total for H2 2013 to the Eurostat, with no differentiation by consumer groups, as the existing gas and electricity pricing system is not fully compliant with the EU standards.

With the purpose to ensure the implementation of the said Directive, the State Statistics Service and the National Commission for State Energy and Public Utilities Regulation must develop the mechanism of collection and processing of data on gas and electricity prices for industrial users by December 2015 in compliance with the EU requirements.

Competition

AMCU's new top management is ready to reform the State aid system.

On 19 May, the Verkhovna Rada approved [Yurii Terentiev as new Head of the AMCU](#). 266 people's deputies ([Resolution No. 438-VIII](#)) voted for him. On 29 June, President Petro Poroshenko signed the Decrees numbered 377 through 384 on [appointment of the AMCU's state commissioners](#). This ended the process of approval of the body's new composition.

On 27 May, AMCU's Head Yurii Terentiev met with [representatives of the IMF Mission](#) and presented his vision of reforming the body. Thus, he emphasized the need to create an effective system of monitoring and control of State aid to undertakings, as well as increase transparency of the AMCU's work.

In turn, the Project "Harmonisation of Public Procurement System in Ukraine with EU Standards" published the [Glossary of Terms for State Aid Regulation](#) that contains special terms used in the EU State aid regulation system and all the key definitions laid down in the Law "On State Aid to Undertakings".

Public discussion of the draft Law "On the Introduction of Amendments to Certain Legislative Acts on Ensuring Transparency of Activity of the Antimonopoly Committee of Ukraine" (registry [No. 2102](#)) took place in the AMCU's office. The draft Law was adopted in principle on 7 April (Resolution [No. 280-VIII](#)). In addition, the draft Law "On the Introduction of Amendments to the Legislation on Protection of Economic Competition Regarding the Establishment of the Amounts of Fines by the Bodies of the Antimonopoly Committee of Ukraine for the Breach of Legislation on Protection of Economic Competition" (registry [No. 2431](#)).

The AMCU also presented the action plans for the energy markets.

During the meeting of the National Reform Council on 3 June, the AMCU presented [interesting statistics on competition](#): for 37.2% of goods sold there is no or almost no competition, first of all in the fuel and energy sector (46.5% monopolized markets, 18.7% markets with dominating players, 6.8% oligopolistic markets). In 2015, strategically important steps will be investigation of Gazprom's activities, comprehensive energy market study, investigation of violations of competitive legislation in gas and petrol markets, study of the markets of connection to electricity and gas supply networks, petrols, coal, tariffs for housing and utility services. The implementation of the Law "On State Aid to Undertakings" and fulfilment of other obligations under the

Association Agreement are expected to be completed by the end of 2016. Sector regulation carried out by the Ministry of Energy and Coal Industry, the National Commission for State Energy and Public Utilities Regulation and the Cabinet of Ministers itself plays the key role in this process. According to [the minutes of the meeting](#) of the National Reform Council, the AMCU is going to present the results of a comprehensive energy sector study, as well as the list of companies that pose biggest threat of market monopolization, in the nearest future — by August 2015.

Social policy

After increasing the tariffs, the Government is seeking ways to mitigate the social effect, particularly through the new subsidization system.

On 1 April, [the cost of housing and utility services in Ukraine went up](#): heating — by 71.8%, hot water — by 55%, electricity — by 36.6–140.7 kop./kW-hour. Increase of tariffs for housing and utility services is inevitable, however, the Ministry of Social Policy emphasizes that [new subsidies will mitigate the implications of this process](#) and make the State aid more open and available. Moreover, according to the Ministry, the new system of subsidization is [as much simplified as possible](#). In addition, on 19 June, the Verkhovna Rada [approved the Law](#) “On the Introduction of Amendments to the Law of Ukraine “On Housing the Utility Services” ([registry No. 2676](#)). Deputies assure that the document simplified the procedures of applying for a subsidy by pensioners and people with disabilities. At the same time, the Ministry of Social Policy disapproved the adopted Law: thus, Minister Pavlo Rozenko said that the document, instead of simplifying, significantly [complicates the procedure of applying for a subsidy](#). Moreover, the Ministry of Social Policy thinks [the implementation of this Law impossible](#). That is exactly why the Ministry promises to address the President with the proposal to [veto the Law](#) if deputies do not introduce amendments to it in terms of subsidies.

Meanwhile, the results of the first wave of applications for housing subsidies have already been analysed, [and the second wave is expected in November–December](#). [Around 3–4 million families](#) are expected to apply for a subsidy by the end of this year. Therewith, the Minister underlined that [over 1,100,000 Ukrainian families](#) already applied for a subsidy according to the new procedure applicable since 1 May 2015, of which over 850 thousand have already benefited from State support. According to Deputy Minister of Social Policy Valerii Yaroshenko, the average amount of subsidies as compared to the previous year [increased almost five times](#). Along with that, Prime Minister Arsenii Yatseniuk said that [UAH 24.5 billion](#) would be allocated from the State Budget to finance subsidies.

While preparing to the new heating season, public authorities keep on working on improving the legal framework in the sectors of thermal power supply and other utility services.

Prime Minister Arsenii Yatseniuk [invited the Parliament](#) to adopt the draft Law No. 2670 “[On the Introduction of Amendments to Certain Laws of Ukraine on Improving Legislation on Thermal Power Supply and Housing and Utility Services](#)” insisting that this would allow receipt of USD 500 million from the World Bank and USD 300 million of macro-financial assistance from the Government of Japan. The explanatory note to that Law underlines the need to elaborate a unified approach to the establishment of feasible tariffs. On 21 May, the Verkhovna Rada adopted the [Resolution No. 476-VIII](#) to return the draft Law for improvements.

[The Parliament adopted](#) the draft Law [No. 1565](#) “On Special Aspect of Exercising the Right to Ownership of Multifamily Houses” developed by the Ministry of Regional Development. This Law will allow free choice of the form and method of multifamily house management. At the same time, with the purpose to improve the existing social norms of using housing and utility services for identifying State social guarantees of their provision, the [Government presented](#) the draft Resolution “On the introduction of amendments to the Resolution of the Cabinet of Ministers of Ukraine of 6 August 2014 No. 409”. That document [provides for the establishment of social norms](#)

[for](#) utility services of district heating (thermal power supply) with thermal power meters installed, review of social norms for gas supply services, etc.

The National Commission for State Energy and Public Utilities Regulation emphasized on its active efforts to improve the existing legal and regulatory framework: thus, the latest initiatives include the draft Resolution of the Cabinet of Ministers “On approval of the Method of transfer of district heating fees payable by households without heat meters installed (flats, single-family houses, inlets of multi-family houses) based on the outcomes of the heating season” and related [review of the estimated norms of consumption](#), as well as the [draft Law “On Commercial Metering in the Sectors of Heat Supply, District Water Supply and Disposal, Utility Services”](#) regarding the 100% coverage of energy resources and utility services consumed by the population and subject to metering.

Meanwhile, the Ministry of Regional Development underlines that preparations for the new heating season will [be based on the achievements arising out of the implementation of energy saving measures](#) aimed at increasing energy resources savings, as well as on responsible and [economic consumption](#) of energy.

Despite the improvements of the tariff system, speculations continue.

On 18 June, the Verkhovna Rada [adopted the draft Law](#) “On the Introduction of Amendments to Certain Laws of Ukraine on Utility Services” developed by the Ministry of Regional Development (Resolution No. 546-VIII) in the first reading. Vice Prime Minister, Minister of Regional Development, Construction, Housing and Utilities Gennadii Zubko said that this Law [will allow establishing economically sound tariffs](#) and reducing pressure on the State Budget relating to payment of State subventions to cover tariff differences. The amendments prohibit the establishment of prices/tariffs for housing and utility services below the economically reasoned production costs.

In addition, the document provides for [the introduction of a unified approach to State regulation of calculation and establishment of tariffs](#), as well as the implementation of measures identified as key event 8 under the Program (Matrix) of strategic and institutional reforms within the framework of Second Programmatic Development Policy Loan project. Pursuant to the Resolution of the Verkhovna Rada, the [draft Law No. 2029a](#) must be improved by the Committee for Construction, Urban Development and Housing and Utility Services and presented for consideration in the second reading.

At the same time, some people’s deputies believe that tariffs for households are too high, and [insist on conducting an investigation](#). In the meantime, President Petro Poroshenko is sure that [gas tariffs will be reduced](#) after the [new Law](#) comes into force that will make the domestic gas market significantly more transparent.

At the same time, the Verkhovna Rada registered the draft Law “On the Introduction of Amendments to Certain Laws of Ukraine (on Enhancing Protection of Citizens in View of the Establishment of New Tariffs for Housing and Utility Services)” ([under the No. 2832](#)). It suggests enhancing of protection of the population from “unreasoned increase in prices and tariffs for housing and utility services through publishing detail information about and formulas of the prices/tariffs on the official website of the National Commission for State Energy and Public Utilities Regulation, installing domestic gas meters with 100% coverage before the 2015/16 heating season, as well as allocating all gas produced by state-owned companies for satisfying the needs of the population.

The regulator, in its turn, [created the Working Group early this month with well-known audit companies involved](#) (Deloitte, PwC, Ernst & Young and KPMG) with the purpose to arrange an objective assessment of the method of calculation of retail natural gas prices for the population. The Big Four [confirmed that calculations of retail gas prices are correct](#).

Meanwhile, the Ministry of Regional Development emphasized that [Ukraine needs to abandon the old ineffective formulas](#) of utility tariffs and introduce new ones in compliance with the European standards, as review of tariffs for housing and utility services and making them economically

feasible is an objective necessity. The Ministry invites [politicians to stop speculations in this regard](#) to not use this issue as a driver of public disturbance.