

UKRAINE AND EUROPEAN GREEN DEAL

ANNUAL MONITORING REPORT 2023





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The year 2023 was marked by the continued reforms aimed at the implementation of the European Green Deal (EGD) principles in Ukraine – despite the extremely difficult circumstances of Russia's full-scale invasion, which had an impact on all EGD-related fields in Ukraine. At the same time, some negative trends have become noticeable, creating obstacles to the effective implementation of reforms in Ukraine and ensuring conditions for the green recovery.

The insufficient level of transparency in the energy sector in terms of information about market operation, recovery dynamics, as well as development of decisions and national strategic documents remains a significant obstacle to the effective implementation of reforms. In particular, failure to publish the 2050 Energy Strategy of Ukraine adopted in 2023 has already led to significant negative reaction from stakeholders who systematically support Ukraine. Similar restrictions are also present in the implementation of other EGD-related policies in Ukraine, in particular environmental and climate policies.

Understanding the objective obstacles in providing access to information and engagement in decision-making under martial law, we call for increased access to information and inclusiveness of the decision-making process, taking into account stakeholders from the civil society and expert circles. Such an increase in transparency of key EGD-related areas is necessary to ensure high quality decisions, enable effective support for reforms, and set priorities for green recovery.

At the same time, it is worth noting Ukraine's progress in the implementation of the EGD priorities in a number of economic sectors during the year. In particular, strengthening the renewable energy sector reform and adoption of updated legislation that will facilitate the future transition to a market model are noticeable. Continued efforts to improve energy efficiency and create new mechanisms to finance decarbonization measures are another important aspect. These efforts were also taken against the background of partial stabilization of energy markets in Ukraine, which is also in line with the general trend of the European energy sector's gradual recovery from the crisis caused by the full-scale Russian invasion in 2022.

At the same time, Ukraine has demonstrated progress in the development of climate and environmental legislation, as well as active climate diplomacy and promotion of the issue of fair compensation for environmental damage from Russian aggression at a number of international events (the United for Justice conference, the OSCE Climate Conference, COP28, etc.).

The following key events during the year can be highlighted:

- Adoption of the decision by the European Council to start negotiations on Ukraine's accession to the EU;
- Active development and adoption of new legislation on RES development, in particular Law No. 3220-IX, the full implementation of which requires further steps to develop the regulatory framework at the level of the government and NEURC;
- Adoption of the provisions of Regulation (EU) 1227/2011 (REMIT) at the level of Ukrainian legislation, which, if successfully implemented, will increase the transparency of energy markets and introduce mechanisms to combat manipulation and insider trading, significantly improving the market operation;
- Launch of the first projects using new technologies, which will be extremely important for green recovery: in particular, launch of the first biomethane plant and licensing of the first energy storage project in Ukraine;
- Legislative amendments that will enhance energy efficiency and financing of relevant measures, including incentives for highly efficient cogeneration (Law No. 2955-IX) and launch of the State Fund for Decarbonization and Energy Efficient Transformation;

- Continued work on the implementation of waste legislation and the adoption of a number of industry standards and requirements at the government level, as well as adoption of other important environmental acts (e.g., legislation on water and wastewater treatment);
- Starting the process of developing the National Energy and Climate Plan of Ukraine, which will set goals and define key policies and measures in the field of decarbonization, energy efficiency and greenhouse gas emission reduction by 2030;
- Carrying out an initial assessment of the state of implementation of the EU *acquis communautaire* (“self-screening”);
- Launch of the International High-Level Working Group on the Environmental Consequences of War, which assesses environmental damage from hostilities and develops mechanisms for crime prosecution;
- Continued negative impact of the Russian full-scale invasion on the energy sector, environmental protection and climate change in Ukraine, including ongoing attacks on energy facilities and destruction of infrastructure, which has a particularly significant impact on ecosystems (primarily the destruction of the Kakhovka HPP dam);
- Development of a new mechanism for financing green recovery measures by the EU – the Ukraine Facility, where the final adoption of relevant EU Regulation is currently pending, and activities to develop the government’s Ukraine Plan.

Thus, the year was marked by significant dynamics in the EGD-related areas in Ukraine, where, despite the ongoing military aggression, the government managed to achieve some progress in reforming. However, the progress made in 2023 may be leveled in the absence of systemic reforms in the following periods and, in particular, in the absence of full implementation of legislative amendments adopted in 2023.

The year 2024 will be crucial for consolidation of the progress and creation of the prerequisites for Ukraine’s effective green recovery. Thus, the adoption of the National Energy and Climate Plan, which should set realistic and ambitious targets until 2030, will be an important guideline for further investments and policy development in the EGD areas. An actual transition to an auction-based model of RES support will be an important factor in restoring the investors’ confidence and establishing a sustainable support system for the sector. The effective operation and strengthening of the State Fund for Decarbonization and Energy Efficient Transformation will determine how effective the support for energy efficiency and decarbonization measures will be at the national level, which will greatly affect the success of green recovery.

The implementation of necessary EGD reforms in 2024 is also expected to take place in a rather challenging foreign policy environment, including a possible decrease in the attention of EU institutions to EGD in the context of the European Parliament elections and personnel changes in the EU institutions. In these circumstances, the Government of Ukraine needs to intensify its own work to implement necessary changes within the framework of the EGD principles at the national level in order to achieve sustainable progress in the reforms launched in 2023, which will contribute to the quality of reconstruction and the process of EU accession.

Engaging civil society and increasing transparency in the EGD-related areas in Ukraine will facilitate the effective dialogue and comprehensive promotion of necessary reforms, as well as increase the predictability of sectoral development, which is a prerequisite for attracting additional support from international donors and investors.

To stakeholders in Ukraine:

General recommendations

The Government of Ukraine: Ensure transparency and sufficient openness of data in the EGD areas, ensure inclusive decision-making, and publish key information on strategic planning documents, including the 2050 Energy Strategy of Ukraine (leaving only those data that cannot be published for objective reasons during martial law).

The Government of Ukraine: Develop and adopt the National Energy and Climate Plan with realistic but ambitious targets in the areas of greenhouse gas emission reduction, RES development, and energy efficiency, and ensure that the plan is consistent with key strategic documents, including the 2050 Energy Strategy and the 2030 Energy Community targets for energy efficiency and RES.

The Government of Ukraine: Continue work on the energy part of the Ukraine Plan, in particular on the assessment of necessary investments and sources of financing for the restoration of EGD-related sectors, and publish the actual draft plan.

The Government of Ukraine, the Verkhovna Rada: Accelerate the process of bringing Ukraine's legal framework in line with the EU *acquis communautaire*, as envisaged by the Action Plan for the fulfillment of obligations under the Energy Community Treaty, approved by the CMU Order No. 733-r dated August 3, 2011 (as amended).

The Government of Ukraine, the Verkhovna Rada: Ensure the development of the updated National Program for Adaptation of Ukrainian Legislation to the EU Legislation, taking into account the results of the EU self-assessment and screening, and based on prioritization of relevant tasks.

The Government of Ukraine, the Verkhovna Rada: Launch the process of harmonizing state policies with the EU policies (not just legislation) in the EGD areas, which is a prerequisite for the EU accession and sustainable recovery.

The Verkhovna Rada of Ukraine: Ensure effective legislative control over state aid when finalizing draft law No. 5648 and eliminate its shortcomings that could lead to narrowing the scope of state aid control.

Recommendations in the field of energy sector development

The Government of Ukraine: Approve a program for the transition to market pricing in the supply of natural gas and electricity, including targeted assistance to vulnerable consumers, in order to reduce burden on the state budget, create conditions for improving the financial liquidity of key energy companies, and stimulate competition and energy efficiency.

To the Government of Ukraine, NEURC: Develop the regulatory framework necessary for a full transition to market mechanisms to support RES development and encourage households to use self-consumption.

The Government of Ukraine, NEURC: Continue work on the creation of a mechanism for guaranteeing the origin of electricity from RES, in particular on the register, and launch the market for guarantees of origin.

The Government of Ukraine, NEURC, AMCU: Adopt bylaws necessary for the implementation of Regulation (EU) 1227/2011 (REMIT) to ensure effective combating the insider trading, and market manipulation, as well as ensure effective cooperation between the NEURC and the AMCU in combating violations of market rules that also fall within the scope of competition law.

The NEURC: Ensure proper supervision of gas and electricity distribution system operators in terms of their compliance with functional unbundling requirements and their independence from supplier companies.

The Verkhovna Rada: Approve amendments to the Customs Code necessary to unblock biomethane exports to the EU.

Recommendations in the field of energy efficiency

The Government of Ukraine: Resume work on technical regulations on energy labeling and ecodesign, taking into account the EU's plans to amend the ecodesign regulation for environmentally friendly products.

The Government of Ukraine, NEURC: Ensure full implementation of legislation to stimulate the development of highly efficient cogeneration.

Recommendations in the field of environmental protection and climate change

The Government of Ukraine: Start the development of necessary regulatory acts to improve climate policy, including transition to green taxonomy based on the EU *acquis communautaire*, the creation of own emission trading system and plans for a future gradual increase in Ukraine's CO₂ tax, in particular in preparation for the introduction of CBAM in the EU, taking into account the needs of post-war reconstruction.

The Government of Ukraine: Ensure full implementation of waste legislation and, in particular, development of the regulatory framework for landfill operations in line with with the EU environmental standards.

To the EU and Energy Community stakeholders

The European Commission:

Ensure that the framework for accession negotiations with Ukraine is prepared for the March European Council meeting.

Identify the priorities necessary for the effective implementation of the EU *acquis communautaire* in the EGD-related areas in Ukraine, in particular, establishing efficiency and transparency of energy markets, creating necessary mechanisms to support RES, taking into account the latest updates of the EU *acquis communautaire*, agreeing on a clear list of climate and environmental legislation for further implementation in Ukraine, and further reforming the competition law of Ukraine.

The EU Council and the European Commission: Immediately start conducting analytical studies (screening) of Ukraine's policies and legislation within the framework of the negotiation sections, in particular the Green Agenda and Sustainable Connectivity cluster.

The EU Council and the European Parliament: Adopt the Regulation on Ukraine Facility, in particular taking into account the proposals, which will ensure effective and transparent support for EGD-related reforms and green recovery measures in Ukraine.

The Energy Community Secretariat: Provide comprehensive expert and logistical support to Ukraine in the implementation of EGD-related reforms and meeting green recovery needs, as well as prevention of emergencies in connection with the Russian invasion and attacks on Ukraine's energy infrastructure.

TIMELINE

- 24.02.2023 • adoption of Law No. 2955-IX, creating conditions for the development of highly efficient cogeneration
- 11.04.2023 • adoption of Law No. 3035-IX, establishing the State Fund for Decarbonization and Energy Efficient Transformation
- 01.05.2023 • approval of the Energy Strategy of Ukraine until 2050 by the Cabinet of Ministers
- 10.06.2023 • adoption of Law No. 3141-IX, transposing the provisions of Regulation (EU) 1227/2011 on wholesale energy market integrity and transparency
- 20.06.2023 • publication of draft EU Regulation on the Ukraine Facility, providing for the creation of a tool for financing Ukraine's green recovery with a budget of €50 billion
- 29.06.2023 • commencement of works by the high-level International Working Group on the environmental consequences of war
- 30.06.2023 • adoption of Law No. 3220-IX "On Amendments to Some Laws of Ukraine on Restoration and Green Transformation of Energy System of Ukraine"
- 19.08.2023 • adoption of CMU Resolution No. 924 "On the Establishment of the Interdepartmental Working Group on the preparation of proposals and recommendations for the development of the National Energy and Climate Plan" (its membership was approved by Order of the Ministry of Economy No. 12791 on 01.09.2023)
- 21.08.2023 • publication of draft Law "On Ratification of the Amendment to the Montreal Protocol on Substances Depleting the Ozone Layer"
- 31.08.2023 • Completion by the Government of Ukraine of the second stage of the initial assessment of the implementation of EU acquis communautaire (self-screening), during which about 28,000 EU acquis communautaire were processed
- 08.11.2023 • adoption by the European Commission of the 2023 Enlargement Package, which assessed in detail the current status and progress of the European integration reforms conducted by Ukraine
- 09.11.2023 • adoption of Law No. 3460-IX "On the State Budget for 2024", which, in particular, provides for expenditures for the State Fund for Decarbonization and Energy Efficient Transformation
- 14.12.2023 • approval of the decision by the European Council to start negotiations on Ukraine's accession to the EU

On January 25-26, 2023, the eighth meeting of Cluster 3 “Energy, including nuclear issues, environment, including climate change and civil protection, transport” of the Subcommittee on Economic and Other Sectoral Cooperation of the EU-Ukraine Association Committee took place. During the video conference, the participants discussed the status of Ukraine’s implementation of European legislation, the EGD advancement, climate policy and fulfillment of commitments under the Paris Agreement, as well as green reconstruction of Ukraine.

The meeting was preparatory to the EU-Ukraine Summit, which took place on **February 3, 2023**, in Kyiv. The summit highlighted a number of priorities for cooperation, including those within the framework of the Association Agreement and on the basis of the updated Priority Action Plan to enhance the implementation of the DCFTA, consideration of the extension of the suspension of tariffs and trade defense mechanisms on imports from Ukraine to the EU, and steps towards commencement of negotiations on the Agreement on Conformity Assessment and Acceptance of Industrial Goods (ACAA). Priorities were also identified in continuation of support to Ukraine during the full-scale Russian invasion, particularly in the energy sector.

On March 15, 2023, the Cabinet of Ministers and the Energy Community Secretariat signed a memorandum of support for priority projects of construction and reconstruction of Ukraine’s energy infrastructure, as well as support for restoration of renewable energy facilities.

On April 24, 2023, the EU and Norway established the Green Alliance to strengthen joint actions on climate change, environmental protection, and cooperation in the area of clean energy and industrial transition. This is the second agreement following the EU-Japan Green Alliance established in 2021, under which both parties will work jointly to support developing countries and emerging economies.

In early May, the Government of Ukraine approved the 2050 Energy Strategy. The text of the strategy is not publicly available, but the document was reported to reflect the EGD targets and takes into account Ukraine’s international commitments to energy efficiency and renewable energy, as well as greenhouse gas emission reduction.

On June 21-22, 2023, the Ukraine Recovery Conference was held in London. The event highlighted the commitment to a green recovery approach by both the Government of Ukraine and foreign partners. The government also presented an updated vision of the recovery with the ambitious goals. Ukrainian public authorities made statements about green intentions and transition: green metallurgy, energy, transport, and agriculture.

On June 29, 2023, the EU and NATO leaders' summit emphasized the continued commitment to support Ukraine in the face of the Russian invasion and to strengthen security and support for Ukraine's recovery.

In June 2023, the European Commission proposed a special financing mechanism for Ukraine (the Ukraine Facility) in the amount of €50 billion. The general principles of its operation include “do no harm”, “leave no one behind” and the EGD principles.

On September 13, 2023, the European Commission President Ursula von der Leyen delivered the annual State of the Union speech, in which she announced the EU's priorities in the areas of further EGD implementation, enlargement and overcoming security challenges.

On September 19-26, 2023, the 78th session of the UN General Assembly took place, with the main discussion topic being "Rebuilding trust and reigniting global solidarity: accelerating actions on the 2030 Agenda and its Sustainable Development Goals towards peace, prosperity, progress and sustainable development for all". The issues of climate change and sustainable development were a key during discussions. In addition, the need for an immediate end to the war in Ukraine and condemnation of the Russian military invasion were repeatedly emphasized.

On November 8, 2023, the European Commission published the 2023 Enlargement Package, which recommended that the European Council start accession negotiations with Ukraine. The report also outlined the main achievements and further priorities in the reform process in Ukraine, in particular in the EGD-related areas.

On November 30 – December 12, 2023, the UN Climate Change Conference COP28 took place in Dubai (UAE). In particular, Ukraine presented its initiatives to prevent ecocide and compensate for environmental damage caused by Russian aggression and full-scale military invasion of Ukraine.

On December 14, 2023, at a meeting of the European Council, a decision was made to start negotiations on Ukraine's accession to the EU. In accordance with the procedure, the European Commission will begin preparing a negotiation framework – a key document that will define the general principles of the negotiation process with the candidate state. In addition, the European Commission is to start screening Ukrainian legislation for compliance with EU law.



ENERGY MARKETS

SUMMARY

Ukraine has adopted a number of important acts that fully or partially transpose some EU *acquis communautaire*, in particular the Clean Energy for All Europeans Package. These are mainly Regulation (EU) 1227/2011 on wholesale energy market integrity and transparency, Directive (EU) 2019/944 on common rules for the internal market for electricity and Directive 2018/2001 on the promotion of the use of energy from renewable sources.

At the same time, a number of requirements of the Third Energy Package related to liberalization of wholesale and retail energy markets and independence of competitive and non-competitive activities in these markets (unbundling) have not yet been implemented. The current pace of alignment of the regulatory framework with the EU law does not yet allow for effective and cost-efficient decarbonization in line with the EGD principles. In this regard, Ukraine should intensify its efforts to implement those EU *acquis communautaire* that are already its commitment under the Energy Community Treaty in order to be able to proceed to transposition and implementation of acts that are part of the EGD.

RECOMMENDATIONS

The Verkhovna Rada of Ukraine:

- accelerate the process of bringing Ukraine's regulatory framework in line with the EU *acquis communautaire*, as provided for in the Action Plan for the fulfillment of commitments under the Energy Community Treaty, [approved](#) by CMU Order No. 733-r dated August 3, 2011 (as amended). In particular, this refers to transposition of acts included in the list of *acquis* by the decisions of [nineteenth](#) and [twentieth](#) Ministerial Council of the Energy Community.
- adopt [legislative acts](#) necessary to unblock biomethane export to the EU.
- consider the experience of the European Union in stimulating the deployment of alternative fuel infrastructure (including charging stations), in particular recently adopted Regulation 2023/1804/EU. Make appropriate amendments to the Law "On Some Issues of the Use of Vehicles Equipped with Electric Engines";
- upon termination of martial law, consider amendments to the Constitution necessary to ensure the independent operation of the NEURC outside the system of executive authorities coordinated and directed by the Cabinet of Ministers. An interim alternative could be making amendments to the Law of Ukraine "On NEURC", as proposed by the Regulator itself.

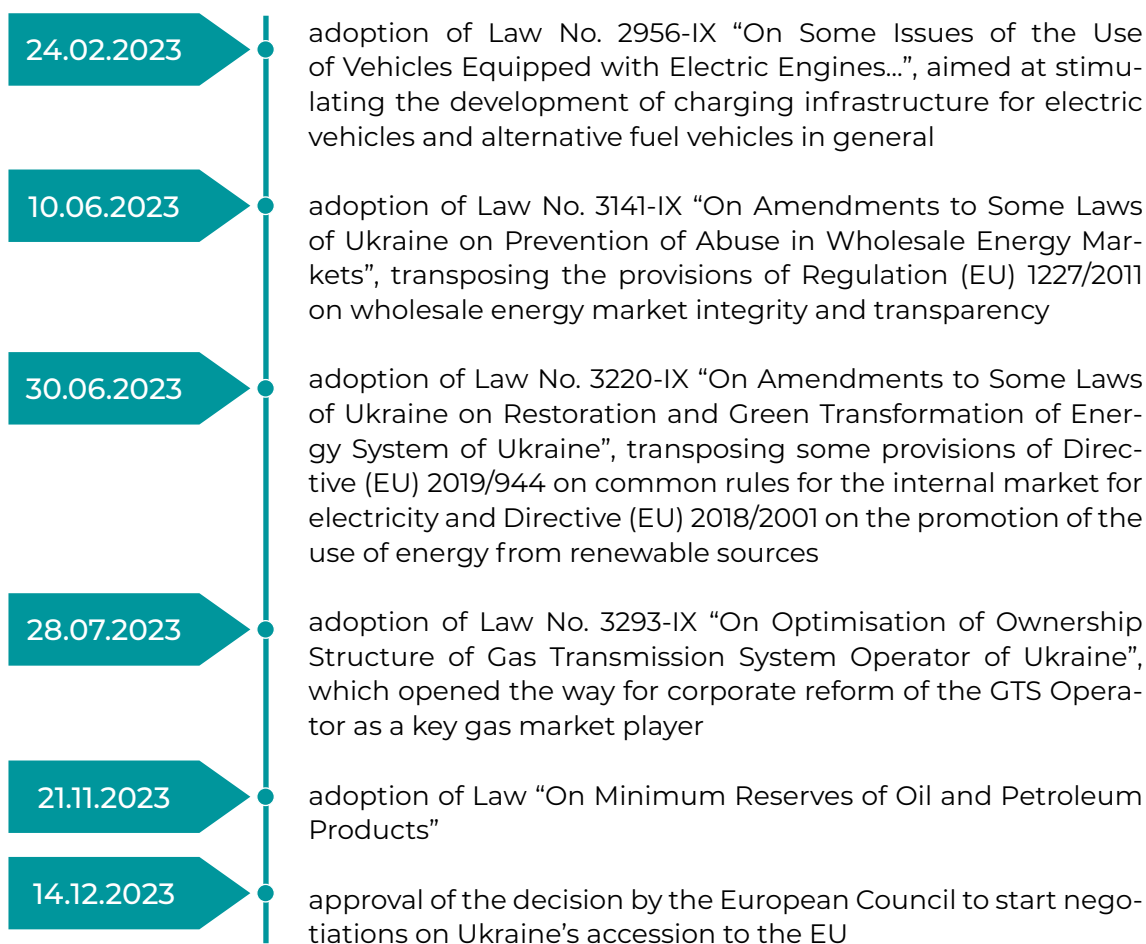
The Government of Ukraine:

- ensure consistency of goals and measures of the main strategic planning documents in the energy sector – the Energy Strategy until 2050 and the draft National Energy and Climate Plan (both documents must be made public, in particular the Energy Strategy to the extent that it would eliminate security risks);
- develop procedures for gradual transition to market pricing in all segments of the electricity and gas markets, which would contain a list of specific measures aimed at ensuring market pricing for energy while balancing the economic interests of all market participants, including vulnerable consumers.

The NEURC:

- adopt bylaws necessary for the implementation of Regulation (EU) 1227/2011, in particular the Procedure for functioning of insider information platforms for the effective disclosure of insider information;
- adopt bylaws necessary to launch a system of guarantees of origin of electricity from renewable sources;
- ensure proper supervision of gas and electricity distribution system operators (DSOs) in terms of their compliance with functional unbundling and their independence from supplier companies.

TIMELINE



In 2023, Ukraine adopted some legislative acts and strategic planning documents that were important for both natural gas and electricity markets.

One of them was the Energy Strategy of Ukraine until 2050, [approved](#) by the Cabinet of Ministers on April 21, 2023. However, an assessment of this planning document for compliance with the European legislation and the EGD principles is not possible due to the lack of publicly available text. Some of the Strategy’s targets [have been disseminated](#) by the media, but the action plan to achieve these targets is not available. Also, according to the information [published](#) by the media, the Strategy’s targets do not coincide with the draft Recovery Plan, which was presented to international partners in June 2023 at the Ukraine Recovery Conference.

In general, proper strategic planning in the energy sector remains a problematic issue for Ukraine, without solving which it will be impossible to allocate sufficient funds for the sector’s recovery. The National Energy and Climate Plan, which as of the end of November 2023 is being developed within the framework of [relevant Interdepartmental Working Group](#) headed by the Minister of Economy, is intended to change the situation. The development of the NECP is also a key for the implementation of Regulation (EU) 2018/1999 on the governance of the Energy Union and climate action.

Another important cross-sectoral document adopted in 2023 was the Law “On Amendments to Some Laws of Ukraine on Prevention of Abuse in Wholesale Energy Markets”, transposing the provisions of Regulation (EU) 1227/2011 on wholesale energy

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market integrity and transparency. In general, the act transposes all basic elements of the Regulation, namely:

- Providing the NEURC with additional powers to investigate abuses and manipulations in the wholesale energy markets (gas and electricity);
- Creating a register of wholesale energy market participants to track active market participants;
- Obliging wholesale energy market participants to disclose inside information (which may affect pricing) through appropriate platforms;
- Obliging wholesale energy market participants to provide the NEURC with information about their own business and trading operations related to wholesale energy products, including over-the-counter products.

Pursuant to the requirements of the Law, the Regulator has already begun to adopt a number of bylaws, in particular the [Procedure for investigation of abuses in the wholesale energy market](#), [the Procedure \(methodology\) for determining the amount of fines imposed by the NEURC](#), [the Procedure for registration of wholesale energy market participants](#). The Energy Community Secretariat welcomed the adoption of the Law as reflecting basic requirements of Regulation (EU) 1227/2011 and emphasized the importance of prompt development and adoption of all bylaws necessary for full implementation of the Regulation.

At the same time, the independent operation of the NEURC remains an unresolved cross-sectoral issue, that is important for the implementation of the EU's Third Energy Package. In October 2023, the Energy Community Secretariat published an [updated assessment](#) of Ukraine's compliance with the EU *acquis communautaire* in terms of ensuring the NEURC's financial and operational independence, which identified both old and new gaps in this regard. According to the Law "On the NEURC", the Regulator still remains a "central executive authority with a special status", which means that its activities are coordinated and directed by the Cabinet of Ministers. This provision was strengthened by [amendments](#) to the CMU Resolution "On Optimisation of the System of Central Executive Authorities" and "On Approval of the Regulation on the Minister of Cabinet of Ministers of Ukraine", according to which the NEURC was added to the Scheme for directing and coordinating the activities of central executive authorities by the Cabinet of Ministers.

These amendments created an additional risk of interference by the Cabinet of Ministers in the Regulator's work, including the possibility to cancel its decisions. The Law "[On Lawmaking](#)" introduced state registration of the NEURC's acts by the Ministry of Justice, which may affect the terms in which the Regulator's decisions become effective. The Regulator's full independence in planning its own budget and forming its staff has not yet been ensured. At the same time, resolving all these issues is key to ensure high quality regulation of energy markets and their successful integration with the EU energy markets.

In the reporting period, the electricity market continued to have a number of price restrictions in the wholesale and retail segments, which were somewhat eased in the reporting period. Thus, the price caps on the day-ahead market (DAM), the intraday market and the balancing market were increased by the Regulator's decision twice – on [June 27](#) (by 40-80%, depending on the hour) and on [November 9](#) (by 4-23%). On May 30, the regulated electricity price for households [was increased](#) by the Cabinet of Ministers up to UAH 2.64 per kWh. The decision was motivated, among other things, by the need to improve the financial liquidity of the market, which [is suffering](#) from a UAH 60 billion debt crisis.

The increase in wholesale market price caps is also [justified](#) by the need to ensure the possibility of importing electricity in the winter period due to a possible shortage of domestic power system capacities. To stimulate imports, on October 27, the Government also [adopted](#) the Regulation on Peculiarities of Electricity Imports under the Legal Regime of Martial Law in Ukraine, which allows non-household electricity consumers not to be disconnected if a certain share of their consumption is imported electricity (more than 30% or 50%, depending on the month).

At the same time, such regulatory exemptions are unlikely to fully resolve the liquidity problems of the electricity market, which will require the complete removal of any price regulation in all market segments. Such removal will also be a key for full integration of the organized electricity markets of Ukraine and the EU. These measures should be balanced by an adequate system of protection for vulnerable consumers and a market surveillance system to detect and prevent potential abuses.

In the context of the electricity market development, an important Law “On Amendments to Some Laws of Ukraine on Restoration and Green Transformation of Energy System of Ukraine” was adopted on June 30. This act, among other things:

- introduced support for renewable energy projects through the feed-in-premium mechanism in case of holding auctions for distribution of support quotas;
- introduced the concept of “active consumer” as a new electricity market participant, as well as related mechanism of self-generation of electricity from RES;
- introduced the concept of “aggregator” as a new electricity market participant that combines several points of electricity production and/or consumption into a single aggregation point for the purpose of purchase and sale of electricity and/or provision of balancing or ancillary services;
- set out the scheme for the formation and circulation of guarantees of origin for electricity from RES to confirm production of electricity from renewable sources.

The Law transposes the provisions of Directive (EU) 2019/944 on common rules for the internal market for electricity and Directive (EU) 2018/2001 on the promotion of the use of energy from renewable sources, but only partially. At the same time, [Ukraine’s action plan](#) for transposition of Energy Community *acquis communautaire* for 2023-2024, in addition to the above-mentioned directives, also includes the implementation of Regulation (EU) 2019/942 establishing a European Union Agency for the Cooperation of Energy Regulators, Regulation (EU) 2019/943 on the internal market for electricity, Regulation (EU) 2018/1999 on the governance of the Energy Union and climate action, a number of network codes. Given this amount of planned legislative work and further expansion of the Energy Community *acquis communautaire* with new acts ([for example](#), the TEN-E Regulation), the pace of transposition of European legislation should obviously be accelerated.

In the reporting year, some progress was made in the field of transport electrification through the adoption of the Law “On Some Issues of the Use of Vehicles Equipped with Electric Engines...”. This act, among other things:

- introduces terminology related to electric vehicles (determining main types of electric vehicles and alternative fuel vehicles)
- obliges the developer to provide charging stations for at least 50% of the parking spaces for electric vehicles in new multi-storey construction projects;
- sets targets for decarbonization of urban transport: in cities with a population of more than 250,000 people, the share of electric buses and/or buses running on compressed or liquefied gas, biogas and/or hydrogen must be at least 25% as of January 1, 2030, and not less than 50% as of January 1, 2033;

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- prohibits the purchase of buses with internal combustion engines (except for buses running on compressed or liquefied gas, biogas and/or hydrogen) as public transport from January 1, 2030;
- obliges public and local authorities to approve programs for the development of electric charging infrastructure by the end of 2023, which will provide for the provision of facilities owned or managed by them with necessary contractual capacity and charging stations for electric vehicles;
- stipulates that by 2025, in case of non-standard connection of charging stations to the power grid, the connection cost will only include a fee for the creation of linear part of the power grid. The difference between regular and preferential cost is to be covered by the distribution tariff.

The act generally establishes certain incentives for additional deployment of charging stations and other alternative fuel infrastructure (gas, hydrogen), but the chosen approach to incentives is unlikely to have a significant effect. Setting targets for the deployment of charging stations in the apartment buildings will have a limited effect, as such stations will be private and will be used only by owners of respective parking spaces. The targets for public transport will also apply to a rather narrow vehicle fleet.

In general, when it comes to stimulating the decarbonization of transport and establishing the relevant infrastructure, the responsible authorities should consider the EU experience embodied in recently adopted [Regulation 2023/1804/EU](#) on the deployment of alternative fuels infrastructure. The act sets targets for the deployment of charging infrastructure not in private locations, but in publicly accessible and important elements of transport infrastructure – along key transportation routes and in urban nodes. The Regulation also requires the EU member states to create a broad policy framework for the development of alternative fuels infrastructure that would take into account the impact of infrastructure on the energy system, the potential of charging stations to provide flexibility services to the energy system, etc. To verify that the targets are achieved and to properly inform potential users of the infrastructure, the Regulation provides for active disclosure of information on the infrastructure by operators of relevant facilities, as well as centralized collection and publication of such information.

There was also some progress in cross-border electricity trade in the reporting year. In August-October 2023, the NEURC agreed on the rules for allocation of the capacity of cross-border crossings with Poland, Romania, Slovakia and Hungary, as well as relevant structure for allocation of such capacities between daily, monthly, and annual auctions. At the same time, relevant decisions were clearly made “too late”, since the main period for electricity exports from Ukraine (spring-summer) had already passed by the time the acts were adopted, and thus the opportunities for additional revenues were lost. The first joint auction was [held](#) with Romania on November 3.

Another positive change in cross-border electricity trade has become a series of decisions by ENTSO-E (the European Network of Transmission System Operators for Electricity) to gradually increase the capacity limits for electricity trade from continental Europe to Ukraine/Moldova. Thus, the capacity has more than doubled from 700 MW as of [February 2023](#) up to 1700 MW [from November 2023](#). In general, ENTSO-E announced that Ukrainian TSO Ukrenergo has fulfilled all technical requirements to ensure a permanent connection between power systems of Ukraine and the EU.

In the reporting period, the natural gas market continued to have price regulation in most market segments (household consumers, heat producers, gas distribution system operators, budgetary institutions, and electricity producers). There was also a

significant level of concentration in both the supply and distribution of natural gas. At the same time, a limited progress has been made in management of gas infrastructure and development of renewable gases production. In general, the implementation of not only new EU acquis communautaire in relevant areas, but also basic requirements of the Third Energy Package – free pricing and competition, unbundling of competitive and non-competitive activities – remains relevant for market development.

The overall market operation in 2023 was determined by the Regulations on the imposition of special obligations on certain gas market participants, which were obliged to supply natural gas to almost all categories of consumers (households, heat producers, DSOs, electricity producers, and public institutions) at regulated preferential prices.

Throughout the reporting year, the Cabinet of Ministers extended the validity of relevant Regulations, while introducing certain “market” elements to the terms of preferential gas supply. Thus, by Resolution No. 896 dated August 22, 2023, the Cabinet of Ministers [provided](#) that the price of gas supplied by district heating companies for the purpose of supplying heat to non-household consumers shall be determined by the quotations of the Ukrainian Energy Exchange (UEEX). This progress, however, also carries certain risks, as trading on the UEEX is currently quite concentrated (86% of gas sold is [accounted for](#) two companies – Naftogaz and Gas Transmission System Operator of Ukraine) and not representative (as of November 15, 1.08 billion cubic meters of gas were sold, about 5% of consumption), which bears a risk of price abuses.

Despite price regulation for most consumers, there were still some segments with free pricing in the reporting period. Naftogaz continued to purchase gas from private producers, but, unlike in 2022, it did so on a licensed commodity exchange, which can be considered a progress. Recall that in 2022, Naftogaz purchased gas from private producers on closed over-the-counter (OTC) platforms, which [negatively affected](#) trade transparency. At the same time, there are still problems in the unregulated market segment, including significant concentration (as proven by the above statistics on gas trading at the UEEX) and difficulty in determining pricing principles. To eliminate these problems, it is important to fully implement REMIT.

The retail market functioned without any major changes during the year, and like the market in general, it had high level of concentration (97% of [supply to households](#) is accounted for Naftogaz). At the same time, [amendments](#) to the Rules of natural gas supply adopted by the NEURC on August 8, which stipulate that the debts of a non-household consumer to current supplier is no longer an obstacle to switch the supplier, can be considered a progress.

There were both negative and positive events and trends in gas infrastructure management. In the reporting year, Naftogaz Group continued to “integrate” gas distribution system operators; as of November 2023, the number of operators under the Group’s control amounted to 19. At the same time, in the course of gaining operational control over the DSOs, it was [reported](#) on the loss of access to billing systems of previous owners, and thus loss of important information about the operators’ activities. The websites of previous DSOs, which contained important information (investment programs, reports on implementation thereof), also ceased to be available ([example](#)). This is definitely a negative trend, as it affects the transparency of activities of current DSOs and their comparability with previous operators.

Integration of DSOs with Naftogaz Group also leaves open the issue of independence of gas distribution and supply within a vertically integrated enterprise, as required by Directive 2009/73/EU. The NEURC should ensure proper control over compliance of newly created DSOs with the requirements of functional unbundling, in particular,

with regard to the “chinese wall” between operators and suppliers that are part of the vertically integrated enterprise. For example, within Naftogaz Group, there is now “[full interaction](#)” between the call centers of suppliers and distribution operators, which may result in the exchange of sensitive information between these entities.

On the other hand, on April 7, 2022, the NEURC made [final decision to certify](#) storage operator Ukrtransgaz JSC, as required by Regulation (EU) 2022/1032. The decision was [confirmed](#) by the relevant opinion of the Energy Community Secretariat. Certification is an important positive development, as it confirms that Ukrtransgaz’s activities as a storage operator, its ownership and control relations do not pose risks to security of gas supplies. This increases trust to the operator, including among foreign users who have [accumulated](#) more than 2 billion cubic meters of natural gas in the Ukrainian underground gas storage facilities.

Significant progress has also been made in corporate reform of Gas Transmission System Operator of Ukraine LLC (GTSOU) and the transition to the target model of a single company without mediation of Main Gas Pipelines of Ukraine JSC with the transfer of GTSOU shares directly to the Ministry of Energy. On July 28, a special law was adopted for this purpose. As of November 2023, GTSOU shares have already been [transferred](#) to the Ministry of Energy and the operator’s supervisory board has been [formed](#). At the same time, [according to](#) people’s deputies, one of the members of the supervisory board was appointed in violation of the current TSO charter, which prohibits the officials of the Ministry of Energy from being members of the TSO’s management bodies. To avoid recertification of the Operator, it is important to eliminate relevant violations.

There was also some progress in cross-border gas trade and transportation in the reporting period. Thus, the GTSOU carried out the procedure for increasing capacity at cross-border connection points between Ukraine and Poland in accordance with the requirements of Commission Regulation (EU) 2017/459. The draft [proposal](#) for capacity increase [was approved](#) by the NEURC on April 23. On July 3, 2023, binding auctions for the allocation of new (incremental) capacity of connection points [took place](#), which, however, did not result in the obligation of transportation customers for a new (incremental) capacity. As a result, on October 30, GTSOU and Polish operator GAZ-SYSTEM announced [repeated public consultations](#) on an updated project to increase transmission capacity between Ukraine and Poland. In addition, GTSOU [provided an opportunity](#) to transport gas in the Ukrainian gas system through interconnection point “Oleksivka”, which opens up additional opportunities for gas transmission from the Moldovan direction – both for gas storage in the Ukrainian storage facilities and for transit to other countries.

In the reporting year, there was also a limited progress in the development of renewable gas markets, including biomethane. On April 12, the first biomethane plant with a capacity of 330 cubic meters per hour [was commissioned](#). New capacities are also expected to be connected to both distribution and transmission systems. There have also been changes in the regulation of the biomethane market – the NEURC [has amended](#) the distribution and transmission systems codes to allow the installation of reverse flow compressors at the border of the distribution and transmission systems, which would allow gas to be pumped from gas distribution system to gas transmission system. This is important for biomethane plants to operate at full capacity throughout the calendar year.

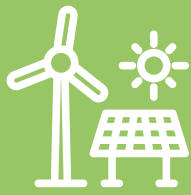
At the same time, the issue of ensuring the biomethane export from Ukraine remains unresolved, as it is currently the only option for economically viable sales of the produced resource. A draft law aimed at [addressing](#) these issues has not yet been adopted.

In the oil and liquid fuels market, the key event in the reporting year was the adoption of the Law “On Minimum Reserves of Oil and Petroleum Products”, which implements Council Directive 2009/119/EU into Ukrainian legislation. The Law defines the legal, organizational and economic framework for the establishment and operation of the system of minimum oil and petroleum products reserves in Ukraine. The adoption of the law is important for ensuring the security of oil and petroleum products supply in the event of a supply crisis. At the same time, as the law itself provides, it will become effective only 12 months after its entry into force. In addition, the full implementation of the law requires the adoption of a number of bylaws, including the Action Plan to overcome the crisis situation on the Ukrainian oil and petroleum products market, the Procedure for the establishment, management and operation of the system of minimum reserves of oil and petroleum products in Ukraine, etc.

EU POLICY

In 2023, the EU's efforts were aimed at implementation of the [electricity market reform](#) envisaged by two draft Regulations. Amendments are proposed to a number of EU acts regulating the electricity market, in particular Directives (EU) 2019/944 and 2018/2001, Regulations (EU) 2019/943, 2019/942, 1227/2011. The amendments are aimed at creating opportunities for faster deployment of renewable energy capacities, more active development of flexibility services (demand management, storage), and reducing the impact of price fluctuations in short-term electricity markets on consumers and suppliers. On October 17, the EU Council [agreed](#) on a general approach to the reform, which opened the way for the EU Council and the European Parliament to begin negotiations on the final adoption of the act.

On July 25, the EU Council [adopted](#) the Alternative Fuel Infrastructure Regulation (AFIR), which provides for mandatory targets for the establishment of charging and refueling infrastructure for various types of vehicles and fuels.



RENEWABLE ENERGY SOURCES (RES)

SUMMARY

It has been a year and a half since Ukraine was granted the EU candidate status, as well as the list of reforms to be implemented in the near future, including in the energy sector. On November 8, in a published [report](#) assessing Ukraine's progress in meeting the EU membership criteria, the European Commission noted the resilience of critical energy infrastructure despite Russian attacks and transformation of the energy sector, despite the war and enormous destructions. At the same time, in the renewable energy sector, Ukraine is encouraged to promote the transition to renewable energy and green transformation and to implement policy measures to encourage investment in renewable energy production. Although there is a desire to develop the sector in line with European policies, uncertainty about ambitions remains a challenge.

RECOMMENDATIONS

The Government of Ukraine (Ministry of Energy):

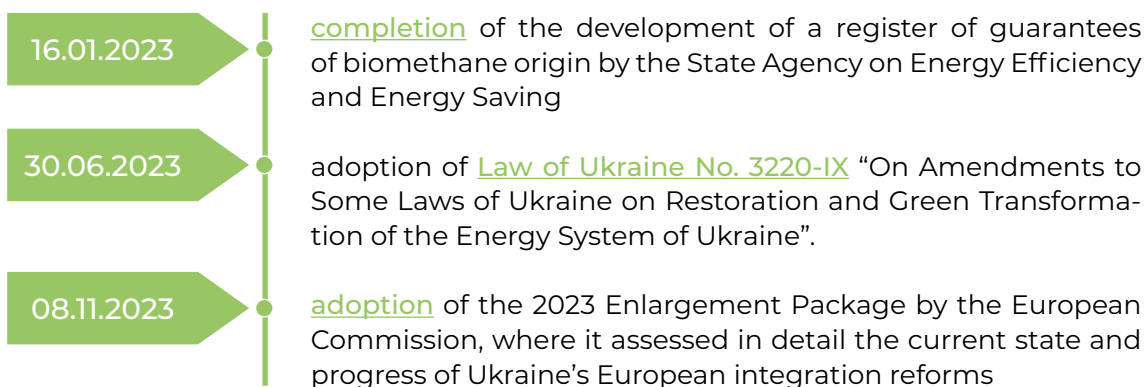
- approve national RES development targets until 2030, taking into account the policies and updated targets of the EU Renewable Energy Directive (RED III) and Energy Community targets
- develop and approve a National Energy and Climate Plan with ambitious targets for the RES sector;
- review and adopt the draft National Renewable Energy Action Plan for the period up to 2030.

The Government of Ukraine (Ministry of Infrastructure, Ministry of Energy), State Agency on Energy Efficiency and Energy Saving: as part of fulfillment of obligations under the Energy Community Treaty to bring the regulatory framework for the use of RES in line with the requirements of EU Directive 2018/2001, take into account the updated EU targets and policies for the development of the sector, in particular, take into account Directive 2023/2413 of the European Parliament and of the Council of October 18, 2023.

The Government of Ukraine: in order to increase transparency and vision of the sector's development ambitions, taking into account the sensitivity of information during the period of martial law, ensure publication of main targets of the Energy Strategy until 2050.

The Government of Ukraine (Ministry of Energy), NEURC: continue work on creation of a mechanism for guaranteeing the origin of electricity from RES, in particular, on the registry and launch the market for guarantees of electricity origin from RES.

TIMELINE



Main events

On November 8, in a published report assessing the progress achieved by Ukraine in compliance with the EU membership criteria, the European Commission noted a good level of preparation and some progress in the energy sector, despite Russian attacks and destructions, particularly in the energy sector. However, the European Commission also noted a decrease in transparency and independence of stakeholders in the sector and provided a number of recommendations for implementation. Regarding the RES sector, Ukraine is recommended to:

- promote the transition to renewable energy sources and green transformation: adopt an ambitious National Energy and Climate Plan in line with the Energy Community's targets in the field of energy and climate by 2030;

- implement policies to encourage investment in renewable energy production, including market-based renewable energy support schemes in line with Directive (EU) 2018/2001;
- continue work on creation of a mechanism of guarantees of the origin of electricity from RES, including a register of guarantees, and ensure free circulation of such guarantees.

On February 14, 2023, the government [redistributed](#) powers in the field of renewable energy and energy efficiency among the Ministry of Regional Development, the Ministry of Energy and the State Agency on Energy Efficiency and Energy Saving. In particular, the Ministry of Regional Development is responsible for ensuring the formation and implementation of state policy in the field of efficient use of fuel and energy resources, liquid and solid alternative fuels, energy saving and energy efficiency. At the same time, the Ministry of Energy fulfills functions of ensuring the formation and implementation of state policy in the field of renewable energy sources and gaseous alternative fuels. It is established that the State Agency on Energy Efficiency and Energy Saving implements the state policy in the field of efficient use of fuel and energy resources, alternative fuels, energy efficiency and energy saving.

The biggest achievement of the reporting period in RES sector is adoption of [Law No. 3220-IX](#) “On Amendments to Some Laws of Ukraine on Restoration and Green Transformation of Energy System of Ukraine” on June 30, 2023. The Law provides for comprehensive changes in operation of the electricity market, solving existing market problems and implementing European RES incentive mechanisms in line with EU and EGD policies.

New mechanisms to stimulate the sector’s development are to be introduced, in particular:

- feed-in-premium;
- contracts for difference;
- net billing;
- guarantees of the origin of electricity from RES.

Thus, in the near future, a lot of work will need to be done and regulations will need to be adopted to implement innovations, in particular with regard to the mechanism for guaranteeing the origin of electricity from RES. Thus, on October 31, the NEURC [published](#) a draft resolution “On Approval of the Procedure for Formation and Maintenance of the Register of Electricity Facilities and Electrical Installations of Consumers (including Active Consumers) Using Alternative Energy Sources for Electricity Production”, which indicates the start of work. And on November 8, the Ministry of Energy [published](#) a draft resolution of the Cabinet of Ministers of Ukraine “On the introduction of guarantees of the origin of electricity produced from renewable energy sources”.

Meanwhile, in early May, the Ukrainian government [approved](#) the Energy Strategy until 2050. [Reportedly](#), the document reflects the EGD goals and takes into account Ukraine’s international commitments to energy efficiency and use of renewable energy sources, as well as greenhouse gas emission reduction. However, neither the text of the strategy nor main RES targets, which would serve as a guide for both national companies and international investors, are publicly available.

The reporting period was also marked by a number of partnerships to stimulate the sector's development, in particular:

- On February 1, the Ministry of Energy of Ukraine and the Federal Ministry for Climate, Environment, Energy, Mobility, Innovations and Technologies of the Republic of Austria **signed** a Memorandum of Partnership in the field of energy transition and renewable energy. The parties have identified the exchange of experience in the energy transition, acceleration of the deployment and use of renewable hydrogen, biogas and biomethane as priorities.
- On February 3, the Government of Ukraine and the European Commission **signed** a Memorandum of Strategic Partnership in the areas of biomethane, hydrogen and other synthetic gases to deepen cooperation in the development of renewable energy, in particular, clean, sustainable gases and their derivatives, as well as to synchronize efforts to accelerate green transition. On the same day, the state-owned Ukgasbank **joined** the European Clean Hydrogen Alliance to cooperate with leading EU countries in financing green hydrogen projects. The bank **is reported** to have already received several hydrogen projects, including projects for the production of clean hydrogen, its logistics, and the development of urban transport using hydrogen fuel cells.
- On October 24, Ukrhydroenergo PrJSC and German company Andritz Hydro GmbH **signed** a Memorandum of Cooperation within the framework of Germany's national hydrogen strategy program. The companies will cooperate for three years to develop and implement projects for the production of green hydrogen in Ukraine.

In addition, during the year, Ukraine received assistance from international partners to support the sustainability of the sector and to promote the development of renewable energy sources:

- On March 3, the European Commission, jointly with the Italian energy company Enel, **launched** the Ray of Hope project, which provides for the provision of 5,700 photovoltaic panels to Ukraine. It was reported that the solar panels with a total capacity of about 2 MW would cover up to 11.4 thousand m² of roofs, provide stable energy supply to public buildings, i.e. provide power to hospitals, fire stations, and schools. On March 21, the Ministry of Health published information about the **start** of joint project with the Ministry of Energy and noted that panels would be installed together with hybrid inverters and energy storage facilities. However, there is no further information on the status of the project, which may indicate a delay in the installation of panels on the site.
- On March 15, 2023, the Cabinet of Ministers and the Energy Community Secretariat **signed** a memorandum of support for priority projects for the construction and reconstruction of Ukraine's energy infrastructure, as well as support for restoration of renewable energy facilities.
- In May, Ukraine and Germany **launched** an 18-month project called Renewable Energy Sources for Sustainable Ukraine (R2U) for Ukrainian communities. The project will select up to 20 communities to conduct energy audits of critical infrastructure buildings for further provision of renewable energy sources thereto.
- On October 23, the Ministry of Energy **announced** that it would soon receive solar panels from the Japan International Cooperation Agency (JICA).
- At the initiative of the Ministry of Energy, Ukraine and the International Finance Corporation (IFC) **are planning** to implement a project that will help attract investment to stimulate the development of energy storage systems.

In addition, in early July, the Cabinet of Ministers of Ukraine adopted an [order](#) approving amendments to the action plan for fulfillment of obligations under the Energy Community Treaty. According to the [document](#), the Ministry of Infrastructure, the State Agency on Energy Efficiency and Energy Saving and the Ministry of Energy should bring the regulatory framework in the field of the use of renewable energy sources in line with the requirements of Directive (EU) 2018/2001 by December 31, 2024.

EU POLICY

In 2023, the EU focused on strengthening the targets and accelerating the deployment of renewable energy sources, building strategic partnerships to achieve climate targets and the use of green hydrogen potential.

The most significant achievement of the year was the [update](#) of the Renewable Energy Directive (REDIII), setting the mandatory target share of renewable energy in final energy consumption at 42.5% until 2030, but with an indicative increase up to 45%. Thus, on October 31, the EU Official Journal published [Directive \(EU\) 2023/2413 of October 18, 2023 amending Directive \(EU\) 2018/2001, Regulation \(EU\) 2018/1999 and Directive 98/70/EC](#) as regards the promotion of the use of energy from renewable sources and repealing Council Directive (EU) 2015/652. The Directive entered into force on November 20, 2023, and the EU countries have 18 months to implement relevant targets and policies in their national legislation.

At the beginning of the year, the European Commission [proposed](#) two draft delegated acts within the EGD that would define renewable hydrogen. According to these acts, hydrogen will be taken into account in the renewable energy targets of the EU member states, which in turn will give appropriate signals to investors. The delegated acts ([1](#), [2](#)) were approved and entered into force in June 2023.

In addition, in March 2023, the European Commission presented a new plan to stimulate and support investments in hydrogen production from renewable energy sources through the [EU Hydrogen Bank](#). This initiative aims to accelerate the flow of investments to achieve the EGD targets and REPowerEU. In August, the European Commission [published the Rules and Conditions](#) for a pilot [auction](#) for renewable hydrogen production in the European Economic Area (EEA).

On September 29, the first successful tender under the EU renewable energy financing mechanism [was held](#). This mechanism is provided for by Regulation (EU) 1999/2018 and Implementing Regulation (EU) 2020/1294 as one of the ways to realize the potential of international cooperation in the implementation of renewable energy projects.

The European Commission also [published](#) recommendations to the EU member states on the promotion of innovations, technologies, and creation of energy storage capacities.

Moreover, during the year, the EU actively worked on bilateral partnerships on renewable energy, hydrogen, and energy efficiency to achieve the target of climate neutrality by 2050. Thus, a number of memorandums of understanding were signed with Latin American and Caribbean countries, including [Argentina](#), [Uruguay](#), [Chile](#), [Honduras](#), [El Salvador](#), [Ecuador](#), and [the Republic of Tunisia](#).



ENERGY EFFICIENCY

SUMMARY

In Ukraine, the war did not prevent the implementation of energy efficiency policies and projects, mainly to maintain stability of the power grid and rebuild both the residential sector and public buildings. The projects launched in 2022 are pending, new programs and funds are being initiated, and despite slow pace the government is still working to update ecodesign requirements in line with the EU requirements.

However, some issues remain unresolved, as emphasized by the EU. Ukraine needs to continue working on the development of highly efficient cogeneration, resume work on technical regulations on energy labeling and ecodesign, taking into account the EU plans, and start working on the introduction of mandatory energy efficiency criteria for public procurement.

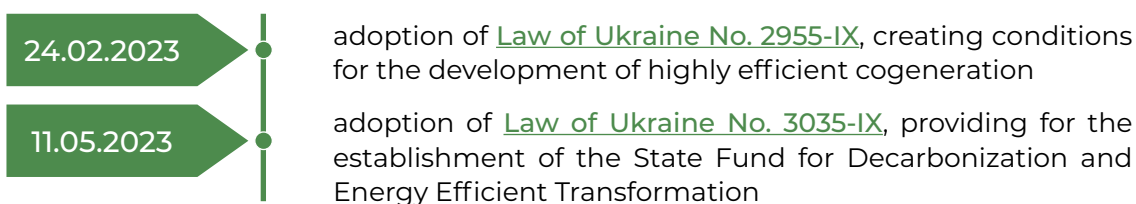
RECOMMENDATIONS

The Government of Ukraine (Ministry of Energy):

- take into account the EU's increased energy efficiency targets, in particular, as part of the development of an action plan for the implementation of the National Energy Efficiency Action Plan for the period after 2023;
- ensure the adoption of regulatory acts necessary to implement the provisions of Law No. 2955-IX, which creates legal conditions for the development of highly efficient cogeneration;
- keep track of the updated EU energy efficiency targets as part of the revision of the EU Energy Efficiency Directive when developing the regulatory framework for the implementation of the law on the development of highly efficient cogeneration.

The Government of Ukraine (Ministry of Energy), State Agency on Energy Efficiency and Energy Saving: resume work on technical regulations on energy labeling and ecodesign, taking into account the EU's plans to amend the ecodesign regulation for environmentally friendly products, in particular as part of the plan for the development of technical regulations. In addition, it is worth considering changes to environmental labeling in the EU and prohibition on the use of general environmental statements in product advertising, such as "eco-friendly", "natural", "biodegradable", "climate-neutral", or "eco" unless accompanied by detailed evidence in the manufacture of relevant products for export.

TIMELINE



On November 8, 2023, in a [report](#) assessing Ukraine's progress towards meeting the EU membership criteria, the European Commission positively noted Ukraine's progress in harmonizing its legislation with the European one in the areas of energy efficiency, commercial heat metering, ecodesign and energy labeling. However, the European Commission also [called](#) for further strengthening of energy efficiency, including in the residential sector, through regulatory measures and programs of the Energy Efficiency Fund, as well as launching a reform of the district heating sector and introducing mandatory energy efficiency criteria for public procurements.

At the beginning of the year, the State Agency on Energy Efficiency and Energy Saving [finalized](#) the development of Ukraine's first register of guarantees of origin in renewable energy, namely the biomethane register. Thanks to the register, companies producing and consuming this renewable gas will be able to obtain guarantees and certificates of origin for biomethane. In addition, the State Agency on Energy Efficiency and Energy Saving [is developing](#) a number of by-laws to create a National Energy Efficiency Monitoring System. In October 2023, the State Agency on Energy Efficiency and Energy Saving of the Energy Community Secretariat began [considering](#) ways for Ukraine to join the European system of integrated energy efficiency monitoring.

On February 24, 2023, the Verkhovna Rada adopted [Law No. 2955-IX](#), which creates conditions for the development of highly efficient cogeneration. In particular, the act

introduces new qualification indicators for cogeneration plants, which will allow to ensure primary energy savings of at least 10%; proposes technological processes that will reduce the cost of electricity and heat production; and provides the customer with guarantees of electricity origin.

The new law [defines](#) a number of conditions and mechanisms for the development of highly efficient cogeneration, namely:

- bringing to the legislative level the provision of an administrative service on qualification of cogeneration plant (in accordance with the Law “On Administrative Services”);
- replacement of the existing qualification mechanism of cogeneration plants with the qualification of highly efficient cogeneration in accordance with the requirements of Directive 2012/27/EU;
- provision the customer with guarantees of the origin of electricity produced by highly efficient cogeneration plants (provisions of Directive 2012/27/EU);
- obliging the State Agency on Energy Efficiency and Energy Saving to qualify highly efficient cogeneration and issue guarantees of origin.

However, the Law itself comes into force on March 22, 2024, and by that time the Ministry of Energy must ensure the adoption of regulations necessary to implement the provisions of the Law and entry into force of those arising from the Law. Thus, within 6 months, the government had to develop and adopt a number of bylaws, including:

- resolution of the Cabinet of Ministers “On approval of the Procedure for issuing a guarantee of origin of electricity generated by highly efficient cogeneration and the Procedure for maintaining a register of guarantees of electricity origin” ([draft resolution](#) dated September 1, 2023);
- resolution of the Cabinet of Ministers “On approval of the Procedure for qualification of cogeneration plant” ([draft resolution](#) dated September 1, 2023);
- order of the Ministry of Infrastructure “On approval of the Methodology for determining the efficiency of cogeneration process” ([draft order](#) dated October 26, 2023);
- order of the Ministry of Infrastructure “On approval of the Procedure for qualification of cogeneration plant” ([draft order](#) dated October 2, 2023).

Meanwhile, on April 11, 2023, the Verkhovna Rada adopted [Law No. 3035-IX](#), which provides for the establishment of the State Fund for decarbonization and Energy Efficient Transformation. The Fund will start operating on January 1, 2024. As [noted](#), the funds that will be accumulated in the fund will be used exclusively to finance energy efficiency programs and measures, namely:

- state target programs of energy efficiency, use of renewable energy sources and alternative fuels, and decarbonization;
- compensations, cheaper loans and leasing obligations attracted by individuals and legal entities for energy efficiency measures, energy services, green projects, and CO emission reductions;
- fulfillment of debt obligations on borrowings received by the state for the implementation of investment projects of energy efficiency, renewable energy, and decarbonization.

In addition, the State Budget of Ukraine for 2024 [provides for](#) financing of the Fund in the amount of 759.2 million UAH (at the expense of revenues from the environmental tax levied on carbon dioxide emissions from stationary sources of pollution).

In its turn, the State Agency on Energy Efficiency and Energy Saving [is opening](#) decarbonization offices in the regions of Ukraine. As of mid-November, the decarbonization and energy efficiency offices were opened in the cities of Kropyvnytskyi and Dnipro. The offices are expected to become a platform for cooperation between the State Agency on Energy Efficiency and Energy Saving and local authorities in the following key areas:

- energy consumption management: implementation of energy management systems, development of local energy plans, energy certification of buildings, and energy audits;
- creation of an “energy security cushion” for the region (identification and utilization of the potential for replacement of traditional fuels, alternative heat supply, highly efficient cogeneration, biogas and biomethane production);
- attracting financial resources for energy efficient transformation of the regions (through future National Decarbonization Platform, ESCO, municipal green finance, international financial assistance, etc.);
- education and popularization of energy efficiency.

Moreover, in early July 2023, the Cabinet of Ministers approved an [order](#), amending the action plan for fulfillment of obligations under the Energy Community Treaty. According to the [document](#), the Ministry of Infrastructure, the State Agency on Energy Efficiency and Energy Saving should bring the regulatory framework in the field of energy efficiency in line with the requirements of Directive (EU) 2018/2002 by December 31, 2023.

Thus, the government has set quite ambitious targets by the end of 2023, since at the meeting of the working group on monitoring the implementation of the Law “On Energy Efficiency” it was [noted](#) that the executive authority has developed only 8 of 43 necessary regulatory acts.

As of November 2023, the State Agency on Energy Efficiency and Energy Saving has developed 16 technical regulations on energy [labeling](#) and 30 technical regulations on [ecodesign](#). However, it is worth noting that in January-November 2023, only [one](#) technical regulation was developed and adopted, which updates the ecodesign requirements for household washing machines and household washing and drying machines.

Moreover, despite the political need to improve energy efficiency and bring legislation in line with European standards, the energy efficiency in Ukraine is also viewed through the prism of the need to restore the housing stock after the war.

As part of the Energy Efficiency Fund’s activities under martial law, when banks did not give loans the condominiums, the EnergoDim program was suspended until summer 2023. In summer, the supervisory board of the Energy Efficiency Fund [approved](#) amendments to the EnergoDim program, which introduced the specifics of implementation of Package A (Light) for installation or modernization of individual heating point (mandatory) and installation of a commercial heat metering unit (if necessary).

As part of the VidnovyDim program, the Fund [received](#) more than 240 applications to the total amount of almost 500 million UAH . In particular, 200 million UAH has already been disbursed to condominiums, and 140 projects have been fully or partially completed. At the end of September 2023, the program expanded throughout Ukraine, and by the end of the year, the Fund expects to receive more than 300 new applications for participation, as well as fully restore 200 buildings. In addition, the Energy Efficiency Fund [is planning](#) to launch a new GreenDim program, designed to stimulate the use of renewable energy sources.

Main events

At the end of January 2023, Ukraine [launched](#) a program to exchange incandescent lamps for energy-saving LED lamps, funded by the EU as part of its support for Ukraine. The Ministry of Environment [stated](#) that incandescent lamps exchanged by Ukrainians for energy-saving ones will be sent for recycling: local authorities will enter into contracts with specialized companies, which will collect lamps from Ukrposhta and recycle them. All works will be funded at the expense of an environmental tax that goes to local budgets. The expected cost of recycling 1 lamp ranges from 0.5 to 1.5 UAH . So, on average, it will take about 100 million UAH to recycle 50 million lamps, excluding the logistics of delivering lamps to recycling plants.

On September 14, the selection of projects under the financial agreement “Energy Efficiency of Public Buildings in Ukraine” between Ukraine and the European Investment Bank (EIB) to implement energy efficiency measures in public buildings, including repairing damage caused by Russia’s military aggression, as well as [grant competition](#) to support the implementation of energy efficiency measures by enterprises under the project “Support for Energy Modernization of Enterprises in Wartime” [started](#).

In October 2023, the State Agency on Energy Efficiency and Energy Saving and its partners [launched](#) a project to introduce energy efficient technologies and install modern solar systems in kindergartens of the communities, and in the city of Ternopil a project for improvement of energy efficiency of educational institutions participating in the EIB's Municipal Infrastructure Development Program for Ukraine [was launched](#).

EU POLICY

In 2023, the EU’s efforts were focused on raising strategic energy efficiency targets and energy efficiency of buildings, improving the system of certification, labeling and ecodesign of products.

On July 25, as part of the EGD, Fit for 55 and REPowerEU plans, the EU approved a draft updated Energy Efficiency Directive. The act [stipulates](#) that by 2030, the EU member states must collectively reduce energy consumption by at least 11.7% (as compared to 2020). To achieve this target, the EU member states must ensure annual savings of an average of 1.49% of final energy consumption, starting from 1.3% by the end of 2025 and gradually increasing it up to 1.9% by the end of 2030.

Moreover, on August 31, the European Commission [launched](#) a new improved version of the EU Building Stock Observatory (EU BSO), a web tool that tracks energy efficiency and decarbonization data of buildings in the EU countries, which will help to increase transparency in accordance with the Energy Performance of Buildings Directive.

On June 14, 2023, the European Parliament [approved](#) by 587 votes new rules for the design, production, and disposal of all types of batteries sold in the EU. And in early November, the European Parliament [approved](#) by 544 votes a draft new Directive on improving product labeling and durability and preventing greenwashing. The act aims to push consumers to make greener choices and encourage companies to offer more durable and sustainable products.



CLIMATE POLICY

SUMMARY

In 2023, Ukraine's climate policy was developed in line with national reforms – restoration and reconstruction of Ukraine from the consequences of the war and its accession to the EU. Ukraine's cooperation with international institutions and particular countries is being established, and technical support projects are being implemented to promote reforms in climate policy and law in Ukraine. National climate issues were also presented on global platforms, in particular within the framework of COP28.

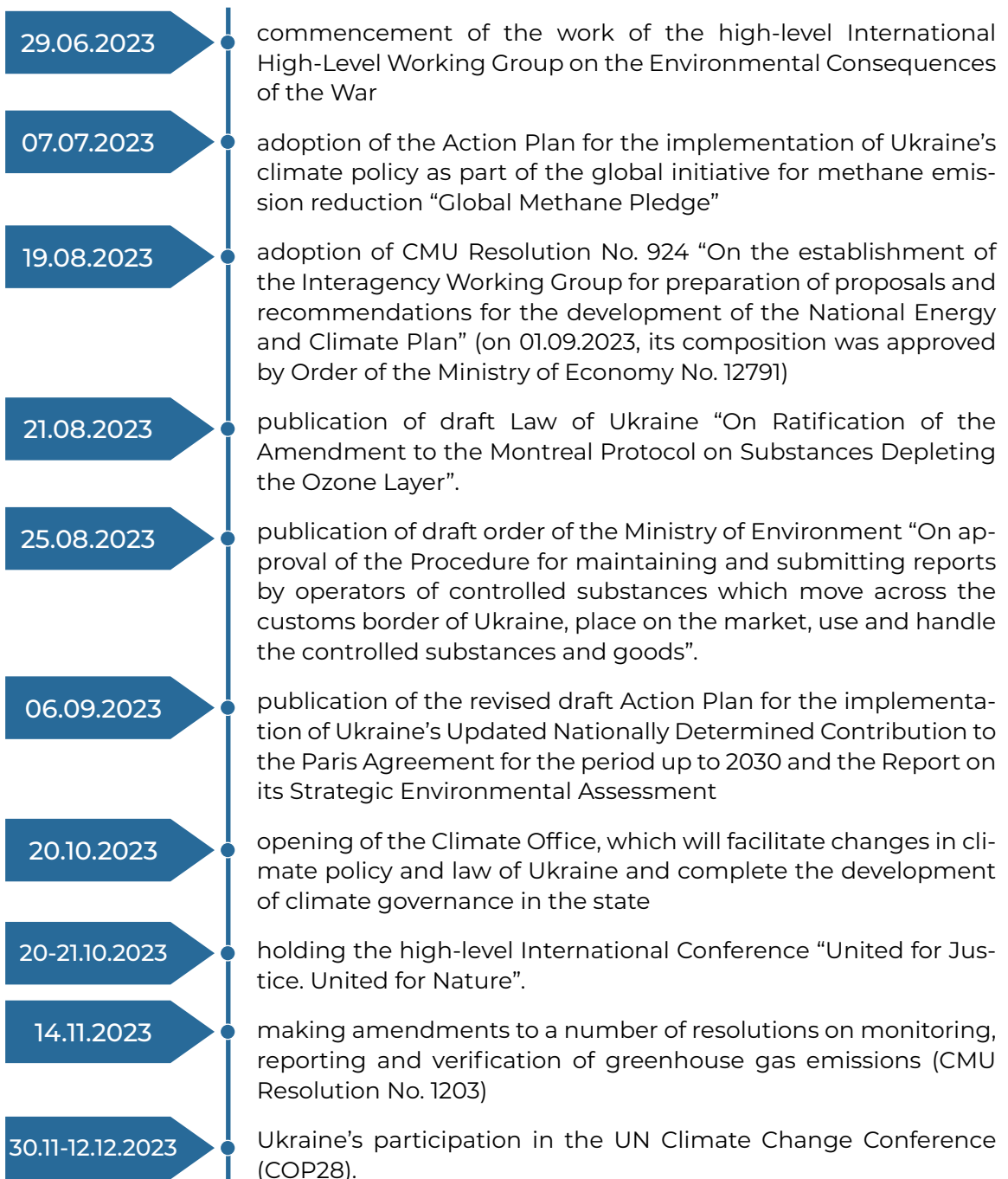
There has been no noticeable progress in the adoption of national climate legislation, including the adoption of laws that would define legally binding climate targets, a national climate governance architecture, and introduce key climate mechanisms and instruments (including an emissions trading system). In 2023, Ukraine conducted a self-assessment of the compliance of its national legislation with the EU *acquis communautaire*, including in the climate field, and its results are expected to be used to adopt a national program for adaptation to the EU legislation. The European Commission, as part of its Enlargement Report (2023), noted the limited progress in reforming Ukraine's climate policy and law.

RECOMMENDATIONS

The Government of Ukraine (Ministry of Environment), the Verkhovna Rada:

- prioritize climate reforms, identify urgent laws that need to be adopted as a matter of priority, in particular in terms of determining the national climate architecture and introducing an emission trading system. Priority reforms will require not only the adoption of necessary laws, but also the transition to their practical implementation.
- identify legislative initiatives in the field of climate that need to be developed and subsequently adopted to comply with the EU *acquis communautaire*, adopted within the framework of the EGD and Fit for 55.
- ensure that climate considerations are included in all areas of state policy and law of Ukraine, as well as in plans for reconstruction and recovery of Ukraine from the consequences of the war.

TIMELINE



In 2023, Ukraine strengthened its cooperation with international partners in promotion of the reforms in climate policy and law. Efforts were made both to strengthen institutional capacity to promote necessary reforms (in particular, the Climate Office was opened, and specialists of the Minister of Environmental were trained) and to promote specific reforms (for example, creation of the national emission trading system, development of the National Energy and Climate Plan). It is noteworthy that such reforms are promoted in close connection with the issues of recovery and reconstruction of Ukraine and Ukraine's accession to the EU. The impact of Russian armed aggression on climate, environment, human life and health, as well as green reconstruction of Ukraine on the principles of built back better - built back greener, were the leitmotif of Ukraine's participation in the UN Climate Change Conference (COP28).

Some progress in the development of legislation has been made at the level of adopting certain bylaws (changes were made to the monitoring, reporting and verification of greenhouse gas emissions, measures were approved to implement Ukraine's climate policy as part of participation in the global methane emission reduction initiative), the work continues on draft measures to implement the Updated Nationally Determined Contribution, development of the National Energy and Climate Plan, treatment of ozone depleting substances, etc. However, laws that would determine the principles, directions, mechanisms, and instruments in the field of climate have not been developed, and as a result, have not been publicly discussed, registered in the Ukrainian Parliament, and, accordingly, have not been adopted.

In 2023, the national climate policy intensified internationally, based on both bilateral or multilateral cooperation between Ukraine and specific countries and Ukraine's promotion of global initiatives.

On June 29, 2023, the [high-level International Working Group on the Environmental Consequences of War](#) began its work. The group is co-chaired by the Head of the Office of the President Andrii Yermak and the former Deputy Prime Minister and former Minister for Foreign Affairs of Sweden Margot Wallström. The main areas of the group's activity are assessment of environmental damage caused by the war, bringing Russia to justice, and green recovery of Ukraine ([Statement of the Working Group](#)). The second [meeting](#) of the working group took place on September 15. The meeting presented the [Framework Document](#), which defines the priorities and principles of its activities. Among other things, the document emphasizes the negative impact of the war on climate and achievement of climate targets. In October 2023, the working group took part in the conference "United for Justice. United for Nature", where it presented its findings and vision of measures needed to overcome the consequences of the war and further rebuild Ukraine and restore the environment.

The high-level international conference "United for Justice. United for Nature" was held in Kyiv on October 20-21, 2023. The task is to unite efforts of all stakeholders to overcome the environmental consequences of the war and hold Russia accountable for damage caused to the environment. The event included a separate plenary panel 3 "Climate Challenges in the Midst of the War" to discuss negative impact of the war on climate, damage caused, and feasibility of including it in the array of damage that Russia must compensate. The event presented the [draft International Environmental Declaration](#), which proposes common tools for assessing environmental damage and bringing aggressors to liability. Among other things, the draft document emphasizes that scale, duration and nature of the war negatively affect the results of the international community's long-term efforts to combat climate change and reduce emissions of any toxic and polluting substances.

As part of the event, the Minister of Environmental Protection and Natural Resources of Ukraine Ruslan Strilets, the EU Commissioner Virgijunis Sinkevičius and the Federal Minister of Environment, Nature Prevention, Nuclear Safety and Consumer Protection of Germany Steffi Lemke opened the [Climate Office](#). The Climate Office's activities will be aimed at support of Ukraine in the implementation of its climate policy, including development of the emission trading system in Ukraine, assisting regions and businesses in the implementation of decarbonization and adaptation projects, attracting green (climate) finance for Ukraine's post-war recovery, establishing Ukraine's cooperation under Article 6 of the Paris Agreement and joining the international carbon market, etc.

During the year, a number of joint international projects were implemented to assist Ukraine and strengthen its capacity to implement reforms in climate policy and law. For example, a new project "[Green Agenda](#)" for Armenia, Georgia, Moldova and Ukraine" (GA GUAM) was launched in October. The project will provide expert support, in particular to Ukraine, in the fulfillment of its obligations under the Paris Agreement, further integration in the EU, and synchronizing national policies with the EGD objectives. The project will develop a Roadmap for achieving climate neutrality by 2050 (the so-called "green transition action plan").

In terms of climate policy, Ukraine participated in a number of international events (e.g., the Ministry of Environment took part in the [OSCE Climate Conference](#) and the [African Climate Summit](#)) held on the eve of annual global summits of the UN Framework Convention on Climate Change. The defining event was Ukraine's participation in the UN Climate Change Conference (COP28), which took place this year in the period from November 28 to December 12. At the climate summit, Ukraine opened its [pavilion](#) for the second time, joined a number of global initiatives ([integration of climate and health](#), [recovery and peace](#), [sustainable agriculture](#), [hydrogen](#), etc.), and presented some developments in climate policy and law (in particular, [development of the National Energy and Climate Plan until 2030](#)).

For 2023, public authorities planned to take regulatory measures, including in the field of climate ([Plan of Legislative Work of the Verkhovna Rada of Ukraine for 2023](#), [Government's Priority Action Plan for 2023](#), [Work Plan of the Ministry of Environmental Protection and Natural Resources of Ukraine for 2023](#)). The plans envisage the development and adoption of a number of laws:

- laws (namely, on basic principles of Ukraine's climate policy and on ratification of the Kigali Amendment to the Montreal Protocol on Substances Depleting the Ozone Layer), but they have not been adopted;
- bylaws, some of which have been adopted, in particular, on [measures to implement Ukraine's climate policy for methane emission reduction](#) (CMU Order No. 607-r dated 07.07.2023), [requirements for training of individuals to work with ozone-depleting substances and fluorinated greenhouse gases](#) (Order of the Ministry of Environment No. 340 dated 19.05.2023). However, some key acts have not been adopted, including the action plan for the implementation of Ukraine's Updated Nationally Determined Contribution to the Paris Agreement.

In 2023, measures were taken to promote the development of climate policy and law in Ukraine. Methodological recommendations for [assessing risks and vulnerability of socio-economic sectors and natural components to climate change](#) were approved (Order of the Ministry of Environment No. 386 of 03.06.2023), and recommendations for [the development of regional environmental programs](#), which also cover climate change mitigation and adaptation, were developed. The EcoSystem service has

launched an opportunity for the enterprises to [register](#) their installations and update their data in the Register for Monitoring, Reporting and Verification of Greenhouse Gas Emissions.

Meeting the deadlines for the adoption of climate legislation is also critical given the amount of work that Ukraine will have to do as part of its accession to the EU. Ukraine has completed the process of conducting an initial assessment of the state of implementation of the EU *acquis communautaire*, which summarized results [were presented](#) in August 2023. The event [Preparing for the EU Membership: Environment and Climate Change](#) provides a summary of the results of self-assessment on the negotiation section 27, with the adoption of an act on the national greenhouse gas emission trading system among the priorities.

When developing the National Program for the implementation of the legislation of Ukraine in the EU law, the Government of Ukraine should take into account the priorities for reforming the climate legislation set out by the European Commission in the [2023 Enlargement Report](#): adoption of the climate law, development of the National Energy and Climate Plan, revision of the low-carbon development strategy, and updating national legislation in view of update of the EU *acquis communautaire* under the EGD and Fit for 55 legislative package.

In 2023, the EU adopted a number of climate acts to implement the EGD and Fit for 55 legislative package. In particular, the revised, amended and supplemented EU *acquis communautaire* on: EU ETS, effort sharing, LULUCF, raising CO2 emission standards for passenger cars, Market Stability Reserve.

New regulations have been adopted establishing the Social Climate Fund ([Regulation \(EU\) 2023/955](#)), introducing the CBAM ([Regulation \(EU\) 2023/956](#)), the FuelEU Maritime Initiative ([Regulation \(EU\) 2023/1805](#)), and the ReFuelEU Aviation Initiative ([Regulation \(EU\) 2023/2405](#)).

The process of adopting necessary acts has reached the final stage for some initiatives. For example, the European Parliament and the Council of the EU reached political agreements to tighten CO2 emission standards for heavy vehicles and reduce methane emissions in the energy sector.

On October 16, 2023, the Council of the EU approved the submission of [an updated Nationally Determined Contribution](#) of the EU and its member states to the UN Framework Convention on Climate Change – reduction of net greenhouse gas emissions by at least 55% by 2030, as compared to 1990.

EU POLICY



ENVIRONMENT AND ZERO POLLUTION

SUMMARY

Despite the armed aggression of the Russian Federation, the government and parliament tried to implement reforms in the field of environmental protection. In particular, practical measures were taken to implement the environmental monitoring reform and certain European instruments (emission and pollutant transfer register, wastewater treatment). The progress was positively assessed by the European Commission as part of its annual report on EU enlargement in November 2023. An important part of the government's activities was to draw international attention to the environmental consequences of the hostilities, especially the Kakhovka disaster. The President of Ukraine initiated the work of relevant international expert group. The Ministry of Environment made significant efforts to conduct an initial assessment of the state of compliance of environmental legislation with the European requirements (self-screening).

RECOMMENDATIONS

The Government of Ukraine (Ministry of Environment):

- ensure the implementation of the EU's recommendations made as part of annual assessment;
- approve an action plan for improvement of the capacity to implement the EU acquis communautaire and practical implementation of environmental legislation in general;
- ensure a high quality contribution to the development of the national program for adaptation of the EU legislation, taking into account the results of self-assessment and based on prioritization of relevant tasks.

TIMELINE



In 2023, Ukraine continued to implement certain European mechanisms in the field of environmental protection. This is primarily due to the EU accession process. The government made considerable efforts in the areas of digitalization and deregulation.

The Government of Ukraine has completed the second stage of [initial assessment](#) of the implementation of the EU *acquis communautaire* (self-screening), during which about 28,000 EU legal acts were processed, including 911 under Chapter 27 “Environment and Climate Change” (12 of which are considered fully implemented). In addition, the so-called [multidimensional technical dialog](#) with the EU continued. In April, the Ministry of Environment published a [report](#) on the implementation of European integration reforms in the environmental sector for 2022-2023.

The work continued on the implementation of the Directive on [industrial emissions](#), the introduction of [best available technologies](#), [chemical safety](#), creation of the National Emission and Pollutant Transfer Register, as well as the Directive on wastewater treatment.

Thus, Ukraine [has been](#) invited to join the Seville process in accordance with Article 13 of Directive 2010/75/EU on industrial emissions in the status of an observer. This process is known for the work of the relevant Bureau, which operates within the Joint Research Center (JRC). It is within this process that technical requirements for the best available techniques under the directive are agreed upon for relevant industrial sectors. The Ministry of Environment of Ukraine [continued](#) to work on translation of the EU sectoral best available methodologies, which is one of key elements of the implementation of the Directive industrial emissions in the future. On March 28, 2023, the government approved the [procedure](#) for the introduction of mandatory automated pollutant emission control systems at the enterprises. A number of civil society organizations considered this decision insufficient and [criticized](#) it.

On June 2, 2023, the Government of Ukraine [approved](#) the Procedure for Maintaining the National Emission and Pollutant Transfer Register, and in October the registration of business entities began.

On January 13, 2023, the Verkhovna Rada adopted the [Law](#) “On Wastewater Disposal in Settlements”, drafted by the Ministry of Regional Development to meet the requirements of Council Directive 91/271/EEC on treatment of urban wastewater.

In May 2023, the Ministry of Environment launched the Unified Register of Strategic Environmental Assessment in a [test](#) mode to improve access to relevant documents within the framework of the Strategic Environmental Assessment. On May 2, 2023, the government adopted relevant [resolution](#) on the procedure for its operation.

On July 13, 2023, the Verkhovna Rada adopted the law amending the environmental impact assessment procedure in Ukraine. In general, this act is aimed at deregulating the Environmental Impact Assessment, in particular, reducing the timeframe for its conduct (effective as of 29.12.2023).

In 2023, Ukraine joined important international agreements. On June 10, 2023, the Parliament [ratified](#) the Nagoya-Kuala Lumpur Additional Protocol. It was signed by our country back in 2011. The ratification of the Protocol is necessary for Ukraine to implement the Convention on Biological Diversity and the Cartagena Protocol on Biosafety. Ukraine acceded to the Minamata Convention on Mercury. The relevant law was [adopted](#) by the Verkhovna Rada on May 29, 2023.

On March 20, 2023, the Verkhovna Rada adopted the [law](#) that improves the state environmental monitoring system.

At the same time, Russia's armed aggression creates significant difficulties in the implementation of many environmental tasks. For example, in August, a number of tasks under the Marine Environmental Strategy adopted before the invasion were [postponed](#). At the same time, restoration of the Kakhovka HPP is provoking a broad debate: although the government [has approved](#) the project to restore the HPP, environmentalists [continue](#) to insist on the need to comprehensively study the issue and consider an alternative to refusal from the construction of a new reservoir.

EU POLICY

The EU bodies have shown some decrease in attention to the EGD environmental priorities, which is due to both general geopolitical challenges (including enlargement) and the upcoming European Parliament elections in June 2024. The future of key elements of the European Green Deal will depend on the elections results, and in the first half of 2024, we should expect only steps to implement the initiatives already announced.

The European Commission continued to work on the law on nature restoration, although it was significantly weakened as a result of a dramatic debate in the European Parliament. For the first time, the EU proposed measures to preserve soil, and strengthened measures to restrict the market for goods which production is associated with deforestation. At the same time, some initiatives (such as chemicals safety reform) were removed from the agenda in 2023.



WASTE AND CIRCULAR ECONOMY

SUMMARY

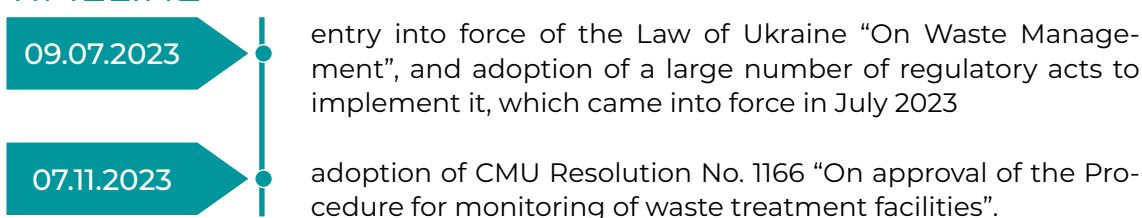
In the second quarter of 2023, the Law on waste management came into force. In this regard, the Cabinet of Ministers and the Ministry of Environment worked and continue to actively work on the development and adoption of relevant bylaws to implement the requirements of the Law. Thus, we see progress in the work on regulation of waste management which owner is not identified, classifying substances and items as by-products, and specifics of declaring the termination of waste status. The draft regulatory act on the operation of landfills, which aims to create a new approach to classification of landfills and their operation in accordance with the EU practice, can be called revolutionary. Particular attention is paid to labeling of plastic bags in order to regulate and restrict their use as required by the Law "On Restricting the Circulation of Plastic Bags in Ukraine".

RECOMMENDATIONS

The Government of Ukraine (Ministry of Environment):

- Improve current legislation on food waste management, in particular by incorporating the Law “On Waste Management”;
- Ensure that the draft Order “[On approval of the Rules for technical operation of landfills, decommissioning, reclamation and care of landfills after their decommissioning](#)” is harmonized with current state building standards, which provide for a different classification of landfills (DBN B.2.4-2-2005 Landfills for solid waste. Basic design provisions and DBN B.2.4-4-2010 Landfills for neutralization and disposal of toxic waste. Basic design provisions);
- Continue to implement the requirements of the EU *acquis communautaire* and bring national legislation into compliance, constantly monitoring the updates proposed by the European Commission.

TIMELINE



As part of the implementation of the provisions of the Law “On Waste Management”, the company is actively working on the adoption of relevant regulatory acts.

The CMU Resolution No. 667 dated June 30, 2023 “[On approval of the Procedure for the development and approval of regional waste management plans](#)” was developed and adopted pursuant to the requirements of Article 51 of the Law, provides for the approval of regional waste management plans (RWMPs), which are developed for a period of 10 years and form the basis for local waste management plans.

The approved Procedure establishes [unified approaches to strategic planning of waste management in the regions of Ukraine](#). A positive feature of the adopted document is that it outlines the optimal waste management models for each region, with actual needs, necessary infrastructure, technologies and methods.

However, experts are already pointing out the problems that may be faced by the developers (such as the Council of Ministers of the Autonomous Republic of Crimea, regional, Kyiv and Sevastopol city state administrations) in developing and approving waste management action plans:

- lack of proper program documents on the ground;
- lack of understanding at the local self-government level of where regional household waste management facilities are expected to be located;
- insufficient human resources to collect information and data from previous years and conduct relevant analysis;
- complications in determining the volume of solid waste generation and removal, and morphological composition of waste;
- existence of minimum list of regulatory documents at the local level, which will not allow for full actualization of the work on the RWMPs;
- lack of sufficient knowledge and expertise at the local level, which results in imperfect economic justification of technical proposals and measures.

The CMU Resolution No. 1166 dated November 07, 2023 “[On approval of the Procedure for monitoring of waste treatment facilities](#)” was developed to define basic requirements for the organization of monitoring of waste treatment facilities to monitor the state of the environment and the level of its possible pollution at a stationary source of pollution. The document was developed pursuant to clause 4 of part twelve of Article 42 of the Law “On Waste Management” to create a legal mechanism that is in line with the European requirements, in particular:

- Directive 2008/98/EU of the European Parliament and of the Council of November 19, 2008 on waste;
- Directive 1999/31/EU of the European Parliament and of the Council of April 26, 1999 on waste disposal;
- Directive 2010/75/EU of the European Parliament and of the Council of November 24, 2010 on industrial emissions (integrated approach to pollution prevention and control).

The CMU Resolution No. 947 dated September 5, 2023, “[On approval of the Procedure for the development, coordination and approval of local waste management plans](#)” regulates the development of local program documents containing a set of interrelated tasks and activities coordinated in terms of timing and resources with all involved actors aimed at ensuring sustainable waste management in settlements within the territorial community, taking into account the principles of cooperation between local self-governments.

The CMU Resolution No. 827 dated August 08, 2023 “[Some issues of declaring termination of waste status](#)” was developed to implement the provisions of part three of Article 8 and paragraph 3 of part one of Article 19 of the Law “On Waste Management” and the Association Agreement in order to harmonize national legislation with the EU *acquis communautaire*. Declaring termination of waste status gives owners or generators of waste an opportunity to demonstrate that:

- waste may be “fully recovered” and no longer be considered waste;
- waste can be used as a secondary resource and fulfill the same role as a primary resource that is not waste;
- fully recovered material, substance or item can be used without adverse effects on the environment or human health.

In its turn, the government [approved](#) the draft law “On Packaging and Packaging Waste” developed by the Ministry of Environment, which implements the European approaches in the Ukrainian legislation, namely Directive 94/62/EU on packaging and packaging waste, Directive 2018/852/EU amending the Directive on Packaging and Packaging Waste to facilitate the EU’s transition to circular economy.

The essence of the extended producer liability is that it is the person who manufactured packaging and products therein who must ensure its acceptance, separate collection, sorting, preparation for reuse and recovery. This means that this liability is transferred from the state to the manufacturer. This means that Ukrainians will no longer have to pay for such waste.

The document outlines new requirements for packaging to reduce the level of hazardous substances therein and to enable its further recycling. It provides for mandatory labeling of packaging, sets minimum recycling targets to be met by manufacturers every year, etc.

At the same time, the draft CMU resolution “[On approval of the Procedure for labeling plastic bags](#)” is aimed at implementation of the requirements of part two of Article

4 of the Law “On Restriction of Circulation of Plastic Bags in Ukraine”. The draft act provides for the establishment of a number of restrictions and obligations on business entities, in particular:

- for manufacturers of biodegradable plastic bags:
 - ensuring compliance with the established standards for disposal by composting or biodegradation;
 - testing a typical representative of the product range;
 - proper storage of technical information;
- for importers of biodegradable plastic bags:
 - introducing bags that meet the established standards for recycling by composting or biodegradation and are labeled;
- for distributors of biodegradable plastic bags:
 - checking the presence of labels that meet the established standards for composting or biodegradation.

Draft resolution of the Cabinet of Ministers “[On approval of Technical Requirements for the operation of waste incineration and co-combustion facilities](#)” sets out basic requirements that must be met by the enterprises that will operate stationary or mobile waste incineration and co-combustion facilities. After all, their use should not harm either the environment or human health.

For the vast majority of people, waste incineration facilities are known as “incinerators”. In fact, there is only one such plant in Ukraine, Energia, which has been operating since 1987. The conditions for waste incineration in Ukraine must comply with the European environmental safety standards, in particular the requirements of Directive 2008/98/EU on waste, Directive 2010/75/EU on industrial emissions, and the European Commission Implementing Decision 2019/2010 establishing conclusions on best available waste incineration techniques.

In the field of waste management permitting system

Draft Resolution of the Cabinet of Ministers of Ukraine “[On approval of the Procedure for issuing, refusing to issue, revoking permits for waste treatment operations](#)” regulates the procedures for issuing permits for waste treatment operations. The act is aimed at ensuring proper waste management, reducing the volume of waste generation and disposal and increasing recycling, as well as monitoring compliance with legal requirements.

Instead, the CMU draft Resolution “[On approval of licensing conditions for conducting economic activities for hazardous waste management](#)” proposes to define the list of documents required to apply for a license and to recognize the CMU Resolution No. 446 dated July 13, 2016 (current Licensing Conditions) as invalid.

In the field of operation of waste disposal places and waste management

The purpose of the CMU draft Resolution “[Some issues of classification of substances or items as by-products](#)” is to define the procedure and criteria for classifying substances or items generated during the production process as by-products in order to effectively use them as raw materials in other production or as finished products, and to prevent and minimize negative impacts on the environment and human health.

The CMU draft Resolution “[On approval of the Procedure for identification and accounting of waste which owner is not established](#)” was developed to implement the provisions of part six of Article 12 and clause 14 of part one of Article 19 of the Law

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of Ukraine “On Waste Management” for the effective management of such waste, identification of waste owner, prevention of formation, ensuring elimination of unauthorized landfills and reducing their negative impact on the environment and human health.

The draft Order of the Ministry of Environment “[On approval of the Rules for technical operation of landfills, termination of operation, reclamation and care of landfills after termination of their operation](#)” establishes uniform rules for technical operation of landfills for hazardous waste; for non-hazardous waste; for inert waste (in accordance with Article 40 of the Law “On Waste Management”). The new rules will determine:

- how each landfill should be equipped;
- what waste it can and cannot accept (for example, it will be prohibited to accept waste that has been separately collected for reuse and recycling);
- how equipment should operate at the landfill sites to comply with safety requirements;
- requirements for monitoring, measures to minimize environmental impact, laboratory control of waste, etc.

It is worth recalling that the document applies only to landfills that will accept solid bulk waste. For the rest, such as tailing pits, sludge and slag dumps, other regulations will apply, which the Ministry of Environment is currently working on.

EU POLICY

On May 15, 2023, an updated [monitoring system](#) was published to help better track progress in the EU’s transition to circular economy, reducing material consumption and waste generation.

On July 10, 2023, the EU Council adopted a new [Regulation on batteries and waste batteries](#). The Regulation will repeal current Directive 2006/66/EU on batteries and waste batteries and amend other related acts. The new act will ensure that batteries are collected, reused and recycled in Europe, and that in the future batteries will have a low carbon footprint, use minimal harmful substances, require fewer raw materials from non-EU countries, and be collected, reused and recycled in Europe to a significant extent. This will facilitate the EU’s transition to circular economy, increase security of supply of raw materials and energy, and strengthen the EU’s strategic autonomy. In line with the EGD’s circularity ambitions, the Battery Regulation is the first piece of legislation to take a full life cycle approach, where supply, production, use and recycling are addressed and enshrined in one law.

On July 5, 2023, [new EU rules were proposed](#), which were aimed at:

- the introduction of mandatory and harmonized EPR (extended producer responsibility) for textiles;
- the promotion of research and development (R&D) of innovative technologies to ensure circularity of textile sector, such as fiber-to-fiber processing;
- the prevention of practice of illegal export of waste disguised as reuse.
- The above will facilitate the implementation of new rules for separate collection of textile waste, which will become mandatory in the EU in 2025.



FINANCIAL INSTRUMENTS

SUMMARY

The year 2023 was marked by the emergence of new opportunities for financing the green post-war recovery in Ukraine from the EU and the start of activities on the part of the government to attract relevant funding. Some changes in the structure of the state budget of Ukraine were also proposed to ensure funding for decarbonization targets.

At the same time, Ukraine's progress in ensuring sustainable financing for recovery and the effective use of international assistance remains limited, as there is still a lack of systematic work on developing sustainability criteria for recovery projects and a tendency to intensively subsidize carbon-intensive industries. Moreover, the approach to reforming state aid rules, which was discussed at the legislative level in 2023, carries risks of distorting EU state aid practice, which could negatively affect the further efficiency of the use of funds.

RECOMMENDATIONS

The Government of Ukraine (Ministry of Finance, Ministry of Environment):

intensify work on developing a green taxonomy of Ukraine in accordance with the taxonomy rules applied in the EU, in particular to determine sustainability requirements for restoration projects.

The Government of Ukraine (Ministry of Finance):

improve the mechanisms for financing decarbonization measures in the state budget, in particular to ensure sufficient resources and future gradual withdrawal from intensive operational support for carbon-intensive industries and to strengthen the transformation of coal regions.

The Government of Ukraine (in particular, the Ministry of Energy):

intensify efforts to assess the necessary investments and sources of financing for the restoration of the energy sector.

The Government of Ukraine (Ministry of Education, Ministry of Environment):

inform research and scientific institutions about the possibilities of attracting funding from EU funds open to Ukraine and provide all possible organizational support.

The Verkhovna Rada of Ukraine:

ensure effective legislative control over state aid when finalizing Draft Law No. 5648 and eliminate its shortcomings that may lead to a narrowing of the scope of state aid control.

TIMELINE



The year 2023 was marked by an intensification of the discussion on financing instruments for Ukraine’s green recovery and some important steps towards securing such instruments.

In particular, in April 2023, the Verkhovna Rada adopted [Law No. 3035-IX](#), which amended the Budget Code to establish the State Fund for Decarbonization and Energy Efficiency Transformation. The fund will be filled with environmental taxes from companies and will be used to finance energy efficiency measures, the introduction of alternative energy sources and decarbonization. The support will cover both individual-level measures and public debt obligations for the implementation of decarbonization projects.

Thus, the legislative amendments follow the “polluter pays” principle and strengthen the financing of energy efficiency and decarbonization measures. At the same time, it should be noted that the environmental tax rate in Ukraine is low (UAH 30 per ton of carbon dioxide emissions), which is also significantly different from the practice of assessing the cost of emissions in Europe, where the [average tax level](#) is close to

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EUR 40 per ton. Under such conditions, the Fund is also expected to be filled at a limited level: for example, the State Budget for 2024 [provides](#) only UAH 759.2 million, which makes it impossible to effectively implement decarbonization measures in Ukraine at the expense of the Fund alone. For comparison, the same State Budget for 2024 provides for intensive support for the coal industry at the level of UAH 3.8 billion.

In May 2023, the European Commission proposed the creation of a separate instrument to finance green recovery measures in Ukraine, the so-called [Ukraine Facility](#), with a volume of up to €50 billion. In June 2023, the relevant [draft EU Regulation](#) was published, providing for general objectives and principles, sources of funding, and an approach to planning activities to be financed by the Ukraine Facility.

The project “Integration of Sustainable Development in Ukraine in line with the European Green Deal” analyzed in detail the provisions of the draft Regulation and expressed its [vision](#) of improving transparency and accountability mechanisms, which was submitted to the European Commission. It should be noted that key document that will determine the areas of investment and necessary reforms is the so-called Ukraine Plan, which was developed by the Government of Ukraine for further evaluation by the European Commission and approval by the EU Council. The work on the Ukraine Plan was launched in the third quarter of 2023, and at the end of the year, working discussions with domestic and international stakeholders on the document were ongoing.

The year 2023 was also marked by continued discussions on amendments to the legislation on state aid to business entities in Ukraine. Thus, relevant committee of the Verkhovna Rada elaborated Draft [Law No. 5648](#), which provides for the harmonization of legislative provisions with relevant provisions of the EU *acquis communautaire* and reduces the burden on the AMCU in reviewing and approving the state aid. Despite the general need to strengthen the harmonization of Ukrainian and EU *acquis communautaire* in the field of state aid, some of the proposed changes are controversial in terms of their impact on the effectiveness of state aid control. In particular, there is uncertainty as to when public authorities and local self-governments may determine cases of services of general economic interest using a broad definition of this concept.

Questions also arise as to the feasibility of the proposed establishment of a high de minimis aid threshold (up to which aid is automatically recognized as legal): at the level of the EU legislation threshold of EUR 200,000 (about UAH 8 million) and EUR 500,000 (about UAH 20 million) for aid in case of services of general economic interest. In the realities of Ukraine's economy, such amounts may have a much greater impact than in cases where the impact on the entire EU economy is concerned. The proposed amendments need to be carefully reviewed to avoid distorting the European practice of state aid control.

In 2023, there were a significant number of changes at the EU level in the development of financial instruments needed to finance EGD activities.

For example, at the beginning of the year, the EU adopted the [Green Deal Industrial Plan](#), which launches a new approach to the EU's industrial transformation with a focus on the transition to zero-emission industrial technologies. The focus is on areas that traditionally produce significant greenhouse gas emissions: power generation, energy and transportation infrastructure, and manufacturing industries. The plan provides for significant funding and support for the development of new technologies, which is necessary to strengthen the EU's advantage in global competition in technologies that contribute to the transition to climate neutrality and reduce dependence on imports of such technologies.

In 2023, the [Temporary Framework](#) for State Aid was extended in response to the energy crisis caused by Russia's full-scale invasion of Ukraine. In particular, the rules for compensation of energy prices to companies were revised to cover only those prices that exceeded the level before the full-scale invasion and led to a significant deterioration in profitability. The European Commission also decided to [amend](#) the state aid legislation to stimulate energy efficiency measures and the introduction of new green technologies and the development of renewable energy sources. In general, there is a tendency to move away from crisis assistance in favor of aid that promotes the long-term transformation of the EU economy and energy sector, in particular in accordance with the provisions of the REPowerEU plan.

In addition, the European Commission has approved a number of [Recovery and Resilience](#) Plans developed by the EU member states to ensure green transformation measures at the national level and to implement the targets of the REPowerEU plan through the NextGenerationEU tool.

In 2023, the European Commission also proposed the so-called [Sustainable Finance Package](#), which included a draft Regulation on the rules for authorization and register of ESG rating service providers and monitoring of their activities by the European Securities and Markets Authority (ESMA), as well as the Delegated Environmental Act within the EU Taxonomy and amendments to the Sustainability Disclosure Regulation, which defines criteria for assessing economic activities in accordance with the sustainable use and protection of water and marine resources; transition to circular economy; prevention and control of emissions; protection and restoration of biodiversity and ecosystems, as well as disclosure requirements in relation to these criteria.