

# UKRAINE AND THE ASSOCIATION AGREEMENT IN ENERGY SECTOR: IMPLEMENTATION MONITORING - 2017

Brussels, April 25

# UKRAINE IS MOVING FORWARD, BUT THE SPEED FALLS



## UKRAINE IS MOVING FORWARD...

- ◆ Law on Electricity Market
- ◆ Law on Environmental Impact Assessment
- ◆ Legislation on Energy Efficiency
- ◆ Corporate governance reform
- ◆ More disclosure of informatio

## ...BUT THE SPEED FALLS

- ◆ Delay in election of new Members of Regulator
- ◆ Delay in launch of Energy Efficiency Fund
- ◆ Delay in liberalization of gas market
- ◆ Delays in publications of Action Plans on AA
- ◆ implementation, Energy Strategy, NERP



## OVERALL ASSESSMENT – AS OF DECEMBER 2017

### GAS

46

### ELECTRICITY AND NUCLEAR SAFETY

20

### ENERGY EFFICIENCY AND SOCIAL ISSUES

58

### ENVIRONMENT AND RENEWABLE ENERGY SOURCES

24

### OIL

18

### BUSINESS CLIMATE

44

0

100 points

## MAIN TRAFFIC JAMS:



UNBUNDLING NAK NAGTOGAZ

LAUNCH OF NEW ELECTRICITY MARKET MODEL

MODEL OF OIL RESERVES

SUBSIDIES MONETIZATION

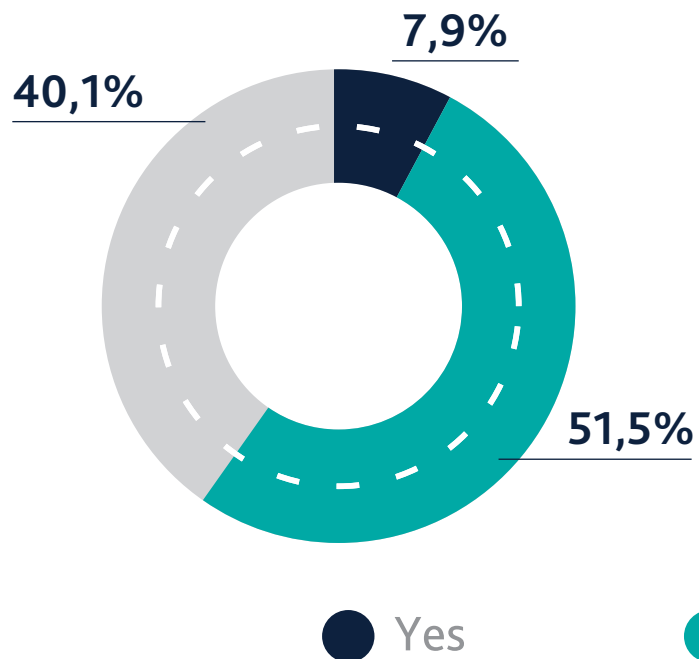
COMPLIANCE with the EU DIRECTIVES on ENVIRONMENT

LAUNCH OF NEW ENERGY REGULATOR

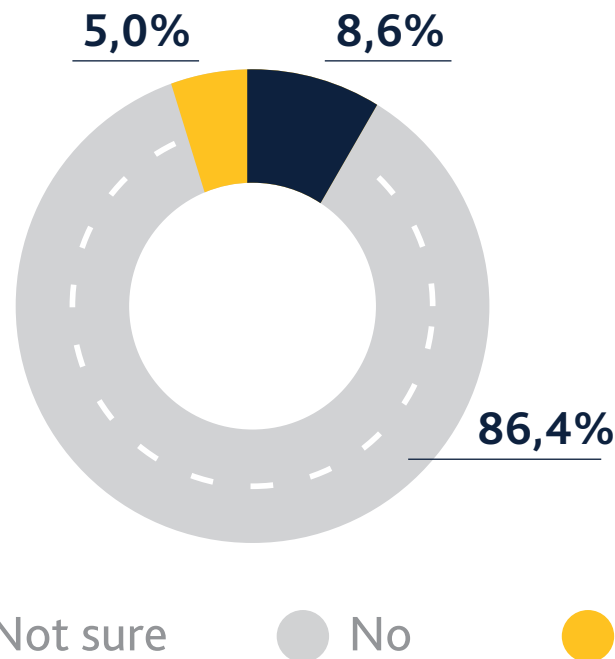
# TRANSPARENCY AND ACCOUNTABILITY – COMMUNICATION WITH CONSUMERS



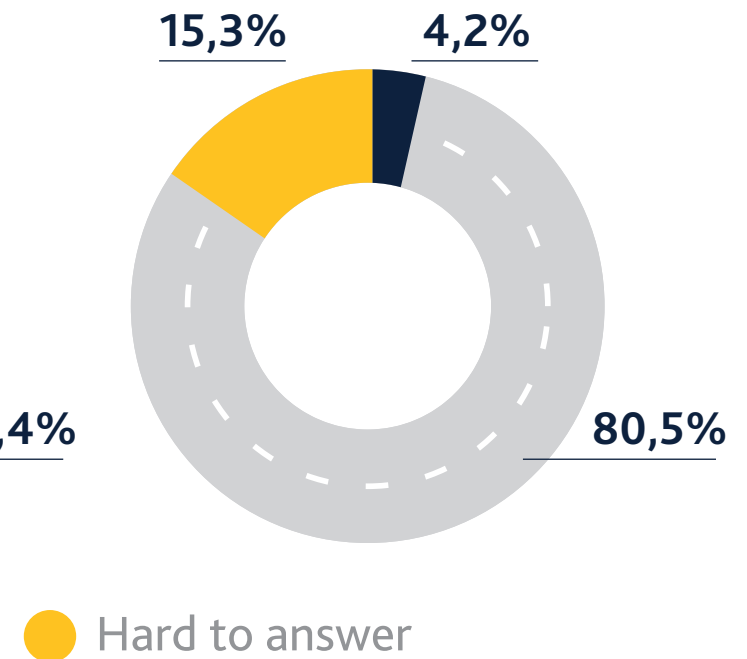
DO YOU KNOW WHAT  
TARIFFS CONSIST OF?



DID YOU RECEIVE ANY  
REPORT FROM SUPPLIER  
DURING A YEAR?



DO YOU THINK MONEY IN  
ENERGY SECTOR USED IN  
TRANSPARENT WAY?



● Yes ● Not sure ● No ● Hard to answer

Opinion poll made by Democratic Initiatives Foundation in October, 2017 under the "Transparency Energy" project

## ELECTRICITY MARKET REFORM (1)



**13 APRIL 2017**

Law of Ukraine On the Electricity Market adopted.



**11 JUNE 2017**

The Law came into force after it was signed by the President of Ukraine.



**15 SEPTEMBER 2017**

Coordination Center on new electricity market started, under the leadership of Vice Prime Minister Volodymyr Kistion.



**End of 2017, FEBRUARY 2018**

First package of secondary legislation on Law of Electricity Market was adopted by NEURC . Starting March, 23 NEURC has no quorum again.



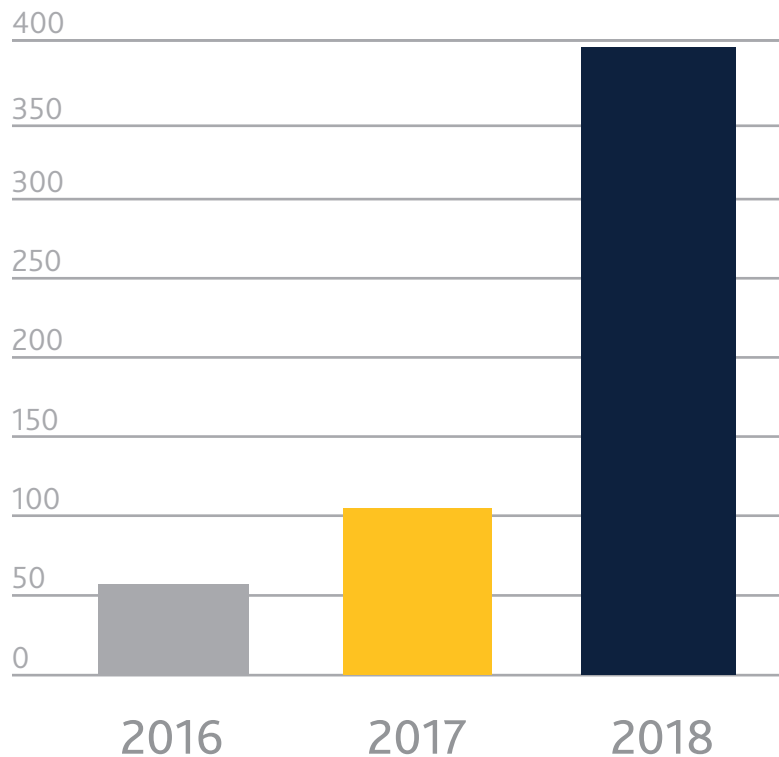
## ELECTRICITY MARKET REFORM (2)

- ◆ Debt problem, minimizing cross-subsidization
- ◆ Reform of Transmission System Operator (TSO)
- ◆ Separation of activities for distribution from those for electricity supply

# REFORM OF ENERGY REGULATOR



## FINANCIAL INDEPENDENCE



Law on Energy Regulator was adopted in November 2016

New Members of Regulator should be chosen through the competition process

Nomination Commission - 2 representatives from Parliament, 2 - from President, 1 - from Government

Rotation period - May 2017, November 2017, May 2018



## GAS MARKET – STATE OF PLAY



### COMPETITIVE SEGMENT LIBERALIZATION

- ◆ min 33.5% fully competitive (400+ licensed suppliers, 50+ importers and traders)
- ◆ spot: 130 companies, 800 deals, 180 mcm traded since Dec'2017 (UEEX)

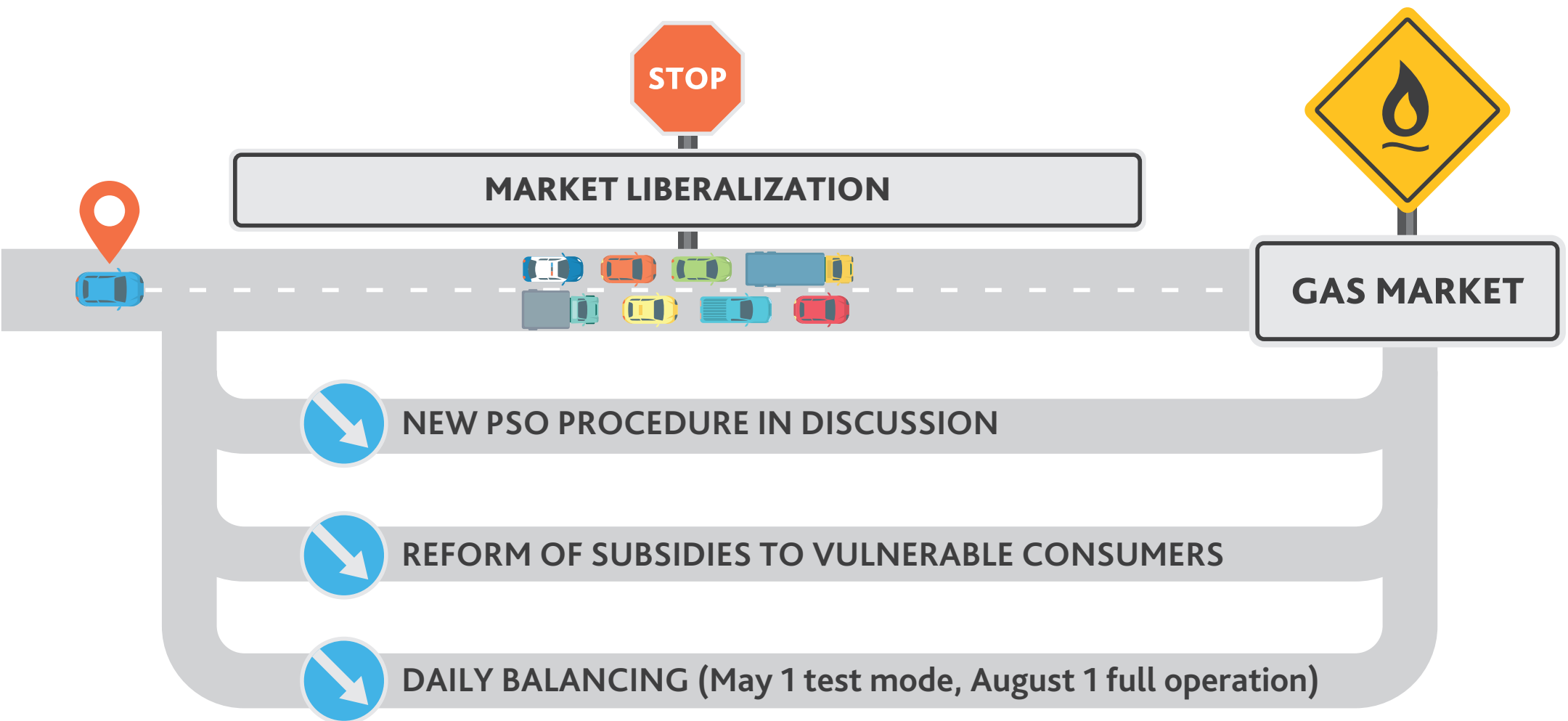
### NAFTOGAZ UNBUNDLING ON PAUSE

- ◆ Support for MGU as new TSO
- ◆ Arbitration with Gazprom as a barrier

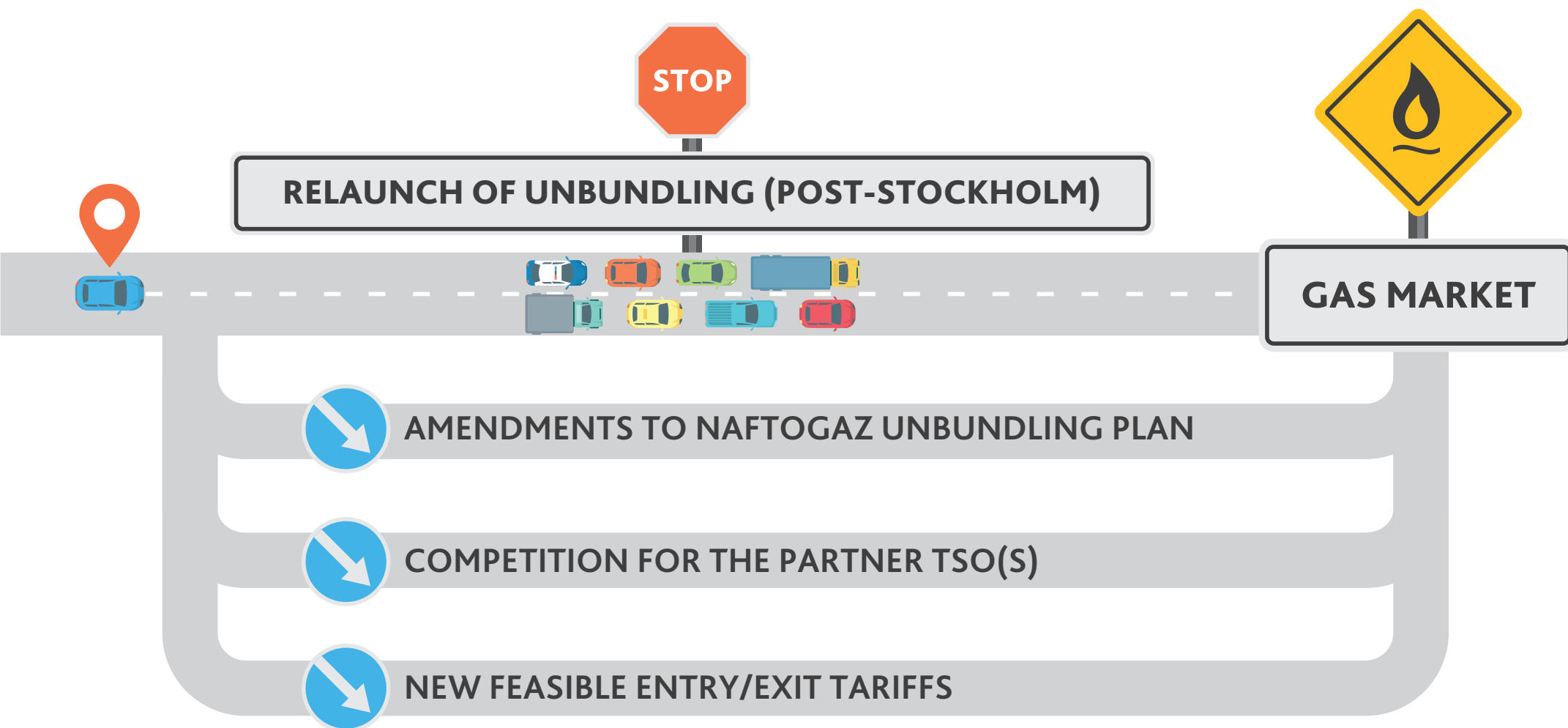
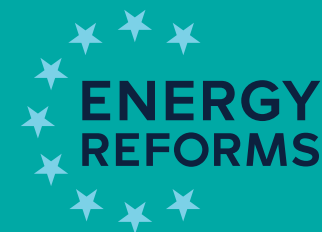
### SEVERAL ISSUES RESOLVED

- ◆ Individual and collective gas metering
- ◆ Use of state-owned distribution assets
- ◆ VTP for producers, improved CAM for storages, daily balancing
- ◆ Energy units, minimum standards for consumer service and supply
- ◆ Customs storage for up to 3 years

# GAS MARKET – “JAMS” TO CROSS



# GAS MARKET – “JAMS” TO CROSS



## GAS MARKET – SECURITY COOPERATION

### SECURITY OF SUPPLY MEASURES APPLIED IN MARCH 2018

- ◆ Early Warning Mechanism fully functional
- ◆ Lessons learnt from supply disruption

### DECISION IN THE EC ANTITRUST CASE ON GAZPROM PENDING

- ◆ Naftogaz arbitration cases and aftermath to be considered
- ◆ Proportionate remedies expected

### AMENDMENTS TO THE GAS DIRECTIVE

- ◆ EP-Council negotiations

### NEGOTIATIONS ON NORD STREAM 2 / UA GAS TRANSIT

- ◆ Security and political implications, guaranteed transit volumes via Ukraine
- ◆ EU regulations to fully apply for transit 2020 onwards

### ENERGY UNION+ INITIATIVES

- ◆ Joint forecasting and crisis response planning
- ◆ UA/PL interconnector development

THANK YOU  
FOR ATTENTION!