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

Brussels, April 25
UKRAINE IS MOVING FORWARD...

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

...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

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0 – 100 points
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**MAIN TRAFFIC JAMS:**

1. **UNBUNDLING NAK NAGTOGAZ**
2. **LAUNCH OF NEW ELECTRICITY MARKET MODEL**
3. **MODEL OF OIL RESERVES**
4. **SUBSIDIES MONETIZATION**
5. **COMPLIANCE with the EU DIRECTIVES on ENVIRONMENT**
6. **LAUNCH OF NEW ENERGY REGULATOR**
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TRANSPARENCY AND ACCOUNTABILITY – COMMUNICATION WITH CONSUMERS

**DO YOU KNOW WHAT TARIFFS CONSIST OF?**
- Yes: 40.1%
- Not sure: 51.5%
- No: 7.9%

**DID YOU RECEIVE ANY REPORT FROM SUPPLIER DURING A YEAR?**
- Yes: 5.0%
- Not sure: 8.6%
- No: 86.4%

**DO YOU THINK MONEY IN ENERGY SECTOR USED IN TRANSPARENT WAY?**
- Yes: 15.3%
- Not sure: 4.2%
- No: 80.5%

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

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
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
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**GAS MARKET – “JAMS” TO CROSS**

- Market liberalization
- New PSO procedure in discussion
- Reform of subsidies to vulnerable consumers
- Daily balancing (May 1 test mode, August 1 full operation)
GAS MARKET – “JAMS” TO CROSS

- STOP
- RELAUNCH OF UNBUNDLING (POST-STOCKHOLM)

- AMENDMENTS TO NAFTOGAZ UNBUNDLING PLAN
- COMPETITION FOR THE PARTNER TSO(S)
- NEW FEASIBLE ENTRY/EXIT TARIFFS
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!

This publication was created within the framework of the project “Enhancing impact of civil society in monitoring and policy dialogue on energy and related sectors’ reforms in line with the Association Agreement implementation”, aiming at strengthening the role of civil society in advocating reforms in the energy and related sectors. The project is funded by the EU and co-funded by the International Renaissance Foundation, it is implemented by NGO “DIXI GROUP” together with project partners, Civil Network “OPORA”, All-Ukrainian NGO “Energy Association of Ukraine”, Resource & Analysis Center “Society and Environment”, Association “European-Ukrainian Energy Agency.”