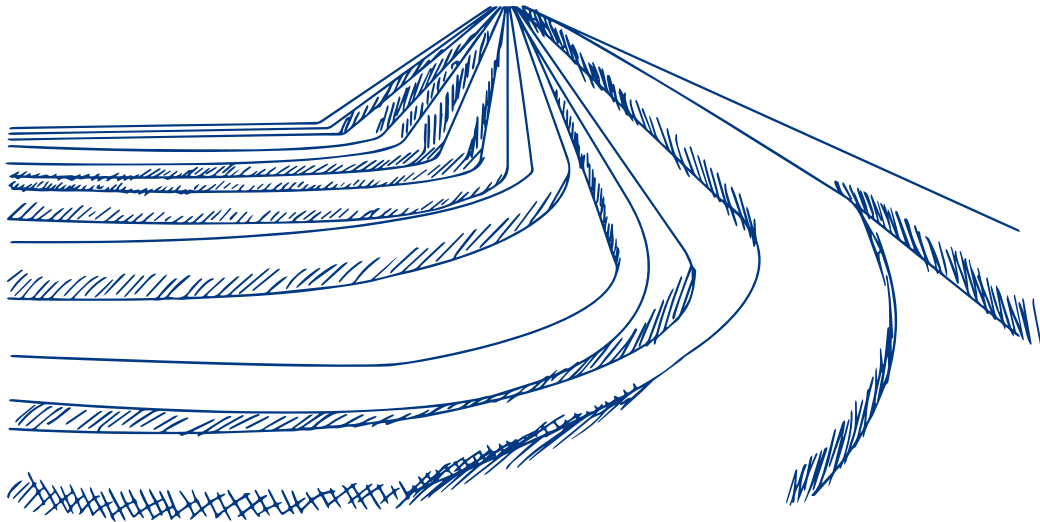


# Ukraine

## Annual Implementation Report










1 November 2022





# Ukraine

## SUMMARY IMPLEMENTATION

SUMMARY INDICATORS	IMPLEMENTATION STATUS	2022 HIGHLIGHTS
 Electricity	<div style="width: 68%;"><div style="background-color: #0070C0; height: 10px;"></div></div> 68%	Transmission system operator Ukrenergo was certified and obtained the status of Observer at ENTSO-E. Following emergency synchronization, Ukraine/Moldova control block was included into the FSkar mechanism. The REMIT Regulation and compliant cross-border capacity allocation procedure are yet to be implemented.
 Gas	<div style="width: 70%;"><div style="background-color: #0070C0; height: 10px;"></div></div> 70%	In spite of the war, Ukraine remained a reliable transit country, whereas the gas market achievements from the previous years have come to a stop.
 Oil	<div style="width: 19%;"><div style="background-color: #0070C0; height: 10px;"></div></div> 19%	No progress occurred during the reporting period. The draft Law on Minimum Stocks of Crude Oil and Petroleum Products remains to be adopted.
 Renewable Energy	<div style="width: 58%;"><div style="background-color: #0070C0; height: 10px;"></div></div> 58%	Ukraine kept the implementation of the renewable energy acquis as a priority, an effort that should be highly commended.
 Energy Efficiency	<div style="width: 78%;"><div style="background-color: #0070C0; height: 10px;"></div></div> 78%	Ukraine made progress by adopting or drafting energy efficiency legislation and policy documents. The adoption of the Energy Efficiency Law removed a long-standing issue of non-compliance with the Energy Efficiency Directive.
 Environment	<div style="width: 46%;"><div style="background-color: #0070C0; height: 10px;"></div></div> 46%	Ukraine still keeps the implementation of the environmental acquis as a priority, an effort that should be highly commended.
 Climate	<div style="width: 66%;"><div style="background-color: #0070C0; height: 10px;"></div></div> 66%	Work on the draft climate law progressed in 2022. The Ukrainian NECP should be significantly overhauled and serve as the central document for planning the sustainable rebuilding of the country.
 National Authorities	<div style="width: 69%;"><div style="background-color: #0070C0; height: 10px;"></div></div> 69%	The energy regulator is set up as a 'central executive body' established by the Cabinet of Ministers which is a breach of the requirement of the acquis for independent operation of the regulator from other public bodies. The independence of NEURC, including financial, has to be reinstated. The Antimonopoly Committee of Ukraine started investigating alleged abuse of dominance by Naf-togaz Trading. Currently, State aid is permitted and the obligation to notify suspended.
 Statistics	<div style="width: 91%;"><div style="background-color: #0070C0; height: 10px;"></div></div> 91%	As of February 2022, the State Statistics Service of Ukraine is prevented from performing its otherwise excellent work in collecting and compiling energy statistics. Instead, the experts are engaged in analysing and improving the methodologies and procedures for statistics in order to be ready to pick up work when conditions allow.

Overall number of cases: **3**

Procedure by Article **91**

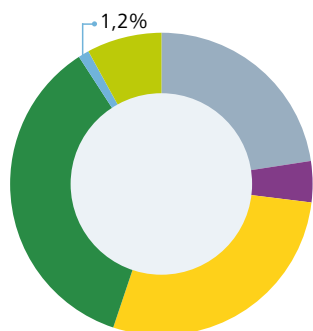
ECS-1/18 Energy efficiency  
ECS-4/18 Infrastructure  
ECS-4/21 Electricity

# State of Energy Sector Reforms

Even during the Russian war, Ukraine managed to advance acquis implementation in several areas including electricity, energy efficiency, environment and renewables. The biggest breakthrough was the synchronization of the electricity network of Ukraine with the Continental European power system, partially made possible by the country's progress in electricity acquis implementation before the start of the war. In the gas sector, Ukraine fulfilled its transit obligations in spite of severe limitations placed on its transmission system operator, which cannot control all of its interconnection points with Russia.

The country's reconstruction will have to go hand-in-hand with the green agenda, including the implementation of renewable energy and energy efficiency measures on a massive scale.

Ukraine is moderately advanced when it comes to the drafting of the Clean Energy Package with the exception of electricity where drafting is yet to begin.

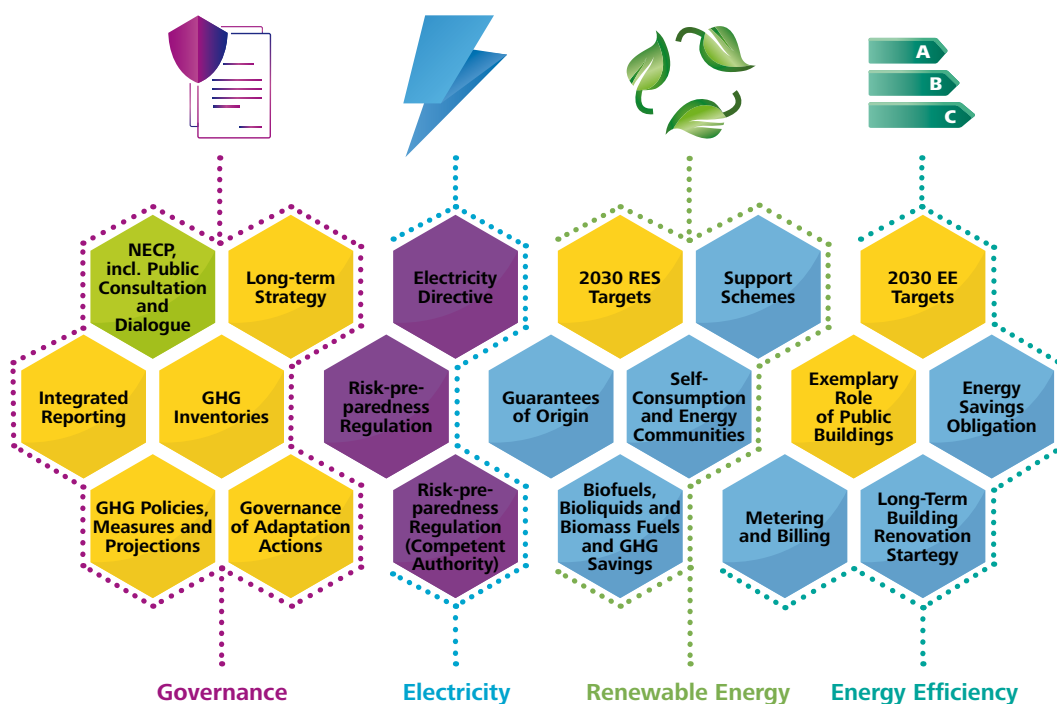


2020 Primary fuel mix in Ukraine [ktoe]

- Solid fossil fuels
- Oil and petroleum products
- Natural gas
- Nuclear heat
- Hydro
- Other renewables

Source: EUROSTAT

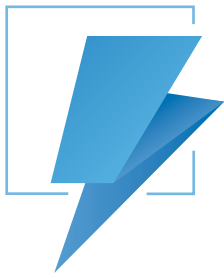
## Decarbonisation readiness - 2021 Clean Energy Package transposition



	Regulation (EU) 2018/1999	Directive (EU) 2019/944 and Regulation (EU) 2019/941	Directive (EU) 2018/2001	Directive (EU) 2018/2002
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### Transposition status:

- Planning / no steps taken
- Drafting process
- Final draft / approval process
- Approved and published



# Ukraine Electricity

## ELECTRICITY IMPLEMENTATION

### UNBUNDLING

95% ↑

The transmission system operator, Ukrenergo, was unbundled and conditionally certified by the regulator NEURC (under the ISO model) in December 2021. Some conditions for certification are still to be fulfilled, and the supervisory board is not yet filled entirely. NEURC approved the compliance programme of Ukrenergo and the compliance officer.

In April 2022, Ukrenergo obtained observer status in ENTSO-E.

The distribution system operators are legally and functionally unbundled in compliance with the acquis. The publication of the compliance officer's reports together with the regulator's opinion on the website of NEURC was suspended for the period of martial law in Ukraine.

### ACCESS TO THE SYSTEM

73% ↑

Access to transmission and distribution systems is ensured through publicly available tariffs, which also apply to generators. The transmission tariff applies to exporters, while the dispatch tariff applies to exporters and importers. This is not compliant with Energy Community law.

NEURC amended Ukrenergo's tariff methodologies and the transmission grid code to reflect the planned inclusion of Ukrenergo into the inter-transmission system operator compensation mechanism.

The Connection Network Codes are not yet transposed by a formal governmental or regulatory act, but the necessary requirements are implemented through grid codes. For the period of martial law, NEURC adopted a separate procedure for temporary connection to the distribution network.

The Transparency Regulation has been transposed, but publication on the transparency platform was suspended due to martial law.

### WHOLESALE MARKET

73% ↑

All market segments – bilateral, day-ahead, intraday, balancing and ancillary services markets – remain operational, despite the invasion of the Russian Federation.

NEURC approved the methodology for determining significant price fluctuations and setting price caps on the day-ahead market, intraday market and balancing market, the new price cap levels were not yet defined by NEURC.

Losses are procured by the transmission system operator on the market, but the distribution system operators are still obliged to buy a significant amount of their losses from state-owned Energoatom at a fixed price in contravention of the acquis. According to latest changes to the legislation, this obligation will be removed by 1 December 2022.

The non-compliant Public Service Obligation (PSO) Act was prolonged until the end of March 2023. Other PSOs were introduced during summer 2022. An "export PSO" obliging exporters to transfer 80% of their profit to the guaranteed buyer for covering the deficit of universal service suppliers under the PSO Act and a "coal PSO", according to which Ukrenergo must provide a loan to SE Ukrvugillya in the amount of UAH 2,5 billion to ensure electricity generation from coal for the heating season 2022 - 2023.

The draft law on REMIT has been voted at first reading. The non-transposition of REMIT is subject to an infringement case.

### RETAIL MARKET

73% ↑

All customers in the retail market are free to choose their supplier. Universal service suppliers are obliged to supply electricity to households and other categories of customers entitled to universal service at regulated prices applied to households, which are not cost-reflective. During the reporting period, prices for households remained the same. A block tariff, i.e. a different price for consumption up to/above 250 kWh per month, was applied.

The supplier of last resort was reappointed by the Cabinet of Ministers of Ukraine for the whole 2022, and Ukrenergo is covering costs of its functioning as part of the PSO for HHs. However, universal service suppliers are obliged to supply electricity to those consumers whose supplier is in default status or lost the license in accordance with a separate Ministry Order.

### REGIONAL INTEGRATION

28% ↑

On 5 August 2022, the Ministry of Energy published the updated version of the draft law on Projects of National Interest in Energy, which transposes Regulation (EU) 347/2013, for public

consultation. Currently, there are two electricity PMI projects in Ukraine on the rehabilitation and modernisation of the 750 kV overhead line to Romania (Pivdenoukrainska - Issacea) and 400 kV line to Slovakia (Mukacheve - V.Kapusany).

Following the Russian invasion of Ukraine, emergency synchronization of the power systems of Ukraine and Moldova with Continental Europe took place on 16 March 2022.

The commercial exchange of electricity between the UA/MD control block and Continental Europe started on 30 June 2022, with a gradual increase of cross-border capacity available for trade. The capacity is allocated via unilateral auctions for borders with Poland, Slovak Republic, Romania and Moldova. Joint auctions with neighbouring EU Member States and Moldova are under preparation.

Since June 2022, the settlement of unintentional deviations for the UA/MD control block is performed under the European methodology FSkar, whereas Ukrenergo passes on the costs/revenues to Moldelectrica for its own deviations. Ukrenergo established cooperation with ENTSO-E on joining the ITC mechanism.

Amendments to the existing control block agreement between Moldelectrica and Ukrenergo are currently being consulted by the transmission system operators in order to bring it in line with the requirements of the synchronous area framework agreement (SAFA), system operation and electricity balancing guidelines.

## SECURITY OF SUPPLY

78%

Ukraine transposed requirements of Directive 2005/89/EC into national legislation, but has still not implemented them in practice. The monitoring of security of supply is not implemented and is not followed during the period of martial law.

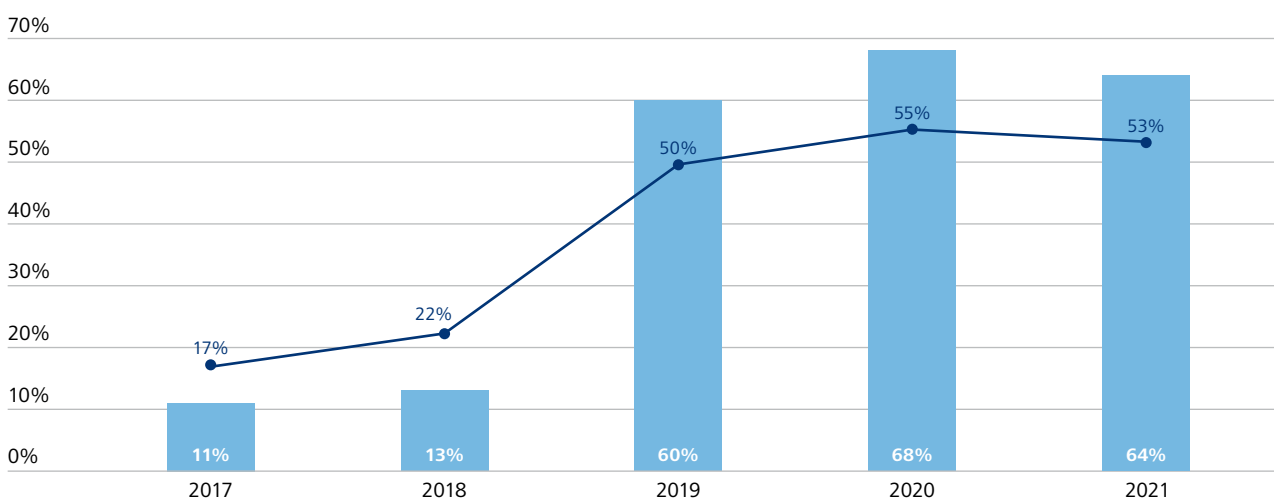
Due to significant damage and occupation of electricity infrastructure and generating capacities by the Russian Federation, strategic documents – such as the adequacy forecast report and network development plans – are not entirely relevant anymore.

The comprehensive legislative framework in the area of cybersecurity and the cybersecurity development strategy provided a good basis for cybersecurity protection during the Russian military aggression. Ukrainian energy facilities suffer continuous cyberattacks with over 300.000 incident-related events recorded by Ukrenergo in the first two months of the war.

## RECOMMENDATIONS / PRIORITIES

Despite the difficult situation in the integrated power system of Ukraine due to the invasion of the Russian Federation, Ukraine should keep its efforts to stay on the path of electricity market reform and prevent back-sliding from what was achieved before the invasion. This concerns in particular ensuring a compliant certification of the transmission system operator and its financial viability, the transposition of REMIT and overregulation by PSOs and price caps. Furthermore, activities towards market integration with neighbouring EU Member States and Moldova should be stepped-up in line with the agreed roadmap for further market integration following the synchronisation of Ukraine's (and Moldova's) electricity network with the Continental European network, starting with the establishment of a compliant cross-border capacity allocation procedure.

### Retail Market Opening



Supply to active eligible customers in % for Ukraine

Supply to active eligible customers in % for the Energy Community (weighted average %)

Source: Ministry of Energy, 2021 data estimated based on the Market Monitoring Report NEURC, compiled by the Energy Community Secretariat



# Ukraine

## Gas

### GAS IMPLEMENTATION

#### UNBUNDLING

76% ↓

The transmission system operator is unbundled and certified. At the time of publication of this report, changes to its structure and corporate governance were being discussed. This includes dissolving the current intermediary MGU in a two-layer governance structure which did not prove effective. This potentially affects the certification status, together with the transmission system operator's unstable financial situation. The storage system operator and the distribution system operators are unbundled in legal, information and accounting terms.

#### ACCESS TO THE SYSTEM

89% ↓

Third party access to transmission, storage and distribution systems is in place, based on regulated tariffs determined by the regulatory authority. The Gas Network Codes have been transposed, with some elements still pending, such as full implementation of the Balancing Code. Some pending transparency requirements have been further delayed due to the application of martial law.

#### WHOLESALE MARKET

27% ↓

The remarkable progress in wholesale gas market reform achieved in the last few years has been reversed since the start of the Russian aggression. Naftogaz remains the only company importing gas to Ukraine. Still, a few traders are active in the market, and even very minor quantities continue to be sold at the exchange. REMIT Regulation (EU) 1227/2011 is still not implemented, however, the draft law has passed the first reading in the Parliament. Ukraine imposed a ban on gas exports.

#### RETAIL MARKET

54% ↓

Ukraine fully deregulated prices for all customers in 2021 but a Public Service Obligation Decree was adopted after the start of the war obligating Naftogaz to ensure the supply of gas to the population and district heating companies and regulating the prices all along the supply chain. The Government transferred rights to operate a significant number of distribution networks to Naftogaz. Naftogaz is now the only player across all supply chain functions, from production and storage to distribution and retail as a supplier of last resort, supplying almost all household customers in the territory of Ukraine and district heating companies.

Consumption decreased by 40%, and despite the continuous damage and war operations, only a small portion of customers (5 - 9%) have been disconnected from the network due to continuous repairs.

#### INTERCONNECTIVITY, REGIONAL INTEGRATION

66% ↓

The transmission system is well interconnected with vast capacity on all country borders, and the majority of interconnection points are covered by interconnection agreements aligned with the Network Code on Interoperability and Data Exchange. The transmission system operator works to increase firm capacity at relevant interconnection points.

#### SECURITY OF SUPPLY

100%

Ukraine has a well-established regulatory framework for the security of gas supply, based on elements of Regulation (EU) 2017/1938, such as risk assessment and preventive and emergency action plans, which still need to be aligned to a full extent with the gas acquis. Ukraine started with the transposition of the Storage Regulation (EU) 2022/1032 and the level of gas in the storages overpassed the target. However, the security of supply situation is endangered due to the loss of some domestic production sites and the destruction of the network.

## RECOMMENDATIONS / PRIORITIES

Ukraine's gas market is now subject to martial law and functions in a heavily regulated environment. The main goal is to preserve the infrastructure assets, maintain control of domestic production and supply gas to households. Approximately 1,3 million households were left without gas at the time of publication of this report.

Ukraine fulfils its transit obligations in spite of severe limitations placed on its transmission system operator, which cannot control all of its interconnection points with Russia.

The previous years' efforts to diversify routes and suppliers have started to bear fruit. Ukraine manages to purchase, via Naftogaz, small but critical quantities for the winter. Nonetheless, additional actions need to be taken to e.g. facilitate LNG routes and ensure stable import in the future.

Implementation of the Storage Regulation will require amendments to the Gas Law and a certification procedure for the storage system operator.

Ukraine will have to re-establish the gas market reforms in place before the war, with derogations limited to the most vulnerable customers, and embark on a long-term sustainable gas policy. With the future bringing a different role for Ukraine as it ceases to be a transit country for fossil gas, the country should continue exploring options for low carbon gas production and its transport during the reconstruction period.

### Retail Market Opening



Note: The weighted average level of market opening in the Energy Community was calculated assuming the full opening of gas retail market in Ukraine for the whole 2021. However the full retail market opening took place on 1st May 2021.

Source: National Electricity Regulatory Commission (NEURC), compiled by the Energy Community Secretariat

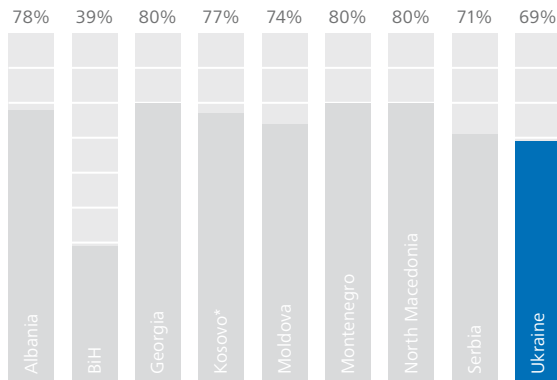


# Ukraine

## National Authorities



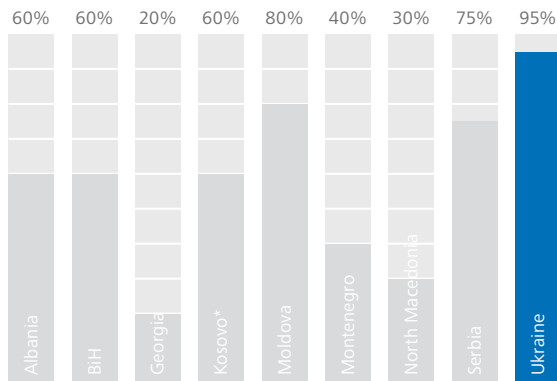
### Regulatory Authority



The National Energy and Utilities Regulatory Commission of Ukraine (NEURC) is set up as a 'central executive body' established by the Cabinet of Ministers following legal changes in 2019. This is a breach of the acquis for independent operation of the regulator from other public bodies. This model was introduced as a temporary solution after the constitutional court's ruling that the regulator's independent status is unconstitutional but has developed into a permanent state of play that can only be restored by amending the constitution. The Secretariat will follow-up on the breach. The independence of NEURC, including financial, has to be reinstated. NEURC's preparatory work for NEMO designation is ongoing. Joint capacity allocation is not yet launched. The regulatory basis for ITC implementation was approved. REMIT still requires legislative changes and is not implemented.



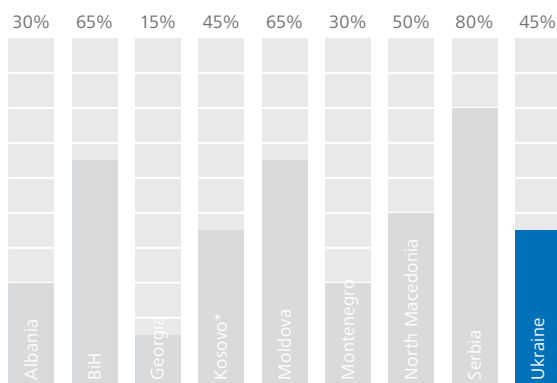
### Competition Authority



In the reporting period, the Antimonopoly Committee of Ukraine (AMCU) started investigating the alleged abuse of dominance of Naftogaz Trading on the market of wholesale supply of gas. The AMCU should ensure that its investigation adequately addresses any potential abusive behaviour in order to guarantee a level playing field.



### State Aid Authority



In the reporting period, Ukraine adopted the Criteria for Assessing the Compatibility of State aid to Undertakings for Environmental Protection, which also includes aid for high-efficient cogeneration, efficient district heating systems, energy efficiency and energy infrastructure.

Following the Russian invasion of Ukraine, the Law on State Aid for Business Entities was amended providing that during the application of martial law, State aid is permitted and the obligation to notify State aid is suspended.





# Ukraine Oil

## OIL IMPLEMENTATION

### OIL STOCKHOLDING OBLIGATIONS 0% ||

Ukraine currently has no legal framework on emergency oil stocks, and there was no progress in the reporting period. The draft Law on Minimum Stocks of Crude Oil and Petroleum Products remains to be adopted.

The draft Law sets out the basic legal, institutional, financial and economic principles for the establishment and functioning of the system of minimum stocks of crude oil and petroleum products in Ukraine and regulates the relations with respect to the management of the minimum stocks.

### FUEL SPECIFICATIONS 75% ||

The environmental specifications for petrol and diesel are in conformity with European standards. Gas oil used in non-road mobile machinery (NRMM) is not regulated by the Regulation. The draft programme on annual monitoring of petroleum products is prepared but not yet approved.

### RECOMMENDATIONS / PRIORITIES

The adoption of the draft Law on Minimum Stocks of Crude Oil and Petroleum Products would be a very significant step forward, making it possible for Ukraine to progress toward the transposition of secondary legislation (including the action plan) and start the implementation of the Oil Stocks Directive.

The 2013 Technical Regulation, which establishes requirements for fuels sold on the territory of Ukraine, should be amended to stipulate the environmental specifications of gas oil used in NRMM. The sulphur content of gas oil used in NRMM should be up to 10 mg/kg.



# Ukraine

## Renewable Energy

### RENEWABLE ENERGY IMPLEMENTATION

#### NATIONAL RENEWABLE ENERGY ACTION PLAN

58% ||

In 2020, Ukraine's share of energy from renewable sources reached only 9,19%, well below the target of 11%. The indicative trajectory for the electricity sector was overreached, while contributions of renewable energy in heating and cooling and transport remained lower than planned.

#### QUALITY OF SUPPORT SCHEME

64% ↑

From 2020, only wind projects with installed capacity of up to 5 MW and other technologies of up to 1 MW are granted administratively set feed-in tariffs (FiTs). The Law on Amendments to Certain Laws of Ukraine on Stimulating the Production of Electricity from Alternative Energy Sources on a Market Basis, which introduces a contract for difference mechanism for auctions, was published for consultation in August 2021, but is not yet adopted. However, in July 2022, the Parliament adopted amendments where renewable producers were allowed to sell electricity directly at the day-ahead, intraday, bilateral and balancing markets.

#### GRID INTEGRATION

74% ||

Guaranteed access to the transmission and distribution networks for electricity produced from renewable energy sources is provided. The procedure for setting the fees for connection to the transmission and distribution system is approved by the regulatory commission NEURC.

#### ADMINISTRATIVE PROCEDURES AND GUARANTEES OF ORIGIN

65% ||

Administrative procedure guidelines as well as a portal that provides online administrative services exist; nevertheless, the entire procedure remains lengthy. There is no single administrative body.

Ukraine joined the Energy Community initiative to establish a regional system for guarantees of origin. The national electronic registry for guarantees of origin in Ukraine was created and can be utilized as soon as the designated issuing body signs a direct agreement with the service provider. The draft law addressing the introduction of the registry for issuing, using and terminating guarantees of origin for electricity produced from renewable energy sources proposes changes in the designation of the issuing body.

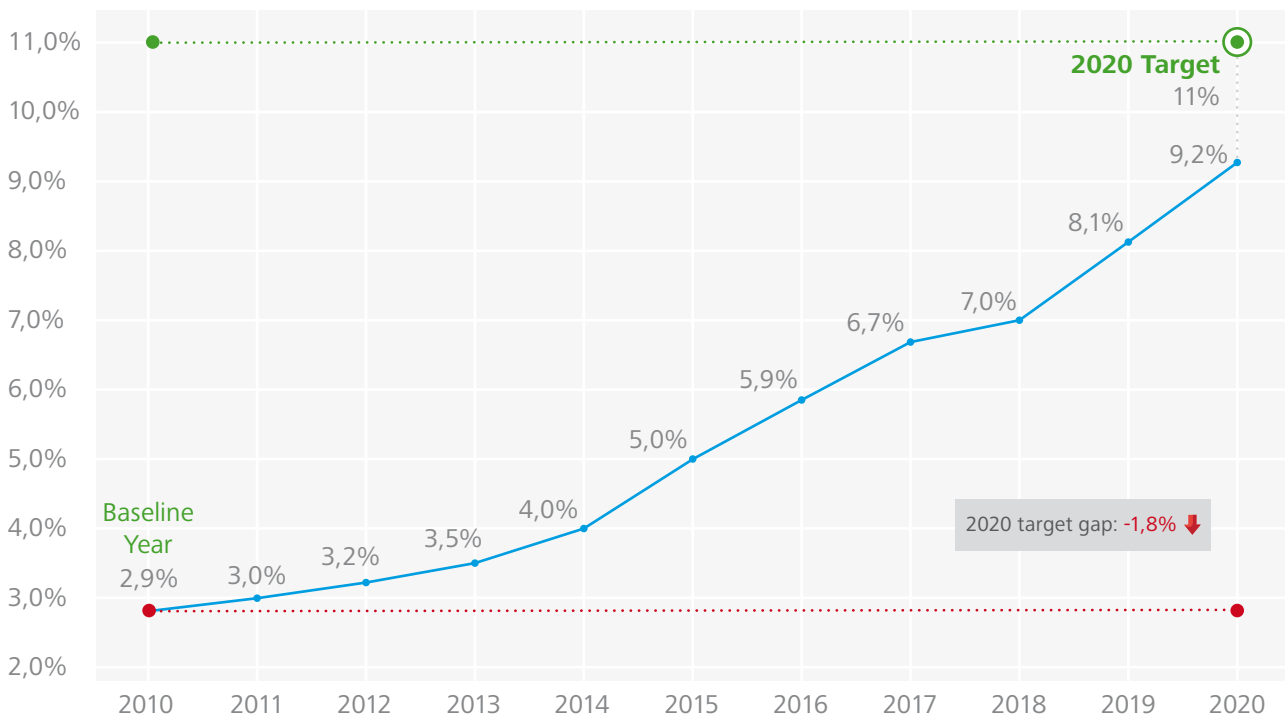
#### RENEWABLE ENERGY IN TRANSPORT 11% ||

The draft law on amendments to the Law on the Mandatory Use of Liquid Biofuels (Biocomponents) in transport passed first reading in the Parliament in September 2021. The share of renewables in the transport sector was at the level of 2,47% in 2020.

### RECOMMENDATIONS / PRIORITIES

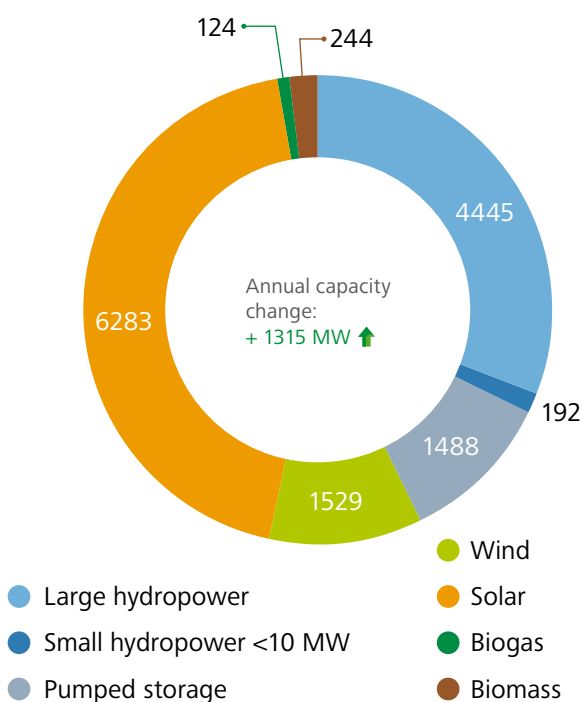
The utmost priority for Ukraine remains the implementation of a functional market-based support scheme and financial stabilization of the guaranteed buyer. Following the settlement of the dispute in 2021, any further retroactive changes in existing support schemes should be avoided. The Government should provide support to help producers restoring damaged electricity equipment. Ukraine should as soon as possible designate an issuing body for guarantees of origin, sign a direct agreement with the service provider and start using the national electronic registry developed during the regional project.

## Shares of Energy from Renewable Sources



Source: EUROSTAT

## Total Capacities of Renewable Energy 2021 (MW)



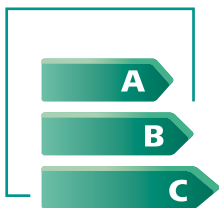
Source: Ministry of Energy and Coal Mining

In 2021, the wind sector added 418 MW of installed capacity and solar PV added 920 MW.

As a consequence of the Russian invasion, around 15% of solar and around 90% of installed wind capacities have been either completely destroyed or damaged and/or are located in regions occupied by the Russian Federation. As a result, the available and operable renewable capacity in Ukraine decreased by over 2,5 GW.

Total capacities (MW):

**14305**



# Ukraine

## Energy Efficiency

### ENERGY EFFICIENCY IMPLEMENTATION

#### ENERGY EFFICIENCY TARGETS AND POLICY MEASURES

73% ↑

Ukraine has achieved the national 2020 energy efficiency target, as reported in the sixth Annual Progress Report submitted to the Secretariat in July 2022.

The new Energy Efficiency Law, which includes the specific targets and policy measures in line with the Energy Efficiency Directive, was adopted in October 2021.

The 2030 energy efficiency targets and policy measures were integrated in the NEEAP for the period up to 2030, adopted in December 2021.

#### ENERGY EFFICIENCY IN BUILDINGS

90% ||

Ukraine adopted the majority of by-laws to implement the Energy Performance of Buildings Law. In September 2021, the updated Procedure for Independent Monitoring of Energy Performance Certificates was adopted, while a new order on approval of requirements for nearly-zero energy buildings is under preparation. The long-term strategy for thermal modernization of buildings was finalised and put in public consultation in September 2022.

#### ENERGY EFFICIENCY FINANCING

90% ||

The Energy Efficiency Fund provides grants for renovation of multi-apartment buildings, and the need for buildings' renovation projects will increase as consequence of the war. In parallel, the Agency for Energy Efficiency is promoting the introduction of the ESCO mechanism to attract private investment in energy efficiency measures in the public and residential sector.

#### ENERGY EFFICIENT PRODUCTS – LABELLING

97% ↑

All energy labelling regulations related to the Labelling Directive were adopted. Five new regulations completing the implementation of Framework Labelling Regulation (EU) 2017/1369 were also adopted. The country has transposed Eco-design Directive 2009/125/EC and 28 product regulations on a voluntary basis.

#### EFFICIENCY IN HEATING AND COOLING

40% ||

Ukraine's well-developed district heating infrastructure, with over 1.600 district heating companies, has suffered serious damage during the war. Around 80% of buildings were equipped with heat meters, and 60% of the heat was generated in heat-only boilers and 40% in CHP plants.

Ukraine has not yet prepared the assessment of its high-efficiency cogeneration and efficient district heating potential. Projects for the improvement of energy efficiency measures in district heating systems are ongoing to the extent possible during the war.

### RECOMMENDATIONS / PRIORITIES

Even in the time of war, Ukraine kept progressing with adopting or drafting of energy efficiency legislation and policy documents. The adoption of the Energy Efficiency Law removed the long-standing issue of non-compliance with the Energy Efficiency Directive.

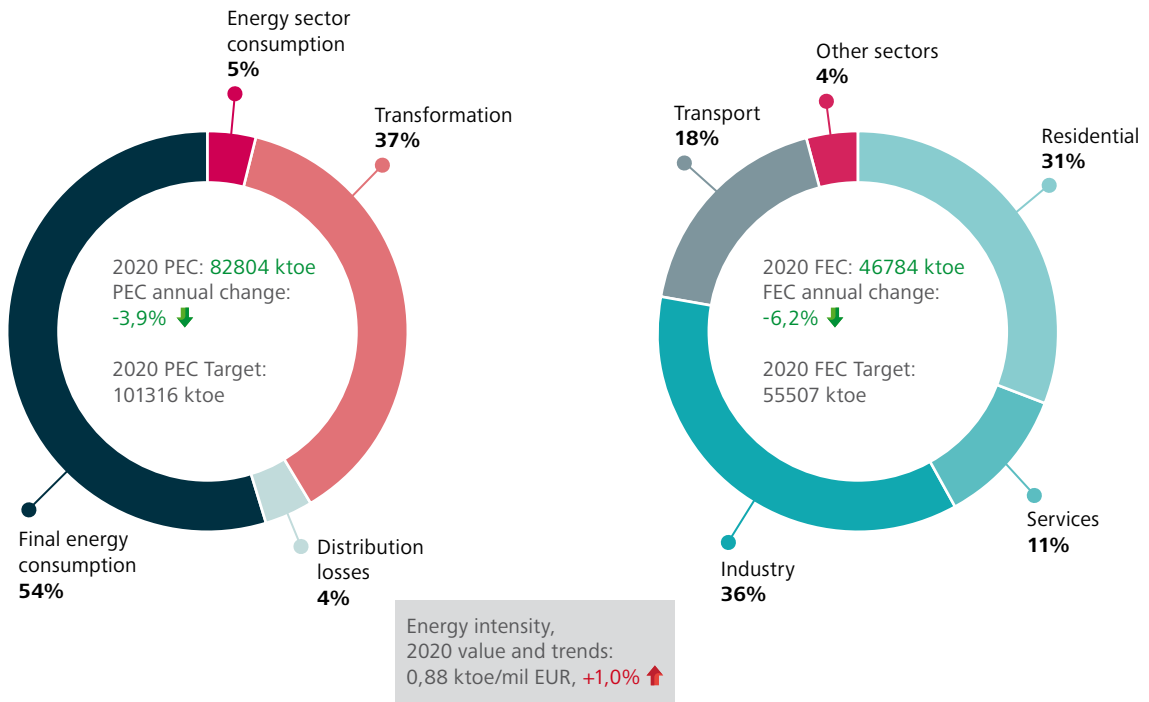
Implementation of the Law and adoption of the Long-term Building Renovation Strategy should be prioritized.

Ukraine should also focus on completing the assessment of its high-efficiency cogeneration and efficient district heating potential as it can provide a good basis for future investments in this sector, also in the context of the country's reconstruction after the war.

## 2020 Energy Efficiency Indicators and Trends

### Primary Energy Consumption (PEC)

### Final Energy Consumption (FEC)



Source: EUROSTAT 2022 data and Contracting Party's Annual Report under Directive 2012/27/EU

## Energy Efficient Products – Overview of Implementation of Labelling Regulation

FRAMEWORK REGULATION*											
Household dishwashers	●										
Fridges and freezers*		●									
Household washing machines			●								
Televisions				●							
Air conditioners and fans*					●						
Household tumble driers						●					
Electrical lamps and luminaires							●				
Solid fuel boilers*								●			
Space heaters*									●		
Water heaters & storage tanks										●	
Domestic ovens and range hoods											●

● Adopted and implemented    ● Compliance or implementation issues detected    ● No progress with adoption/implementation

\* The new labelling package adopted by the Ministerial Council in November 2018 was assessed, as the transposition deadline expired in January 2020.

Source: multiple sources of data (EECG reports, NEEAPs etc.), compiled by the Energy Community Secretariat



# Ukraine

## Environment

### ENVIRONMENT IMPLEMENTATION

#### ENVIRONMENTAL ASSESSMENTS

33% ↓

The Russian invasion of Ukraine severely affects Ukraine's environment with transboundary impact. Faced with this imminent threat and the need for restoration and recovery, the Government of Ukraine adopted a resolution which excludes restoration projects of power plants from the environmental impact assessment (EIA) obligations. The EIA Directive provides an opportunity for such exemptions on a case-by-case basis only if certain conditions are fulfilled. The restoration of damaged or destroyed installations for which defence or response to civil emergencies is not the sole purpose must comply with Article 2(4) of the EIA Directive.

A similar exemption was introduced with regard to the obligations for strategic environmental assessment (SEA) for recovery programmes for regions that suffered destruction by the Russian military. Article 3(8) of the SEA Directive provides such an exemption only for plans and programmes the sole purpose of which is to serve national defence or civil emergency. Ukraine should fully implement the SEA provisions for recovery programmes not covered by this provision. The SEA for the draft National Energy and Climate Plan is not initiated despite that the draft document is in an advanced stage. Considering that the access to environmental information is very limited, identifying the relevant authorities and the public concerned, as stipulated in Article 6 of the SEA Directive, is a precondition for successful and effective consultations.

#### SULPHUR IN FUELS

87% ↑

Ukraine transposed the 1,00% sulphur threshold for heavy fuel oil and the 0,10% threshold for gas oil as well as the provisions on marine fuels. The current situation does not make systematic compliance monitoring of the products concerned possible.

#### LARGE COMBUSTION PLANTS

50% ||

The military aggression and the targeted destruction of the Ukrainian energy infrastructure puts environmental compliance of the implementation of the National Emission Reduction Plan (NERP) into jeopardy. Despite the extremely challenging circumstances, Ukraine complied with its reporting obligations under the Large Combustion Plants Directive in March 2022 by submitting its emissions data to the European Environment Agency for the reporting year 2021. Furthermore, the Ukrainian Government keeps the implementation of the NERP as a priority, which is to be highly commended. In the 2021 reporting year, the emission ceilings for all three pollutants were met and a decrease of sulphur dioxide and nitrogen oxides emissions was recorded, while dust emissions have increased slightly.

Under the current circumstances and with large parts of the thermal power plant infrastructure destroyed or damaged, the implementation of the opt-out rules for the plants concerned cannot be expected. The operating hours of the plants concerned are, however, reported together with emissions data and the Secretariat will support Ukraine in finding feasible solutions.

#### NATURE PROTECTION

40% ↓

The Law on the Territories of the Emerald Network, which will define the legal and organizational framework for the sites and areas protected under the Convention on the Conservation of European Wildlife and Natural Habitats and other international instruments, was not adopted as Ukraine declared martial law due to the Russian military aggression. Ukraine ordered the State Environmental Inspectorate to identify and assess the physical damage to sensitive landscapes and the loss of forest and nature protection sites by the Russian military aggression. In its preliminary assessments, the Inspectorate noted that serious damage is identified in the Black Sea Biosphere Reserve and that almost 400.000 hectares and 14 Ramsar sites along the coastline and lower reaches of the Dnipro river are impacted by the Russian military actions.

## ENVIRONMENTAL LIABILITY

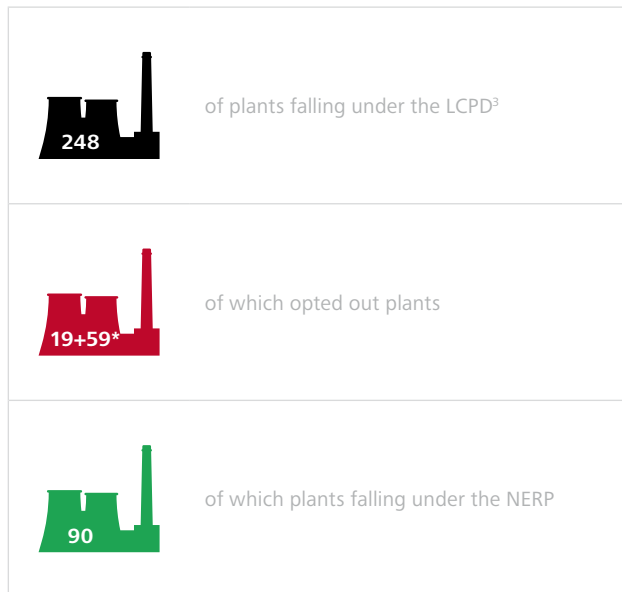
20%

Ukraine has partially transposed the Environmental Liability Directive by the relevant provisions of the Law on Environment (civil liability), the Code of Ukraine on Administrative Offenses (administrative liability) and the Criminal Code of Ukraine (criminal liability).

## RECOMMENDATIONS / PRIORITIES

The exemptions for reconstruction projects, plans and programmes introduced by several acts should be fully aligned with the EIA and SEA Directives. Options for disclosing environmental information to the public concerned should be considered under martial law. Due to the currently ongoing military aggression against the Contracting Party and with particular regard to the attacks on the energy infrastructure, no recommendations are given with regard to the large combustion plants.

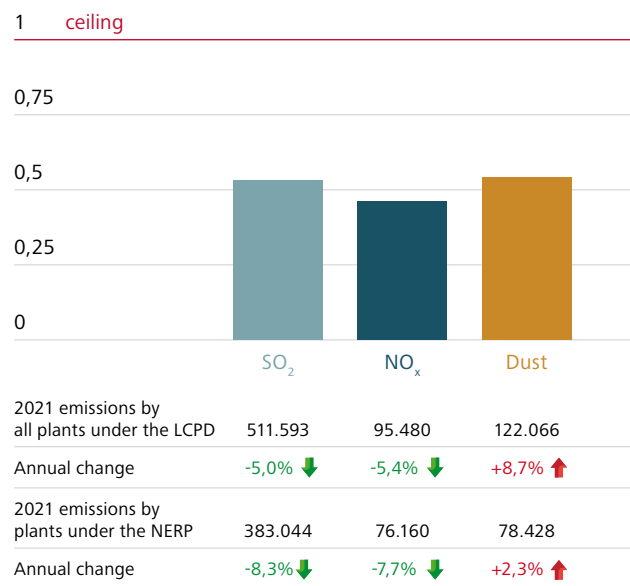
### Installations under the Large Combustion Plants Directive



\*Under Decision 2015/07/MC-EnC, certain plants in Ukraine are entitled to use 40.000 hours for opted out plants. 59 plants fall into that category.

Source: compiled by the Energy Community Secretariat

### 2021 emissions versus NERP ceilings



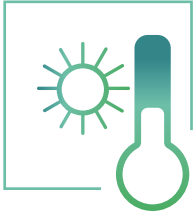
### Amount of operational hours used from opt-out period<sup>4</sup>

Average of plants under Decision 2013/05/MC-EnC <sup>5</sup>	Expected expiry of opt-out period:*	December 2023
	Remaining hours	11.262
	Operating hours consumed in 2018 - 2021	8.738
Average of plants under Decision 2015/07/MC-EnC <sup>6</sup>	Expected expiry of opt-out period	December 2033
	Remaining hours	30.968
	Operating hours consumed in 2018 - 2021	9.032

\*Calculations for the expected expiry of the opt-out period are based on 2018 - 2021 average load factor.

Source: compiled by the Energy Community Secretariat

- 3 Ukraine revised its NERP and plant inventory in 2019, updated the number of plants based on the common stack approach and included all district heating installations, which modified the total number of plants. The NERP ceilings were not changed. For 80 plants, no derogations apply.
- 4 Due to the large number of plants under the opt-out regime in Ukraine, an average for both opt-out regimes is being provided. The expected expiry of the opt-out is also provided based on this average. It varies on a plant-by-plant basis.
- 5 Under the regime of Decision 2013/05/MC-EnC, opted-out plants can remain in operation for a total of 20.000 operational hours until 31 December 2023.
- 6 Under the regime of Decision 2015/07/MC-EnC, which amended Decision 2013/05/MC-EnC to reflect the special situation of Ukraine, certain opted-out plants can remain in operation for a total of 40.000 operational hours until 31 December 2033. The list of plants was adopted by Decision 2016/19/MC-EnC.



# Ukraine Climate

## CLIMATE IMPLEMENTATION

### NATIONAL GREENHOUSE GAS EMISSIONS MONITORING AND REPORTING SYSTEMS

86% ||

Ukraine submitted its National Inventory Report in May 2022.

A series of workshops supported by international donors was launched in 2021 and continued in 2022 to discuss the design elements and options for an emission trading scheme. The system for monitoring, reporting and verification and installation-level GHG emissions has been in place since 2021.

### NATIONAL ENERGY AND CLIMATE PLANS (NECPS)

46% ||

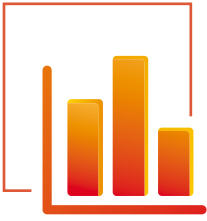
The draft climate law is being developed with external support. It is expected to transpose the climate related elements of the Governance Regulation.

The draft NECP should be revised in light of the mounting rebuilding efforts to put Ukraine on a path of low-carbon development.

## RECOMMENDATIONS / PRIORITIES

Ukraine is encouraged to continue establishing its planned cap and trade system for carbon pricing. The current draft of the NECP should be overhauled and updated.





# Ukraine Statistics

## STATISTICS IMPLEMENTATION

### ANNUAL STATISTICS

**n.a**

Under martial law, SSSU was not in a position to produce relevant official statistics. Annual questionnaires for 2020 were not transmitted and published in the respective databases.

### PRICE STATISTICS

**n.a**

Since the deadline for the submission of price data for second semester 2021 was March 2022, SSSU's latest release on electricity and natural gas prices reflects the first semester 2021.

### MONTHLY STATISTICS

**n.a**

Submission of monthly questionnaires was suspended as of February 2022.

## RECOMMENDATIONS / PRIORITIES

Proving that SSSU has undertaken work on improving the methodologies and questionnaires and overall efficiency of the reporting systems, it is expected that methodological documents will be improved and corresponding quality reports drafted and transmitted to EUROSTAT and reporting resumed at the latest three months after the termination of martial law.