Ukraine commitments in the Energy Community: a realistic agenda for implementation

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Annual study

Quarterly reports

In March the Ministry of Energy and Coal Industry and the National Energy Regulation Commission (NERC) addressed the market players urging to take the immediate steps that would make any corrupt practices in procurements in energy sector impossible, to refrain from unnecessary and unreasonable costs, to cease the purchase of tangible assets at overcharge prices, to remove the intermediate agents from the procurement chain and to introduce the direct purchases from manufacturers."

Yet earlier the Ministry of Energy and Coal Industry issued the Order dated 11.03.2014 No 287 "On immediate steps for stabilization of the sector financial standing and prevention of corrupt practices", in which the specific instructions were given. The new government’s action programme and its intents to implement the key reforms have received the support of the Energy Community.

In general, certain changes took place in almost all the sectors related directly or indirectly to the implementation by Ukraine of its commitments taken in the framework of the Energy Community.

In gas industry:

The Verkhovna Rada (parliament) of Ukraine has considered a whole range of draft laws on amendments to the Article 837 of the Tax Code of Ukraine concerning the value-added tax exemption of the natural gas import. It should be noted that this issue influences the gas market much more than the regulatory decisions, as it allows to adjust the final gas tariffs downwards/upwards by 20%.

The draft law No. 3853 dated 08.01.2014 by S.Katsuba ("the Sovereign European Ukraine" group) was excluded from consideration, instead on January 16 the Cabinet of Ministers’ draft law No. 3853-1 dated 14.01.2014 was admitted. 
New agenda for implementation

- Ukraine’s action plan for EnC acquis implementation - outdated
  - CoM Order No.733-r of August 3, 2011 (introduced)
  - CoM Order No.833-r of October 23, 2013 (amended)
- New amendments proposed by DiXi Group
  - Expert coalition "Energy Reforms" (created)
  - draft CoM Order (currently considered)
Gas and electricity markets (1)

- Deadline for Second Energy Package acquis scheduled to January 1, 2015
  - Full (not partial) compliance demanded


- Action plan on the Third Energy Package acquis to be developed by August 1, 2014
  - Clear, measurable targets
  - EnC lawmaking initiatives
Gas and electricity markets (2)

- Naftogaz restructuring and unbundling program to start being implemented by January 1, 2015

- Security of Supply Statement to be updated and issued every 2 years (Art. 29 ECT)
  - previously: one-time requirement
Renewables, energy efficiency

- Delete items related to actions plans on the directives 2001/77/EC and 2003/30/EC (as already implemented)

- The NREAP and the NEEAP to be adopted and published by August 1, 2014
  - Detailed implementation plans for the directives 2009/28/EC, 2010/32/EC, 2010/31/EU, 2010/30/EU shall be developed
Environment (1)

- EIA legislation compliant not only with the Directive 85/337/EC but also with the Aarhus Convention and the Espoo Convention (by December 31, 2014)

- Develop concrete mechanisms for quality of liquid fuels (by December 31, 2014)
  - Corresponding national fuel standards
  - Rules on lab testing of sulphur content
  - National monitoring system
Environment (2)

- Develop the national action plan for the LCP emissions reduction (by December 31, 2015)
  - to be implemented by January 1, 2018
- Create the national inventory of SOx, NOx, and particulate matter emissions (by January 1, 2016)
- Classify special protection areas of wild birds (by January 1, 2015)
  - Based on ornithological criteria (nesting, molting, wintering, stay along migration routes)
  - Develop special protection regime
Other issues

- Implementation of the acquis on statistics shall respect the EnC Ministerial Council decision on the Regulation 147/2013
  - Cooperation of the NERC and the Statistics Service crucial

- Requirements on the Directive 2009/119/EC on oil stocks remain without changes (deadline – December 1, 2022)

- Legislation on competition and state aid shall be compliant with the ECT provisions (by January 1, 2015)

- Develop and approve the Social Action Plan after proper consultations with social partners (by January 1, 2015)
Cooperation framework

- Memo on Implementation Partnership to be fully realized
  - Creation of a Multi-stakeholder working group (by August 1, 2014) – idea, supported by the EU

- New mechanisms?
  - Association Agreement implementation (subcommittee on energy)
  - Increase mutual efforts with other actors (e.g. World Bank for social issues, INOGATE for statistics, G7 for security of supply)