

Ukraine Energy Market Observatory

QUARTERLY REPORT

Q1 2025

EXECUTIVE SUMMARY

The Ukraine Energy Market Observatory quarterly reports serve interested stakeholders, including those in the EU and Ukraine, to have a broader picture of recent developments in the energy markets in Ukraine, including transposition of the Electricity Integration Package (hereinafter, EIP), development of the associated regulatory framework, and impacts of martial law conditions on the energy markets development.

This report provides an overview of the key energy-market developments in Ukraine from January to March 2025, covering the new legislative framework (Chapter 1) and significant events (Chapter 2) in the operation of electricity and gas markets in Ukraine. Follow-up boxes provide recent information tracing the latest developments on particular aspects beyond the reporting period.

Chapter 3 of the report contains a more detailed review of activities that are part of Ukraine's energy sector reforms (Chapter 3). Particularly, describes the progress in legislative amendments strengthening the NEURC's independence and RES-related activities, including the new legislation to support the new RES capacities, outcomes of recent RES auctions, and status on roadmaps for RES development in Ukraine.

Chapter 4 provides information on developments in corporate governance of electricity and gas TSOs, including follow-up on the Secretariat's recommendations and achieved progress to date.

Chapter 5 presents an overview of Observatory assessments published in Q1 2025. The Annex to the report contains outlooks on notable events and publications related to the Ukrainian energy markets in Q1 2025.

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Ukraine Energy Market Observatory

QUARTERLY REPORT: Q1 2025

1. KEY LEGISLATIVE DEVELOPMENTS IN THE UKRAINIAN ENERGY MARKETS

ELECTRICITY

Key words: connection to electricity grid, REMIT, HH PSO, retail market, transmission network tariffs

In January 2025, the Verkhovna Rada of Ukraine adopted Law No.4213 "On Amendments to Certain Laws of Ukraine in the Field of Energy and Heat Supply to Clarify Provisions Related to the Effect of Martial Law in Ukraine"¹, introducing the amendments to the number of energy-related laws regarding connection to electricity networks; transparency and integrity on energy markets; licensing conditions for electricity production activity; settlement of debts for consumed electricity, etc. A more detailed review of Law No.4213 presented in Chapter 4 of this report.

The Cabinet of Ministers of Ukraine (hereinafter, the CMU) amended² the Regulation on imposing special obligations on electricity market participants to ensure general public interests in the process of functioning of the electricity market (hereinafter, the HH PSO). According to these amendments, the first 2,000 kWh for households using the electricity for heating³ regardless of the total volume of consumption is charged at the lower electricity price (2.64 UAH/kWh) during the heating season, and above 2,000 kWh - an electricity price of 4.32 UAH/kWh will be charged. Before these amendments, in case the HH consumed more than 2000 kWh the basic electricity price of 4.32 UAH/kWh applied to the total consumed volume. The amendments are applied as of 1 February 2025.

According to the Article 62(3) of Law of Ukraine "On the Electricity Market Law"⁴ (hereinafter, the Electricity Market Law), proposals regarding the scope and conditions of imposing special obligations shall be prepared by the Regulator and submitted to the CMU after consultations with the Energy Community Secretariat (hereinafter, the Secretariat). The consultations of the Household PSO Act are subject to the procedure prescribed in the Memorandum of Understanding between the NEURC and the Secretariat on mutual cooperation in the area of public service obligations of 1 December 2022 (hereinafter, the MoU). However, the abovementioned amendments were not submitted to the Secretariat for compliance review with provisions of the Energy Community acquis.

NEURC approved the Ukrenergo's Investment Programme for 2025⁵ in the total amount of 2.979 billion UAH (~62.47 million EUR). The financial resources for investments are depreciation (~33.6mln EUR), revenue

¹ <https://zakon.rada.gov.ua/laws/show/4213-20#Text>

² Resolution No. 37 of 17.01.2025, <https://www.kmu.gov.ua/npas/pro-vnesennia-zmin-u-dodatok-3-do-polozhennia-pro-pokladennia-spetsialnykh-oboviazkiv-na-s37170125>

³ dwellings with electric heating systems, non-gasified houses without centralized heating systems or autonomous heating systems that use any types of energy carriers other than electricity or where such systems are non-functioning.

⁴ Article 62 of the Electricity Market Law

⁵ <https://zakon.rada.gov.ua/rada/show/v0399874-25#Text>

for capital investments (~15.6mIn EUR), loan funds (~10.5mIn EUR), revenue from reactive electricity flows (~0.6mIn EUR) and congestion revenue income (~2.2mIn EUR).

Earlier, on 19 December 2024, NEURC approved⁶ the **network tariffs of TSO for 2025**. The tariff for electricity transmission services has been approved at 686.23 UAH/MWh (an increase of around 30% from the 2024 level), for electricity transmission services for green metallurgy enterprises – at 359.55 UAH/MWh, and for dispatching services - at 98.97 UAH/MWh (a decrease of around 5% from the 2024 level)⁷. NEURC tasked the TSO to transfer and account for funds identified as sources of financing for the Investment Program of Ukrenergo for 2025 in a separate bank account and not use these funds until NEURC approves the Investment Program of Ukrenergo for 2025. It shall be noted that half of the allowed revenue of TSO from the transmission service is dedicated to funding of the public service obligations in the electricity market, mostly the RES support scheme (around 48% of the total revenue from the transmission tariff that is 413mIn EUR).

NEURC amended⁸ the **Retail Market Rules**⁹, introducing the new requirements regarding the functioning of customer complaints centers starting from 1 April 2025. Now the retail market participants (suppliers and distribution system operators) serving 100,000 consumers or more must create consumer service centers, which, among other things, accept consumer appeals/complaints/claims, provide clarifications and information. Also, they shall introduce the Complaints Review Center (responsible for complaint handling) and the call center. This shall improve the efficiency of the complaint review procedure.

NEURC conducted the public hearing¹⁰ of the **draft amendments to the Transmission Network Code aimed at transposing Regulation (EU) 2017/1485 (hereinafter, SO GL) and Regulation (EU) 2017/2196 (hereinafter, the ER NC)**. The draft was also subject of the Secretariat's assessment in 2024.¹¹

- **Follow-up:** On 6 May 2025, NEURC adopted the relevant amendments¹². The compliance of the final text with the relevant Energy Community Network Codes and Guidance is subject of further assesment by the Secretariat as a part of EIP.

NATURAL GAS

Key words: SoLR, Gas PSO, gas transportation tariffs, gas storage tariff methodology

The CMU amended¹³ the **supply conditions of the Supplier of Last Resort** (hereinafter, the SoLR) in gas. In the formula for calculating the gas supply price of SoLR¹⁴, the value of UA Entry fee for entering into the gas transportation system of Ukraine is now taken as approved by NEURC, calculated in EUR (compared to the fixed value in USD before the introduced amendments). This shall contribute to a more cost-reflective gas supply price of the SoLR after the end of the transit contract. The **Resolution on Gas PSO**¹⁵

⁶ NEURC Resolution No.2200 of 19.12.2024, NEURC Resolution No.2201 of 19.12.2025.

⁷ <https://ua.energy/general-news/the-national-regulator-neurc-approved-the-tariffs-of-npc-ukrenergo-for-2025/>

⁸ NEURC Resolution No.2408 of 30.12.2024, <https://zakon.rada.gov.ua/rada/show/v2408874-24#n3>

⁹ NEURC Resolution No.312 of 14.03.2018, <https://zakon.rada.gov.ua/laws/show/v0312874-18#Text>

¹⁰ <https://www.nerc.gov.ua/news/oprilyudnyuyutsa-rezultati-vidkritogo-obgovor-proyektu-zmin-do-kodeksu-sistemi-peredachi-implement-reglamentiv-yes-1485-2196-stosovno-viznach-osoblivostej-ekspluatac-sistemi-peredachi-ee>

¹¹ <https://www.energy-community.org/dam/jcr:8d2bcd75-3949-4668-91cf-93e43ee77696/Note04.pdf>

¹² NEURC Resolution No.677 of 06.05.2025, <https://www.nerc.gov.ua/acts/pro-zatverdzhennya-zmin-do-kodeksu-sistemi-peredachi-18>

¹³ CMU Resolution No.96 of 31.01.2025, <https://www.kmu.gov.ua/npas/pro-vnesennia-zmin-do-postanov-kabinetu-ministriv-ukrainy-vid-30-veresnia-2015-r-809-i-vid-6-bereznia-2022-r-222-i310125-96>

¹⁴ Defined in the Procedure for selecting a Supplier of Last Resort for Gas

¹⁵ Regulation on imposing special obligations on natural gas market entities to ensure general public interests in the process of operating the natural gas market, CMU Resolution No.222 of 06.03.2022

was also amended with increased gas supplier's trade mark-up (from 0.6 UAH by 1.0987 UAH) while the limit for the final price is kept at the level of basic annual offer of supplier as of February 24, 2022. Later, on 28 March Gas PSO Act was additionally amended¹⁶ as follows:

- the duration of Gas PSO has been prolonged until 31 October 2025;
- PSO was set for Ukrnafta, obliging the company to sell the natural gas of its own extraction to Naftogas at 12 000 UAH per 1,000 m³ of gas from 1 April to 31 October 2025 to form a natural gas resource for household consumers, gas DSOs, electricity producers, and heat producers;
- defined the period during which LLC "Gas Supply Company "Naftogaz of Ukraine" sells natural gas to gas DSOs for technological needs¹⁷ till 31 October 2025¹⁸;
- modified the gas sell price of LLC "Gas Supply Company "Naftogaz Trading":
 - o for combined heat and power plants that produce electricity in a heat and power cycle, - 18 000 UAH¹⁹ (incl. VAT) per 1,000 m³ of gas;
 - o for thermal power plants (TPPs) and for combined heat and power plants (CHPs) that produce electricity in the condensation cycle – 14 000 UAH²⁰ (incl. VAT) per 1,000 m³ of gas;
- differentiated the gas sell price for gas turbine and gas piston plants by type of generation and relevant commodity:
 - o for gas turbine and gas piston plants that produce exclusively electrical energy, – 14,000 hryvnias (incl. VAT) per 1,000 m³ of gas;
 - o for gas turbine and gas piston plants that produce electrical and thermal energy in a combined manner, – 18,000 UAH (incl. VAT) per 1,000 m³ of gas.

In such a way, the gas price for electricity-only production is decreased and set at the level of gas price for the TPPs and CHPs in the condensation cycle. Vice versa, for heat and power production, the gas price is increased and set as for CHPs.

The aforementioned amendments were not consulted with the Secretariat despite the requirement of Article 11 (1) of the Gas Market Law²¹.

As of 1 January 2025, the new **gas transportation tariffs for entry/exit points of 2025-2029** were set²² by the NEURC for Gas Transmission System Operator of Ukraine (hereinafter, the GTSOU). Due to the application of martial law, these tariffs were set outside the procedure set by Chapters VII (Consultation requirements) and VIII (Publication requirements) of the Commission Regulation (EU) 2017/46 of 16 March 2017 establishing a network code on harmonised transmission tariff structures for gas.

¹⁶ The CMU Resolution No.356 of 28.03.2025 - <https://www.kmu.gov.ua/npas/-spetsi-zahalnosuspilnykh-interesiv-u-protsesi-funktsionuvannia-ryнку-pryrodohoho-hazu-i-356>

¹⁷ normative, excess losses, production and technological losses, losses caused by military operations and incurred in connection with the prevention/settlement of humanitarian crises

¹⁸ initially the duration of this PSO was "during the martial law period and within six months after its termination or cancellation"

¹⁹ increased from 16,500 UAH

²⁰ increased from 10,950 UAH

²¹ <https://zakon.rada.gov.ua/laws/show/329-19#Text>

²² NEURC Resolution No.2387 of 30.12.2024, <https://zakon.rada.gov.ua/rada/show/v2387874-24#Text>

The decision is based on a scenario of no transit of Russian gas via Ukraine. The tariffs are set for cross-border (in EUR per m³)²³ and for internal (national) (in UAH per m³)²⁴ entry-exit points. The relevant tariffs are published on the NEURC's website.²⁵ For internal entry-exit points, the decision includes the coefficients reflecting the capacity booking period (quarter, month, day-ahead, within the day). In order to enhance the commercial attractiveness of GTSOU, the decision approved reduced coefficients for cross-border entry-exit points with restricted capacity. The lower coefficients are applied from 01 January 2025 till 31 March 2025, and increased values are applied as of 1 April 2025.

The gas transportation tariffs are calculated based on the prior approved²⁶ regulatory parameters under **incentive-based regulation for 2025-2029**. The regulatory rate of return of 3% is set for the total regulatory asset base. The overall efficiency indicator for controllable operating expenses and for the volumes of gas losses is set at the level of 1%.

In February 2025, NEURC amended²⁷ the **Methodology for setting tariffs for services on gas storage** (injection/withdrawal) for storages with regulated access. In particular, the formula for the calculation of the tariff for injection to and the tariff for withdrawal from storage are unified. Also, the allowed costs are complemented with the planned material costs, specifically those related to the formation of an emergency stock of material and technical resources for the prompt restoration of operations to the operational condition of underground gas storage facilities or their components.

OIL

Key words: system of minimum reserves of oil and oil products, electronic reporting system

The implementation of the Law of Ukraine "On Minimum Oil and Oil Products Stocks" No. 3484-IX has progressed. At the end of 2024 the set of secondary acts was adopted by the CMU, namely Procedure for the creation, management and functioning of the system of minimum reserves of oil and oil products in Ukraine²⁸, Procedure for operation and maintenance of the electronic reporting system, Procedure for monitoring the quality and safety of petroleum products in Ukraine, Procedure for monitoring volumes in the markets of oil, petroleum products and liquefied gas in Ukraine²⁹. In January 2025, the Ministry of Energy of Ukraine designated³⁰ JSC "Market Operator" (hereinafter, the Market Operator) as administrator of the electronic reporting system for minimum oil and oil products stocks (hereinafter, the ERS). This electronic system shall create a transparent mechanism for monitoring the formation, storage, use and

²³ <https://www.nerc.gov.ua/sferi-diyalnosti/prirodnij-gaz/tarifi-dlya-pidpriyemstv-naftogazovoyi-sferi/tarifi-na-poslugi-transportuvannya-prirodnogo-gazu-dlya-transkordonnih-tochok-vhodu-i-tochok-vihodu-vz-gazotransportnuoyi-sistemui-dlya-tov-operator-gts-ukrayini>

²⁴ <https://www.nerc.gov.ua/sferi-diyalnosti/prirodnij-gaz/tarifi-dlya-pidpriyemstv-naftogazovoyi-sferi/tarifi-na-poslugi-transportuvannya-prirodnogo-gazu-dlya-vnutrishnih-tochok-vhodu-i-tochok-vihodu-vz-gazotransportnuoyi-sistemui-dlya-tov-operator-gts-ukrayini>

²⁵ <https://www.nerc.gov.ua/sferi-diyalnosti/prirodnij-gaz/tarifi-dlya-pidpriyemstv-naftogazovoyi-sferi/tarifi-na-poslugi-transportuvannya-prirodnogo-gazu-dlya-vnutrishnih-tochok-vhodu-i-tochok-vihodu-vz-gazotransportnuoyi-sistemui-dlya-tov-operator-gts-ukrayini>

²⁶ <https://www.nerc.gov.ua/acts/pro-vstanovlennya-parametriv-regulyuvannya-shcho-mayut-dovgostrokovij-termin-diyi-dlya-cilej-stimulyuyuchogo-regulyuvannya-dlya-tov-operator-gts-ukrayini-na-regulyatornij-period-2025-2029-rok>

²⁷ NEURC Resolution No. 262 of 25.02.2025, <https://zakon.rada.gov.ua/rada/show/v0262874-25#n2>

²⁸ CMU Resolution No.1455 of 20.12.2024, the draft was assessed by the Secretariat in [Ukraine Observatory 18/24](#).

²⁹ CMU Resolution No.1443 of 17.12.2024 "Some issues of monitoring the oil, oil products and liquefied gas market in Ukraine", <https://zakon.rada.gov.ua/laws/show/1443-2024-%D0%BF#Text>

³⁰ by Order No. 41 dated January 29, 2025

exchange of data on strategic oil and oil products stocks in Ukraine. According to the Market Operator³¹, oil and oil products market participants can submit reports to the ERS starting from March 6, 2025.

In March, the Ministry of Energy also approved the Standard Form of the Ticket Agreement for the reservation of oil and oil products included in the minimum reserves of oil and oil products³².

- **Follow-up:** On 23 May 2025, the CMU approved the Action plan for overcoming the crisis in the market of oil and oil products of Ukraine³³, thus finalising the regulatory framework according to the Law No. 3484.

The Action plan defines how the results of monitoring the oil and oil products market are used, calculation of indicators to identify signs of a crisis situation, levels of the crisis situation in the oil and oil products market, procedures for making decisions on the introduction and termination of a crisis situation, system of measures to respond to a crisis situations, mechanisms for cooperation with responsible bodies of other states, in particular the Contracting Parties of the Energy Community, in the event of a crisis, etc.

According to the Action Plan, the CMU takes the decision on the introduction of a crisis situation upon the relevant submission of the Ministry of Energy. Conclusions regarding a crisis situation of any level are prepared by the crisis committee created by the Ministry of Energy.

ENVIRONMENT

Key words: Environmental Permits, ETS

In February 2025, the CMU approved³⁴ the operational plan of measures in 2025-2027 for the implementation of the Strategy for Environmental Security and Adaptation to Climate Change for the period until 2030. In particular, the plan envisages the introduction in 2025 of a system of permitting procedures for industry - Unified State Register of Integrated Environmental Permits - in accordance with European standards (integrated permitting). Also, the Action plan for the creation of a national greenhouse gas emissions trading system was approved by the CMU³⁵. According to it, in particular the functioning of the Unified Registry for Monitoring, Reporting and Verification of Greenhouse Gas Emissions is planned during 2025-2026, and the launch of the first operational stage of the national greenhouse gas emissions trading system shall be ensured as of 2028. The fully functional national greenhouse gas ETS is planned for implementation no earlier than three years after the termination or cancellation of martial law.

2. THE UKRAINIAN ENERGY MARKETS

ELECTRICITY

Termination of electricity market data publication

Public access to core electricity market data (e.g. day-ahead and intraday electricity prices and volumes) has been restricted since the end of 2024. The operator of Day-Ahead Market (hereinafter, DAM) and Intraday Market (hereinafter, IDM), the Market Operator, and the operator of power exchange, Ukrainian

³¹ <https://www.oree.com.ua/index.php/newsctr/n/27029>

³² Order No. 118 of 19.03.2025, <https://zakon.rada.gov.ua/laws/show/z0617-25#Text>

³³ CMU Resolution No 601 of 23.05.2025, <https://zakon.rada.gov.ua/laws/show/601-2025-%D0%BF#Text>

³⁴ CMU Decree No. 96-r of 07.02.2025, <https://zakon.rada.gov.ua/laws/show/96-2025-%D1%80#n9>

³⁵ <https://www.kmu.gov.ua/npas/pro-zatverdzhennia-planu-zakhodiv-shchodo-stvorennia-natsionalnoi-s146210225>

Energy Exchange (hereinafter, UEEX), both notified on their websites about the termination of the data publication on the respective market segments due to the specific order of the Minister of Energy of Ukraine (in his role as the Head of works on elimination of the consequences of the state-level military emergency in electric power systems). Although the Market Operator resumed publishing some DAM and IDM data³⁶, much of the data regarding trading on DAM/IDM and power exchange auctions (which used to be public) are still not accessible to the public.

The Secretariat published the Ukraine Energy Market Observatory Assessment 2/2025 regarding termination of market data publication. To explore more on Secretariat's recommendations please refer to Chapter 5 of this report.

Special auctions for ancillary services

In March 2025, Ukraine's TSO, NPC "Ukrenergo" announced the final results³⁷ of the third special auction for the purchase of fast reserves (hereinafter, the aFRR), initiated in December 2024. Five companies guaranteed the fulfillment of their obligations regarding the construction and commissioning of new highly manoeuvrable generation facilities³⁸ of 30 MW in total. The relevant ancillary service is procured for the period of 5 years with the start of services as of January 1, 2026.³⁹ The average price of purchased ancillary services of symmetrical reserve was 1,263.08 UAH/MW (~28 EUR/MW).

The special auctions for the purchase of ancillary services have started in August 2024, aiming to recover the manoeuvrable capacities in the power system of Ukraine, which were destroyed and/or damaged by Russian attacks.

Overall, NPC "Ukrenergo" held three special auctions in 2024 for the long-term procurement of ancillary services (one – for FCR and two – for aFRR).

Auctions for aFRR have guaranteed the construction of up to 352 MW of new generating capacity, expected to be operational starting from October 2025 and January 2026.

REMIT

Contributing to **the knowledge building** on REMIT implementation, on 30 January 2025, the Secretariat organised a webinar "Standardisation of Energy Products" for NEURC⁴⁰ and the National Securities and Stock Market Commission⁴¹. During the webinar, experts of the Secretariat presented the aspects of forward contract standardisation in the Ukrainian context and industry and institutional aspects of standard forward energy products. The overlapping areas between energy and financial markets were discussed as well as the cooperation between both regulators in monitoring and enforcement of transparency and integrity requirements.

NEURC opened an investigation regarding the abuse in the wholesale energy market

The decision to start an investigation into abuses in the wholesale energy market based on the notification from TSO (manipulation in the electricity market) follows a conclusion of preliminary investigation

³⁶ the hourly DAM/IDM prices and the daily/monthly DAM/IDM indices (base, peak, off-peak)

³⁷ <https://ua.energy/general-news/ukrenergo-s-third-special-auction-for-the-purchase-of-fast-reserves-the-final-results/>

³⁸ These are capacities that can be regulated upwards or downwards within 15 minutes at the instruction of Ukrenergo.

³⁹ https://ua.energy/wp-content/uploads/2025/01/Detali_Spetsialnyj_aRVCH-24.12.2024.pdf

⁴⁰ <https://www.nerc.gov.ua/news/standartizaciya-energetichnih-produktiv-sekretariat-energetichnogo-spivtovaristva-proviv-vebinar-dlya-nkrekp-ta-nkcpfr>

⁴¹ <https://www.nssmc.gov.ua/en/standartyzatsiia-enerhetychnykh-produktiv-nktsprf-pereimaie-ievropeiskyi-dosvid/>

conducted by NEURC upon TSO's report on possible influence on the formation of marginal prices by market participant⁴².

RENEWABLE ENERGY

The first export of biomethane

In February 2025, the first pipeline supply of biomethane took place between Ukraine and the European Union, marking a key milestone in Ukraine's energy transition and its integration into the EU's renewable energy market. First 67,000 m³ of biomethane were transported via the Ukrainian gas transmission system to Slovakia. The second shipment of 27,400 thousand m³ of biomethane occurred later the same month.

Over the past two years the significant technical readiness and regulatory adaptations of national legislative framework were achieved to overcome barriers to biomethane export. However, the in terms of domestic use of biomethane and its contribution to the fulfilment of obligations relating to the 2030 RES targets arising from REDII, the full transposition and implementation of the sustainability and greenhouse gas emissions saving criteria into national legislation is needed as well as the practical implementation of the biomethane registry. For more insights, refer to the Energy Community's Observatory Assessment 01/2025 of the Procedure on the functioning of the biomethane registry in Ukraine⁴³.

RES auctions 2025

During January-March 2025 "GUARANTEED BUYER" announced the first three auctions for an allocation of RES quotas in 2025⁴⁴: 33MW of solar, 100MW of wind and 47MW of other RES. No capacities were allocated due to the absence of bids⁴⁵, confirming the poor financial viability of the RES support scheme⁴⁶. The RES support quotas for 2025 and indicative forecast for the period 2026-2029 as approved by the CMU Resolution No.1195-p is presented in the table below.

Annual RES Support Quotas for 2025 and indicative forecasts
for annual RES Support Quotas for the period 2026–2029

Indicator	2025	2026 (indicative)	2027 (indicative)	2028 (indicative)	2029 (indicative)
Total Annual Quota, MW	330	340	350	375	400
Solar Energy	33	34	35	38	40
Wind Energy	250	250	250	270	290
Biomass	47	21	25	25	26
Biogas		30	35	37	39
Hydropower (micro, mini, and small HPPs)		5	5	5	5

⁴² <https://www.nerc.gov.ua/storage/app/uploads/public/67a/cc5/b63/67acc5b63269d252387722.pdf>

⁴³ Ukraine Energy Market Observatory 01/2025, https://www.energy-community.org/dam/jcr:580d5986-4eaa-44b0-9570-c7b1c1821222/UA-EM%20Observatory_Biomethane%20Register%20in%20Ukraine_01_2025.pdf

⁴⁴ CMU Order No.1195-p, of 29.11.2024

⁴⁵ https://www.gpee.com.ua/green_auction_user#schedules

⁴⁶ Ukraine Energy Market Observatory 15/2024

3. ENERGY MARKETS REFORM PROGRESS

UKRAINE FACILITY

Energy Sector	Reform 2. Improved regulatory framework for increasing renewable energy and insuring stable operation of the energy system	10.4 Introduction of the Roadmap of the process of separation of the Renewable Energy Surcharge from the Transmission Tariff
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RES surcharge roadmap

In coordination with the Energy Community Secretariat, NEURC drafted the Roadmap that outlines Ukraine’s plan to separate the renewable energy (RES) surcharge from the electricity transmission tariff to create a transparent, financially sustainable, and EU acquis -aligned support mechanism for renewable energy. For existing producers under the current “green” tariff, the RES support will continue through the transmission tariff until the end of 2029, while the amount of existing RES support will be indicated as a separate line of the transmission tariff in the payment invoice. For new producers—specifically those who win support quota auctions starting from 1 July 2026—a new RES surcharge mechanism will apply, financed through a separately administered payment, distinct from the transmission tariff. This dual approach during the transitional period (2026–2029) ensures existing obligations are honoured while introducing a modern, market-based system for new entrants, aiming for full implementation by 2030.

- **Follow-up:** On 25 June 2025, the CMU approved the Roadmap for the separation of the renewable energy surcharge from the electricity transmission services tariff and the action plan for the implementation of the Roadmap for 2025 and 2026.⁴⁷

Energy Sector	Reform 5. Ensuring the independence of the National Energy and Utilities Regulatory Commission	10.11 Defining the special status of the National Energy and Utilities Regulatory Commission
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Draft Law on NEURC independence

In the period from January to March 2025, the draft Law “On Amendments to certain laws of Ukraine on strengthening guarantees for the exercise of the Regulator’s powers in the field of energy and utilities” (hereinafter, the draft Law on NEURC independence) has progressed. Apart from national interservice consultations, the draft Law on NEURC independence was consulted with the European Commission and the Energy Community Secretariat regarding compliance with the energy acquis. The submission of the draft law was followed by a consultation meeting (on 7 February 2025) between the Ministry of Energy, NEURC and the Secretariat and the European Commission. The Secretariat reiterated its comments, which were not considered by the Ministry of Energy in previous drafts, remaining the draft law incompliant with the Electricity Directive. Main unresolved issues were discussed, in particular, financial independence of NEURC, rotation and selection process for Board Members, clarification of provisions regarding the legal validity of NEURC’s decisions and their publication.

- **Follow-up:** After several rounds of commenting on the draft law, the Secretariat observed some key improvements in the latest draft provided to the Secretariat in May 2025⁴⁸, in particular:
 - Provisions strengthening the NEURC’s independence from the CMU and other state bodies and clarifying relations between authorities (special status of NEURC shall be further defined in the Constitution of Ukraine after the end of Martial Law).

⁴⁷ CMU Decree No.612-r of 25.06.2025, <https://zakon.rada.gov.ua/laws/show/612-2025-%D1%80#Text>

⁴⁸ The draft Law as provided by the Ministry of Energy on 13 May 2025.

- NEURC independence in staff recruitment and remuneration.
- Clear provisions on publication of decisions and timing of their legal validity.
- The Regulator is independent in terms of planning and allocation of its budget without blocking external approval by other governmental bodies.
- Clarified provisions on term in office and rotation for Board Members.

At the same time, the Secretariat reiterated that provisions of the draft Law regarding the selection procedure for NEURC Board Members still need to be improved. The Electricity Directive provides that members of the board of the regulatory authority are appointed based on objective, transparent and published criteria, in an independent and impartial procedure, which ensures that the candidates have the necessary skills and experience for the relevant position in the regulatory authority. The Secretariat proposed enhancements of the work of the Competition Commission, related to the elimination of conflict of interest by members of Competition Commission, clarification of procedural issues of the selection process, standardisation of interviews of candidates, defining the role of international stakeholders in the process, provide for a clear procedure of appointment the candidates by the CMU with highest ranking, etc. Relevant recommendations provided the Secretariat following the observation of the latest competition processes for NEURC Board Members in 2024-2025.

The Secretariat also provided the recommendations to primary legislation as to enhance the NEURC tasks and powers regarding setting the methodologies in network tariffs regulation. These recommendation stem from the results of the relevant activity implemented by the Secretariat under the EU4Energy Project in 2024⁴⁹, providing the assistance to NEURC in re-designing the electricity transmission and distribution network tariffs in Ukraine to comply with the provisions of EU Regulation 2019/943 and ECRB/ACER recommendations.

Following the agreement between Ukraine and the IMF under the cooperation program, the regular assessment of the NEURC's governance and independence shall be conducted by the Secretariat once every three years (upon NEURC request). The first such assessment shall be conducted by October 2025. However, so far, the Secretariat has not received the relevant request from the NEURC. The provisions on NEURC's independence assessment also constitute a part of the draft Law on NEURC independence.

HIGH-LEVEL WORKING GROUP ON ENERGY MARKETS

Roadmap for further market integration following the synchronisation of the Ukraine (and Moldova's) electricity networks with the Continental European Network

To complete the synchronization of Ukraine's power system with the Continental European Network, a High-Level Working Group on Energy Markets (hereinafter, the HLWG) was established in 2021, co-chaired by the Deputy-Director General for Energy and the Deputy Minister of Energy of Ukraine. This Working Group is tasked with facilitating market reforms, which could be ensured through the implementation of necessary legislative and regulatory changes, and its proper implementation for full integration with the EU internal electricity market. The roadmap, guided by this group, serves as a tool for Ukrainian stakeholders, the European Commission, and the Energy Community Secretariat to foster bilateral and regional cooperation between Ukraine, the Republic of Moldova, and neighboring EU countries.

The Secretariat, in cooperation with the European Commission and Ukrainian stakeholders, diligently monitors the implementation of activities and the risks associated with delays or blockages. In February

⁴⁹ <https://www.energy-community.org/dam/jcr:a35cbb1d-ac60-4923-80fc-411631ccf830/UA%20Work%20Programme%202024.pdf>

2025, an update on the status of these activities was prepared and discussed in a course of the HLWG meeting.

RES roadmap

In addition to the existing Roadmaps, the RES Roadmap initiated by the Energy Community Secretariat has been added for discussion at the High-Level Working Group. The Roadmap is designed to align Ukraine's renewable energy sector with the EU acquis, addressing key challenges and setting clear priorities to create a favourable environment for increased investments and accelerated growth in renewable energy. The objectives outlined in the RES Roadmap are currently under discussion at the operational level between Ukrainian stakeholders, the European Commission, and the Energy Community Secretariat.

4. IN FOCUS OF THIS REPORT

4.1 LAW NO.4213

On 14 January 2025, the Verkhovna Rada of Ukraine adopted Law No.4213 "On amendments to certain laws of Ukraine in the field of energy and heat supply to clarify provisions related to the effect of martial law in Ukraine" (hereinafter, Law No.4213⁵⁰). Law No.4213 introduced amendments regarding:

- 1) *Connection to electricity networks* (amended the Electricity Market Law):
 - a) Introduced the service of "capacity reservation" provided by the TSO under the capacity reservation agreement to RES producers from wind, reserving technical solutions regarding the scheme of connection of generating installations for no more than two years. The service is applicable for prospective producers with a capacity of 20 MW and higher. The cost of the capacity reservation is equivalent to 5 EUR per 1 kW of booked capacity. The relevant funds are considered as a share of the connection payment.
 - b) It is now allowed that the installed capacity of producers at the connection point be higher than the connection capacity; at the same time, the input capacity shall be kept within the limit of the connection capacity. The so called "cable pooling" concept is introduced to facilitate the connection of new producers to the grid as well as more efficient grid usage. The NEURC shall approve the relevant secondary legislation regarding the relevant connection procedure.
- 2) *Licensing conditions for producers* (the Electricity Market Law), now provide that the license is issued for the installed capacity of the generating plant, disregarding the connection capacity. However, the injection to the grid shall respect the capacity of connection. Producers are also allowed to install storage facilities at their site and to charge them from their own generation or from the grid. Such activity does not require a licence for storage operation if the total injected capacity complies with the allowed capacity under the connection agreement.
- 3) *Connection and operation of storage facilities by RES producers* (the Electricity Market Law):
 - a) RES producers under the "green tariff" and in the balancing group of the Guaranteed Buyer are allowed to install the storage, but generate to the system no more than their installed capacity according to the license;
 - b) other RES producers (under the "green tariff" but outside the balancing group of Guaranteed Buyer, or which are granted the support under the auction or don't have any support) are allowed to install the storage and generate to the system no more than their connected capacity;
- 4) *REMIT implementation* (the Electricity Market Law and the Gas Market Law):

⁵⁰ <https://zakon.rada.gov.ua/laws/show/4213-20#n188>

- a) Definitions regarding insider information were improved. The REMIT breaches are differentiated for market abuse (manipulation, attempt to manipulate and the insider trading) and breaches other than market abuse (non-disclosure of insider information and disclosure with violation). The sanctions are differentiated accordingly, with a significant decrease of the maximum allowed sanction (to ~56 thousand EUR from the previous level of ~10 million EUR) for REMIT breaches other than market abuse.
 - b) Provisions prohibiting the publication of insider information by Insider Information Platforms (hereinafter, the IIPs) during martial law have been introduced. Thus, the insider information shall be provided by the market participants to IPP under testing mode, but without public access. It, however, shall be available for NEURC for monitoring purposes. The Regulator is tasked to determine the list of insider information, access to which is closed during martial law, and which shall be aggregated for further public disclosure.
 - **Follow-up:** On 5 May 2025, NEURC approved the Procedure for aggregation of insider information on the wholesale energy market and its publication⁵¹. As of 1 June 2025, NEURC started to publish the aggregated insider information about planned or unplanned unavailability of facilities on electricity and gas markets through its website⁵². The information is published per decade.
 - c) The requirement that NEURC consults the Secretariat on the decisions on penalties for REMIT breaches is prolonged for another three years.
- 5) *Settlement of debts in the electricity market* (Final and Transitional Provisions of the Electricity Market Law):
- a) TSO revenue from dispatch tariff, which was not used during 2023-2024, shall be used for the debt settlement on the Balancing Market (45% of the revenue) and under the RES PSO (45% of the revenue for payments to RES producers, 10% - for payments to households with RES).
 - b) During martial law, the Default and Pre-Default status in the electricity market shall be assigned to electricity suppliers (excluding the universal service suppliers (USS) and the SoLR) in case of non-payment for grid services. The USSs are also released from Default in case they have debts for imbalances.

Before adoption, the draft law was consulted⁵³ with the Secretariat in terms of compliance with the acquis on the REMIT-related provisions. The Secretariat's comments were mostly considered in the adopted law.

Regarding other provisions of Law No.4213, the Secretariat was not approached for a detailed compliance review. However, as the draft law, among other provisions, provided the extension of the right of GTSOU to perform the activity of electricity production by 2030, the Secretariat stressed the concern that such prolongation would be the prolongation of a serious breach of the Treaty and the GTSOU certification conditions. Consequently, the adopted Law No.4213 kept the initial deadline for such derogation as of 2027.

The Secretariat also commented that the initiative to use the excess income received by Ukrenergo from the existing dispatch tariff in 2023 and 2024 to repay TSO's debts towards the balancing market, extends cross-subsidisation of costs and revenues between various TSO functions, such as transmission,

⁵¹ <https://zakon.rada.gov.ua/rada/show/v0682874-25#Text>

⁵² <https://www.nerc.gov.ua/dobrochesnist-ta-prozorist-remit/agregaciya-insajderskoyi-informaciyi-na-optovomu-energetichnomu-rinku>

⁵³ By the Committee on Energy, Utilities and Housing by Verkhovna Rada of Ukraine

dispatch, RES payments, etc. Also, it does not address situations when TSO experiences a shortfall in revenues and the need to finance the reconstruction and repair of TSO assets damaged by the Russian aggression. Understanding that such a decision aims to decrease the outstanding TSO debts, the Secretariat highlighted that the tariff setting principles defined in the Energy Community acquis shall be observed. The Secretariat recommended:

- a) PSO and RES-related costs shall be separated from the transmission tariff,
- b) all relevant tariffs shall be cost reflective to avoid further accumulation of debts, and
- c) treatment of any excess or shortfall in regulated revenues shall be defined in the NEURC tariff methodology and not in the primary legislation.

4.2 CORPORATE GOVERNANCE OF UKRENERGO AND GTSOU

On 23 December 2025, NEURC requested the Secretariat's opinion on draft amendments to the **Charter of the electricity TSO**, NPC "Ukrenergo". Upon review, the Secretariat shared its concerns to the Regulator. Several instances of incompliance were identified. First, the Charter did not include unambiguous wording that the Supervisory Board has an active role in the preparation and adoption of the ten-year network development plan. With regard to the independent functioning of the Supervisory Board, the corporate body in charge of shielding the company from undue influence by the state, the Secretariat noted that procedures such as the appointment, dismissal and performance review of the Supervisory Board members needed significant strengthening in order to ensure the independent operation of the Supervisory Board. Following extensive consultations between the stakeholders, on 17 February 2025 NEURC shared an amended Charter for the Secretariat's review, which took some of the Secretariat's concerns into account. On 27 February 2025, the Secretariat submitted its comments on the Charter to NEURC and noted that the grounds for dismissal of Supervisory Board members ("improper performance" or "failure to meet performance goals", when no such goals had been defined) still paved the way for potential abuses and may thus prevent Supervisory Board members from acting independently, as they may be dismissed on very broad grounds.

- **Follow-up:** At the end of May 2025, the Secretariat was informed that a newly adopted Charter included a provision on the selection of the Chairman of the Management Board of TSO according to which the positive vote of at least one state representative member of the Supervisory Board is needed for the appointment/dismissal of the Chairman. This provision had not been previously consulted with the Secretariat and, in the Secretariat's view, it endangered the operational capability and independence of the Supervisory Board and thus of the company. The Secretariat engaged in consultations with NEURC and the Ministry of Energy, and on 13 June 2025, a revised version of the Ukrenergo Charter was approved. The new version includes a comprehensive procedure for the appointment of the Chairman of the Board, with three steps, each of them less restrictive in terms of quorum and positive votes. In the end, the Chairman can be appointed by the majority of the members of the Supervisory Board present at the respective meeting. In this way, a deadlock is avoided and the efficient operation of Ukrenergo is ensured.

On 2 December 2024, NEURC requested the Secretariat's opinion on draft amendments to the **Charter of the gas TSO**, GTSOU. Upon review, the Secretariat shared its concerns with the regulator. The main compliance issue identified was in relation to the functioning of the Supervisory Board of the company, a body meant to constitute a counterbalance to the state's interests in the company. To achieve that, in a letter dated 23 January 2025, the Secretariat recommended additional independence guarantees for the appointment, performance assessment, and dismissal of the members of the Supervisory Board, and it highlighted the need that the Supervisory Board is empowered to make independent decisions, if needed by international observers at the appointment/dismissal stages and external auditors during the

performance review. On 28 February 2025, NEURC sent a revised version for consultation with the Secretariat. On 6 March 2025, the Secretariat, in its response to NEURC, noted that lacking clear performance indicators and a thorough performance review process of the Supervisory Board, in conjunction with broadly phrased grounds for dismissal, facilitates potential abuses and seriously threaten the independence of the Supervisory Board members.

- **Follow-up:** In June 2025, the Secretariat was informed that a new Charter of GTSOU was adopted at the end of May 2025. The Secretariat requested the draft Charter from NEURC, and is in the process of reviewing it.

5. SNAPSHOT OF LATEST OBSERVATORY REPORTS

Assessment 1/25: BIOMETHANE

In February 2025 the Secretariat published an **Assessment of the Procedure on the functioning of the biomethane registry in Ukraine** (Assessment 1/25), which provides the insight to the latest legislative amendments related to the biomethane, status of transposition of RED II provisions governing application and verification of sustainability and greenhouse gas emissions saving criteria. The Secretariat recommends establishing a national Ukrainian Register without further delay to facilitate the development of the domestic market and fulfilment of obligations arising from the Energy Community Treaty. This will also foster other steps aiming to enable biomethane export from Ukraine, as foreseen by the MoU⁵⁴ and related Roadmap.

Assessment 2/25: ELECTRICITY MARKET

The Secretariat assessed the **termination of the data publication in the electricity market of Ukraine** in the context of Ukraine's obligations under the Energy Community acquis and its impact on the electricity market functioning and its further reform⁵⁵.

The electricity market in Ukraine has already been operating under limited access to market-important information (mainly related to the operation of critical energy infrastructure, which has been closed for public and market participants with aim to avoid its usage by Russia to damage or destroy relevant objects). The inside information, for example on planned and unplanned availability/non-availability of generation units and network elements, is now publicly non-disclosed as well and is not accessible by market participants for making trading decisions in the market.

Publication of data on the Transparency Platform of ENTSO for Electricity⁵⁶ also was put on hold due to martial law but partially resumed for information not related to the state of the critical infrastructure.

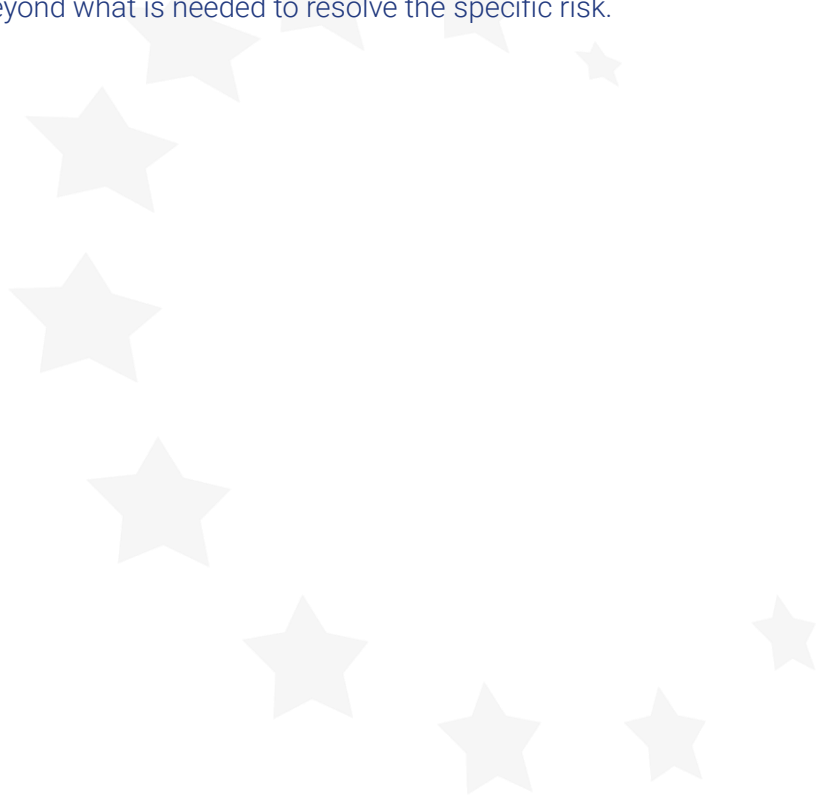
The latest event of the termination of the publication of trading results from DAM/IDM and bilateral contracts market segments caused significant concerns among the electricity market participants and different stakeholders as public access to the DAM price information is crucial for Ukraine's electricity market. The Secretariat analysed Energy Community acquis and the national legislation governing the requirements to data publication in electricity market, security of supply procedures and institutional competences related to transparency in the electricity market. Market impact assessment and the compliance assessment are provided. The Secretariat highlighted that termination of data publication undermines trust in the market, its transparency and predictability. The Secretariat highlighted for a

⁵⁴ [Memorandum of understanding between the European Union and Ukraine on a Strategic Partnership on Biomethane, Hydrogen and other Synthetic Gases - European Commission \(europa.eu\)](#)

⁵⁵ https://www.energy-community.org/dam/jcr:7abfd0a7-5683-4f6e-8eb3-dda887b8493f/UA%20MO_2_2025_on%20termination%20of%20data%20publication_publish.pdf

⁵⁶ [ENTSO-E Transparency Platform](#)

functioning electricity market to be maintained, proportionality and respect for institutional competences are essential. The Secretariat invites the Ministry of Energy and NEURC to assess how order closing the publication of market information affects market functioning. The transposition of the Risk Preparedness Regulation and its implementation will allow proper assessment of risks to security of electricity supply, also due to martial law. Given the delayed transposition of the Risk Preparedness Regulation and approval of the Risk Preparedness Plan, any immediate risks to the security of electricity supply shall be addressed temporarily using the existing Rules for Security of Electricity Supply. Relevant measures shall be justified, temporary, not go beyond what is needed to resolve the specific risk.



ANNEX: ENERGY OUTLOOK

This Annex contains the outlook of noticeable events and publications related to the Ukraine energy markets in Q1 2025:

January 2025	Reference
The CMU updated the composition of the competition commission for the selection of candidates for the positions of members of the NEURC	Link
The CMU adopted the resolution on some issues of evaluating the activities of the supervisory board and reporting on the work of the supervisory board of a state unitary enterprise, a business company, in the authorised capital of which more than 50% of the shares (shares) belong to the state.	Link
The CMU approved the draft Joint Work Program between the Government of Ukraine and the International Energy Agency (IEA) for the period 2025-2026.	Link
UKRENERGO published the report of the Transmission System Code Administrator for 2024.	Link
The Market Operator published the ANNUAL REPORT on the operation of Ukraine's Day-Ahead and intraday markets in 2024.	Link
The share of each energy source used to produce electricity, which was sold by Guaranteed Buyer in January-December 2024 to universal service suppliers to ensure general public interests in the electricity market in accordance with the order of the Ministry of Energy of Ukraine dated March 21, 2022 No. 132, is 53.23% - hydro, and 44.77% - nuclear power.	Link
The Guaranteed Buyer published information on settlements with RES producers as of 31 December, 2024.	Link
Supervisory Board of Energoatom elected Chairman and approved work plan for 2025.	Link
Solar energy association of Ukraine: In 2024, the capacity of solar power plants increased by 800-850 MW in Ukraine.	Link
The Ukrainian analytical center for energy and climate DiXi Group, with reference to Energy Map, prepared for the Energy Reform an overview of electricity import-export in 2014-2024. In 2024 Ukraine showed record electricity imports and minimal electricity exports over the last decade. In 2024, Ukraine imported 4,436.6 thousand MWh of electricity, which was the highest figure in the last 11 years (actual data before 2014 are not publicly available). In contrast, electricity exports reached a historical minimum of 348.5 thousand MWh.	Link
Ukraine Energy Exchange: Results of trades at UEEX for 2024.	Link
February 2025	
The CMU approved the Government's priority action plan for 2025	Link
Ministry of Energy: Cooperation between Ukraine and the EU is crucial for ensuring the energy security of the European region.	Link
Ministry of Energy: Three years of resilience - Ukrainian energy sector withstands challenges that no other country in the world has faced.	Link
Three years of full-scale war: the Ministry of Energy and the Energy Community strengthen the Ukrainian energy sector with the support of international partners	Link
The Supervisory Board of Electricity TSO (Private Joint Stock Company "National Power Company UKRENERGO (NPC UKRENERGO) announced the competitive selection for Chairman of the Management Board.	Link

The Supervisory Board of of LLC “GTS Operator of Ukraine” (GTSOU) announced the competitive selection for the position of Director General.	Link
Market Operator: The electricity price index for the BASE period on the DAM of Ukraine in January 2025 is 5,548.03 UAH/MWh, which is 3.99% lower than the December 2024 price.	Link
Monitoring the implementation of the IMF program and EU assistance (January 2024)	Link
March 2025	
The Committee on Energy and Housing and Communal Services of Verkhovna Rada of Ukraine held a presentation of the annual report of the Director of the Energy Community Secretariat, Artur Lorkowski, on the status of Ukraine's implementation of its obligations in 2024.	Link
Ministry of Energy: Herman Galushchenko discussed the integration of the energy markets of Ukraine and the EU with the Director of the Energy Community Secretariat	Link
NEURC approved amendments to the Registration Procedure for wholesale energy market participants (REMIT) and clarified the definition of threshold of consumption of 600 GWh and above for retail market participants in the electricity and gas markets who are considered wholesale market participants.	Link
NEURC issued the new license for the activity in aggregation	Link
EXPRO: In February 2025, Ukraine increased electricity imports by 30%	Link
European-Ukrainian Energy Agency (EUEA) presents a new analytical report «Active Consumption and Self-Generation of Electricity», created with the support of the European Climate Foundation.	Link
Dixigroup: Monitoring of Ukraine’s National Energy and Climate Plane (NECP) – Q3 2024 (July-September 2024)	Link
Dixigroup: Monitoring of Ukraine’s National Energy and Climate Plane (NECP) – Q4 2024 (October-December)	Link
Monitoring of the implementation of the IMF program and the Ukraine Plan (February 2025).	Link
Market Operator: The electricity price index for the BASE period on the DAM of Ukraine in March 2025 is 5,150.78 UAH/MWh. This is 12.30% lower than it was in February of this year. The weighted average purchase and sale price of electricity on the DAM for this period is 5,473.83 UAH/MWh, and the weighted average price of accepted electricity on the intraday market is 4,745.95 UAH/MWh.	Link
Ukraine Wind Energy Association released Ukraine’s Wind Power Market” Overview 2024.	Link