Ukrainian Energy Exchange

South-East European Gas platform meeting (SEEGAS)
December 15, 2020
Ukrainian Energy Exchange is a new trading center on the map of Europe.
**CREATION OF GAS EXCHANGE OF EUROPEAN STANDARD**

**MEMORANDUM**
On support the development of exchange

- Ministry of Energy of Ukraine
- EBRD
- Energy Community Secretariat
- Ukrainian Energy Exchange

**Objective**
Implementation of legislation of EU for creation of competitive liquid exchange gas market

- Providing full compliance with BAL NC standards
- Creation of full fledged exchange platform of European model for another energy commodities in the future

**MEMORANDUM**
On development short-term gas market

- NEURC (Regulator)
- Energy Community Secretariat
- GTSO (TSO)
- Ukrainian Energy Exchange

**Objective**
- Solving the problems of the daily balancing market in Ukraine
- Transition to Balancing target model according BAL NC
- Creation of gas hub in Ukraine

Trust of our Partners and participants of Exchange trades is the main capital of UEEX
UEEX IS THE CENTER OF TRADE OF ENERGY RESOURCES IN UKRAINE

10 years of operation
of which 4 years — in the natural gas market

For the last 4 years:

- UAH 150 bln+ trades volume
- 35 thousand+ concluded deals
- 1200 companies+ Number of participants

UEEX IS A LEADING COMMODITY EXCHANGE IN UKRAINE WITH HIGH LIQUIDITY, WHERE ALL TYPES OF ENERGY RESOURCES ARE TRADED. UEEX IS A MEMBER OF Europex – ASSOCIATION OF EUROPEAN ENERGY EXCHANGES.
We are operating

- Electricity – BCM
- Natural Gas
- Oil Products
- LPG
- Coal
- Raw Materials And Other Products
- Oil And Gas Condensate
- Sale Of Property In ProZorro. Sale
- Untreated Timber
- Fertilizers

We are developing

- Short-Term Market
- Term Market (Derivatives)
- Greening Of The Energy Sector Of Ukraine
- Biofuel
UEEX MARKETS AND PRODUCTS

AS IS

Bilateral trading

Electricity

Natural gas

Forward

Withinday

TO BE

SPOT

Natural gas

Withinday

Day-ahead

Futures

Electricity

Day

(T+3 – T+n)

Week

BOM

Month

Month

Quarter

Quarter

Season

Season

Year

Year
**KEY MARKETS**

**Electricity**
- **300** UEXX accredited participants in the electricity market
- **376** auctions (including 30 PSO auctions and 156 commercial sessions) were completed for 11 months 2020
- **>190** bidders took part in electricity trading during the last year, including DTEK, Energoatom, Centrenergo, the Guaranteed Buyer and Ukhydroenergo
- **63%** Share of the national trading electricity market (46.23 billion kWh) was sold on the bilateral agreements market on UEXX in H1 2020

**Oil & Oil product**
- **663** UEXX accredited participants in the Oil, NGL, Oil products (incl. LPG) market
- **2245** thousand tons of oil, NGL, oil products (incl. LPG) were sold on UEXX for 11 months 2020
- **100%** Of participants in the crude oil and gas condensate market are local refineries and traders
- **40%** of the national volume of oil and gas condensate production were sold on UEXX in H1 2020

**Natural gas**
- **368** UEXX accredited participants in the natural gas market
- **3430** natural gas agreements were concluded for 11 months 2020
- **2104** mcm of natural gas were traded on UEXX for 11 months 2020
- **10%** of national natural gas volumes were sold on UEXX in H1 2020

**Prozorro.Sales**
- **561** were initiated on UEXX for 11 months 2020
- **428** proposals for participation in auctions on Prozorro.Sales were submitted through UEXX
- **660** UAH million - the total deal value traded on UEXX in 2019, up from UAH 579.4 million in 2018
- **4.5%** of the total trading volume of Prozorro.Sales was sold through UEXX in H1 2020
UEEX IS THE CENTER OF TRADE OF ENERGY RESOURCES IN UKRAINE

Results by directions for 11 months 2020:

- Electricity, without PSO: 29,664 mln UAH
- Oil and gas condensate: 12,606 mln UAH
- Natural gas: 9,719 mln UAH
- Oil products: 6,878 mln UAH
- Liquefied gas: 2,069 mln UAH
- Fertilizers: 284 mln UAH
- Raw materials and other products: 243 mln UAH

Key performance indicators

- Number of trading sessions per year:
  - 2017: 446
  - 2018: 677
  - 2019: 759
  - 2020*: 939

- Number of participants per year:
  - 2017: 491
  - 2018: 654
  - 2019: 1,040
  - 2020*: 1,100

- Trading volume, UAH billion:
  - 2018: 23.19
  - 2019: 58.96
  - 2020*: 69.7

Note: *Annualized values based for 11 months 2020

UEEX's share at key national markets in H1 2020, %

- Natural gas: 20%
- LPG: 40%
- Crude oil, gas condensate and petroleum products: 0%
- Electricity: 60%

New products in UGS:

- Gas in UGS (clearance)
- Gas in UGS "Custom warehouse"
- Gas in UGS "Custom warehouse" + "short-haul"
DYNAMICS OF TRADE DEVELOPMENT IN THE NATURAL GAS MARKET AT UEEX IN 2020

- In the first **11 months of 2020**, the Ukrainian Energy Exchange sold **2.1 billion cubic meters** of natural gas.

- 238 trading sessions were held, at which 75 companies - initiators of bidding - offered natural gas for sale or purchase.

- According to the results of **11 months of 2020**, the volume of sales of underground gas storage resources amounted to **298 million m3** against **33 million m3** in 2019.

- Currently, **more than 350 companies** are represented on the UEEX in the Natural Gas area.

- In autumn 2020, the daily balancing platform was launched and successfully operated. Thus, **33 companies** have already been accredited in this area and more than **90 agreements** have been concluded.

- Naftogaz Trading strengthened and consolidated its position at UEEX, in general, among the total sales volumes on UEEX, the share of the companies sales in 2020 was **36%** against **32%** in 2019.

![Chart: Sales of Naftogaz Trading and other companies at UEEX](chart.png)

In addition to Naftogaz Trading, trading sessions for the purchase / sale of natural gas resources for 22 and 44 companies - initiators of starting positions were productive in 2019 and 2020 respectively.
**BASIC TRADING TECHNOLOGIES**

UEEX has two trading systems: its own and European developers. At the same time, anonymity and competitive mechanisms of trade are provided, possible manifestations of corruption and the like are leveled out. Access to such systems is also possible from mobile devices. The server part is located in the Uptime Institute Data Center Site Infrastructure Standard TIER III data center. Highest IT security standards are ensured.

Trading platform PP BETS

Was developed taking into account own and international experience, peculiarities of energy markets work and interests of market participants. Ensured protection of economic competition and anonymity. Eliminates possible corrupt practices. This system is used for all trading on forward contracts. BETS has a separate configuration for trading electricity (BETS “Electric Power”).

Energy Trading Platform

An electronic trading system for short-term standardized contracts trading with a time interval on the principle of bilateral continuous auction with the principle of anonymization of price bids (intraday, day-ahead market or any other standardized contracts (futures / forward). The system is also integrated with the GTS Operator’s information system regarding receipt and confirmation of trading notifications in natural gas trades in the daily balancing mode and is integrated with the banking system regarding work on escrow accounts of bidders. That means, the system has a clearing module (light CCP).
IIGHT CCP

Trading participant

Trade notification on purchase/sale of natural gas

Application for participation

Escrow account of trading participant

Aggregation and sending of the trading data to the bank

UEEX short-term standardised market

Trade notification on purchase/sale of natural gas

Trade notification confirmation

TSO
**Planned Model**

**Delivery period**
- Day (WD)
- Balance of the month
- Month
- Quarter
- Season
- Year

**Implementation of trading obligation**
- Weekend
- Current
- Month
- 6 months
- 4 quarters
- 4 seasons
- 2 years

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**Diagram**

- **UEEX** Clearing House
- **TSO**
- **Trade**
- **Margin**
- **Trade data**
- **Trade confirmation**
- **Purchase price**
- **Financial settlement**
- **Physical delivery**
- **Trade notification / Agreement registration**
- **Supply/entry**
- **Consumption/exit**
CREATION OF GAS EXCHANGE OF EUROPEAN STANDARD

2019

A Memorandum of the development of exchange trade between UEEX, the Ministry of Energy, the EBRD and the Energy Community has been concluded.

2020

The unbundling process has been completed — the separation of the transportation function of the GTS Operator.

A Memorandum on the development of the short-term gas market was concluded between the Energy Community, the NERC, the OGTSU and UEEX.

2021

Formation of a short-term gas market:
1. Launch of WD for the daily balancing market;
2. Launch DA.

The Law of Ukraine “On Amendments to the Law of Ukraine” On Public Procurement "for the purchase of natural gas"

Formation of full-fledged clearing and ensuring the work of the central counterparty.

Launch of the futures market. The exchange is already working on formulating the concept of expanding trading tools.

Launch of the reporting system. Reporting and disclosure of market information in accordance with REMIT, EMIR.
THANK YOU FOR YOUR ATTENTION

CE “Ukrainian Energy Exchange”
01001, Ukraine, Kyiv, Khreschatyk, 44a, 4-th floor.

Phone: +38 044 35 35 735

ueex.com.ua