

# The Role and Place of Ukrainian Energy

in the European Energy Sphere



**Razumkov Centre**  
[www.razumkov.org.ua](http://www.razumkov.org.ua)

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# The priority tasks

## till 2035



### Energy security

- Sources diversity
- Own gas and coal
- Strategic oil reserves
- Cybersecurity



### Energy market

- EU legislation
- Integration into EU electricity and gas markets



### Decarbonization

- **↓ 50%** energy intensity of GDP
- RES share **↑ 25%**
- coal share **↓ 60%**

# Steps Towards Energy Independence

over the last few years



Establishing the competitive Energy Markets

# Natural Gas

Gas Market Law, 2015

## Progress

- Legislation almost in place
- Competitive wholesale market
- NCG price approach
- Supply diversity
- Incentives for domestic production

## Challenges

- No choice of supplier in retail
- Networks wear and tear
- Right to use the networks
- PSO approach
- Debt growth
- No incentive price for distribution
- No D2D balancing

# Electricity

Electricity Market Law, 2017

## Progress

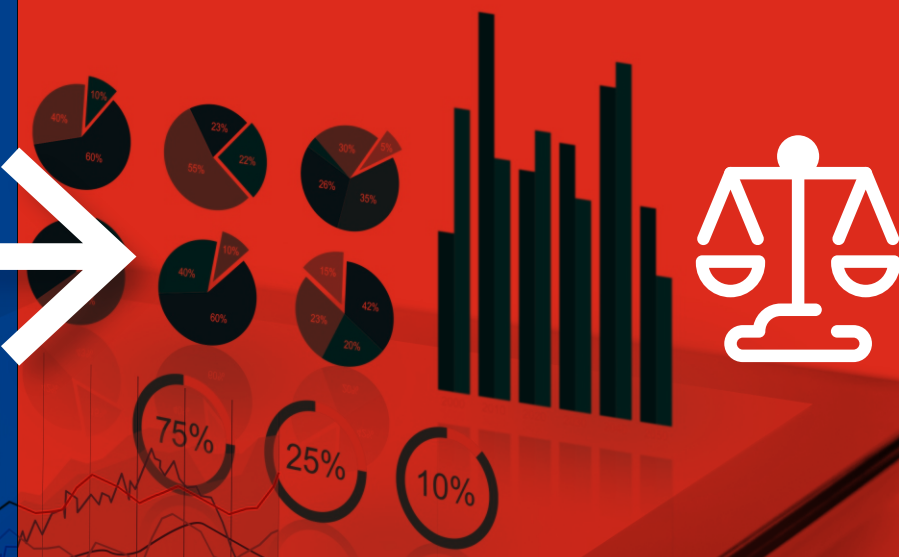
- Legislation: basic OK, secondary in progress
- ARA indicator for coal price
- Grids Interconnection Agreement (2017)
- National Emissions Reduction Plan (2017)

## Challenges

- Cross Subsidies
- Debt growth
- Energy coal shortage, import
- Need for TPP modernization
- Grids wear and tear
- No incentive price for distribution
- Non-compliance to eco-standards
- RES expanding, harder to connect

# Reforming Priorities

## Pricing issues for competitive markets

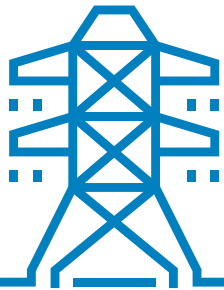


**Administrative  
pricing model**

**The import  
parity method  
(e. g. NCG & ARA)**

# Reforming Priorities Introduction of incentive-based tariffs

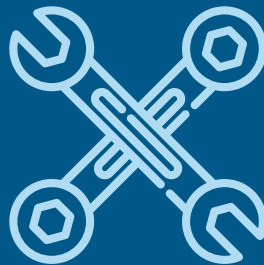
## 40 years



average  
lifetime  
of electricity  
grids

## 70%

wear  
and tear



«Cost plus»



**RAB-**  
**regulation**  
(2019-2020)

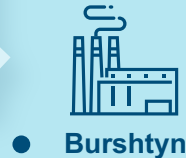


**Investors'**  
**interest**

## Reforming Priorities

# Integrating the UPS into ENTSO-E

Expand the **Burshtyn Energy Island**



• Netishyn

Complete the construction of **Khmelnitsky NPP** 3rd and 4th units



Growth of capacity up to **4 GW**



MOLDOVA

UKRAINE

2023 – synchronized operation of Ukraine's and Moldova's electricity grids with **ENTSO-E**

ROMANIA



# Harmful emissions' Indices

growth rate per annum, 2017

Ukraine

Colombia

Venezuela

Finland

United Kingdom

10.1%

7.1%

4.3%

3.8%

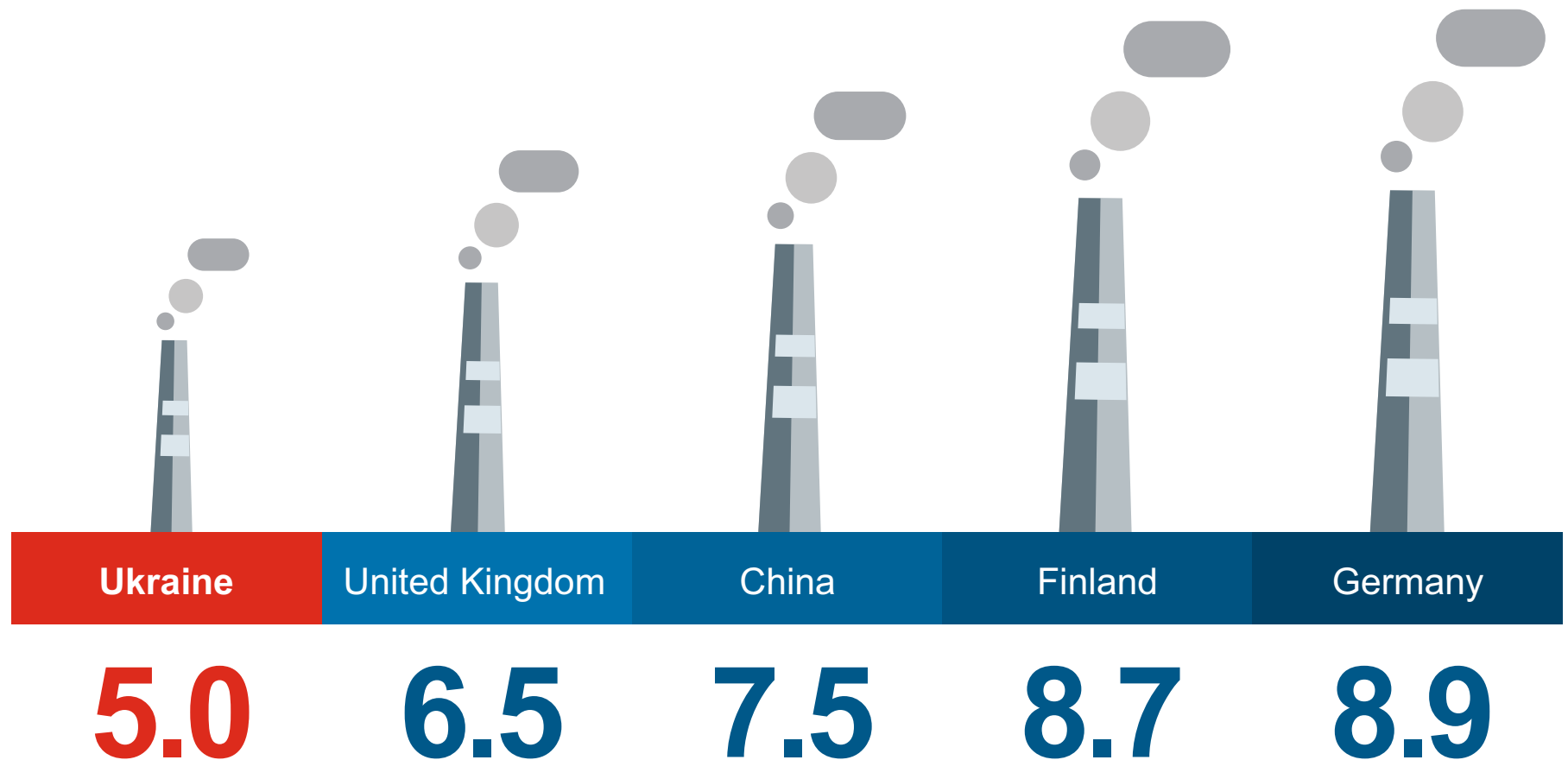
2.7%

CO<sub>2</sub>

Source: BP Statistical Review Of World Energy (2017), worldbank.org

# Harmful emissions' Indices

in 2017 per person



Source: BP Statistical Review Of World Energy (2017), worldbank.org

# Reforming Priorities

## Upgrading the tariff system for RES

### Factors determining RES development

The highest green tariffs in Europe



Consumers can reduce demand



Hard to attract investments

**SOLUTION:**

**Open tariff auctioning for the new projects after 2020**

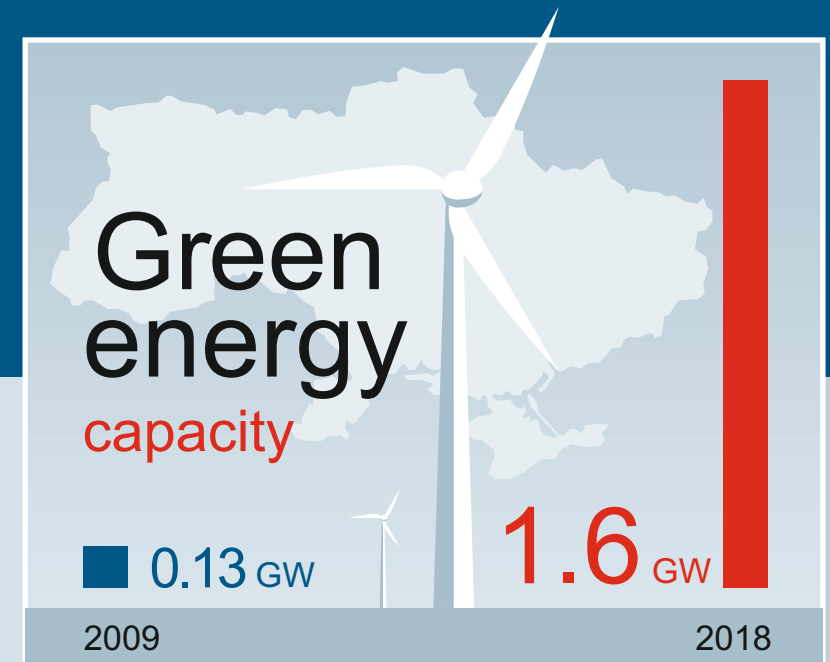
Shortage of maneuvering capacities



Increasing the share of coal generation

**SOLUTION:**

**2.5 GW of additional capacities by 2025**



# Reforming Priorities

## Nord Stream-2: how to lessen harm

### Tasks for Government:

Competitive gas transit tariffs

Independent certified  
GTS operator

Daily balancing procedure

Sales-purchase points  
at the Eastern border

Long-term ship or pay contract  
for the amount of

**60** bcm/year  
for the period  
**2020-2040**

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