



**Razumkov**  
centre



Kingdom of the Netherlands

**MATRA** Programme

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# UKRAINE: FROM WAR TO PEACE AND RECOVERY

Analytical Assessments



# I.

## NATIONAL SECURITY AND DEFENCE: KEY DEVELOPMENTS, PROCESSES, TRENDS

Contrary to expectations, the upcoming anniversary of the Russian invasion had no significant impact on the current situation or the prospects for war. The enemy's attempts to capture Bakhmut and Vuhledar at the cost of extremely high manpower and equipment losses were unsuccessful, although Russians were still able to partially seize the initiative and force the Ukrainian side to bring in additional reserves to hold their positions.

In the battle for Bakhmut, both sides seem to have pursued the same goal, specifically to restrain and exhaust the enemy's forces as much as possible, including forces prepared for the expected offensive.

### COMBAT ACTION

Russia's main efforts in February were aimed at:

- ✓ completing the occupation of Luhansk oblast, capturing of Bakhmut and breaking through Ukrainian defences around Vuhledar as a demonstration of progress in fulfilling the declared and repeatedly adapted goals of the so-called «special military operation»;
- ✓ regrouping forces and building up human and material reserves for an offensive operation;
- ✓ building a deeply echeloned defence in the occupied territories and in the Russian border regions;
- ✓ undertaking periodic massive strikes on critical infrastructure using kamikaze drones, cruise and ballistic missiles.

The Ukrainian defence forces carried out measures pursuing the following objectives:

- ✓ maintaining strategic initiative in the theatre of operations;
- ✓ depleting enemy forces and destroying accumulations of manpower, equipment and material reserves;

- ✓ countering the enemy's efforts to seize the tactical initiative in the most threatening areas;
- ✓ creating conditions for further counter-offensive operations;

In January-February, the contact line did not undergo significant changes, and the tactical successes of the warring parties in certain areas did not affect the overall situation. Russia's main attacks focused on the Kupyansk, Lyman, Bakhmut, Avdiivka and Shakhtarsk directions. On the rest of frontline, Russian units were mainly engaged in defensive actions, as well as rocket and artillery attacks on non-military targets in the frontline areas. Russians also continued to launch long-range missiles and kamikaze drones, although the scale of these strikes has somewhat reduced compared to previous months, which may indicate both the depletion of stockpiles and the targeted accumulation of reserves for the next large-scale attack.

The intense fighting around Bakhmut and adjacent settlements became the subject of global media attention. Military expediency of the «battle for Bakhmut» has been actively questioned by the public, given the significant losses of human and material reserves required for the expected counter-offensive. The purpose of this information campaign may be to push Ukraine's military and political leadership towards negotiations. At the end of February, President Zelenskyy stated that «it is important to defend Bakhmut, but not at any cost and not for everyone to die».

Russia began to increasingly involve regular military units in the assaults on Bakhmut, where «Prigozhin's infantry» had played a major role over the previous six months. The diminished role of the PMC Wagner is due to several factors. First, the assault tactics of «human waves» led to such high losses among Wagner mercenaries that it became impossible to compensate for them. Second, competition between PMCs and



the MoD in the Russian «manpower market» for volunteers, including prisoners, has intensified.

#### RUSSIA'S MOBILISATION POTENTIAL

Recently, there has been information about Russia preparing a new wave of mobilisation. In addition to the 300,000 recruited last autumn, it is planned to enlist another 500,000 military reservists and conscripts into the armed forces. However, Russia's unlimited mobilisation potential is a myth. Very roughly, the number of men in Russia aged 18-27 is about 8 million and aged 18-65 – 42 million, according to the 2021 census. Considering all sorts of restrictions (health, marital status, education, employment in strategic industries, etc.), Russia's conscription potential is 260 thousand people a year and its mobilisation potential is about 2 million (according to Bruno Khal, the head of the German Federal Intelligence Service, Russia can mobilise up to 1 million additional servicemen for the war against Ukraine). By lifting some restrictions, Russia's mobilisation potential could be increased to 2.5-4 million people or more. However, the following factors should be taken into account, including exhaustion of the potential in the occupied territories and peripheral territories of the Russian Federation; massive flight of men of military age on the eve of the autumn draft of 2022 (at least 1 million, according to some unverified estimates); economic losses due to the narrowing labour market; deterioration of the quality of military personnel (replenishment of units with conscripts and reserve servicemen of second and even third class).

Even if Russia succeeds in achieving the desired conscription and mobilisation figures, it is unlikely that this army will be provided with the necessary amount of military equipment, ammo, and other resources, given the impact of sanctions on the economy and, especially, on the defence industry, at least until the summer of 2023. With this in mind, Russia undertakes major efforts to meet the military and technical needs of its armed forces by evading sanctions and increasing own arms production, arranging for the supply of weapons, components and ammunition from China, North Korea, and Iran, and seeking other sources of arms.

The intense clashes to control Vuhledar – a town of major operational importance – did not bring significant gains to the Russian side, despite the use of elite marines and paratroopers supported by armoured vehicles. The documented footage of the failed Russian offensive confirms conclusions about the low combat capability of Russian units, which were manned by newly mobilised after the recent losses. The unsuccessful assault on Vuhledar has probably been a significant deterrent to Russian command's further attempts to

demonstrate «great achievements» on the first anniversary of the so-called «special military operation».

According to various sources, the likelihood of a ground invasion from Belarus remains low, given the level of presence and movement of personnel and military equipment. At the same time, recent statements by the Belarusian leader indicate his intention to continue providing full support to Russian aggression, which does not rule out provocations to justify the direct involvement of the Belarusian military in the border conflict. If Lukashenka elects to take such a step, either on his own initiative or under pressure from Moscow, the pretext could even be a repeat of an incident similar to the damage to a Russian A-50 aircraft at a Belarusian airfield, regardless of any evidence of Ukrainian involvement.

Possible directions of Russia's spring offensive include Northwest (Chernihiv), North (Sumy) and Northeast (Kharkiv). However, these directions can be well used for diversionary strikes, with the main attack being directed to the East (Donetsk) or Southeast (Zaporizhzhya). The signs of the enemy's readiness for a decisive offensive in specific directions will include active assaults by the first echelon troops and their potential success in certain areas of the front (as is currently observed); concentration of powerful forces and means in the second echelon sufficient to break through the defence and further develop the offensive; creation of a powerful strategic reserves to strengthen the offensive group and support it from the flanks.

However, given Russia's huge losses in the war, the problems with manpower and equipment, as well as Ukrainian defenders' strikes on the rear and possible pre-emptive counter-offensive actions, the Russian military leadership may face the need to use the created reserves to «plug holes» at the front instead of using them as a «striking fist». The determining factors in the further course of events will be the skill of the Armed Forces of Ukraine in planning operations, the formation of well-trained and armed reserves, as well as the volume, range and pace of Western military and technical assistance to Ukraine.

Feeling the lack of capabilities to inflict a decisive military defeat on Ukraine, Russia resorts to asymmetric hybrid measures, trying to disperse the Ukrainian defence forces as wide as possible and divert the attention of

Western partners from assisting Ukraine. This included Russia's attempts to provoke tensions in Moldova and compromise Ukraine as if it wants to seize Transnistria.

### **UKRAINIAN GOVERNMENT'S POLICY DECISIONS AND ACTIONS IN THE DEFENCE SECTOR**

February saw a series of personnel changes in MoD leadership, likely related to the corruption scandal over the procurement of food services and driven by the intentions of certain centres of influence to remove Oleksiy Reznikov from the Defence Minister's post. The initiative to dismiss Mr Reznikov and appoint General Kyrylo Budanov as Minister of Defence was apparently not supported by President Zelenskyy. Should this initiative materialise, it could have produced some negative consequences for cooperation with international partners, where personal contacts are important. An appointment of a general as a Minister of Defence would be particularly undesirable, because according to current legislation and democratic standards, this position should be occupied by a civilian.

At the same time, there were personnel rotations in other ministries and departments, in local governments and in state-owned enterprises. By doing so, the Ukrainian leadership is demonstrating its willingness to move forward with reforms and to listen to signals from society and foreign partners. Russia and its supporters in some Western countries are trying to spread the thesis of «fatigue with Ukraine» and thus slow down the provision of assistance. If such an opinion does exist in Western countries, it has a slightly different connotation – there is no point in investing in a country that is not ready to change for the better. Therefore, personnel changes in the government are if not sufficient, then at least necessary evidence of Ukraine's readiness for reform.

### **FOREIGN EVENTS (EXTERNAL FACTORS)**

February decisions and statements of Ukraine's international partners confirm readiness of the anti-war coalition for comprehensive and long-term support of Ukraine and gradual abandonment of the policy of artificially limiting capabilities in the transfer of heavy weapons. As a result of the two latest Ramstein meeting, Ukraine should receive an unprecedented aid package from the allies in terms of the range and quantity of weapons, equipment, and ammunition. Successful resolution of the milestone issue

of supplying tanks may be evidence of the Western political elites' starting to embrace the idea of ending the conflict by providing Ukraine with opportunities for a convincing military victory and, accordingly, Russia's defeat on the battlefield. This is confirmed by the positions of the West's leaders, in particular, the speech of US President Joseph Biden during his visit to Kyiv and evidenced by the vote at the UN General Assembly on 23 February 2023, where 141 countries voted in favour of the Resolution «Principles of the Charter of the United Nations underlying a comprehensive, just and lasting peace in Ukraine» (7 votes against, and 32 abstentions).

In the meantime, China is starting its own game around the Russia-Ukraine conflict. In a 12-point position paper, China outlined its own vision of the principles (conditions) for resolving the conflict, which will most likely not suit Ukraine, Russia, or the West. However, Beijing will use it as a centrepiece for building a coalition of non-Western countries and saving Russia from complete defeat and collapse.

**In February, there were no events, political statements, or decisions that could be seen as having a dramatic impact on the further course and prospects for ending the war or on existing trends. So, as of the end of February 2023:**

- ✓ The maximalist goals of the Kremlin's armed aggression against Ukraine remain unchanged, namely the destruction of Ukrainian statehood. At the same time, the process of adapting intermediate targets and methods of achieving them is underway.
- ✓ Russia is taking active measures to prepare forces and means for a decisive revenge, aiming to seize the initiative in the theatre of operations in the coming months, while preparing to shift to the «war of attrition».
- ✓ Awareness by Ukraine's partners of the dangers of possible prolongation of the war seems to have prompted them to change their approaches to decision-making regarding the range, quantity, and pace of military assistance to Ukraine.
- ✓ The emergence of such states as China, Iran, and North Korea on the Russia's side complicates the situation and elevates it to the level of competition between the democratic and authoritarian worlds.

# II. FOREIGN POLICY

## INTERNATIONAL EVENTS

**Several important events took place in early February in the area of Ukraine's European integration.** On 2 February, the European Parliament adopted a resolution calling for the creation of conditions for the launch of negotiations on Ukraine's accession to the EU. On the same day, a joint meeting of the Government of Ukraine and the European Commission took place for the first time in the history of Kyiv-Brussels relations. The central event was the 24<sup>th</sup> EU-Ukraine Summit held in Kyiv on 3 February (see below). Then, on 8-9 February, President Zelenskyy went on a European tour, meeting with the leaders of the UK, France, and Germany, and taking part in the European Council meeting.

**On 8 February, the US President delivered his annual State of the Union address to Congress, in which he expressed solidarity and support for Ukraine.** President Biden said that «...We built a global coalition. We stood against Putin's aggression. We stood with the Ukrainian people. ...we are going to stand... as long as it takes».

**In February, the EU and NATO adopted a number of resolutions in support of Ukraine.** In particular, the EU members: a) confirmed further consolidated military, financial, and humanitarian support for Ukraine for «as long as necessary»; b) declared the continuation and strengthening of the sanctions policy against Russia; c) called for accelerating Ukraine's integration into the EU. NATO statement of 24 February emphasised «stepping up political and practical support for Ukraine», «maintaining coordinated international pressure on Russia», and bringing Russia to justice for war crimes.

**The visit of US President Joseph Biden to Kyiv on 20 February 2023 was a strategically important event.** This visit gained broad international resonance, demonstrating Washington's unwavering and consistent policy of comprehensive support for Ukraine

in countering Russian aggression. The meeting of the presidents in Kyiv was of great geopolitical importance, as it demonstrated the positive dynamics of Ukraine's allied relations with the United States, Washington's readiness to promote interests of Ukraine on the world stage and increase military and financial assistance to Kyiv, as emphasised by the US President during his visit. On 24 February, the US announced another large-scale (\$10 billion) package of financial assistance to Ukraine.

**On 22 February, the Bucharest Nine issued a joint statement in support of Ukraine,** in which the organisation's members praised Kyiv's Euro-Atlantic aspirations, recognised Russia as «the most significant and direct threat to Allied security» and declared their intention to increase «NATO's deterrence and defence posture».

**On 23 February, the UN General Assembly adopted a resolution «Principles of the Charter of the United Nations underlying a comprehensive, just and lasting peace in Ukraine».** The document, supported by 141 countries, a) demands that the Russian Federation withdrew its troops from the territory of Ukraine and immediately ended attacks on Ukraine's critical infrastructure; b) emphasises the need for prosecution of crimes committed on the territory of Ukraine under international law; c) reaffirms its commitment to the sovereignty, independence and territorial integrity of Ukraine within its internationally recognised borders; d) calls on Member States and international organisations to ensure a comprehensive, just and lasting peace in Ukraine.

Adoption of this resolution demonstrates an important trend of further consolidation of a stable majority of countries supporting Ukraine in its fight against Russian aggression.

**On the anniversary of Russia's attack on Ukraine, the Chinese Foreign Ministry issued its country's Position on the**

### **Political Settlement of the Ukraine Crisis.**

This document, which contains 12 general declarative points and primarily reflects China's interests, was viewed by Western leaders with scepticism, including in view of China's position on the war unleashed by Russia against Ukraine. Nevertheless, the very fact that Beijing is putting forward peace initiatives is noteworthy.

### **Further international isolation of the aggressor and condemnation of its crimes on the territory of Ukraine continued in February.**

This is one of the main areas of international resistance to Russian expansion, which included the following activities: a) on 8 February, Marija Pejčinović-Burić, Secretary General of the Council of Europe, sent an information document to the governments of the CE member states with a proposal to establish a special tribunal to bring the Russian leadership to justice; b) on 16 February, the Slovak Parliament adopted a resolution recognising the current Russian rule as a terrorist regime and Russia as a state sponsor of terrorism; c) on 17 February, the Government of the Netherlands agreed to establish the register of damage caused to Ukraine by Russian aggression in the Hague; d) on 22 February, the International Federation of Journalists suspended the membership of the Russian Union of Journalists; e) on 24 February, the Financial Action Task Force on Money Laundering (FATF) suspended Russia's membership and blacklisted it as a «high risk jurisdiction»; e) on 25 February, the EU Council approved the 10<sup>th</sup> package of sanctions against Russia, which includes restrictions on the export of important technologies and industrial goods. New restrictions cover 49% of EU exports worth about €11.4 billion.

### **STEPS TOWARDS EUROPEAN INTEGRATION**

**The 24<sup>th</sup> EU-Ukraine Summit held in Kyiv on 3 February was a milestone event in Ukraine's European integration.** Although

the summit did not fully meet some of the Ukrainian authorities' high expectations, its results were significant and positive for Ukraine. The Summit's most important practical results included a) providing additional military assistance to Ukraine under the European Peace Facility; b) concluding an agreement on Ukraine's participation in the EU's Single Market Programme with a budget of €4.2 billion for 2021-2027; c) ensuring the EU's leading role in the Donor Coordination Platform; d) signing a Memorandum on a Strategic Partnership on Renewable Gases; e) updating the Roadmap for Ukraine's integration into the Digital Single Market; f) agreeing on an interim assessment of the implementation of the European Commission's recommendations in spring 2023 and establishing a separate European Commission unit for cooperation with Ukraine.

In general, the Summit demonstrated the EU's consistent and unwavering support and solidarity with Ukraine and set further clear guidelines for Kyiv's European integration.

**Summarising the February 2023 events, it should be admitted that the international community demonstrated consolidated support and solidarity with Ukraine on the first anniversary of Russia's large-scale aggression. The intensity and level of political and diplomatic contacts were high. Ukraine's efforts to advance its interests on international platforms, including various conferences, the UN General Assembly, and meetings of the EU, G7, and NATO, were put into practice. The US President's visit was of strategic significance, as was the adoption of a resolution in support of Ukraine by the UN General Assembly.**

February was productive for Ukrainian diplomacy both in accumulating foreign aid and in achieving progress on the European integration path. The EU-Ukraine Summit held in Kyiv in early February produced important practical results and provided additional impetus to European integration processes.

# III. ECONOMY

## DECISIONS

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The IMF staff completed its mission on 17 February by reaching a Staff-Level Agreement with Ukrainian authorities on the review under the Programme Monitoring. This means that the preparation of a support programme for Ukraine may be completed within a few weeks and subject to approval of the IMF management.

The IMF estimates that in 2023 Ukraine may need €40–48 billions of financial support. In addition to backing the Ukrainian economy in the face of war, these funds will be used to help and «accelerate» the country's efforts to join the EU, which is another priority of the IMF-Ukraine cooperation.

Moreover, the EU will soon announce an additional €400 million aid package to support Ukraine's reforms and will propose to extend the suspension of all tariffs and trade defence measures on Ukrainian imports. If this happens in the near future, it will be an important signal to Ukrainian businesses indicating favourable conditions for entering European markets.

The United Kingdom has also supported Ukraine's foreign trade efforts, with the UK government extending the temporary liberalisation of import tariffs for Ukraine until early 2024. For reference, the free trade agreement between the two countries was supposed to come into full force in early 2023.

Access to financial and investment resources for small and medium-sized enterprises (SMEs) has traditionally been difficult. Therefore, it is vital for Ukrainian businesses that the Operational Board of the European Fund for Sustainable Development Plus (EFSD+) announced the approval of 24 guarantee programmes totalling €2.4 billion to support investments in the countries covered by the EU Neighbourhood and Enlargement Policy. These guarantees are expected to generate investments worth

around €17 billion and support SMEs, in particular in the renewables and digital technology sectors.

At the same time, the World Bank Group's Multilateral Investment Guarantee Agency (MIGA) will provide the European Bank for Reconstruction and Development with trade finance guarantees of up to \$200 million to support trade transactions conducted through state-owned banks in emerging markets and will help expand the EBRD's capacity in selected markets by covering the risk of non-payment by state-owned banks.

## DEVELOPMENTS, PROCESSES, TRENDS

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As of 1 February, Ukraine's international reserves exceeded \$29.9 billion, up 5% since the beginning of the year, primarily due to international assistance. This amount is considered sufficient for short-term macroeconomic balancing, as it provides funding for 3.7 months of future imports.

It should be noted that in January, Ukraine received \$4.2 billion from the EU and the US. Financial assistance from international partners continued in February. In addition, the state budget of Ukraine received the second part of additional concessional financing from the World Bank for \$203 million out of a total loan of \$500 million guaranteed by the UK.

The positive news for Ukraine is that the range of countries providing large-scale assistance is expanding. This primarily concerns Japan. In January, this country provided \$95 million, in addition to \$170 million provided earlier. In February, the Prime Minister of Japan announced that his country was planning a large-scale additional financial aid to Ukraine in the amount of \$5.5 billion.

Continued partner assistance means that, first, Ukraine receives significant resources for reconstruction and recovery. Second, the risks of disruption of the country's balance of



payments are easing. This is confirmed by the NBU data published in early February, according to which in 2022 Ukraine achieved a current account surplus of \$8.6 billion – a record over the past 10 years. Ukraine used to run a current account deficit, which required borrowing. Of course, this achievement was only possible with the help of partners.

There is a special feature that can serve as an important benchmark for Ukraine's competitive position. In 2022, information and communication services (ICS) («telecommunications, computer and information services», according to the NBU classification) was the only sector whose exports performance not only did not deteriorate but even improved. While total exports of services amounted to \$16.2 billion, exports of ICS exceeded \$7.5 billion, which is slightly less than half of total exports (and 5% more than in the successful 2021).

These results show that ICS have a strong base and prospects in Ukraine, also being properly integrated into global information networks, which, with careful attention, may soon become one of Ukraine's hallmarks.

Of course, it is important to maintain macroeconomic stability even in times of war, which is what the NBU is focused on. Therefore, at its regular monetary policy meeting, the NBU left the discount rate unchanged at 25% per annum, and there are reasons to believe that the NBU will not cut rates in 2023. This decision reflects the stabilisation of inflationary pressures and inflationary risks at a fairly high level. The NBU also decided to further increase reserve requirements for current and card accounts (effective from 11 February) to encourage banks to raise interest rates on deposits – this should reduce pressure on the hryvnia exchange rate and contribute to a gradual decline in inflation.

At the same time, the risks of households buying up foreign currency remain high. More specifically, purchases of foreign currency in January by Ukrainian households exceeded sales by \$564 million, compared to \$463 million in December. The net purchase of foreign currency by households through legal channels in January was the largest since the start of the full-scale war. Although preliminary data indicate that the pace of foreign

currency purchases has somewhat decreased, the NBU is forced to continue its FX interventions, including to meet demand from households.

The NBU must also consider the risks associated with the leaching of money from the domestic banking system by Ukrainian migrants. For example, in the second half of 2022, Ukrainians who were forced to leave the country due to the war were spending on average \$2 billion per month, with the total amounting to \$20 billion. According to the NBU management, similar dynamics will be observed in 2023 as well, so the annual spending will reach \$24 billion.

In early February, the State Statistics Service provided information, the publication of which was postponed due to martial law. Therefore, in the first three quarters of 2022, industry has fallen by 35%, freight turnover – by 39%, and retail trade – by 24%.

Although the information concerns three quarters, preliminary data show that in the autumn months there was some stabilisation in the main production sectors, so there are reasons to expect this trend to characterise the entire 2022. This can be interpreted as part of the economic cost of the Russian aggression.

Meanwhile, there are gradual signals of slowly improving economic environment. For example, the Economic Sentiment indicator (ESI) in Q1 2023, released by the State Statistics Service on 14 February, rose to its highest level since January 2022, reaching 97.4%, compared to 94.8% in Q4, 85.7% in Q3, and 82.1% in Q2 2022.

Another positive news is that privatisation is likely to become a feature of the year – despite the war. The State Property Fund is preparing three large enterprises in Zaporizhia for privatisation, including the Zaporizhia Titanium and Magnesium Plant, Silicon-Polymer, and Zaporizhia Aluminium Production Plant. These processes may become landmarks, as these enterprises are highly attractive and have significant prospects, being domestic leaders in their respective fields. Their successful privatisation will send a positive signal to domestic and international investors.



# IV.

## ENERGY SECTOR

Despite the trials of war, constant shelling of critical infrastructure, occupation of energy facilities and ongoing cyberattacks, Ukraine has diversified its energy supplies and resolved the problem of energy shortages in the power system thanks to the support of its partners and the efficient work of its energy sector.

### ELECTRICITY MARKET

Ukraine's power system has been operating with a power reserve since 17 February. Ukrenergo has not been setting electricity consumption limits for distribution system operators (DSOs) since 12 February, with the exception of the Odesa region. However, with changes in the power system and sharp increases in consumption, blackouts are still possible.

The absence of electricity shortages is explained by a number of factors, including warming, the operation of HEPs and NPPs at maximum capacity, and the restoration of some thermal power plants. Electricity imports from the EU were insignificant.

Due to damage to the DSO networks caused by shelling, there were power outages in the frontline areas of Kharkiv, Zaporizhia, and Kherson regions. Repair works were finally completed in Odesa, where grid restrictions had been in place for a long time due to significant damage to the energy infrastructure.

From 1 to 20 February, the following weighted average prices were recorded on the day-ahead market (DAM): base – UAH 3,124.26/MWh, peak – UAH 3,779.34/MWh, off-peak – UAH 2,469.19/MWh. In the neighbouring DAM of Romania, Slovakia and Hungary, the highest electricity prices in February amounted to UAH 6,795.19/MWh, UAH 7,064.28/MWh and UAH 7,065.82/MWh, respectively.

The National Energy and Utilities Regulatory Commission of Ukraine (NEURC) has

withdrawn from consideration the issue of revising price caps on the DAM, intraday (IDM) and balancing (BM) markets indefinitely due to changes in the market situation.

At the same time, the increase in price caps was not considered together with the expansion of the group of electricity producers with special obligations (SO) to supply the population at the expense of thermal power generating companies. Also, the relevant Cabinet of Ministers resolution of 28 October 2022 did not provide for such norms.

If the SO payment distribution mechanism remains unchanged until 31 March 2023, along with no increase in price caps in the market, this may lead to a deterioration in the balance of payments of the state-owned generation and reduce its ability to fulfil SO obligations to the population.

The government is considering several concepts for raising electricity tariffs for households. One of the scenarios envisages setting fully market-based energy prices, while all the others are based on separate price increase schedules to mitigate the economic impact on consumers. Currently, the tariff for households is about three times lower than the real electricity price, which means that the state subsidises every kilowatt-hour regardless of the income level of all consumers.

The current system of subsidising all consumers is to be replaced by subsidies for vulnerable populations. The relevant law introducing a moratorium on raising heating and hot water tariffs during martial law and for six months after its termination does not provide for a moratorium on raising electricity tariffs.

### OIL PRODUCTS MARKET

Petrol station prices continue to fall. During 2022, Ukraine was able to completely rebuild its fuel market and is likely to continue to have sufficient fuel supplies. The main challenge for this market in 2023 is the ongoing hostilities,

which make it difficult to guarantee its stability. Other obvious challenges included the EU embargo on imports of oil products from Russia, which came into force on 5 February. However, as the situation shows, this step did not cause any crisis in Europe, and therefore will not be extremely negative for the Ukrainian market.

In February, the potential for further reduction in oil products prices by at least UAH 1-2 per litre was confirmed. As for the upcoming sowing campaign in Ukraine, it will not affect fuel pricing in any way, as agricultural firms have accumulated appropriate stocks.

## RENEWABLES SECTOR

Ukrenergo, Ukraine's transmission system operator, has almost fully paid for the previously applied dispatch restrictions on renewables producers in 2022 and January 2023 (the total debt for 2022 exceeded UAH 3 billion). The repayment was partially made using funds from the relevant special-purpose loan raised by Ukrenergo last year.

Covering the debt under the feed-in («green») tariff remains an issue. The debts accumulated in the previous year as a result of the deficit in the transmission tariff of Ukrenergo also remain problematic. The question is as to how the principles of settlements for the current year, including payment for imbalances, will be laid down.

## NATURAL GAS MARKET

Front Month natural gas futures prices on the Dutch TTF hub fell below €50/MWh for the first time in 1.5 years, since September 2021, that is, \$550/TCM or UAH 24,800/TCM, VAT included, during trading on 17 February 2023. The price of gas on the European exchange is falling due to warm weather and stronger winds, as well as sufficient gas reserves in the EU's underground gas storage facilities.

In February, the annual gas prices for household consumers published by 9 companies ranged from UAH 7.70 to UAH 9.99, remaining unchanged since the beginning



of the year. On the UEEX short-term market platform (21 February), gas from the GTS was sold at UAH 19,470/TCM, and from underground storage facilities at UAH 18,350/TCM.

Naftogaz Ukraine managed to cover the demand for natural gas for the current heating season by purchasing more than 400 MCM of gas from the Norway's Equinor and almost 130 MCM from German partners. Consistent assistance of the G7 countries and the Norwegian government in financing the required volumes of gas deserves a nod of appreciation.

## PARTNERS' SUPPORT

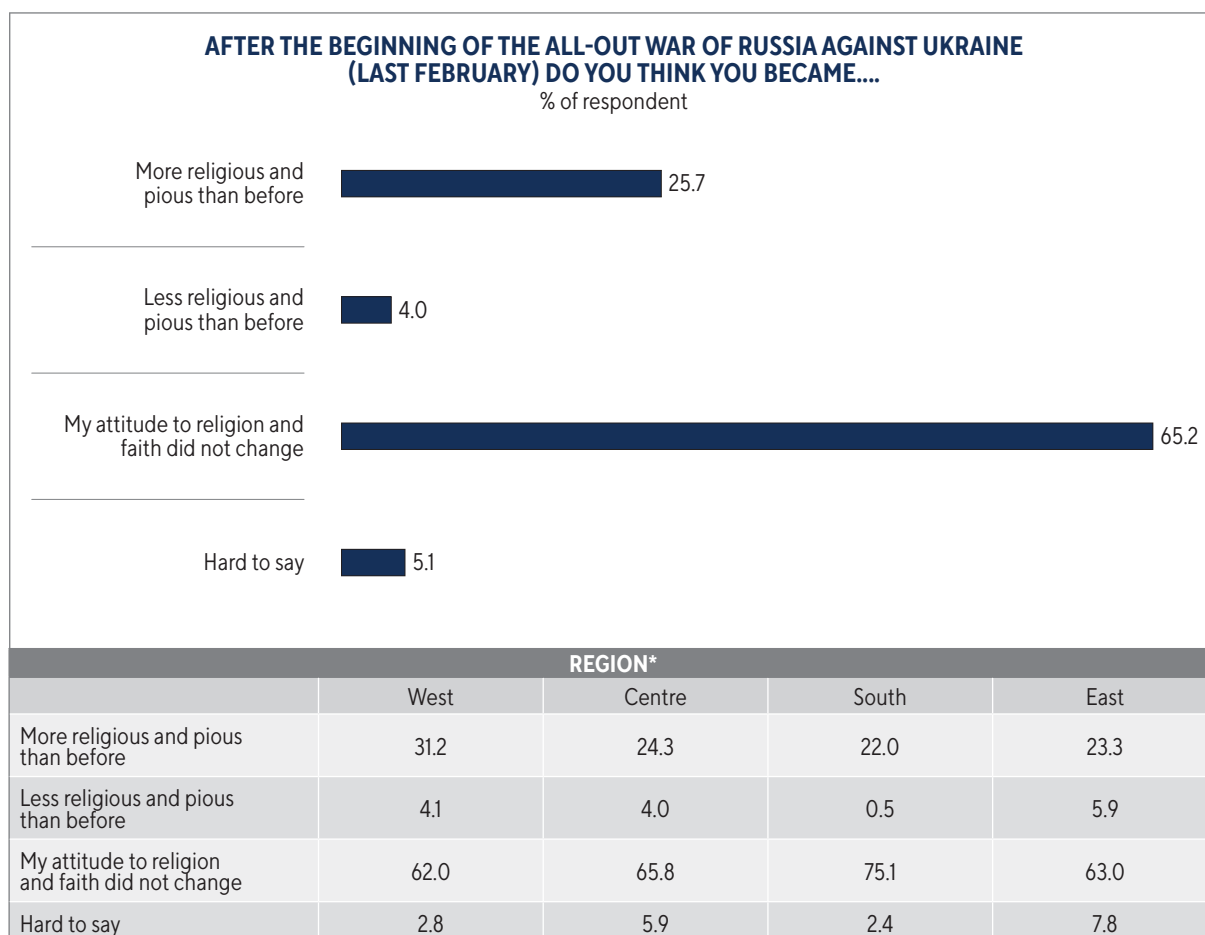
According to the Ministry of Energy, as of 1 February 2023, the Ukraine Energy Support Fund, established by the Energy Community Secretariat in April 2022, received €144.366 million, of which €108 million was allocated for the purchase of energy equipment, fuel, and services to meet the needs of critical Ukrainian energy companies.

JSC Ukrgasvydobuvannya received equipment to restore the damaged oil and gas production infrastructure from EQT Corporation, the largest gas producer in the United States.

A decision was made on the 3<sup>rd</sup> tranche of US assistance to the energy sector in the form of equipment that will be delivered in early March to restore the power system, as announced by Jennifer Granholm, the US Secretary of Energy.

# V. CITIZENS' OPINIONS ABOUT CURRENT ISSUES<sup>1</sup>

## WAR AND CHURCH



\* Distribution of oblasts by regions: **West:** Volyn, Zakarpattia, Ivano-Frankivsk, Lviv, Rivne, Ternopil, Chernivtsi oblasts; **Centre:** Kyiv city, Vinnytsia, Zhytomyr, Kyiv, Kirovohrad, Poltava, Sumy, Khmelnytskyi, Cherkasy, Chernihiv oblasts; **South:** Mykolaiv, Odesa oblasts; **East:** Dnipropetrovsk, Zaporizhya, Kharkiv oblasts. .

<sup>1</sup> Results of a sociological survey conducted by the Razumkov Centre's sociological service with the support of the Konrad Adenauer Foundation in Ukraine from 4 to 11 November 2022.

The face-to-face survey was conducted in Vinnytsia, Volyn, Dnipropetrovsk, Zhytomyr, Zakarpattia, Zaporizhya, Ivano-Frankivsk, Kyiv, Kirovohrad, Lviv, Mykolaiv, Odesa, Poltava, Rivne, Sumy, Ternopil, Kharkiv, Khmelnytskyi, Cherkasy, Chernihiv, Chernivtsi oblasts and the city of Kyiv (survey in Zaporizhya, Mykolaiv and Kharkiv regions was only carried out in government-controlled areas not subject to hostilities).

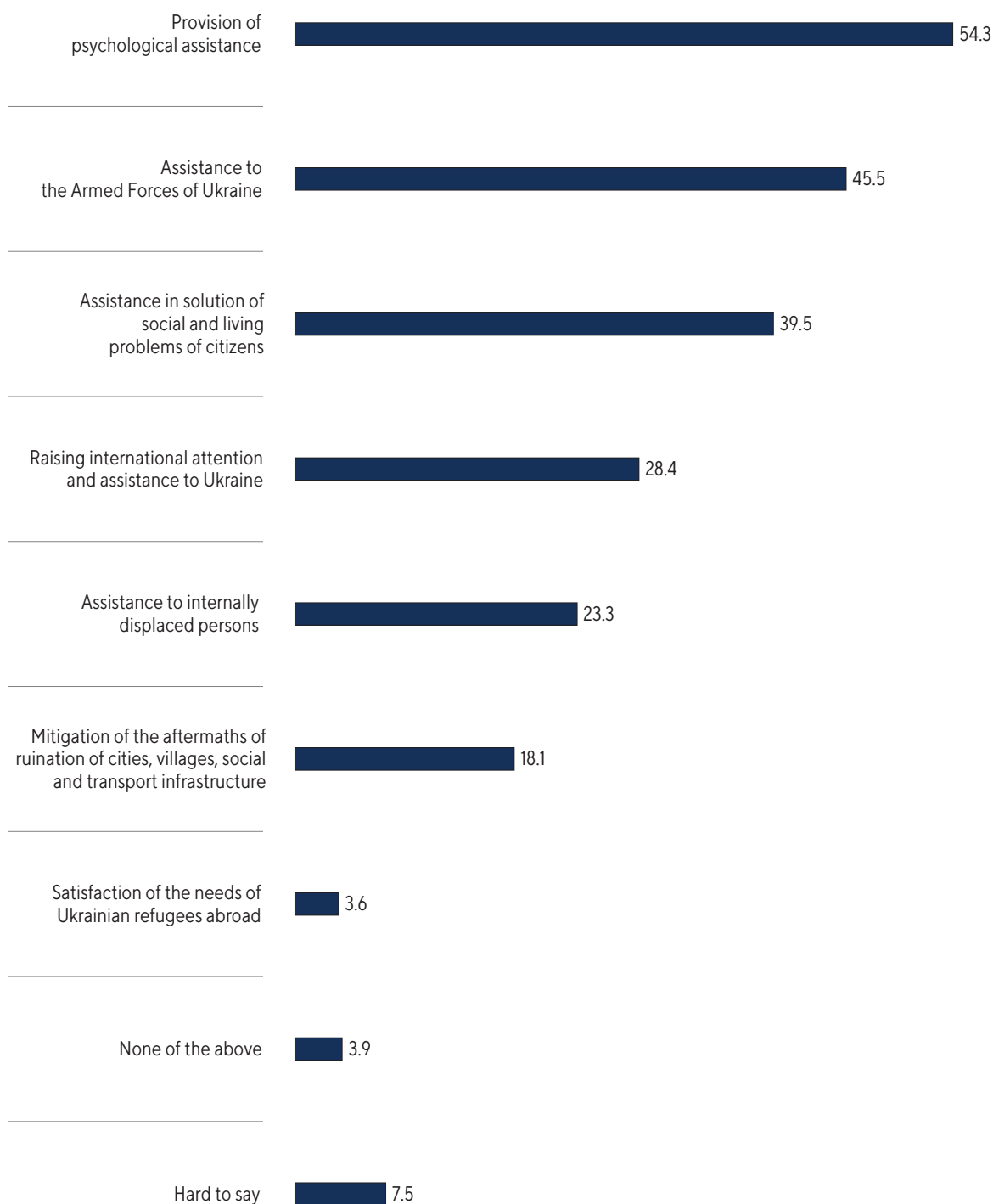
The survey was based on a stratified multi-stage sampling method with random selection at the earlier stages of sampling and a quota method of selecting respondents at the final stage (when respondents were selected according to gender and age quotas). The sample structure reflects the demographic structure of the adult population of the surveyed areas as of the beginning of 2022 (by age, gender, type of settlement).

A total of 2,018 respondents aged 18+ were interviewed. The theoretical sampling error does not exceed 2.3%. At the same time, additional systematic sample deviations may be caused by the consequences of Russian aggression, in particular, the forced evacuation of millions of citizens.



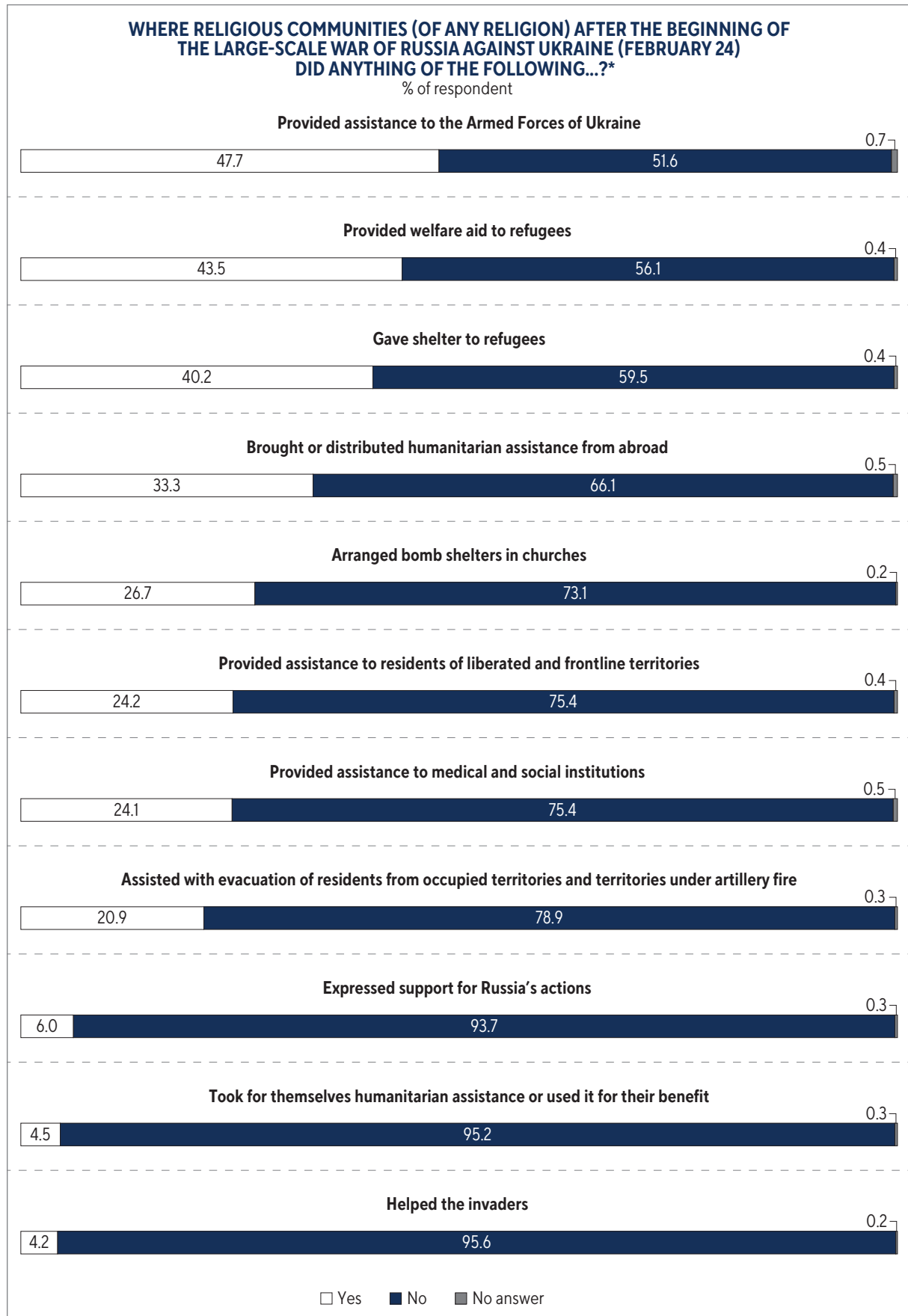
### WHAT IS YOUR IDEA OF THE PRIORITY TASKS FOR RELIGIOUS ORGANISATIONS IN WARTIME?\*

% of respondent



November 2022

\* Respondents were asked to choose no more than three relevant options.



\* Applies only to cases that you have experienced personally.

**DID THE RELIGIOUS COMMUNITY TO WHICH YOU BELONG AFTER THE BEGINNING OF THE LARGE-SCALE WAR OF RUSSIA AGAINST UKRAINE (February 24) DO ANYTHING OF THE FOLLOWING?**

% of those who belong to a religious community (parish)

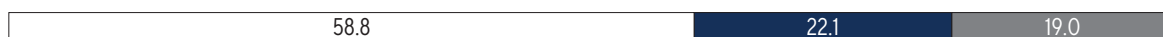
**Provided welfare aid to refugees**



**Provided assistance to the Armed Forces of Ukraine**



**Gave shelter to refugees**



**Provided assistance to medical and social institutions**



**Brought or distributed humanitarian assistance from abroad**



**Provided assistance to residents of liberated and frontline territories**



**Arranged bomb shelters in churches**



**Assisted with evacuation of residents from occupied territories and territories under artillery fire**



☐ Yes ☒ No ☐ No idea/hard to say

November 2022

**DID YOU OBTAIN IN WARTIME FROM YOUR RELIGIOUS COMMUNITY?**

% of those who belong to a religious community (parish)

**Psychological support**



**Moral support**



**Welfare aid**



☐ Yes, I did ☒ No, I did not, although I needed it  
☒ I did not need such assistance ☐ No answer

November 2022



The team of contributors: Y. Yakymenko (project manager), A.Bychenko, M.Bielawski, O.Melnyk, M.Mischenko, M.Pashkov, O.Pyshchulina, V.Omelchenko, P.Stetsiuk, M.Sunhurovskyi, V.Yurchyshyn, S.Chekunova, V.Udaltsova (intern, reference materials)

Editorial and publishing department: Z.Mischenia, K.Mokliak, T.Ovsianyk

Cover photo: S.Takhmazov

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Our address:

01032, Kyiv, 33b Taras Shevchenko Blvd, 7th floor

Telephone: (38 044) 201-11-98

Fax: (38 044) 201-11-99

e-mail: [info@razumkov.org.ua](mailto:info@razumkov.org.ua)

Website: [www.razumkov.org.ua](http://www.razumkov.org.ua)

