UKRAINE'S ENERGY SECTOR IN DECEMBER 2025

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During the reporting period, the russian aggressor consistently adhered to the tactics it had chosen for the autumn-winter period against Ukraine's critical infrastructure. Strikes were carried out at intervals of 7-10 days using various weapons systems, sequentially across different regions and primarily at night. Ballistic missiles mainly targeted second-level protected substations of Ukrenergo and Energoatom; sea- and air-launched cruise missiles were directed primarily at machine rooms of TPPs, CHPPs, HPPs and PSPs; and UAVs targeted particularly vulnerable equipment at critical infrastructure facilities. The enemy effectively concentrated different types of weapons to overload missile and air defence systems and conducted prolonged attacks lasting 8-12 hours to complicate the work of air defence force operators and mobile fire groups.

The aggressor's objective remained to split Ukraine's power system along the Dnipro River while simultaneously attempting to isolate peripheral subsystems – particularly those whose operation depends on one or two large TPPs or CHPPs (for example, Chernihiv region) or those connected to the IPS by a limited number of transmission lines (notably Odesa region).

This objective was not achieved, although, according to the President, «there is currently no power plant in Ukraine that has not suffered damage from russian strikes».

COURSE OF THE HEATING SEASON

In December, the heating season was complicated by numerous damages to critical infrastructure and, as a result, shortages of generation, transmission and distribution capacity. Due to russian shelling, an average of 400,000 consumers remained without electricity each day, mainly in border and frontline regions (peaking at around 1 million on 14 and 26 December). Repair works continued almost without interruption and were complicated by low air temperatures, worn-out networks and systems, and shortages of resources, caused, among other things, by chronic indebtedness among market participants and by district heating and power companies to gas suppliers.

Nevertheless, despite the ongoing attacks, Ukraine's Integrated Power System (IPS) preserved its integrity and continued to operate in sync with Europe's power system. According to government officials, the following measures contributed to its resilience:

✓ forming **and maintaining** equipment reserves for rapid repairs, «in some cases ahead of schedule»;

✓ **accelerating** the construction of engineering protection for critical infrastructure facilities;

✓ commissioning 762 MW of new gas-fired generation capacity;

✓ creating a security reserve of natural gas;

✓ procuring equipment for the restoration and repair of generation, transmission and distribution facilities using funds from the Ukraine Energy Support Fund, which has accumulated more than €1.6 billion, including €350 million in December 2025;

✓ extending **for two years** the exemption from import duty and value-added tax on imports of goods for the construction and restoration of power plants, energy storage facilities, as well as equipment imported under the auspices of the Energy Community Secretariat;

✓ transferring the most vulnerable equipment and consumables to 121 critical energy infrastructure facilities through the Energy Emergency Assistance Hub;

✓ receiving from international partners 566 cogeneration units, 368 modular boiler houses and 28 gas turbine units;

✓ simplifying procurement procedures for energy equipment and the repair of damaged facilities, as well as the issuance of permits for their construction and reconstruction;

✓ resuming competitive tenders for the construction of new generating capacity, enabling decisions to be taken without repeated review of submitted bids;

✓ providing UAH 32.2 billion in credit financing for projects involving the construction of 1.2 GW of new generation capacity and 484 MW of energy storage facilities;

✓ simplifying procedures for the installation of cogeneration units, modular boiler houses, gas and diesel generators, and energy storage systems;

✓ commissioning more than 190 cogeneration units and 140 modular boiler houses with a combined capacity of about 450 MW;

✓ maintaining last year's electricity and natural gas prices for household consumers;

✓ successfully implementing the state programmes *EnergoDIM* (thermal modernisation of 611 apartment buildings worth UAH 2.3 billion) and *GreenDIM* (166 projects worth UAH 138 million);

✓ providing financial assistance to more than 610,000 households — primarily in frontline regions — under the government's *Winter eSupport* package.

As can be seen, the achievements outlined above were largely piecemeal and raised a number of uncomfortable questions, including:

✓ declaring the simplification of procedures for installing cogeneration units, the government did not explain why only one-third of the equipment supplied by partners had actually been commissioned;

✓ reporting the launch of 762 MW of new generation capacity, the Ministry of Energy did not clarify that more than 80% of this capacity had been installed by private companies to meet their own needs and does not operate within Ukraine's IPS;

✓ announcing the resumption of tenders for the construction of new generating capacity, government officials did not specify when the results of these measures could be expected;

✓ speaking about the commissioning of more than 450 MW of decentralised capacity, the Ministry for Communities and Territories Development effectively concealed the fact that this capacity is non-guaranteed, as it consists predominantly of photovoltaic installations;

✓ reporting the preservation of electricity and natural gas prices and tariffs for household consumers, senior officials did not explain how, under such conditions, the cost-neutral connection of small power plants to the IPS can be ensured or how the debt problem of suppliers — whose budgets depend solely on payments for consumed energy resources — can be resolved;

✓ announcing a «reduction» in the gas price to UAH 19,000/1,000 m^3 for cogeneration units in frontline regions, the government somehow «forgot» to mention that this had already been the price (UAH 19/m^3) in October, before the increase initiated by the government itself.

ENERGY BALANCE

During the reporting period, Ukraine's IPS operated under a persistent deficit caused by russian attacks, the largest of which occurred on 6, 11, 23 and 26 December. Damage to key facilities in Kyiv and Odesa oblasts, as well as in most frontline regions, led to the introduction of scheduled hourly power cuts affecting two to four groups of household consumers, as well as round-the-clock power restrictions for industry. Emergency shutdowns were applied on 19 occasions. In addition, adverse weather conditions caused temporary power disruptions in four regions, affecting 215 settlements on 29 December.

During the reporting period, the base capacity of Ukraine's IPS was provided by nine NPP units, generating up to 7 GW. Following each large-scale attack, the output of most units was temporarily limited during restoration works within the system. Manoeuvrable capacity was supplied by TPPs, CHPPs, as well as hydroelectric and pumped-storage facilities, which together produced between 2.2 and 2.6 GW. Due to predominantly cloudy weather, renewable energy generation did not exceed 0.8 GW.

Generation at Ukrhydroenergo facilities in December was limited by water resources, therefore averaged around 0.5 GW. Hydroelectric power was supplied mainly during peak consumption hours and was reduced to 0.3 GW following enemy attacks.

The share of nuclear energy in the generation mix in December ranged within 58-62%, although it declined to 50% after attacks on Energoatom and Ukrenergo substations. TPPs accounted for up to 13-17% of electricity production, followed by CHPPs (up to 14%), renewables (7-10%), and HPPs (5-6%). Overall, hourly generation volumes in Ukraine amounted to 10-11 GW (6-7 GW after each major attack). In the corresponding period of 2021, generation reached up to 19 GW.

Despite ENTSO-E's agreement to increase the total import capacity from 2.1 to 2.3 GW, no more than 37% of it was used, in particular due to organisational bottlenecks in the system.

Over the month, 640 GWh of electricity was imported from five neighbouring countries. The largest shares came from Hungary and Slovakia (41% and 21%, respectively). December volumes were the highest recorded in 2025, representing a 48% increase compared to the same period of the previous year. However, total electricity imports for 2025 amounted to 3,300 GWh — 24% less than in the preceding year.

No electricity was exported in December. Cross-border supply has been fully suspended since 11 November 2025.

According to the results of the first monthly cross-border capacity allocation auctions for January 2026, Hungary offered 460 MW, while Slovakia and Romania each offered 172 MW. From the Ukrainian side, no capacity was put up for auction, although available export capacity amounted to 0.9 GW.

Coal reserves stood at 2.3 million tonnes (-8% compared with November). However, damaged TPP and CHPP units limited the ability to utilise these reserves at scale. Therefore, existing reserves may be sufficient to get through the entire autumn-winter period of 2025-2026.

After the launch of centralised heating systems and a drop in air temperature in the final third of December, daily gas consumption in Ukraine increased to 80-90 mcm. Supply was ensured through domestic production, largely restored to 40–42 mcm/day after significant reductions in October (at some facilities by up to 60%), imports from Hungary, Poland and Slovakia (23–25 mcm/day; 750 mcm in total for the month), and withdrawals from underground storage facilities (up to 30 mcm / day).

As a result, Ukrainian gas reserves decreased by almost a quarter compared to the previous month, reaching 6.3 bcm, excluding 4.1 bcm classified as «long-term storage» gas; 0.6 bcm formally designated as «buffer gas»; and 0.3 bcm belonging to non-residents. Although this level exceeds last year's by 28%, it remains 15% lower than in 2015-2018.

Total gas consumption in 2025 is projected at 20.5 bcm, remaining largely unchanged year-on-year but 29% lower than in 2021. This level of demand cannot be fully covered by domestic production, which is expected to reach 16.9 bcm (down 7% compared with 2024).

According to Naftogaz Group's own estimates, to ensure a stable heating season, it will need to procure 4.4 bcm of gas in 2025–2026 at an estimated cost of €1.9 billion. In 2025, companies within the Naftogaz Group accounted for 88% of total gas imports (5.6 bcm). A further 0.8 bcm was imported by DTEK and Gas Transmission System Operator of Ukraine LLC.

As the Naftogaz Group had limited capacity to procure the required volume, it signed a grant agreement worth €127 million with the European Investment Bank (in addition to the €300 million received in October), received UAH 8.4 billion from the state budget reserve fund and UAH 9.7 billion loan from PrivatBank to support additional purchases.

SECTOR'S FINANCIAL SITUATION

In the balancing electricity market, its participants – primarily state-owned ones – already owe the Ukrainian transmission system operator UAH 41 billion. Since the beginning of the year, this figure, including UAH 12.5 billion attributable to non-payments by the supplier of last resort, has increased by 19%, reaching another record high.

In turn, the debt of Ukrenergo to balancing market participants amounts to UAH 21 billion (+27%), with more than UAH 16 billion owed by the operator to the Guaranteed Buyer.

The first step towards resolving this problem should be reducing the lists of protected consumers, two-thirds of which are not critical infrastructure enterprises. In December, the Ministry of Energy had undertaken to «define the mechanism and criteria for forming» such lists; however, this task was not included in the updated plan of the government's priority actions for 2025. Nor does it appear among the indicators for implementing the Cabinet of Ministers' programme of activities submitted to the Verkhovna Rada.

TRANSIT

During the reporting period, Gas Transmission System Operator of Ukraine LLC ensured the transit of around 105 mcm of Hungarian and Romanian gas to Moldova. Transit of russian gas was suspended from 1 January 2025.

Unlike gas, the transit of moscow's oil continues. In December, Ukrtransnafta transported up to 30 thousand tonnes of russian crude per day to refineries in Slovakia and Hungary (operated by the private Hungarian company MOL). Transit was carried out via the southern branch of the Druzhba pipeline to the Fényeslitke and Budkovce refineries. Starting from 9 September 2024, all oil transported along this route has been purchased by MOL Plc. at the Belarus–Ukraine border.

PRICE SITUATION

Due to the significant deficit caused by capacity damage resulting from russian attacks and round-the-clock consumption restrictions, the electricity price index for base-load (BASE) on the day-ahead market (DAM) increased in December 2025 to UAH 6,649/MWh, while the peak-load (PEAK) index rose to UAH 7,410/MWh (+4.1 and +0.1% compared with November). The off-peak load (OFFPEAK) price increased to UAH 5,887/MWh (+9.6%).

The weighted average price on the intraday market (IDM) amounted to UAH 6,893/MWh, while on the Ukraine IPS DAM it reached UAH 6,881/MWh (+3.5% and +0.7% compared with November).

Despite the noticeable shortage and rising energy prices, the government showed no willingness to increase the tariff for households, fixed until 30 April 2026 at UAH 4.32/kWh (including VAT), or to revise the preferential tariff of UAH 2.64/kWh (including VAT) retained until the same date for the first 2,000 kWh/month consumed by households living in buildings equipped with electric heating installations, not connected to the gas network, or lacking centralised heating systems.

The weighted average price of January natural gas in Ukraine based on the trading results on the Ukrainian Energy Exchange (UEEX) in December, decreased to UAH 19,285/1,000 m^3 (-6.7% compared with November; excluding VAT). The price of gas at the TTF hub, adjusted to the Ukrainian border, closed the month at UAH 20,363/1,000 m^3 (+0.6% compared with 30 November 2025; excluding VAT).

Naftogaz of Ukraine gas tariffs for non-household consumers with valid supply contracts, amount to UAH 25,800/1,000 m^3 starting from 1 January 2026 (UAH 26,400 in December; including VAT). Prices for household consumers and budgetary institutions are fixed until 31 March 2026 at UAH 7,420/1,000 m^3 and UAH 16,390/1,000 m^3, respectively (without consultations with the Energy Community

Secretariat). This means that, taking into account transmission and distribution tariffs, the price per cubic metre of gas offered to households by Naftogaz of Ukraine will remain unchanged at UAH 7.96.

For business entities engaged in electricity generation, the following prices (including VAT) per 1,000 m^3 of gas have been fixed from the date of concluding contracts with Naftogaz of Ukraine (but not earlier than 1 November 2025) until 31 March 2026 (inclusive):

✓ for TPPs and CHPPs generating electricity in the condensing cycle, as well as gas turbine and gas piston units generating electricity exclusively — UAH 16,000/1,000 m^3 (+14% compared with October);

✓ for CHPPs generating electricity in the heat extraction cycle, as well as gas turbine and gas piston units generating electricity and heat in a combined manner — UAH 21,000/1,000 m^3 (+17%).

The only exception to this rule applies to «new business entities» engaged in electricity generation at TPPs, CHPPs, gas turbine and gas piston units in the territories of Chernihiv, Sumy, Kharkiv, Dnipropetrovsk, Donetsk, Zaporizhzhia, Kherson, Mykolaiv and Odesa oblasts. For them, the resource supplied by Naftogaz of Ukraine will cost UAH 19,000/1,000 m^3 (including VAT).

The heating season is rapidly depleting gas reserves in storage not only in Ukraine. In Europe, they declined to 67 bcm (-19% compared with 30 November). The volume available as of 1 January is 12% lower than the average for the past five years and 10 bcm lower than last year (by 12%). At the same time, most EU member states failed to comply with the requirement that the filling level of their storage facilities must reach 90% on any date between 1 October and 1 December. Meanwhile, the only exception allowing this indicator to be adjusted downward by 10 percentage points could have been «difficult market conditions», which were not declared in October–December.

Despite the July forecast, spot prices at the TTF hub, supported by relatively warm weather for December and a large number of offers, continued to decline, moving into the range of $335–355/1,000 m^3.

Futures for thermal coal (API2) CIF ARA (ARGUS-McCloskey) remained almost unchanged ($96/t). A year earlier they stood at $110/t. Coal stocks at ARA (Amsterdam–Rotterdam–Antwerp) terminals predictably declined to 3.3 million tonnes (-6% over the month).

Oil futures in December fluctuated within the range of $60–63/barrel. At the same time, the monthly average Brent quotation declined to $61.8/barrel (-3% compared with November). According to trading under the contract for difference (CFD), benchmark quotations fell by 20.6% year-on-year.

Faster price declines continue to be constrained by the unpredictable actions of the US presidential administration and the lack of consensus among OPEC member states regarding the pace of lifting production quotas. Nevertheless, the oil cartel has already confirmed a further increase in the target production level in 2026 by 1.2 million barrels per day.

Overall, according to preliminary estimates, oil oversupply in 2025 reached 2.8 million barrels per day, and in 2026 it will exceed 4.1 million barrels per day (4% of global consumption).

SITUATION IN UKRAINE'S PETROLEUM PRODUCTS MARKET

For the past six months, global market trends have had little impact on the pricing policies of «systemic operators», which continue to price petroleum products as if oil were trading at around $80 per barrel.

December was no exception, with indicative prices for A-95 Euro 5 petrol and DT-Z-Euro 5 diesel fuel falling by only 0.1% and 0.3%, respectively (to UAH 63.16/l and UAH 58.28/l).

The increasing price of liquefied gas was the only objectively justified change, with the price per litre rising to UAH 37.62 (+7.9% over the month). This increase is easily explained by seasonal competition between motorists and boiler house operators who use propane-butane for heat generation.

Consumers should not expect good news in January either, especially given the anticipated increase in excise duties. Although this will create objective grounds for higher prices for motor petrol, diesel fuel and propane-butane (by UAH 1.70/l, UAH 2.30/l and UAH 1.50/l, respectively), the overall price level in the retail market is determined by other factors.

Since February 2022, the price of petrol and diesel fuel at Ukraine's border has increased by 31% and 24%, respectively. Excise tax rates have been raised by 40% and 83%, while the hryvnia in the interbank market has depreciated against the US dollar and the euro by 41% and 48%, respectively. Based on these figures, fuel at domestic filling stations should have been 42% and 16% more expensive than four years ago. However, over this period motor petrol prices have increased by 70%, while diesel fuel prices have risen by 81%.

It is noteworthy that since 2022, markups for «branded» fuel (i.e. sold under a proprietary name) have increased from 6-8% to 16-20% relative to the price of «regular» fuel. The difference between these petroleum products — apart from price — remains unclear, as laboratory tests, including those conducted by the Institute of Consumer Expertise, have found no differences in their characteristics.

Another indication of inflated fuel prices in Ukraine is the declining volume of fuel that can be purchased with the average income. Before the war, consumers could buy around 250-275 litres of petrol; today that figure does not exceed 180 litres.

The above allows the following conclusions to be drawn:

✓ to operate reliably during wartime, the market must maintain a diversified network of petroleum product supply routes from a large number of producers;

✓ achieving this requires recognising the importance of free and undistorted competition among market participants and ensuring the proper functioning of the market, in line with Ukraine's commitments under Articles 254 and 255 of the EU-Ukraine Association Agreement;

✓ following the departure of one of the market's leading players (the Privat Group), «systemic operators» effectively carried out a regulatory capture of the sector in order to advance their own economic interests to the detriment of consumers and society as a whole;

✓ if participants in the «premium» segment continue to shape the market's development policy, consumers — impoverished by the war and unable to organise effectively to defend their rights — will be forced to overpay for fuel, while the continuity of supply, particularly to frontline regions that are unattractive to «systemic operators», will be put at risk.

CHANGES IN THE REGULATORY FRAMEWORK

The President of Ukraine has signed:

✓ a law which, inter alia:

• temporarily extends, until 1 January 2029, the exemption from import duty and VAT for goods imported into Ukraine under the import customs regime and listed in paragraph 9-36 of Section XXI of the Customs Code of Ukraine. These including equipment for the construction and restoration of wind, solar, hydroelectric, thermal, gas piston and gas turbine power plants, energy storage facilities, as well as equipment imported under agreements financed by the Energy Community Secretariat;

• restores the publication of information from the Unified Register of Licensees and Places of Fuel Circulation with regard to business entities holding licences for the retail trade of fuel;

✓ the Law of Ukraine «On the State Budget of Ukraine for 2026». The document envisages revenues from rent payments for natural gas, oil and gas condensate of UAH 34.8 billion, UAH 10.1 billion and UAH 3.4 billion, respectively. Revenues from taxes and charges on fuel and electricity are projected at UAH 131.1 billion and UAH 11.8 billion. The budget also allocates UAH 3.7 billion for the restoration and development of energy infrastructure, UAH 2.7 billion for energy efficiency measures and UAH 15.2 billion for tariff compensation. State support is also provided to the coal industry (UAH 2.9 billion), nuclear energy (UAH 0.9 billion), and the Shelter facility, the Central Spent Fuel Storage Facility and the Chornobyl NPP (UAH 1.6 billion).

Funding was also approved for 12 public investment projects in the energy sector amounting to UAH 35.8 billion. These include the modernisation of hydroelectric power plants operated by Ukrhydroenergo and the comprehensive programme to improve the safety and reliability of NPP equipment. In addition, UAH 42.3 billion was allocated to support payments for utility services, as well as the purchase of solid and liquid household heating fuel and liquefied gas for 2.7 million households.

The budget also introduces several new programmes: 2401660 «Support for critically needed distributed generation of Ukrnafta» (UAH 939 million, financed under the Finnish-Ukrainian Investment Fund programme); 2401650 «Construction of the 750 kV Rivne NPP-Kyiv transmission line» and 2401670 «Construction of the 750 kV Zaporizhzhia-Kakhovka overhead transmission line» (UAH 7 million and UAH 11 million respectively, financed from European Investment Bank loan funds received in previous periods).

To ensure the stable passage of the heating season, an additional 4% of revenues to the general funds of local budgets will be directed to payments for electricity and heat, natural gas and other energy carriers, as well as to support enterprises engaged in the generation, transmission and supply of heat energy, water supply and wastewater services. Where debts arising from tariff differences for heat generation, transmission and supply – including district heating and hot water supply services – exist, these funds will be used to repay such arrears.

The Cabinet of Ministers:

✓ approved a procedure for assessing the state of cyber protection, including that of critical infrastructure facilities in the fuel and energy sector. Planned self-assessments of the current level of cyber protection are to be conducted annually, while external assessments will take place once every two years;

✓ defined the lists of goods subject to export and import licensing, as well as quotas for 2026. In particular, a zero quota was established for exports of Ukrainian natural gas, while licensed exports of fuel oil were limited to 400 thousand tonnes;

✓ established the institution «Unit for Servicing Oil and Gas Sector Facilities and Eliminating Oil and Gas Well Blowouts of the Main Directorate of the State Emergency Service of Ukraine in Poltava Oblast»;

✓ for the third time amended the action plan, approved on 17 November without proper review and bypassing the established procedure, for updating the composition of supervisory boards and executive bodies of fuel and energy sector companies. The deadlines for completing 14 of the 25 tasks were postponed (for six of them – for the second time). The transformation of the SE Guaranteed Buyer into a joint-stock company with the establishment of a supervisory board has been extended until 1 March 2026. The deadline for forming executive bodies within the Naftogaz Group and supervisory boards at Energoatom, Centrenergo, URM, ERU and the Market Operator, appointing a state representative to the supervisory board of Ukrhydroenergo, updating state representatives on the supervisory boards of Ukrenergo and Gas Transmission System Operator of Ukraine LLC, and aligning the statutes and internal regulations of state-owned enterprises with the OECD Guidelines on Corporate Governance has been extended until 31 January 2026. The task of establishing a supervisory board for Regional Electric Networks state enterprise has been removed;

✓ applied preferential arrangements for the distribution and transfer by the State Treasury of funds received into non-budget accounts of heat supply and heat generating companies in the cities of Zhytomyr, Zaporizhzhia, Korosten, Mykolaiv, Slavutych, Ternopil, Cherkasy and Chernihiv, as well as Chabany township (Fastiv rayon, Kyiv oblast). These companies include in their heat tariffs the costs of purchasing heat energy from other business entities (purchased heat energy);

✓ prematurely terminated the mandate of one of the state representatives on the supervisory board of Naftogaz of Ukraine;

✓ amended the owner's expectations letter for Naftogaz of Ukraine (on a consolidated basis) for 2025 (the amendments have not been published);

✓ limited the list of critically important facilities entitled to priority electricity supply, in accordance with the established minimum load, to facilities with a connected capacity of at least 100 kW, and removed from this list settlements located within the 20 km zone along the state border with belarus;

✓ instructed oblast and Kyiv city state/military administrations to review and approve, by 30 December 2025, the lists of critically important facilities that must be ensured priority electricity supply in accordance with the established minimum load, and clarified the requirements for the preparation and submission of such lists;

✓ authorised the State Energy Supervision Inspectorate (Derzhenergonahliad) during the period of martial law to resume, in accordance with the established procedure, previously suspended state supervision (control) measures regarding compliance with legislation in the electricity and heat supply sectors;

✓ extended simplified construction conditions to winners of tenders for building generation capacity and implementing demand-side management measures, and limited to three working days the preparation of the protocol of the tender commission decision identifying the winner;

✓ established that if the protocol identifying the winner of a tender for the construction of generation capacity is not signed within the prescribed timeframe, or the decision of the tender commission is not formalised due to the dismissal of its chair or members appointed ex officio, a contract with the winner may still be concluded, including in cases where the facility for which the participant submitted a price proposal has already been built;

✓ allowed institutions, enterprises, organisations of all forms of ownership, as well as individual entrepreneurs providing temporary accommodation for internally displaced persons to receive temporary compensation (for the period required to restore the documents specified by the procedure) for consumed utility services, the purchase of liquefied gas, solid and liquid household heating fuel, and added 7.35 m^2 of common total/heated area to the social housing standard per person, which amounts to 13.65 m^2 of total/heated area;

✓ designated BDO LLC as the audit firm to provide mandatory audit services for the financial statements of Ukrhydroenergo for 2025;

✓ amended, with effect from 1 January 2026, the National Emission Reduction Plan for Large Combustion Plants following the authorisation granted by the Energy Community Ministerial Council to extend the operation of such plants until 31 December 2028;

✓ allowed Gas Transmission System Operator of Ukraine and Ukrenergo not to disclose: the owner's expectations letters and annual reports on the achievement of the objectives set therein; management reports; strategic development plans and reports on their implementation; information on significant business obligations and related-party transactions; the list of affiliated persons of officials; decisions of supervisory boards; and sustainability information containing data that could identify critical infrastructure facilities or reveal their capabilities;

✓ amended the list of construction, repair and equipment projects, as well as other engineering and technical measures aimed at protecting critical infrastructure facilities in the fuel and energy sector, together with the volume of budget funding allocated for these purposes (the list of amendments has not been published);

✓ announced the selection of candidates for positions as state representatives on the supervisory boards of Ukrhydroenergo (one position) and Energoatom (three positions);

✓ confirmed that the proposal to increase the financing of the project «Support to Ukraine in Emergency Situations and Decarbonisation» falls within the scope of the Framework Agreement between Ukraine and the European Investment Bank;

✓ defined the responsibilities of the Ministry for Communities and Territories Development, as the principal administrator of the Energy Efficiency Fund, as ensuring the formulation and implementation of state policy in the areas of efficient use of fuel and energy resources, alternative liquid and solid fuels, energy saving and energy efficiency, as well as carrying out other tasks in these fields established by legislation, including the recovery of regions, territories and infrastructure affected by the armed aggression of the russian federation against Ukraine.

✓ removed from the list of functions of the State Nuclear Regulatory Inspectorate of Ukraine the approval of draft state and sectoral standards on nuclear and radiation safety and occupational safety;

✓ approved Ukraine's negotiating position for negotiations with the EU on the conclusion of the Agreement on Ukraine's accession to the EU under Cluster 4 «Green Agenda and Sustainable Connectivity» (for official use only);

✓ allocated UAH 665 million from the state budget reserve fund to nine oblast administrations to finance measures for preventing man-made emergencies, including the purchase of fuel and lubricants to ensure the operation of backup power sources (generators) during the stable passage of the autumn-winter period;

✓ allocated UAH 224 million to the Sumy Oblast State Administration on measures for eliminating the consequences of a man-made emergency, including the purchase of modular boiler houses to ensure the stable passage of the heating season;

✓ established the joint-stock company Guaranteed Buyer, approving its charter, the regulation on the supervisory board and the principles of its formation. The company's main purpose is defined as ensuring the purchase of all electricity generated by facilities using renewable energy sources (in the case of hydropower — only electricity generated by micro, mini and small HPPs) at the established «green» (feed-in) tariff, purchasing services supporting electricity generation from renewable sources under the market premium mechanism from producers that have concluded contracts with it, and generating profit from its business activities;

✓ extended the mandate of Ukrinterenergo as the supplier of last resort in the electricity market until 31 December 2026;

✓ instructed oblast and Kyiv city state/military administrations to reduce electricity consumption, including by limiting the use of external lighting of buildings, adjacent areas, parks, outdoor advertising and street lighting, while ensuring safe conditions for public movement and road traffic safety.

✓ instructed the Ministry of Energy to identify facilities of distributed generation that have been commissioned but are not supplying electricity to the grid, as well as those that have been constructed but not yet commissioned, and to ensure that «these facilities generate electricity and supply it to the grid»;

✓ clarified the procedure for using and allocating state budget funds for Part 2 of the investment project «Restoration of Energy Supply in Winter and Provision of Energy Resources» ($116 million), aimed at restoring heat supply in Kharkiv, Sumy, Chernihiv, Mykolaiv, Kryvyi Rih, Kremenchuk and Slavutych;

✓ defined the mechanism for using UAH 18.7 million allocated in the special fund of the state budget to complete the investment project «Improving Energy Efficiency in the District Heating Sector of Ukraine», with Kharkiv Heating Networks designated as the recipient;

✓ approved the procedure for selecting candidates for the positions of independent members of supervisory boards and state representatives at supervisory boards of business entities, and instructed the Ministry of Energy and the State Property Fund to take urgent measures to terminate the mandates of state representatives on the supervisory boards of Gas Transmission System Operator of Ukraine LLC, Centrenergo, ECU, URM and the Market Operator;

✓ adopted a procedure for conducting comprehensive inspections of compliance with production sharing agreements. Such inspections are to be carried out at least once every five years based on a decision of the Cabinet of Ministers adopted following consideration of a request by the authorised body. «If, six months after the lead authority submits the comprehensive inspection report to the investor, disagreements between the lead authority and the investor still persist, the dispute may be resolved in accordance with the procedure established by the production sharing agreement» (para. 21).

✓ amended the procedure for conducting electronic auctions for the sale of electricity under bilateral contracts, granting Ukrenergo the right to participate in special sessions for the sale of bundled lots in order to procure electricity to cover technological losses. The decision is intended to ensure more predictable prices and restrain growth of the electricity transmission tariff;

✓ established that until 1 December 2026 Naftogaz of Ukraine will supply natural gas at a price of UAH 19,000/1,000 m^3 (including VAT) under contracts concluded with «new business entities» engaged in electricity generation at TPPs, CHPPs, gas turbine and gas piston units in Chernihiv, Sumy, Kharkiv, Dnipropetrovsk, Donetsk, Zaporizhzhia, Kherson, Mykolaiv and Odesa oblasts. The list of such «new business entities» is to be compiled by the Ministry of Energy upon submission by Ukrenergo.

Furthermore, the Ministry of Economy approved a new version of the model agreements on subsoil use conditions, defining a list of new obligations for subsoil users in accordance with the Agreement between the governments of Ukraine and the United States on the establishment of the US-Ukraine Reconstruction Investment Fund.

The Ministry of Energy set the environmental value of electricity generated from renewable sources for 2026 at 1,311.17 kg CO_2-equivalent/MWh.

The Antimonopoly Committee of Ukraine issued recommendations to NEURC, mandatory for consideration, to establish in the Market Rules an exhaustive list of cases in which the transmission system operator, acting as the settlement administrator, must unilaterally reinstate electricity imbalance settlement agreements with market participants belonging to the balancing group of the balance responsible party.

NEURC:

✓ amended the temporary procedure for determining the volumes of purchases in the electricity market by electricity suppliers and distribution system operators during the transitional period, in particular by: extending until 31 December 2026 the deadline for the deployment of smart meters at commercial metering points of group «A» for budgetfunded enterprises, institutions and organisations; clarifying the calculation of incentive coefficients; and establishing a permissible deviation of ±5% between operational and actual data for commercial metering points of group «A» (consumers with a connected capacity ≥150 kW or an average monthly electricity consumption exceeding 50 MWh; installations capable of supplying electricity to the grid);

✓ defined the procedure for monitoring active consumers in the retail electricity market, including tracking market trends and changes in the behaviour of active consumers, assessing their performance, contractual practices and pricing policies, and establishing a mechanism for distribution system operators and suppliers to provide data for such monitoring and defining a set of performance indicators for active consumers;

✓ clarified the procedure for drafting, submitting, approving and publishing the compliance programme of a distribution system operator and the report on its implementation, as well as for approving the compliance officer, and prohibited distribution system operators from owning, possessing, using, developing, managing or operating energy storage facilities;

✓ aligned the terminology of the Distribution System Code with the Law of Ukraine «On Access to Infrastructure Facilities for the Development of Electronic Communications Networks»;

✓ clarified the Gas Transmission System Code and the Methodology for determining tariffs for natural gas transmission services at entry and exit points under multi-year incentive regulation by: introducing a new constrained capacity product for the supply of domestically produced gas to final consumers located in the same gas distribution zone as the gas production company; and defining the range of discount coefficients for entry and exit points under the constrained capacity service for the supply of produced gas;

✓ clarified the Gas Transmission System Code, the Gas Distribution Systems Code and the Gas Storage Code by: establishing a deadline for submitting amendments to development plans or investment programmes; requiring justification for such amendments; and improving the procedure for reviewing them;

✓ increased Ukrenergo's electricity transmission tariff for 2026 to UAH 713.68/MWh from 1 January and UAH 742.91/MWh from 1 April (+4.0% and +8.3% compared with 2025; instead of UAH 786.74/MWh envisaged in the draft resolution). The tariff for «green» electrometallurgy enterprises increased to UAH 373.93/MWh and UAH 378.49/MWh respectively (+4.0% and +5.2%). Lower tariffs were made possible by expanding Ukrenergo's ability to purchase electricity at special auctions to cover its technological losses;

✓ increased Ukrenergo's tariff for dispatching (operational and technological) control for 2026 to UAH 110.03/MWh (+11.2% compared with 2025; instead of UAH 110.15/MWh envisaged in the draft resolution);

✓ approved for 2026 a fixed fee for the use of the software of the Market Operator at UAH 3,837.84 (excluding VAT) and a tariff for trading operations on the day-ahead market (DAM) and intraday market (IDM) at UAH 6.88/MWh (excluding VAT);

✓ increased the natural gas distribution tariff for 34 market operators for the first time since 2021. From 1 January, the weighted average tariff will rise from UAH 1.18/m^3 to UAH 1.56/m^3 (excluding VAT). From 1 April — from UAH 1.56/m^3 to UAH 1.89/m^3 (excluding VAT). The highest tariffs were set for the Mykolaiv branch of Gas Distribution Networks of Ukraine (UAH 2.92 and UAH 3.60), and the lowest for Kyivgaz (UAH 0.32 and UAH 0.36). The price of gas offered to households by Naftogaz of Ukraine will remain unchanged (UAH 7.96);

✓ revised the projected volume of annual booked capacity for the first time since 2021. The largest increases are expected for Kyivgaz, and the Chernihiv and Zakarpattia branches of Gas Distribution Networks of Ukraine (by 22–24%, to 2.7, 0.6 and 0.4 bcm respectively). The most significant decreases are expected for Khersongaz and the Dnipropetrovsk and Chernivtsi branches of Gas Distribution Networks of Ukraine (by 62%, 45% and 36%, to 0.1, 1.2 and 0.3 bcm respectively);

✓ included modular boiler houses in the accelerated procedure for connection to gas distribution systems during martial law;

✓ increased by 19–20% the maximum cost levels for works and services by distribution system operators in 2026 related to the maintenance of internal gas supply systems in apartment buildings;

✓ clarified the procedure for setting the price at which electricity is supplied to consumers by the supplier of last resort, increasing the coefficient reflecting the risk of price fluctuations in the balancing market and the day-ahead market from 1.25 to 1.30;

✓ aligned the procedure for resolving disputes arising between business entities operating in the energy and utilities sectors with the Law of Ukraine «On Administrative Procedure»;

✓ approved the updated Gas Storage Development Plan for 2025–2034 and the Gas Storage Investment Plan for 2025, providing for an additional UAH 20.1 million for Ukrtransgaz for the reconstruction of facilities, including the restoration of gas compressor units damaged by russian attacks;

✓ launched an investigation into suspected abuses and other violations in the wholesale energy market in April 2025. The case was opened following a notification from the Market Operator that one market participant had placed large electricity volumes on the day-ahead and intraday markets without corresponding contracts in other market segments, while simultaneously submitting buy and sell orders for the same hours and repeatedly creating and cancelling orders in the intraday market.

✓ amended the rules for the temporary connection of generating facilities during martial law. In particular, where metering units are not installed at electrical installations, the actual electricity volumes at the commercial boundary may be determined based on measurements at the nearest metering point in the operator's network, taking losses into account. Where significant construction and installation works are required to create capacity, the distribution system operator shall, upon the customer's request, issue technical specifications defining the stages of their implementation: Stage I – the minimum measures required to ensure parallel operation of installations with the power system (including commercial metering); Stage II – other measures specified in the technical specifications, including those necessary to ensure security of supply.

The State Service of Geology and Subsoil reported the sale of special permits at electronic auctions for the Liubynetska, Ostrivska (Lviv oblast) and Novodykanska (Poltava oblast) areas for UAH 110 million, UAH 555 million and UAH 739 million respectively. The permits grant the right to use these subsoil areas for 20 years for geological exploration, including pilot industrial development, followed by oil and gas production.

The State Nuclear Regulatory Inspectorate approved the results of the state nuclear and radiation safety assessment of Spent Nuclear Fuel Storage Facility-1 at the Chornobyl NPP and confirmed that the facility can be safely operated until 31 December 2034.

PROJECTS AND INTENTIONS

The Verkhovna Rada:

✓ returned for a repeated second reading a draft law aimed at improving competitive conditions for electricity generation from renewable sources. The document proposes introducing a support mechanism until 31 December 2029 for winners of renewable energy support quota auctions in the form of a «net» premium instead of contracts for difference; allowing financial security to be provided directly to the Guaranteed Buyer as an alternative to a bank guarantee; extending the validity of renewable energy support quota auctions until 31 December 2034; reducing the financial burden on auction participants by lowering the bank guarantee from €15 to €10/kW prior to concluding a contract with the Guaranteed Buyer, and from €30 to €10/kW when extending the construction and commissioning period of a project; allowing a deviation of up to 10% between the actual installed capacity of a project and the capacity for which support was awarded, while limiting support under the market premium mechanism to the awarded capacity; facilitating the recognition of Ukrainian guarantees of origin in the EU; and enabling the connection of energy storage facilities to the grid under the cable pooling mechanism;

✓ received the comparative table for the second reading of a draft law aimed at shifting the system of state supervision (control) from a punitive model to a preventive and risk-based one. The bill proposes introducing business activity audits as a separate supervisory tool to allow companies to prevent violations of legal requirements before a scheduled inspection; reducing the frequency of state supervision (control) measures for businesses classified as medium- and low-risk; and eliminating ineffective and burdensome regulatory provisions.

✓ Second reading pending:

• a revised draft law supported by the relevant committee, aimed at implementing EU rules on energy market integration and strengthening energy supply security and competitiveness. According to the RRR4U analytical consortium, which monitors the implementation of international financial assistance programmes, further delays in finalising the draft law – initially adopted in the first reading on 22 July – could result in Ukraine losing €500 million in EU support for 2025 due to failure to meet Indicator 10.5 of the Ukraine Plan. The draft law introduces several new concepts into Ukrainian legislation, including aggregation, flexibility, citizen energy communities, the matching algorithm and nominated electricity market operators. It also aligns the functions of market operators with EU acquis requirements; defines the conditions for participation in day-ahead market (DAM) and intraday market (IDM) trading; establishes rules for the operation, certification and market oversight of nominated electricity market operators; sets out mechanisms for cooperation between market operators and ACER, ENTSO-E and EU regulatory authorities; and clarifies provisions on cross-zonal capacity allocation and revenue calculation.

• a draft law supported by the relevant committee on energy infrastructure projects of public interest, aimed at implementing Regulation (EU) 2022/869 on guidelines for trans-European energy infrastructure. The document updates provisions of an earlier draft law withdrawn by the Cabinet of Ministers in order to align it with the EU requirements revised in 2022–2023.

✓ Supported by the relevant committees, awaiting first reading:

• a government draft law on supporting the development of efficient and sustainable district heating, which was twice (on 16 and 17 December) not included in the parliamentary session agenda. According to the RRR4U analytical consortium, delays in finalising the draft law — submitted by the government on 22 September — could result in Ukraine losing €273 million in EU support for 2025 due to failure to meet Indicator 10.14 of the Ukraine Plan. The draft law defines district heating as a sector of state interest and proposes measures to promote cogeneration and renewable energy in the sector, support investment programmes, and introduce individual heat substations in buildings connected to district heating systems. It also establishes responsibilities for their maintenance and allows installation costs to be included in heat transmission tariffs. The document also provides for the development and approval of rules governing heat generation, transmission, supply and use, as well as procedures for installing and operating individual heat substations.

• a government draft law aimed at simplifying procedures for protecting critical infrastructure facilities in the fuel and energy sector, which was not included in the session agenda on 17 December. The proposal would allow critical infrastructure operators, during martial law, to carry out reconstruction and major repairs of such facilities located on state- or municipally owned land without acquiring or registering property or land-use rights (including servitudes), preparing land management documentation or entering information into the State Land Cadastre, subject to approval of such use. After the termination or lifting of martial law, operators that carried out such works would be required to formalise property rights to the relevant land plots in accordance with the law.

• a draft law aimed at resolving inconsistencies in the regulation of the energy service market, particularly regarding payments under energy service contracts by entities operating under regulated tariffs. The proposal also extends the scope of energy service contracts to include the construction of energy facilities using renewable sources and energy storage facilities.

✓ Awaiting first reading:

• a government draft law included in the session agenda, aimed at improving the electronic fuel administration system by recording the owners of fuel in order to prevent fictitious transactions, including the registration of excise invoices for non-existent fuel volumes that are simultaneously sold for cash to other consumers;

• an urgent government draft law aimed at implementing EU legislation on renewable energy. The proposal provides for aligning national terminology with the terminology of the EU acquis; defining the methodology for calculating the share of renewable energy in gross final energy consumption and setting the national target indicator; and establishing the concept and regulatory framework for renewable energy communities. The draft law also introduces mechanisms for statistical transfers with EU Member States or Energy Community Contracting Parties, the implementation of joint projects and the introduction of joint support schemes. In addition, it defines the rules for establishing dedicated zones for the development of renewable energy, energy storage installations and network infrastructure, and sets out the core principles of permitting procedures for renewable energy investments. The proposal further introduces sustainability and greenhouse gas emission reduction criteria for biofuels, bioliquids and biomass fuels, as well as requirements for verifying compliance with these criteria. It also identifies the secondary legislation that will need to be adopted following the law's adoption to ensure further implementation of the EU acquis, including provisions of Directive (EU) 2018/2001 and related delegated and implementing regulations. The preparation of this draft law is provided for in the Ukraine Plan and the government's priority action plan for 2025 (Step 400);

• a draft law on the basic principles for introducing small modular reactors (SMRs) in Ukraine, aimed at establishing the legal framework for private companies to participate in the construction and operation of SMRs under state supervision and in compliance with nuclear and radiation safety requirements;

• a draft law extending until 1 January 2028 the moratorium on enforcement proceedings and compulsory enforcement measures against state-owned energy enterprises, including asset seizures and restrictions on asset disposal, as well as the moratorium on initiating bankruptcy proceedings against state-owned coal mining companies.

✓ Not included in the 2025 session agenda (no longer relevant):

• a draft law replacing the funding direction «support for domestic demand for Ukrainian goods and services», defined in Part 2 of Article 37 of the Law of Ukraine «On the State Budget of Ukraine for 2025», with the direction «compensation to citizens and businesses for the purchase of backup (autonomous) power supply sources, including electricity generators and portable charging stations»

• a draft law reducing non-priority expenditures defined in the Law of Ukraine «On the State Budget of Ukraine for 2025» («road repairs», the «United News» telethon, and statutory financing of political parties) in order to reallocate UAH 14.9 billion to the restoration of damaged energy infrastructure;

• a draft law introducing domestic government bonds intended to finance the restoration of damaged energy facilities. According to the authors, the instrument would help mobilise additional resources from the domestic market to strengthen energy security.

✓ Submitted by the Cabinet of Ministers in August but still not included in the session agenda:

• a draft law granting the State Service on Food Safety and Consumer Protection powers to conduct state supervision (control) in the field of commercial metering of utility services;

• a draft law providing for the temporary transfer of 10% of the funds received from electricity buyers to the supplier of last resort's current special-regime account and further to its non-budget account with the State Treasury, with these funds used to repay tax arrears and the VAT liabilities arising in the process, while the remaining funds are transferred to the transmission system operator's special-regime account until the outstanding payment for electricity imbalances purchased by the supplier of last resort is fully settled. According to the government, this mechanism would allow the tax debt of Ukrinterenergo to be repaid by 31 December 2028;

• a draft law aimed at eliminating the duplication of powers between the Ministry of Energy and the State Energy Supervision Inspectorate in exercising state supervision (control) in the district heating and utilities sectors;

• a draft law aimed at strengthening the role of the state in ensuring reliable, uninterrupted and safe electricity supply to consumers, including compliance with measures to limit and/or suspend electricity supply, such as consumption restriction schedules, emergency disconnections and emergency demand reduction systems. Among the proposed amendments are requirements for energy market participants to comply with plans and schedules approved by the Ministry of Energy, provide the Ministry with the information necessary to perform its statutory functions, coordinate distribution system development plans with the Ministry, and ensure unhindered access for state supervisory authorities to enterprises regardless of ownership.

✓ Drafts awaiting approval:

• a Resolution on the Programme of Activities of the Cabinet of Ministers of Ukraine, approved by the government as early as 10 September (entered into force on 25 September), which has largely gone unnoticed by MPs;

• a resolution on the report by the Verkhovna Rada Temporary Investigative Commission examining possible violations of Ukrainian legislation in the formation and implementation of pricing and tariff policy in the energy and utilities sectors. Unlike the commission's earlier and relatively balanced report, the new document is overloaded with judgments that appear to substitute for evidence supporting its conclusions. Although the «members and secretariat of the commission» acknowledged that they «lacked sufficient time and human resources to conduct a more detailed review of the information (documentation)» on this and other issues, this did not stop them from concluding — a statement repeated five times in the report — «that the governing bodies of... Ukrenergo after corporatisation managed the company in a manner that shows signs of... high treason by certain officials by weakening Ukraine's energy security during wartime». In addition, for the system disturbance in Ukraine's IPS on 23 November 2022, the commission blamed not the russian armed forces but the management of Ukrenergo, alleging that it had failed to take «comprehensive measures to prepare the transmission system for operation under wartime conditions» and had not introduced «measures to organise and construct protected backup control centres at its substations». Moreover, MPs attempted to shift responsibility for the «weakening of Ukraine's energy security» to the «personnel of all companies in the sector», which they claim «proved incapable» of preventing the disturbance.

• a resolution on the preliminary report of the Verkhovna Rada Temporary Investigative Commission examining possible unlawful actions by officials of state authorities, other public bodies and state-owned enterprises that may have harmed Ukraine's economic security. The report states, in particular, that losses to public budgets from the illegal fuel production and trade amount to approximately UAH 9–10 billion per year (p. 10). In response, the commission: provided the Bureau of Economic Security, the State Tax Service and the National Police with a «list of physical locations, websites and Telegram channels involved in the illegal sale of excisable goods»; and established cooperation with stakeholders to obtain information on sales volumes, locations of fuel sales points, as well as the size of the «shadow market» and the tax burden.

✓ Registered draft laws:

• a draft law aimed at clarifying the status of the National Energy and Utilities Regulatory Commission (NEURC), defining the principles for determining its structure and staffing levels, and streamlining procedures for selecting members of the competition commission, conducting competitive selection, appointing commissioners, determining the maximum terms of office and rotation of NEURC members, and improving the organisation of the regulator's work and its rule-making procedures. According to the RRR4U analytical consortium, delays in defining NEURC's special status to ensure its independence (Indicator 10.11 of the Ukraine Plan) could result in Ukraine losing €273 million in EU support for 2025. However, despite the government approving its draft law on 27 December 2023 and including it in the Cabinet of Ministers' action programme (para. 407), the document has still not been registered in the Verkhovna Rada. Instead, on 20 December Parliament received another MPs' draft law which, according to its authors, addresses the shortcomings of the draft submitted on 8 December;

• a draft law postponing until 1 January 2027 the recovery of tax arrears from the state-owned enterprises Eastern Mining and Processing Plant, Dobropillia Coal Mining and Lvivvuhillia;

• a draft law amending the criminal offence defined in Part 2 of Article 292 of the Criminal Code of Ukraine («Damage to main or industrial oil, gas, condensate and petroleum product pipelines») by introducing an aggravating circumstance – committing such acts during martial law or a state of emergency;

• a draft law abolishing the requirement for consumers whose premises are equipped with individual heat distribution meters to pay the difference between the readings of those meters and the minimum specific share of heat consumption determined under the methodology for allocating the volume of utilities consumed in a building among consumers (para. 5, part 2, Article 10 of the Law of Ukraine «On the Commercial Metering of Heat Energy and Water Supply»). The explanatory note accompanying this document is remarkable in that it illustrates how far some MPs may remain from legislative drafting even six years after their election.

The Ministry of Energy published:

✓ a draft law aimed at simplifying the deployment of energy facilities, including land allocation procedures, connection to the transmission system operator's network, and addressing the recalculation of electricity imbalance costs for renewable energy producers for 2022 (para. 396 of the Government's Priority Action Plan for 2025);

✓ a revised draft resolution of the Cabinet of Ministers, updated to reflect comments from the State Regulatory Service, proposing to exclude electrical transformers (HS code 8504) from the list of goods exempt from import duty and VAT on imports when such goods are imported into Ukraine under agreements financed by the Energy Community Secretariat;

✓ a draft resolution of the Cabinet of Ministers approving the procedure for operating the AidEnergy information and communication system, a platform for operational monitoring of the energy sector and accounting for assistance. The platform is intended for collecting, processing, analysing, storing and exchanging information on the needs of energy companies, as well as on the receipt, distribution and use of humanitarian assistance provided to the energy sector under martial law;

✓ a draft order approving the Methodology for calculating minimum stocks of crude oil and petroleum products, establishing requirements for determining their total volume and the market prices of crude oil and petroleum products included in these stocks for the purpose of fulfilling the obligations of participants in the system.

NEURC published:

✓ a draft resolution maintaining price caps on the day-ahead, intraday and balancing markets at the levels established from 1 August 2025;

✓ a draft resolution amending the Gas Distribution Systems Code regarding the determination of the cost of unaccounted natural gas volumes for consumers, to be calculated based on the price at which the distribution system operator procured gas or, if no such procurement took place, based on the arithmetic mean of the marginal purchase prices;

✓ a draft resolution approving the Transmission System Development Plan for 2026–2035, with funding for measures in 2026 amounting to UAH 10.4 billion;

✓ a draft resolution amending the methodology for forming, calculating and setting tariffs for heat produced at CHPPs, TPPs and cogeneration facilities, including:

• introducing an «expected period» – a shifted 12-month period preceding the year for which the tariff is set, with actual costs during this period serving as the basis for calculating forecast costs included in the tariff;

• allowing savings achieved through energy efficiency measures to be used to reduce material costs, restore assets, provide employee incentives and pay remuneration under energy service contracts;

• establishing separate tariffs for each community in which the licensee operates;

• adding the costs of maintaining and operating engineering protection for critical infrastructure facilities, as well as costs under energy service contracts, to the category of «other costs» eligible for recovery through tariffs;

• allowing the tariff profit component to include expenditures for production development, repayment of loan principal, maintaining a 10-day reserve of fuel, and working capital of up to 4% of the planned full cost of heat energy production;

• introducing a tariff revenue adjustment mechanism – a separate tariff component that may be either positive or negative and applied following inspections or analysis of licensee reports;

✓ a draft resolution amending the procedure for registering wholesale energy market participants, particularly regarding the appointment of a representative authorised to act on behalf of a non-resident entity registered, or intending to register, as a market participant. Such a representative must be granted sufficient and duly documented powers, as well as the means and capacity to receive clarifications, comply with NEURC decisions and provide information in response to its requests.

INTERNATIONAL COOPERATION

Luxembourg made its third contribution of the year to the Ukraine Energy Support Fund, transferring €10 million.

Germany contributed an additional €4.5 million to the Ukraine Energy Support Fund.

The Swedish International Development Cooperation Agency (Sida) transferred €63.8 million to the Ukraine Energy Support Fund.

The Energy Community Ministerial Council authorised Ukraine to continue operating large combustion plants included in the National Emissions Reduction Plan until 31 December 2028.

Ukraine and the European Bank for Reconstruction and Development signed a grant agreement under which international partners will finance the restoration of the Arch of the New Safe Confinement at the Chernobyl NPP, damaged on 14 February 2025. Priority works are expected to be completed by the end of 2026.

The European Investment Bank will provide €74 million to Ukraine to support critical services and improve energy efficiency. The funds will be allocated to projects in Lviv, Dnipropetrovsk, Poltava, Vinnytsia, Ternopil, Khmelnytskyi, Rivne and Ivano-Frankivsk oblasts.

The European Bank for Reconstruction and Development granted a €22.3 million loan to Power One to build new gas-piston power plants in Ukraine with a total capacity of 36.8 MW and energy storage systems with a capacity of 31.5 MW.

Under the EMPower project, the Ministry for Communities and Territories Development of Ukraine and the German Agency for International Cooperation (GIZ) launched an additional emergency component of the Resilient Power Initiative, providing €25 million worth of equipment to support distributed generation.

GENERAL CONCLUSIONS AND RECOMMENDATIONS

December demonstrated that, unlike energy sector professionals — who after each enemy attack try to apply a systematic (or at least comprehensive) approach and restore energy supply according to pre-developed algorithms — the Cabinet of Ministers does not work as proactively and consistently as the circumstances require. Instead of pursuing a consistent policy, including by creating the necessary regulatory framework to address the existing problems in the energy sector, government members have grown accustomed to working in a «fire-brigade» mode.

Illustrative examples include the plan of measures for renewing the composition of supervisory boards and executive bodies of enterprises in the fuel and energy sector and the government instruction on measures to ensure electricity supply during the autumn-winter period.

The first document has already had to be amended for the third time, as its authors appear to have overlooked the principles of corporate governance. They assumed that three weeks would be enough to dismiss the members of the executive bodies and supervisory boards of a dozen large companies, organise the selection and vetting of candidates, conduct the competitions, and «bring the statutes and regulations of state-owned enterprises into line with the OECD corporate governance guidelines». As a result, one task from the approved plan has already been removed, while the deadlines for completing 14 of the 24 tasks have been postponed — six of them for the second time.

What could have been done? First, to refrain from replacing the leadership of key energy companies in the middle of the heating season and during massive enemy attacks on critical infrastructure. It would have been sufficient to set clear KPIs for state representatives on supervisory boards, with strict liability for non-compliance.

The second document showed that its authors had ignored the Cabinet's Rules of Procedure regarding the functions and powers of the executive authorities. After all, it is impossible to demand that electricity generation facilities not connected to the grid should «urgently» (i.e. within three working days) begin generating and supplying electricity to the system, while assigning this task to the Ministry of Energy and state administrations, which do not own the facilities in question.

It is equally unclear what the authors meant by «endorsing» a proposal from the Ministry of Economy regarding «the possibility of purchasing» imported electricity by state-owned enterprises. This provision did not contain any concrete tasks.

The Cabinet's decision to redistribute electricity at the expense of enterprises that, for unclear reasons, were included in the list of critical infrastructure was adopted with a significant delay and was not always implemented properly.

The only implementable task contained in the instruction was to reduce consumption, «in particular by limiting the use of exterior lighting of buildings, adjacent areas, parks, outdoor advertising, street lighting and other measures» (para. 5). However, as previous years' experience shows, the effect of such measures is minimal — up to 3% of total consumption — while the negative consequences of insufficient street lighting in large cities can be significant.

What could have been done? In addition to redistributing already scarce capacity — which diminishes further with each large-scale attack — the government should have unblocked investment, primarily private investment, to rapidly expand distributed generation in large cities, local communities and industrial areas. The growing capacity shortages in Ukraine's integrated power system, caused by russian strikes, can only be reversed if:

✓ saturating the system with 500+ small energy units, mainly cogeneration facilities, with a guaranteed capacities ranging from >1 to 10 (100) MW, operating on locally available fuel; integrating them into distribution micro grid systems based on smart grid technologies; connecting them to IPS as elements of the ancillary services market;

✓ encouraging local communities, budgetary institutions and organisations to achieve real energy autonomy, rather than purchasing photovoltaic panels and fostering fragmented forms of «energy separatism»;

✓ ensuring genuine, rather than fictitious, simplification of the construction, siting and commissioning of gas-piston and gas-turbine units, including cogeneration facilities, as well as procedures for connecting this and other energy equipment to electricity, gas, and heating networks;

✓ guaranteeing the solvency of all participants in the energy value chain, thereby enabling the proper functioning of transmission and distribution systems across all energy markets.

For such tasks to appear in the government's regulatory acts, it is necessary to create conditions under which state authorities formulate policy on the basis of its analysis and consultations with stakeholders, and ensure its effective and efficient implementation.