



UKRAINE'S ENERGY SECTOR IN JANUARY 2026

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Since October 2025, the aggressor's armed forces have attacked Ukraine's energy infrastructure at intervals of 7–10 days, using a broad range of weapons systems, from rocket artillery to ballistic missiles. Strikes are carried out mainly at night and rotated across regions. In January alone, russian forces used more than 6,000 strike drones, about 5,500 guided aerial bombs and 158 missiles of various types, attempting to split the country into isolated energy «islands» and using for this purpose the geographic distribution of key energy facilities and the limited capacity for transmitting electricity from west to east and from north to south.

After the average air temperature dropped to -20 to -25°C , the aggressor additionally targeted district heating and hot water infrastructure in major cities, primarily Kyiv, Kharkiv and Dnipro. The most intense strikes occurred on 9, 20 and 24 January. The use of a record number of strike assets on those days, combined with limited air defence coverage (on 9 January only 2 out of 18 ballistic missiles were intercepted), caused significant damage to targeted facilities. This led to temporary disruptions to water, heating and electricity supply for tens of thousands of households, enterprises, institutions and social facilities.

Nevertheless, owing to the round-the-clock heroic efforts of hundreds of repair and restoration crews from across Ukraine, the country's Integrated Power System (IPS) has maintained its integrity and continues to operate in sync with the continental European power system. By the end of January, power had been restored to critical infrastructure in the affected regions, and heating and electricity returned to most households.

Nonetheless, Ukraine still faces a significant capacity deficit across electricity and heat generation, transmission and distribution, caused by damage inflicted by the aggressor. Available reserves, imports and international assistance can only partially offset this gap.

COURSE OF THE HEATING SEASON

Following the attack of 9 January, Ukraine established a Headquarters for Eliminating the Consequences of a State-Level Military and Technogenic Emergency in the Electric Power System (hereinafter – the Headquarters), headed by the First Deputy Prime Minister of Ukraine and Minister of Energy Denys Shmyhal. The new body assumed most of the functions previously assigned to six other headquarters and effectively removed the head of government from operational decision-making, after she had demonstrated limited effectiveness in responding to earlier russian attacks.

Instead of calling for the «urgent» injection of electricity into the grid by distributed generation facilities not connected to it, or promoting the installation of rooftop photovoltaic panels – largely useless in winter – the Headquarters allocated UAH 2.56 billion for purchasing generator equipment for local communities and UAH 800 million for acquiring autonomous energy sources for co-owners of apartment buildings.

Instead of producing «valuable guidelines» on organising response efforts, the Headquarters provided financial assistance to members

of emergency and restoration crews in the amount of UAH 20,000 for each month worked.

Instead of merely «agreeing» with the Ministry of Economy's proposal «on the possibility of purchasing» imported electricity, the Headquarters required major state-owned entities, including [Ukrainska Oboronna Promyslovist](#), [Naftogaz of Ukraine](#), and [Ukrzaliznytsia](#), to do so in volumes of no less than 50% of consumption. To stimulate purchases, it also [recommended](#) that the NEURC set maximum price caps at the level of the evening peak period for the remainder of the season, which was [done](#) on 17 January.

Instead of «limiting the use» of street lighting – a measure with minimal impact (only up to 3% of total consumption) but clear negative consequences – the Headquarters temporarily [suspended](#) in-person education in all educational institutions.

Finally, the Headquarters [responded](#) calmly and professionally, within an hour, to panic reports about another «blackout» on 31 January.

Of course, no miracle has occurred. Neither the government nor the Headquarters has yet addressed the problem of misaligned priorities. This is evident, for example, in changes to the management of key energy companies in the midst of the heating season and under continuous enemy attacks. The following questions also remain unanswered:

✓ Why does the government continue to redistribute existing capacity instead of stimulating investment, primarily private, in the rapid development of distributed generation in large cities, local communities and industrial areas?

✓ Why has 80% of newly commissioned [generation capacity](#) been installed by private companies solely for their own needs, rather than integrated into the IPS?

✓ Why has the [simplification](#) of procedures for installing energy facilities failed to stimulate the commissioning of two-thirds of the equipment [transferred](#) to Ukraine by its international partners?

✓ Why, despite repeated [announcements](#) on resuming tenders for new generating capacity, have these competitions still not been launched?

✓ Why do debts in energy markets [continue to grow](#), given that ensuring the solvency of all participants in the energy value chain is essential for the normal functioning of transmission and distribution system operators?

✓ Why, instead of [obliging](#) the Ministry of Energy to «define the mechanism and criteria for forming» lists of protected consumers, two-thirds of whom do not qualify as critical infrastructure enterprises, does the government continue to «disconnect non-household sub-consumers located on the same supply line in order to redistribute the released electricity to household consumers»?

✓ Why does Ukrtransnafta continue to facilitate the transit of russian crude oil, effectively generating revenue for the aggressor?

✓ Why does the government ignore unreasonably inflated retail fuel prices and apparent anti-competitive [behaviour](#) by certain participants in the petroleum products market?

Only clear answers to these questions will indicate that the government and the new leadership of the Ministry of Energy have moved away from issuing numerous and poorly prepared instructions and towards developing an effective policy to address the problems facing Ukraine's energy sector.

ENERGY BALANCE

During the reporting period, Ukraine's IPS operated under a persistent deficit caused by russian attacks. Damage to key generation, transmission and distribution facilities in Kyiv and Odesa oblasts, in the cities of Kharkiv and Dnipro, as well as all in frontline oblasts, led to emergency power outages in those areas. Elsewhere, scheduled hourly power cuts remained in place for 2–4 groups of household consumers, alongside round-the-clock capacity restrictions for industry.

Power supply was also disrupted by severe weather conditions, particularly heavy snowfall, strong winds, icing and wet snow accumulation. On 9 January, outages affected more than 1,000 settlements across most oblasts; on 27 January, nearly 500 settlements in 7 oblasts; and on 28 January, 730 settlements in 11 oblasts. In addition, a [cascading failure](#) occurred on 31 January, when the simultaneous disconnection of the 400 kV transmission line between Romania and Moldova and the 750 kV line linking western and central Ukraine forced nuclear power plant units to reduce output. Emergency outage schedules were subsequently introduced in Kyiv, Zhytomyr and Kharkiv oblasts.

The base capacity of Ukraine's IPS was provided by nine NPP units, generating up to 7.5 GW. Following each large-scale attack and the failure on 31 January, the output of most units was temporarily reduced during restoration works. Manoeuvrable capacity was supplied by TPPs, CHPPs, as well as hydro-electric and pumped-storage facilities, which together produced between 2.4 and 2.8 GW. Due to persistent heavy snowfall and cloudy conditions, renewable energy generation did not exceed 0.8 GW.

Output from Ukrhydroenergo facilities in January was significantly limited by water availability and ice formation and therefore did not exceed 0.6 GW. Hydropower was supplied mainly during peak demand hours.

More than two-thirds of total generation in January came from nuclear power plants. Due to damage inflicted by the aggressor, the share of TPPs in the generation mix declined to 12-16%, while CHPPs accounted for 4-6%. Meanwhile, HPPs and renewables each contributed 6-8% of total output. Overall, after 9 January, electricity production in Ukraine fell to 11-12 GW, against demand of 17-18 GW. In the corresponding period of 2021, generation reached up to 21 GW.

The [increase](#) in electricity market price caps to the level of the evening peak period, along with the [requirement](#) for several state-owned enterprises to import at least half of their electricity consumption, pushed [imports](#) in January to 894 GWh – the highest level in six years (24 January – nearly 42 GWh;

+40% compared with the already record-high December). As usual, the largest volumes were supplied from Hungary and Slovakia. However, despite ENTSO-E's agreement to [increase](#) total cross-border import capacity in January from 2.15 to 2.45 GW, only about half of this capacity was used. This was partly due to organisational and physical bottlenecks in the system and a shortage of market bids. As a result, although imports accounted for 14-15% of weekday consumption (compared with 9-10% in December), they reduced Ukraine's electricity deficit by only about one quarter.

For obvious reasons, no electricity was exported in January. Cross-border exports have been [fully suspended](#) since 11 November 2025.

Coal reserves at the end of January stood at 2.2 million tonnes (-4% month-on-month). As damaged units at TPPs and CHPPs cannot operate at full capacity, these volumes may prove sufficient to cover the remainder of the 2025-2026 heating season.

Following a sharp drop in air temperatures, daily gas consumption in Ukraine increased, reaching 140 mcm on several days in January – the highest level in four years. Despite this, no gas shortages were observed. This was facilitated by largely restored domestic production (42-44 mcm/day), withdrawals from underground gas storage facilities (averaging about 52 mcm/day in January), and imports from Poland, Hungary and Slovakia (19-21 mcm/day; 608 mcm in total over the [month](#)).

Gas [reserves](#) in Ukraine declined to 6.0 bcm (-20% month-on-month), excluding 4.1 bcm classified as «long-term storage» gas; 0.6 bcm formally designated as «buffer gas»; and 0.3 bcm owned by non-residents. Although this level exceeds last year's by 28%, it remains 15% lower than in 2015-2018.

An error by AGSI personnel led to incorrect reporting of gas volumes in Ukrainian storage facilities: at the end of 2025 reserves stood at 7.6 bcm rather than 6.3 bcm, as indicated in the December report.

To build strategic reserves in anticipation of continued low temperatures, Naftogaz of

Ukraine [secured](#) an additional €50 million in long-term financing from the European Investment Bank. In February, the company also expects the delivery of 100 mcm of US liquefied natural gas purchased at the Polish LNG terminal in Świnoujście.

SECTOR'S FINANCIAL SITUATION

In the balancing electricity market, its participants – primarily state-owned ones – still [owe](#) the Ukrainian transmission system operator UAH 42 billion. In 2025, this indicator – nearly one-third of which (around UAH 13 billion) is attributable to non-payments by the supplier of last resort – increased by 21%, reaching a new record level.

The debt of Ukrenergo to balancing market participants amounts to UAH 22.9 billion (+36%), 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. Nor is it included among the indicators for implementing the Cabinet of Ministers' programme submitted to the Verkhovna Rada, which remains unconsidered by parliament.

TRANSIT

During the reporting period, Gas Transmission System Operator of Ukraine LLC [ensured](#) the transit of around 130 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 January, 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.

Officials have yet to explain why this transit continues, despite Article 472 of the EU–Ukraine [Association Agreement](#) allowing for the termination of the contract between Ukrtransnafta and Transneft on the grounds of «essential security interests... in time of war».

PRICE SITUATION

Due to the shortage of generation, transmission and distribution capacity – which emerged as early as October as a result of russian attacks – the electricity price [index](#) for base-load (BASE) on the day-ahead market (DAM) increased in January 2026 to a record UAH 8,253/MWh. Peak-load (PEAK) prices reached UAH 9,277/MWh (+24.1 and +25.2% month-on-month, respectively). The off-peak load (OFFPEAK) price increased to UAH 7,229/MWh (+22.8%).

The [weighted average price](#) on the intraday market (IDM) amounted to UAH 8,729/MWh, while on the Ukraine IPS DAM it reached UAH 8,381/MWh (+26.6% and +21.8% compared with December 2025).

In February, all of the above indices are expected to rise further, driven by the ongoing capacity shortage, the [increase](#) in maximum price caps to the level of the evening peak period, and the requirement for [Ukrzaliznytsia](#), [Ukrainska Oboronna Promyslovist](#) and [Naftogaz of Ukraine](#) to ensure that they, as well as entities under their corporate control, procure imported electricity in volumes of at least 50% of their projected consumption.

Amid [rising](#) electricity prices following the [lifting](#) of restrictions, Energoatom concluded controversial contracts for the supply of around 1 GW at prices widely viewed as below market levels. This triggered a broader debate over «decisions of heightened public significance in times of an energy crisis». As a result, the agreements were terminated, and several companies, including D.Trading, made voluntary compensation payments.

Despite the noticeable shortage and ongoing – as well as projected – increases

in electricity prices, the government has **maintained** the tariff for households at UAH 4.32/kWh (including VAT) fixed until 30 April 2026. A preferential tariff of UAH 2.64/kWh (including VAT) also remains in place 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 access to district heating.

The **weighted average price** of February natural gas in Ukraine based on the trading results on the Ukrainian Energy Exchange (UEEX) in January, increased to UAH 20,365/1,000 m³ (+6.5% compared with December; excluding VAT). The **price** of gas at the TTF hub, adjusted to the Ukrainian border, closed the month at UAH 27,526/1,000 m³ (+35% compared with 31 December 2025; excluding VAT).

Naftogaz of Ukraine **gas tariffs** for non-household consumers with valid supply contracts, amount to UAH 27,660/1,000 m³ starting from 1 February 2026 (UAH 25,800 in December; including VAT). **Prices** for household consumers and budgetary institutions are **fixed** until 31 March 2026 at UAH 7,420/1,000 m³ and UAH 16,390/1,000 m³, 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 the remainder of the heating season.

For business entities engaged in electricity generation, the following prices (including VAT) per 1,000 m³ 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 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 m³ (+17% compared with October);

- ✓ 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 m³ (+14%).

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 m³ (including VAT).

Winter continues to deplete gas reserves in storage. In Europe, they declined to 45 bcm (-33% compared with 31 December). The **volume** available as of 1 February is 25% lower than the average for the past five years and 14 bcm lower than last year (by 21%). This situation stems from the failure of most EU member states 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.

Following a sharp drop in average air temperatures across Europe in January, spot **prices** at the TTF hub rose by one-third, reaching \$465–485/1,000 m³.

Futures for thermal coal (API2) CIF ARA (ARGUS-McCloskey) increased to \$112/t. A year earlier they stood at \$116/t. Coal stocks at ARA (Amsterdam–Rotterdam–Antwerp) terminals predictably declined to 3.1 million tonnes (-6% over the month).

Amid the suspension of further easing of production quotas (until April 2026) by OPEC member states, as well as heightened tensions between Iran and the United States, oil **futures** rose from \$60–63/bbl at the beginning of January to \$68–71/bbl by the end of the month. As a result, the 30-day average Brent price increased to \$64.3/bbl (+4.0% month-on-month).

However, based on trading in contracts for difference (CFDs), benchmark prices **declined** by 8.4% year-on-year. The persistence of the downward trend points to the speculative nature of the January price increase, as excess supply in 2025 **reached** 2.6 million bbl/day and

is expected to exceed 4.1 million bbl/day in 2026 (around 4% of global consumption). By contrast, only a year ago it was **expected** that global oil production would rise from 102.2 to 104.9 million bbl/day (1.4 million bbl/day less than actual levels), while demand was projected to rise from 102.8 to 103.9 million bbl/day (0.3 million bbl/day more than actually observed).

SITUATION IN UKRAINE'S PETROLEUM PRODUCTS MARKET

According to the risk assessment methodology applied by the **Global Risks to the EU (RISK-EU)** project, Ukraine's petroleum products market is in a critical zone across all fuel types. Following the **increase** in indicative prices in January to UAH 65.16/l for A-95 Euro 5 petrol, UAH 60.26/l for Euro 5 diesel, and UAH 38.34/l for liquefied petroleum gas (LPG) (+3.2%, +3.4% and +2.0% month-on-month, respectively), the **overall risk** score (RS) rose to 20 for petrol, 21 for LPG, and reached the maximum possible of 25 for diesel. Although an RS above 17 requires urgent intervention, the state has yet to respond to these developments.

Meanwhile, diesel consumption increased by almost one-quarter in January due to the widespread use of generators, pushing prices in premium retail networks to UAH 62-64/l. Some discount operators have sought to maintain prices at UAH 54-56/l; however, advance payment requirements, which are prohibitive for small businesses, have rendered such sales nearly unprofitable, concentrating market power among 17 leading operators. The current price spread of UAH 10-12 per litre at filling stations no longer reflects quality differentials, but rather the **returns** from coordinated anti-competitive practices among premium networks.

Even this has not constrained pricing practices, despite the fact that record fuel imports in November-December included virtually no volumes suitable for use at extremely low temperatures. As a result, after meeting the needs of the Ukrainian Defence Forces, «arctic» diesel (Class F) was sold in premium networks at up to UAH 72.99/l, effectively paralysing road logistics.

Rising import costs, higher excise duties, and the depreciation of the hryvnia against the US dollar and the euro have, of course, created objective grounds for higher fuel prices. However, justified increases should not have exceeded UAH 1.70/l for petrol, UAH 2.30/l for diesel, and UAH 1.50/l for LPG. Moreover, between May and December 2025, premium networks failed to respond to the downward trend in global oil markets, continuing to sell fuel at price levels consistent with «\$80 oil».

Between 2022 and 2025, the cost of petrol and diesel at the border increased by 31% and 24%, respectively. Excise duties rose by 40% and 83%, while the hryvnia depreciated by 41% against the US dollar and by 48% against the euro on the interbank market. Based on these factors, domestic fuel prices would be expected to stand 42% and 16% higher than four years earlier. In reality, however, petrol prices increased by 70% and diesel prices by 81%.

In light of this, «this is no longer a market – it is large-scale abuse through anti-competitive behaviour».

The petrol segment is also under pressure. Although retail prices have risen by «only» UAH 2/l (with branded petrol in premium networks reaching UAH 69.99/l), wholesale prices increased by 12-18%, depending on supply terms, while imports via river ports have been disrupted by ice formation. The loss of this supply channel, combined with rising diesel prices – including its use as a boiler fuel – could trigger a surge in petrol demand, leading to shortages and a sharp price increase. Low temperatures and seasonal supply constraints limit substitution of petrol with LPG.

The risks currently present in the market can be mitigated by:

- ✓ increasing rail deliveries of fuel, including «arctic» grades, via Lithuania and Poland, thereby reducing dependence on the Danube route;
- ✓ introducing public monitoring of the retail price structure for petroleum products to prevent abusive practices;

✓ temporarily suspending advance profit tax payments, at least for businesses operating in frontline regions, for the duration of martial law;

✓ restoring laboratory testing of petroleum product quality in retail networks, including verification of the presence of winter additives;

✓ reallocating part of the funds earmarked for the procurement of LPG for local communities towards the purchase and supply of firewood.

CHANGES IN THE REGULATORY FRAMEWORK

The Cabinet of Ministers:

✓ **established** the Headquarters for Eliminating the Consequences of a State-Level Military and Technogenic Emergency in the Electric Power System, as well as a separate Headquarters for Kyiv and Kyiv oblast, appointing First Deputy Prime Minister and Minister of Energy Denys Shmyhal to lead response efforts at the state level;

✓ **recommended** that the NEURC set, until the end of the 2025–2026 autumn–winter period, maximum price caps on the day-ahead, intraday and balancing markets for night and daytime periods at the level of those established for the evening peak period;

✓ **required** [Ukrzaliznytsia](#), [Ukoboronprom](#) and [Naftogaz of Ukraine](#) to ensure, by 31 March 2026, that they and entities under their direct or indirect corporate control procure imported electricity in volumes of no less than 50% of their projected consumption;

✓ temporarily **suspended** in-person education in pre-school, general secondary, vocational, professional pre-higher and higher education institutions, recommending a shift to distance learning or the extension/introduction of winter holidays (with pre-school institutions suspending educational activities) until 1 February 2026;

✓ **allocated** UAH 800 million from the state budget reserve fund to the Ministry for Development of Communities and Territories

to finance measures related to eliminating the consequences of the emergency in the power system caused by missile and drone attacks by the Russian Federation and adverse weather conditions in January 2026, as well as to support the purchase of autonomous power sources for co-owners of apartment buildings. The funds are to be used by 1 June 2026.

✓ **allocated** UAH 2.56 billion from the state budget reserve fund to the State Agency for Restoration for measures aimed at preventing a technogenic emergency, including the procurement of mobile distributed heat and electricity generation equipment for local communities; designated the State Enterprise «Restoration of Critical Infrastructure» as the contracting authority, noting that procurement through open tenders and/or electronic catalogues was not feasible; and authorised advance payments of up to 60% of contract value for a period not exceeding three months;

✓ **launched** a two-year pilot project to support the purchase of autonomous electricity sources for co-owners of apartment buildings, stipulating that such support in 2026 may be financed from the state budget reserve fund on a non-repayable basis. In the first phase, the project will be implemented in Kyiv oblast and the city of Kyiv, with subsequent expansion to other areas. Eligible equipment includes petrol, diesel and gas generators, inverters, high-voltage battery control units, storage batteries, and solar photovoltaic modules, in accordance with the list published on the official website of the Ministry for Development of Communities and Territories. Funding of UAH 100,000–300,000 per building (depending on the number of floors and entrances), with a total allocation of UAH 800 million, will be provided by 20 December 2026. Funds will be disbursed through Oschadbank;

✓ **launched** a pilot project providing monthly support of UAH 20,000 to members of restoration and emergency repair crews engaged between January and March 2026 in works at electricity, heat, gas, water supply and wastewater facilities (including in-building systems), gas infrastructure (production, transmission and storage), as well as oil and

petroleum product storage and transportation facilities, to address the consequences of, inter alia, Russian missile attacks. The funds will be allocated from the state budget reserve fund on a non-repayable basis for each month of work and disbursed through Oschadbank;

✓ **authorised** the procurement of critically important energy equipment without applying localisation **requirements** (until 1 May 2026) and without open tenders, while requiring disclosure of suppliers' ultimate beneficial owners (until 31 December 2026);

✓ **abolished** licensing requirements for the import of lithium-ion batteries for electricity storage installations;

✓ **designated** the purchase, construction and/or installation of gas turbine, gas piston and biogas generation and **cogeneration** units, as well as diesel, petrol and gas generators, as a priority area for state-supported lending, with interest rates reduced to 0% and maximum loan maturities of up to three years; and **increased** the maximum loan amount from UAH 150 million to UAH 250 million;

✓ **added** the installation of rooftop and façade solar power systems, as well as the replacement of such equipment, to the list of construction works not requiring permits. Such works are to be carried out based on site inspections documented by the contractor; for individual residential buildings, inspections will be conducted only at the owner's request;

✓ **allocated** part of **funds** remaining after the State Decarbonisation and Energy Efficiency Transformation Fund fulfils its previous obligations to finance the procurement and delivery in 2026 of portable charging stations (with an approximate capacity of 2 kWh) for children with disabilities in subgroup A;

✓ **stipulated** that, in the event of prolonged (over 48 hours) disruption of essential services in cities, fixed Points of Invincibility may provide for the round-the-clock stay of individuals, including persons with reduced mobility, with the provision of sleeping arrangements;

✓ **authorised**, at the discretion of contracting authorities, repairs and other engineering and technical **measures** to protect critical infrastructure facilities, including those in the fuel and energy sector and essential services systems, without requiring design documentation;

✓ **defined** the mandate of the First Deputy Prime Minister and Minister of Energy, extending it to include, inter alia, management of the fuel and energy sector; energy security; nuclear safety; renewable energy; efficient use of fuel and energy resources, including alternative fuels; energy saving and energy efficiency; environmental protection and ecological safety; geological exploration and sustainable use of subsoil resources; and climate change;

✓ **selected** candidates for appointment as members of the supervisory board of Energoatom following a competitive selection;

✓ approved draft amendments (No. 1) to the production sharing agreements for hydrocarbons to be extracted from the **Ivanivska**, **Berestianska** and **Buzivska** areas, concluded between the state and Ukrgezvydobuvannia. The amendments are driven, inter alia, by the **adoption** of revised subsoil use terms defining the obligations of subsoil users, in line with the **agreement** between the governments of Ukraine and the United States on the establishment of the US-Ukraine Reconstruction Investment Fund;

✓ **stipulated** that electricity suppliers providing universal services as of 31 December 2025 will continue to do so until the end of martial law;

✓ **excluded** from the list of Cabinet of Ministers' drafts requiring legal review by the Ministry of Justice those relating to: the work of the committee for the appointment of heads of enterprises of particular importance to the economy; the announcement of competitions and the appointment or approval of candidates for the positions of their heads and supervisory board members, as well as the approval of contract terms; the exercise by

the Cabinet of Ministers of powers as a managing entity or general meeting; and the transformation of state unitary enterprises into joint-stock companies wholly owned by the state;

✓ **approved** the government's letter of confirmation to the European Investment Bank under the «Ukraine Emergency and Decarbonisation Support» project;

✓ **established** the Scientific and Expert Council on Climate Change and Ozone Layer Protection. Its core functions include providing scientific support, developing proposals, preparing reports on the achievement of national climate policy objectives, climate forecasting, and monitoring compliance with Ukraine's international obligations in this area;

✓ **approved** the procedure for preparing the National Energy and Climate Plan, specifying that the document will include national targets, indicators and contributions across the following areas:

- «Decarbonisation» (national target for greenhouse gas emissions and removals; measures to reduce emissions across all sectors of the economy; targets and indicators for greenhouse gas emissions and the share of renewable energy in gross final energy consumption by sector);

- «Energy efficiency» (national energy efficiency target; indicators for annual reductions in energy consumption and cumulative end-use energy savings; indicative milestones under Ukraine's Long-Term Building Renovation Strategy and indicators for monitoring its implementation; indicator for energy savings in public sector buildings);

- «Energy security» (national targets for diversifying energy supply sources and routes; increasing system flexibility; and eliminating supply constraints and disruptions);

- «Internal energy market» (national targets for the integration of Ukraine's energy systems with those of EU member states; infrastructure projects in electricity transmission and gas transport, as well as modernisation projects);

- «Research, innovation and competitiveness» (national targets and indicators for research funding from state and local budgets; targets for the deployment of clean and low-carbon technologies, as well as for competitiveness).

NEURC:

✓ in response to government **recommendations**, **set** maximum price caps from 17 January to 31 March 2026 at UAH 15,000/MWh on the day-ahead and intraday markets, and UAH 16,000/MWh on the balancing market. From 31 March 2026, price caps are scheduled to revert to the levels **established** on 1 August 2025;

✓ **introduced** a simplified procedure for **obtaining** market participant status for electricity producers intending to operate distributed generation facilities (with installed capacity of up to 20 MW), by reducing the number of steps required to commission generating units;

✓ **approved** the transmission system development plan for 2026–2035, with planned financing for 2026 amounting to UAH 10.4 billion (**unpublished**);

✓ **clarified** the **procedure** for investigating abuses and other violations in the wholesale energy market, including provisions on the submission of additional materials during research and/or investigations; notification of the investigated entity of the initiation of proceedings; and the preparation of conclusions and adoption of decisions separately for each investigated entity;

✓ **simplified** the **procedure** for temporary connection of electrical installations to the distribution system during martial law, including provisions on the connection of modular boiler units; reduced timelines for connection services; permission for active consumers to deviate from requirements set out in Chapter 5.7 of the Electricity Commercial Metering **Code**; and permission for producers to deviate from requirements set out in paragraph 5.13.1 (regarding metering accuracy class) and Chapter 5.10 (regarding the installation of dedicated metering points).

PROJECTS AND INTENTIONS

The Verkhovna Rada:

✓ Included on the session agenda and awaiting 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;

- 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.

✓ For unknown reasons, second reading delayed despite inclusion on the session agenda:

- 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 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 and awaiting first reading:

- 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;

- a [draft law](#) on supporting the development of efficient and sustainable district heating, which was not included on the session agenda on three different occasions (16 and 17 December, 15 January). [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 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](#) 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;

✓ First reading postponed:

- 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);

✓ 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.

✓ 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;

- 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](#) 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 Lvivuhillia;

- 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.

✓ 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.

✓ The Ministry of Energy published:

- a draft [law](#) extending the deadline for the installation of individual gas meters for households (600,000 consumers) from 1 January 2023 to seven years after the termination or lifting of martial law;

- a draft resolution of the Cabinet of Ministers requiring all natural gas suppliers to establish and maintain a strategic reserve to ensure uninterrupted gas supply in the event of crisis situations. The size of the reserve is to be calculated monthly and set at the equivalent of three days of consumption in the previous gas month.

✓ NEURC published:

- a draft [resolution](#) refining the [procedure](#) for submitting information on completed transactions related to wholesale energy products, including provisions on the list of data to be provided at the request of the NEURC; obligations to submit fundamental data on the natural gas market; and the names and descriptions of fields in the relevant reporting forms;

- a draft [resolution](#) refining the [mechanisms](#) for adjusting charges for heat energy in the event of monthly changes in natural gas prices, including through the introduction of a procedure for recalculating the cost of heat energy supplied by heat-generating companies, as well as in cases of changes in the cost of purchased heat energy;

- a draft [resolution](#) aligning the [provisions](#) governing the monitoring of the distribution and use of funds with [current legislation](#), including funds received in non-budget accounts and current accounts by heat supply and heat-generating companies for activities related to the production, transmission and supply of heat energy, the provision of district

heating and hot water services, as well as transfers and other financial assistance.

INTERNATIONAL COOPERATION

In January 2026, the EU [allocated](#) €145 million in additional humanitarian assistance to Ukraine.

Ukraine received: 300 of 447 generators [provided](#) to support social protection institutions, hospitals, Points of Invincibility and critical infrastructure facilities; 379 generators from [Poland's](#) Ministry of the Interior and Administration and Government Agency for Strategic Reserves; 78 boilers with a total capacity of 112 MW from [Italy](#); 41 cogeneration units and 76 modular boiler units with a total capacity of 41 MW and 89 MW, respectively, from [Germany](#); and energy equipment worth \$1 million from [Azerbaijan](#) and €2 million from [Lithuania](#).

[Australia](#), the [United Kingdom](#), [Denmark](#) and [Italy](#) also announced additional contributions to the Ukraine Energy Support Fund of €7 million, €23 million, €20 million and €10 million, respectively.

The European Union [pledged](#) to provide 500 generators from rescEU reserves.

Further deliveries [announced](#) for February include: €60 million in assistance from Germany and \$400 million from the United States; €23 million from the Netherlands for gas procurement, power plant repairs and generator supplies; 90 generators from Lithuania and 100 from France; and 140 generators, 60 transformers, two cogeneration units and 13 frequency converter sets from Japan.

GENERAL CONCLUSIONS AND RECOMMENDATIONS

Every ten days or so, Ukraine appears to relive the same «Groundhog Day» scenario. Since October 2025, Russia has disabled energy

facilities on 12 occasions, triggering special emergency shutdown schedules. After each strike, most generation capacity is gradually restored thanks to the efforts of Ukrainian energy workers. Household consumers yet again receive stabilisation outage schedules, while industry faces capacity limitation schedules. In about ten days, the cycle repeats – but each time less capacity can be restored.

Breaking out of this downward spiral requires meeting two necessary and sufficient conditions as quickly as possible.

The first is protecting the sky. Ukraine needs multilayered protection of key energy infrastructure facilities – including those where restoration work is under way or planned – using air and missile defence systems, particularly automated systems for detecting, identifying and engaging aerial targets, especially ballistic ones. The absence or shortage of interceptor missiles (as occurred on 9 January) can instantly negate all efforts to restore previously damaged facilities.

The second is saturating the system with new installations providing firm capacity of more than 1–10 (100) MW, operating on locally available fuel or energy sources, integrated into microgrid distribution systems based on «smart grid» technologies and connected to the IPS as elements of the ancillary services market. Rather than redistributing capacity that is steadily shrinking under enemy strikes, it is necessary to unlock investment – primarily private investment – for the rapid expansion of distributed generation in large cities, local communities and industrial areas, ensure genuine rather than [fictitious](#) simplification of commissioning procedures for gas-piston and gas-turbine units, including cogeneration plants, and reduce the cost of their connection to electricity, gas and heat networks.

If these conditions are not met, the shortage of capacity in Ukraine's power system will become critical.