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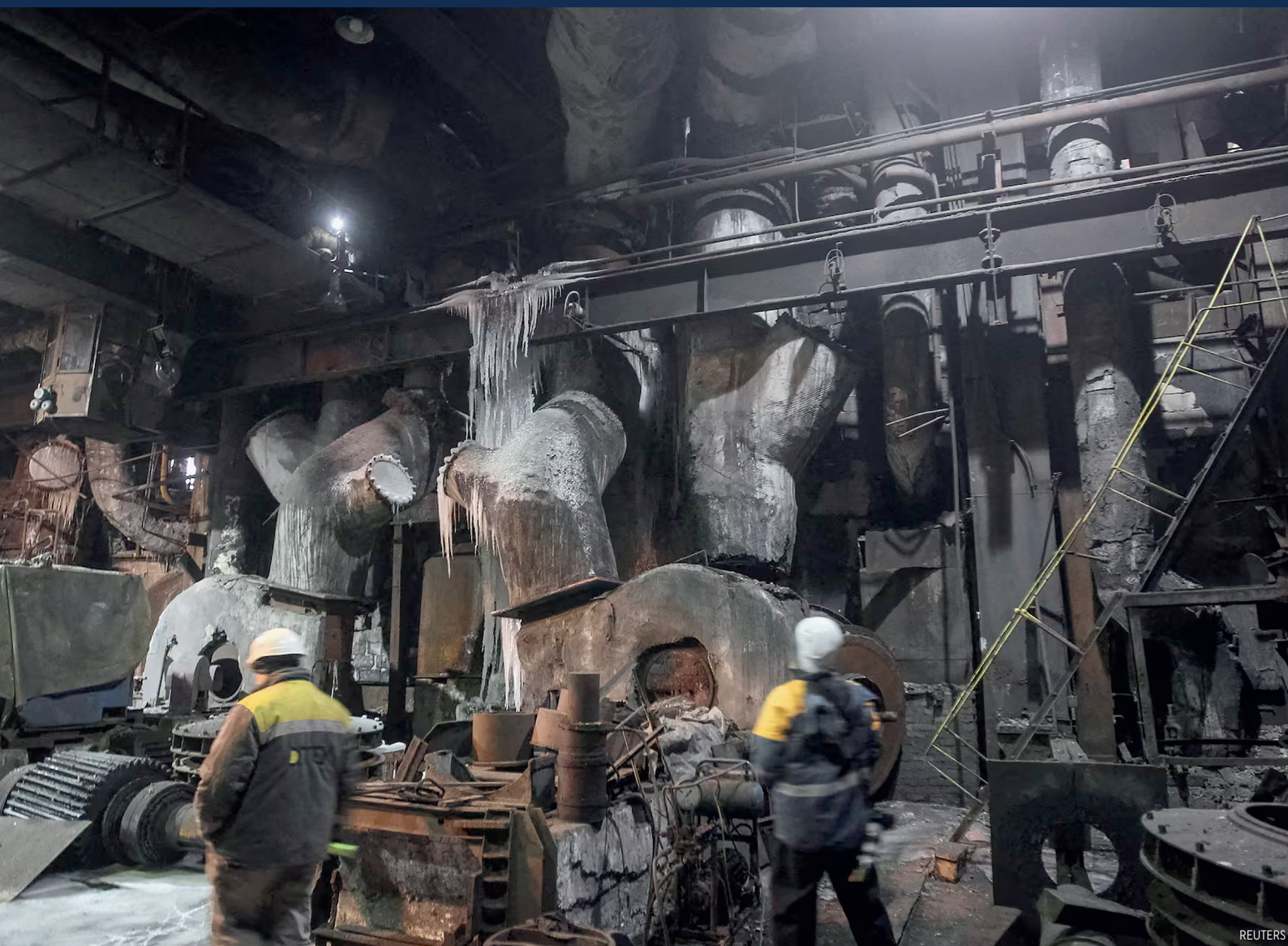

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UKRAINE'S ENERGY SECTOR IN FEBRUARY 2026

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Since the start of the full-scale invasion, the kremlin has carried out 64 large-scale attacks on Ukraine's energy infrastructure, using 2,900 ballistic and cruise missiles and 12,700 strike drones. Following the launch of peace negotiations, the number of coordinated strikes tripled. Since October 2025, energy facilities have been targeted almost daily.

These attacks have severely degraded the system, damaging around two-thirds of pre-war capacity, destroying up to 90% of thermal generation and over 40% of hydropower capacity. Strikes on transmission and distribution infrastructure have disrupted interregional power flows and constrained import capacity. In January, when electricity demand reached 18 GW, available generation stood at just 11 GW. In February, peak demand of 16.4 GW was met with only 12.3 GW of available generation and imports.

Through sustained long-range strikes of unprecedented scale, moscow has placed millions at risk by disrupting access to essential services, including electricity, heating, water supply and sanitation, healthcare, emergency alert systems, transport, and communications.

A defining feature of the winter campaign has been sustained pressure on Kyiv. Targets included CHPPs 4, 5 and 6, the Trypilska TPP, and the Pivnichna, Kyivska, Novokyivska, Bilotserkivska and Brovarska substations, indicating an intent to fully de-energise the Kyiv region during one of the coldest winters in the past decade.

This objective was not achieved. Despite sustained attacks, Ukraine's Integrated Power System (IPS) has remained operational and stays in sync with the continental European grid. Thanks to the round-the-clock efforts of energy workers, international support, and increased imports, the overall deficit was reduced threefold, allowing most regions to phase out individual outage schedules.

LESSONS OF THE HEATING SEASON

In February, the International Energy Agency (IEA) published a report examining the lessons Ukraine has learned in strengthening the resilience of its energy system, and identifying a set of measures that, following costs and risk assessments, can be implemented by national governments and regulators.

Since October 2025, russian armed forces have carried out regular strikes on Ukraine's energy infrastructure at intervals of 7–10 days, using a wide range of weapons — from rocket artillery to ballistic missiles. Following a drop in average temperatures to –20°C, the aggressor also targeted district heating infrastructure in major cities, particularly Kyiv, Kharkiv and Dnipro. The scale and intensity of these strikes, combined with limited air defence coverage (on 9 January, only 2 of 18 ballistic missiles were intercepted) and detailed knowledge of Ukraine's energy system inherited from the soviet period, resulted in significant damage to key facilities. This led to disruptions in water, heating and electricity supply for hundreds of thousands of households, businesses and social institutions.

As noted in the report, «the measures Ukraine has taken to enhance energy system resilience under these extreme conditions — in many cases improvised, rather than the result of long-term planning». Nevertheless, they were able to ensure that «critical services remain functional and daily life can continue should disruptions occur».

The IEA identifies the following lessons as particularly relevant globally:

1. Power systems designed for resilience return to normal operation far faster during extreme events and can avoid catastrophic societal impacts and costs. Integrating resilience at the planning phase — through holistic risk assessments involving operators, regulators and energy ministries — reduces overall costs compared with retrofitting and it should not slow planning processes if incorporated systematically.

2. Physical hardening protects infrastructure from both intentional threats and natural hazards, with many techniques providing cross-cutting protection regardless of the threat faced. Effective hardening combines infrastructure that is designed for protection with the ability to rapidly deploy equipment to shield priority assets during emergencies.

3. Effective emergency response requires trained teams, technical expertise, specialised equipment, and coordination mechanisms to respond rapidly under extreme conditions. Pre-established legal frameworks, decision protocols, and in-house technical capacity enable faster action than improvisation during crises.

4. No single communication channel is perfectly reliable during extreme crises. Multi-layered systems where backup channels function independently — from battery-powered repeaters and radios to sirens and community networks — ensure critical information can reach populations when digital infrastructure fails.

5. Distributed assets are inherently harder to target and easier to restore when damaged. They also allow for the maintenance of some essential services when interconnected systems are damaged and can help restart them in the event of disruptions. Enabling regulatory frameworks and intelligent grid platforms are essential to coordinate these resources as decentralisation grows.

6. Emergency reserves provide critical buffers when fuel disruptions threaten essential services, supporting critical mobility and enabling backup generators to sustain hospitals, water utilities, telecommunications and emergency services during prolonged outages. Legal frameworks must mandate minimum reserves with clear ownership, custody arrangements, and release protocols that are established before crises occur.

7. Equipment standardisation dramatically accelerates repair timelines by enabling the rapid deployment of compatible components, while strategic and tracked stockpiles ensure availability during emergencies. Long-term manufacturer agreements with emergency priority access enhance the security of supplies for critical infrastructure.

8. Crises disrupt data collection precisely when information becomes most critical for assessing damage, prioritising restoration, evaluating response effectiveness, and conveying both short-and medium-term needs to partners. Emergency legislation must ensure continuation of critical data flows through both technical measures and clear reporting responsibilities.

9. As distributed architectures create thousands of potential entry points, layered security with strict network segmentation, continuous monitoring, and international threat intelligence sharing becomes essential. Ukraine's successful prevention of attacks targeting millions demonstrates the value of combining secure-by-design principles, prompt cyber incident response and rapid coordination among stakeholders.

10. Countries often cannot respond to high-impact events alone. International cooperation enables the necessary distribution of equipment, expertise and resources. Mutual assistance agreements with clear obligations and cost-sharing, established in advance rather than during crises, enable rapid deployment under established protocols and prevent months-long delays.

ENERGY BALANCE

During the reporting period, Ukraine's IPS operated under a persistent deficit caused by russian attacks; however, its scale was reduced from 5–6 GW to 3–4 GW due to large-scale restoration works and increased imports. Damage to key generation, transmission and distribution facilities in Kyiv, Odesa and

Kharkiv oblasts, as well as all in frontline oblasts, led to the introduction of individual supply schedules. Elsewhere, scheduled hourly power cuts remained in place for 2–4 groups of household consumers, alongside round-the-clock capacity restrictions for industry.

Adverse weather conditions — including ice, strong winds and wet snow accumulation — disrupted power supply roughly every third day of the month. On 19 February alone, outages affected 458 settlements, with 40 remaining without power for more than two days.

In February, the base capacity of Ukraine's IPS was provided by nine nuclear units, generating up to 7.7 GW. Following each large-scale russian attack, the output of most units was temporarily limited while transmission lines were being restored. Manoeuvrable capacity was provided by 5–7 units at TPPs and CHPPs, as well as HPPs and PSPPs, with a combined output of up to 2 GW. Output from renewable energy sources increased gradually from 1.0–1.2 GW to 1.6–1.7 GW.

Due to snowmelt north of Kyiv, generation at Ukrhydroenergo facilities rose to 0.8–1.0 GW in February, with hydropower primarily supplied during peak demand hours. This upward trend is expected to continue in March, as average temperatures are projected to exceed the long-term norm by 2–3°C.

Nuclear power plants traditionally accounted for more than two-thirds of total generation in February. Due to damage inflicted by the enemy, the share of TPPs and CHPPs declined to 7–10%. Renewable energy sources contributed 11–15%, while HPPs accounted for 8–9% of total output. Overall, electricity generation averaged 10–11 GW per hour, against demand of 16–17 GW (compared to up to 21 GW in the same period of 2021).

The increase in price caps on the electricity market to the evening peak levels, along with the obligation for several state-owned enterprises to purchase half of their electricity consumption abroad drove imports in February to a six-year high 1.2 TWh (+34% compared to the already elevated January level). The largest volumes were supplied from Hungary and Slovakia. As a result, 85% of the total import capacity allocated by ENTSO-E — 2.1 GW (2.45 GW including Moldova) — was utilised. Imported electricity accounted for 14–15% of consumption on working days, broadly in line with January (compared to 9–10% in December).

For obvious reasons, no electricity was exported in February. Cross-border supply has been fully suspended since 11 November 2025.

Coal reserves declined to 2 million tonnes in February (–9% month-on-month). As damaged units at TPPs and CHPPs remained largely unavailable, existing reserves are sufficient to cover the remainder of the heating season.

As temperatures gradually increased, daily gas consumption declined from a four-year high of 140 mcm to 100–110 mcm. No supply shortages were observed, supported by domestic production (42–44 mcm/day), withdrawals from storage (averaging 41 mcm/day in February), and imports from Poland, Hungary and Slovakia (19–21 mcm/day; 585 mcm for the month).

Gas reserves in Ukraine fell to 4.9 bcm (–18% month-on-month), excluding 4.1 bcm classified as «long-term storage» gas; 0.6 bcm formally designated as «buffer gas»; and 0.2 bcm belonging to non-residents. This level is around 25% higher than a year earlier but remains 17% below 2015–2018 levels.

To secure additional gas supplies in March, Naftogaz of Ukraine raised €85 million in financing from the European Bank for Reconstruction and Development, backed by a grant provided by the Government of Norway at the end of last year.

In turn, the National Bank of Ukraine reported that, since June 2024, 20 domestic financial institutions have financed the restoration of energy infrastructure across 21 regions in the amount of UAH 36.6 billion, including 1.4 GW of electricity generation (including new capacity) and 0.6 GW of energy storage and heat generation installations; in September last year, the respective figures stood at UAH 27.7 billion, 1.0 GW and 0.4 GW.

SECTOR'S FINANCIAL SITUATION

In the balancing electricity market, its participants — primarily state-owned ones — still owe the Ukrainian transmission system

operator more than 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 reduced to UAH 21.6 billion (-6% since the beginning of the year), with more than UAH 14.7 billion owed by the operator to the Guaranteed Buyer. A further UAH 1.2 billion will be recovered from Ukrenergo pursuant to a court decision.

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, although included in the parliament's agenda.

TRANSIT

During the reporting period, Gas Transmission System Operator of Ukraine LLC ensured the transit of around 95 mcm of Hungarian and Romanian gas to Moldova. Transit of russian gas was suspended from 1 January 2025.

Unlike gas, the transit of russian oil continued until 27 January 2026, when as a result of targeted russian attacks, key facilities of the main oil pumping station near the town of Brody in Lviv Oblast were significantly damaged. Following this, transportation of up to 26 kt of crude per day to refineries in Slovakia and Hungary (operated by the private Hungarian company MOL Group) via the southern branch of the Druzhba trunk pipeline (towards the Fényeslitke and Budkovce pumping stations) ceased.

Transit was expected to resume on 26 February, but this has not yet occurred.

Despite the considerable public attention to the suspension of russian crude transportation (9.7 mt in 2025), officials have yet to explain why this transit continues in 2026, although Article 472 of the EU-Ukraine Association Agreement provides for the possibility of terminating the contract between Ukrtransnafta and Transneft on the grounds of «essential security interests... in time of war».

PRICE SITUATION

Due to capacity shortages, higher price caps aligned with the evening peak, and requirements imposed on a number of state-owned companies to procure half of their electricity consumption from abroad, electricity price indices again reached record levels. In February, the base-load (BASE) price on the day-ahead market (DAM) rose to UAH 9,786/MWh. Peak-load (PEAK) prices reached UAH 10,755/MWh, while off-peak (OFFPEAK) prices increased to UAH 8,817/MWh (+19%, +16% and +22% compared with January).

The weighted average price on the intraday market (IDM) amounted to UAH 10,299/MWh, while on the Ukraine IPS DAM it reached UAH 10,048/MWh (+19% and +20% compared with January).

Despite the significant shortage and the sharp increase 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 March natural gas in Ukraine based on the trading results on the Ukrainian Energy Exchange (UEEX) in February, decreased to UAH 19,100/1,000 m^3 (+6.2% compared with January; excluding VAT). The price of gas at the TTF hub, adjusted to the Ukrainian border, closed the month at UAH 22,517/1,000 m^3 (-18% compared with 30 January 2026; excluding VAT).

Naftogaz of Ukraine gas tariffs for non-household consumers with valid supply contracts, amount to UAH 24,600/1,000 m^3 starting from 1 March 2026 (UAH 27,660 in February; 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 32 bcm (-29% compared with 30 January). The volume available as of 1 March is one-third lower than the average for the past five years and 12 bcm lower than last year (by 25%). 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 an increase in average air temperatures across most of Europe, spot prices at the TTF hub fell by $100/1,000 m³, moving into the range of $315–370/1,000 m³. A war with Iran could return gas quotations to previous levels; however, such an increase would likely be temporary and would not alter the overall downward trend.

Futures for thermal coal (API2) CIF ARA (ARGUS-McCloskey) increased in February to $114/t. A year earlier, they stood at $116/t. Coal stocks at ARA (Amsterdam–Rotterdam–Antwerp) terminals predictably declined to 2.7 million tonnes (–13% over the month).

Amid tensions between Iran and the United States, oil futures in February remained within the range of $68–71/bbl, established in the second half of January, while the 30-day average Brent price increased to $69.2/bbl (+7.6% compared with January).

Immediately after the outbreak of the war with Iran, futures rose to $80/bbl, but subsequently stabilised within the range of $77–79/bbl. Given the effectiveness of actions by the United States, Israel and their allies, there are currently no grounds to expect a prolonged blockage of the Strait of Hormuz or an increase in prices to $90–100/bbl.

However, based on trading in contracts for difference (CFDs), benchmark prices remain lower than a year earlier (–0.4%). The speculative nature of the current increase is further confirmed by the oversupply of crude oil, which reached 2.6 million bbl/day in 2025 and is expected to exceed 4.1 million bbl/day in 2026 (around 4% of global consumption). By contrast, a year ago it was expected that global oil production would increase 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

Rising oil prices have created broad opportunities for speculation in the fuel market. As in June 2025, when exchange of strikes between Iran and Israel led to a UAH

3–4/l increase in petrol and diesel prices in «premium» networks, claims have again emerged that petroleum products in Ukraine will «inevitably» rise by UAH 5/l if the United States launches a military operation against Iran.

Nine months ago, quotations returned from $75–78/bbl, recorded on 17–23 June, to «pre-war» levels of $68–70/bbl even before the end of the «twelve-day war». In October, they declined further to $60–62/bbl. This trend had no impact on the pricing policy of «premium» networks, which continued to sell A-95 Euro 5 petrol and diesel fuel at levels consistent with «$80 oil» until January 2026 (on average, UAH 63.20/l and UAH 58.30/l).

Since the beginning of the year, higher import prices at the border, increased excise duties, and the depreciation of the hryvnia against the US dollar and the euro have created objective grounds for fuel price increases. However, justified increases should not have exceeded UAH 2.00/l for petrol and UAH 2.60/l for diesel.

Indicative prices in February — UAH 66.68/l for A-95 Euro 5 petrol and UAH 61.60/l for diesel (+2.3% and +2.2% over the month) — already appear inflated by UAH 0.70–1.50/l above economically justified levels, even though oil quotations in early March ($77–79/bbl), reflecting all «military risks», were only slightly higher than the June range of $75–78/bbl.

Statements about a UAH 5/l increase in fuel prices in Ukraine due to the war in Iran therefore appear to be preparing the information ground for another price hike in «premium» networks rather than reflecting actual market conditions.

According to the risk assessment methodology applied by the Global Risks to the EU (RISK-EU) project, the RS risk indicator for the petrol and diesel segments of the domestic market remains at 21 and 25 points, respectively. Although an RS above 17 requires urgent action in the EU, in Ukraine anti-competitive coordinated practices, record margins and the growing market power of «premium» networks continue to be ignored.

CHANGES IN THE REGULATORY FRAMEWORK

The Cabinet of Ministers:

✓ established a Coordination Centre for the Development of Distributed Generation;

✓ required state administrations to verify distributed generation facilities that are connected to the grid but not generating electricity or heat, not connected to the grid, under installation, or planned for 2026, and to record such facilities in the «Pulse» information and analytical system;

✓ introduced personal accountability of managers for connecting distributed generation facilities and bringing them into electricity and heat production;

✓ increased budget allocations for general management in the energy sector by UAH 10.3 million;

✓ extended priority state support to businesses and households for the purchase and installation of diesel, petrol, gas and dual-fuel generators, as well as autonomous and backup power supply systems;

✓ extended state support for associations of co-owners of apartment buildings and housing cooperatives until 31 December 2026;

✓ introduced state support for households through interest rate compensation on loans (0%, 5% and 7% in years one to three, respectively), and/or partial loan principal compensation: 20% for generator installation; 25% for generators combined with energy storage systems and inverters; 30% for generators combined with photovoltaic modules and/or wind installations, hybrid inverters and energy storage systems;

✓ allocated UAH 246.4 million to support employees of fuel and energy, housing and

utilities, and public railway transport enterprises involved in emergency repair and restoration works in January 2026;

✓ established the Cabinet of Ministers of Ukraine Prize for contributions to ensuring Ukraine's energy resilience, with up to 50 awards annually of UAH 200,000 each;

✓ revised the procedure for selecting candidates for the positions of independent supervisory board members and state representatives, partially reversing amendments introduced a month earlier.

✓ required Energoatom to provide an advance payment to Guaranteed Buyer equal to 40% of the projected cost of the public service obligation (PSO) for ensuring electricity availability for households in February; required the Guaranteed Buyer to transfer these funds to universal service suppliers; and required universal service suppliers to pay Energoatom by 30 April 2026 for 40% of the electricity (BASE_M products) purchased for supply to households in February;

✓ approved weighted national greenhouse gas emission factors for 2026–2030 at 316 g CO_2-eq/kWh for electricity and 381 g CO_2-eq/Gcal for heat;

✓ approved draft Amendment No. 1 to the production sharing agreement for hydrocarbons at the Balakliiska site between the state and Ukrgazvydobuvannia, reflecting updated subsoil use terms defining additional obligations for subsoil users in line with the agreement on establishing the US–Ukraine Reconstruction Investment Fund;

✓ established a Government Committee on the fuel and energy sector, industrial policy, environmental protection, natural resources, digital transformation, innovation and technology, national security, defence, veterans' affairs and healthcare, chaired by the First Deputy Prime Minister – Minister of Energy;

✓ dissolved the interagency working group on developing a consolidation model involving state-owned coal mining enterprises and Centrenergo.

NEURC:

✓ required the transmission system operator, when settling with balancing service providers in periods of system constraints, to apply the day-ahead market (DAM) price for the relevant period; this requirement does not apply to installations with a capacity of 20–75 MW connected to networks up to 110 kV, or to those with a capacity above 75 MW or connected to networks above 110 kV; confirmation of system constraints requires data on network parameters (including voltage) at connection points (from balancing service providers) and on electricity inflows into the grid (from distribution system operators);

✓ required universal service suppliers, when calculating the projected electricity purchase price for March 2026, to use the weighted average DAM price for the period from 18 January to 12 February 2026 (inclusive);

✓ required distribution system operators to formalise their decisions in writing, setting the following timelines for reviewing connection applications: up to 5 MW – no more than 5 and 2 workdays for initial and repeat review; above 5 MW – no more than 10 and 5 workdays;

✓ allowed, on a temporary basis until 1 October 2026, connection charges to transmission and distribution systems for non-household consumers that have installed their own cogeneration, gas piston or gas turbine units to be determined based on the cost of equipment and works required to ensure the corresponding export capacity.

The State Agency on Energy Efficiency launched the Biomethane Register, a state digital system for tracking, verifying and certifying its origin. The system registers volumes of biomethane injected into and withdrawn from the gas transmission and distribution systems, accounts for liquefied and compressed biomethane, and supports the issuance, transfer, allocation and cancellation

of guarantees of origin, as well as related certificates.

PROJECTS AND INTENTIONS

A draft law adopted by the Verkhovna Rada is awaiting signature by the President of Ukraine and is 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.

The Verkhovna Rada:

✓ Included on the session agenda and awaiting second reading:

• adopted at first reading only on the fourth attempt, a draft law on supporting the development of efficient and sustainable district heating. Delays in finalising the draft law — submitted by the government on 22 September — resulted 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 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. Since this document — initially adopted on 22 July — was not finalised in Fenruary, Ukraine will lose €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;

• first reading postponed of 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). Delays in finalising the draft law submitted by the government on 3 December resulted in Ukraine losing €273 million in EU support for 2025 (failure to meet Indicator 10.3 of the Ukraine Plan).

✓ Included on the session agenda and awaiting first reading**:**

• a draft law, submitted by the group of MPs on 8 December 2025, 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. Although on 20 December the Parliament received another draft law which, according to its authors, addresses the shortcomings of the previous draft, the government failed to submit its version, despite approving relevant draft law on 27 December 2023. Such delays resulted in Ukraine losing €273 million in EU support for 2025 (failure to meet 10.11 of the Ukraine Plan and the Cabinet of Ministers' action programme (para. 407);

• 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 government draft law 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 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;

• 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);

• 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.

✓ Awaiting first reading:

• a government draft law requiring entities operating in the field of nuclear energy to pay imposed fines within one month from the date the relevant decision enters into force;

• a draft law exempting petrol (up to 7.5 kW) and diesel power generators from import duty and VAT;

• a draft law abolishing the increased military tax and advance corporate income tax payments for entities engaged in the retail sale of petroleum products, and introducing a moratorium on tax increases until the end or lifting of martial law;

✓ Rejected by the Parliament:

• a government draft law aimed at simplifying procedures for protecting critical infrastructure facilities in the fuel and energy sector. 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.

The Cabinet of Ministers instructed the Ministry of Energy and the Ministry for Development of Communities and Territories, together with state administrations, to develop Energy Resilience Plans. Each region is to identify critical infrastructure requiring priority protection, prepare action plans and allocate resources for their implementation. The plans will cover engineering protection, provision of autonomous power supply, and the development of distributed electricity and heat generation. The next step will be to align regional plans with state capacities and ensure their timely implementation.

NEURC published:

✓ a draft resolution amending licensing procedures for business activities, reducing the administrative burden on entities operating in the energy and utilities sectors;

✓ a draft resolution amending procedures for connection to heat networks by introducing electronic document exchange between applicants and operators, as well as status updates on connection services;

✓ a draft resolution clarifying payment conditions for natural gas supply and distribution services, including conditions for suspension or restriction of distribution

during meter verification, and expanding consumers' right to choose the entity conducting such verification;

✓ a draft resolution defining the information to be included in payment documents for natural gas distribution services for households, including the template and format of invoices, and allowing a single combined bill for gas supply and distribution;

✓ a draft resolution approving a methodology for setting tariffs for natural gas storage (injection and withdrawal) services based on incentive regulation (replacing the «cost-plus» approach), under which long-term parameters (rate of return on assets and target efficiency indicators) are to incentivise the storage operator to improve service quality and reduce inefficient costs;

✓ a draft resolution proposing the use of the arithmetic average of ten-day base-load indices on the bilateral contracts market in the preceding month for electricity purchase price calculations, and increasing the risk coefficient for balancing and day-ahead markets from 1.3 to 1.4;

✓ a draft resolution amending the Commercial Metering Code of Electricity to regulate the registration of metering service providers, installation, replacement and reading of meters, and data exchange;

✓ a draft resolution expanding the conditions for establishing energy islands (by order of a distribution system operator, para. 10.9), extending them from emergency situations in the IPS to emergency operating modes, including outage schedules and demand reduction measures;

✓ a draft resolution aligning methodologies for calculating excess or shortfall revenues in electricity market activities, set out in the annexes to the control procedure, with other regulatory acts;

✓ a draft resolution providing for the examination and review, during state supervision, of compliance by distribution system operators with their obligations and performance targets under the first regulatory period of incentive regulation.

INTERNATIONAL COOPERATION

The Verkhovna Rada of Ukraine adopted an appeal to the parliaments and governments of foreign states, international organisations and parliamentary assemblies condemning russia's coordinated policy to create conditions incompatible with the survival of the Ukrainian people. The document notes, in particular, that in 2025 the number of russian air strikes on Ukraine's energy infrastructure tripled. As a result, electricity generation fell to 20% of pre-war capacity, more than 40% of hydropower plants and around 90% of thermal power plants were destroyed, and, during extreme cold, around 80% of consumers experienced major outages. In this context, the Verkhovna Rada called on the international community to unite efforts to stop the genocide of Ukrainians.

The Cabinet of Ministers approved draft grant agreement (Ukraine Fund II) with France to support critical infrastructure and priority sectors, as well as an agreement with Czechia on technical and financial cooperation.

The United Nations Development Programme (UNDP) allocated an additional $230 million to Ukraine for 2026 to procure energy equipment. Projects include a 54 MW gas turbine at the Kremenchuk CHPP and cogeneration units in Kyiv (25 MW), Odesa (40 MW), Zaporizhzhia (16.2 MW and 20 MW) and Mykolaiv (9.8 MW).

Chernihiv region received 28 modular boiler units from Belgium for backup heat supply, including 25 units with a capacity of 1.8 MW each.

Following a meeting of the International Energy Agency, Ukraine will receive an additional €600 million in financial and grant support, as well as equipment from six decommissioned European CHPPs.

GENERAL CONCLUSIONS AND RECOMMENDATIONS

As a result of war-related destruction, Ukraine's centralised energy architecture — developed in the last century and based on several dozen large generation units

interconnected by transmission lines — is gradually ceasing to exist. Around two-thirds of capacity has been severely damaged, with up to 90% of thermal and 40% of hydropower units destroyed. Networks are operating under non-design conditions, largely relying on temporary and backup configurations. Emergency demand-side restrictions have effectively become standard operating tools. Moreover, new centres of economic activity and population displacement have reshaped regional patterns of energy consumption.

While the energy system must continue to operate under any conditions to sustain essential services, Ukraine now faces the need to define the foundational principles for rebuilding its post-war energy system.

Based on an expert discussion initiated by the National Institute for Strategic Studies, the following have been identified as key:

1. Preserving the integrity of the energy system, ensuring that all components operate within a unified technological process, with real-time balancing of generation and consumption, and compliance with reliability and flexibility criteria.

2. Applying at the design stage and maintaining during operation the N–1 criterion for high- and medium-voltage power systems, and the N–2 criterion for large generation units and Category I consumers; ensuring reliable supply to critical infrastructure through network redundancy, autonomous sources and distributed generation.

3. Developing distributed generation to support the functioning of communities, while ensuring its ability to operate both connected to distribution systems and in island mode during emergencies; allowing grid connection based on application procedures.

4. Opening the domestic market to foreign investment and electricity trade; ensuring the technical capability of the system for cross-border flows of at least 30% of domestic consumption; implementing market coupling; enabling full participation in regional groupings, including ENTSO-E, and joint crisis response mechanisms.

5. Guiding system development decisions by ensuring: adequate capacity availability across base-load (45–50%), manoeuvrable (30–35%) and peak (20–25%) segments; sufficient primary frequency control reserves (65–75% rotating (inertial) generation and 35–25% inverter-based generation); and the ability of non-dispatchable generation to meet declared output levels and supply profiles.

6. Assigning to distribution system operators responsibility for ensuring reliability, flexibility and balancing at the distribution level, while establishing interaction protocols with the transmission system operator for dispatching distributed resources.

7. Incentivising end consumers and producers from non-dispatchable sources to participate in frequency regulation mechanisms.

8. Balancing supply and demand exclusively through market-based mechanisms.

9. Phasing out cross-subsidisation and the use of public service obligations (PSOs) to support specific consumer groups; ensuring fully monetary settlement arrangements between consumers and suppliers.

10. Deploying digital regulation tools — including smart grids and metering, demand-side management and storage dispatch — to support system balancing.

11. Conducting scenario-based modelling of network and system development, enabling real-time forecasting of generation and consumption, and strengthening risk management.

12. Establishing an institutional framework for sectoral professional education aligned with the needs of the future energy system; ensuring state-funded training of engineers for key energy sectors.