



**USAID**  
FROM THE AMERICAN PEOPLE



**SFPFA**  
Slovak Foreign Policy Association

## QUARTERLY MONITORING ENERGY EFFICIENCY MEASURES IN UKRAINE

1<sup>ST</sup> QUARTER 2017

### Actions taken by the President of Ukraine during the first quarter of 2017

On March 20, 2017, the President of Ukraine backed an initiative by the National Energy and Public Utilities Regulatory Commission (NERC) to [transfer powers on the formation of tariffs to local self-government](#) level. At the fifth session of the Regional Development Council, President Petro Poroshenko emphasized that this would provide an opportunity to use resources more efficiently and improve the quality of services. The initiative could be applied to cities, towns and villages with populations of less than 100 thousand people.

On February 7, 2017, the President of Ukraine signed a [Law of Ukraine stipulating that rent tax should be divided between central and local budgets](#). The aim is to stimulate interest in the extractive industries and to significantly expand existing local authority capacity through the renovation and modernization of communal infrastructure and energy utility services.

On January 24, 2017, the President of Ukraine, whilst on an official visit to Finland, gave his support to the signing of a Memorandum of Understanding between Ukraine and Finland on energy efficiency, energy saving and alternative energy sources. The memorandum was signed by Ukraine's Vice Prime Minister and Minister for Regional Development, Construction and HCS Hennadiy Zubko and Finland's Minister for Foreign Trade and Development Kai Mykkänen.

The memorandum stipulates that the parties will share experience, information and knowledge on state policy, best practices in generating electricity from renewable energy sources and alternative fuels and ensure a stable power system, whilst increasing the share of electricity generated from renewable energy sources. The parties will also develop and implement joint programs and projects, support organizations and companies from the two countries by holding joint seminars, courses and meetings on energy efficiency, energy saving, renewable energy sources and alternative types of fuel.

### Actions taken by the Verkhovna Rada of Ukraine during the first quarter of 2017

On March 23, 2017, the Verkhovna Rada adopted [Law of Ukraine No. 4549](#) amending the Law of Ukraine on implementing new investment opportunities and safeguarding the rights and the legitimate interests of businesses during the large-scale energy modernization (this concerns the mechanism for the procurement of energy services).

The law further improves conditions for the implementation of ESCO service contracts in Ukraine, in light of the European experience and the specific nature of the national legislation regarding public procurement and payback conditions.





**USAID**  
FROM THE AMERICAN PEOPLE



**SFPA**  
Slovak Foreign Policy Association

On March 21, 2017, the Verkhovna Rada approved the first reading of [the draft Law of Ukraine on Energy Efficiency Fund No. 5598](#) from December 26, 2016. The corresponding decision in the parliamentary session on Tuesday garnered the support of 227 deputies.

The law will provide for the technical and financial tools to ensure efficient use of the state budget funds and attract international assistance for energy efficiency projects in Ukraine's housing sector.

Proposals by members of the Energy Efficiency Fund Supervisory Board will be submitted to the International Finance Corporation (IFC), which will provide technical support. With EU support in each region of Ukraine the IFC will set up free technical assistance centers to promote energy efficiency.

The expected package of draft laws on housing and communal services, on commercial accounting utilities and on energy efficiency in buildings has not been submitted for consideration alongside the Energy Efficiency Fund, putting its creation in doubt.

On March 21, 2017, the Verkhovna Rada approved the registration of [Resolution No. 4595/P](#) on amendments to Ukrainian laws that will exclude the Ukrainian State Agency for Energy Efficiency and Savings (SAEE) from the list of controlling state authorities.

The resolution will limit the SAEE's mandate to conduct monitoring and inspection of the implementation of energy efficiency and renewable energies.

On March 21, 2017, the Verkhovna Rada [decided against adopting the Draft Law of Ukraine No. 4840 on the disclosure of information on the extractive industries.](#)

The draft law will ensure public access to all factual information on payments effected by business entities operating in the extractive industries to the benefit of payees; it will lay down the conditions for the socially responsible use of nationally important minerals by such entities, and ensure public awareness and discussion of the issues relating to the use and management of nationally important minerals by the government and regions.

The draft law is an important tool enabling local communities and NGOs to push the authorities and extractive businesses towards more responsible revenue spending, particularly on sustainable development in extractive regions and give priority to energy efficiency and savings in socially important projects.

On February 7, the Verkhovna Rada adopted a [Resolution to revise the draft Law of Ukraine on Environmental Impact Assessment.](#) The draft law, adopted by the Verkhovna Rada in October 2016, was vetoed by the President of Ukraine on the basis that it needs revising to include greater detail on the economic and environmental impact assessments, and so it takes greater account of security and defense concerns and includes public consultations.

This resolution formally opens the second round of parliamentary activities designed to achieve compliance with the EU legislation on the environment assessment requirements by developing industrial and construction projects.





**USAID**  
FROM THE AMERICAN PEOPLE



## Actions taken by the Cabinet of Ministers of Ukraine during the first quarter of 2017

On March 24, 2017, Ukraine's Ministry of Energy and Coal Industry hosted a round table on "Current issues affecting the coal industry in Ukraine: reform pathway, financial resources and labour security". The event brought together parliamentarians, governmental officials and civil society activists to update the draft resolution before it is passed to the Cabinet of Ministers for consideration. It is expected that the coal industry will play an important role in the reforms, by enabling miners to requalify as energy managers and technicians and by providing facilities for pilot projects to implement government plans to reduce the number of inefficient coal mines.

On March 10, 2017, the Cabinet of Ministers approved the [Resolution on adopting the terms of reference for the construction of Kakhovska hydropower station-2](#).

The construction of the new Kakhovska hydroelectric power plant will cost UAH 13.47 billion. The Ukrainian Ministry for the Energy and Coal Industry stated that the construction of the new hydroelectric power plant will be financed out of the tariff for electricity generation at PJSC Ukrhydroenergo, the enterprise's own funds and loans taken out under state guarantees on the terms of EBRD and the EIB co-financing.

Total loan financing will amount to over UAH 12 billion approx. Construction is expected to take 72 months.

On February 15, 2017, the Cabinet of Ministers approved the [Decision on emergency measures for Ukraine's energy sector](#) and introduced limits on the use of anthracite coal in electricity generation.

The decision was made in response to a decrease in coal reserves owing to the railway blockade in the occupied territories in eastern Ukraine, preventing the transport of anthracite and other goods from Ukraine.

The fact the decision was approved highlights the need for more active reform of the energy sector to achieve greater savings and efficiencies and it will pave the way for the introduction of associated governmental initiatives and facilitate the amendment of draft laws.

On February 8, 2017, the Cabinet of Ministers approved the Decision to prolong the state's "warm loans" program for 2017 and to improve the financial support available to the population. Consumers can apply for non-repayable grants to make energy efficiency changes as follows:

20 per cent available for the purchase of non-gas boilers;

35 per cent available for energy efficiency changes made by private households;

40 per cent available for condominiums and up to 70 per cent for condominiums where individuals are registered for and entitled to receive subsidies.





**USAID**  
FROM THE AMERICAN PEOPLE



The recently nationalized Privat Bank has joined the list of financial institutions providing “warm loans” to consumers.

Condominiums will have to introduce commercial metering for utility services if they wish to apply for “warm loans” to modernize infrastructure.

Further support is provided as part of the state “warm loan” program in the form of local authority and municipal council mini loans funded out of their respective budgets, thus optimizing the modernization opportunities available to condominiums.

### **Actions taken by the Ukrainian State Agency for Energy Efficiency and Savings during the first quarter of 2017**

On March 24, 2017 Head of [SAEE Sergiy Savchuk and a group of journalists](#) visited the newly constructed and operational 10.5 megawatt biomass boiler facility in the suburbs of Dnipro. This communal heat supply unit provides heat and warm water produced from local sunflower pellets to five hospitals in the city of Dnipro.

This tour was organized by the SAEE in cooperation with Dnipropetrovsk state administration and supported by a USAID Municipal energy reform project in Ukraine.

On 16 March 2017, the [Head of SAEE met representatives from the International Financial Corporation](#) to discuss opportunities for encouraging the production of energy from renewable energies, especially biomass.

On March 13, 2017, the [SAEE, Embassy of Denmark, Ministry of Foreign Affairs of Denmark and representatives from the Danida Business Finance project](#) discussed opportunities to enhance cooperation in renewable energy.

The Danida Business Finance project provides loans with near-to-zero interest rates for energy efficiency and renewable energy projects that have a socially important dimension and that will have a long-term positive effect rather than simply an economic one.

On March 10, 2017, the [SAEE met with the team responsible for the UNIDO UKRIIEE project](#) “Implementing an energy management system in Ukraine’s industrial complex”.

The primary goal of cooperation in 2017 is to amend the state standards on energy management and energy audits and to provide training sessions and seminars on implementing energy management.

On March 6, 2017, the [SAEE and a private company, Myronivsky khiboproduct, presented a new 20 megawatt biogas project](#). The project will be implemented in two stages through 2017-2018 and 2019-2020 each accounting for 10 megawatts. The Head of the SAEE stated that this would double Ukraine’s existing biogas capacity and further testify to the attractiveness of investing in renewable energy in Ukraine.





**USAID**  
FROM THE AMERICAN PEOPLE



On February 21, 2017, the [Head of the SAEE visited Kazakhstan to discuss](#) collaborative opportunities to implement green projects in both Ukraine and Kazakhstan [with the deputy head of the Kazakh Board of the National Chamber of entrepreneurs](#).

Mr Savchuk emphasized the experience Ukraine had in providing incentivizing green tariffs for renewable energies, demonstrated an interactive map of RES projects across Ukraine, and called on Kazakh investors to invest.

At the same time, Mr Savchuk provided information about Ukrainian companies that have successfully used European know-how and technologies in the production of wind turbines.

On February 8, 2017, the [SAEE and World Bank Group](#) met to discuss ways of attracting investment into green projects in Ukraine – the utilization of solar, wind and biomass potential.

The parties also discussed, among other things, the creation of a special financial institution – a green investment bank. They discussed UK experiences of involving banks in state green investment in activities around green projects in Ukraine, based on affordable interest rates and reasonable payback periods.

On February 7, 2017, [the SAEE hosted a round table with representatives from business and civil society to discuss the draft law on energy cooperatives](#).

In Ukraine only a very few energy cooperatives are in operation today because the lack of legislation hinders cooperation at the local community level. They have limited rights regarding access to the network supplying heat and electricity.

It was agreed they would share international experience and hold seminars on promoting renewable energies in the regions.

On January 20, 2017, the [SAEE and Belarussian Embassy in Ukraine met](#) to discuss ways of facilitating cooperation between Ukraine and Belarus in relation to energy efficiency and renewable energies.

The parties stressed the need to sign a Road Map on cooperation between the two country's state authorities and institutions for 2017-2020 as soon as possible.

Joint activities include the parties agreeing to invite each other to regional seminars and workshops and to facilitate the creation of joint ventures for constructing plants, growing energy crops and creating energy clusters.

On January 19, 2017, the [SAEE hosted a meeting with representatives of the Ministry of Foreign Affairs of Denmark](#) to discuss the fourth part of the Danish aid program to support economic development in the Eastern neighborhood countries of Ukraine and Georgia. Denmark will spend DKK 800 in 2017-2020.

On January 13, 2017, the [Head of SAEE was an honorable guest at the 7th meeting of the General Assembly of IRENA](#). This was at the time Ukraine was drafting legislation on IRENA membership.





**USAID**  
FROM THE AMERICAN PEOPLE



**SFPA**  
Slovak Foreign Policy Association

Ukraine already makes use of IRENA experience, especially from REMAP 2030. At the meeting the audience heard a presentation on Ukraine's renewable energy potential in relation to the publication of the *Competitive production of energy from renewable sources: potential of South-Eastern Europe* report.

### Activities undertaken by other energy efficiency actors during the first quarter of 2017

On March 20, 2017, Ukraine's Ministry for Regional Development, Construction and Housing published the following reviews:

Mechanisms for financing energy efficiency in Ukraine  
<http://www.minregion.gov.ua/press/news/proanalizovano-mehanizmi-finansuvannya-energoefektivnosti-v-ukrayini/>

A decentralized heat system in Ukraine: potential and means of implementation  
<http://www.minregion.gov.ua/press/news/potentsial-ta-shlyahi-vprovadzhennya-detsentralizovanogo-opalennya-v-ukrayini/>

Development of renewable energy sources in Ukraine  
<http://www.minregion.gov.ua/press/news/rozvitok-vidnovlyvalnih-dzherel-energiyi-v-ukrayini/>

The project was realized, with the help of financial support from SlovakAid, by the Ukraine Energy Efficiency Secretariat and Expert Hub—UNDP lead project.

On February 27, 2017, the [SFPA, Centre for Global Studies: Strategy XXI, and Energy Efficient Cities in Ukraine](#) organized and held an international conference on “Promoting energy efficiency in Ukraine: best practices from Slovakia”, which included an exhibition of projects in Slovakia, in an attempt to share experiences of introducing energy efficiency measures and making local energy sources part of the energy mix, and promoting a decentralized energy supply and cogeneration.

The event was attended by the heads of Dnipropetrovsk oblast, the Ambassador of the Slovak Republic in Ukraine, district leaders and those responsible for energy saving in the district, city councils, the district state administrations of Dnipropetrovsk, Donetsk, Zaporizhia, Kirovohrad, Luhansk, Mykolaiv, Odesa, Poltava, Kharkiv and Kherson regions.

Representatives of Slovak government agencies, private organizations and enterprises, who have worked with Ukraine for many years on improving energy efficiency and energy conservation, discussed the best projects implemented in their country and Ukrainian tools for providing financial support to Ukraine to this end.

