

QUARTERLY MONITORING ENERGY EFFICIENCY MEASURES IN UKRAINE

2nd QUARTER 2016

Actions taken by the President of Ukraine during the second quarter of 2016

President of Ukraine Petro Poroshenko signed [Decree No. 200/2016 of 10 May 2016 on Ukraine becoming a member of the International Renewable Energy Agency \(IRENA\)](#), thereby initiating the application procedure for membership of IRENA. According to this Decree, the Head of the State Agency for Energy Efficiency and Saving is to prepare and submit an application for Ukraine to join IRENA. Becoming an IRENA member will give Ukraine new advantages. Among other things, it will make it possible for Ukraine to apply for funding through the Abu Dhabi Fund for Development (ADFD), particularly for concessionary loans for renewable energy projects. Currently the ADFD has budgets of 350 million US dollars and 98 million US dollars. Loans for 11 projects have already been allocated.

Actions taken by the Verkhovna Rada during the second quarter of 2016

On April 4, 2016 [a draft law amending the law on the association of apartment building co-owners \(Registration No. 4363\)](#) was submitted for consideration by the Verkhovna Rada Committee for Construction, Urban Development, Housing and Communal Services. The draft includes amendments to the procedures for obtaining the technical documentation on apartment buildings. The draft is currently being processed by Verkhovna Rada Committees.

On April 7, 2016 [a draft law amending laws on improving the electricity network feed-in procedure \(Registration No. 4310-1\)](#) was submitted for consideration by the Verkhovna Rada Committee for Fuel and Energy Complex, Nuclear Policy and Nuclear Safety. The draft is currently being processed by Verkhovna Rada Committees. The draft law has been drawn up to improve and simplify feed-in procedures for traditional and renewable energy generation.

On April 12, 2016 [a draft law amending the Law on electric power engineering \(Registration No. 4310-2\)](#) was submitted for consideration by the Ukrainian Verkhovna Rada Committee for Fuel and Energy Complex, Nuclear Policy and Nuclear Safety. The draft includes amendments on demonopolizing procedures for connecting consumers to electricity grids. The draft is currently being processed by Verkhovna Rada Committees.

On April 21, 2016 [a draft law amending the Law on electric power engineering \(Registration No. 2944/II\)](#) was submitted for consideration by the Ukrainian Verkhovna Rada Committee for Fuel and Energy Complex, Nuclear Policy and Nuclear Safety. The draft includes amendments on the obligations of electricity suppliers, electricity transmitting operators and electricity consumers. The draft is currently awaiting consideration by Verkhovna Rada Committees.

On April 20, 2016 [a draft law amending the Law on heat supply and to promote heat production from alternative energy sources \(Registration No. 4334\)](#) was discussed at a session of the Ukrainian Verkhovna Rada Committee for Fuel and Energy Complex, Nuclear Policy and Nuclear Safety.

Once this draft law becomes law and is enacted it will lead to:

- favorable conditions to attract foreign and domestic investments in heat production, as it will set out legal guarantees for investors concerning the return of investments and receipt of revenues;
- a reduction in gas imports of more than 3 bcm, thus retaining at least 18 billion UAH in the country's economy and with the multiplier – nearly 100 billion UAH;
- a reduction in the price and tariffs of heat production for end consumers;
- conditions under which responsibility for tariff setting can be transferred to local authorities;
- the creation of up to 20,000 new jobs, particularly related to the planting, harvesting, processing and transportation of local energy sources and the production of necessary equipment, thus increasing revenue for local budgets.

On April 21, 2016 a [draft Law on Ukraine's electricity market \(Registration No. 4493\)](#) was submitted for consideration by the Verkhovna Rada Committee for Fuel and Energy Complex, Nuclear Policy and Nuclear Safety. The draft is currently awaiting consideration by Verkhovna Rada Committees.

On May 4, 2016 a [draft law amending Article 19 of the Law on heat supply \(Registration No. 4581\)](#) was submitted for consideration by the Ukrainian Verkhovna Rada Committee for Fuel and Energy Complex, Nuclear Policy and Nuclear Safety. The draft includes amendments on the conclusion of long-term heat supply contracts. The draft is currently awaiting consideration by the Verkhovna Rada Committees.

On May 4, 2016 a [draft law amending the Law on heat supply \(Registration No. 4580\)](#) was submitted for consideration by the Verkhovna Rada Committee for Fuel and Energy Complex, Nuclear Policy and Nuclear Safety. The draft includes amendments transferring responsibility for setting up tariffs and providing licenses for heat produced from alternative energy sources. The draft is currently awaiting consideration by Verkhovna Rada Committees.

On May 6, 2016 a [draft law amending Article 8 of the Law on alternative fuels \(Registration No. 4618\)](#) was submitted for consideration by the Verkhovna Rada Committee for Fuel and Energy Complex, Nuclear Policy and Nuclear Safety. The draft is currently awaiting consideration by Verkhovna Rada Committees.

On May 18, 2016 a [draft Resolution on accepting as the basis the draft of the Law on electricity market of Ukraine \(registration No. 4493/II\)](#) was submitted for consideration to the Committee of the Verkhovna Rada for Fuel and Energy Complex, Nuclear Policy and Nuclear Safety. The draft is currently awaiting consideration by Verkhovna Rada Committees.

On May 18, 2016 a [draft Law amending the Law on the introduction of new investment opportunities, securing the rights and legal interests of businesses and undertaking wide-scale energy modernization \(on mechanisms for purchase of energy services\) \(Registration No. 4549 of April 29, 2016\)](#) was discussed at a session of the Verkhovna Rada Committee for Industrial Policy and Entrepreneurship.

The draft law proposes amendments to the procedures for purchasing energy services. In particular, the following should be done:

- conclusion of energy service contracts for a number of customers;
- identification of the authorities who will approve the basic annual consumption level: the executive committee or relevant central executive authority;
- dividing up of savings achieved from energy services contract: removal of contractual clause stipulating ESCO maximum share, currently 90 per cent;
- maximum length of energy services contracts to be extended from 10 to 15 years;
- identification of final beneficiaries of ownership rights under energy services contract: the state (for state-owned properties) or the local community (for communal property), and not the contractor as is currently stipulated;
- include option of using electronic auctions etc.

At the session the Committee members unanimously supported the draft law and proposed that it be submitted to parliament for the first reading at the next Verkhovna Rada plenary session, recommending that it be approved and prepared for the second reading through shortened procedure.

On May 23, 2016 a [draft Law amending the Law on alternative fuels to include heat pumps among renewable energy source-based equipment \(Registration No. 4555-1\)](#) was submitted for consideration to the Verkhovna Rada Committee for Fuel and Energy Complex, Nuclear Policy and Nuclear Safety. The draft is currently awaiting consideration by Verkhovna Rada Committees.

On May 25, 2016 a [draft Law amending a number of legislative acts on improving the functionality of the association of apartment building co-owners \(Registration No. 4720\)](#) was submitted for consideration by the Verkhovna Rada Committee for Construction, Urban Development, Housing and Communal Services. The draft includes amendments to the procedures for obtaining technical documentation on apartment buildings. The draft is currently being processed by Verkhovna Rada Committees.

On May 26, 2016 a [draft Resolution to accept the draft Law on the introduction of new investment opportunities, securing the rights and legal interests of businesses and undertaking wide-scale energy modernization \(Registration No.4549/II\)](#) was submitted for consideration by the Verkhovna Rada Committee for Industrial Policy and Entrepreneurship. The draft is currently awaiting consideration by Verkhovna Rada Committees.

On June 1, 2016 a [draft Law amending the Law on alternative fuels to include heat pumps among renewable energy source-based equipment \(Registration No. 4555-1 from May 23, 2016\)](#) was discussed at a session of the Verkhovna Rada Committee for Fuel and Energy Complex, Nuclear Policy and Nuclear Safety.

The draft law stipulates that thermal, geothermal and hydrothermal energies should be added to the list of alternative fuels.

Moreover, heat energy produced by heat pumps will be classified as energy produced from renewables because the final amount of energy is significantly higher than the primary energy required to operate the heat pump.

On June 2, 2016 a [draft Law amending the Law on the commercial calculation of natural gas usage \(Registration No. 4756\)](#) was submitted for consideration by the Verkhovna Rada Committee for Fuel and Energy Complex, Nuclear Policy and Nuclear Safety. The draft includes amendments on the installation of individual gas meters in apartment buildings. The draft is being processed by Verkhovna Rada Committees.

On June 16, 2016 a [draft Law amending laws to encourage the use of solid waste as an alternative energy source \(Registration No. 4835\)](#) was submitted for consideration by the Verkhovna Rada Committee for Fuel and Energy Complex. The draft is currently being processed by Verkhovna Rada Committees.

Actions taken by the Ukrainian Cabinet of Ministers during the second quarter of 2016

On June 30, 2016 the Government Office for European and Euro-Atlantic Integration chaired by Vice-Premier for European and Euro-Atlantic Integration Ivanna Klympush-Tsintsadze approved a [draft Law on energy efficiency in buildings](#).

The draft law stipulates:

- the basic guidelines for government policy on energy efficiency in buildings;
- procedures and conditions for determining the energy efficiency of buildings, and for establishing the minimal requirements;
- the mechanisms to attract funds for energy efficiency projects and instruments to secure the financing of energy efficiency in buildings;
- a requirement to develop national plans to increase the number of buildings with close to zero energy consumption.

Moreover, the draft law includes provisions for the creation of databases of certificates and the contractors who certify energy efficiency in buildings, and reports on the findings of inspections of heating, hot water supply and conditioning systems.

Actions taken by the State Agency for Energy Efficiency and Energy Saving during the second quarter of 2016

On May 25, 2016 Head of the SAEЕ Sergiy Savchuk held a meeting with representatives of the Ukrainian State Commission for the Regulation of Financial Services Markets and the Ukrainian League of Insurance Organizations on the prospects of insurance companies investing in RES projects.

At the meeting, the parties discussed the main direction of cooperation:

- investment insurance in RES projects;
- encouraging insurance companies to invest financial reserves in RES projects.

The parties agreed that it was important to develop an insurance product for this kind of enterprise, define the responsibilities and promote it to a wide range of insurance companies, international brokers and RES investors.

The second direction for cooperation is to highlight the potential the RES market in Ukraine holds for insurance companies and encourage their involvement.

In order to do this, the parties agreed to create a platform for gathering and processing information on RES projects and to establish the criteria for the selection and exchange of information between the platform and insurance companies.

To lay down the conditions for achieving the goals of the National Renewable Energy Action Plan by 2020, approved by Resolution No. 902-p of the Cabinet of Ministers on October 1, 2014. On May 17, 2016 the SAEЕ and the Renewable Energies Institute of the National Academy of Science developed and presented a [draft Road Map for solar energy development in Ukraine until 2020](#). The draft Road Map is currently under consultation by experts.

Actions taken by other state bodies

Ukrainian national standards for energy audits and energy management were approved and harmonized with international standards under [Order No. 125 of the National Agency for the Standardization of the State Enterprise Ukrainian Scientific Research and Training Center for Standardization, Certification and Quality Issues](#). The standards are as follows:

- Ukrainian State Standard (DSTU) ISO 50002:2016 (ISO 50002:2014, IDT) Energy audits. Requirements and guidelines;
- DSTU ISO 50003:2016 (ISO 50003:2014, IDT) Energy management systems. Requirements for institutions conducting energy audits and certification of energy management systems;
- DSTU ISO 50004:2016 (ISO 50004:2014, IDT) Energy management systems. Guidelines for the introduction, maintenance and improvement of energy management systems;

- DSTU ISO 50006:2016 (ISO 50006:2014, IDT) Energy management systems. Evaluation of progress in achieved/achievable energy efficiency through the use of basic energy consumption levels and energy efficiency indicators. Main provisions and guidelines;
- DSTU ISO 50015:2016 (ISO 50015:2014, IDT) Energy management systems. Evaluation and verification of achieved/achievable energy efficiency of organizations. Main provisions and guidelines.

These standards will come into force on September 1, 2016.

Financial aspects

Since April 7, 2016 [the EBRD has provided loans under the IQ energy financial program](#), totaling 75 million euros and a 15 million euro grant program to support investments in Ukraine's housing sector. A total of 75 million euros will be available for loans through the "single window" provided by Ukrsibbank, Megabank and OTP bank, and 15 million euros in grants from the Eastern Europe Energy Efficiency and Environment Partnership (E5P). These funds will be available for condominiums, and flat and house owners. Allowable expenses will include energy efficient materials, equipment and services listed in the Catalogue of suppliers.

On May 18, 2016, [the International Finance Corporation, IFC and Ukrgasbank signed an Agreement on cooperation](#) to provide funds to companies wishing to introduce renewable and energy efficient technologies.

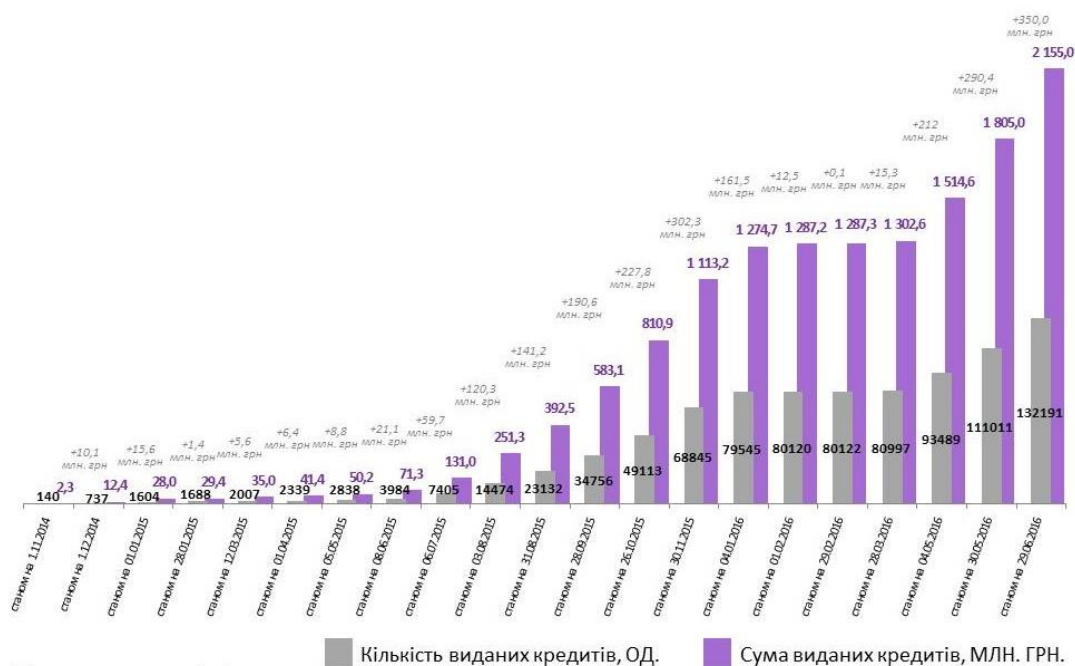
[In June 2016, Ukrgasbank decided to lower the interest rate on loans for ecological projects:](#) from 24 per cent to 20.5 per cent on loans in the national currency, from 10 per cent to 7.7 per cent on loans in US dollars and from 9 per cent to 6.7 per cent on loans in euros.

The following "green" projects could be approved for loans: measures to improve energy efficiency and savings; reductions in consumption of natural sources; use of renewables (wind parks, solar plants, hydro power stations) etc.

Ecological loans are available for new energy efficient or environmentally-friendly equipment and for exchanging or modernizing equipment currently in use.

The following GRAPH shows changes in demand by ordinary consumers and condominiums in relation to state support programs (for the exchange of gas boilers and the purchase of energy efficient equipment/materials)

**Помісячна динаміка попиту на державну підтримку з боку фізичних осіб та ОСББ*
(заміна газових котлів та придбання енергозберігаючого обладнання/матеріалів)**



Bank statistics on the number and value of loans in millions of UAH