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QUARTERLY MONITORING ENERGY EFFICIENCY MEASURES IN UKRAINE

2nd QUARTER 2017

Actions taken by the President of Ukraine during the second quarter of 2017

On June 20, 2017, the [President of Ukraine held a meeting with U.S. Department of Energy Chief Rick Perry](#). The meeting concerned potential cooperation in the energy sector between US energy companies and Ukrainian state and private energy enterprises. In addition to nuclear energy and natural gas, the parties discussed options to share American technologies, including those relating to energy efficiency and renewables in order to boost the development of the Ukrainian energy sector. The U.S. minister was invited to visit Ukraine in the near future in order to discuss the possible cooperation framework in more detail.

On June 15, 2017, the President of Ukraine signed the Law of Ukraine [amending the Law of Ukraine on drinking water and the supply of drinking water](#), previously adopted by the Ukrainian parliament – on May 18, 2017. The law improves the legislation on the supply of drinking water and sewage, setting out relations regarding the production, transportation and supply of drinking water, and sewage transportation and purification. The law sets out the powers of the authorities to approve regulations on sewage entering the central sewage systems at the national and local levels.

On June 13, 2017, the President of Ukraine signed the Law of Ukraine [on environmental impact assessment](#). The law sets out the legal and organizational principles for assessing environmental impact and ensuring Ukraine's international liabilities are implemented under the Convention on environmental impact assessment in a transboundary context and under the Convention on access to information, public participation in decision-making and access to justice in environmental matters. The law clearly identifies the fields in which the environmental impact assessment applies: oil and gas refineries, heat and nuclear power plants, chemical production, construction of airports, air fields, roads and hydro-technical facilities at sea and river ports and other areas.

On June 08, 2017, the President of Ukraine signed the Law of Ukraine [on the electricity market in Ukraine](#). The law came into force on June 11, 2017. The law on the electricity market provides for the introduction of a new market model, which includes a number of segments: the bilateral contract market, "day-ahead" market, intraday market, balancing market and ancillary services market. The law provides for a two-year transition period. It implements the norms of the EU's Third Energy Package, including the issue of separating companies according to area of distribution and transmission of electricity.

Actions taken by the Verkhovna Rada of Ukraine during the second quarter of 2017

On June 22, 2017, the Verkhovna Rada of Ukraine passed [Law No.4901 on the commercial accounting of the heating and water supply](#). The new law regulates the commercial accounting of major household services and the duty to provide consumers with proper expenditure data. The law requires buildings to be properly equipped with meters, which have to be mounted in accordance





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with building codes and regulations. Furthermore, the law determines the responsibilities of customers and service providers regarding the violation of regulations, in respect of financial penalties as well.

On June 22, 2017, [Law No. 4941-d on the energy efficiency of buildings](#) was adopted on second reading. It lays out the legal and organizational grounds for performing audits on buildings awaiting further renovations with the final aim of improving the energy efficiency of buildings. The law introduces a range of monitoring instruments for household systems, construction features and means of financial assistance for major energy-saving renovations. In addition, the law, which is part of the energy reform package, introduces the legal framework for the energy efficiency reports that are a requirement for consideration for external funding via the Energy Efficiency Fund.

By June 22, 2017, the Verkhovna Rada [had not considered draft Law No. 6229](#) on ensuring transparency in the extractive industries. The draft law is designed to provide the public with access to full and balanced information about payments made by business entities engaged in the extractive industries, creating conditions for the socially responsible use of minerals of national importance by such entities.

On June 8, 2017, [draft law No. 5598 on the Energy Efficiency Fund](#) was passed in its entirety by the Verkhovna Rada at the second reading. The fund will be monitored by the independent Supervisory Board, comprising representatives of international partners and the government. At the same time, the Fund's technical office will develop model projects for the modernization of houses as well as the financial instruments required for implementation. The fund will engage with the owners of private and residential buildings, with the aim of improving the efficiency class of such buildings and covering the costs of program implementation. The amount available to households will depend on the extent to which the residential building's energy efficiency class changes as a result of project implementation.

The maximum amount available to apartment building (condominium) co-owners will be a 50% refund if the building's energy efficiency achieves class A in accordance with international standards. The fund will receive 120 million EUR in technical assistance from the EU, 20 million EUR of which will come from Germany.

Draft Law [No.1581-d on housing and communal services](#) was not passed by the Verkhovna Rada at the second reading. This draft law is the fourth important element in the energy efficiency legislative package, and is required for the Energy Efficiency Fund to be launched effectively. It will create the conditions for competition in the housing services market and enable consumers to enter into transparent contracts directly with service providers.

On June 8, 2017 draft Law No. 5624 [on environmental requirements for vehicles](#) was adopted. The law stipulates that from January 1, 2020 all vehicles - brand new/used, domestic/foreign-produced – that do not meet Euro 6 standards will be banned from Ukraine's customs territory, with the exception of vehicles manufactured in Ukraine or imported on or before December 31, 2019. The law postpones the introduction of Euro-6 standards for two years, having previously been timetabled for January 1, 2018.



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On June 7, 2017, the Verkhovna Rada passed the [Law on ratification of the agreement between the Cabinet of Ministers of Ukraine and the Government of Moldova](#) concerning cooperation to protect and ensure the sustainable development of the Dniester river basin. The treaty is a pioneering example for the region in the post-Soviet era. It significantly broadens the existing cooperation arrangements to cover the entire river basin and all sectors important in the management and protection of the shared waters.

On May 23, 2017, the Verkhovna Rada supported green tourism activities on land. The [corresponding draft law](#) was passed during the first reading. It allows private farmers to provide green tourism services, namely accommodation and entertainment. In turn local authorities are encouraged to assist farmers in the renovation and establishment of green tourism facilities. Draft Law No. 2232a allows private farmers to provide green tourism services in accordance with the categorizations. The law also stipulates that executive and local authorities are to promote farmer reskilling and the setting up of green tourism facilities.

On May 23, 2017, the draft [law on environmental impact assessment](#) was approved along with the President's proposals under draft Law No. 2009a-d. This law establishes the legal and organizational basis of environmental impact assessments aimed at preventing environmental damage, ensuring environmental safety, environmental controls, and the rational use and sustainability of natural resources when making business-related decisions which may have considerable environmental impact, taking into account state, public and private interests.

On May 23, 2017, the Verkhovna Rada considered the [draft law on strategic environmental assessment](#) for the second time, passing it on first reading. Law No. 6106 harmonizes Ukrainian and European legislation on the application and execution of strategic environmental assessments. Having been vetoed by the President of Ukraine in October 2016, the draft law was returned to parliament and will be adopted in order to meet obligations under the Association Agreement.

On May 23, 2017, the Verkhovna Rada [adopted draft law No. 4480](#) on protecting the primeval forests in the Carpathian Mountains and ensuring the sustainable development of wild forests in accordance with the framework Carpathian Convention.

On May 18, 2017, the Verkhovna Rada adopted a law amending the Law of Ukraine on drinking water and supply of drinking water" (reg. No. 4582), which transposes the EU Urban Waste Water Treatment and the EU Drinking Water Directives. Law [No. 4582](#) sets out the general requirements for urban wastewater discharged through the sewage systems of inhabited areas.

On May 13, 2017, the Verkhovna Rada adopted the [law on the electricity market](#) during the second reading. The law provides for the reorganization of the electricity market through the addition of several components (bilateral contract market, day ahead market etc.). The law separates energy producers from suppliers and adds a new market player – traders. The role of the trader is to maintain liquidity and price balance in the market by purchasing electricity from producers but there are limits on selling to consumers. The Ukrainian National Regulatory Commission for Energy and Utilities will no longer have responsibility for price regulation as this will be market-driven. This law complies with the rules of the EU's Third Energy Package. The adoption of the law will not only allow



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for the reform of the energy market but will also secure 600 million EUR in EU macroeconomic assistance for Ukraine.

On April 12, 2017, the Verkhovna Rada adopted the [law on ratification of the financial agreement between Ukraine and the European Investment Bank](#) for the "Urban Public Transport in Ukraine" project. The law will set out the conditions under which high-quality public transport services will be provided, including buses, trams, trolleybuses and subways, taking into account the needs of people with visual, hearing and mobility impairments and other groups with reduced mobility; it will also improve the equipment of public urban transport enterprises and lead to work efficiencies, and preserve and develop the electric transport infrastructure and shuttle bus networks in Ukraine.

Actions taken by the Cabinet of Ministers during the fourth quarter of 2016

On June 26, 2017, Vice [Prime Minister and Minister for Regional Development, Construction, Housing and Utilities in Ukraine Hennadii Zubko](#) announced the outcome of negotiations with French companies held during a visit by the President of Ukraine to France, whereby according to Mr Hennadii Zubko, French companies will make a contribution to the modernization of the district heating sector – as part of the “District Heating Energy Efficiency in Ukraine” project being implemented with financial support from the International Bank for Reconstruction and Development. French companies will be involved in activities in the cities of Kamianets-Podilskyi and Mykolaiv. Moreover, arrangements were agreed regarding the professional training of civil servants with the support of the National School of Administration (ENA), where France’s best practices will be taken into account.

On June 02, 2017, the Ministry of Energy and Coal Industry of Ukraine presented the [final draft of the Ukraine’s Energy Strategy until 2035](#). It promises reform of the energy companies in compliance with Ukraine’s obligations arising under the Treaty establishing the Energy Community, and to increase gas production, reduce the energy intensity of GDP and further develop renewable energy sources, bringing its share of final consumption to 11% (8% of TPES). In the field of energy efficiency and environmental protection, it requires standards to be introduced for the construction of “passive houses”, targets to be achieved for controlling dust and reducing carbon-oxide and nitrogen emissions, and a system for the trading of greenhouse gas emissions to be introduced in Ukraine.

On May 31, 2017 the Cabinet of Ministers approved a [Strategy for reforming the system of state supervision \(control\) in the environmental protection sector](#). The essential objectives of the reform include the redefinition of the state environmental protection service from being a punitive authority to a service for the monitoring of negative environmental impact prevention, the introduction of a transparent system for environmental control and public awareness raising, the establishment of public controls, harmonization with European standards, the elimination of corruption risks, and the securing of close cooperation with local authorities.

On May 22, the Cabinet of Ministers held a meeting to discuss [projects relating to the generation of solar energy in the zone of alienation and zone of unconditional \(mandatory\) resettlement](#). The





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event was attended by heads of the line ministries, the Ukrainian State Agency for Exclusion Zone Management, Ukrenerho, UkraineInvest (Ukraine Investment Promotion Office).

On May 17, 2017, the Ministry of Regional Development, Construction, Housing and Communal Services coorganized a [meeting with European partners to evaluate Ukraine's participation in the EU Strategy for the Danube Region](#) and to synchronize priorities.

The Ministry of Regional Development is making every effort to renew the coordination mechanism, to update joint priority projects, determine a joint medium-term action plan for Ukraine's participation in implementing the strategy, and as part of existing EU instruments, especially the Danube Transnational Program.

On April 26, 2017, the Prime Minister [announced the first stage of energy subsidy monetization for households](#) which made energy savings during the winter of 2016-2017, allocated to them within the limits of the subsidies. The government project for the monetization of the economized subsidy awards cash payments to households that can demonstrate they made energy savings equivalent to the cost of 150 kilowatts of electricity when used for heating, or 100 cubic meters of gas. The cash payment can be used for energy efficiency measures. This is a further step towards encouraging households to make energy savings, and they will be entitled to subsidies during future heating periods.

On April 26, 2017, the Cabinet of Ministers approved the [Resolution on the approval of the action plan to implement energy management systems in public buildings, financed out of the state budget](#).

The resolution set out the conditions for the systemic development of energy management in public buildings and for forcing local and central authorities to devote greater attention to energy consumption and energy efficiency projects.

Actions taken by the State Agency for Energy Efficiency and Energy Saving (SAEE)

In [June 2017, the SAEE introduced a special service for ESCO contracts](#), involving the creation of a database of potential sites for energy service contracts, a template for local authorities to provide information about the sites located within their jurisdiction and the setting up of website sections to streamline cooperation with private companies. The SAEE holds regular seminars and meetings in the regions, aimed at introducing its own database and templates and boost cooperation between local authorities and businesses, which has resulted in 20 ESCO contracts in a number of regions in Ukraine.

On June 26, 2017, the SAEE held a [meeting with a delegation from Belarus to discuss joint activities in RES and energy efficiency along Ukraine's northern border with Belarus](#). Joint projects could become possible under the route map on cooperation between Ukrainian and Belarusian government bodies on energy efficiency and the utilization of local energy sources

On June 21, 2017, the [SAEE organized a meeting with representatives of the International Financial Corporation](#). The parties discussed cooperation options with regard to approaches and ideas and





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how to improve the financing of green energy projects in Ukraine. Among other issues, the IFC outlined plans to enhance cooperation on eco-banking projects, discussed a successful case of cooperation with Ukrgasbank and support for efforts to update the legislation on energy efficiency.

On June 21, 2017, the SAEE met with representatives of the World Bank in Ukraine to discuss the [promotion of small hydropower station construction in Ukraine](#). The parties discussed the idea of starting a special program on the evaluation of the small HPP market in Ukraine and support for national government initiatives on developing this sector.

On May 31, 2017, the SAEE [technical regulations on the energy labeling of vacuum cleaners and cylinder drying machines were approved](#) at a government meeting. This will ensure that EU-conforming labels are displayed on such equipment produced in Ukraine, which in turn will provide consumers with information on energy efficiency and enable businesses to export their goods to the EU. The technical regulations are in line with the EU directives and therefore provide for implementation of their respective obligations under the Association Agreement.

In April 2017, the SAEE collected data about the launch of RES in the first quarter of this year and found it had [produced 66 MWt](#) – 6 MWt more than for the whole of 2016. This success was down to the lifting of the local component in RES projects and the introduction of a stimulation tariff for domestically produced equipment.

On April 27, 2017, the SAEE organized the [3rd Forum for energy efficiency partnership 2017: “Energy Management: Best practices”](#).

Key Topics:

- Energy management in the public sector: realities of energy efficiency without investments.
- Energy service in the public sector: return on investment of ESCO 2016, first savings in the 2017 budget. Growth in demand from government and investors for ESCO contracts.
- Energy service in the housing sector: benefits of buildings and investor risks. Prerequisites and potential barriers relating to the expansion of pilot projects in 2017.
- Modern tools for increasing energy efficiency in the industry: energy management and financial incentives and sanctions.
- Innovations in building insulation programs.

By May 2017, according to the SAEE, Ukraine had provided support worth [more than 3600 million UAH](#) for household and condominium energy efficiency projects. Interest is growing among private households and condominiums. More information can be found in the SAEE presentation.

Other information

On June 28, 2017, Ukrenergo signed an [agreement on the conditions for the future merger of power grids in Ukraine and Moldova with the energy system in continental Europe](#) (ENTSO-E). It consists of three main parts: a catalog of requirements (which must be fulfilled for a decision to be reached on the merger of the power grids); a list of necessary additional research; and a road map.





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Ukrenergo notes that although technically speaking the work with ENTSO-E and similar work ongoing with Russia, Belarus and Moldova are similar processes, they are based entirely on different economic models. In particular, synchronization with ENTSO-E will require not only the implementation of a number of complex technological measures, but also the restructuring of the entire electricity market in the country and its transfer to other market mechanisms, whereby any consumer in Ukraine will be able to import electricity from any EU country, and any electricity producer will be able to export electricity to the end user in Europe.

