

Ukraine in Energy Community and the Association Agreement

Experience of push for reforms

Our mission is to be a motor of high-quality changes in the energy policy, to achieve new standards and practices of decision-making in the sector.

For this purpose, we:

hold policy research on relevant issues and come up good proposals,
strengthen the role of expert communities and civil society, uniting them into coalitions with higher policy impact,
create open platforms for cooperation and professional discussions,
and share best practices, knowledge and skills for successful reforms.

DiXi Group is a Kyiv-based think tank established in 2008

Back in 2011...

Ukraine joined the Treaty establishing EnC

No public photo of the event is left

Ratification was initiated by V.Yanukovych

Parliament supported by 371 votes out of 394 registered

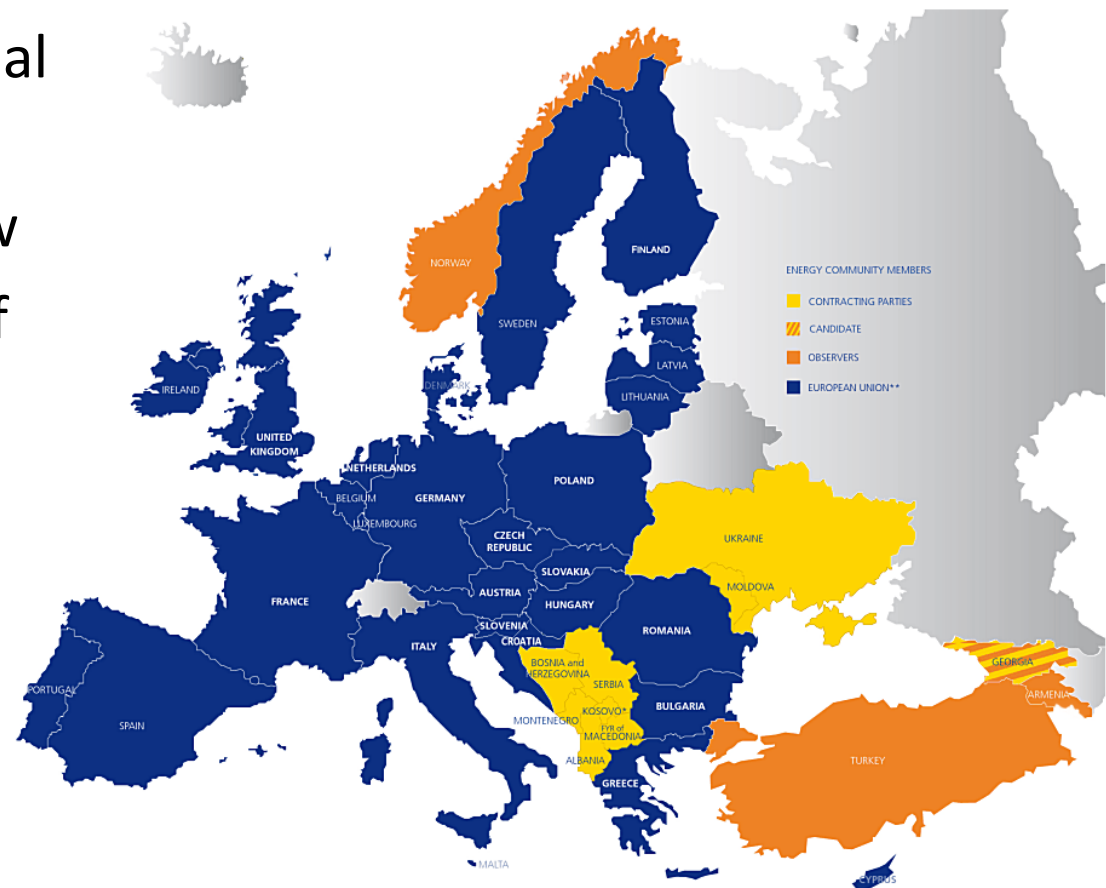
NO IMAGE
AVAILABLE

Just to remember about the time – the year of scandal around “Boyko’s rigs”



Why we did

1. Detailed international commitment
2. Action plan to follow
3. Law on disclosure of information in force
4. Perfect test for coordination and compliance
5. Perfect support for reforms



What we did

1. Energy Reforms coalition
2. Monitoring framework
3. Monitoring of public statements and deeds
4. Informational inquiries
5. Peer reviews
6. Advice



The screenshot shows the website for 'ЕНЕРГЕТИЧНІ РЕФОРМИ' (Energy Reforms). The navigation menu includes: НОВИНИ, ВИДАННЯ, ДОКУМЕНТИ, ПРО НАС, UKP / ENG, and ПОДІЛИТИСЯ (with social media icons for Twitter, Facebook, and YouTube). The main content area is a grid of 9 topics:

- Газ**: Диверсифікація постачань, позбавлення диктату газових монополій
- Електроенергія**: Постійне та якісне енергопостачання, без відключень і стрибків напруги
- Енергоефективність**: Заощадження коштів через більшу енергоефективність
- Довкілля**: Збереження десятків тисяч життів завдяки чистому довікilly
- Статистика**: Прозорість цін і тарифів, відсутність зловживань
- Відновлювана енергетика**: Незалежність споживача від постачальників, аж до повної автономності
- Нафта**: Стабільні ціни на АЗС, висока якість пального
- Конкуренція**: Покращення якості послуг завдяки чесній конкуренції
- Соціальні питання**: Реальна підтримка малозабезпечених споживачів

Below the grid is a list of experts:

	Natalia Andrusevych	Chairman of the Board, Resource & Analysis Centre "Society and Environment"		Olga Kosharna	Expert, Director for Public Relations, Directorate of the Ukrainian Nuclear Forum Association
	Maryana Bulgakova	Director, Expert Advisory Centre "Legal Analytics"		Andriy Martynyuk	Chairman of the Board, NGO Ecoclub
	Ildar Gazizullin	Director of Economic Programs, Ukrainian Institute for Public Policy		Volodymyr Omelchenko	Energy Programs Director, Razumkov Centre
	Georgiy Geletukha	Chairman of the Board, Bioenergy Association of Ukraine		Olena Pavlenko	President, DIXI Group think tank
	Svitlana Golikova	Independent expert		Sviatoslav Pavliuk	Key Expert, Covenant of Mayors - East
	Iryna Golovko	National coordinator, CEE Bankwatch Network		Gennadii Riabtsev	Independent expert, Professor of the Chair of Public Policy and Policy Administration, National Academy for Public Administration under the President of Ukraine
	Vladyslav Deineko	Head of Energy Programs, Analytical Centre for Regional Cooperation		Oleg Savytskyi	Coordinator of the Program for Energy Environmentalization, All-Ukrainian NGO "National Ecological Centre of Ukraine"
	Sergiy Diachenko	Head, Bureau for Complex Analysis and Forecasting		Bogdan Sokolovskyi	Expert, former Special Envoy of the President of Ukraine on Energy Security
	Andriy Konechenko	Chairman of the Board, Ukrainian Wind Energy Association		Oleksii Khabatiuk	Director, Green Investments Fund

Our first annual monitoring report, 2012



No commitment was fully implemented

The expectations from both sides did not match. Not publicly at first

Implementation process was closed to public

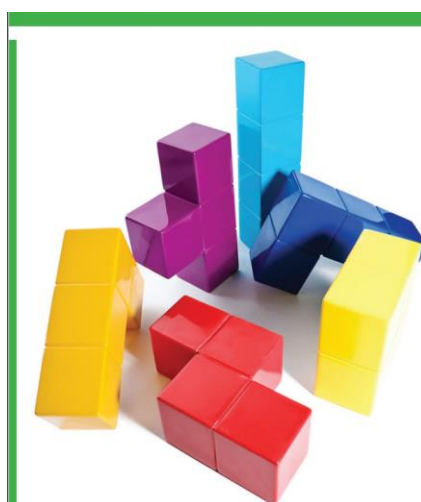
Government tried manipulate the branding and labelling

Bureaucracy influenced the process in terms of time and control

Annual reports



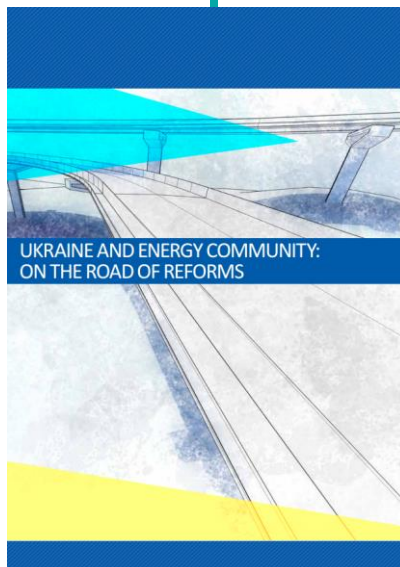
**UKRAINE AND ENERGY COMMUNITY:
TWO YEARS OF WAITING**



**UKRAINE AND ENERGY COMMUNITY: STILL
DOES NOT FIT**

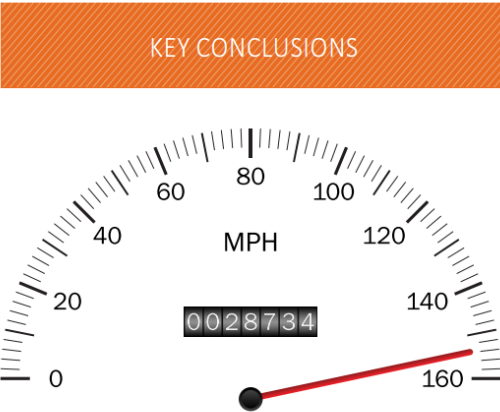


**UKRAINE AND ENERGY COMMUNITY:
IT'S HIGH TIME?**



**UKRAINE AND ENERGY COMMUNITY:
ON THE ROAD OF REFORMS**

Provided our conclusions



The closer cooperation between the "reform champions" among public authority branches is, the faster and better reforms are. Peculiarity of reforms implemented after 2014 is improved social mobility as well as arrival of new politicians and officials both in public authorities, i.e. the government, the parliament, and sectoral ministries. Many of them are motivated to carry out reforms and to demonstrate results. The key laws, namely on natural gas market, on promotion of renewable energy, on energy service contracts, were adopted first and foremost due to such "champions". And vice versa, once such "champions" in different branches have political or other controversies, the issues remain unsettled and, as a rule, the results of decision making are poor.

External factor remains important for keeping reforms fast. The more international financial organizations set certain reform as a requirement for granting a loan or aid, the bigger the amount of such aid is, the higher chances to be implemented such a reform has. Adoption of the gas market law was one of the World Bank requirements for granting the next tranche to the government, this encouraged both the parliament and the government to accelerate its consideration and adoption. Reference between clear changes in the energy sector to financial assistance under the "more for more" principle shall continue.

and came up with recommendations to improve the process

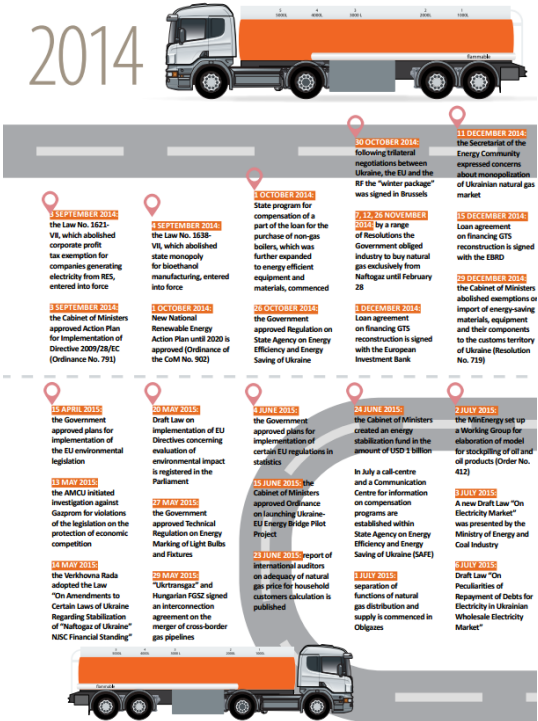


The reforms commenced require from Ukraine even more involvement in the European energy policy. The 2014-2015 situation in the gas sector demonstrated interdependence between Ukrainian and European markets, as well as potential benefits from their integration. To achieve this, the Ukrainian party shall be more actively engaged in the discussion of new priorities of the EU energy policy and future rules, the infrastructure projects for integration of Ukrainian and European markets shall be included into projects of the EU common interest, etc.

Positive conditionality principle shall be kept in the dialog between the government and international partners. Establishing clear deadlines and conditions promotes activation of the governmental resources and better reform planning, as well as limitation of discussions in the parliament in time. Improved dialogue between the key international partners and coordinated reform actions can make the process more precise and structured.

Upon start of reforms implementation, the need in improved monitoring and control of the implementation quality does increase. Monitoring and control of the reforms implementation quality, in turn, requires better public awareness on original objectives and values of the changes. There are still little public initiatives and organizations in the energy sector which have relevant knowledge; therefore, the task is to teach and to improve awareness of the stakeholders.

Highlighted key dates and provided list of documents



Topical chapters based on Directives



MARKET REFORM

Directive 2009/73/EC (the Third Energy Package) is aimed at creating fully operational internal market in natural gas within the EU. It provides for distinction of vertically integrated undertakings in terms of ownership structure (i.e. ownership rights). Governments define a direction of market development on their own behalf: either towards further liberalization (setting up an independent system operator or ISO) or towards reinforced regulation (separate owner and transmission system operator or TSO). Another important change concerns further strengthening of independence of national regulators, expanding market data sharing and emergence of retail market.

Pursuant to Decision of the Ministerial Council of the Energy Community D/2011/02/MC-EnC, the contracting parties shall introduce most provisions of the Third Energy Package (including Directive 2009/73/EC) into their laws and regulations by January 1, 2015.

FRAMEWORK LAW ON MARKET IN NATURAL GAS PURSUANT TO REQUIREMENTS OF THE EU THIRD ENERGY PACKAGE IS ADOPTED

Decree of the President of Ukraine No. 5/2015 approved the Sustainable Development Strategy "Ukraine – 2020", which inter alia provides for reorganization of "Naftogaz of Ukraine" NSC according to the EU Third Energy Package, comprehensive reform of the system of energy and fuel price a tariff setting, elimination of cross subsidies and state grants, attracting investments for gas transportation system (GTS) modernization¹.

Action Program of the Cabinet of Ministers of Ukraine and the Coalition Agreement² provide for a range of steps towards fulfillment of obligations³, including involvement of investors in GTS modernization and operation (including announcing international competition), implementation of GTS modernization project (by 2020) in cooperation with the EBRD and EIB, as well as LNG terminal and interconnection between Ukraine and Poland pro-

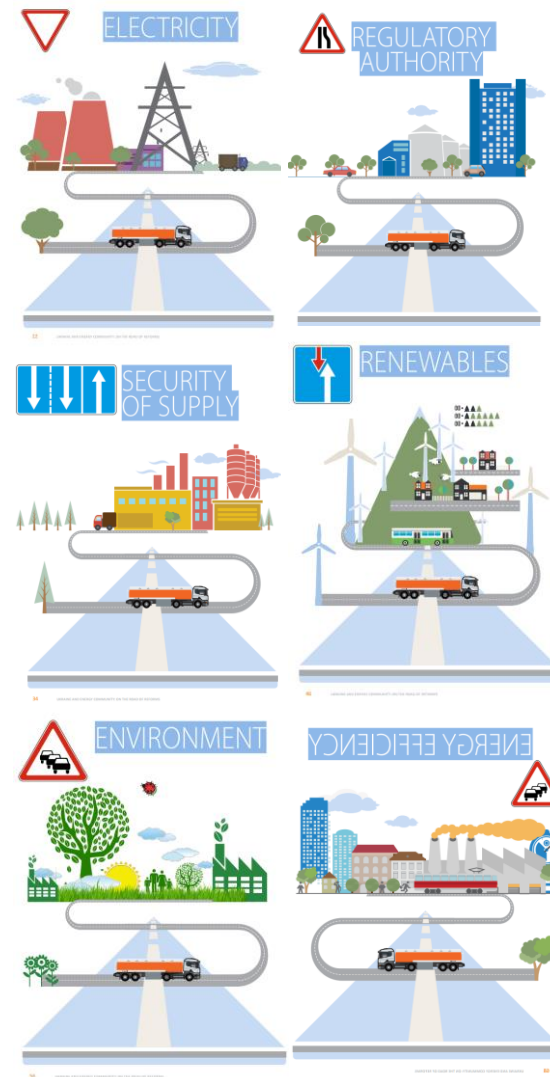
jects⁴, reorganization of Naftogaz of Ukraine NSC (establishing a PJSC to operate main gas lines and underground gas storage facilities) and comprehensive financial rehabilitation of the company by 2017, including through elimination of cross subsidies and transfer to market pricing model.

In January the Ministry of Energy and Coal Industry of Ukraine published the Action Plan for Implementation of the Action Program of the Cabinet of Ministers of Ukraine and the Coalition Agreement in 2015⁵, which sets similar priorities. In September 2015 the Ministry of Energy published information as regards implementation of the aforesaid Action Plan⁶, which allows to evaluate progress by directions of natural gas sector reform.

The key document in the context of market liberalization was the action plan for the natural gas sector reform⁷, developed within the Trust Fund contract between the European Commission and the World Bank, and coordinated with the Secretariat of the Energy Community, and approved by the

¹ <http://zakon1.rada.gov.ua/show/show/5/2015>
² <http://zakon1.rada.gov.ua/show/show/0001001-15/para2#t2>
³ <http://zakon1.rada.gov.ua/show/show/15-114-N00N&F=para#t16>

⁴ <http://program.kmu.gov.ua/organization/5>
⁵ http://mpe.kmu.gov.ua/min-upd/control/uk/zhukh/ukricle/ukr_1404478717&ca_id=141410121
⁶ http://mpe.kmu.gov.ua/min-upd/control/uk/zhukh/ukricle/ukr_14045021957&ca_id=1414177864
⁷ <http://zakon1.rada.gov.ua/show/show/775-2015-N01148D#t1>





Issue No. 29 (October – December 2015)

On 16 October, the [Energy Community Ministerial Council](#) held its 12th meeting and issued a number of key decisions, in particular on implementation of the Energy Efficiency Directive 2012/27/EU, Regulation (EU) No. 347/2010 on energy infrastructure, and Regulation (EU) No. 431/2014 on energy statistics as well as on the implementation deadline for Directive 2001/80/EC.

On 19 October, the [National Reform Council](#) held a meeting, dedicated to the progress of implementation of the EU-Ukraine Association Agreement and of the EU-Ukraine Association Agenda. It should be mentioned that the [Report of the Government Office for European Integration](#) names the energy sector among the areas where the progress has been achieved.

On 6 November, the Ministry of Energy and Coal Industry held a meeting of the [reshaped Multilateral Working Group](#) on development, implementation and monitoring of the efficiency of reforms under the commitments within the framework of the Energy Community Treaty. The participants in the meeting discussed the current situation, outlined a prospective plan of work and agreed to meet in the run-up to the meetings of such Energy Community bodies as the Permanent High Level Group and the Ministerial Council.

On the same day, J. Kopar, the Director of the Energy Community Secretariat, [outlined Ukraine's progress in the implementation of its commitments](#) at the meeting of the Verkhovna Rada Committee on Fuel and Energy Complex, Nuclear Policy and Nuclear Safety, and discussed it with the Minister V. Demchishyn. He urged to proceed with reforms, including adoption of laws on the Regulator and on the electricity market, and urgent transposition of Directive 2009/31/EC on the energy performance of buildings.

In November, the Ministry of Economic Development and Trade [presented the Better Regulation Delivery Office](#), which developed in December the [Road Map involving 37 steps](#), the implementation of which will allow Ukraine to reach TOP-50 in Doing Business ranking in 2016 and TOP-20 in 2017. The Action Plan for Implementation of Best Practices in Regulatory Quality and Efficiency was approved by the [Ordinance of the Cabinet of Ministers of Ukraine No. 1406-r](#).

The Government approved the [Procedure for Securing Transparency in Extractive Industries](#): on 4 December, the [first Report of the Extractive Industries Transparency Initiative \(EITI\)](#) was published and presented at the Sustainable Resource Management Forum. On 25 December, the Verkhovna Rada passed the [Law of Ukraine "On Public Procurement"](#), which will allow switching to e-tendering.

At the end of the year, the Ministry of Energy and Coal Industry reported both [on the general progress of reforms](#) and [on its international activities](#), including its cooperation with the Energy Community and [implementation of the EU acquis](#). On 12 December, the Ministry of Energy and Coal Industry published the [Draft Framework for the Energy Strategy of Ukraine for the Period till 2035](#).

On 15 December, the European Parliament passed the Resolution whereby it urged the European Commission to come forward with legislative proposals, aimed at the establishment of a true pan-European Energy Community. In addition, in December, the Energy Community Secretariat [organized the meeting of MPs](#) of the Contracting Parties, who made the first steps to the development of the agenda and procedures for the Energy Community Parliamentary Plenum meeting.

This publication has been issued within the framework of the Improving Implementation of Ukraine's Commitments within the Energy Community through Enhancing Impact of Civil Society project, jointly implemented by Dixi Group NGO and Resource & Analysis Center "Society and Environment", and co-financed by the European Union.

This document has been produced with the financial assistance of the European Union. The contents of this document are the sole responsibility of NGO "Dixi Group" and can under no circumstances be regarded as reflecting the position of the European Union.



Issue No. 17 (January – March 2015)

On 12 January 2015, the President of Ukraine signed Decree No. 5/2015 to approve the [Strategy for Sustainable Development of Ukraine until 2020](#) providing for the implementation of 62 reforms and development programs, including the energy reform, energy independence and energy efficiency programs, environmental protection programs, participation in cross-European networks. On 04 March, the Government [approved the action plan](#) for the implementation of the Action Program of the Cabinet of Minister of Ukraine and Strategy for Sustainable Development of Ukraine until 2015 (Ordinance No. 213-r), setting the indicators and objectives to be achieved under both documents.

On 15 January, the European Parliament in its [Resolution on the Situation in Ukraine](#) highlighted the need to reform the energy sector pursuant to Ukraine's commitments within the framework of the Energy Community Treaty. On the same day, the Ministry of Energy and Coal Industry of Ukraine published the [Action Plan for the implementation of the Action Program of the Cabinet of Ministers of Ukraine and the Coalition Agreement in 2015](#). Also, [roadmaps for reforming energy sectors](#) were disseminated, including in relation to [Naftegaz](#), coal industry, integration in the EU energy system, construction of Khmelnytskyi Nuclear Power Plant 3.

On 02 and 17 February, and on 30 March, the National Reform Council held meetings that resulted in passing a number of resolutions. [Minister Volodymyr Demchishyn was appointed coordinator](#) of the energy independence program and the energy reform (including reform of [Naftegaz](#)), and he has already [presented his progress report](#).

The Government's Office for European Integration of the Secretariat of the Cabinet of Ministers of Ukraine published an interim [Report on the Implementation of the Association Agreement between the EU and Ukraine](#), according to which preparation and approval of plans for the [implementation of EU legislation](#) had not yet even started (progress in the energy sector). Progress in the sphere of environmental protection reached 3%, according to the evaluators.

However, the key factor that boosted the reforms was measures on the implementation of the [Memorandum of Economic and Financial Policies of Ukraine](#) aimed at receiving financing under a new program of the International Monetary Fund. In particular, achieving balance of [Naftegaz's](#) financial assets and implementation of the tariff reform.

Meetings held in [February](#) and [March](#) between top officials of the Ministry of Energy and Coal Industry and representatives of the Secretariat of the Energy Community and the European Commission's Support Group were important. The parties discussed the implementation of reforms in the power and gas sectors, as well as [expert support](#) on the part of the European partners.

On 12 March, the [Government of Ukraine presented its report](#) on the first 100 days of its work. Implementation of comprehensive reforms in compliance with the Third Energy Package and in the context of the European integration, attracting investments to rehabilitate infrastructure, introduction of energy efficiency initiatives and restructuring of [Naftegaz of Ukraine JSC](#) were mentioned as key priorities.

In March, the Government also [approved recommendations](#) of the Ukraine-EU Association Council regarding the implementation of the Association Agenda, and Ministries and other central executive bodies were instructed to ensure the implementation thereof.

This publication has been issued in the framework of the project "Improving implementation of Ukraine's commitments within the Energy Community through enhancing impact of civil society" implemented by the NGO "Dixi Group" jointly with the Resource & Analysis Center "Society and Environment". This document has been produced with the financial assistance of the European Union. The contents of this document are the sole responsibility of NGO "Dixi Group" and can under no circumstances be regarded as reflecting the position of the European Union. It was also produced with assistance of the International Broadcasting Foundation.



Monitoring of the Implementation of Ukraine's Commitments under the Energy Community Treaty

Issue No. 13 (October – December 2014)



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in Kyiv, Vienna and Brussels



1. Governmental bodies in charge
 2. Civil society
 3. Energy Community Secretariat
 4. Companies
- Status updates
 - Coordination before important decision
 - Unblocking progress where needed

Association agreement

Updates

6 Task Forces

Coordinator + key expert

Benchmarks

Local component

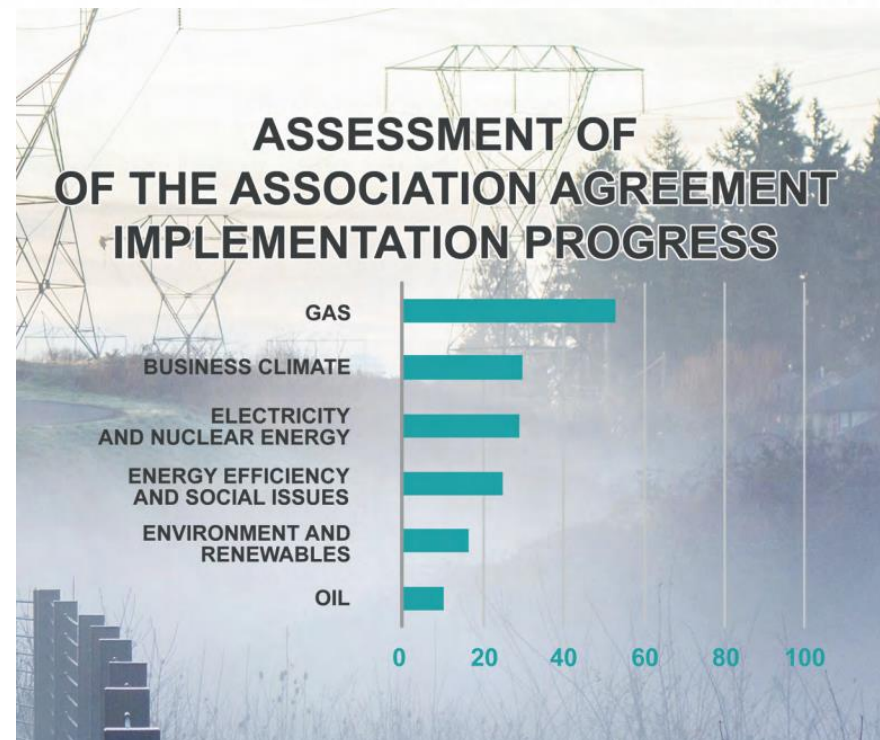
Monthly and annual reports

Briefings, roundtable discussions

Key partners:



THIS PUBLICATION WAS PREPARED IN THE FRAMEWORK OF THE PROJECT "ENHANCING IMPACT OF CIVIL SOCIETY IN MONITORING AND POLICY DIALOGUE ON ENERGY AND RELATED SECTORS' REFORMS IN LINE WITH THE ASSOCIATION AGREEMENT IMPLEMENTATION" IMPLEMENTED BY DIXI GROUP TOGETHER WITH RESOURCE & ANALYSIS CENTER "SOCIETY AND ENVIRONMENT", CIVIL NETWORK "OPORA", EUROPEAN-UKRAINIAN ENERGY AGENCY, AND NGO "ENERGY ASSOCIATION OF UKRAINE".



JOIN!

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