

Annual Work Plan 2018

implementing the EU-Ukraine Memorandum of Understanding on a Strategic Energy Partnership

This Annual Work Plan 2018 has been put together by the European Commission and the Ministry of Energy and Coal Industry of Ukraine in implementation of point 7 of the Memorandum of Understanding on a Strategic Energy Partnership (2016). The Memorandum of Understanding (i.e. MoU) provides that the sides agree annually on priorities for cooperation in the form of an annual work plan. This Work Plan is not intended to create any rights or obligations under national or international law. The jointly identified priorities follow the structure of the MoU.

1. ENERGY SECURITY, SOLIDARITY AND TRUST

In view of the MoU, in 2018 priority should be given to the following actions:

Policy, forecasting and modelling

- The Ukrainian authorities focusing on active communication and consulting the steps planned and taken to implement the Energy Strategy of Ukraine with citizens and stakeholders;
- The Ukrainian authorities organising an inter-institutional consultation platform with participation of Ministry of Energy, National Academy of Sciences, Ministry for Regional Development, Building and Housing, State Statistics Service and other relevant entities to integrate the work toward a new energy forecasting model and its integration in energy policy design.

Energy security and interconnections

Gas

- The Ukrainian authorities implementing, as a matter of utmost priority, the unbundling of “Naftogaz of Ukraine” NJSC in accordance with the provisions of the EU Third Energy Package and by taking into account the Resolution of the Cabinet of Ministers of Ukraine of 1 July 2016 “On unbundling of natural gas transmission and storage (injection, withdrawal) activities” and the ongoing arbitration procedures between “Naftogaz of Ukraine” NJSC and “Gazprom” PJSC, and completing the certification procedures for the Transmission System Operator (TSO); the European Commission continuing the assistance during the process of unbundling of natural gas transmission (gas TSO activity) and storage from “Naftogaz of Ukraine” NJSC, in particular within the current technical assistance project and working groups established at the level of Volodymyr Kistion, the Vice Prime Minister of Ukraine;
- The European Commission standing ready to facilitate talks with the Russian Federation and Gazprom on long-term transit through Ukraine to the EU;
- If necessary, the European Commission continuing talks and technical clarifications with regard to issues that could endanger the smooth gas transit to the EU, including on the reported varying pressure and quantities of gas supplied to Ukraine for transit to the EU. If required, drawing up an action plan to address the problematic issues;

- The European Commission supporting Ukraine authorities in identifying potential EU certified Transmission System Operators to participate in the operation of the unbundled Gas Transmission System;
- The Ukrainian authorities to adopt draft law on Amendments to the Certain Legislative Acts regarding their alignment with the Law of Ukraine "On the Natural Gas Market";
- The Ukrainian authorities completing the corporate governance reform of Naftogaz and other state-owned companies in the sector in accordance with the OECD principles, including by adopting the necessary legal framework to this purpose, as well as a Charter and a Strategy for Naftogaz;
- The European Commission continuing a comprehensive study and technical review of Ukraine's underground gas storage facilities (UGS); Ukraine authorities deciding on the future of underground storage facilities on the basis of the study results and taking into account the Resolution No. 496 of 1 July 2016;
- The European Commission assisting the Ukrainian authorities – through its Joint Research Center (JRC) – in finalizing the update to its security of supply system, including updating the risk assessment and hydraulic modeling for the gas sector, in line with the EU's Regulation on security of gas supply;
- Monitoring closely in the implementation of the two already identified Projects of Mutual Interest (PMIs), "Gas interconnection Poland-Ukraine" and "Development of the Hungary to Ukraine firm capacity";
- Accelerating the efforts of the Ukrainian transmission system operator, to sign the remaining direct gas interconnection agreements with operators in neighbouring EU Member States (at V. Kapushany (Slovakia), Tekovo and Issacea (Romania)) and ensuring their full implementation (in compliance with Regulation (EU) 2015/703 of 30 April 2015 "a network code on interoperability and data exchange rules"), including virtual reverse flow and operational balancing account.

Electricity

- The Ukrainian authorities completing the reform of "SE NPC Ukrenergo" according to the OECD principles of corporate governance and the provisions of the EU Third Energy Package;
- The Ukrainian authorities ensuring the implementation of unbundling in Ukraine electricity sector, including an effective independence of the transmission system operator based on the Law on Electricity Market of Ukraine and the EU Third Energy Package;
- Cooperating with Ukrenergo, NEURC and other relevant institutions on the capacity-building and fulfilment of requirements under the legislation of Ukraine and its commitments in the Energy Community Treaty for a successful certification of the transmission system operator Ukrenergo in 2018 or within the timeframe provided by the Law of Ukraine 'On the Electricity Market';
- The Ukrainian authorities implementing measures planned for 2018 envisaged by the Catalogue of Measures of the Agreement on the Conditions for Future Interconnection of Power System of Ukraine with Power System of Continental Europe, and cooperating in the identification of priority investment projects for the modernization of electricity grids;
- Cooperating to prepare Ukrenergo's observer status in ENTSO-E and meet the ENTSO-E criteria;

- Cooperating in providing assistance for the implementation of certain measures provided for in the Agreement on the Conditions for Future Interconnection of Power System of Ukraine with Power System of Continental Europe;
- Cooperating on grid safety system including cyber security issues in the electricity sector;
- Collaborating on the electricity interconnection between Ukraine and Slovakia (Rehabilitation of 400 kV OHL Mukacheve (UA) — V.Kapusany (SK)) and ensuring its implementation.

Oil transit

- Exploring the project of transportation of different crudes via Southern Druzhba pipeline together with other interested parties; European Commission providing support in obtaining a PMI status by the project in the Energy Community.

Oil and stocks

- The Ukrainian authorities amending the Cabinet of Ministers Resolution No. 570 ‘On organization and administration of auctions for sale of domestic crude oil, gas condensate and liquefied gas’ with the aim to allow foreign buyers to participate in auctions and to revise the price system;
- The Ukrainian authorities deciding on and adopting an oil stockholding model, including a plan to progressively build up the emergency stocks of crude oil and petroleum products, and accelerating the adoption of legislation on emergency oil stocks.

Indigenous production of energy

- Organising a joint conference on expanding renewable energy production in Ukraine;
- The Ukrainian authorities preparing the reform of the mineral resources sector, including a new Subsoil Code and restructure the geological survey of Ukraine;
- The Ukrainian authorities adopting the Law on Transparency in Extractive Industries in line with the EITI standards;
- EU experts participating in an international coal conference in Ukraine, notably with regard to experience in coal sector restructuring in the EU Member States.

Nuclear safety

Regulatory issues

- The Ukrainian authorities re-establishing as a matter of priority the independence of national nuclear inspectorate SNRIU;
- The Ukrainian authorities accelerating implementation of its obligations in the nuclear safety area under the Association Agreement;
- Discussing and providing the relevant Subcommittee of the Association Agreement proposals on the schedule listing Ukraine's obligations under the Association Agreement, taking into account the dynamics of approximation of national legislation to the Euratom law, in particular with regard to Directive 2013/59/Euratom of 5 December 2013 laying down basic safety standards for protection against the dangers arising from exposure to ionising radiation;

- The Ukrainian authorities taking steps to strengthening the capacity and competences as well as full independence of national regulatory authorities on the basis of Directive 2014/87/Euratom of 8 July 2014 that replaces the Directive 2009/71/Euratom which is part of the fundamentals for the Euratom Community safety of nuclear installations;
- The Ukrainian authorities continuing the corporate governance reforms for SE Energoatom, complying with the requirements of the relevant roadmap within the loan agreement between SE Energoatom and the EBRD.

Safety upgrades/stress tests

- The Ukrainian authorities participating in the peer review workshop that will take place in Luxembourg in May 2018;
- The Ukrainian authorities implementing the safety upgrades in line with the updated 2017 Ukrainian National Action Plan, on the basis of the available financial support provided by the Euratom (2013 Loan Facility Agreement) and the 2015 EBRD loan.

Radioactive waste

- Continuing cooperation to decrease the adverse effects on the population and environment of radiologically contaminated sites such as the Pridniprovskiy Chemical Plant in Kamyanske, Dnipro oblast;
- Cooperating on safe management of radioactive waste.

Environmental Standards

- Ensuring implementation by Ukraine authorities of the Law on Environmental Impact Assessment and adoption and implementation of the Law on Strategic Environmental Assessment;
- The Ukrainian authorities demonstrating compliance with Aarhus and Espoo Conventions, including with regard to the investments related to the Euratom loan to upgrade the safety of nuclear power plants;
- Following up on the implementation of the National Emissions Reduction Plan adopted by the Cabinet of Ministers of Ukraine.

2. INTEGRATION OF ENERGY MARKETS

In view of the MoU, in 2018 priority should be given to the following actions:

Regulatory and competition

- The Ukrainian authorities implementing as a matter of priority the Law on National Commission for State Energy and Public Utilities Regulation (NEURC) adopted in 2016;
- The Ukrainian authorities ensuring the operational and financial capacity of NEURC to implement energy market rules, including through cooperation with the association of European regulators (ACER);
- The Ukrainian authorities accelerating the adoption of State aid rules in the energy sector, based on the continued EU assistance; organising a joint meeting to identify the largest

and most distortive state aid measures in the energy sector and to follow-up on the enforcement of state aid rules in place since August 2017;

- Organising a joint meeting to discuss the degree of implementation of the recommendations of AMCU's 2016 competition sector inquiry in the electricity sector;
- The Ukrainian authorities ensuring that social payments for energy reach all needy population groups and gradually be in direct cash payments to allow for energy efficiency investments.

Gas

- Continued implementation by the Ukrainian authorities of gas sector reforms within the framework of the Gas Market Law and the Gas Sector Reform Implementation Plan, in particular by reviewing the public service obligation and opening the gas retail market in accordance with Third Energy Package obligations;
- Cooperating on increasing competition in all segments of the Ukrainian gas market (up-, mid- and down-stream) to avoid bottlenecks and increase energy security;
- Cooperating on the transposition of relevant EU network codes and guidelines with a focus to enable the development of a functioning wholesale gas market (spot and futures markets at a gas exchange) for which the Network Code on Balancing is the most relevant.

Electricity

- Swift implementation by the Ukrainian authorities of the new Law on Electricity Market, including by adopting corresponding secondary legislation, removing barriers to trade in electricity and stepping up the work to increase competition on the electricity market, with continued Commission support;
- Cooperating and exchanging experience on the methodology for the 'Report on assessment of the generating capacities' and a 'Development plan of the transmission system for the next 10 years' as well as requirements to the content of the documents and software tools for their development in accordance with the criteria and methods set for the ENTSO-E transmission system operators;
- Cooperating in assisting the State Enterprise Energorynok, the National Regulator and other related stakeholders in appointing a Market Operator and implementing a functioning day-ahead market and an intra-day market in Ukraine. This may include for example organising workshops on the principles, standards and best practices of operation of the EU power exchanges/DAM/IDM, prospects of further integration of Ukraine's and the EU's electricity markets, and IT platforms;
- Cooperating in the preparation of a comprehensive policy and investment framework for low-carbon energy resources based on best practices and experiences gained in relevant EU Member States;
- The Ukrainian authorities developing and implementing the secondary legislation on renewable energy sources, according to the provisions of the Law on Electricity Market;
- The Ukrainian authorities deciding on further renewables support model, including updating and adopting a roadmap on increasing renewable energy share, and accelerating harmonisation of Ukraine legislation with related *acquis communautaire*; streamlining and facilitating administrative procedures;

- The Ukrainian authorities developing with Commission support a roadmap for the renewable heat sector and for the district heating reform and start implementation.

3. ENHANCING ENERGY EFFICIENCY

In view of the MoU, in 2018 priority should be given to the following areas:

- The Ukrainian authorities completing the establishment of and implementing the national Energy Efficiency Fund, and providing financial resources for the Fund's operation according to Ukrainian legislation and the Energy Efficiency Directive; Ukraine authorities developing and implementing with Commission support a mechanism which would enable to use a part of saved subsidy to invest in energy efficiency measures within the framework of the Fund. The implementation of energy efficiency measures of the Fund should be supported by the gradual reform of social assistance policy so that energy consumers are encouraged to implement energy savings as well as to decrease budgetary spending on households and utilities subsidies;
- The Ukrainian authorities adopting and implementing with Commission support the outstanding energy efficiency legislation (including secondary legislation), namely some specific aspects of the Energy Efficiency Directive and of the Energy Performance of Buildings Directive;
- The Ukrainian authorities, with Commission support, developing and implementing a framework legislation and implementing acts on eco-design requirements for energy-related products in line with Directive 2009/125/EC for the protection and benefit of energy consumers; cooperating to identify ways to strengthen market surveillance capacity in Ukraine in relation to these products;
- The Ukrainian authorities completing installation of commercial heat metering in residential buildings according to Ukrainian legislation and the EU *acquis communautaire*, adopting updated billing rules, and ensuring wide communication on the metering and billing rules to stakeholders; Ukraine analysing the gas metering system with Commission support.

4. DECARBONISATION OF THE ECONOMY

In view of the MoU, in 2018 priority should be given to the following areas:

- Cooperating in convening events targeting Ukrainian stakeholders (general population, authorities, private sector, civil society) in support of domestic implementation of the Paris Agreement and in particular in support of the 2018 'Talanoa' dialogue endorsed by the 23rd Conference of the Parties to the UN Climate Change Convention;
- The Ukrainian authorities accelerating introduction of a robust and economy-wide MRV (Monitoring, Reporting and Verification) system of greenhouse gas (GHG) emissions in Ukraine and share experience on carbon pricing and emissions trading;
- The Ukrainian authorities completing and adopting a national comprehensive low GHG emission long-term development strategy, aligned with its Energy Strategy 2035 and other relevant sectoral strategies (e.g. in transport, agriculture and industrial sectors);
- The Ukrainian authorities presenting their action plan, including concrete energy-related climate change mitigation measures aligned with its Energy Strategy, for the implementation of its nationally determined contribution under the Paris Agreement.

5. RESEARCH AND INNOVATION

Given the ongoing implementation of the EU-Ukraine Agreement on Science and Technological Cooperation, the EU-Ukraine Agreement associating Ukraine to the Horizon 2020 programme, as well as the 'Agreement for scientific and technological cooperation between the Government of Ukraine and the European Atomic Energy Community associating Ukraine to the Euratom Research and Training Programme (2014-2018), the following areas of activity should be prioritised in 2018:

- Setting-up of the Ukraine-Euratom Research and Innovation Committee as a Joint Committee to be established under the above-mentioned Agreement and holding in 2018 the first meeting to examine the progress achieved and, as appropriate, to propose measures facilitating the implementation of this association;
- Implementing the action '*Training and information programme following association of Ukraine in Euratom in 2016*' under "Other actions" of the Euratom Work Programme 2018 to support activities of the Ukrainian National Contact Point (NCP) leading to better integration of Ukrainian researchers and young scientists within European nuclear research networks and to achieving deeper integration of Ukrainian researchers and research entities into Euratom research activities;
- Considering the development of cooperation for the implementation of joint scientific projects in the electricity sector;
- Cooperating on research regarding the influence of the future interconnection of the power system of Ukraine with the power system of Continental Europe on renewables in both Ukraine and EU.
