

Annual Work Plan 2017

This Annual Work Plan 2017 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), which envisages reinforcing cooperation in all energy areas and foresees that the sides agree annually on priorities for cooperation in the form of an annual work plan.

The priorities identified jointly below follow the structure of the MoU.

1. ENERGY SECURITY, SOLIDARITY AND TRUST

In view of the MoU, it is intended that in 2017 priority will be given to the following areas:

Policy, forecasting and modelling

- drafting a modern energy strategy for Ukraine until 2035, in line with best EU practices and guided by the principles of the Energy Union Framework Strategy. The process should involve consultations with all relevant key stakeholders, inputs by national and international experts and use sound forecasting models based on solid data;
- exploring opportunities for Ukraine to participate in the EU's PRIMES or other forecasting models used in the EU. As a first step, a meeting to exchange views is envisaged to be organized in the 1st half of 2017; follow-up meetings or workshops, as required, may be organized.

Energy security and interconnections

Energy security

- facilitating trilateral talks with the Russian Federation and JSC Gazprom on gas supply to Ukraine and long-term transit to Europe;
- if necessary, arranging any monitoring mission with regard to unresolved issues arising that could endanger the smooth gas transit to Europe (including on the reported problems of low pressure in the gas transmission line from Russia at the entrance in the Ukrainian gas transmission system); if required, drawing up an action plan together with Ukrtransgaz PJSC and third parties to address the problematic issues.

Gas

- implementing the decision of the government on the separation of the Ukrainian gas transportation system from NJSC Naftogaz of Ukraine, taking into account the ongoing arbitration procedures between NJSC Naftogaz of Ukraine and "Gazprom", and beginning the certification procedures for the Transmission System Operator (TSO);
- providing assistance to the process of the unbundling of the functions of natural gas transmission (TSO's activity) from Naftogaz of Ukraine (NAK), in particular through a technical assistance project for the new TSO (*Mahistralni hazoprovody Ukrainy* (Main

Gas Pipelines of Ukraine (MGU)) in accordance with the approved model and the unbundling plan and a comprehensive study and technical review of the Ukraine's underground gas storage facilities (UGS);

- supporting Ukraine in identifying potential European investors for the new Transmission System Operator, the MGU;
- accelerating cooperation with IFIs on the modernization of the Ukrainian gas transmission system in line with the 2009 Joint Declaration. For this purpose, the Commission intends to further extend its support to the Project Implementing Unit established under the Transmission System Operator (currently PJSC "Ukrtransgaz") to implement the project on the modernisation and rehabilitation of Urengoy-Pomary-Uzhhorod gas pipeline financed by European Bank for Reconstruction and Development ("EBRD") and European Investment Bank.(EIB). The Priority Investment Programme from 2012 should be updated by the Ukrainian side to reflect changing priorities;
- assisting Ukraine – through Joint Research Center (JRC) – in updating its Risk Assessment and hydraulic modeling for the gas sector, in line with the EU's "Security of Supply Regulation". A workshop is planned by JRC with all concerned stakeholders to simulate a gas crisis and test the National Action Plan;
- collaborating closely in the implementation of the two already identified Projects of Mutual Interest (PMIs), in particular, "Gas interconnection Poland-Ukraine" and project "Development of the Hungary to Ukraine firm capacity";
- cooperating on improving the modalities and selection criteria for priority interconnection projects between the EU and Ukraine;
- supporting the efforts of Uktransgaz in signing the remaining gas interconnection agreements with operators in neighbouring EU Member States (at V. Kapushany (Slovakia), Tekovo and Isaccea (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:

- continuing the close cooperation, including with mutually-acceptable interested third parties, on measures to further stabilize the energy system in Ukraine, including the supply of electricity;
- reviewing the law on Alternative Energy Sources and bringing it in line with the EU standards;
- making steps towards a future synchronization of Ukrainian electricity grid with the Continental European grid, Ukraine endeavours to sign a Connection agreement with ENTSO-E, which is an integral part of Catalog of measures, and starts its implementation of related measures;
- implementing reforms of "SE NPC Ukrenergo" according to OECD principles of corporate governance;
- holding a joint meeting with ENTSO-E and Directorate-General for Energy of European Commission regarding key changes in electricity sector of Ukraine and perspectives of further cooperation in the first half of 2017, including the possibility of Ukraine's

participation in working groups and other events of ENTSO-E. Ukraine considers such participation as an important step for swiftly gaining observer status in ENTSO-E;

- starting work on demand response concept in electricity sector and discuss possible assistance in drafting a demand response strategy;
- further expanding collaboration on cyber security issues in the energy sector. Collaborating on the electricity interconnection between Ukraine and Slovakia (Rehabilitation of 400 kV OHL Mukacheve (UA) – V.Kapusany (SK) which is one of Projects of Mutual Interest (PMIs));
- accomplish the corporate governance reforms for SE Energoatom, complying with the requirements of the relevant roadmap relating the loan agreement between SE Energoatom and the EBRD.

Oil transit

- exploring the project of transportation of different crudes via Southern Druzhba pipeline together with other interested parties; for this purpose, a meeting may be organized by the Commission with all interested parties in the first half of 2017.

Oil stocks

- finalising and adopting a formal decision by Ukraine on the chosen model of the oil stocks system, comprising a plan to progressively build up the crude oil and oil product stocks;
- supporting Ukraine in the process of preparation for adoption of the primary legislation on oil stocks with a view of meeting the deadline established by the Decision of the Energy Community Ministerial Council on the implementation of Council Directive 2009/119/EC in the Energy Community.

Indigenous production of energy

- considering organizing a joint conference on expanding renewables and gas and oil production and other types of energy in Ukraine;
- considering providing EU expertise to support efforts to reform the sector of mineral resources, including to develop a new Subsoil Code and restructure the Geological survey of Ukraine.

Nuclear Safety

Regulatory issues

- re-establishing the independence of national regulatory authorities in Ukraine;
- discussing and providing the relevant Subcommittee of the Association Agreement proposals on the schedule listing Ukraine's obligations under the Association Agreement Council, taking into account the dynamics of approximation of national legislation to the Euratom law, in particular with regard to:
 - Directive 2014/87/Euratom on 8 July 2014 that replaces the Directive 2009/71/EURATOM,

- Directive 2013/59/Euratom of 5 December 2013 laying down basic safety standards for protection against the dangers arising from exposure to ionising radiation,
which are part of the fundamentals for the Euratom Community nuclear safety of nuclear installations.

Safety upgrades/stress tests

- In view of implementing the safety upgrades identified in the revised Ukrainian National Action Plan (NAcP) (prepared in response to the "stress tests" results) in a timely manner, issuing by Ukraine in 2017 an update of the 2015 NAcP and submitting this updated NAcP to European Nuclear Safety Regulators Group (ENSREG);
- Ukraine intends to participate in the first topical peer review on Ageing Management to take place in Europe in 2017/2018. To this end, Ukraine should start work based on Technical Specifications published at the beginning 2017.

Radioactive waste

- Continuing cooperation to decrease the adverse effects on the population and environment of radiologically contaminated sites such as the Pridniproviskiy Chemical Plant in Kamyanske, Dnipro oblast.

Environmental Standards

- ensuring adoption, entry into force and broad implementation by Ukraine of the Law on Environmental Impact Assessment and the Law on Strategic Environmental Assessment (both adopted in October 2016 and vetoed by the President in November 2016);
- fulfilling the requirements of the Energy Community with regard to implementation of the Environmental Impact Assessment Directive;
- demonstrating compliance with Aarhus and Espoo Conventions.

2. INTEGRATION OF ENERGY MARKETS

In view of the MoU, it is intended that in 2017 priority will be given to the following areas:

- supporting Ukraine in drafting primary and secondary legislation with the assistance of different technical assistance projects (including the Technical Assistance Project for the Ministry and the EU4Energy project);
- continuing support to the Ministry of Energy and Coal Industry ("MOECI") and the National Commission for State Energy and Public Utilities Regulation ("NEURC") with the implementation of gas sector reforms within the framework of the Gas Market Law and the Gas Sector Reform Implementation Plan;
- providing further support for the reform of the social safety net in Ukraine to ensure social payments for energy reach all needy population groups and gradually be in direct cash payments to allow for energy efficiency investments;
- implementing the law on National Commission for State Energy and Public Utilities Regulation (hereafter National Regulator) adopted in 2016; ensuring the National

Regulator, supported by the Commission, carries out coordination and liaison with the association of European regulators ACER, including through a twinning project;

- adopting and entry into force of the new Law on electricity market (4493) in 2017; swift implementation of the new law, including by adopting/adapting corresponding secondary legislation. The Commission is supporting this process through a twinning with the National Regulator and a technical assistance project in the Ministry of Energy;
- proposing measures to increase competition on the electricity market, following the adoption of the electricity market law and remove administrative barriers that prevent the export and import of electricity;
- continuing opening of the gas and electricity markets, including at distribution level. Review the applicable Public Service Obligations (PSO) accordingly;
- cooperating in assisting the State Enterprise Energorynok and National Regulator, other related stakeholders in implementing an efficient power exchange in Ukraine. This may include for example organizing workshops on the principles and standards of European power exchanges, prospects of further integration of Ukraine's and European power exchanges, day-ahead markets, and IT platforms;
- working with the Anti-monopoly Committee (AMCU) in setting up a state aid control mechanism (enforceable as of August 2017) which should also cover state aid measures in the energy sector. Related assistance to be provided among others in the framework of the EU twinning project with AMCU to align antitrust and merger control rules with EU rules;
- unblocking the implementation of the EU-funded Sector Policy Support Programme "Continued support for implementation of Ukraine's Energy Strategy" by early 2017.

3. ENHANCING ENERGY EFFICIENCY

In view of the MoU, it is intended that in 2017 priority will be given to the following areas:

- completing the establishment of the new national Energy Efficiency Fund which is dedicated to providing financial incentives for energy efficiency measures in residential buildings. Adopting related energy efficiency legislation and provide financial resources for the Fund's operation. Conducting outreach with other international partners (G7, EU MS, etc.) for further contribution to 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;
- achieving 100% metering for electricity and natural gas in 2017, and for heat in 2018, in the most cost efficient manner;
- considering participation of Ukraine in Sustainable Energy Days in June 2017;
- organizing a workshop on the use of renewable energy in the heating sector (planned for June 2017).

4. DECARBONISATION OF THE ECONOMY

In view of the MoU, it is intended that in 2017 priority will be given to the following areas:

- following Ukraine's ratification of the Paris Agreement in 2016, cooperating on information campaigns among the Ukrainian public (general population, authorities, private sector) of what the Paris Agreement means in practice for the country;
- working on the swift 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;
- cooperating on the preparation and adoption of a national comprehensive low GHG emission long-term development strategy in order to systematize and concretize Ukraine's climate change mitigation measures and nationally determined contribution under the Paris Agreement;
- collaborating to improve the legal framework to ensure effective and efficient support to renewables (and avoid retroactive changes down the line) in line with the measures proposed in the recently adopted Clean energy for all Europeans package;
- establishing specific roadmaps for different RES sources to meet Ukraine's RES target under the Energy Community (which is 11% of final energy by 2020);
- cooperating on adoption of the National Emissions Reduction Plan established and agreed with the Energy Community and ensuring that the plan is taken into account when drawing up the objectives and targets set in the revised Energy Strategy until 2035.

5. RESEARCH AND INNOVATION

In view of the successful implementation of the Agreement for scientific and technological cooperation between the Government of Ukraine and Euratom associating Ukraine to the Euratom Research and Training Programme (2014-2018) it is intended that in 2017 priority will be given to the following areas:

- setting-up of the Ukraine-Euratom Research and Innovation Committee as a Joint Committee to be established under the above-mentioned association agreement;
- nominating by Ukraine and participation of Ukrainian representatives in the Euratom Programme Committee (in its two formations fission and fusion research);
- accession of Ukraine as a new Party to the European Joint Programme (EJP) EUROfusion and its Consortium Agreement;
- evaluating of Ukrainian S&T nuclear fission programmes and strategies through targeted programmatic discussions by the appointed EU experts, under the Euratom Work Programme 2016-2017, with a view to deepening fission co-operation in five specific areas (nuclear safety, waste management, nuclear materials, radiation protection and decommissioning);
- assessing of Ukrainian fusion research programmes and facilities by the selected EU experts in order to enhance scientific collaboration in three selected fusion areas (plasma surface interactions and fusion materials, plasma diagnostic and stellarator research).

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