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Quarterly Monitoring Report: Legal developments in the areas of energy generation, district heating, energy efficiency and industrial emissions

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German-Ukrainian Energy Partnership
6B Antonovycha Str 01025 Kyiv, Ukraine
Tel. +38 044 594 07 68
info@energypartnership-ukraine.org www.energypartnership-ukraine.org

Authors:
DiXi Group

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List of Abbreviations and Acronyms

ACER – Agency for the Cooperation of Energy Regulators	Mtoe – million tons of oil equivalent
aFRR – automatic frequency restoration reserve	NDC – nationally determined contribution
AS – ancillary services	NECP – National Energy and Climate Plan
BATs – best available techniques	NEMO – Nominated Electricity Market Operator under the Regulation (EU) 2015/1222 establishing a guideline on capacity allocation and congestion management
BCM – bilateral contracts market	NERP – National Emission Reduction Plan
bcm – billion cubic meters	NEURC – National Energy and Utility Regulatory Commission (Regulator)
BM – balancing market	NPP – nuclear power plant
CHP – combined heat and power	PASP – potential ancillary service providers
CMU – Cabinet of Ministers of Ukraine	PrJSC – private joint-stock company
DAM – day-ahead market	PSO – public service obligation
DSO – distribution system operator	REMIT - Regulation (EU) 1227/2011 on the Wholesale Energy Market Integrity and Transparency
ECRB – Energy Community Regulatory Board	RES – renewable energy sources
EIA – environmental impact assessment	SB – Supervisory Board
ETS – emission trading system	SE – state enterprise
FCR – frequency containment reserve	SEA – strategic environmental assessment
GDP – gross domestic product	SME – small and medium enterprises
GHG – greenhouse gas(es)	SoLR - Supplier of Last Resort
GO – guarantees of origin of electricity from RES	TCM – terms, conditions and methodologies
HOA – homeowners' association	tcm - thousand cubic meters
IDM – intraday market	TPP – thermal power plant
IDP(s) – internally displaced person(s)	TSO – transmission system operator
IPS – Integrated Power System of Ukraine	VAT – value-added tax
MP(s) – member(s) of parliament	VVER – water-water energetic reactor
MRV – monitoring, reporting and verification	

Content

1	Energy Generation	7
1.1	Adopted acts.....	7
1.1.1.	Market regulation	7
1.1.2.	Policies on restoration of generation capacities and rollout of distributed generation	8
1.1.3.	Network development and connection	9
1.1.4.	Other issues	10
1.2	Acts under consideration.....	11
2	District Heating	14
2.1	Adopted acts.....	14
2.2	Acts under consideration.....	14
2.3.	Deep dive: Overview of the Law № 4213.....	14
3	Energy Efficiency	17
3.1	Adopted acts.....	17
3.1.1	General policy matters	17
3.1.2.	Energy performance of buildings	18
3.1.3.	Energy labeling, ecodesign, standards and certifications	18
3.1.4.	Other issues	18
3.2.	Acts under consideration	18
3.2.1.	General policy matters	18
3.2.2.	Energy performance of buildings	18
3.2.3.	Energy labeling, ecodesign, standards and certifications	18
3.2.4.	Other issues	19
3.3.	Deep dive: NZEB requirements in Ukraine.....	19
4	Industrial emissions	21
4.1	Adopted acts.....	21
4.1.1	General policy matters	21
4.1.2	Emission limits and standards, MRV requirements	21
4.1.3.	Other issues	22
4.2.	Acts under consideration	22
4.2.1.	General policy matters	22
4.2.2.	Emission limits and standards, MRV requirements	22
4.2.3.	Other issues	22
4.3.	Deep dive: implementing the national Emissions Trading System (ETS) in Ukraine	22

Executive Summary

- During the reporting period, Ukrenergo continued its tender for building 1,400 MW of new, highly flexible generating facilities to strengthen Ukraine's power system. The project will be completed in two phases of 700 MW each, with priority given to eastern and southern regions. Updated tender documentation was published on January 10, and applications were accepted until February 28, with proposal reviews beginning on April 5, 2025. Technical requirements include 5–80 MW capacity per unit, rapid start/stop within 15 minutes, and high flexibility with up to 2,000 starts per year. By March 5, Ukrenergo had received 14 applications, including two from PJSC Ukrnafta, though bid prices and final evaluations remain undisclosed.
- The Cabinet of Ministers amended the Regulation on Imposing Special Obligations on Electricity Market Participants, under which electricity is supplied to household consumers at fixed prices. From February 1, consumers using electric heating systems will pay a higher fixed price (4.32 UAH/kWh) only for electricity consumed over the limit of 2,000 kWh per month. For the rest of the electricity, such consumers will pay a lower price of 2.64 UAH/kWh.
- On January 16, the Verkhovna Rada Committee on Energy adopted a fully revised version of draft law No. 11392, allowing Energoatom to negotiate the purchase of Russian VVER-1000 reactors from Bulgaria. The new draft permits reactor procurement but requires a separate law and updated feasibility study for the construction of power units. However, the Main Legal Department noted that the draft's subject matter had been completely changed, violating parliamentary procedures. Despite this, the Verkhovna Rada passed the draft law on February 11, and it was signed by President Zelenskyy on March 13.
- The Cabinet of Ministers extended the special obligations (PSO) mechanism for gas market participants until October 31, 2025. The updated resolution imposes obligations on Ukrnafta and adjusts regulated gas prices for various electricity producers. Ukrnafta will now sell gas to Naftogaz at UAH 12,000 per tcm, while Ukrigasvydobuvannya will continue to sell gas at UAH 7,420. Gas prices for CHPs in the heat cycle were increased to UAH 18,000, while those for TPPs and CHPs in the condensation cycle rose to UAH 14,000; prices for gas turbine and gas engine plants were reduced to 14,000 UAH. The government justified the changes as necessary to ensure stable gas supplies for households and support energy security amid war-related disruptions.
- The Ministries of Communities and Territories Development and of Energy approved "energy independence passports" for each region, outlining their distributed generation potential, including gas-fired facilities. These passports aim to enhance energy security, support investment, and improve regional planning for a stable energy supply to communities and businesses.
- The Verkhovna Rada adopted a law amending energy and heat sector regulations to clarify provisions under martial law. The law supports small distributed generation, introduces cable pooling for hybrid plants, extends capacity booking for wind projects from one to two years, and raises the annual quota for RES support from 25% to 50% per enterprise group. It also mandates the creation of GIS systems for gas, electricity, and heat infrastructure. A new definition of "unauthorized electricity withdrawal" is introduced to strengthen system control. Additionally, the law allocates savings from dispatching tariffs in 2023–2024 to repay Ukrenergo's debts: 45% for balancing market debt, 45% for payments to industrial RES facilities, and 10% for universal service supplier settlements with private solar systems.

- On January 28, the Government approved a letter to the European Investment Bank confirming that the proposed 'District Heating of Ukraine by Ukreximbank' project aligns with the 2005 Framework Agreement between Ukraine and the EIB. This decision enables the launch of the project, which includes a EUR 100 million investment. The funds will support district heating, energy efficiency upgrades in public buildings, and the purchase of gas-fired plants and related equipment.
- Over the past quarter, Ukraine advanced several policy initiatives in the field of energy efficiency. The Cabinet of Ministers adopted an updated National Transport Strategy prioritizing alternative fuels and energy-efficient infrastructure. The Government also approved the Priority Action Plan for 2025, which includes steps to support thermal modernization, align technical regulations with EU legislation, and update the Energy Efficiency Fund's programs.
- On the legislative front, the Verkhovna Rada adopted a law creating a unified public investment fund, incorporating the State Fund for Decarbonization and expanding its use to financial instruments supporting energy efficiency and renewable energy. The Government also amended procedures for managing these funds and approved new rules for supporting energy efficiency in public buildings, particularly hospitals, with international funding.
- Important developments also included the adoption of NZEB requirements for buildings, deepened cooperation with the IEA, and international grant support for renewable energy and urban sustainability projects. Additionally, draft laws on eco-industrial parks were introduced, aiming to promote sustainable industrial development.
- Ukraine advanced key reforms in industrial emissions control. The government approved unified procedures for issuing integrated environmental permits and adopted the 2025 Priority Action Plan, which includes tasks on launching an emissions trading system (ETS), updating GHG targets, and implementing integrated pollution control.
- The Verkhovna Rada adopted a law restoring the mandatory GHG monitoring, reporting, and verification (MRV) system, which had been temporarily relaxed during martial law. The CMU subsequently approved an Action Plan for the implementation of a national emissions trading system, detailing the phased rollout beginning with preparatory work and leading to full operationalization, starting no earlier than three years after martial law ends.

1 Energy Generation

1.1 Adopted acts

1.1.1 Market regulation

On January 2, President Volodymyr Zelenskyy signed a law introducing a moratorium on the bankruptcy of the state-owned enterprise Enerhorynok and debt repayment mechanisms under the previous wholesale electricity market model, which operated until July 2019. According to the draft law's explanatory note, the adoption of these changes is necessary to complete the transition to a competitive electricity market model. Additionally, **on January 28**, the Cabinet of Ministers approved the 2025 expectations [list](#) for the state-owned enterprise Energorynok, which set key tasks of the company, including the repayment of debts incurred by the company under the previous model of the wholesale electricity market. The company no longer buys or sells electricity, but focuses on debt collection and gradual settlements with producers; the bulk of such repayments are expected to be completed by mid-2026.

On January 14, the Verkhovna Rada of Ukraine [adopted](#) a law extending the moratorium on bankruptcy of a number of state-owned energy companies (including coal mining companies and the uranium mining company Skhid GZK) until 1 January 2026 and suspending enforcement proceedings against them. The goal is to prevent their liquidation, secure jobs, and ensure energy stability in a difficult economic and security situation. The President [signed](#) the law on **January 29**.

On January 17, the Cabinet of Ministers [amended](#) the Regulation on the Imposing Special Obligations on Electricity Market Participants, under which electricity is supplied to household consumers at fixed prices. From February 1, consumers using electric heating systems will pay a higher fixed price (4.32 UAH/kWh) only for the amount of electricity that exceeds 2,000 kWh per month. For the rest of the electricity, such consumers pay a lower price of 2.64 UAH/kWh. Previously, in case of exceeding the monthly consumption threshold, the consumer had to pay 4.32 UAH/kWh for the entire amount of electricity consumed.

At a meeting **on January 16**, the Verkhovna Rada Committee on Energy, Housing and Utilities adopted a

completely [amended](#) text of draft law No. 11392, which allows Energoatom to buy Russian VVER-1000 nuclear reactors from Bulgaria. Instead of the previous version of the act, the Committee adopted a text that allows negotiations and purchase of reactors, but requires the adoption of a separate law for the construction of power units. The new draft also stipulates that the decision on construction should be accompanied by an updated feasibility study. At the same time, the Main Legal Department of the Verkhovna Rada examined the updated draft law and noted that the act adopted in the first reading had a completely different title and was aimed at regulating other matters. Thus, the subject matter of the draft law was changed completely, which is assumed to be a violation of the Parliament's Rules. **On February 11**, the Verkhovna Rada [adopted](#) a draft law, and **on March 13**, it was [signed](#) by President Volodymyr Zelenskyy.

On February 18, the NEURC [launched](#) the first investigation of possible manipulation in the electricity market by the company Energia-1 LLC. According to preliminary data, in the period from November 1 to 5, 2024, the company placed bids for unloading in the balancing market at prices that exceeded the average market prices by 1617%, which led to the artificial formation of the marginal price for balancing electricity. The regulator noted that the company's actions have signs of abuse in the wholesale market, and the investigation is being conducted in accordance with the new REMIT law.

On February 18, the Regulator [adopted](#) a resolution amending the Procedure (Methodology) for Determining the Amount of Fines to more clearly regulate the mechanism for imposing penalties for violations in the energy and utilities sectors. The amendments include the following points:

- In case of [inspections](#) covering a period of more than 1 year (if the violation lasted for two or more years), the fine will be calculated once;
- In case of unjustified refusal of the licensee to conduct an inspection, the maximum permissible fine may be imposed;

- The system of assessing the seriousness of violations has also been changed (for example, small licensees will have 2 points instead of 1 under the "size of the licensee" criterion);
- Coefficients for damage caused to consumers have been increased (for example, for the amount of damages equal to UAH 1,000,001 or more, an increased coefficient of 1.2 will be applied);
- The maximum percentage of mitigating and aggravating circumstances has been reduced from 60% to 50%.

The amendments will come into force after the resolution is published and will apply to violations committed or continuing after April 1, 2025.

On March 28, the Cabinet of Ministers [adopted](#) a resolution extending the mechanism for imposing special obligations (PSO) on natural gas market participants until October 31, 2025. The new provisions also extend the mechanism to Ukrnafta and amend regulated gas prices for electricity producers. According to the adopted changes, Ukrnafta will sell gas to Naftogaz at a price of 12,000 UAH per tcm (including VAT), while the sale price of Ukrigasvydobuvannya to Naftogaz remains at UAH 7,420. At the same time, gas prices for CHPs producing electricity in the heating cycle have been increased from 16,500 UAH to 18,000 UAH per tcm. For TPPs and CHPs operating in the condensation cycle, the regulated gas price increased from 10,950 UAH to 14,000 UAH per tcm. In addition, for gas turbine and gas engine plants that produce electricity only, prices have been reduced from 16,500 UAH to 14,000 UAH per tcm. The government explains the decision by the need to maintain stable natural gas prices for households and certain categories of consumers during martial law, as well as challenges in preparing for the heating season due to Ukraine's significant need for gas imports after a reduction in domestic production as a result of massive Russian attacks on energy, and particularly gas infrastructure.

1.1.2. Policies on restoration of generation capacities and rollout of distributed generation

On January 6, the Ministry of Development and the Ministry of Energy [approved](#) so-called "energy independence passports" for each region. Passports show the distributed generation potential (including RES and gas-fired facilities) and will help develop

related regional plans. According to the Ministry of Development, this step should strengthen energy security and promote investment in renewables and infrastructure. Thanks to energy passports, each region will be able to better plan local projects and ensure a stable energy supply for communities and businesses.

In the reporting period, Ukrenergo continued its [tender](#) for the construction of 1400 MW of new generating facilities (highly flexible plants with quick ramp-up) to improve the adequacy and flexibility of the power system. The tender is to be implemented in two phases (700 MW each) with priority locations in the east and south of Ukraine. The facilities are expected to be commissioned by the end of 2027. On January 10, Ukrenergo [published](#) updated tender documentation. Applications from market participants were accepted by 28 February. As of March 5, Ukrenergo [received](#) 14 applications for the tender for the construction of new generating facilities, including two from PJSC Ukrnafta (for projects in the Cherkasy, Poltava, and Lviv regions). The bids were opened without announcing the price and final evaluation. The assessment of bids will start in April 2025. Among the technical requirements are:

- the installed capacity of the facilities should be from 5 to 80 MW;
- the generating units should be able to ramp up and down within 15 minutes at least 4 times a day; the total number of starts per year should be 1800-2000;
- the regulation range of the generating unit should be at least 80% of the installed capacity.

On January 21, the Government [amended](#) Resolution No. 1320, which provides for simplification and acceleration of the construction and commissioning of distributed generation facilities (including gas engine and gas turbine plants) for the period of martial law. In particular, the new provisions provide for the application of the conditions set out in paragraph 1 of the Resolution (exemption from the obligation to obtain urban planning conditions or a report on the examination of project documentation, etc.) to operators of electricity, heat, gas, water supply networks that carry out the construction/reconstruction of networks for the connection of gas engine and/or gas turbine plants.

On January 28, during a meeting of the Cabinet of Ministers, Prime Minister Denys Shmyhal [announced](#)

the approval of a draft letter to the European Investment Bank (EIB), which will allow attracting EUR 200 million from the EIB to support the operation of Kaniv, Kremenchuk, and Dnipro HPPs.

On February 6, President Volodymyr Zelenskyy signed the [law](#) amending the legislation in the energy and heat sector to clarify certain provisions related to martial law. The law stimulates the development of distributed generation, introduces a cable pooling mechanism (connection of different types of generation to one point) for hybrid power plants, extends the term for booking network capacities for connection of wind projects (over 20 MW) from 1 to 2 years, and increases the eligible annual quota of support for RES producers to 50% for related enterprises (previously, one company or group of companies with one final beneficiary could claim only 25% of the annual quota). Additionally, the act provides for the creation and publication of geographic information systems (GIS) of elements of gas, electricity, and heating systems. The law also introduces the concept of "unauthorized electricity withdrawal" and provides for the use of the savings from the dispatching tariff (received in 2023–2024) to repay Ukrenergo's debts as follows:

- 45% - to repay the debts of Ukrenergo on the balancing market;
- 45% - to repay debts to the Guaranteed Buyer for payments to RES facilities;
- 10% - to pay off debts to universal service suppliers for settlements with household solar power plants.

On February 12, the Verkhovna Rada [adopted](#) Law No. 11394 'On Amendments to Article 8 of the Law on State Secrets' regarding the protection of critical infrastructure. The law defines information on the protection and security of critical infrastructure facilities and the material and technical reserve for responding to crisis situations as a state secret. In parallel, information on the use of funds for the procurement of goods and services for the critical infrastructure protection, including prices, shall not be deemed a state secret under the new law. This will help ensure transparency of spending and prevent inflated prices for materials during the war.

1.1.3. Network development and connection

On January 21, the Regulator [approved](#) the 2025–2034 Transmission System Development Plan, developed by Ukrenergo. The Plan includes the priorities for the modernization and expansion of the electricity transmission network. However, due to martial law, the document remains non-public. Information on planned investments by Ukrenergo is not disclosed due to wartime restrictions. Additionally, **on March 18**, the Regulator [approved](#) Ukrenergo's investment program for 2025 in the amount of UAH 2,98 billion (excluding VAT), identifying the sources of its financing (depreciation, profit on capital investments, loans, etc.). The detailed information on the investment program remains publicly unavailable due to security considerations under martial law.

On January 28, the NEURC [adopted](#) a resolution under which a separate reporting form was introduced, in which gas distribution system operators (DSOs) are to provide information on revenues and expenses for gas distribution services, including expenses incurred as a result of military operations and reimbursement from other sources. In this way, the Regulator plans to ensure more thorough control over the use of funds and comprehensive monitoring of the restoration of damaged infrastructure. Obtaining the relevant data is also necessary to calculate the revenue compensation required due to the imposition of a moratorium on raising gas distribution tariffs that was introduced during the war. Such information will also enable the Regulator to calculate compensation owed to the DSOs for war-related destruction of the infrastructure.

On January 29, the NEURC adopted a [resolution](#) that updates the reporting forms for electricity distribution and supply companies to align with current legislation and improve the reporting on financial results and tariff structure. In particular, the act provides for the separate accounting of assets by territory of operation. The resolution also clarifies the classification of consumers connected to networks, which will help to more effectively track and analyze the costs and revenues of the market participants.

On February 25, the Regulator adopted a [resolution](#) amending the methodology for determining and calculating tariffs for natural gas storage (injection, withdrawal) services with a regulated access regime to improve the mechanism for calculating tariffs and more accurately allocate costs. The [amendments](#) include clarification of the formulas for calculating tariffs and additions that allow taking into account the costs of

forming an emergency stock of material and technical resources for the prompt restoration of storage facilities in case of emergencies.

On March 5, the Regulator approved [amendments](#) to the Methodology for Calculating Normative Technological Gas Losses of gas DSOs to account for cases when operators partially or fully operate in occupied territories or areas of active hostilities. The draft resolution defines how DSOs should calculate their respective losses under martial law and submit the relevant data.

On March 11, the NEURC approved [amendments](#) to the procedure for controlling the activities of companies in the energy and utilities sectors, which provide for new rules for determining the additional income received or lost by operators due to changes in the volume of electricity distribution and expenses related to martial law and hostilities. It also establishes the maximum amount of employee salaries that can be funded from tariffs - it should not exceed ten times the average salary included in the tariffs. The regulator argues that the [changes](#) are necessary to adapt functioning of electricity DSOs to the conditions of war, take into account the proposals of the largest operators (DTEK Kyiv Electric Networks, DTEK Dnipro Electric Networks, DTEK Odesa Electric Networks) and bring the regulatory framework in line with the updated Law 'On Administrative Procedure'.

On March 18, the NEURC [amended](#) its resolution dated 20.04.2022 regulating the temporary procedure for DSOs to restore electricity supply to settlements in case network elements were damaged by hostilities during martial law. The new provisions allow DSOs to purchase 150-35 kV power transformers to increase the emergency stock of equipment using funds from investment and repair programs. This will facilitate the prompt restoration of damaged grid facilities.

On March 25, the Regulator [approved](#) the Gas Distribution System Development Plans for 2025-2034 for 21 branches of Gas Distribution Networks of Ukraine LLC. The total amount of planned investments for 2025 is UAH 1.22 billion, with the largest funding provided for Lviv (UAH 235.9 million), Kyiv (UAH 149 million), and Dnipropetrovs'k (UAH 58.2 million) branches. The planned works include the reconstruction of networks and gas control points and equipment upgrades.

On March 25, the NEURC approved the 2025-2034 [Gas Storage Development Plan](#) for Ukrtransgas JSC to ensure the reliable and safe operation of the underground

storage facilities. The total investments for 2025-2034 will amount to over UAH 31 billion (excluding VAT), of which UAH 1.09 billion is planned to be allocated in 2025. The main sources of financing for the first year are depreciation charges (UAH 196.8 million), capital investments (UAH 148 million), and other sources in accordance with the regulator's resolutions (UAH 746.7 million).

1.1.4. Other issues

On January 7, the Cabinet of Ministers of Ukraine [issued](#) a resolution establishing an Interdepartmental Working Group for the Preparation of Public Investment Projects. The act also approves the Regulation on the Interagency Working Group, which defines its main tasks, in particular:

- facilitating the coordination of government agencies and international financial organizations that have created programs for the preparation of public investment projects;
- interaction with international financial organizations to attract support for the preparation and implementation of public investment projects;
- identifying ways to attract financing for public investment projects included in a single portfolio;
- preparation of proposals for monitoring the support attracted for the preparation/implementation of public investment projects to prevent duplication of funding.

On January 9, the Parliament [passed](#) in the second reading Law No. 6013, which aims to streamline legal relations in the field of state-owned property and increase Ukraine's investment attractiveness. The law provides for the corporatization of state-owned and municipal enterprises, with the latter being subject to a flexible corporatization process, allowing communities to determine the feasibility of such transformation on their own. The act introduces transparent property management using the Prozorro.Sale system and obliges state-owned enterprises to publish financial reports, which will facilitate public monitoring and transparency of management.

On January 13, the Cabinet of Ministers of Ukraine [approved](#) the Procedure for Evaluating the Performance of Supervisory Boards of State-Owned Enterprises and Requirements for Reports on Their Work. The [adopted](#) procedure allows for the evaluation of the performance of the supervisory boards of state-owned companies in which the state owns more than 50% of shares in accordance with the Law of Ukraine "On Management of State-Owned Property." The document stipulates that the supervisory boards of the following state-owned energy companies undergo an assessment of their performance in 2024: Ukrenergo, Naftogaz of Ukraine, and Gas Transmission System Operator of Ukraine LLC. The procedure will allow assessing the independence of supervisory boards and their compliance with the OECD Principles of Corporate Governance. Adoption of the document is one of Ukraine's commitments in the framework of cooperation with the IMF. The approved procedure includes requirements for the assessment, the possibility of engaging independent consultants, and the obligation to submit an annual report on the work of the supervisory board by March 30 of each year.

On February 28, the Cabinet of Ministers [approved](#) the resolution 'Some Issues of Public Investment Management'. The document regulates the implementation of the public investment management reform at the national, regional, and local levels. The procedures were developed by the Ministry of Economy jointly with the Ministry of Finance and the Ministry of Communities and Territories Development, with the participation of international experts. These procedures cover:

- development and monitoring of a medium-term plan of priority public investments;
- preparation of public investment projects and public investment programs;
- formation of a single project portfolio of public investments of the state, region, or community, as well as sectoral portfolios;
- evaluation and implementation of public investment projects.

Approval of the procedures of the framework underlying public investment management is one of the International Monetary Fund's structural benchmarks that Ukraine must fulfill in 2025.

On March 7, the Government adopted a decision to [allocate](#) an additional UAH 5 billion for recovery projects

in 12 regions. The funds will be used to implement 150 projects under a joint program with the European Investment Bank, with the main areas of funding being the repair and construction of hospitals, schools, kindergartens, the restoration of water supply, and energy efficiency. The Government has also allocated UAH 5.2 billion for a pilot project for the comprehensive restoration of five settlements in the Kyiv, Sumy, Kharkiv, Kherson, and Chernihiv regions. The funds will be used for major repairs and construction of new housing, as well as restoration and modernization of heat, gas, and water supply infrastructure.

1.2 Acts under consideration

1.2.1. Market regulation

On January 10, the Cabinet of Ministers [approved](#) a draft law on the settlement of the tax debt of SE Ukrinterenergo as a supplier of last resort. The document proposes introducing a temporary procedure for allocating funds from the company's special account by the end of 2028: 10% of payments will be directed to pay off the tax debt and VAT, and the rest will be directed to the transmission system operator. This algorithm is intended to reduce Ukrinterenergo's debt without precluding its activities as a supplier of last resort. Related draft law No. 12400 was [registered](#) in the Verkhovna Rada on January 13. In parallel, on January 29, the Verkhovna Rada registered Draft Law [No. 12455](#), which also settles the tax debt of the supplier of last resort in the electricity market. The draft act suggests an alternative mechanism of debt settlement. According to the main provisions, the SE Ukrinterenergo's arrears for the periods before January 1, 2025, will be repaid through the collection of Ukrinterenergo's receivables, which has already become due; the supplier of last resort will enter into an agreement on the transfer of the right of claim with the supervisory tax authority, and the receivables from Ukrinterenergo's counterparties will be collected in proportion to their debts by using a coefficient defined as the ratio of tax debt to the total amount of receivables.

On February 6, the NEURC published a draft [resolution](#) amending the Electricity Market Rules to improve the procedure for calculating marginal prices of balancing electricity and imbalance prices, which will allow more accurate determination of the amount of write-offs/charges for activated balancing electricity and electricity imbalances; the draft was developed taking into account the proposals of Ukrenergo.

On February 11, the NEURC published draft [amendments](#) to the Retail Electricity Market Rules, aimed at improving the metering of electricity consumption by household consumers for non-household needs. In particular, the draft act provides that if a household consumer uses electricity for non-household purposes at a regulated preferential price, the consumption of such a customer shall be terminated within a day, and within five days, the electricity DSO shall verify the fact of termination. [The Resolution](#) should help prevent the use of electricity at a fixed price for illegitimate purposes and clarify related monitoring and settlement mechanisms.

On February 20, the Regulator [published](#) a draft resolution on the introduction of consumption profiling in the electricity market. The regulator justifies this by the need to create conditions for the collection and automated processing of commercial metering data in order to develop and apply standard consumption profiles (based on daily readings from "reference" meters). In particular, DSOs will be required to classify household consumers into consumption groups and transmit their hourly readings to the centralized Datahub platform on a daily basis; the commercial metering administrator (TSO) will be responsible for receiving, storing, and accumulating this data.

On March 7, the Regulator [published](#) draft amendments to the Retail Electricity Market Rules, the main purpose of which is to bring the regulation of electricity supply by the supplier of last resort (SoLR) in line with the updated legislation of Ukraine and improve the mechanisms of interaction with critical infrastructure and protected consumers. In particular, the draft temporarily (until January 1, 2028) entitles protected consumers and critical infrastructure facilities to receive electricity from the SoLR for a period longer than 90 days, subject to opening an account with a special regime of use and restructuring of past debts.

On March 10, the NEURC published a draft resolution [amending](#) the Electricity Market Rules governing the assignment of the 'Pre-default' and 'Default' status to suppliers in case of non-payment for electricity transmission or distribution services by the 15th day of the following month during martial law. The draft also clarifies that electricity producers and importers must sell at least 10% of their monthly volume on the day-ahead market, but this rule will not apply to importers until April 1, 2025. The need for such changes is explained by bringing the Rules in line with the requirements of the new law (No. [4213-IX](#)), which

regulates the activities of the energy sector under martial law.

On March 19, the Regulator [published](#) a draft resolution amending the Codes of the Gas Transmission System, Gas Distribution Systems, Gas Storage Facilities and the Rules for the Supply of Natural Gas, which provide for clarification of the requirements for large gas consumers (using over 600 GWh of gas per year) to inform suppliers about the capacity of equipment and mandatory registration of such consumers as wholesale energy market participants. The draft law also authorizes gas TSO and gas storage operator to reject trade notifications and nominations if customers have not registered as wholesale energy market participants.

1.2.2. Policies on restoration of generation capacities and rollout of distributed generation

N/A

1.2.3. Network development and connection

On January 9, the Ministry of Energy [published](#) a revised draft law amending the Law "On the Electricity Market" to strengthen the security of supply. The document expands the Ministry's powers to control and plan the work of producers and operators of transmission and distribution systems (including approval of maintenance schedules and fuel storage schedules), clarifies the functions of the State Energy Supervision Inspectorate in terms of monitoring compliance with the rules and requirements for the reliability of electricity supply, and introduces significant fines for violations (up to 1 million tax-free minimums).

On February 6, the NEURC published a draft [resolution](#) amending the methodology for determining the tariff for natural gas distribution services in order to increase the efficiency of enterprises by optimizing labor costs and reducing normative technological gas losses, as well as to harmonize the provisions for determining additional income received or lost.

1.2.4. Other issues

On March 14, the Ministry of Energy published a draft [order](#) aimed at regulating and clearly defining the rules for market participants' access to intra-industrial gas pipelines, in particular those companies that do not have a direct connection to the main gas infrastructure. This decision was justified by the fact that despite the Law of Ukraine "On the Natural Gas Market" being in force since 2015, the rules for access to such gas

pipelines remained unregulated, creating obstacles to the efficient transportation of natural gas. The draft law provides for a clear definition of the terms and conditions of contracts, the rights and obligations of the parties, the procedure for gas supply and acceptance, gas quality accounting and monitoring, the procedure for making payments for network access services, and sanctions for violations of gas quality parameters.

On March 17, the Ministry of Energy [published](#) a revised draft order amending the Methodology for Determining the Cost of Natural Gas Losses (Leakage) Due to Damage to Gas Infrastructure as a Result of Russia's Armed Aggression. The amendments provide for the inclusion of gas transmission system operators (GTS Operator of Ukraine LLC) and gas storage facilities (Ukrtransgaz JSC) in the Methodology and clarification of the formula for calculating the cost of gas losses. The decision is justified by the need to correctly reflect respective losses in the financial statements of the companies for the period of martial law.

On March 21, the Regulator [published](#) draft amendments of the Resolution 'On Approval of Acts Regulating the Activities of a Guaranteed Buyer and the Purchase of Electricity at a Feed-in Tariff, Purchase of Services under the Market Premium Mechanism'. The draft document is aimed at bringing the related regulations in line with the recently Law No. 4213-IX 'On Amendments to Certain Laws of Ukraine in the Fields of Energy and Heat Supply to Improve Certain Provisions Related to the Conduct of Business Activities and the Effect of Martial Law in Ukraine'. The draft act provides for an update of the Procedure for the purchase of electricity from alternative sources by a guaranteed buyer at a feed-in tariff and under the market premium mechanism. If adopted, the calculated volume of electricity supplied by sellers under the market premium mechanism will not include volumes of electricity supplied by a storage facility as part of the generating units of such a seller.

2 District Heating

2.1 Adopted acts

On January 15, the Verkhovna Rada [adopted](#) Law № 4213, clarifying legislation in the energy and heat supply sector during martial law in Ukraine. The law provides, inter alia, for

- an obligation of heat distribution utilities to publish all the necessary information (as defined by respective licensing conditions) about the connection to the heating networks, including data on the elements of the heat supply system;
- an obligation of heat distribution utilities to create a geographic information system (GIS) that shows where respective heat supply facilities are located and where there are capacities for new connections to the network.

See other provisions and more details on the law in [Section 2.3 \(Deep dive\)](#).

On January 28, the Government [adopted](#) a letter to the European Investment Bank confirming that the proposal to finance the project ‘District Heating of Ukraine by Ukreximbank’ falls within the scope of the Framework Agreement between Ukraine and the EIB signed on 14 June 2005. This paves the way for the implementation of the project, which [provides](#) for the allocation of EUR 100 million to [invest](#) in district heating and energy efficiency sub-projects of public buildings of Ukrainian municipalities and the purchase of gas-fired plants for electricity or heat production (boilers, engines, turbines and related equipment).

On February 18, the NEURC [adopted](#) a resolution extending the Procedure for Formation of Investment Programmes to business entities producing electricity and/or heat at TPPs and NPPs in order to establish uniform and transparent requirements for planning, review and approval of investment programmes, increase efficiency, reliability and targeted use of funds in modernisation of equipment and infrastructure development, and prevent misuse of funds.

2.2 Acts under consideration

N/A

2.3. Deep dive: Overview of the Law № 4213

On February 9, Verkhovna Rada [adopted](#) the Law № 4213 ‘On Amendments to Certain Laws of Ukraine in the Fields of Energy and Heat Supply to Improve Certain Provisions Related to Conducting Business Activities and the Effect of Martial Law in Ukraine’ (hereinafter – Law № 4213). The law provides for a number of new mechanisms, aimed primarily at fostering more effective connection of heat and electricity generating capacities to the networks. In parallel, the law clarifies some of the provisions related to the implementation of Regulation 1227/2011 on wholesale energy market integrity and transparency (REMIT). The key novelties of Law № 4213 are provided below.

New provisions related to the heating sector

Law № 4213, inter alia, amends the Law of Ukraine ‘On Heat Supply’ by introducing the obligation of heat distribution utilities to be more transparent in terms of connection to their networks. Respective utilities are now obliged to publish all the necessary information (as defined by respective licensing conditions) about the connection to the heating networks, including data on the elements of the heat supply system and connection capacities that they are able to ensure.

Heat distribution utilities will also have to create a geographic information system (GIS) that shows where respective heat supply facilities are located. This information must comply with the Law on the National Geospatial Data Infrastructure and be generally accessible. In addition, data from the GIS should be compatible with government portals, including the Urban Planning Cadastre and the Unified System in the Field of Construction. This will make information about heating networks available to authorities, businesses, and citizens. It should be noted that the Law № 4213

provides for the creation of similar GIS by gas and electricity TSOs and DSOs.

In addition, in order to ensure a reliable and uninterrupted district heating supply to the household consumers, cogeneration units of third parties may be connected to the networks of heat supply utilities that also carry out heat transportation. A condition for such a connection is that heat energy produced at respective cogeneration units may be sold to a heat supply organisation at a price not exceeding 50% of the single-rate tariff or 50% of the variable part of the two-rate tariff set for the respective heat supply utility. The price of such a sale shall not lead to an increase in heat energy tariffs for the consumers of the heat supply utility.

New provisions with respect to REMIT (transparency in wholesale energy markets)

Law № 4213 introduces a clear distinction between the **publication** and **disclosure** of insider information, which may affect prices for wholesale energy products. Also, the term ‘abuse in the wholesale energy market’ now doesn’t encompass such violations as non-disclosure of inside information or disclosure of inside information in violation of the established requirements.

Besides, new fines for REMIT violations have been introduced:

- from 3,000 to 100,000 tax-free minimum incomes (\approx UAH 51,000 - 1.7 million) for operating on the wholesale energy market without registration;
- up to 27 million tax-free minimum incomes (\approx UAH 459 million) for attempting to manipulate the wholesale natural gas market;
- up to 150,000 tax-free minimum incomes (\approx UAH 2.55 million) for violations in the field of inside information.

The law also provides for temporary relaxation of obligations related to inside information publication during martial law, in accordance with existing decisions of the Regulator.

New provisions related to connection to the electricity grid

Prepayment for connection. Law № 4213 establishes and clarifies the procedure for prepayment for connection to the transmission system operator's (TSO) networks. The cost is calculated at the rate of EUR 10 per 1 kW of ordered capacity:

- 50% of the payment is due within 30 days from the date of receipt of the technical specifications (TSO);
- the remaining 50% is due within 12 months from the same date.

The parties may agree on a different schedule in the connection agreement. If the customer terminates the agreement within 6 months after receiving the technical specifications, he is entitled to a refund of payments made. If the customer fails to develop and submit the project documentation (agreed with the TSO and other stakeholders) to the TSO within 12 months, the contract is terminated, and the prepayment is not refunded.

Reservation of the network capacity for connection. The law introduces the concept of capacity reservation for wind power generation facilities.

Under the new mechanism:

- a customer can enter into a capacity reservation agreement with a transmission system operator (TSO), under which the TSO reserves a capacity for a connection scheme for wind turbines with a total capacity of 20 MW or more;
- the customer is obliged to conclude a grid connection contract within two years from the date of reservation;
- the standard form of the agreement is to be approved by the Regulator, and the procedure for its conclusion is determined by the transmission system code.
- the reservation fee is 5 per EUR 1 kW and must be paid within 20 calendar days from the date of the contract conclusion. In case of non-payment, the contract is automatically terminated.

If the customer applies to the TSO within two years to conclude a connection contract, the already paid fee for the network capacity reservation is credited against the

connection fee. If the customer does not use the reserved capacity, the funds remain on the TSO's account.

Cable pooling. Law № 4213 explicitly allows for the connection of generating facilities from different sources at one point (so-called cable pooling), which makes it possible to combine different generation technologies at one facility. Under new provisions the Regulator is now empowered to adopt the procedure for connecting generating facilities to the power grids of other generators that are already connected to the TSO/DSO grids, provided that the total capacity of electricity supplied by all generating facilities does not exceed the permitted (contractual) capacity at the point of connection. It also provides for the need for separate metering of electricity from different producers.

3 Energy Efficiency

3.1 Adopted acts

3.1.1 General policy matters

On December 27, the CMU [adopted](#) the updated National Transport Strategy by 2030 and approved the 2025 - 2027 operational action plan. The Strategic goal 3 "Safe, human-centered, environmentally friendly and energy-efficient transport" sets out a number of tasks, including:

- introducing measures to incentivize the use of alternative fuels and renewable energy sources in transport and related infrastructure;
- minimizing the negative impact of transport infrastructure facilities on the environment, reducing greenhouse gas emissions from transport and reducing energy consumption in transport;
- implementing Regulation (EU) 2023/1804 on the deployment of alternative fuels infrastructure;
- restoring the network of filling stations to enable compressed natural gas (CNG) refueling;
- planning and deployment of electric vehicle charging infrastructure;
- taking into account future electricity demand for vehicle charging infrastructure when planning the restoration and development of power grids.

On December 31, the Ministry of Communities and Territories Development and the Ministry of Energy [approved](#) so-called "energy independence passports" for each region. Passports show the distributed generation potential (including gas-fired installations) and will help develop regional plans. According to the Ministry of Communities and Territories Development, this step should strengthen energy security and promote investment in RES and infrastructure. Each region will be able to better plan local projects and ensure a stable energy supply for communities and

businesses. In 2025, the growth of distributed generation construction is expected to meet households' needs.

On January 16, the Verkhovna Rada of Ukraine [adopted](#) the law (draft No.12245) aimed at reforming the distribution of capital expenditures within the state budget. This step envisages the creation of a general public investment fund to be distributed by the Strategic Investment Council decisions. All specialized expenditures, including the State Fund for Decarbonization and Energy Efficient Transformation and other subventions, shall now be combined in a single 'fund of funds.' A separate allocation procedure, however, shall be set by a law amending the Budget Code.

In addition, the provisions of the Budget Code on the allocation of funds from the State Fund for Decarbonization and Energy Efficient Transformation have been [expanded](#) to include provisions for financial support for lending, financial leasing, factoring, guaranteeing the implementation of energy efficiency measures, implementing energy service contracts, increasing the use of RES and alternative fuels, and reducing carbon emissions.

On February 18, the CMU [approved](#) the Government's Priority Action Plan for 2025. In the field of energy efficiency, the Plan envisages:

- developing and submitting draft state programs for the thermal modernization of buildings and the modernization of heat-producing enterprises (by October 2025);
- adopting technical regulations aligned with EU legislation (by August 2025);
- determining the procedure for contributions to the Energy Efficiency Fund from obligated parties (by November 2025);
- amending the procedure for the use of funds from the State Fund for Decarbonization and Energy Efficient Transformation (by February 2025) - on January 17, the Procedure for the Use

of the State Fund for Decarbonization and Energy Efficient Transformation has been [amended](#) (see details below);

- updating the statute of the Energy Efficiency Fund to launch a new program supporting homeowners' associations (HOAs) with a focus on renewable energy (by July 2025).

3.1.2. Energy performance of buildings

On February 6, the Ministry of Communities and Territories Development of Ukraine [approved](#) an order introducing requirements for nearly zero energy buildings. It is noted that the NZEB requirements apply to the design, construction and certification of buildings energy performance (see details below).

On February 28, the CMU [approved](#) the Procedure for the use of funds provided for in the state budget to improve the energy efficiency of public buildings. The program provides for financing the modernization of municipal healthcare facilities with funds from the European Investment Bank and international grants NIP na E5P. The goal is to reduce energy costs and to increase energy independence and autonomy of hospitals. Local self-government bodies that have already joined the loan program "Energy Efficiency of Public Buildings" are eligible to participate in the program. Grant funding will be provided as co-financing to the loan funds, which will help reduce the debt burden on communities. The amount of co-financing from grant resources is up to 50% of the project cost, but no more than EUR 300,000 per facility. Project selection is carried out by the Ministry for Development of Communities and Territories of Ukraine, which is also responsible for monitoring their implementation.

3.1.3. Energy labeling, ecodesign, standards and certifications

N/A

3.1.4. Other issues

On January 14, the CMU [approved](#) the draft 2025-2026 Joint Work Program between the Government of Ukraine and the International Energy Agency (IEA) and authorized the Minister of Energy Herman Halushchenko to sign it. The approved program is based on the achievements of 2023-2024 and sets out the

priorities for cooperation in 2025-2026, in particular development of renewable energy and energy efficiency.

On January 17, the Procedure for the Use of the State Fund for Decarbonization and Energy Efficient Transformation has been [amended](#). The Economic and Financial Department of the CMU Secretariat is designated as the main budgetary entity, and the State Agency on Energy Efficiency and Energy Saving is designated as the responsible executor of the budget program and the lower-level budgetary entity. The directions of state financial support for energy efficiency measures, increasing the use of RES and alternative fuels, and reducing carbon emissions were clarified.

On February 6, the CMU [approved](#) an order to attract a grant from the European Investment Bank for the implementation of the Renewable Energy Solutions (RES) project in the amount of EUR 16.5 million. Details about the project implementer and next steps are not publicly available.

3.2. Acts under consideration

3.2.1. General policy matters

On January 7, the CMU [submitted](#) to the Verkhovna Rada a draft law on the improvement of eco-industrial parks model. These parks are expected to be new industrial sites where businesses will use RES, manage waste efficiently, and optimize water resources. The Prime Minister Denys Shmyhal noted that the government will support such parks through tax breaks and infrastructure funding. The draft law clarifies the types of economic activities allowed in the parks and approaches to site selection, taking into account environmental safety. On February 11, the draft law was [approved](#) in the first reading.

3.2.2. Energy performance of buildings

N/A

3.2.3. Energy labeling, ecodesign, standards and certifications

On January 1, the CMU [resumed](#) scheduled inspections of non-food products by market surveillance and customs authorities, which had been temporarily suspended during martial law. This step is crucial for the effective implementation of EU requirements on energy labelling and ecodesign. Moreover, on March 24, the

Verkhovna Rada Committee on Economic Development [recommended](#) the adoption of draft law No. 12426, which aims to align Ukraine's market surveillance system with Regulation (EU) 2019/1020, including provisions for online sales, fulfilment service providers, and customs controls.

On February 27, the State Agency on Energy Efficiency and Energy Saving [published](#) the draft CMU resolution "Some Issues of Application of the Technical Regulations on Ecodesign Requirements for Small, Medium and Large Power Transformers during the Period of Martial Law in Ukraine." However, the draft actually duplicates the CMU Resolution of September 26, 2023 No. 1030, which may be due to a technical error due to the transition to a new design of the institution's website. The CMU Resolution No. 1030 stipulates that, until the end of martial law and a year after it (but no longer than until January 1, 2025), the Tier 2 requirements for transformer ecodesign do not apply to devices with a capacity of up to 125 MVA and those ordered before September 13, 2019. Such transformers are also not subject to state market surveillance. Due to numerous appeals, the draft has been developed to extend the resolution without specifying an end date.

3.2.4. Other issues

N/A

3.3. Deep dive: NZEB requirements in Ukraine

On February 6, 2025, the Ministry of Communities and Territories Development of Ukraine [issued](#) Order No. 168 approving the national requirements for nearly zero-energy buildings (NZEB). These requirements, which came [into force](#) on April 1, 2025, aim to implement Article 15 of the Law "On Energy Efficiency of Buildings" and to align national legislation with Directive 2010/31/EU of May 19, 2010 on the energy performance of buildings.

The document defines a set of technical and performance-based conditions that must be met during the design, construction, and certification of buildings classified as NZEB. The core elements of the requirements focus on six areas:

- energy efficiency class of the building;

- level of primary energy consumption from non-renewable sources;
- share of energy generated from renewable sources;
- thermal performance of envelope structures;
- air permeability of the building;
- characteristics of engineering systems.

Regarding energy performance classification, all new NZEB are required to meet at least Class A, while reconstructed buildings must achieve no lower than Class B. These classifications are determined based on the results of a certified energy audit in accordance with national legislation.

The indicator of primary energy consumption from non-renewable sources, which is central to NZEB classification, must not exceed maximum thresholds that vary by building type, number of floors, and climatic zone. These thresholds are detailed in Appendix 1 to the document and are calculated using a standardized formula. The formula takes into account the building's heating and cooling needs, as well as whether the building uses systems to recover secondary energy resources.

The document also requires that a significant portion of the energy used for heating and cooling be sourced from renewables. Specifically, this share must be no less than 53% for buildings located in Ukraine's first climatic zone and 57% for those in the second climatic zone. This includes energy produced by solar panels, heat pumps, or other RES systems installed either in or near the building. The method of calculation is provided in the main text, along with examples.

The section on the thermal performance of building components sets minimum resistance values for external walls, roofs, ceilings, floors, and doors, in line with DBN V.2.6-31:2021 (construction standard). Notably, the use of previously permitted reduction coefficients is no longer allowed. The document also outlines the minimum thickness of insulating materials used in different parts of the building, from 100 mm in floors to 400 mm in roof structures. Exceptions are made for advanced materials with ultra-low thermal conductivity.

Requirements for airtightness stipulate that the maximum air permeability of the building envelope at a pressure difference of 50 Pa must not exceed 1.0 m³/m²·h for new buildings and 2.0 m³/m²·h for renovated ones. Air permeability must be tested using methods defined in DSTU EN ISO 9972:2022.

In terms of engineering systems, all NZEB must be equipped with automation and control systems that achieve at least Class A performance under DSTU EN 15232-1:2017. In addition, buildings must include equipment for solar energy generation with a surface area no smaller than that defined in Appendix 5. They must also incorporate external sun-shading devices, as outlined in DBN V.2.5-28-2018, and mechanical ventilation systems with heat recovery components rated at H1 class.

Where heat pumps are used, seasonal performance coefficients (SEER and SCOP) must be documented according to the manufacturer's technical specifications. The document also provides for simplified calculations in cases where design documentation does not specify the distribution of energy sources.

Finally, the order includes detailed examples of how to apply the formulas, along with tables of permissible values and technical factors such as primary energy coefficients for different energy carriers (e.g., electricity, gas, biomass, district heating). These are designed to assist developers, engineers, and auditors in ensuring compliance.

4 Industrial emissions

4.1 Adopted acts

4.1.1 General policy matters

On January 7, the CMU [approved](#) the requirements for providing conclusions for issuing integrated permits, which is an important step in the reform of industrial pollution reduction. The conclusions will be provided to the Ministry of Environmental Protection and Natural Resources by the State Environmental Inspectorate, the State Agency of Water Resources, the State Emergency Service, the Ministry of Health, the State Agency on Energy Efficiency and Energy Saving, regional military administrations and other authorities. The Ministry of Environment will use them to make decisions on issuing integrated permits. In order to avoid significant discrepancies in the formulation of conclusions, the Cabinet of Ministers has approved a unified template and requirements for such conclusions. The Minister of Environmental Protection Svitlana Hrynychuk [noted](#) this is the first resolution within this major reform, and about 20 more regulations are planned to be adopted.

On February 18, the CMU [approved](#) the Government's Priority Action Plan for 2025. In the area of emissions reduction, the Plan envisages:

- drafting and submitting a law on the establishment of emissions trading system in Ukraine (by August 2025);
- preparing and submitting secondary legislation required to implement the Law "On Integrated Pollution Prevention and Control," to introduce integrated permitting and pollution control based on Best Available Techniques (BAT) in accordance with Directive 2010/75/EU on industrial emissions (by June 2025);
- drafting and submitting a government resolution approving Ukraine's Second Nationally Determined Contribution (NDC) under the Paris Agreement, setting updated greenhouse gas reduction targets for 2035 (by September 2025);

- drafting and submitting an action plan for the creation of the national emissions trading system (by March 2025) - on February 21, the Cabinet of Ministers [approved](#) the Action Plan for the development of the national GHG emissions trading system, outlining the key steps and timeline for its implementation (see details below).

4.1.2 Emission limits and standards, MRV requirements

On January 8, the Verkhovna Rada [adopted](#) the law (draft No. 12131) on restoring the mandatory system of monitoring, reporting and verification of greenhouse gas emissions. This is a significant step towards decarbonization in line with European standards, allowing Ukraine to continue negotiations on EU accession. The law no longer makes reporting by operators voluntary, but takes into account the circumstances of martial law, providing for relief of requirements for operators and simplification of registration. Svitlana Hrynychuk, Minister of Environmental Protection, [emphasized](#) that adoption of the law will enable provision of verified data on greenhouse gas emissions and create a basis for the national ETS.

On February 21, the CMU [adopted](#) a resolution approving the Action Plan for the establishment of the national ETS. The document outlines a phased approach to the ETS development and implementation in Ukraine. During the preparatory phase, starting from the date of adoption, stakeholders will work on defining the system's architecture and core parameters. This stage includes drafting and adopting the necessary legislation and bylaws, introducing administrative procedures, and improving the technical infrastructure for MRV. The first operational phase is scheduled to begin in 2028 and will focus on testing the system's effectiveness, capacity, and readiness. The second operational phase will not start earlier than three years after martial law ends and will aim to establish a market-based ETS, strengthen regulatory oversight, expand sectoral coverage, and ensure full compliance with system requirements.

4.1.3. Other issues

On December 31, Japan and Ukraine [agreed](#) to establish the Joint Crediting Mechanism (JCM) eligible under Article 6 of the Paris Agreement. The Cabinet of Ministers of Ukraine approved a resolution on the establishment of the Ukrainian part of the joint committee, which will coordinate cooperation. The mechanism allows Japanese organizations to invest in Ukrainian projects aimed at green recovery. The reduction in greenhouse gas emissions achieved through the implementation of such projects is partly credited as Japan's contribution to its own decarbonization goals and partly to Ukraine as the country where the project would be implemented. According to Svitlana Hrynchuk, Minister of Environmental Protection and Natural Resources of Ukraine, this mechanism means access to Japanese technologies and guaranteed investments in green recovery of Ukraine.

4.2. Acts under consideration

4.2.1. General policy matters

On February 28, the Ministry of Environmental Protection and Natural Resources of Ukraine noted that, within the framework of the reform of industrial pollution reduction and control, the preparation of following documents are in the final stage:

- the procedure for conducting transboundary consultations in the process of issuing an integrated permit;
- the procedure for maintaining the Unified State Register of Integrated Permits;
- requirements for the content and form of the report on public discussion in the process of issuing an integrated permit (amendments to it).

4.2.2. Emission limits and standards, MRV requirements

N/A

4.2.3. Other issues

On February 27, the President Volodymyr Zelenskyy submitted to the Verkhovna Rada a [draft law](#) (Reg. No. 0303) "On the Ratification of the Amendment to the

Montreal Protocol on Substances that Deplete the Ozone Layer" (the Kigali Amendment). The parliamentary committees on Foreign Policy and Interparliamentary Cooperation and on Environmental Policy and Nature Management [supported](#) the draft law.

4.3. Deep dive: implementing the national Emissions Trading System (ETS) in Ukraine

In February 2025, the Cabinet of Ministers of Ukraine [approved](#) a roadmap for the implementation of the national emissions trading system (ETS), marking an important step in advancing the country's climate policy and aligning with the standards of the European Union. The introduction of the ETS is aimed at achieving Ukraine's Nationally Determined Contribution (NDC) under the Paris Agreement and creating the foundations for future integration with the EU Emissions Trading System (EU ETS).

The ETS is recognized as a market-based tool for reducing GHG emissions under the Law "On the Fundamentals of State Climate Policy," adopted by the Verkhovna Rada on October 8, 2024. The functioning of the ETS relies on a system of monitoring, reporting, and verification of GHG emissions, which had been introduced in Ukraine in 2021 but became voluntary due to martial law. On January 8, 2025, the Parliament [reinstated](#) the mandatory nature of MRV. This step was critical for enabling the staged rollout of the ETS.

The roadmap [outlines](#) a three-phase implementation process: the preparatory stage (2025–2027), the pilot phase (starting in 2028), and the operational phase (no earlier than three years after the end of martial law). While Ukraine originally [planned](#) to launch the national ETS in 2026, the revised timeline reflects the disruptions caused by the war and the need to rebuild institutional capacity for MRV system operation. The legislation also provides flexibility for operators: reporting for 2021–2023 is not mandatory, while 2024 reports may be submitted by the end of the year in which the law enters into force. Operators located in temporarily occupied territories or active combat zones may resume MRV reporting after their facilities become operational again.

Beyond legal and institutional development, the next steps will include defining the concept and parameters of the pilot phase, the scope of sectors covered by the ETS, baseline emission levels, and the volume and allocation rules for free quotas across industrial sectors. These rules must strike a balance between market

supply and demand, ensuring that carbon prices are both affordable for participants and sufficiently high to drive emissions reductions.

The timely introduction of ETS is also [strategically important](#) in the context of the EU Carbon Border Adjustment Mechanism (CBAM), which will take full effect in 2026. Under the current CBAM regulation, importers will be required to purchase certificates corresponding to the embedded carbon content of goods. However, CBAM allows deductions for equivalent carbon costs already paid in the country of origin. This means that an operational ETS in Ukraine will help reduce financial outflows from Ukrainian exporters and retain carbon-related revenues domestically. In practice, aligning carbon pricing in Ukraine with that of the EU will help minimize the impact of CBAM on Ukrainian industry.

Although Ukraine is reportedly negotiating a temporary exemption from CBAM due to wartime economic challenges, such a pause should not be viewed by exporters as a long-term strategy. Competing on global markets will increasingly require compliance with international, and particularly European, carbon regulations.

The introduction of ETS in Ukraine is expected to generate a range of [co-benefits](#), including lower GHG emissions, improved air quality, greater energy efficiency, stronger investment signals for clean technologies, and enhanced access to European markets. It is also expected to strengthen the resilience and independence of Ukraine's economy by reducing reliance on imported fossil fuels.

