



Енергетичне Партнерство  
Energy Partnership  
Ukraine – Germany

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

*July – September 2024*



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Energy Partnership  
Ukraine – Germany

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**List of Abbreviations**

aFRR – automatic frequency restoration reserve AS – ancillary services

BATs – best available techniques

BCM – bilateral contracts market

BM – balancing market

CMU – the Cabinet of Ministers of Ukraine

DAM – day-ahead market

DSO – distribution system operator

EIA - environmental impact assessment

FCR – frequency containment reserve

GDP - gross domestic product

GHG – greenhouse gas(es)

GO – guarantees of origin of electricity from RES

HOA – homeowners' association

IDM – intraday market

IPS – the Integrated Power System of Ukraine

Mtoe – million tons of oil equivalent

NDC - nationally determined contribution

NECP – National Energy and Climate Plan

NERP – National Emission Reduction Plan

NEURC – the National Energy and Utility Regulatory Commission (Regulator)

PASP – potential ancillary service providers

PSO – public service obligation

RES – renewable energy sources

SE - state enterprise

SEA – strategic environmental assessment

SME – small and medium enterprises

TSO – transmission system operator

VAT – value-added tax

VVER – water-water energetic reactor

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# Executive Summary

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- Between July and September 2024, Ukraine continued to develop and implement initiatives aimed at fostering the restoration of destroyed generation capacities and incentivizing the rollout of new ones. Among the measures taken are the launch of interest-free lending programs for households and the extension of the '5-7-9 Affordable Loans' program to homeowner associations to purchase RES generation equipment and energy storage facilities. Also, ministries and other central executive authorities, and regional military administrations are obliged to ensure the installation of solar generating units and energy storage facilities by the end of 2025. Imports of energy equipment, including generators, wind and solar installations, and batteries, are exempted from taxes and customs duties. The government announced the first tender for the construction of 700 MW of new capacities and also plans to allocate an additional support quota of 110 MW for renewable energy producers for 2024.
- The special focus of responsible authorities was the upcoming heating season in the frontline regions of Ukraine. To ensure the availability of energy resources in these areas, the government launched a number of initiatives, including permission to harvest firewood free of charge during the martial law, a pilot project on the distribution of liquefied petroleum gas to meet the needs of households in frontline regions, and provision of one-time financial assistance for the purchase of solid heating fuel.
- Several documents of strategic planning, crucial for energy facilities restoration, have been adopted, including the 2035 Strategy for the Development of Distributed Generation, the National Renewable Energy Action Plan and the Strategy for the Recovery, Sustainable Development and Digital Transformation of Small and Medium-Sized Enterprises (SMEs) until 2027.
- The implementation of certain requirements of REMIT (the Regulation (EU) No 1227/2011 on wholesale energy market integrity and transparency) has been postponed, namely the obligations of market participants to disclose inside information and submit information on economic and trading operations to the national regulator (NEURC).
- Further regulatory developments include the proposed amendments to emission standards for thermal power plants, exempting certain natural gas-fired units from technological standards for permissible pollutant emissions. Derogations shall apply until December 31, 2026, and in the period of martial law.
- The government also introduced new regulations requiring energy audits and the installation of smart meters in the gas sector, further streamlining the energy efficiency process. The completion of a national program to exchange incandescent bulbs for energy-saving LEDs was another milestone, with over 8 million participants contributing to significant energy savings.
- Ukraine took important steps to address industrial emissions and climate policy. On July 16, the Verkhovna Rada passed the Law on Integrated Prevention and Control of Industrial Pollution, which establishes a legal framework for reducing industrial pollution through integrated environmental permits. This law introduces best available techniques to manage industrial activities more sustainably, set to take effect in August 2025. The same day, the draft law on the Basic Principles of State Climate Policy was adopted in its first reading, aiming to transition Ukraine toward better climate policy, including climate adaptation, targeted finance instruments, and support of recovery in line with the EU's climate agenda.
- Additionally, a draft law establishing a zero-rate environmental tax on CO<sub>2</sub> emissions for facilities combusting biofuels was also adopted in the first reading on July 16, marking a significant move towards use of cleaner energy sources. The Ministry of Environmental Protection continued its efforts by finalizing a draft resolution on monitoring, reporting, and verifying GHG emissions, allowing registration of installations via an automated system.

# 1 Energy Generation

## 1.1 Adopted acts

### 1.1.1 Market regulation

On August 1, the Ministry of Finance published an [order](#) defining the procedure for customs clearance of biomethane transported by pipelines. This opens up the possibility of exporting biomethane. The order describes the rules for submitting documents for customs clearance and export operations, as well as the requirements for confirming that biomethane meets sustainability criteria.

On August 21, the NEURC [launched the process](#) of creating accounts for users of the register of guarantees of origin of electricity from RES (GO) by adopting respective regulations. GO is an electronic document confirming that electricity is generated from renewables. GO are issued automatically for every 1 MWh and can be bought or sold separately from electricity. Producers and consumers seeking to receive GO must provide the required information to distribution and transmission system operators for the Datahub platform. This will allow Ukraine to implement mechanisms for issuing, transferring, and canceling GO, facilitate trade with the EU, attract additional investment, and positively impact the energy sector's recovery.

Also, the NEURC [adopted](#) a resolution proposing temporarily suspending fines for violating the rules for disclosing inside information in the wholesale energy market as required by REMIT (the EU Regulation on wholesale energy market integrity and transparency). The test mode of operation of inside information platforms will be extended for the duration of martial law and 30 days after its termination. The proposal was prepared in response to numerous requests from market participants to ensure the proper operation of inside information platforms and avoid possible problems.

On August 23, the Cabinet of Ministers (CMU) [extended](#) special obligations for gas supplies to heat producers at preferential prices until April 30, 2025

On August 27, the NEURC [amended](#) Resolution No. 618 dated 27.03.2024, replacing the deadline for submission of information on economic and trading operations by

wholesale energy market participants from 60 to 180 days, which gives market participants more time to submit the necessary data. The submission of such data is a requirement of the REMIT. Also, the NEURC extended the [suspension](#) of sanctions for electricity market participants that generate negative imbalances until April 30, 2025. This decision was made due to the current state of the power system, the need to maximize electricity imports, and the absence of signs of market abuse during the previous suspension of sanctions.

On September 3, the NEURC [amended](#) the resolution to create accounts in the register of GO for entities that have submitted applications. This system allows legal entities and individuals, including sole proprietors, to register accounts through electronic applications submitted to the NEURC.

On September 6, the Market Operator [presented](#) a platform for businesses to trade GO, which allows for transparent and competitive bidding and supports Ukraine's green transformation.

On September 17, the CMU [updated](#) the procedure for the biomethane register functioning to ensure its compliance with the Law "On Amendments to Certain Laws of Ukraine on the Restoration and Green Transformation of the Energy System of Ukraine". The amendments relate to the procedure for issuing, transferring, and canceling biomethane guarantees of origin, as well as the implementation of EU standards on guarantees of origin of energy from renewable sources.

On September 24, the NEURC [amended](#) the Procedure for Investigating Abuse in the Wholesale Energy Market with the purpose of improving the procedures for investigating market participants that are not registered in Ukraine, in particular, regarding notification periods, determining the grounds and methods of preliminary investigation, notifying foreign regulatory authorities of abuses, formalizing investigation findings, and maintaining a register of these findings. These changes are aimed at increasing the efficiency and transparency of investigations.

Also, the NEURC [adopted](#) amendments that require the gas transmission system users to ensure payment of daily negative imbalances through an escrow account.

Bank guarantees remain possible, but will be taken into account after their validity is confirmed. The method of calculating the balancing neutrality fee was also changed. This should encourage customers to settle their imbalances in a timely manner and reduce the financial burden on the gas TSO.

On September 24, the NEURC [amended](#) the procedure for setting electricity prices for consumers of the supplier of last resort. The main innovation is to increase the coefficient that takes into account the risks of price fluctuations in the balancing market and DAM from 1.25 to 1.5. This change will be effective from October to December 2024. The goal is to take into account the increase in the cost of electricity to settle imbalances due to the shelling of the power system and changes in market price caps.

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

On July 12, the CMU [instructed](#) Naftogaz to recapitalize its combined heat and power plants (CHPs) by almost UAH 5 billion. Naftogaz Group includes the Dnipro, Kryvyi Rih, Mykolaiv, Novyi Rozdil, Novoyavorivsk, Odesa, and Kherson CHPs, which produce about 2 million Gcal of heat and 160 GWh of electricity. The funds will be used to increase the authorized capital of these CHPs, which will help stabilize their financial and economic activities, improve natural gas payments, and modernize production facilities.

On July 18, the 2035 Strategy for the Development of Distributed Generation was [approved](#) by the CMU. It envisages strengthening and improving the flexibility of the power system by developing distributed generating capacities, such as gas turbines, gas engines, cogeneration units, renewable energy facilities, and energy storage facilities. An operational action plan for the implementation of the strategy for 2024-2026 was also approved.

On July 16, the Parliament [passed](#) two important laws aimed at the rapid restoration of energy infrastructure and demining. The laws abolish tax and customs duties on the production and repair of mechanized demining machines, as well as on the imports of energy equipment, including generators, wind and solar installations, and batteries. According to the State Customs Service, the laws came into force on July 27. In particular, the exemption applies to steam and hydraulic turbines, engine-generating facilities, turbojet engines, inverters, lithium-ion batteries, etc.

At a meeting of August 6, the CMU [amended](#) the regulation on the specifics of electricity imports under martial law. In order to create conditions for stimulating the development of generating capacities, it is now allowed not to apply electricity consumption limits and scheduled interruptions of electricity supply to consumers who cover at least 80% of their total electricity consumption through their own generation.

On August 9, the CMU [expanded](#) the list of goods that may be imported and/or transited through the territory of Ukraine without providing customs authorities with the security of customs payment. The list now includes power equipment, including equipment for wind and solar power plants, batteries (except for low-power batteries), as well as goods under agreements financed by the Energy Community Secretariat.

On August 13, the CMU [approved](#) the 2030 National Renewable Energy Action Plan and the corresponding implementation plan. The plan complements the National Energy and Climate Plan (NECP) and sets out the trajectories for the development of renewables. The share of renewables in gross final energy consumption is expected to reach 27% by 2030: 33% in heating and cooling, 29% in electricity generation, and 17% in the transport sector.

On August 13, the CMU [set](#) an additional annual support quota of 110 MW for renewable energy producers for 2024. The quota is distributed among solar — 11 MW, wind — 88 MW, and other RES (biomass, biogas, small hydro) — 11 MW.

On September 27, the Guaranteed Buyer [announced](#) the first auction for the allocation of additional support quota for solar generation. The auction will take place on the Prozorro platform on October 31, 2024, with a purchase volume of 11 MW and a price cap of 9 euro cents/kWh for the bids. The auction is open to projects for the construction of power plants located on the left bank of the Dnipro River (except for the temporarily occupied territories and the area of active hostilities).

On August 16, the CMU [approved](#) the terms and conditions for holding a tender for the construction of generating capacity and demand-side management measures to ensure the energy security and reliability of the power system. In particular, it provides for the construction of several generation facilities with a total capacity of 700 MW to be commissioned by the end of 2027. The total cost of the projects will be determined based on the tender results. To conduct the tender, the Ministry of Energy will set up a tender commission with

representatives of the Ministry of Economy, the Ministry of Infrastructure, the NEURC, and Ukrenergo, and approve corresponding tender documentation.

**On August 27**, the NEURC [approved](#) a resolution to simplify and speed up the process of obtaining permits for the installation of new generating facilities during martial law. This includes a temporary exemption from certain technical requirements to quickly [increase](#) the capacity of the power system before the winter period of 2024–2025. The resolution shortens the timeframe for considering requests, eliminates the need for cost-benefit analysis, and provides for consultations with the main energy authorities.

**Also**, the NEURC [amended](#) the license conditions for electricity production. The new provisions clarify respective licensing conditions, simplify document requirements, and eliminate duplications to improve the transparency of operations in the wholesale energy market.

**On September 13**, the CMU [approved](#) measures for deploying gas-engine and gas-turbine power plants on ships. Such plants will be leased without open bidding and are exempt from construction permits and other bureaucratic procedures. This decision is aimed at ensuring a stable energy supply during martial law and preparing for the 2024/25 heating season.

### 1.1.3 Network development and connection

**On July 10**, the NEURC [improved](#) the procedure for connecting electrical installations to the grid. The decision is expected to strengthen supervision over distribution system operators (DSOs) and prevent abuse. The changes, in particular, include:

- additional supervision mechanism to prevent possible abuses by DSOs when connecting new generating facilities to the grid;
- exclusion of a number of requirements introduced to the Methodology (procedure) for the formation of fees for connection to the transmission and distribution systems, etc.

**On July 10**, the NEURC [approved](#) amendments to the Methodology for determining and calculating the gas distribution tariff. According to the new provisions, the DSOs will be compensated for the difference between the actual costs and the revenues collected, which arose due to the introduction of a moratorium on increasing the gas distribution tariff. Compensation will be made from the state budget.

**On July 31**, the NEURC integrated into its regulatory framework the costs of physical protection of the electricity transmission system by [amending](#) the temporary procedure for restoring networks damaged by hostilities. The amendments extend the procedure to the works related to the first level of physical protection. Thus, the relevant works now can be financed at the expense of Ukrenergo's investment and repair programs. At the same time, Ukrenergo, at the NEURC's request, will have to provide information on the installation of the first level of physical protection of critical facilities of the transmission system.

**On August 14**, the NEURC amended the [procedure](#) for the temporary connection of electrical installations to the distribution system during martial law. The main changes include:

- simplification of the connection procedure for electricity generation facilities;
- bringing the issue of temporarily connected buildings in line with the requirements of the Distribution Systems Code;
- clarifying the procedure for fulfilling technical requirements for the connection.

**On September 13**, the CMU [approved](#) a list of expenses incurred by gas DSOs related to the repair of infrastructure damaged by hostilities and to measures to prevent crisis situations. The list includes three types of such costs, including technical costs (for the restoration of gas pipelines, valves, etc.), costs related to gas losses caused by hostilities, and costs associated with connection to the gas distribution system at the request of military administrations. The amount of compensation for these costs is reduced by the amount of international assistance received and costs included in distribution tariffs. Compensation will be assessed according to the Methodology for Determining Damage and Losses approved by the Ministry of Energy.

**On September 24**, the NEURC [amended](#) the tariffs for natural gas transmission services for entry and exit points for the gas year 2024–2025. The adopted resolution supplements the previously approved Resolution No. 3013 with a provision on the application of a coefficient of 1 for booking quarterly capacities of interconnectors in the first quarter of the 2024–2025 gas year. This decision reduces the cost of transmission, especially for users importing gas, thus helping to prepare for the autumn–winter period.

### 1.1.4 Other issues



**On July 10**, The NEURC [approved](#) amendments to a number of resolutions that improve the procedures for monitoring compliance with the requirements for the unbundling and independence of the gas TSO. In particular, the gas transmission system (GTS) owner must submit the compliance program and the GTS owner's annual report for publication on the Regulator's website within 5 days. In addition, the Procedure for the certification of the gas TSO is supplemented with a description of the procedure for detecting and eliminating violations regarding the unbundling and independence of the gas TSO. At the same time, the new provisions no longer contain the obligation of the gas TSO to hold consultations with the NEURC regarding the compliance of the new members of its executive body with the requirements for unbundling and independence.

**On July 18**, following communication with the regional military administrations, the CMU [updated](#) the list of critical facilities that are guaranteed priority electricity supply. In addition to hospitals and gas, heating, electricity, water supply and drainage facilities, settlements and facilities within a 20-kilometer zone from the border with Russia and Belarus and within 20 kilometers of the frontline zone will not be cut off from the electricity supply.

**On July 30**, the CMU [approved](#) a decision that allows residents of frontline areas to harvest firewood free of charge during martial law. The decision will apply to the logging residues that remain after felling. Harvesting will be possible, provided that the respective forest areas are safe.

**On August 1**, a pilot project was [launched](#) in Ukraine to simplify the application for housing and utility benefits for war veterans. Under this project, veterans can submit a single simplified application for registration and provision of benefits through the electronic services portal of the Pension Fund of Ukraine. This opportunity is available to combatants, people with disabilities caused by war, and war veterans. Veterans' family members can submit applications for benefits.

**On August 6**, the CMU [approved](#) the Procedure for the implementation of a pilot project on the distribution of humanitarian aid in the form of liquefied petroleum gas to meet the needs of household consumers. The recipients of such aid are the Donetsk, Sumy, Kharkiv, and Kherson military administrations. If humanitarian aid enters the customs territory of Ukraine under the

pilot project, it will be allowed to cross the customs border, be cleared, received, provided, distributed and controlled for its intended use on a declarative basis. Sources of project funding may include donor or humanitarian aid provided by foreign and domestic donors, financial resources under the grant provided by Saudi Arabia for petroleum products, and other sources of funding not prohibited by law. The required amount of humanitarian aid will be determined based on the needs for liquefied petroleum gas identified by the military administrations and will be covered by the donors, including state-owned enterprises Ukrnafta and Ukrigasvydobuvannya.

**On August 28**, the Verkhovna Rada [passed a law](#) on the determining terminology related to smart grids. Aside from that, the law stipulates that in 2024 Ukrenergo should use the funds from the allocation of cross-border capacity to repay debts: 50% will go to the balancing market, and the remaining 50% will be used to pay the Guaranteed Buyer to support the production of electricity from RES. The law also [allows](#) the GTS Operator of Ukraine to introduce a special regime for the operation of gas pipelines, including simplified temporary conservation, which will help optimize excess capacity and save about UAH 1 billion per year.

**On August 30**, the CMU [approved](#) the Procedure for providing one-time financial aid to the population during the heating season 2024/25 for the purchase of solid heating fuel. The procedure stipulates that the recipients of the aid for heating are citizens of the Sumy, Kharkiv, Kherson, Luhansk, Donetsk, Dnipropetrovsk, Zaporizhzhia, Mykolaiv, and Chernihiv regions within a 10-kilometer zone from the state border with Russia or the frontline and/or in the territories of active and possible hostilities. The list of communities whose residents can receive the aid is determined by military administrations. It is established that financial aid for heating is paid at the expense of IFIs and amounts to UAH 21,000 per household for the heating period of 2024/25.

**On September 3**, the CMU [launched](#) a pilot project called 'Unified Platform for Housing and Utility Services' to automate respective services. The platform will provide users with access to an electronic account where they can view information about service providers, tariffs, and appeals, and conclude or terminate contracts online. The project will last two years and will be integrated with other systems to improve data exchange. The new system will provide accessible and

convenient services, improve billing, and allow for better control over the quality of services.

On September 24, the NEURC [adopted](#) a resolution that changed the procedure for monitoring the heat market. The amendments update and simplify the reporting templates for heating companies, reducing the number of indicators by 37%. The purpose of the amendments is to ensure a unified approach to reporting and reduce data duplication.

On September 17, the NEURC [amended](#) Resolution No. 335, dated 1 March 2022 to allow scheduled and unscheduled inspections in the energy and utilities sectors, even in regions with active hostilities, under certain conditions. This amendment was [made](#) to more effectively monitor compliance with license conditions and legislation under martial law.

## 1.2 Acts under consideration

### 1.2.1 Market regulation

On July 16, the Verkhovna Rada [registered](#) a draft law aimed at simplifying the conditions for doing business. Its main provisions include:

- simplification of connection to the power grid, including the possibility for customers to design and exercise non-standard connection projects on their own;
- a moratorium on fines and bankruptcy proceedings against transmission system operators and other market participants for the period of martial law;
- implementation of the REMIT regarding the publication and disclosure of inside information; amendments to the Law "On the Electricity Market", which provide, inter alia, for the reduction of the penalty for market abuse from 1.5% to the twofold NBU discount rate;
- exemption of importers from the obligation to sell a part (10%) of imported electricity on the DAM.

On July 18, the Verkhovna Rada [registered](#) a revised draft law that proposes to change the algorithm for distributing funds from a current account with a special regime of use. The main provisions include:

- introduction of the term "unauthorized electricity withdrawal";
- the right of the supplier of last resort (SoLR) and DSOs to disconnect consumers' electrical

installations for unauthorized electricity withdrawal;

- introducing an obligation for protected consumers and consumers with critical infrastructure facilities to open special accounts for transferring funds for services in the electricity market;
- the right not to resume electricity supply to a consumer in case of debt under a contract with a SoLR or a debt restructuring agreement.

On August 1, the NEURC published [draft](#) amendments to the Procedure for Cross-border Capacity Allocation. The new provisions bring the Procedure in line with the Harmonization Allocation Rules approved by the EU Agency for the Cooperation of Energy Regulators (ACER). The Act will unify the auction platform's algorithms for different interconnection points.

On August 15, the NEURC published [draft](#) amendments to the rules of the retail electricity market and the procedure for metering and selling electricity generated by active consumers. The amendments regulate the conclusion and execution of contracts for the self-production of electricity, provide for the sale of surplus electricity, and define the conditions for condominium associations that want to acquire the status of an active consumer.

On September 13, the NEURC published a [draft](#) law aimed at improving mechanisms for preventing abuse in the wholesale energy market. The amendments include clarification of terms related to energy products and abuse and granting the NEURC the power to draw up protocols on administrative offenses. According to the regulator, this will improve the integrity and transparency of the energy markets, ensure the fulfillment of Ukraine's international obligations, and implement the EU acquis, in particular, Regulation (EU) No 1227/2011 (REMIT).

On September 26, the NEURC announced [plans](#) to revise the price caps in the wholesale market starting from November 1, 2024, which may lead to their increase. In particular, in the DAM and IDM, price caps are proposed at the level of:

- from 00:00 to 07:00 – 5,600 UAH/MWh,
- from 07:00 to 17:00 and from 23:00 to 24:00 – 6,900 UAH/MWh,
- from 17:00 to 23:00 – 9,000 UAH/MWh,
- the minimum price is 10 UAH/MWh.

The following price caps are proposed for the balancing market:

- from 00:00 to 07:00 – 6,600 UAH/MWh,
- from 07:00 to 17:00 and from 23:00 to 24:00 – UAH 8,250/MWh,
- from 17:00 to 23:00 – 10,000 UAH/MWh,
- the minimum price is 0.01 UAH/MWh.

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

N/A

### 1.2.3 Network development and connection

On July 17, the NEURC [planned](#) to amend the Procedure for setting tariffs for electricity distribution services. The NEURC aimed to change the methodology of calculating the distribution tariff for consumers and operators of energy storage facilities by lifting tariff differentiation by voltage. The plans were opposed by industrial consumers, who [emphasized](#) that the abolition of the division of electricity consumers into voltage groups would lead to a decrease in industrial output, loss of jobs, export potential, a drop in budget revenues, etc. On July 29, the head of the NEURC [announced](#) an alternative approach to tariff calculation from 2026, introducing separate tariffs for consumers of three voltage levels (high, medium, and low) instead of two. According to him, this innovation is in line with European legislation and should be implemented by the end of 2025. Yet, as of August 8, according to industry media, the NEURC, supplemented with newly appointed members, has [returned](#) to the issue of unifying electricity distribution tariffs and lifting voltage levels. After the appointment of new commissioners, the NEURC resumed discussions on possible changes to the tariff policy.

## 1.3 Deep dive: specialized long-term auctions for procurement of ancillary services in electricity.

The NEURC [amended](#) several regulations for launching special auctions for long-term ancillary services (AS) provision (up to 5 years). Such services are procured by the electricity TSO (Ukrenergo) and are required to maintain the reliable functioning of the Ukrainian grid and keep it balanced in case of drastic and unexpected changes in demand and supply or other emergencies (including Russian attacks on the power system facilities). Basically, the provision of such services means that the provider is obliged to promptly change

its electricity generation and/or consumption at the TSO command.

The general conditions of these new auctions include:

**Product scope:** The new auctions cover only *frequency containment reserves (FCR, an ancillary service that provides for automatic intervention of the provider within several seconds to restore the balance between the electricity supply and demand in the grid)*, and *automatic frequency restoration reserves (aFRR, an automatic ancillary service that replaces FCR after 30 seconds and can be provided for up to 15 minutes)*.

**Period of ancillary service provision under the contract:** more than 1 year but not more than 5 years.

**Continuity of AS provision:** FCR and aFRR, proposed on the special auctions, should provide for the uninterruptible provision of these ancillary services for at least 2 weeks.

**The new concept of potential ancillary service provider:** the new regulation enables so-called ‘potential ancillary service providers’ (PASP) to participate in new special auctions. PASP is a market participant that intends to provide AS with *the potential ancillary service unit* (power plant, battery, etc.) that will be built in the future. In case PASP wins the auction, the TSO will conclude a **contract on the provision of ancillary services in the future** (a new type of contract). Ukrenergo may choose to postpone the actual provision of AS under this contract by up to **three years**. This new concept reflects the difficult situation in the energy system, as market participants will need time to restore and build capacities needed for the provision of AS.

**Protection of AS prices from exchange rate effects:** the prices of AS provision determined through the auctions (in UAH) will be subsequently converted into euros at the official exchange rate (average for the month in which the auction took place). Then each month the price in euro will be converted into hryvnia at the official rate (average for the month in which AS will be provided).

**Financial safeguards in case of potential ancillary service units:** If the AS provider wants to participate in the auctions with *potential ancillary service unit*, it will have to make a guarantee fee of EUR 5,000 for each such potential unit (this guarantee fee is returned after the auction). If the AS provider in question wins the auction, it will then have to additionally make a financial assurance of EUR 30,000 multiplied by the maximum

capacity of AS to be provided under the auction results. The financial assurance will be returned to the AS provider if it begins to provide ancillary service in due time as provided by **the contract on the provision of ancillary services in the future**. Otherwise, financial assurance will be fully levied by the TSO.

**Oversight of potential ancillary service units by the TSO:** Ukrenergo oversees a **potential ancillary service unit** in terms of its readiness to become a full-fledged ancillary service unit (with all necessary certificates, etc.). If Ukrenergo, based on such oversight, infers, that there is a risk that a **potential ancillary service unit** will not obtain the status of a full-fledged ancillary service unit in terms, provided by **the contract on the provision of ancillary services in the future**, Ukrenergo may choose to procure the same volumes of AS again on the next auctions.

Ukrenergo [announced](#) that it will hold 2 special AS auctions: on August 15 and August 22.

1. Auction on 15 August: AS product procured - frequency containment reserves (FCR), direction - symmetrical, volumes - 99 MW, ceiling price for auction - 1339,82 UAH/MW (VAT not included), term of AS provision - 5 years, start of AS provision - October 1, 2025;
2. Auction on 22 August: AS product procured - automatic frequency restoration reserves (aFRR), direction - loading and symmetrical, volumes - 579 MW (loading) and 421 MW (symmetrical), ceiling price for auction - for loading - 973,39 UAH/MW (without VAT), for symmetrical - 1339,82 UAH/MW (without VAT), term of AS provision - 5 years, start of AS provision - October 1, 2025.

**Results:** According to [Ukrenergo](#), in the first auctions (for FCR), the company procured all required volumes (99 MW, [weighted average price](#) of AS - less than 700 UAH per 1 MW). In the second auction, Ukrenergo's demand was [covered](#) by 62% (for symmetrical capacities) and 41% (for loading capacities), respectively.

## 2 Energy Efficiency

### 2.1 Adopted acts

#### 2.1.1 General policy matters

**On July 3**, the NEURC [amended](#) the Procedure for Formation and Maintenance of the Registry of Electricity Facilities and Electrical Installations of Consumers (Including Active Consumers) Using Alternative Energy Sources for Electricity Generation. The amendments provide for an extension of the deadline for Ukrenergo to submit information to the Regulator to fill in the register. Data on prosumers and other consumers using RES may be submitted until April 1, 2025.

**On July 20**, the Cabinet of Ministers launched interest-free lending programs for households and [extended](#) the '5-7-9 Affordable Loans' program to housing associations and cooperatives to purchase RES generation equipment and energy storage facilities. The former program provides preferential lending at 0% for households for the purchase of equipment and installation of solar panels or wind turbines - with storage systems (mandatory). The latter program provides homeowners with the opportunity to use the '5-7-9% Affordable Loans' program to purchase and install renewable energy installations, as well as storage facilities and auxiliary equipment (up to UAH 5 million for up to 5 years at 7% per annum).

**On July 24**, the NEURC [adopted](#) the resolution supplementing licensing conditions for different activities on the natural gas market. The licensing conditions for TSO and DSOs now include new organizational requirements, such as the installation of smart meters and conducting energy audits as outlined in the Law "On Energy Efficiency". DSOs are also required to avoid actions that could obstruct the implementation of energy services or hinder the growth of the energy service market and other energy efficiency initiatives. Additionally, DSOs must run an assessment of the energy efficiency potential of gas distribution systems. Similarly, gas suppliers are obligated to meet annual energy consumption reduction targets, fulfill state energy efficiency program objectives, and refrain from actions that impede the development of energy

services. They must also ensure energy audits are conducted when required by the Law "On Energy Efficiency".

**On August 9**, the Cabinet of Ministers [amended](#) the decree "On Some Measures to Stabilize the Operation of the United Power System of Ukraine". According to the new provisions, ministries and other central executive authorities, regional military administrations (RMAs) are instructed to ensure the installation of solar generating units and energy storage facilities by the end of 2025 to cover consumption in public and administrative buildings, healthcare, education, and social protection facilities, etc. The measures will be funded by international technical assistance and humanitarian aid, non-governmental funds to support the development of RES and energy efficiency measures, as well as other sources not prohibited by law.

**On June 30**, the Law of Ukraine No. [3764-IX](#) "On Amendments to Certain Laws of Ukraine on Regulation of Powers of Central Executive Authorities in the Field of Energy Efficiency" entered into force. Key changes [include](#) clarified provisions on developing local energy plans, streamlined processes for energy audits and energy efficiency certification, and updated regulations for the creation, operation, and functions of self-regulatory organizations in the energy efficiency sector.

#### 2.1.2 Energy performance of buildings

N/A

#### 2.1.3 Energy labeling, ecodesign, standards and certifications

**On August 20**, the Cabinet of Ministers [approved](#) the Technical Regulation on Ecodesign Requirements for Electronic Displays. However, the Regulation enters into force only after the [Technical](#) Regulation on Energy Labeling of TV sets is canceled (a separate decision of the Cabinet of Ministers pending)

#### 2.1.4 Other issues

**On August 28**, Ukraine [completed](#) a large-scale program to exchange incandescent light bulbs for energy-saving ones, which was implemented since 2022 after the

large-scale Russian shelling of Ukrainian energy infrastructure to increase energy efficiency and balance energy consumption during peak hours. Over 8 million Ukrainians joined the program and exchanged 40 million old incandescent bulbs for LED lamps. The project was implemented by the Ministry of Economy, the Ministry of Digital Transformation, and Ukrposhta with the support of the EU. The most active regions were Kyiv region, with 4.2 million lamps were replaced, Lviv (3.2 million), Dnipropetrovsk (3.1 million), and Kharkiv (2.3 million) regions. According to the program's implementers, it allowed the power system to save about 2 GW of capacity.

On August 30, the Cabinet of Ministers [approved](#) the Strategy for the Recovery, Sustainable Development and Digital Transformation of Small and Medium-Sized Enterprises (SMEs) until 2027, and approved an action plan for its implementation for 2024-2027. The document defines the key policy directions in the field of SMEs, including the restoration of destroyed enterprises according to the "Build Back Better" principle. Special attention is paid to the green transition, digital transformation, innovative development, and inclusiveness of business. The strategy takes into account the recommendations of the OECD, is in line with the EU-Ukraine Association Agreement and is also consistent with the Ukraine Plan and the 2030 National Energy and Climate Plan.

## 2.2 Acts under consideration

### 2.2.1 General policy matters

On July 26, the Ministry of Energy [published](#) a draft resolution of the Cabinet of Ministers "On the creation of an information database of natural gas consumption". The act is aimed at solving the issue of accurate metering of gas consumption in Ukraine, which complicates analysis and planning. The draft shall implement provisions of the Law "On Ensuring Commercial Metering of Natural Gas" regarding the creation of an information database that will improve monitoring, analysis, and forecasting of the situation, providing a more accurate assessment of market performance and increasing energy efficiency. Also, the adoption of the act is a necessary precondition for the implementation of REMIT (the Regulation (EU) No 1227/2011 of the European Parliament and of the Council of 25 October 2011 on wholesale energy market integrity and transparency).

On August 13, the Ministry of Infrastructure [published](#) a draft Law "On the Basic Principles of Housing Policy"

which [states](#), among the tasks of the housing policy, ensuring the energy efficiency of housing.

On July 19, the Ministry of Infrastructure [published](#) a draft of the State Targeted Economic Program for the Energy Modernization of State- or Municipally-Owned Thermal Energy Producers for the Period Until 2030 and a respective Strategic Environmental Assessment Report. The purpose of the program is to modernize district heating systems, increase their energy efficiency, reduce the specific consumption of fuel and energy resources, and increase the share of renewable energy, waste heat energy, and heat energy produced in the cogeneration process.

### 2.2.2 Energy performance of buildings

N/A

### 2.2.3 Energy labeling, ecodesign, standards and certifications

N/A

### 2.2.4 Other issues

On July 9, the Ministry of Infrastructure [published](#) the draft Law "On Amendments to the Law of Ukraine "On Commercial Metering of Thermal Energy and Water Supply" to define the authority of supervising the commercial metering of services for the supply of heat, hot water, centralized water supply, and the specifics of control in this area.

## 2.3 Deep dive: improvement of energy efficiency management and requirements

On June 30, 2024, the Law of Ukraine [No.3764-IX](#) "On Amendments to Certain Laws of Ukraine Regarding the Regulation of Powers of Central Executive Authorities in the Field of Ensuring Energy Efficiency" entered into force. The law aims to improve governance in energy efficiency on the national level, making it clearer and in line with European standards. Inter alia, the law provides for:

- **Redistribution of powers among central executive authorities.** The law provides for a clear division of functions and tasks among the authorities responsible for energy efficiency, in particular:

The Ministry of Energy becomes a key authority that ensures the formation and implementation of state policy in the field of ensuring energy efficiency.

The central executive authority that implements state policy in the field of ensuring energy efficiency – the State Agency on Energy Efficiency and Energy Saving – receives more specific functions regarding the development and implementation of energy efficiency programs, the development of national energy action plans, the implementation of the energy management systems and energy efficiency audits, and measures to increasing energy efficiency in various sectors of the economy.

This redistribution of powers will avoid duplication of functions and reduce bureaucratic obstacles, increasing the efficiency of management in this area.

- **Clarification of the provisions on local energy plans**, in particular, the authorities responsible for the development, approval and implementation of local energy plans are defined. It is determined that the goals of local energy plans are consistent with the national energy efficiency goal and the national goal for reducing GHG emissions, and the measures of local energy plans are determined taking into account the National Energy and Climate Plan.
- **Requirements for energy certification and energy audit of buildings**. The changes concern the procedures for the energy certification of buildings, which is an important tool for reducing energy consumption and increasing transparency in this sector. Energy efficiency certification and energy audit of buildings are performed in accordance with the Procedure for conducting energy efficiency certification and energy audit of buildings (which still needs to be developed and approved).
- **Control and monitoring of energy consumption through energy labeling**. Control over compliance with energy consumption standards is being strengthened. The law provides for new mechanisms of state supervision over the implementation of energy labeling. Information from the database of energy-consuming products of the EU (EPREL database) is used for those products that are put into circulation/operation on the market of Ukraine and that are used on the market of the EU. For such products, the energy label can be either of the European model (with the EU logo) or of the Ukrainian model (with the State Flag of Ukraine). For energy-consuming products that are put into circulation/operation only on the market of Ukraine and which are not registered in the EPREL database, an label without the EU logo must be

provided on the manufacturer's website, and the QR code must be linked to the manufacturer's website, where product information is posted.

- **Institutional changes**. The law provides for updating the functions of the Energy Efficiency Fund, which will support the implementation of measures to modernize buildings, especially in the residential sector. The institutional framework for state control will become more structured and enforceable. The central executive authority responsible for supervision gains broader powers, which could lead to improved compliance and reduced violations. The introduction of a formal oversight mechanism addresses existing regulatory gaps and streamlines the process for monitoring commercial and distributional accounting of utilities.

The law is an important step for the improvement of governance in the field of energy efficiency in Ukraine. It is designed to create conditions for greater coordination between public authorities, improve mechanisms of control and supervision, and facilitate the development and approval of local energy plans.

## 3 Industrial emissions

### 3.1 Adopted acts

#### 3.1.1 General policy matters

On July 16, the Verkhovna Rada [adopted](#) the [Law On Integrated Prevention and Control of Industrial Pollution](#). The law establishes the legal and organizational framework for the prevention, reduction and control of industrial pollution through the introduction of an integrated environmental permit. It defines the requirements for the permit, the types of eligible activities, the issuance procedure, the reasons for refusal and revocation, and the application of best available techniques (BAT). The Law will come into force 12 months after its publication, i.e. August 8, 2025.

On July 16, the Verkhovna Rada [adopted](#) in the first reading the draft [law](#) "On the Basic Principles of State Climate Policy". The Minister of Environmental Protection and Natural Resources Ruslan Strilets noted that this step will facilitate the transition to practical actions for climate change adaptation, the introduction of climate financial instruments and the postwar recovery of Ukraine, taking into account the climate agenda. The act shall help integrate climate issues into other areas of public policy, fulfill Ukraine's European integration and international commitments, and harmonize national legislation with the EU law.

#### 3.1.2 Emission limits and standards, MRV requirements

On July 16, the Verkhovna Rada adopted in the first reading the draft [law No. 9596](#), which establishes a zero-rate environmental tax on CO<sub>2</sub> emissions for facilities combusting biofuels.

#### 3.1.3 Other issues

On August 5, the Ministry of Environmental Protection and Natural Resources [announced](#) the completion of the public discussion procedure of the draft resolution of the Cabinet of Ministers of Ukraine "On the implementation of an experimental project on state registration of installations in the United Registry for monitoring, reporting and verification of GHG emissions in automatic mode". As reported, in the

process of public discussion, no proposals and comments on the draft resolution were received.

### 3.2 Acts under consideration

#### 3.2.1 General policy matters

On August 27, the Ministry of Environmental Protection and Natural Resources [published](#) a draft order on amendments to the Technological Standards for Permissible Pollutant Emissions from Thermal Power Plants, the nominal thermal power of which exceeds 50 MW. The changes suggested will allow operators of installations used for the production of electricity and heat from natural gas to construct and operate such facilities without applying the Technological Standards.

In fact, this is the same draft that was [published](#) in May 2024. However, in the new version, the derogations are more precisely prescribed, as they are proposed to be applied to gas piston and gas turbine units, block-modular boiler houses, gasoline/diesel and gas generators used for the production of electricity and thermal energy from natural gas until December 31, 2026, and in the period of martial law application.

On August 30, the Verkhovna Rada registered a draft law "On Climate Safety" ([No.11534](#)) introduced by a MP, aiming to provide legal grounds for the development of state policy, the creation of a Scientific and Research Center for Climate Security and the strengthening of climate security at all levels - from national to local.

On September 19, the Ministry of Environmental Protection and Natural Resources [published](#) the draft order on the approval of the Procedure for the establishment of regional environmental monitoring centers and the Model Regulation on regional environmental monitoring centers. The aim of [creating](#) such a system is to improve the efficiency of managing environmental conditions on a regional level. This will allow integrating environmental information into the data system, analyzing the state of the environment, forecasting its changes, and providing authorities with the necessary information for decision-making in the field of nature protection.



### 3.2.2 Emission limits and standards, MRV requirements

N/A

### 3.2.3 Other issues

N/

## 3.3 Deep dive: Draft Law on Basic Principles of State Climate Policy

On July 16, 2024, the Verkhovna Rada of Ukraine adopted the draft Law [No.11310](#) "On the Basic Principles of State Climate Policy" in the first reading. The purpose of this legislation is to define the legal and organizational foundations of climate policy for low-carbon development of Ukraine, achieving climate neutrality, adaptation to climate change, fulfillment of international obligations, and creation of a national system for inventorying GHG emissions and sinks, as well as a system for monitoring and forecasting climate change.

The draft Law is intended to determine:

- Principles of national climate policy;
- Long-term goals of the climate policy, as well as principles for determining medium- and short-term goals;
- Organizational structure of governance and regulation in the field of climate change;
- Principles of strategic planning of the climate policy;
- Mechanisms and tools for achieving climate goals;
- The principles of tracking and assessing the achievement of the climate policy goals;
- Principles of functioning of the National System of Inventory of Anthropogenic Emissions and Absorption of Greenhouse Gases;
- Basic principles of international cooperation in the field of climate policy.

The draft Law mentions the following **long-term objectives**:

- achieving climate neutrality (although without clear time horizon);
- reducing net GHG emissions by at least 65% by 2030 as compared to 1990 levels;
- keeping the increase in the global average temperature well below 2°C and efforts to limit the increase to 1.5°C above pre-industrial levels;

- increasing resilience and reducing risks associated with climate change, in particular with regard to public health.

The long-term goals of the national climate policy generally correspond to the climate goals established in the Paris Agreement and the European Climate Law, however, in contrast to Regulation (EU) 2021/1119, the draft does [not specify](#) the year 2050 for achieving climate neutrality, as well as the relations between climate policies with the European Green Deal. As an intermediate target, the draft law calls for a reduction of net GHG emissions by at least 65% as compared to 1990 levels by 2030 (while the European Climate Law calls for a reduction of at least 55% by 2030), which is already set under the updated Nationally Determined Contribution.

In addition, [according to](#) the conclusions of the Verkhovna Rada Committee on Environmental Policy and Nature Management, the draft law does not fully take into account the provisions of the Regulation (EU) 2021/1119, particularly in terms of establishing the basis for the irreversible and gradual reduction of anthropogenic GHG emissions and the increase of absorption by sinks. Also, the [conclusions claim the draft does not take into account](#) the need for the gradual approximation of Ukrainian legislation to EU acquis, in particular regarding the implementation of the Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community; the changes and additions required for developing a national allocation plan (Article 9); introduction of a GHG permits system and allowances circulation and transfer at the national level in Ukraine (Articles 4 and 11-13).

As for **medium-term climate goals**, the draft law defines that they are established in the LongTerm Climate Strategy, which shall be developed and approved as part of implementation, and must contain the following indicators:

- achieving a reduction in emissions and an increase in absorption in various areas compared to the baseline year;
- increasing the share of RES and alternative fuels in Ukraine's energy balance;
- reduction of the energy and carbon intensity of the gross domestic product;
- development of ecologically clean and low-carbon technologies and infrastructure, as well as the implementation of nature-based solutions in various sectors of the economy;

- increasing the ability to adapt to the adverse effects of climate change, as well as promoting Ukraine's low-carbon development and resilience to climate change in a way that does not jeopardize food production;
- increase in the amount of greenhouse gases that are removed from the atmospheric air; etc.

The draft law also provides for a number of instruments aimed at promoting the low-carbon development of Ukraine as incentives for the use of environmentally friendly technologies. In particular, the following types are mentioned:

- fiscal mechanisms, which currently include only a carbon (environmental) tax for domestic producers;
- market mechanisms, which will be based on the introduction of ETS;

- organizational and economic mechanisms for promoting low-carbon development, which include tools aimed at promoting green development and creating green jobs, increasing energy efficiency requirements;
- state aid mechanisms to support efforts of businesses to reduce GHG emissions and adapt to climate change;
- incentives for households to participate in climate change prevention and adaptation.

The draft law also provides for a list of possible financing mechanisms for climate change prevention and adaptation, including investments from budgets at different levels, loans, grants, public-private partnerships, and military risk insurance

