



Ukraine

Population ¹	44,622,518
Area (km ²) ¹	603,550
GDP per capita (USD) ¹	3,096.81
TES (Mtoe) ²	93.49
Energy intensity (toe/10 ³ 2015 USD) ²	0.95
CO ₂ emissions - energy (MtCO ₂) ³	181.8

Data by Orbis Crossborder Investment on completed energy projects and deals from 2015-2021⁴

Target industry	Number of projects and deals	Project CapEx and deal value (million EUR) by source country
Electric power generation, transmission and distribution	5 new projects 10 minority stake deals 13 acquisition deals	Cyprus: 9 FF deals of 149 mEUR 3 TD deals of 67 mEUR Norway: 2 RE deals of 137 mEUR Sweden: 1 RE project of 106 mEUR Turkey: 1 RE project of 55 mEUR Canada: 2 RE projects of 22 mEUR Latvia: 1 RE project of 3 mEUR Undisclosed: 1 FF deal of 2 mEUR Values of 5 deals (Netherlands), 2 deals (Singapore), and 1 deal (Belize) are N/A
Extraction of natural gas and crude petroleum	3 acquisition deals 2 minority stake deals	Netherlands: 4 deals of 163 mEUR Value of 1 deal (Canada) is N/A
Manufacture of refined petroleum products	3 acquisition deals	Values of 3 deals (Cyprus and Netherlands) is N/A
Transport by pipeline	1 minority stake deal	Value of 1 deal (British Virgin Islands) are N/A
Support activities for petroleum and natural gas extraction	3 acquisition deals	Liechtenstein: 2 deals of 0.01 mEUR Value of 1 deal (Cyprus) is N/A
Mining of hard coal and lignite	1 acquisition deal	Value of 1 deal (Cyprus) is N/A

Sources:

1. The World Bank 2018
2. ©IEA (2021), World Energy Balances (<https://www.iea.org/data-and-statistics>). All rights reserved.
3. ©IEA (2021), CO₂ Emissions from Fuel Combustion (<https://www.iea.org/data-and-statistics>). All rights reserved.
4. Orbis Crossborder Investment (2021), Bureau Van Dijk. Ukraine is the destination country of the investment. Data represents the period 1 April 2015 - 1 April 2021 (accessed on 1 July 2021). For more information see Annex II of this report.

RE: Electricity generation from renewable resources

FF: Electricity generation from fossil fuels

TD: Transmission and distribution of electricity

Ukraine’s overall risk level against the assessed areas is **low**.

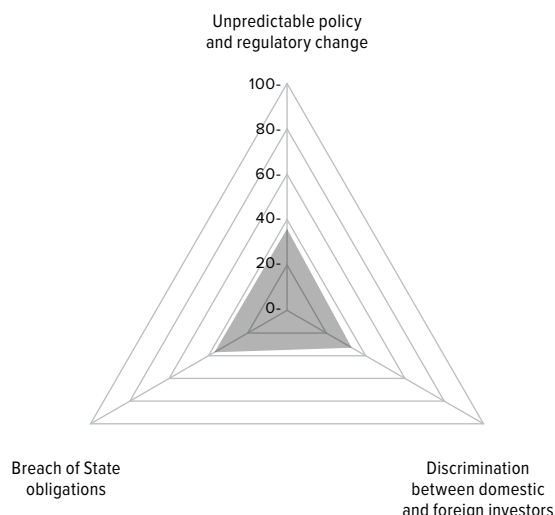
Of the three risks assessed in EIRA, *discrimination between domestic and foreign investors* is lower compared to *unpredictable policy and regulatory change* and *breach of State obligations*.

Ukraine’s performance is good on all the EIRA indicators. It has maintained a score of 71 on the indicator *regulatory environment and investment conditions*. On the indicators *management of decision-making processes* (68), *rule of law* (63), and *foresight of policy and regulatory change* (61), it has the same score as in EIRA 2020.

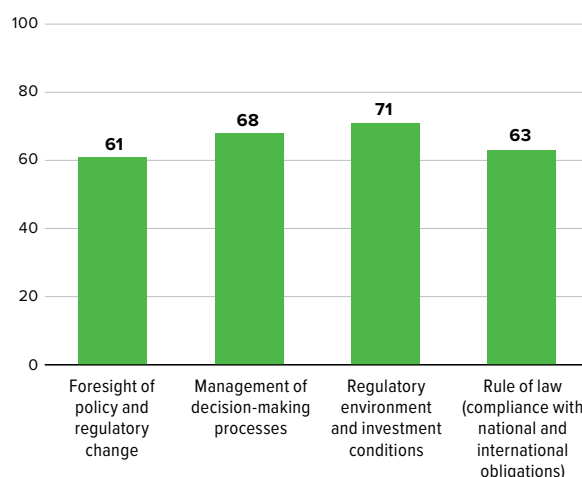
On a more detailed level, Ukraine’s overall sub-indicator performance is good. Its highest-scoring sub-indicator is *transparency* at 83, followed by *management and settlement of the investor-State disputes* at 75. On *communication of vision and policies*, its score has increased by a point and stands at 73. On *regulatory effectiveness* (72), *restrictions on FDI* (70), and *institutional governance* (53), it has the same score as in EIRA 2020. *Robustness of policy goals and commitments* and *respect for property rights* are the lowest-scoring sub-indicators, both at 50.

While Ukraine has the relevant policies and measures in place, there is potential for improvement. Attention should be given to strengthening the robustness of its policy goals and commitments and reinforcing the respect for property rights.

RISK LEVEL



INDICATOR PERFORMANCE

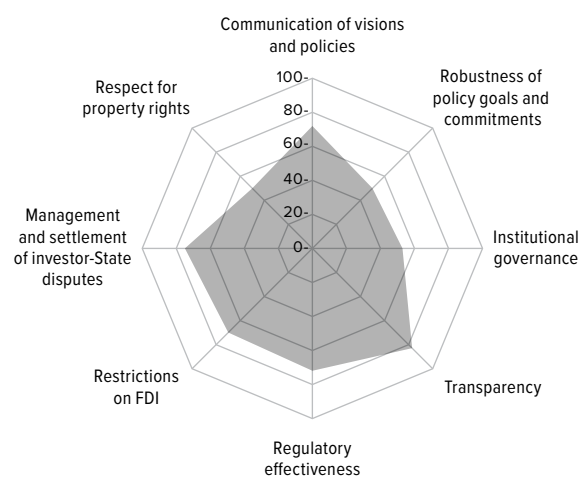


YEAR-ON-YEAR COMPARISON

RISK AREAS	2018	2019	2020	2021
Unpredictable policy and regulatory change	40	39	36	36
Discrimination between domestic and foreign investors	37	36	33	33
Breach of State obligations	38	38	37	37

INDICATORS	2018	2019	2020	2021
Foresight of policy and regulatory change	57	59	61	61
Management of decision-making processes	59	62	68	68
Regulatory environment and investment conditions	67	67	71	71
Rule of law	63	63	63	63

SUB-INDICATOR PERFORMANCE



Foresight of policy and regulatory change

QUICK FACTS

The Energy Strategy of Ukraine through 2035: Security, Energy Efficiency, Competitiveness was adopted in 2017.

Ukraine ratified the Paris Agreement in 2016 and submitted its first NDC.

STRENGTHS

Ukraine remains committed to strengthening its energy security. On 30 March 2021, the Ministry of Energy (MoE) approved the Programme Ensuring the Reliability of Electricity Networks to complement the country's energy security dimension. Moreover, the Government expects electricity production to increase by 4.9% from 2020 to 2021, due to more power generation from the existing nuclear power plants (from 76.2 billion kWh in 2020 to 81.3 billion kWh in 2021) and HPPs (from 6.0 billion kWh in 2020 to 7.4 billion kWh in 2021). The Government is also improving the policy framework on renewable energy and energy efficiency. In 2020, it submitted to the Energy Community Secretariat the National Renewable Energy Action Plan for after 2020. In March 2021, the Parliament adopted in the first reading Law No. 4507, "On Energy Efficiency" and the accompanying energy efficiency targets, to comply with the EU Energy Efficiency Directive. The Government is currently finalising the draft National Energy Efficiency Action Plan for after 2020.

The MoE and the National Security and Defense Council of Ukraine monitor the implementation of the national energy priorities. In 2020, the MoE published the annual financial statements of State-owned enterprises and produced a monitoring report on the National Plan to Reduce Emissions from Large Combustion Plants. In July 2020, the State Audit Service released an audit report on the execution of the budget by the MoE in its programmes. In 2020 and 2021, the State Agency on Energy Efficiency and Energy Savings of Ukraine submitted its fourth and fifth annual reports under the EU Energy Efficiency Directive to the Energy Community Secretariat. The reports track the progress achieved towards the national energy efficiency targets and provide key statistical indicators. It has also submitted to the Energy Community Secretariat its Fourth Progress Report on promoting and using energy from renewable sources.

AREAS FOR IMPROVEMENT

The Government should intensify its efforts to finalise and adopt its National Energy Climate Plan (NECP) as soon as possible. The NECP can streamline energy policies for the short- and long-term and establish new targets on key issues such as climate change adaptation and mitigation and energy security.

While the Government regularly evaluates the implementation of the national energy targets, it should take steps to make the monitoring authorities institutionally independent, self-funded, and equipped with sufficient technical skills and human resources.

Management of decision-making processes

QUICK FACTS

By the Cabinet of Ministers (CoM) Resolution No. 425 dated 27 May 2020 "On Some Issues of Optimising the System of Central Executive Bodies", the erstwhile Ministry of Energy and Environmental Protection of Ukraine is divided into the Ministry of Energy of Ukraine and the Ministry of Ecology and Natural Resources of Ukraine.

Law No. 2939 "On Access to the Public Information" determines the procedure for securing access to information from Government agencies.

STRENGTHS

The Government is improving coordination between the central-level institutions in the policy-making process. It is currently implementing the Strategy for Public Administration Reform until 2025 to define the competencies and functions of the central executive bodies. Additionally, in the context of its decentralisation reform, the country is increasing the financial autonomy of local governments by granting them absolute decision-making powers on budgetary issues. To this end, in September 2020, the Parliament amended Law No. 907-IX "On the Budget Code of Ukraine" aligning the State budget legislation with the administrative and territorial reform process. The amendments separate the revenue and expenditure sources of the municipalities from the districts. Moreover, they make the districts' budgets independent of the State and eliminate the subsidies granted to them by the State.

In 2020, the MoE published its Indicative Plan for Public Consultations. It also reported, in July 2020, on the access to information requests it received during the second quarter of the year and the results of these requests. During 2020, the MoE announced public consultations on 36 draft laws, resolutions and orders concerning the energy sector. Among these, it organised public hearings on the draft Order "On Amending the Methodology for Calculating the Fee of the Electricity Flow" and amendments to the Regulation "Imposing Special Obligations on the Natural Gas Market Entities to Ensure Public Interests in the Process of the Natural Gas Market Functioning". Moreover, in 2020, the National Energy and Utilities Regulatory Commission (NEURC) published the annual tariffs for the gas distribution activity. Per the NEURC Resolution No. 459 of 2018, the electricity Transmission System Operator, NPC Ukrenenergo, published the electricity transmission data on the Transparency Platform of the European Network Transmission System Operators of Electricity (ENTSO-E).

AREAS FOR IMPROVEMENT

The Parliament of Ukraine may consider adopting a law that establishes a methodology for drafting strategic planning documents and mechanisms to decentralise policy planning and decision-making. This law can also streamline the Government's action plans with those of other central and local institutions such as ministries, State agencies, regional administration and local municipalities.

Regulatory environment and investment conditions

QUICK FACTS

The NEURC is a permanent central executive authority with the special status for regulating the energy and utilities sectors.

Law No. 264-IX “On Amendments to Certain Laws due to Unbundling of Natural Gas Transmission Activity” (Unbundling Law), came into force on 17 November 2019.

STRENGTHS

The Government is trying to increase regulatory certainty for renewable energy investors and ensure the liquidity of the Guaranteed Buyer (GB). On 31 July 2020, the President of Ukraine signed Law No. 810-IX, which requires the CoM to include in the State budget expenditures partial financial support to the GB (at least 20% of the forecasted revenues of renewable energy producers). Moreover, Law No. 1006-IX foresees State guarantees to NPC Ukrenergo so it can repay its debts to the GB. In November 2020, the NEURC also hiked the electricity transmission tariffs chargeable by NPC Ukrenergo to increase payment levels. Another positive development is that the GB can now sell renewable energy under bilateral arrangements at auctions. The first such auction was held on the Ukrainian Energy Exchange in October 2020.

According to the National Bank of Ukraine, FDI in the electricity, gas and steam supply sector amounted to USD 409.1 million. In January 2021, the MoE signed a Production Sharing Agreement with the Ukrainian subsidiary of US-based Aspect Holdings LLC. Moreover, in November 2020, the Chinese Power China company signed a EUR 860 million contract with the Ukrainian developer Windfarm to construct an 800 MW wind power plant. The Government is trying to strengthen investors' confidence in renewable energy. Law No. 810-IX guarantees that the State will neither cancel nor revise the Feed-in Tariff mechanism between 1 July 2020 and 31 December 2029, except for defence, national security, civil order, or environmental protection reasons. In December 2020, the MoE announced its view on renewable energy source auctions and set indicative quotas for 2022-2025. It is expected that the total capacity to be auctioned in 2021 from all renewable energy types will be 365 MW.

AREAS FOR IMPROVEMENT

The Government is encouraged to bring in legislation that makes the NEURC compliant with the EU Third Energy Package. In particular, the NEURC should be an independent authority that is not subordinate to the CoM.

The Government is working in the right direction to stabilise the renewable energy market. To reduce the GB's financial burden, it should adopt regulations and operational rules on corporate Power Purchase Agreements, particularly allowing renewable energy producers to exit the GB's balancing group and sell electricity in other market segments. It should also adopt a strategy with timelines for switching to the feed-in-premium support scheme.

Rule of law

QUICK FACTS

Law No. 193-IX “On Amending of the Law of Ukraine on the Judiciary and Status of Judges” was adopted in 2019.

In 2009, the Parliament adopted the Law of Ukraine “On the Alienation of Privately Owned Land Plots and Real Estate Located on Them for Public Needs and for Social Necessity”.

STRENGTHS

Over the last year, private energy investors proactively utilised the Business Ombudsman Council (BOC) to resolve conflicts with public sector entities. As of February 2021, the BOC accepted 77 complaints from energy and utility companies. Of these complaints, 74 were investigated through the BOC's direct intervention. The Government is committed to increasing the role of dispute resolution alternatives and legislating the mediation option. In July 2020, the CoM signed the resolution on adopting draft Law No. 3504-P dated 2 July 2020 “On Mediation” as an alternative settlement mechanism that will contribute to decreasing the number of cases pending in the domestic courts. In April 2021, the Parliament adopted Law No. 1416-IX “On Amendments to Certain Legislative Acts of Ukraine Ensuring Gradual Implementation of the Unified Judicial Information and Telecommunication System”, allowing courts to hear cases electronically.

Ukraine is working to strengthen the property-related rights of investors. In June 2020, the CoM adopted Resolution No. 683-IX to establish a Temporary Special Commission on the Protection of Investors Rights. The Commission is required to prepare and submit to the Parliament of Ukraine legislative initiatives that protect investors' rights and ensure equal protection of the rights, interests, and property of investments entities. In 2020, the National Information Systems, in cooperation with the State Judicial Administration of Ukraine, introduced an online information exchange portal that enables registrars and public notaries to access and verify court decisions online. In October 2020, Ukraine and the United Kingdom signed the Political, Free Trade and Strategic Partnership Agreement (PFTSPA). The PFTSPA is a treaty with investment provisions applicable to the energy sector, and it acknowledges the need for energy cooperation and ongoing implementation of the ECT.

AREAS FOR IMPROVEMENT

The Government may consider revising the national laws to give a more detailed definition of the term “public purpose” in expropriation. While the right of countries to determine what constitutes “public purpose” is foremost, it is also important that a definition that is not overly broad or vague is stipulated in the law.

IMPLEMENTATION STATUS



Ukraine

PROPOSED IN	EIRA AREAS FOR IMPROVEMENT	IMPLEMENTATION STATUS AS OF 1 APRIL 2021
Indicator 1		
2018	Develop an action plan to implement the Energy Strategy of Ukraine through 2035 beyond the first phase (2020).	Work ongoing. The Cabinet of Ministers (CoM) are currently developing the draft action plan on the implementation of the second stage of the Energy Strategy "Optimisation and Innovative Development of Energy Infrastructure (until 2025)". The draft action plan for the third stage (until 2035) will be submitted to the CoM of Ukraine by 1 December 2025.
	Make the body responsible for monitoring the energy policies independent of the Government of Ukraine.	Pending
2021	Intensify efforts to finalise and adopt Ukraine's National Energy Climate Plan as soon as possible.	Improvement suggested in 2021. Status will be updated in 2022.
Indicator 2		
2018	Set up a one-stop shop for all energy-sector related business services.	Work ongoing. The Law "On Preparation and Implementation of Investment Projects under 'One-Stop' Principle" is in effect since 2012 but the CoM of Ukraine is yet to approve the subordinated legislation to make it operational.
	Appoint a unit/ministry to lead the implementation of the country's NDC.	Fully implemented. In May 2020, the Ministry of Ecology and Natural Resources was established to ensure compliance, among other things, with the Paris Agreement commitments.
2021	Adopt a law that establishes a methodology for drafting policy planning documents in a decentralised manner.	Improvement suggested in 2021. Status will be updated in 2022.
Indicator 3		
2018	Comply with the EU's Third Energy Package by making the National Energy and Utilities Regulatory Commission (NEURC) independent of the Government of Ukraine.	Work ongoing. Following the Constitutional Court of Ukraine's decision of 13 June 2019, the NEURC Law was amended on 19 December 2019 to state that the NEURC is a permanent central executive authority with special status, created by the CoM.
	Increase the scope of land ownership for foreign companies.	Work ongoing. Starting from 1 July 2021, foreigners and legal entities whose founders or ultimate beneficiaries are foreigners (except entities controlled by citizens of an aggressor State or by persons or organisations registered in any of the FATF list States) will be able to buy agricultural land subject to approval by a national referendum. However, it is still prohibited to enter into transactions through which foreigners or foreign legal entities can obtain agricultural land within 50 km from the State border.
	Lower currency controls and restrictions on capital transfer applicable to foreign investment.	Fully implemented. From 10 July 2019, the National Bank of Ukraine has removed the EUR 12 million monthly cap on the repatriation of dividends from foreign investments. On 9 September 2019, the National Bank also cancelled the monthly limit of EUR 5 million on payments to foreign investors for the sale of securities, corporate rights, and also on payments of funds received as a result of decrease of share capital of legal entities and withdrawal from a company.
2020	Remove local content requirements under the Law "On Production Sharing Agreements" 1999 as amended in 2017.	Pending
	Avoid the application of the recently introduced reduction in Feed-in Tariff support for solar and wind power plants to existing investments.	Work ongoing. On 31 July 2020, the President of Ukraine signed Law no. 810-IX to meet the terms of the Memorandum of Understanding between the Government of Ukraine and two renewable energy associations.
2021	Adopt operational rules on corporate Power Purchase Agreements and adopt a strategy with timelines for switching to the feed-in-premium scheme.	Improvement suggested in 2021. Status will be updated in 2022.
Indicator 4		
2018	Adopt legal provisions on mediation and conciliation in investor-State disputes.	Work ongoing. On 15 July 2020, the draft law "On Mediation" was adopted in the first reading. The draft law is being prepared for a second reading.
	Amend the domestic laws to define the term "public purpose" in the case of expropriation.	Pending