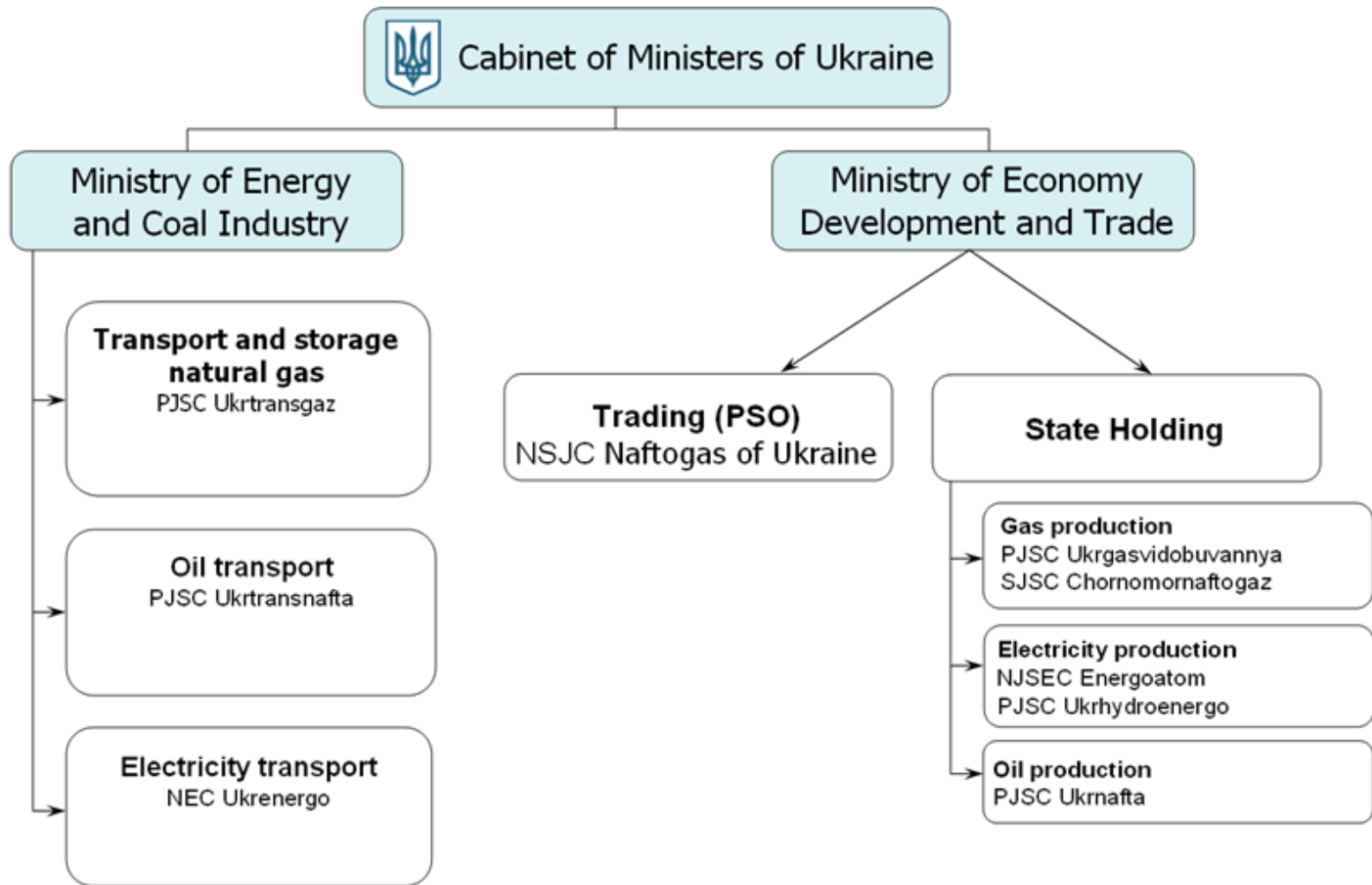


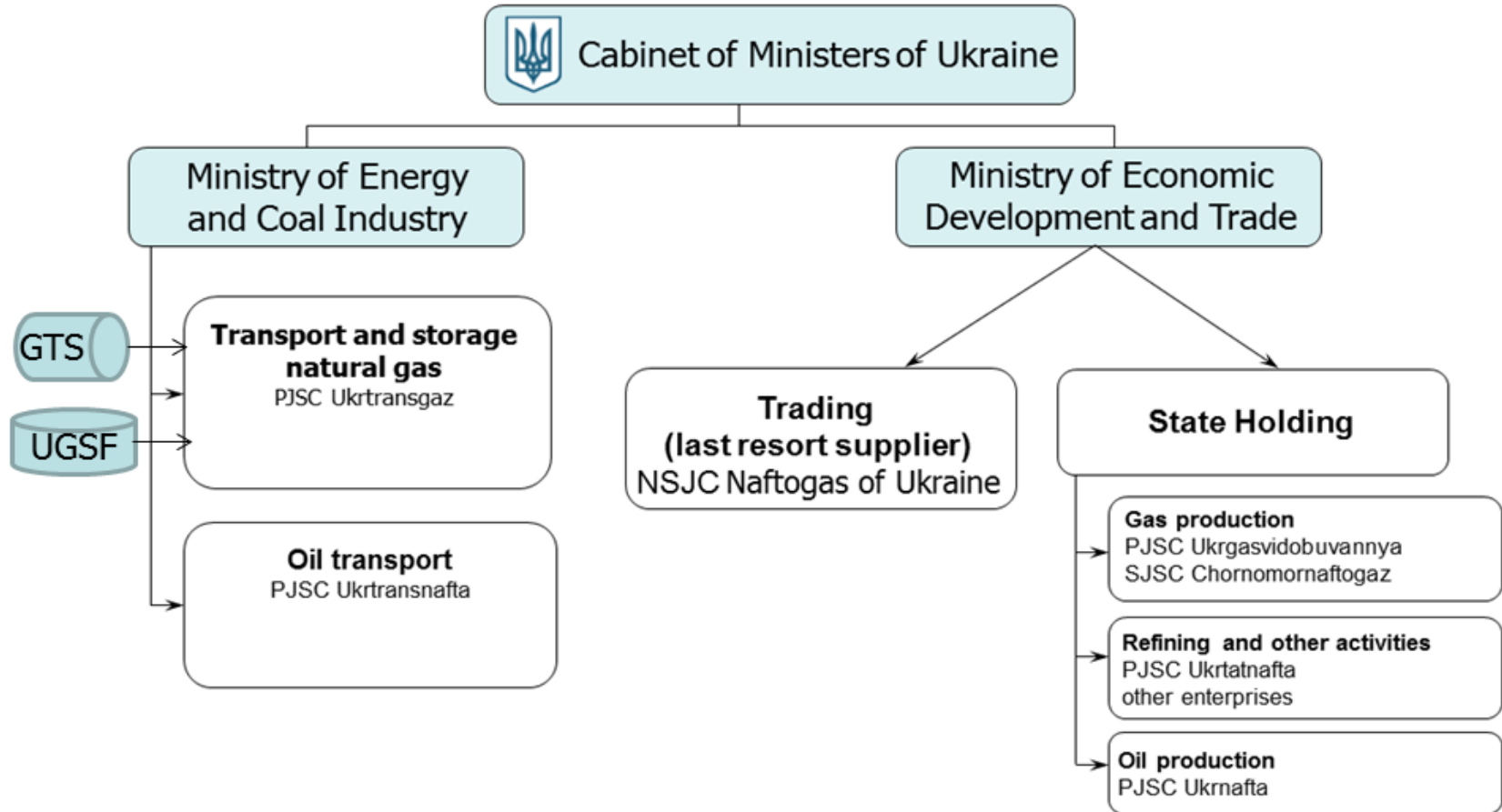
# RESTRUCTURING OF UKRAINIAN OIL AND GAS MARKET AS PER 3EP REQUIREMENTS *(vision of MoECI)*



# The overall vision of distribution of key state-owned assets in fuel and energy complex among public bodies

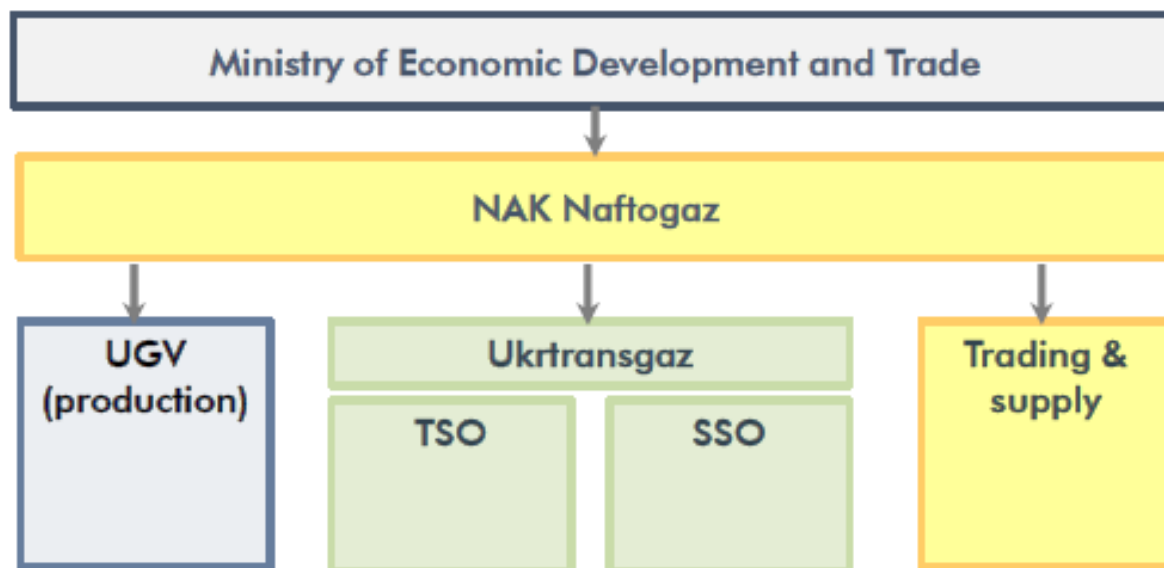


# Restructuring plan of NJSC “Naftogaz of Ukraine”

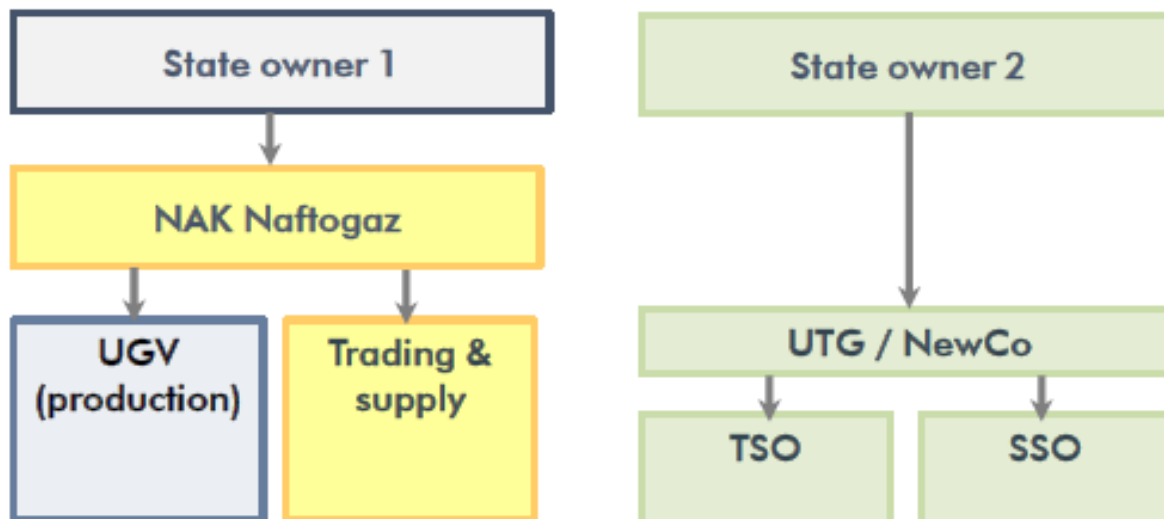


# Recommended transitional industry structure

*Current structure*



*Recommended transitional structure*



# Evaluation of options:

## Options compared

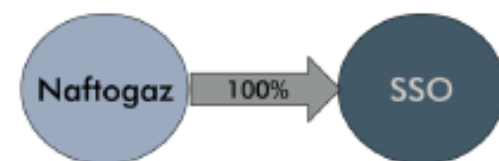
Medium scoring options

Higher scoring options

Options	1 NAK subsidiary owns and operates storage	2A SSO and TSO are divisions of a combined company	2B SSO is division of a holding company (TSO is indep.)	2C SSO and TSO separately owned by a holding company	3 Independent SSO	4A Two SSOs (one with TSO)	4B One SSO with dedicated volume for TSO
Criteria							
Compliance with 3EP and national legislation							
Ease of implementation							
Development of a competitive market							
Transparency							
Security of supply							
Facilitating trade							
Improving efficiency of storage operation/use							
Attracting investors in storage facilities							

# Description and evaluation of options -

## Option 1: Assessment



	Criteria	Commentary
General	Compliance with 3EP and national legislation	Compliant, though need to demonstrate <b>effective legal and functional unbundling</b> from the production and supply businesses
	Ease of implementation	Could take time to <b>create an entity that operates independently</b> from production, transmission and supply, although storage operations and accounts are already being separated from transmission within UTG. Also, <u>might be difficult to immediately separate transmission and storage</u> , which historically have been considered to be integrated
	Development of a competitive market	<u>Competing suppliers who are storage users will have concerns over non-discriminatory access</u> and security of information
	Transparency	<u>Because storage will be owned by the production and supply arms</u> , there will be <u>concerns from other suppliers</u> of discrimination and therefore this is unlikely to demonstrate greater transparency
Storage specific	Security of supply	<u>May reduce willingness of some participants to use storage facilities so security could be damaged</u>
	Facilitating cross-border trade	Could be beneficial for NAK's traders developing <b>cross-border links and capabilities that may be available to the SSO</b> , but less so for competing traders
	Improving efficiency of storage operation/use	Integration with some upstream or supplier based activities including trading may bring <b>limited benefits</b> , but likely to accrue to the incumbent rather than the market
	Attracting investors in storage facilities	Third party investors may be prepared to invest though comments from some market participants suggest that <b>attractiveness may be diminished</b> by poorer prospects for long term utilisation unless storage facilities are unbundled in smaller blocks



Thank you for attention!