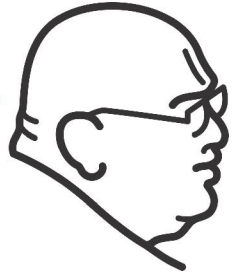


BENDUKIDZE
FREE MARKET
CENTER





Energy Reform Passport (1/3)

ULTIMATE GOAL

Energy Sector of Ukraine ensured Quality and Affordable Energy Resources for Sustainable Economic Growth and Energy Independence

STRATEGIC GOALS

(Ultimate outcome)

1. Energy Markets Liberalized

2. National Energy Security Ensured

3. Effective Market Regulation, Safety and Environment Protection Ensured

OPERATIONAL GOALS

(Intermediate outcomes)

1.1. Equal access to the market for state-owned and private companies is ensured; transparency and competition increased

1.2. Market-based pricing for all primary energy resources and economically feasible tariffs ensured

1.3. State-owned energy companies are privatized and/or restructured and managed in line with best practices

2.1. Diversification of supply sources for all energy resources is ensured

2.2. Increased domestic production of energy resources

2.3. Energy efficiency increased

3.1. Transparent, fair and efficient regulation of energy markets introduced

3.2. Enhanced state control of energy safety and environment



Energy Reform Passport (2/3)

STRATEGIC GOAL

OPERATIONAL GOALS

OBJECTIVES (Immediate outcomes)

1. Energy Markets Liberalized

1.1. Equal access to the market for state-owned and private companies is ensured; transparency and competition increased

1.1.1. Energy markets (gas, coal, electricity) reorganized and main legislation on these markets is adopted in line with EU energy legislation (Third Energy Package)

1.1.2. Main state energy companies (incl. Naftogaz, Ukrtransgaz, Energoatom, Ukrenergo, Energorynok and its subsidiaries) are restructured according to the new models of energy markets in line with requirements of the Third Energy Package

1.1.3. Energy companies' main production activities (transportation and distribution from other activities) on gas and electricity markets are unbundled in line with the Third Energy Package requirements

1.2. Market-based pricing for all primary energy resources and economically feasible tariffs ensured

1.2.1. Prices for all primary energy resources (incl. coal, gas) are market-based; electronic stock-exchange trading introduced

1.2.2. Self-financing of coal sector ensured via improvement of Coal Sector State Aid System; state aid volume is at minimum level (solely for the purposes of water handling and environmental protection)

1.2.3. Tariffs/prices for gas, electricity and heat are unified for all consumers (incl. households) and economically viable; cross-subsidizing eliminated

1.2.4. Efficient targeted subsidizing system to protect vulnerable consumers functioning

1.3. State-owned energy companies are privatized and/or restructured and managed in line with best practices

1.3.1. All coal mines are privatized, conserved or closed by 2020; all thermal power plants and electricity distribution companies are privatized

1.3.2. All main state-owned energy companies corporatized; corporate management standards in compliance with OECD recommendations introduced

1.3.3. EITI Standard, IFRS accounting and financial reporting system introduced for extraction companies



Energy Reform Passport (3/3)

STRATEGIC GOALS

OPERATIONAL GOALS

OBJECTIVES (Immediate outcomes)

2. National Energy Security Ensured

2.1. Diversification of supply sources for all energy resources is ensured

2.1.1. Alternative import sources of primary energy resources and fuel for nuclear power plants encouraged and increased; 30% limit for single import source introduced

2.1.2. Ukraine's energy system synchronized with EU energy systems

2.1.3. Gas consumption reduced

2.2. Increased domestic production of energy resources

2.2.1. Increased inflow of direct investments to energy sector

2.2.2. Favorable tax regime created for increase of domestic production of energy resources

2.2.3. Created business enabling legislation and regulatory framework (incl. amended Subsoil code, canceling license preferences for SOE, simplification of land allocation procedures)

2.2.4. Production of energy from alternative and renewable sources increased; green tariffs revised and balanced

2.3. Energy efficiency increased

2.3.1. Metering of all consumed energy resources introduced

2.3.2. Direct investments in energy efficiency projects increased via creation of energy service market

2.3.3. Losses in energy production, transportation and consumption decreased

3. Effective Market Regulation, Safety and Environment Protection Ensured

3.1. Transparent, fair and efficient regulation of energy markets introduced

3.1.1. Independent and enhanced energy regulator is functioning

3.1.2. Gas, electricity and heat tariffs' structures are transparent and publicly available

3.2. Enhanced state control of energy safety and environment

3.2.1. Enhanced state control system of energy safety via creation of State Energy Inspection (DergEnergoNaglyad)

3.2.2. Increased state control and accountability for violation of safety and environmental norms by energy market participants

