

Year in review 2023

Energy and Natural Resources

ARZINGER 20 YEARS

UKRAINE'S ENERGY STRATEGY UNTIL 2050 APPROVED

Electricity



In 2023, the The National Commission for State Regulation of Energy and Public Utilities (**NEURC, the Regulator**) **made a number of decisions as follows:**

- Amended the License Terms for Electricity Generation, according to which the generation of electricity by mobile power plants will not require a license for electricity generation.
- Household and non-household consumers are now able to sell the generated electricity to any electricity supplier under a free contract and at a contractual price.
- The License Terms for Conducting Business Activities for the Distribution of Electricity by Small Distribution Systems were approved.
- Amendments to the Code of Distribution Systems were approved to ensure the connection of electric charging stations to electricity distribution systems, which regulated the procedures for connecting electric charging stations to the grid.

REMIT



On July 2, 2023, the Law of Ukraine "On Amendments to Certain Laws of Ukraine on Prevention of Abuse in Wholesale Energy Markets" came into force, implementing the provisions of Regulation (EU) No. 1227/2011 of the European Parliament and of the Council of 25 October 2011 on the integrity and transparency of the wholesale energy market (REMIT).

In 2023, the Regulator started implementing secondary legislation required by the REMIT Regulation, **namely:**

- The Procedure for Registration of Wholesale Energy Market Participants was approved and the process of forming a register of electricity facilities and consumer electrical installations and a register of guarantees of the origin of electricity generated from renewable energy sources was launched.
- The Procedure (methodology) for determining the amount of fines imposed by the Regulator was approved.

Renewable Energy Sources



The NEURC has regulated the procedure for entering/exiting the balancing group of the Guaranteed Buyer, including generation facilities with a feed-in tariff.

On July 27, 2023, the Law of Ukraine "On Amendments to Certain Laws of Ukraine on Restoration and Green Transformation of the Energy System of Ukraine" came into force, which provides for the following **key changes:**

- Guarantees of origin of "green" electricity. The availability of such guarantees will confirm that electricity is produced from renewable sources, and therefore goods manufactured using this energy will be exempt from import tax when imported into the EU starting in 2026.
- The right of renewable electricity producers to sell their electricity on the market independently, with a surcharge to be paid by the Guaranteed Buyer. The surcharge is defined as the difference between the feed-in tariff and the market price.
- The introduction of a self-production mechanism for consumers, and unused surplus electricity can be sold to the grid at free market prices.
- Maintaining incentives for renewable energy and introducing the Net Billing option for households.
- The right of renewable energy facilities to sell electricity to neighboring enterprises during periods of emergency or planned restrictions in the grid.
- The possibility for the Guaranteed Buyer to export Ukrainian "green" electricity (on general market terms). The proceeds from exports will partially cover the payment of the feed-in tariff. This will help to sell electricity more efficiently in times of surplus.
- In the gas sector, the draft law provides for amendments to the regulation of the biomethane register to extend the biomethane origin guarantee regime not only to pipeline resources, but also to compressed and liquefied biomethane.

Gas



On April 7, 2023, the Regulator announced the certification of JSC UKRTRANSGAZ as a gas storage operator.

This decision allowed European companies to store gas at favorable prices, while Ukraine raised additional funds to strengthen its energy security.

The NEURC adopted a resolution "On Approval of Amendments to Certain NEURC Resolutions on Promoting the Development of Biomethane Production".

The introduction of appropriate amendments to the Gas Transmission System Code and the Gas Distribution Systems Code to improve the conditions for biomethane producers' access to gas infrastructure and reduce technical restrictions on the transfer of biomethane to the gas distribution system will stimulate the growth of biogas production.

Subsoil



The Government approved the **list of subsoil plots of strategic minerals to be provided for use under production sharing agreements.**

The Cabinet of Ministers of Ukraine has approved the list of subsoil plots (mineral deposits) of strategic importance for the sustainable development of the economy and defense capability of the state, which will be provided for use through tenders for production sharing agreements.

The list includes 26 subsoil areas with deposits of the following minerals: lithium, titanium, uranium ores and potash salts. In recent years, the global demand for these minerals has increased significantly, in particular for use in the automotive, electrical, computer and telecommunications industries.

Amendments to the Procedure for Holding Auctions for the Sale of Special Permits for Subsoil Use. The amount of guarantee fees for participation in the auction for lots with the following minerals has been increased:

Mineral type	Old price	New price
Minerals of strategic importance for the sustainable development of the economy and defense capability of the state	UAH 5 million	20 % of the initial lot price, but not less than UAH 10 million
Hydrocarbons	UAH 10 million	UAH 20 million
Sand	20 % of the initial lot price	UAH 2 million
All other minerals (except for the lot for the sale of a special permit for geological exploration, including pilot industrial development, extraction of groundwater (including mineral water) for all needs)	UAH 500 thousand	UAH 1 million

For each repeated auction, the amount of the guarantee fee is increased by 2 times for the first repeated auction, 5 times for the second repeated auction, and 15 times for each subsequent repeated auction.

The CMU approved a number of resolutions developed pursuant to the requirements of the **Law of Ukraine No. 2805-IX dated December 1, 2022 "On Amendments to Certain Legislative Acts of Ukraine on Improving Legislation in the Field of Subsoil Use"**.

In particular, it provides for:

- List of components of the unified state electronic geoinformation system for subsoil use, general principles of its functioning, as well as the procedure and requirements for its maintenance.
- Reporting forms for accounting for mineral reserves, information on applications for obtaining, extending, amending special permits, a catalog of information on geological information, protocols of the State Committee of Geological Resources of Ukraine, as well as information on state registration of geological exploration, subsoil areas offered for subsoil use through auctions and under PSAs, etc.
- The procedure for maintaining the State Register of Special Permits for Subsoil Use.



Adoption and entry into force of the Law of Ukraine "On Amendments to Certain Laws of Ukraine on Ensuring Competitive Conditions for Electricity Production from Alternative Energy Sources". The relevant committee believes that its adoption will create opportunities to optimize the structure of the market for electricity production from alternative sources, help reduce the price burden on electricity consumers in Ukraine, improve the investment attractiveness of the state and **help reduce Ukraine's energy dependence.**

Participation will be mandatory for projects:

- **from 2020** – SPPs over 10 MW and wind farms over 20 MW;
- **from 2021-2022** – SPPs over 5 MW and WPPs over 20 MW;
- **from 2023** – SPPs over 1 MW and WPPs over 3 MW.

Additionally, a **surcharge of up to 10%** to the auction price for the use of Ukrainian-made equipment is envisaged.

In addition, the draft law provides for:

- Increase the capacity of private households to install solar power plants and wind farms from 30 kW to 50 kW;
- to simplify the procedure for obtaining a "green" tariff for electricity from SPPs with a capacity of up to 500 kW on the roofs, facades of capital buildings and structures
- to ensure transparency of connection of "green" facilities by introducing a time limit for technical specifications for grid connection.

The electricity market of Ukraine will undergo changes based on the Draft Law of Ukraine "On Amendments to the Law of Ukraine "On the Electricity Market" to Regulate the Issues of Ensuring the Security of Electricity Supply". The Draft Law was developed to strengthen the state's control and influence over compliance by electricity market participants with legal requirements in the electricity sector in terms of ensuring reliable (continuous) and safe supply of electricity to consumers.