10th European-Ukrainian Energy Day

Clean Energy Package, Energy Efficiency and Renewables: Priorities for EU-Ukraine Cooperation

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"CLEAN ENERGY FOR ALL EUROPEANS" EU LEGISLATIVE PACKAGE

- New policy framework brings regulatory certainty, incl. through introduction of the national energy and climate plans; will encourage essential investments;
- Empowers European consumers to become active players in the energy transition;
- Fixes two new targets for the EU in 2030: a binding renewable energy target - at least 32% and an energy efficiency target - at least 32.5%;
- Consists of 8 decisions, including revised RES, Energy Efficiency, Energy Performance in Buildings and Electricity Directives;
EU LEGAL FRAMEWORK IMPLEMENTED IN UKRAINE

- Ukraine signed **Association Agreement with the EU** in 2014 and has been a party of the **Energy Community Treaty** since 2011;

- In June 2019, Ukraine ratified updated energy Annex XXVII to the **Association Agreement**, in particular to reflect the evolving EU acquis;

- In addition to EU acquis which is part of the Energy Community Treaty, **Annex XXVII also covers other EU acquis in energy sector**
PROVISIONS OF ANNEX XXVII ON ENERGY EFFICIENCY AND RES

- **Energy Community package:**
  - Directive 2012/27/EU on energy efficiency;
  - Directive 2010/31/EU on the energy performance in buildings;
  - Regulation (EU) 2017/1369 setting framework for energy labelling, including 18 implementing regulations
  - Council Directive 2009/28/EC on the promotion of the use of energy from renewable energy sources (RES) or RED-I

- **EU acquis beyond EnCT obligations:**
  - Commission Delegated Regulation 244/2012 on energy performance in buildings
  - Directive 2009/125/EC establishing framework for setting of eco-design requirements for energy-related products, including 36 implementing regulations
ENERGY EFFICIENCY

Energy Efficiency in buildings

- Law on energy efficiency in buildings transposes ca. 70% of the requirements of the Energy Performance in Buildings Directive 2010/31/EU;
- Some secondary legislation may need further improvements and/or simplification;
- Massive needs for training energy auditors and energy performance certifiers;
- Needs for continued awareness-raising among population

- Energy Efficiency Directive: Adoption of legislation is important but not enough!
  - Other steps are necessary:
    - national energy efficiency targets, mandatory energy efficiency criteria in public procurement, energy efficiency obligations or alternatives (EE Fund)
    - long-term strategy for the renovation of buildings
    - renovation of central government buildings & empowerment of local/regional public bodies
    - energy audits and energy management systems in industry
    - accurate metering and informative billing
PUSHING FOR HIGHER EFFICIENCY OF PRODUCTS

‣ Combined effect ensures a dynamic improvement of the market

Supply side ▶ Efficient products ▶ Demand side

Ecodesign Directive 2009/125/EC setting minimum requirements

Energy Labelling Directive 2010/30/EU providing consumer information

Both Directives are «frameworks» defining the «rules» for setting product-specific requirements through Regulations:

‣ critical links to be established in public procurement
‣ needs for building up capacities for transparent market surveillance
ELECTRICITY MARKET REFORM IN UKRAINE – objectives

‣ Ukraine committed to reform its electricity market based on EU rules through the Association Agreement, including recently revised Energy Annex XXVII, & the Energy Community Treaty. **Key reform objectives:**
  ▶ competitive electricity market at wholesale and retail level
  ▶ open access to the market for the new entrants
  ▶ real choice for consumers
  ▶ electricity prices remain affordable

‣ Need for strong, competent and **independent** energy market regulator (NEURC) and competition authority (AMCU);

‣ **Market opening on 1 July 2019** led to mixed results as was not properly prepared;

‣ MOST CRUCIAL: Orderly development of **sound implementing rules** and a **reliable oversight** of the market
REFORMED ELECTRICITY MARKET - A GATEWAY TO RES

▪ EU advanced its RES market based on a solid electricity market framework. Ukraine should learn from EU experience, including mistakes made having severe impact on investment climate;

▪ Preparation of electricity market for expansion of RES in accordance with the targets set in Ukraine’s Energy Strategy is important;

▪ Preparation of RES for the market - moving to truly competitive auctions ensuring cost efficiency, supporting new market entrants and providing predictable and stable investment framework;

▪ Sustainability of support schemes – EU experience might help Ukraine to find the right balance. Any decision-making must be based on proper impact assessment including on investment climate;

▪ Investment in networks is a crucial challenge for the stability of the grid and to integrate RES - urgent priority, also in view of integration of electricity grid with EU / ENTSO-E network;

▪ Full implementation of 2009 RES Directive (RED-I), in particular to remove the barriers, improve administrative procedures and access to information remains a priority for Ukraine to be followed up with implementation of RED-II once included in the Energy Community legislative package.
ELECTRICITY MARKET REFORM IN UKRAINE – short term priorities

▪ Address the judgment of the Constitutional Court on Energy Regulator but with due account of obligations under the Association Agreement – Regulator must be independent!

▪ Establish a road map paving a way towards genuine competitive market design to incentivize investments, while protecting vulnerable consumers. Regulated prices & state aid in well justified cases;

▪ Improve transparency and integrity requirements (including monitoring, reporting and cooperation with the ENTSO-E Transparency platform);

▪ Improve cross-border electricity trade with EU (including imports and access to grids), increased cooperation with ENTSO-E partners;

▪ Level out revenues and costs: address existing debts and prevent future deficit;

▪ Accelerate certification of TSO: Ukrenergo to be equipped to perform its function;

▪ Ensure transparency and accountability of distribution companies to prepare future competitive retail market, including through unbundling in accordance with EU rules;
EU ASSISTANCE TO UKRAINE

More than 220 Million EUR ongoing support programs:

- EUR 104 mln Energy Efficiency Support Programme for Ukraine (EE4U), support to the Ukrainian Energy Efficiency Fund (EEF), including:
  - EUR 80 mln grants for Home-Owners Associations via the EEF

- EUR 40 mln Eastern Europe Energy Efficiency and Environment Partnership (E5P) – EU contribution to EBRD managed multi-donor fund for Ukraine in municipal sector

- EUR 1 mln Twinning project on RES for SAEE to assist with the implementation of the RES Directive

- EUR 19,5 mln Covenant of Mayors regional initiative, including EUR 4 mln for demonstration projects in Ukraine (SUDeP)

- EUR 4,1 mln Financing Technologies against Climate change (FINTECC) helps private sector in Ukraine with deployment of best available climate technologies

- EUR 50 mln Neighborhood Investment Fund blending to investment projects in electricity, energy efficiency and water sectors in Ukraine implemented by EBRD, EIB and KfW;
Thank you!

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