



# Renewable Energy Sector (RES) in Ukraine

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Monthly Monitoring

05 OCTOBER 2020

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European-Ukrainian Energy Agency



## Content

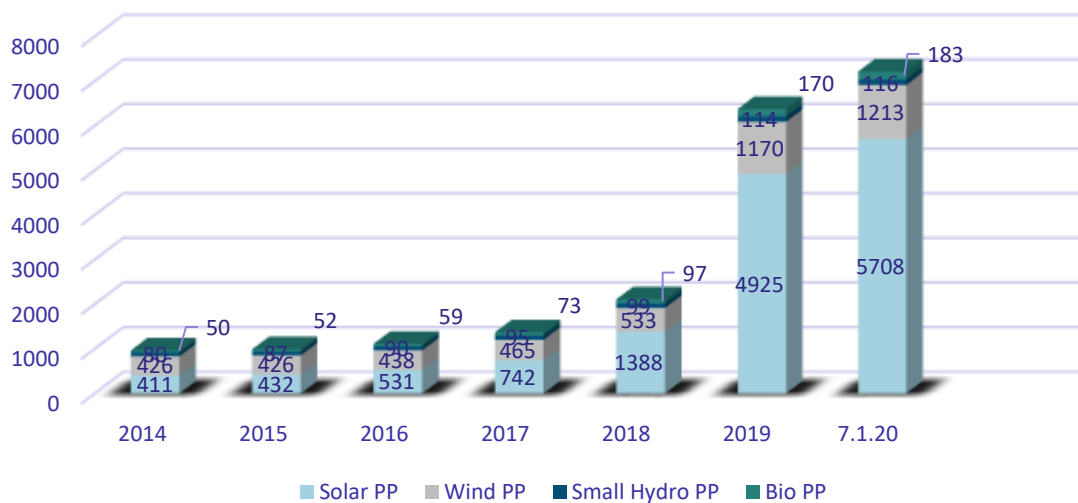
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## RES Production Statistics

According to the Ministry of Energy of Ukraine, RES generated 1 billion kWh of electricity in September 2020, or 9.1%.<sup>1</sup>

### Installed capacity of RES projects, 2014 - 2020, MW

source: NEURC



The total installed capacity of renewable energy facilities as of 01.07.2020 is 7220 MW.<sup>2</sup>

## Monitoring of the Memorandum Implementation

As of October 10, 2020, 4 months from the signing of the Memorandum of Understanding<sup>3</sup> and 2 months from the entry into force of the Law of Ukraine №810-IX, on reducing "feed-in" tariffs for producers of electricity from renewable energy sources (RES).

**In the status "done":**

<sup>1</sup> <https://cutt.ly/xgqaRPB>

<sup>2</sup> <https://cutt.ly/4gtYpv5>

<sup>3</sup> <https://euea-energyagency.org/uk/novyny-ta-podiyi/novyny-ryнку/monitoryng-vykonannya-memorandumu/>

<b>Registration and support of the Government Bill</b> and its support during the hearings in the relevant committee of the Verkhovna Rada.	In almost a month, Law of Ukraine 810-IX was adopted by the majority of people's deputies in the Verkhovna Rada on July 21, 2020. ( <a href="https://zakon.rada.gov.ua/laws/show/810-20#Text">https://zakon.rada.gov.ua/laws/show/810-20#Text</a> )
<b>Granting the right to SE "Guaranteed Buyer" to sell electricity produced from RES at auctions under bilateral agreements</b>	On September 28, 2020, the relevant Resolution of the Cabinet of Ministers was issued <sup>4</sup> and on October 5, 2020 the first pilot auctions took place. <sup>5</sup>
<b>improving the procedure for organizing and conducting auctions</b> for the distribution of support quotas	Adopted in the Law of Ukraine 810-IX.

**In the status "unfulfilled / ongoing":**

<b>Stabilization clause</b>	The Law of Ukraine № 810-IX includes, however, the Law of Ukraine "On the Foreign Investment Mode" has a note, that there may be changes in tax legislation.
<b>100% payment to RES producers</b> , which were to occur from August 1, 2020.	100% of payments for August took place as of October 1, 2020, and for September the payment stopped at 27%.
<b>Repayment of existing debt</b> of UAH 22.4 billion accumulated for the period up to August 1, 2020 to RES producers. 40% in the 4th quarter of 2020; 15% percent on a quarterly basis during 2021.	There is no final decision on the sources for debt repayment. Issuance of bonds and attraction of credit funds from state-owned Ukrainian banks - under consideration. Loans from international financial institutions are impossible due to the fact that on September 17, 2020, the Verkhovna Rada rejected the government bill drafted by the Ministry of Finance to provide state guarantees for international lending to energy projects.
<b>Development and implementation of a mechanism to compensate producers</b> for unproduced electricity from RES.	The mechanism with a delay of 1 month has the status of an approved project and is under public discussion. According to the draft Resolution, compensation will be provided for unproduced electricity until January 1, 2020. There is currently no information on other periods.
<b>Increasing the tariff for the services of electricity transmission of PJSC NPC</b>	The tariff was raised 1.5 times in summer to UAH 240 / MWh, but this is an insufficient

<sup>4</sup> <https://www.kmu.gov.ua/npas/pro-vnesennya-zmin-do-poryadku-p-a887?fbclid=IwAR0ztsbqbcuHzayXf4hAyyMLjLXG26mv1fA8WnUfB1URRjsJJvf3gr-QJfk>

<sup>5</sup> <https://euea-energyagency.org/en/news/market-news/guaranteed-buyer-announces-pilot-auction-for-sale-on-green-electricity/>

<b>Ukrenergo</b> to a sufficient level.	level, and from December 2020 the NEURC decided to raise the tariff to UAH 310 / MWh. Also in the Law of Ukraine 810-IX an additional source is intended to compensate 20% of the total "feed-in" tariff at the expense of the State budget, which is currently being worked on in the Verkhovna Rada.
<b>The right of RES producers to leave the balancing group</b> of the Guaranteed Buyer	Ongoing
<b>Mitigation of conditions for restructuring loan agreements in Ukrainian banks</b>	Ongoing
<b>Stimulation of balancing and energy storage systems</b>	Ongoing
<b>Conducting auctions for the distribution of RES support quotas until the end of 2020</b>	Unfulfilled.

### Information on Payments for Electricity at the "Feed-in" Tariff as of 01.10.2020

March - UAH 1.96 billion, 47%

April - UAH 0.25 billion, 5%

May - UAH 0.22 billion, 5%

June - UAH 0.2 billion, 4%

July - UAH 0.21 billion, 3.5%

August - UAH 5.2 billion, 100%

September - UAH 0.9 billion, 27%

On October 1, 2020, SE "Guaranteed Buyer" fully settled with RES producers of electricity in August.

The debt accumulated by August 1, 2020 amounts to UAH 22.4 billion. The forecast of further monthly payments to RES producers remains at 56%.

**Options for the Government of Ukraine regarding the sources of payments and debt repayment in the article of the EUEA Director - Oleksandra Gumeniuk.** <sup>6</sup>

### Activities of the Working Group at the Ministry of Energy and the Anti-Crisis Energy Headquarters

On September 30, 2020, a meeting of the working group on the implementation of the Memorandum with RES investors and the law on improving the conditions of support for "green" energy (№ 810-IX) was held under the chairmanship of Acting Minister of Energy Olga Buslavets.<sup>7</sup>

The Ministry of Finance must be involved in the implementation of the provisions of Law № 810-IX. In particular, develop proposals for the issuance of domestic government bonds or combine other debt financial instruments that are needed to repay debts to RES investors. In addition, in order to avoid a

<sup>6</sup>

[https://www.epravda.com.ua/columns/2020/09/29/665646/?fbclid=IwAR3EkFkOzwbeM5Qq\\_B7pGghyH57gvxUQoDV-ywdxUoI4DssvN8tMaQVwAfE](https://www.epravda.com.ua/columns/2020/09/29/665646/?fbclid=IwAR3EkFkOzwbeM5Qq_B7pGghyH57gvxUQoDV-ywdxUoI4DssvN8tMaQVwAfE)

<sup>7</sup> <https://cutt.ly/igqaANL>

significant increase in the tariff for electricity transmission, it is necessary to provide expenditures for financial support of the guaranteed buyer for partial payment of "green" electricity from the State Budget in 2021.

## Constitutional Court Proceedings Against RES

On July 17, 2020, 47 people's deputies of Ukraine appealed to the Constitutional Court to declare unconstitutional the legislative provisions of the Law of Ukraine № 555-IV "On Alternative Energy Sources" of February 20, 2003 and the Law of Ukraine № 2019-VIII "On the Electricity Market" of April 13, 2017 year. According to people's deputies, when adopting the law "On Alternative Energy Sources", the Verkhovna Rada went beyond its powers, interfering in the sphere of constitutional powers of the executive branch, without alternatively establishing coefficients and mechanisms for calculating the "feed-in" tariff, which deprived the executive branch of its discretion and authority to change it. Accordingly, there is a threat of declaring the "feed-in" tariff in Ukraine unconstitutional.<sup>8</sup>

**10.08.2020** decision of the CCU on the opening of proceedings

**08.09.2020** decision of the CCU on consideration of the case in writing

**08.09.2020-10.09.2020** Associations - European-Ukrainian Energy Agency, Ukrainian Wind Energy Association, Ukrainian Renewable Energy Association, have filed a petition to join the Associations as parties to the constitutional proceedings and to consider the case orally

**28.09.2020-02.10.2020** Associations The European-Ukrainian Energy Agency, the Ukrainian Wind Energy Association, and the Ukrainian Renewable Energy Association have submitted oral requests for consideration of certain issues.

### Consequences of declaring these articles unconstitutional:

- Producers of electrical energy from alternative energy sources will be deprived of the previously established «feed-in» tariff from the moment the decision of the CCU enters into legal force;
- State guarantees for RE producers will be cancelled, including the mandatory buy-back of electrical energy at the «feed-in» tariff and payment in full;
- The increase in the «feed-in» tariff will be cancelled, the auction price for compliance with the level of use of equipment of Ukrainian manufacture;
- Violation of state guarantees provided to investors and, as a result, numerous lawsuits and arbitrations against Ukraine, which will increase State budget expenditure;
- Economic non-viability of projects and bankruptcy of renewable energy investors can be treated as a violation of private property and investment integrity (regulatory forfeiture) without adequate compensation;
- Reduction in the State budget's tax revenues (during 2020, RE producers paid about UAH 20 billion to the State budget);
- Ukraine's loss of the image of an investment-attractive country and reliable partner of investors.

On details of the process, risks for investors and assistance in the process, contact the Director of EUEA, Oleksandra Gumeniuk: [oleksandra.gumeniuk@euea-energyagency.org](mailto:oleksandra.gumeniuk@euea-energyagency.org)

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<sup>8</sup> [http://www.ccu.gov.ua/sites/default/files/3\\_332\\_2020.pdf](http://www.ccu.gov.ua/sites/default/files/3_332_2020.pdf)

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## News From the Parliament of Ukraine

### The Profile Committee of the Verkhovna Rada supported the proposals of the Ministry of Energy to the draft State Budget – 2021

On September 30, the Verkhovna Rada Committee on Energy and Utilities considered and supported the proposals of the Ministry of Energy to the draft State Budget for 2021.

The Ministry of Energy proposed to envisage funds in several directions in the draft State Budget-2021: energy efficiency, modernization of coal enterprises, settlements with "green" energy, repayment of debts on the electricity market, reserve for decommissioning of NPP units, initiative of transparency of extractive industries.

The proposals of the Ministry of Energy on the allocation of funds in the State Budget - 2021 are the following: UAH 11.55 billion to pay for electricity generated from renewable sources (this is provided by law № 810-IX: budget expenditures for financial support of a Guaranteed buyer to pay for "green" electricity in the amount of at least 20% of the projected electricity generation).<sup>9</sup>

On 24th of September 2020, Draft Law №4151 was registered about granting the Ministry of Finance of Ukraine the right to issue domestic government bonds for the relevant total amount of expenditures after the decision of Cabinet of Ministers of Ukraine, the proceeds of which will be sent to PJSC NPC Ukrenergo to repay debts to the Guaranteed Buyer and further repayment of the Debt of the Guaranteed Buyer to economic entities producing electricity from alternative energy sources in the amount of 40% of the Debt of the Guaranteed Buyer as of August 1, 2020, as well as to create the minimum necessary resource to ensure completeness and the timeliness of payment by the SE "Guaranteed Buyer" of current obligations to RES producers during August - December 2020.

The Draft Law 4151 provides the right to the Ministry of Finance of Ukraine by the decision of the Cabinet of Ministers of Ukraine to issue domestic government bonds to repay UAH 8.96 billion (40% of the Guaranteed Buyer's debt as of August 1, 2020) and UAH 10.64 billion (20% of the forecast output of marketable products, to ensure the completeness and timeliness of payment of current liabilities for August - December 2020).<sup>10</sup>

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<sup>9</sup> <https://cutt.ly/HgqdSad>

<sup>10</sup> [http://w1.c1.rada.gov.ua/pls/zweb2/webproc4\\_1?pf3511=70054](http://w1.c1.rada.gov.ua/pls/zweb2/webproc4_1?pf3511=70054)