

U.S.-UKRAINE STRATEGIC PARTNERSHIP

Possible fields for cooperation in the energy sector

Being cautious in the support of Ukraine does not 'appease the aggressor', but provides the aggressor with more time to implement its strategy. Silence or pauses with supportive statements at Ukraine's request are interpreted by Russia as a weakness.

We advise to announce in advance that the U.S. plan systemic support to Ukraine and why exactly such support will be provided. In the energy sector, this means investments in cybersecurity and physical protection of infrastructure, in nuclear energy, in electric transport. Ukraine also deserves for fast implementation of projects, which would integrate its infrastructure with the European one. This includes synchronization with the power system of continental Europe (ENTSO-E) by 2023. This could also mean special conditions for Ukraine for the development of gas infrastructure in the region.

More channels and platforms for the U.S.-Ukraine cooperation

The bilateral relations between the U.S. and Ukraine are based on the strategic framework of *the U.S.–Ukraine Charter on Strategic Partnership (2008)*, which needs to be revised, updated, and expanded. The new legally binding format of energy partnership on bilateral (U.S.-Ukraine) or trilateral (U.S.-EU-Ukraine) level is essential to effectively address common security and climate threats, in fair partnership and permanent dialogue. With this regard, the Ukrainian direction in the U.S. foreign policy might also benefit from the assignment of a special envoy on the Ukrainian climate and energy issues by analogy with the German approach asserted in the Joint Statement.

ENTSO-E integration

Ukraine needs support in the journey to the ENTSO-E synchronization. Such a step would not only mean more security, it will also enable better competition, balancing and further support of renewable energy. The ENTSO-E unites 42 system operators in 35 European countries. Ukraine plans to finalize the synchronization works by 2023. Ukraine still has to overcome some challenges and to complete its home assignments, but there is a lot of space for the political decision to be made.

Nuclear energy cooperation

The U.S. nuclear energy sector, with its competencies, can provide *support to transfer of technologies for NPPs decommissioning and lifetime extension*. Modernization and improved financial model would increase safety and efficiency (capacity factor) of those facilities, and secure Ukraine's energy transition. In Ukraine, nuclear generation with 13,835 MW installed capacity is a backbone of the energy system, producing over 50% of electricity per annum. However, this carbon neutral source of energy has been constantly underfinanced, with almost all nuclear power plants having their lifetime extended at least once (30+ years).

Also, having solid engineering potential, Ukraine should become *a regional hub for development of small modular reactors (SMR) production*. SMRs can be considered as an option to replace old coal-fired generation facilities and those NPPs to be decommissioned. U.S.-Ukraine cooperation can also include support in building capacity and education as new technologies in nuclear energy would require change of higher education curricula and supporting corporate governance reforms.

Climate policy and emissions reduction

Ukraine's climate ambitions need to be secured with support to solid policies and financial models. *A sustainable model of climate finance and a long-term strategy for decarbonization,*

especially in the energy sector are needed. Learning from the U.S. practices to design both governance and financial models (tools, facilities) would allow bringing necessary investments to speed up 'green' transition and make Ukraine's economy modernized, competitive and resilient. Climate change adaptation (consequences mitigation, preventing harm for the energy system) and capacity building (educational programs and training for energy and climate professionals, analytical support of the energy transition) might also become a priority for the new agenda.

- There is a need to develop viable models to finance investments under the National Emissions Reduction Plan designed to cut SO₂, NO_x and PM emissions from large combustion plants by 2033.
- The National Energy and Climate Plan (NECP) by 2030 needs to be adopted to integrate policies and ensure compliance with international climate obligations, as well as to develop a long-term decarbonization strategy to achieve climate neutrality by 2050 (although Ukraine's current target is 2060).
- It is important to make sure such topics as renewable energy, hydrogen development, energy efficiency, coal transition, and carbon neutrality are defined for the financial support over Green Fund for Ukraine.

Energy resilience - possible ways of support to Ukraine

- DOE has extensive experience in *cooperation with stakeholders to coordinate actions* and work together on prevention of possible threats. In particular, the work of Gas and Electricity Sub-Sector Groups could be useful for Ukraine, to better design the format of cooperation between the Ministry of Energy and market players.
- Ukraine does not have any *energy resilience plans on the local level*. In case of emergency, there are no guidelines and regulations for the local communities on how to survive and ensure stable energy supply until the system is restored. The U.S. experience in the development and implementation of State Energy Assurance Plans could be very helpful.

Diversification of gas supply

- We fully endorse the commitment of 'strong support for the Three Seas Initiative and its efforts to strengthen infrastructure connectivity and energy security in Central and Eastern Europe'. These efforts may give additional incentives to the projects that will protect Ukraine from the malign Russian influence, such as boosting the Ukrainian integration to the European energy infrastructure, development of the wider gas pipeline network in Eastern Europe, and permission of Turkey for LNG tankers to pass to the Black Sea.
- We highly support the intention to 'utilize all available leverage to facilitate an extension of up to 10 years to Ukraine's gas Transit agreement with Russia'. However, this is not all the endeavors needed to maintain gas transit flows via Ukraine after 2024. The monopolized status of Gazprom should be addressed and adjusted to the antitrust standards. Namely, Gazprom's pipeline export monopoly should no longer be a deal, as other suppliers from Central Asia and Russia can be the alternative to the politicized Russian energy giant, contributing to the liberalization of the region energy markets. The other pressing issue on the agenda is the relocation of gas delivery points for European buyers to the interconnection points at eastern borders of Ukraine.
- Given the current risk of gas flow withdrawal, gas production in Ukraine acquires even bigger importance. Combined with the fact of growing Russian military presence in the Black Sea, the prospects of joint development on the Black Sea offshore open the

opportunity to combine both security and economic gains. Ukraine also could benefit from the U.S. experience in the sphere of unconventional gas production considering the recent Ukrainian initiatives to develop onshore fields.

Independent monitoring of Russian aggression

Having a network of CSOs permanently *monitoring malign actions, namely in the energy sector, and reporting them* through an early warning mechanism would supplement collective actions taken by the U.S. and allies to counter the aggressor state.

- Kremlin's coercive actions span far beyond military escalations, spreading to disinformation, cyberattacks, manipulations by trade and soft diplomacy, and – more specifically – by energy. It is no secret Russia uses its energy resources as a weapon, harming the environment, undermining the European unity and exporting corruption practices as it is in the case of Nord Stream 2 pipeline.
- Moreover, these actions can be tracked not only in Ukraine or former Soviet Union countries treated by Russians as 'near abroad', but in the Central and Eastern European countries and even the Western European nations.