



POSITION PAPER ON

DRAFT RECOVERY PLAN:

CURRENTLY THE
DOCUMENT DOES NOT
LOOK LIKE THE UKRAINIAN
GREEN DEAL



The Integration of Sustainable Development in Ukraine in Accordance with the European Green Deal (EGD) Project closely monitors the progress with the development of the Ukraine Recovery Plan (hereinafter referred to as the “draft Plan”), which was presented in Lugano (Switzerland) on 4 July 2022 and the materials of which were presented for public discussion by the Cabinet of Ministers of Ukraine.

We processed the published materials in detail and assessed them from the standpoint of compliance with the EGD directions, and we can highlight the following main comments:

- Currently, the document does not clearly prioritize the green post-war recovery of Ukraine, in particular, there is no systemic approach to the implementation of relevant mechanisms and measures at various stages of recovery. The plan contains certain elements of the European Green Deal, but the lack of cross-cutting climate and environmental goals and targets makes its green component insufficiently ambitious for full-fledged inclusion of Ukraine in the EGD.
- Accordingly, despite the declared goal of introducing an integrated climate policy in Ukraine, the draft Plan, the materials of which were prepared by various working groups, does not contain the cross-cutting nature of this target, as well as the mechanism and specific measures for its implementation.
- In the parts of the draft Plan related to the environment, there is a lack of attention to overcoming the consequences of the war, there are no specific key performance indicators (KPIs) of the measures and the corresponding systemic mechanisms of the environmental policy.
- The part of the draft Plan covering energy also lacks the prioritization of decarbonization activities in the reconstruction of the sector and the systemic approach in the long run.
- In general, the document has the character of a set of non-systemic “wishes” rather than a visionary planning document, where there is clear goal setting, prioritization of measures, connection with existing strategic documents, etc.

In our opinion, it is critically important to comprehensively take into account the EGD principles in the planning and implementation of the post-war reconstruction of Ukraine, since such an approach

will simultaneously help ensure the green transformation of the Ukrainian economy, create prerequisites for the introduction of new technology, attracting investments and modernization of a number of key sectors as well as maximally promote the Ukraine's acquisition full membership in the EU.

Based on this, project experts actively participated in the work at the level of groups of the National Council for the Recovery of Ukraine, which followed up the development of the draft Plan even before the International Ukraine Recovery Conference (URC 2022) in Lugano. The existing draft Plan and the proposed measures published by the CMU made it possible to assess the extent to which the EGD approaches and our proposals were taken into account.

In conclusion, we welcome the broad involvement of various stakeholders in the development of this document. Despite the fact that the draft Plan and the proposed measures in some parts correspond to the EGD program targets, we also believe that the specified measures need significant revision in order to take into account the EGD provisions with proper effect.

The project team expresses the following specific considerations and proposals for those sections of the draft Plan that relate to the key areas of the EGD.





GENERAL PROPOSALS

In the developments in the areas of “Environmental safety”, “Energy security”, “Construction, Urban Planning, Modernization of Cities and Regions”, “Recovery and development of the economy”, “European integration”:

- 1** Take into account the prioritization of the green post-war reconstruction of Ukraine as a key vision for the document as a whole.
- 2** Strengthen the synchronization of the approach and the methodological integrity of the provisions relating to combating climate change;
- 3** Develop clear indicators of goal fulfillment and methodology for their calculation;
- 4** More thoroughly take into account the specifics of post-war reconstruction in some directions, in particular, what concerns environmental safety;
- 5** Review the existing measures to increase RES generation in the direction of increasing ambition for the period until 2026, in particular in the restoration of destroyed RES capacities and the transformation of “traditional” generation capacities;
- 6** Provide a clear action plan to correct previous shortcomings in the work of the energy sector and ensure stable legislative, regulatory, technological and financial prerequisites for the implementation of the proposed projects, taking into account the relevant novelties in European legislation;
- 7** Consider measures to increase the energy efficiency and environmental safety of the energy infrastructure, as well as continue work on the implementation of Regulation (EU) No. 347/2013 (taking into account the latest amendments).
- 8** Develop detailed measures for the creation of a system for state monitoring of the accounting of using energy resources by household consumers; reforming the social safety nets in the energy sector, taking into account the targeted approach

and stimulating energy efficiency; creation of a support system for distributed generation and demand management initiatives with the provision of appropriate market and regulatory incentives – taking into account the proposals provided earlier.

- 9** Review measures to increase the energy efficiency of buildings from the standpoint of the latest developments of the European Commission and the proposals of the REPowerEU plan;
- 10** Strengthen the coordination of activities and drafts of the Plan submitted by different working groups within the framework of the final version of the Plan;
- 11** Provide for clear mechanisms for taking into account environmental considerations at all three stages of recovery: during hostilities, immediately after them and in the short-term perspective (including by improving EIA and SEA).





SECTORAL PROPOSALS

It is possible to note the partial compliance with the general direction of the EGD regarding the **increase of climate ambitions until 2050**, however, the draft Plan lacks integrity and consistency of approach. An integrated climate policy is one of the key reforms identified by the Environmental Security working group, the implementation of which is necessary to achieve the strategic goal of post-war recovery for a clean and safe environment. The draft Plan also contains the developments of working groups on specific climate issues, particularly in the areas of energy security, economic development, infrastructure projects, construction and modernization of cities as well as European integration. At the same time, these developments have no clear coordination, prioritization and are not formed according to a single methodology. There is no comprehensive vision, recovery framework, which would define climate change as a cross-cutting direction of Ukraine's further development and the achievement of climate neutrality by Ukraine in general, and by economic sectors in particular, in the recovery plans developed by other working groups.

Among the main shortcomings of the climatic part of the draft Plan, the following can be emphasized:

- the absence of measurable quantitative indicators that allow assessing progress in achieving its goals and objectives. Thus, one of the indicators of achieving the integration of climate goals in all sectors of the economy only indicates the "amount of greenhouse gas emissions", but there is no specific quantitative indicator of reduction;
- identification of goals and tasks with measures, duplication/rewriting of tasks from current strategies and plans without taking into account the factors of post-war recovery.

At the same time, we believe that **Ukraine has the potential to increase the aforementioned climate ambitions**, in particular, if the developments of other working groups regarding projects are reviewed and supplemented in the near future (in the first years after the end of active hostilities). At the same time, we consider it necessary to strengthen the work on creating the necessary prerequisites for the quality implementation of projects, eliminating



current shortcomings in the work of the energy sector which generates the most greenhouse gases (see specific proposals below) and creating tax, regulatory, financial and other economic incentives for decarbonization and energy efficiency in all sectors of the economy.

Speaking about the interrelationship of the projects with the achievement of the EGD goal to **provide clean, affordable and safe energy**, it should be mentioned that despite the high ambition of individual steps, in particular projects to increase RES capacities, energy accumulation, development of hydrogen and biomethane technologies (developments of the Energy Security working group), **gaps remain regarding an increase in the share of RES generation and other measures to decarbonize the energy sector** in the period up to 2026. In our opinion, the priority tasks and projects should relate to the restoration of generating capacities destroyed as a result of the war and the inclusion of RES technologies in modernization projects of “traditional” generation facilities (in particular, the partial conversion of TPPs/CHPPs to biofuels). At the same time, when talking about the development of certain types of RES, in particular biofuels, attention should be paid to the most harmonious and sustainable technologies, consistent with the EU approach, for example, reducing the use of agricultural crops in the production of such fuels in view of the risks of displacing food agricultural production and negative impact on lands of different purpose.

In order to implement these measures, it is also necessary to pay considerable attention to **updating forecasts for the development of the United Energy System of Ukraine**, taking into account the impact of the war and the latest trends in the development and cost of new technologies. At the same time, the implementation of these ambitions will require the development of a systemic approach to solving the problems of the energy sector, eliminating debts and ensuring a predictable tariff and price policy. In this regard, we also welcome the focus of the draft Plan on addressing the problems of the functioning of energy markets and express our hope that previous recommendations, in particular those [provided](#) by DiXi Group in the context of post-war green reconstruction, will also be taken into account. **Creating a stable and predictable system of financing activities, addressing systemic financial problems in the energy markets** will also play a significant role in investing in ambitious projects for the construction of more than 30 GW of installed capacity for the production of hydrogen from RES, which are provided for in the draft Plan.



In the context of ensuring Ukraine's energy security, we also understand the focus of the draft Plan on increasing the production of energy resources as well as the development of infrastructure for the transportation and storage of natural gas and oil. At the same time, we call for a balanced approach in the development of these sectors, taking into account **alternative means of achieving Ukraine's energy independence, in particular energy efficiency measures** (including those provided for in the REPowerEU plan). In addition, we draw attention to the possibility of increasing the efficiency and environmental security of the energy infrastructure, which will simultaneously contribute to the implementation of the EGD principles and the goals of Ukraine in the context of energy security. Ukraine's full implementation of Regulation (EU) No. 347/2013 on guidelines for trans-European energy infrastructure, taking into account the latest amendments, will contribute to the creation of improved prerequisites. We also call for priority to be given to projects aimed at introducing new carbon-free technologies in Ukraine and reducing dependence on the importation of fuels necessary for generation, in particular, projects for the creation of additional nuclear generation facilities should be assessed in accordance with current data on security risks and lost capacities and with an assessment of alternative possibilities for replacing such lost capacities during the course of post-war reconstruction.

One more important direction of the EGD is mentioned rather smoothly in the draft Plan, which is the reform of energy markets in order to achieve the goals of decarbonization. Although the document **declares the liberalization of energy markets as a goal, it does not specify what economic, legislative and regulatory measures will be taken to achieve it.** Current separate initiatives such as the introduction of Feed-in-premium for RES producers, settlement of debts, introduction of a service for changing the supplier based on Diia are insufficient for the integral reform of energy markets, since there is no realistic vision of the implementation of these reforms in the short term and not sufficient attention is paid to the creation of prerequisites for the maximum integration of RES into projects for the reconstruction of infrastructure destroyed during hostilities. In contrast to this, the EGD has already provided for a comprehensive reform of the EU electricity market, designed to ensure the integration of growing RES capacities into the energy system, more active participation of consumers in balancing supply and demand, and large-scale deployment of electricity storage capacities.

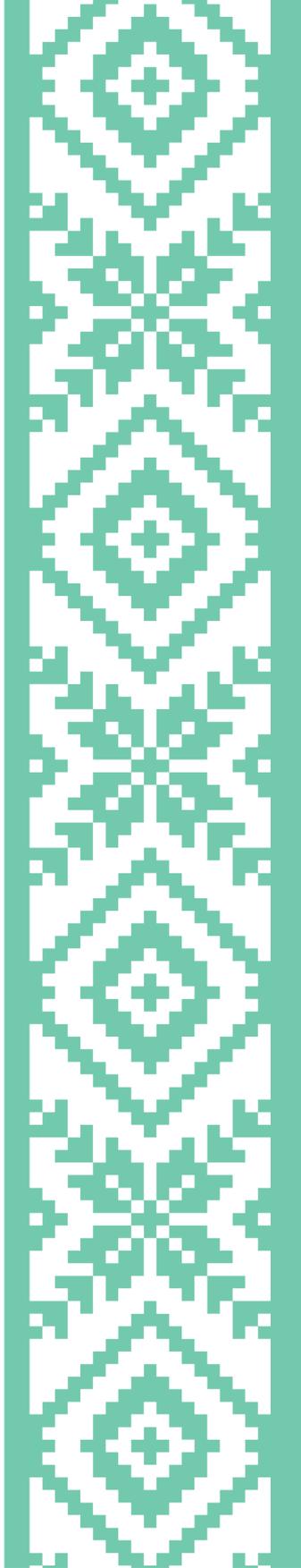
However, before resorting to similar reforms, Ukraine should comply with a number of requirements envisaged by European legislation



that were developed for the EGD, the most important of which are the **implementation of REMIT** (by the way, the elimination of distortions in the wholesale electricity market were among the recommendations of the European Commission in the 2021 Association Implementation Report on Ukraine), **defining the category of “vulnerable consumer”** as a starting point for optimizing the system of social support for end consumers and providing them with the right price signals, **ensuring effective unbundling of distribution network operators** in order to ensure competition in the retail gas and electricity markets.

The implementation of such measures will correspond to another important direction of the EGD, which is the construction and renovation in an energy- and resource-efficient way. As part of the work in the Energy Security group, we provided some proposals for improving energy efficiency, in particular regarding the creation of a state monitoring system, reform of the social safety nets and creation of a distributed generation support system. These proposals are mentioned in the draft document only tangentially, which is why it is necessary to take into account specific mechanisms and approaches. In addition, we consider it expedient to **increase the ambition of the proposed measures in the field of energy efficiency**, which were included in the draft Plan. In particular, the developments of the Construction, Urban Planning, Modernization of Cities and Regions working group, among measures for thermal modernization and energy efficiency of buildings, should take into account the compliance of projects and proposed measures with current EU directives as well as the European Commission’s proposal to increase the ambition of energy efficiency goals until 2030 (also on based on the REPowerEU plan).

A significant part of the measures of the draft Plan relate to other policies provided for by the EGD, in particular to the preservation and restoration of ecosystems and biodiversity. At the same time, talking about this part of the draft Plan, which is mainly reflected in environmental protection measures (Environmental Safety section), it is possible to mention only a general reflection of the EGD approach, without taking into account the specifics of Ukraine and post-war reconstruction, and there are also **no specific proposals for the mechanisms of integration of environmental and climate issues in the process of post-war reconstruction** (except for improving the procedures of strategic environmental assessment (SEA) and environmental impact assessment (EIA) in wartime). There is also a significant disproportionality in financial needs (from EUR 16 thousand to EUR 7.3 billion), which makes it difficult to synchronize measures in this direction.



The draft Plan also pays some attention to other EGD directions (“From farm to fork”, mobilization of industry for a clean and circular economy, etc.), in particular, sustainable recovery, sustainable mobility, reduction of environmental pollution, biodiversity, sustainable agricultural policy, etc. can be distinguished among the priorities. It is possible to identify proposals for updating legislation and regulatory acts in the field of waste management and recycling as well as a number of projects related to the circular economy from among the positive developments. However, the draft Plan, once again, lacks a unified methodological approach, measurable indicators of achieving goals and a step-by-step action plan (with appropriate prioritization), which is important for the initiation of an effective policy in this area in Ukraine.

We count on further cooperation and the opportunity to take into account the recommendations provided by the Integration of Sustainable Development in Ukraine in Accordance with the European Green Deal (EGD) Project, implemented with the EU support, in the further process of developing the Plan.

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The publication was produced with the financial support of the European Union within the framework of the project «Mainstreaming sustainable development in Ukraine in line with the European Green Deal». The project is implemented by a consortium of public organizations: «DiXi Group» (coordinator), Resource-Analytical Center «Society and Environment», Association «Energy Efficient Cities of Ukraine», «Ukrainian Leadership Academy», «Women’s Energy Club of Ukraine», «DZYGA», «PLATO».

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