

Daily Alert

Russian War Against Ukraine: Energy Dimension

(status as of 12:00, March 8)

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Summary

- **In February 2023, the absence of electricity deficit led to a revival of economic activity** - the National Bank of Ukraine Macroeconomic Review.
- As reported by Ukrenergo, **the power system is stable, there has been no capacity deficit for 25 days in a row and it is not forecasted**. The seasonal decrease in consumption, the restored operation of some generating capacities, the availability of hydropower resources and the rapid growth of RES made it possible to form a certain capacity reserve, which increases the level of supply reliability and operational safety.
- **Despite the war, the full integration of Ukraine's electricity market into the EU Single Market remains a priority** - so the Deputy Minister of Energy Yaroslav Demchenkov. Ukraine looks to further expand opportunities for commercial exchanges of electricity, with exports to support the financial stabilization of Ukraine's energy market and help the EU to move away from Russian energy resources.
- **According to media reports, the Chair of the Supervisory Board of Mahistralni Gazoprovody Ukrainy (parent company of GTSOU) Huberte Bettonville has resigned**. In a respective letter, she stated the main reason for resignation being that some members of the Supervisory Board do not want to apply EU standards and principles of corporate governance.
- **The Specialized Anti-Corruption Prosecutor's Office has asked the High Anti-Corruption Court to change the preventive measure for the former CEO of Naftogaz Andrii Kobolyev** by increasing the bail to 365 million UAH. The suspect managed to collect and pay approximately half of the 229 million UAH bail set before.

- **The NEURC approved draft amendments to unblock the possibility to approve the cost of service to increase the share of electricity production from RES,** and published a brief overview of its decisions during martial law.
- **The government simplified the procedure for the Chernobyl NPP Exclusion Zone to receive firefighting** equipment for 1.1 million EUR as humanitarian aid. Also, it approved the draft Grant Agreement with the Japan International Cooperation Agency (22.44 billion JPY) to implement an emergency recovery program.
- **The United Arab Emirates will join the program to exchange incandescent lamps to LED lamps.** UAE has offered to supply Ukraine with 5 million such lamps, the first shipment to arrive soon.

Electricity Sector

Power system operation

According to the [Macroeconomic Review](#) of the National Bank of Ukraine, in February 2023, the absence of electricity deficit in Ukraine led to a revival of economic activity. In particular, the performance of metallurgical and pipemaking enterprises increased, which, together with the improvement of the global price situation, contributed to the recovery of ore enrichment works. Chemical enterprises increased the production of mineral fertilizers, a number of large food factories resumed operation, and the impact of the energy crisis on milk and meat processing weakened.

[As reported](#) by Ukrenergo, on March 8, the power system is stable, electricity consumption is at the level of a working day, there has been no capacity deficit for 25 days in a row and it is currently not forecasted. All types of power plants are in operation. The seasonal decrease in consumption, the restored operation of some generating capacities, the availability of hydropower resources and the rapid growth of RES production made it possible to form a certain capacity reserve in the power system, which increases the level of supply reliability and operational safety. The demand is fully covered by domestic generation capacity and small volume of imports. There are currently no network restrictions that would require disconnection of consumers. In the Odesa region, works are underway to improve the reliability of the region's power supply.

[According](#) to ENTSO-E, as of March 8, minimal commercial imports of electricity were performed from Slovakia (1-7 MW) and Moldova (0-8 MW) (for different hours during the day). D.Trading [booked](#) capacity in Slovakia->Ukraine (250 MW) and Moldova->Ukraine (120 MW) directions, both on flat schedule. In both auctions, the marginal price was "zero". Capacity in other directions was not offered. At the same time, the Base DAM indices in the countries of Eastern Europe (Poland, Hungary, Romania, and Slovakia) [exceeded](#) the similar index of Ukraine 1.64-1.86 times.

Disruption and resumption of supply

As of March 7, the Ministry of Energy did not update information on the restoration of supply and the number of consumers without electricity.

Power supply disruptions and, consequently, active recovery works were taking place:

- in the **Zaporizhzhia region**, [according](#) to the local DSO, as of March 8, 23,951 consumers in 70 settlements remain offline (with the exception of temporarily uncontrolled territory). [On March 6](#), specialists restored power supply to 7,328 consumers, [on March 7](#) - to another 4,381 consumers, which were disconnected due to enemy's shelling and technological disruptions in the grids;

- in the **Odesa region**, [according](#) to Ukrenergo, works were underway to increase the reliability of the region's power supply;
- in the **Dnipropetrovsk region**, [according](#) to the Regional Military Administration, on March 7, the occupying forces launched a heavy artillery attack on the Synelnykove district, as a result a power line was damaged in the Velykomykhailivka community;
- in the **Kherson region**, [according](#) to the Regional Military Administration, as of March 6, 41 crews (219 specialists and 82 units of equipment) were working to restore electricity supply. Specialists performed works on the damaged lines supplying the cities of Kherson and Beryslav, the villages and towns of Bilousove, Olhyne, Myroliubivka, Novovoznesenske, Bilyaivka, Kalynivske, Novopetrivka, Pravdyne, Chornobaivka, Kirove, Nova Zorya, Stanislav, Bilozerka and Posad-Pokrovske. [On March 7](#), specialists restored electricity supply to 61 consumers in the village of Novovoznesenske (Vysokopillia community). In total, electricity supply was restored for 111 out of 228 de-occupied settlements (48.7% of the total number);
- in the **Mykolaiv region**, [according](#) to the Regional Military Administration, as of March 8, 1,076 electricity supply facilities were partially or completely damaged, while 1 settlement of the Bashtanka district remained offline (-3 during the day). In the town of Pervomaiske, specialists [restored](#) overhead and cable power lines, and local residents rebuilt the building of the transformer substation, and almost a year after the disconnection, the town is back with electricity supply;
- in the **Donetsk region**, [according](#) to the local DSO, on March 6, specialists restored electricity supply to 5,988 consumers in 20 settlements. 110 settlements remained offline, as specialists did not have access to works there;
- in the **Kharkiv region**, [according](#) to the Mayor of Kharkiv Ihor Terekhov, street lighting will be resumed in the city, in particular the lighting of the central main and other busiest roads. In the test mode, the geography of street lighting and the duration of its operation will increase.
- there was no up-to-date consolidated information on power supply in the **Sumy and Luhansk regions** at the time of the review preparation.

Oil & Gas Sector

Gas system performance

On March 6, the volume of gas transit through the territory of Ukraine amounted to 41.7 mcm (+2.5 mcm as compared to the previous day), i.e. only 36% of the capacity contracted by Gazprom (109 mcm per day). There were no transit flows via the Sokhranivka interconnection point.

The physical imports from EU countries were reported at 13.3 mcm and performed via the Beregdaroc interconnection point (VIP Bereg) at 6.6 mcm, via the Hermanowice interconnection point (VIP Ukraine-Poland) at 2.5 mcm, via the the Budince interconnection point at 3.4 mcm and via the Căușeni interconnection point (Ukraine-Moldova) at 0.8 mcm. On March 6, on Ukraine's gas system exit, except for transit flows, no gas was transmitted.

Transit of Russian gas through the territory of Ukraine, mcm



Source: [GTSOU](#)

Functioning of the natural gas market

[According to](#) media reports, the Chair of the Supervisory Board of JSC Mahistralni Gazoprovody Ukrainy (the parent company of GTSOU LLC) Huberte Bettonville has resigned. In a letter, she stated that the main reason for resignation was that "some members of the Supervisory Board have proven that they will not and cannot apply EU standards and principles of corporate governance, and they should be ashamed of themselves". To remind, the TSO corporate reform is still not complete: different stakeholders have different views on the procedure, regulatory methods and stages of transition to the model of a single management company (without MGU as intermediary).

The Specialised Anti-Corruption Prosecutor's Office has [asked](#) the High Anti-Corruption Court to change the preventive measure for the former CEO of Naftogaz Andrii Kobolyev by increasing the bail to 365 million UAH. As noted, Kobolyev was supposed to post the bail of 229 million UAH previously set by the court on Monday, March 6. However, approximately [half of the sum](#) was collected and paid. To remind, Kobolyev is suspected of illegally receiving a bonus in a much higher amount than allowed by law.

Disruption and resumption of supply

As of March 7, the Ministry of Energy did not update information on the supply restoration and the number of consumers without gas supply.

The **Dnipropetrovsk, Donetsk, Luhansk, Zaporizhzhia, Kherson, Mykolaiv, and Kharkiv regions** had the most challenging situation.

In the **Donetsk region**, the enemy continued to destroy gas infrastructure - e.g., on March 7, gas pipelines were [damaged](#) in the city of Kostyantynivka. At the same time, the consequences of a similar attack on March 6 are already being [addressed](#) by the local DSO. Damage to medium and low pressure pipelines has been localized by closing

valves installed in the summer (in the period of supply disruption). As of March 7, two boiler houses in Kostyantynivka were disconnected from gas supply. Specialists managed to reduce pressure in the network, so that households remain connected to the gas distribution system.

In the **Luhansk region**, the Regional Military Administration [reported](#) that, in the occupied part of the region, gas service workers have not been paid salaries for more than three months.

In the **Kherson region**, the local DSO is [restoring](#) gas supply to 3 settlements of the Beryslav community. In one of these settlements, the damaged infrastructure has to be rebuilt almost from scratch. In the other two settlements, the situation is not as critical, but the scope of work is significant, as there is not a single house with gas systems not damaged by the war. The works are also complicated by the fact that some of the supply pipelines are located in heavily mined areas. At the same time, despite the lack of materials and equipment, the local DSO has already managed to reconnect the first 150 consumers.

In the **Mykolaiv region**, according to the Regional Military Administration, as of March 8, 1,386 gas infrastructure facilities (no change as compared to March 7) were damaged during the war, as a result, 5,233 consumers (-16) [remained with no gas supply](#).

Operational information on gas supply in other affected regions was not available at the time of the review preparation.

Countermeasures of Ukrainian Companies and Public Authorities

The Prime Minister Denys Shmyhal [discussed](#) a new long-term cooperation program with Alfred Kammer, the Director of the IMF European Department. As noted, a negotiation mission on the IMF Extended Fund Facility program will start in Warsaw on March 8. Shmyhal noted that the government is making every effort to quickly agree on all the parameters and reach an agreement. The total amount of financing is expected to be over 15 billion USD.

At a meeting on Tuesday, March 7, the Cabinet of Ministers approved the draft Grant Agreement with the Japan International Cooperation Agency (JICA), [reported](#) the CMU Representative in the Verkhovna Rada Taras Melnychuk. The agreement provides for a grant of 22.44 billion JPY to Ukraine to implement an emergency recovery program.

The government also [adopted](#) a resolution that simplifies the procedure for the Chornobyl NPP Exclusion Zone to receive firefighting equipment for 1.1 million EUR as humanitarian aid. As noted, the resolution will remain in force until the ratification of the Framework Agreement between Ukraine and the EBRD on the International Chernobyl Cooperation Account operation. After that, firefighting and other types of equipment will be received under the framework agreement.

Despite the war, the full integration of Ukraine's electricity market into the EU Single Market remains a priority for the Ministry of Energy, [said](#) the Deputy Minister Yaroslav Demchenkov. The emergency synchronization of the Ukrainian power system with the one of continental Europe played a significant role in preserving its integrity in the face of constant Russian attacks. Also, imports from the EU helped to keep the United Power System of Ukraine integrity in the most critical period. Ukraine, in turn, is looking forward to further expanding opportunities for commercial exchanges of electricity, with exports to support the financial stabilization of Ukraine's energy market and help the EU to move away from Russian energy resources.

At a meeting between the Minister of Economy Yuliia Svrydenko and the UAE Minister of Climate Change and Environment Maryam al-Mheiri, UAE representatives [expressed](#) readiness to join initiatives in Ukraine on energy saving - in particular, to the program to exchange incandescent lamps to LED lamps, which was launched by the Ukrainian government with the support of the EU in February. The first shipment of lamps from the UAE is due to arrive in Ukraine soon, and the UAE has offered to supply Ukraine with 5 million such lamps.

The Mykolaiv region has signed a memorandum with Denmark on reconstruction, [reported](#) Hanna Zamazeyeva, the Head of the Mykolaiv Regional Council. "We have already found a common interest in shipbuilding, as Mykolaiv has powerful factories and Denmark has modern production technologies. I also shared the idea of creating a Danish quarter or park in Mykolaiv", she said.

At its meeting on March 7, the NEURC [decided](#) to:

- approve and publish for comments draft [amendments](#) to the licensing conditions in the field of heat supply to ensure energy efficiency measures;
- approve and publish for comments draft [amendments](#) to unblock the possibility of the Regulator's approval of the service to increase the share of electricity production from RES, taking into account the decision of the Supreme Court of September 8, 2022 (in terms of reimbursement to the guaranteed buyer of a share of the cost of imbalance settlement to be based on an agreement on joining its balancing group).

In addition, a brief overview of the Regulator's team decisions during martial law was [published](#). The report is divided into 3 main stages: the beginning of the aggression; relative stabilization; and counteraction to the consequences of destruction.

Naftogaz plans to present proposals to investors this week to restructure its liabilities on Eurobonds maturing in 2022 and 2026, [according](#) to the CEO Oleksii Chernyshov. He clarified that the company continues to cooperate with Lazard as financial advisor.

For subscriptions, comments and other questions, please email to: author@dixigroup.org

SUPPORT UKRAINIAN ENERGY SECTOR



Ukraine urgently needs emergency energy equipment to restore energy supply in the regions affected by war. More than 12,000 items are on the list of requested emergency energy equipment. If your company, association or country is ready to help, please [contact the Energy Community Secretariat's Ukraine Support Task Force](#).

[Energy Community Homepage \(energy-community.org\)](http://energy-community.org)

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To financially support the Armed Forces of Ukraine, please follow the [link](#) (the National Bank of Ukraine special account).