

Weekly Alert

**Russian War Against
Ukraine: Energy Dimension**

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Russian War Against Ukraine: Energy Dimension
DiXi Group weekly review

(December 4 – 10)

#StopRussianAggression
#StandWithUkraine

Summary

- Russia has shifted to a concerted campaign of strikes against energy infrastructure facilities - the British Ministry of Defence. On the night of December 7, for the first time since September 2023, the enemy launched a massive attack on Kyiv and central Ukraine, launching at least 16 cruise missiles.
- Also, on December 7, a missile attack was carried out on one of the mines of the SOE Toretskvugillia; one worker was injured, and significant damage to the equipment was recorded. On December 8, the shelling of the TPP in the front-line area caused damage, and 2 units went into emergency repair.
- In general, on December 11, 491 settlements were cut off from the electricity supply due to hostilities and technological violations.
- Unit No. 4 of the occupied Zaporizhzhya NPP is again in a hot shutdown mode - IAEA

- Since December 7, an electricity shortage of 1-2.5% of daily consumption was recorded in the power system. The main reasons are colder weather, increased consumption, and insufficient generating capacity.
- Commercial electricity imports increased by 2.5 times compared to the previous week and came from Romania, Slovakia, Poland, and Moldova. Ukrenergo involved emergency support, reaching 1.4 GWh (on December 10).
- The 2050 Ukraine's energy sector decarbonization report, developed within the US Net Zero World initiative, was presented at COP28. Electrification and energy efficiency measures will play a key role - Minister of Energy Herman Galushchenko.
- In addition, the preliminary version of the National Energy and Climate Plan for 2025-2030 was presented at COP28.
- Ukraine proposes to develop a compensation mechanism for damage caused to the environment and climate by the aggressor as a result of armed conflicts. Losses due to additional CO2 emissions are estimated at USD 10 billion - Ministry of Environment.
- To consider the recommendations of the Energy Community Secretariat, the Regulator has developed an Action Plan to ensure its independence.
- The Regulator approved a set of tariffs for 2024: for electricity transmission services - UAH 528.57/MWh (+18.7% compared to the average tariff for 2023), for dispatching services - UAH 104.57/MW h (+22.9%), for electricity distribution services.
- In the electricity transmission tariff, 36% relates to Ukrenergo's expenses for implementing the PSO for RES development and compensation for the curtailments of producers under the "green" tariff scheme.
- The license for the operation of unit No. 1 of the Southern Ukrainian NPP was extended until December 2, 2033.
- Naftogaz expects that lawsuits against Gazprom regarding the payment for transit will be closed in 2025 - chairman of the board Oleksiy Chernyshov.
- Chernyshov does not see a violation of the EU Third Energy Package in the current model of gas DSOs management. Within a week, Ternopilgaz joined the Naftogaz group, and three more DSOs are preparing for incorporation.
- In November, Naftogaz purchased 139.5 million cubic meters of gas from private producers at UEEX.
- Protests undertaken by carriers are among the main reasons for reducing fuel imports. At the same time, the faster pace of cargo processing allowed Ukrzaliznytsia to saturate the LPG market.
- The State Recovery Agency will receive 20,000 tons of metal from the USAID Energy Security Project for the construction of the second level of protection structures on energy facilities.
- The Federal Ministry of Economy and Climate of Germany, the European Investment Bank, and the Ministry of Reconstruction agreed on a EUR 20 million grant for the Renewable Energy Solution Programme (implementation of energy-efficient solutions in public buildings).

IMPACT OF THE WAR

Attacks

[According to](#) the Ministry of Energy, as of December 11, 491 settlements in Ukraine remained without electricity supply due to hostilities and technological disruptions (+71 as compared to the previous week). Hostile attacks and, consequently, interruptions in electricity and gas supply took place:

Donetsk region. On [December 4](#), 7 settlements (11,300 consumers) were disconnected; on [December 6](#), 4 settlements (6,800) and a [mine](#) were offline. On [December 7](#), 17,700 consumers were left without electricity supply due to shelling. On [December 7](#), 110 kV overhead lines were disconnected, leaving a settlement and a mine without electricity; 35 workers in the mine were brought to the surface. On the same day, a rocket attack was launched at one of the [mines](#) of Toretskvuhillia. One of the workers was injured, equipment was significantly damaged, and the mine was shut down. On [December 8](#), 56 settlements (22,500 consumers) lost power supply due to shelling; on [December 9](#) - 9 (over 17,000); on December 10 - 26 (9,823). The shelling also caused the disconnection of a 110 kV [overhead line](#), which led to power loss by residential and industrial consumers, including 3 mines. An hour after the disconnection, the consumers were fully resupplied via a backup scheme. In total, 121 settlements (121,647 consumers) remained without power supply.

Kharkiv region. As of [December 4](#), 69 settlements (16,500 consumers) were without power supply. On [December 6](#), 1,400 consumers were offline. In addition, a high-pressure gas inlet pipeline was damaged in one of the communities, leaving 621 private households and a hospital boiler room without gas supply. On [December 7](#), a medium-pressure gas inlet pipeline was damaged, leaving more than 100 consumers without supply. On [December 8](#), equipment was damaged and a substation caught fire, leaving a hospital and household consumers without electricity supply. During the day, consumers in Kharkiv and 3 settlements of the region were cut off from electricity; in total, 68 settlements (16,200 consumers) were disconnected. On [December 9](#), 6 buildings in Kharkiv (334 apartments) and more than 100 customers in the region were left without gas supply due to hostile shelling. On [December 10](#), a number of consumers in Kupyansk were disconnected from the gas distribution system.

Over the entire period of de-occupation in the region, specialists have already [restored](#) electricity supply to more than 210,500 consumers (93%). About 17,000 consumers remain without power supply in the settlements most affected by shelling or crossed by the front line. Gas supply has been restored to almost 72,000 consumers (79%). About 20,000 consumers are still unable to resume gas supply, with the most difficult situation in the Dvorichna and Vovchansk communities.

Zaporizhzhia region. As of [December 4](#), 63 settlements (more than 26,000 consumers) remained without power supply; on [December 5](#) - 67 settlements; on [December 10](#) - 63 settlements (25,950 consumers).

Kherson region. On [December 4](#), 418 consumers in Kherson lost power supply due to shelling; on [December 5](#) - 655; on [December 9](#) - 1,323. In total, almost 5,750 consumers in the city are without electricity supply due to hostilities and 746 due to the consequences of the Kakhovka HPP dam explosion; in the region - almost 26,000.

Dnipropetrovsk region. On [December 6](#), Ukrenergo's 330 kV overhead line was damaged. On [December 9](#), as a result of shelling, 1,855 consumers lost power supply.

Sumy region. As of [December 4](#), 56 settlements (2,600 metering points) remained without power supply; on [December 7](#) - 54 (2,300); on [December 8](#) - 56 (2,500); on [December 9](#) - 55 (over 2,200). On [December 10](#), 6 settlements (622 consumers) were cut off from electricity supply due to shelling. A total of 51 settlements (4,906 consumers) were disconnected.

Chernihiv region. On [December 4](#), 1,400 metering points were left without power supply; on [December 8](#) - 1,600; on [December 10](#) - 1,275.

Mykolaiv region. On [December 9](#), an overhead line was disconnected in one of the districts due to shelling, and 2 settlements (185 households and 11 legal entities) were offline.

On [December 4](#), one of the **thermal power plants in the south of Ukraine** suspended operation due to damage caused by shelling. On [December 5](#), an overhead line of a **TPP** in the frontline region was cut off due to shelling. On [December 6](#), a **TPP in the eastern region** was shelled three times. Despite numerous damage, the facility did not stop operating. However, due to damage to the infrastructure, one power unit was shut down and heating in one of the nearby settlements was suspended. On [December 8](#), the enemy shelled a **TPP** in the frontline area. Due to significant damage, two units were put under emergency repair. Also, due to the shelling, equipment on the 330 kV line was disconnected.

Russia may have launched a concerted campaign of attacks on Ukraine's energy infrastructure, as the UK Ministry of Defence [reported](#). According to published information, on the night of December 7, the enemy for the first time since September 2023 launched powerful strikes on Kyiv and central Ukraine using heavy bombers. At least 16 cruise missiles were launched, which Russia has been stockpiling for winter strikes against the Ukrainian energy sector.

Nuclear and Radiation Safety

[According to](#) the IAEA, the occupied Zaporizhzhia NPP continues to receive electricity from a single 750 kV line, while the backup 330 kV line is under repair. The IAEA team also reported that Unit 4, whose main pumps briefly stopped working during an external power loss last week, is back in a "hot shutdown" mode.

The State Nuclear Regulatory Inspectorate of Ukraine [has extended](#) the operating license for the South Ukraine NPP Unit 1 until December 2, 2033.

Countermeasures

At the UN Climate Change Conference COP28, Minister of Energy of Ukraine Herman Galushchenko [presented](#) the report "Clean Energy Roadmap: from Reconstruction to Decarbonization in Ukraine" on the decarbonization of the energy sector by 2050 developed under the US Net Zero World initiative jointly by the US national laboratories, scientists and experts with the assistance of the Ministry of Energy. Galushchenko noted that in the future, the decarbonized mix of the Ukrainian energy system will consist mainly of renewable and nuclear energy. Electrification and energy efficiency measures will play a key role in the efforts to decarbonize Ukraine's economy. The Minister also reminded that at COP28, Ukraine and more than 20 other countries joined the declaration on joining efforts to triple the use of nuclear energy.

In addition, a preliminary version of the National Energy and Climate Plan (NECP) for the period 2025-2030 was [presented](#) at COP28. In his speech, Deputy Minister of Economy of Ukraine Oleksiy Sobolev presented preliminary results of developing the NECP. In particular, renewable energy sources are expected to account for 27% of final energy consumption by 2030, methane emissions will be reduced by 30%, and coal will be phased out by 2035.

Ruslan Strilets, Minister of Environmental Protection and Natural Resources of Ukraine, during a press conference on the sidelines of the COP28, [stressed](#) that Ukraine is initiating the introduction of "Aggressor refunds" and the inclusion of such a mechanism in the Paris Agreement. Strilets noted that Ukraine proposes to develop, together with the international community, a mechanism for aggressor compensation for damage to the environment and climate caused by armed conflicts. After all, greenhouse gas emissions during a war should be the responsibility of the initiator of such a war.

Yevhen Fedorenko, Deputy Minister of Environmental Protection and Natural Resources for European Integration, [said](#) that due to Russia's armed aggression in Ukraine, losses due to additional CO2 emissions are already estimated at 10 billion USD. However, he also emphasized that despite the war, Ukraine has made a commitment and adopted an Action Plan to reduce methane emissions under the Global Methane Pledge initiative, which provides for a 30% reduction in methane emissions by 2030 compared to 2020.

The President of Energoatom, Petro Kotin, [said](#) that, after the start of the full-scale Russian invasion, the company completely stopped supplying spare parts for nuclear reactors from Russia and replaced them with its own production and production in partner countries.

At the Investors Annual Meeting organized by the government office Ukraine Invest, the Head of the State Agency on Energy Efficiency and Energy Saving of Ukraine, Hanna Zamazeyeva, [announced](#) that the investment potential of Ukraine's energy efficiency sector is approximately 27 billion USD. According to her, these investments would help to:

- reduce annual direct losses of over 1 billion USD due to low energy efficiency;
- generate domestic revenues and economic growth;
- create new jobs and attract innovations;
- improve the energy security of communities and the economy.

MARKETS PULSE

Electricity Sector

Power system operation

According to [Ukrenergo](#) and [the Ministry of Energy](#), electricity consumption was covered by domestic production, as well as by imports from Romania, Slovakia, Poland, Moldova, and emergency support. Since December 7, the power system has been experiencing a shortage of electricity ranging from 1% to 2.5% of daily consumption. The main reasons are colder weather, increased consumption (on December 7, a record was set since the beginning of the heating season), and insufficient generating capacity due to systematic shelling and damage. Emergency support was activated to avoid outages and to balance the power system: on December 7, 11:00-19:00 from Slovakia, Romania, and Poland (700 MWh); on December 8, 11:00-19:00 from Romania and Poland (400 MWh); on December 9, 12:00-19:00 from Romania and Poland (300 MWh); on December 10, 14:00-18:00 from Romania and Poland (1,400 MWh).

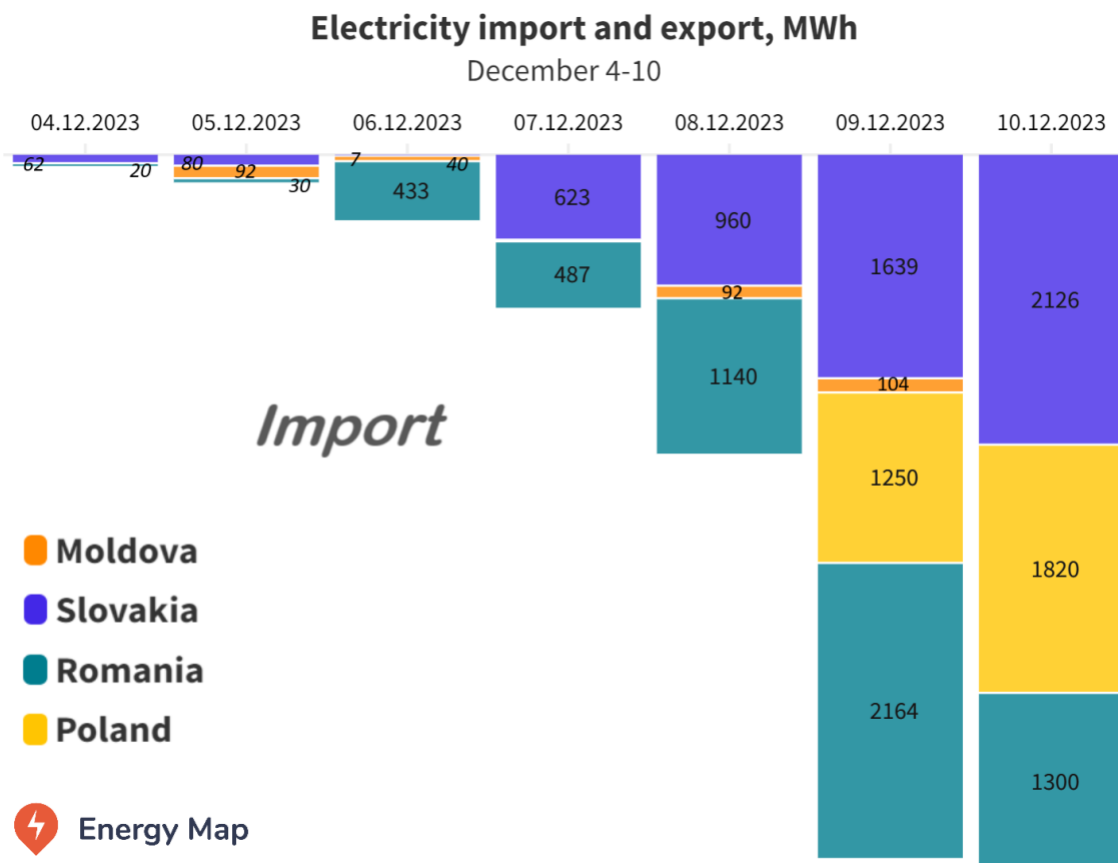
Repairs continued at the generation facilities. On December 4, 4 TPP units were put under short-term repair, while 3 units were put into operation. On December 5, one TPP unit was put under emergency repair. Also, due to technical reasons, a TPP unit was shut down, but it was promptly put back into operation. On December 6, one TPP unit was put under short-term emergency repair. At the same time, 2 units that had been under repair the previous day were put back online. On December 6, part of the equipment at a substation in the central region was repaired, which increased the reliability of electricity transmission in one of the regions. On December 7, a TPP unit that had been under short-term repair was put back online. At the same time, 2 TPP units were put under short-term emergency repairs. On December 8, one of the units was put under emergency repair due to complaints about the operation of the equipment. On December 9, a TPP unit was taken for emergency repair, and another unit was taken for scheduled repair.

The week's power outages were also caused by **adverse weather conditions**, with 145 settlements remaining without power on December 4, mostly in the Lviv region (134 settlements / 9,700 consumers), the Khmelnytskyi region (49 / 4,500) and the Zhytomyr region (11 / over 1,000). On December 8, 13 settlements (2,000 consumers) in the Dnipropetrovsk region and 200 consumers in the Mykolaiv region were disconnected. On December 9, 6,279 consumers in the Dnipropetrovsk region and 3,451 in the Zaporizhzhia region were without power. On December 10, 15 settlements (1,455 consumers) in the Dnipropetrovsk region and 63 / 10,439 in the Zaporizhzhia region were disconnected.

Another reason for the outages was technological disruptions. On December 4, 535 consumers in the Zaporizhzhia region were disconnected. On December 5, 31 settlements (almost 1,500 consumers) in the Lviv region were without power, as well as equipment at Ukrenergo's 330 kV substation in the Poltava region, resulting in an outage for consumers. On December 6, 1,500 consumers in the Zaporizhzhia region were without power. On December 6, 2 settlements (49

consumers) in the Chernihiv region were cut off from the electricity supply. On December 7, 13,800 consumers in the Lviv region and almost 3,000 in the Dnipropetrovsk region were temporarily offline. On December 8, 15 settlements (5,000 consumers) in the Zaporizhzhia region and 47 in the Chernihiv region were without power. On December 9, the 330 kV overhead line in the Dnipropetrovsk region was disconnected and put under emergency repair. Also, in the Dnipropetrovsk region, due to the disconnection of a 150 kV line, consumers of the DSO and the railway were without electricity for several hours, which led to train delays. Within a few hours, all consumers were supplied with power. On December 10, 8 substations with a total load of 27 MW were offline due to the disconnection of a 110 kV overhead line; 40,035 consumers were without electricity for half an hour. A 110 kV overhead line was disconnected in the Ternopil region, and 2 substations with a total load of 9.7 MW were out of power for less than an hour.

According to the [NEURC](#) and [ENTSO-E](#), no commercial electricity exports were performed during the week. Imports increased by 2.5 times and arrived from Romania, Slovakia, Poland, and Moldova. Commercial imports from Romania were performed every day, with a [total volume](#) of 5.6 GWh (+106% week-on-week) and capacity ranging from 20 MW to 325 MW. Deliveries from Slovakia amounted to 5.5 GWh (+246%), with a capacity range of 7-260 MW. Deliveries from Poland were performed on December 9-10, with capacity ranging from 150 to 300 MW and a total volume of 3.1 GWh (+284%). Imports from Moldova were performed in small volumes (from 1 to 43 MW) during December 5-9, with a total volume of 0.3 GWh (-51%).



Source: [Energy Map](#)

At the daily auctions, 4 to 10 companies [booked](#) capacity for imports in the Romania-Ukraine direction; the main players were CPG Energy, Solipower, Energo Resource Ri Group, and Kub Energy. The marginal price was set only on December 10 in the range from 0.03 to 0.61 EUR/MWh, and the revenue of Ukrenergo reached around 5,000 UAH. The capacity from Slovakia was booked by 6-18 companies, with the main players being D.Trading, Trade Energy Solution, Tviy Energopostachalnyk, and ERU Trading. The marginal price was set on December 8-10 in the range from 0.09 to 5 UAH/MWh, and the revenue of Ukrenergo reached 5,000 UAH. On December 9-10, in the Rzeszów-KhNPP direction, capacity was booked by Euromin Energy with a zero marginal price. In the Moldova-Ukraine direction, capacity was booked by 4-6 companies, with the main players being CPG Energy, Energo Resource Ri Group, Artlex-Group, Solipower, etc. The marginal

price was set on December 7-10 in the range of 0,01-3.01 UAH/MWh, and the revenue of Ukrenergo reached 900 UAH. For exports, no capacity was booked.

Electricity market performance

Bilateral contracts market (BCM): After several weeks of upward trend, the dynamics of trading on the Ukrainian Energy Exchange (UEEX) showed a significant decrease. Between December 4 and 10, the UEEX [held](#) 15 auctions for the purchase/sale of electricity (7 in commercial and 8 in specialized sections). Among the initiators of the auctions were Guaranteed Buyer, Ukrhydroenergo, Centrenergo, DTEK Zakhidenergo, Nyzhniodnistrovska HPP, universal service suppliers, distribution system operators, and others. In total, 534.9 GWh were sold at UEEX (-79.4% week-on-week). The monthly Base BCM Index for December remained at UAH 3,871.5/MWh.

In particular, DTEK Zakhidenergo sold 288.2 GWh of baseload in two trading sessions with prices in the range of 3,709.0-3,748.2 UAH/MWh with a six-month delivery period for 2024. Centrenergo sold 51.6 GWh of baseload at prices of 3,885.4-3,900.0 UAH/MWh with delivery on December 11-22 and 1.1 GWh at a weighted average price of 3,840.0 UAH/MWh with delivery on December 23-31. Guaranteed Buyer sold 11.5 GWh in block positions of daytime hours at prices of 4,057.7-4,449.8 UAH/MWh and 3.5 GWh in block position (01-07 hours) at a weighted average price of 2,200.0 UAH/MWh with delivery in the second decade of December. In the specialized section, Teplocomunenergo (Chernihiv) sold 66 GWh of baseload at a weighted average price of 3,850.0 UAH/MWh with delivery from December 8, 2023 to January 31, 2024. Ukrhydroenergo and Nyzhniodnistrovska HPP offered baseload and block positions with delivery in December but failed to sell electricity. In the commercial sections, the companies purchased/sold electricity by individual load profiles.

Day-ahead market (DAM): According to the [Energy Map](#) service, during December 4-10, DAM prices showed some [volatility](#): deviations of hourly prices from price caps ranged from 0 to 91.1% and averaged 20.2%. The number of significant price deviations (over 50%) from the price caps updated on November 30 was observed in only 3% of the settlement periods (hours). At the same time, the number of hours when prices were close (with a deviation under 1%) or at the level of price caps increased and amounted to 11.9% (compared to 8.3% in the previous week).

The average hourly price of electricity for the week (Base DAM index) decreased slightly to 4,273.0 UAH /MWh (-5.2% week-on-week), while the weighted average daily price [ranged](#) from 3,987.7 to 5,250.9 UAH/MWh. At the same time, the ratio between the Base DAM indices in the countries of Eastern Europe (Poland, Hungary, Romania, and Slovakia) and Ukraine decreased significantly and [ranged](#) from 0.75 to 1.33.

The total volume of electricity sold on the DAM continued an upward trend for several weeks and [increased](#) to 594.3 GWh (+1.7%). The daily trading volume varied from 70.8 to 90.5 GWh. In general, the DAM was in surplus: the ratio between the total daily volume of sell and purchase bids generally decreased and ranged from 1.17 to 1.32. At the same time, in 4.8% of the settlement periods (mainly on December 7), a deficit was reported (compared to 3.6% of deficit hours in the previous week). Suppliers [prevailed](#) in the electricity purchase structure (89.1-91.6%), system operators' share was 8.4-10.8%, and the rest (up to 0.1%) belonged to producers and traders.

Policy and regulation

To take into account the recommendations of the Energy Community Secretariat provided in the [NEURC's report "Management and Independence of the National Energy Regulator of Ukraine"](#), the Regulator [has developed](#) an Action Plan to ensure its independence in line with the international commitments of Ukraine. The plan is designed for 2024 and includes the development of legislative amendments as follows: special status of the NEURC; operational independence; independence to recruit the required number of qualified personnel; ensuring the rotation of NEURC members, which is not limited to termination of authority; improving communication with the Energy

Community Secretariat (in terms of approval of draft decisions of the Regulator); autonomy in the formation and use of its own budget; enhancing the financial independence of the NEURC in line with the best practices of the EU acquis.

To implement Law No. 3220-IX, "On Amendments to Certain Laws of Ukraine on Restoration and Green Transformation of the Energy System of Ukraine," the Regulator [amended](#) the Distribution Systems Code in terms of the specifics of connection of

- self-consumption electrical installations and electrical installations of related parties to power grids of producers of electricity from renewable energy sources;
- electrical installations of critical infrastructure facilities to power grids of producers of electricity at cogeneration plants with a capacity of up to 20 MW.

The amendments to the Code also set out the procedure for organizing an energy "island" in the DSO networks as an option for securing the uninterrupted operation for consumers, including critical infrastructure facilities, during the war and the threat of an emergency (blackout) in the IPS of Ukraine.

In line with the above amendments to the Distribution Systems Code, the Regulator also [introduced](#) related amendments to the Electricity Commercial Metering Code to regulate metering at such facilities.

The Regulator [approved](#) tariffs for electricity transmission services for 2024:

- for system users - 528.57 UAH/MWh (excluding VAT) (+18.7% compared to the average tariff for 2023);
- for "green" electrometallurgy enterprises - 364.70 UAH/MWh (excluding VAT) (+74.1% compared to the tariff for 2023).

The expected overall volume of electricity transmission in IPS is ca. 99.4 million MWh. At the same time, in the structure of the tariff, 36% of Ukrenergo's total expenses for 2024 are related to the costs of fulfilling the special obligations (PSO) for RES development and compensation for the curtailments of producers under the feed-in tariff scheme.

The tariff for Ukrenergo's dispatching services for 2024 [is set](#) at 104.57 UAH/MWh (excluding VAT) (+22.9% compared to the average tariff for 2023).

The Regulator has also approved tariffs for electricity distribution services for 2024 for [26 DSOs](#) using the RAB tariff scheme and for [6 DSOs](#) using the cost+ method.

As part of the REMIT implementation, the Regulator [has published](#) a draft resolution, "On Approval of the Requirements for Ensuring Integrity and Transparency in the Wholesale Energy Market", which defines:

- a list of practices that may be manipulation or attempted manipulation in the wholesale energy market;
- signals that may indicate signs of abuse in the wholesale energy market;
- restrictions on the handling of insider information and requirements for its publication (disclosure);
- requirements for persons who professionally organize operations with wholesale energy products;
- provisions on the NEURC's cooperation with the Energy Community Regulators Board (ECRB).

Gas

Gas system operation

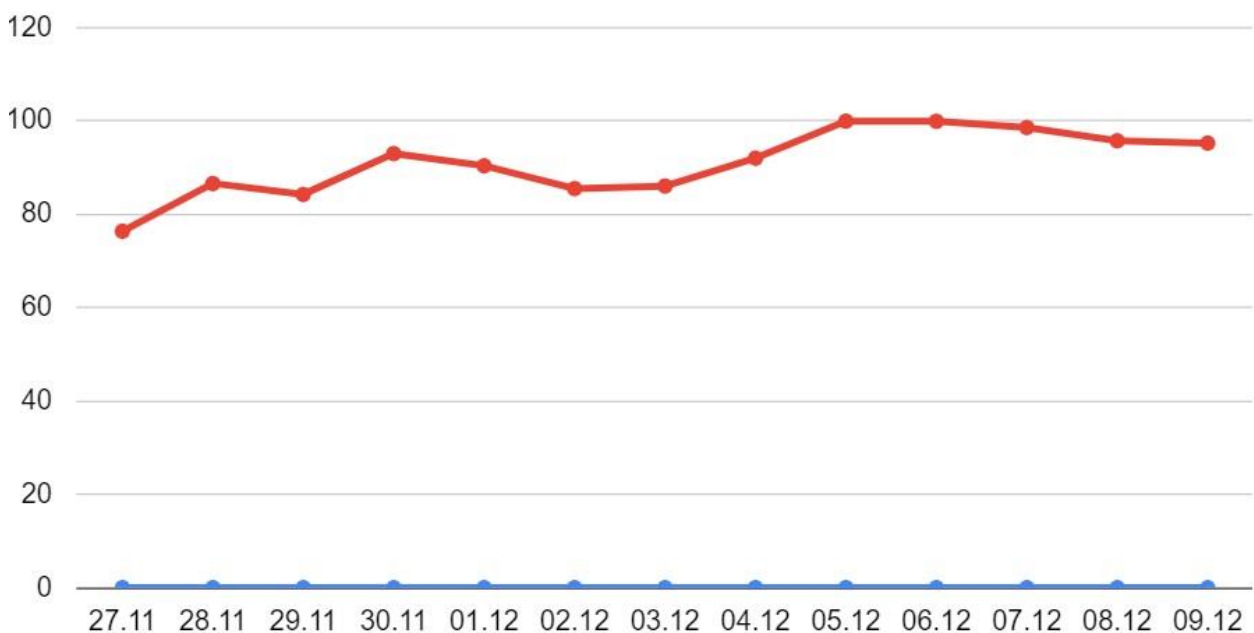
As of 14:00 on December 11, the Gas Transmission System Operator of Ukraine LLC (GTSOU) didn't update information on the physical and commercial flows of the gas transmission system.

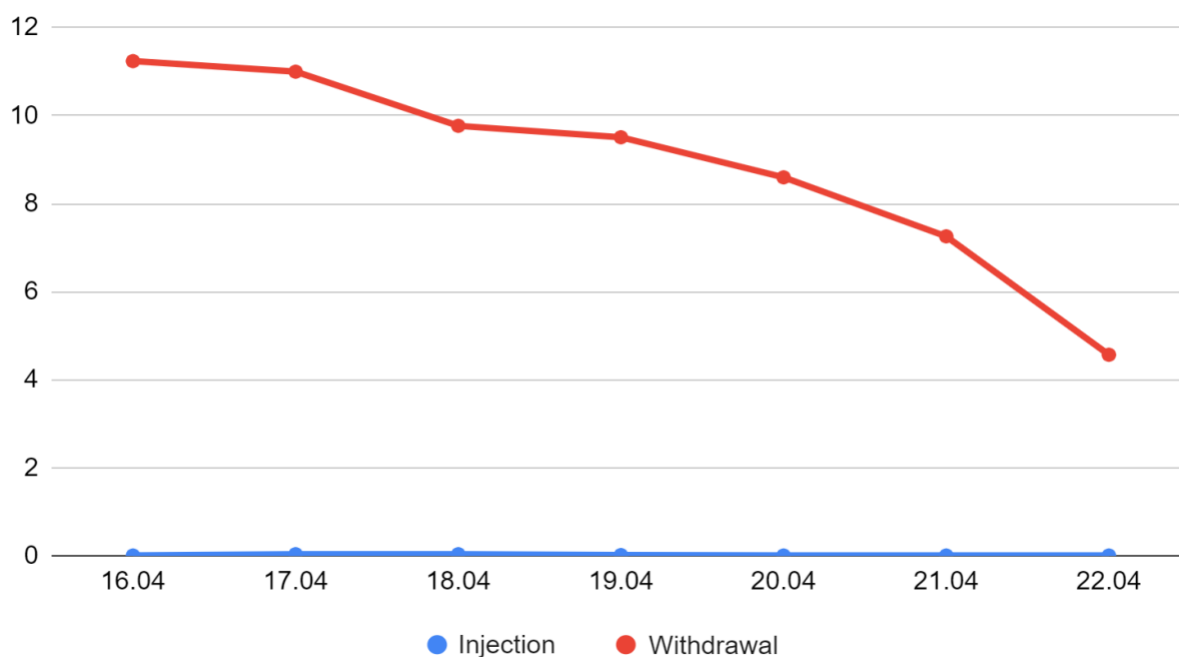
In an interview with the media, the CEO of Naftogaz Oleksii Chernyshov [reiterated](#) that Naftogaz doesn't plan to initiate negotiations on the continuation of the transit of Russian gas after 2024. At the same time, from a technical point of view, the Ukrainian gas transmission system is ready to function without transit flows. Besides, Naftogaz expects that court cases against Gazprom related to transit fees will be closed by 2025. As of early December, transit payments owed by Gazprom amounted to 679 million USD, and the sum is increasing.

Underground storage facilities

According to the [AGSI platform](#), as of December 9, 9.97 bcm of gas was accumulated in the Ukrainian storage facilities (-2.17% week-on-week). It corresponds to 32.88% of the total working capacity, i.e., without 4.662 bcm of "long-term storage" buffer gas. Withdrawals from storage increased by 12% and totaled 667.2 mcm; the average daily withdrawal amounted to 95.3 mcm.

Natural gas withdrawals and injections into/from Ukrainian storage facilities, mcm





Source: [AGSI](#) (all indicators calculated by dividing the primary indicators in MWh by the conversion factor of 10.595 kWh/cm)

Gas market performance

In the [trading sessions](#) of December 4-8, seven companies (two buyers and five sellers) submitted bids for purchasing gas at the Ukrainian Energy Exchange (UEEX). In the reporting period, UEEX received purchase bids for 76.2 mcm of gas (-16.7% week-on-week) with a total starting cost of 0.99 billion UAH (-16.9%). The weighted average starting price of bids was 12.95 UAH/cm (excluding VAT), which is 0.3% less than the indicator of the previous week.

In the reporting week, only GSC Naftogaz Trading LLC succeeded in buying gas; the total volume of purchases was 23.8 mcm (-3% week-on-week). The weighted average price of purchased gas was 12.78 UAH/cm (excluding VAT). All of the commodity was sold with delivery in December and will be transferred in underground storages.

In addition, Naftogaz [summed up](#) its trading activity on the UEEX in November 2023 by reporting on the purchase of 139.5 mcm of gas from private gas-producing companies. The company believes that these transactions contribute to balancing supply and demand on the Ukrainian gas market as well as provide liquidity to private producers, enabling them to make necessary investments in gas production.

Policy and regulations

On December 1, the Cabinet of Ministers [adopted](#) the Procedure and requirements for energy audits of processes and transport. According to the act, energy audits related to pipelines, facilities of energy supply and transportation are considered to be energy audits of processes. Thus, energy audits ordered by TSOs and DSOs for their industrial processes will be subject to the adopted Procedure.

The Government also [adopted](#) amendments to the Regulation on the imposition of specific obligations on natural gas market entities (CMU Resolution No. 222 of March 6, 2022), which stipulate that Ukrgasvydobuvannya JSC and Chornomornaftogaz SJSC are to sell gas produced by them to Naftogaz not only for further supply to household consumers and heat producers but also to cover DSOs' operational and technological needs.

The NEURC [approved](#) the Resolution "On approval of the methodology for determining the fee for connection to heating networks", which sets out the requirements for establishing the fee for connection to heating networks.

The Regulator also [adopted](#) amendments to the Procedure for Certification of the Gas Transmission System Operator, which provide for continuous monitoring by the NEURC of the implementation of compliance programmes of the gas transmission owner (Ministry of Energy) and operator (GTSOU LLC), submission of annual reports on the implementation of compliance programmes by the two entities. The act also defines the rights, duties, and responsibilities of the compliance officers of the abovementioned entities.

Other

Naftogaz Group [announced](#) the "integration" into its structure of another gas distribution system operator, Ternopilgaz JSC. As a result, another 200,000 households and 3,000 legal entities have become Naftogaz's customers in the gas distribution sector. In an interview with the media, Naftogaz CEO Oleksiy Chernyshov also [said](#) that three more DSOs are preparing for "integration" - Korostyshivgaz in Zhytomyr region, Tysmenytsiagaz in Ivano-Frankivsk region, and Luhanskgaz, whose assets are located in the occupied territories.

Chernyshov does not see any violation of the EU Third Energy Package in the current management model of the DSOs, which are now part of the Naftogaz group, which simultaneously supplies gas to almost all household consumers. At the same time, he believes that distribution network operators may be reprivatized after the war. The Naftogaz CEO also does not rule out the possibility of privatizing upstream assets.

Chernyshov pointed out Naftogaz's expected financial and production results for 2023: gas production is planned to increase by 7% (700-800 mcm). The company also expects a positive financial result in 2023. He also mentioned the sum of compensation owed to Naftogaz for the implementation of specific obligations (PSO) in 2022, which was confirmed by the State Audit Service and amounted to 41 billion UAH. 2023 compensation will be calculated in 2024. Chernyshov believes that the gradual cancellation of PSO is possible starting from 2024, but it should be combined with adequate protection of vulnerable consumers.

In addition, the Naftogaz CEO said that a competition for a new CEO will be announced after the end of the heating season.

Oil and Motor Fuels

The specialized media [reported](#) that on December 4-11, the wholesale prices of liquefied petroleum gas (LPG) dropped significantly by 9,800 UAH/t to 48,850 UAH/t. The reasons for the sharp decline include a seasonal drop in consumption and a sharp increase in import supplies. The latter, in particular, is due to the faster pace of cargo handling by Ukrzaliznytsia (a state-owned company administering railway infrastructure in Ukraine) in December 2023.

Gas stations also reacted to the drop in wholesale prices for LPG: on December 1-8, the average price at gas stations [decreased](#) by 1.50 UAH/l to 35.25 UAH/l. On December 8-11, the retail price [reduced](#) by 0.32 UAH/l to 34.94 UAH/l.

Monitoring by specialized media [indicates](#) that retail prices for other fuels also decreased: on December 1-8, the average price of A-95 petrol decreased by 0.91 UAH/l to UAH 53.42/l, premium A-95 petrol fell in price by 1.05 UAH/l to 56.53 UAH/l. The price reduction for diesel fuel constituted 0.92 UAH/l to 53.36 UAH/l.

At the same time, the situation on Ukraine's border with the EU remains difficult: according to the State Border Guard Service, as of December 5, about 3,100 trucks were [queuing up](#) in Poland due to the blockade of the border. Slovak truckers are also planning to [resume](#) their protest on the border with Ukraine on December 11. Last week, Slovak hauliers also [threatened](#) to completely block the Vysne Nemecke-Uzhhorod border crossing. This week, Hungarian truckers are also [planning to join the protest](#). Protests are among the main reasons for the reduction in imported fuel supplies by road. At the same time, importers are [stepping up shipments](#) of petroleum products by rail.

Danylo Hetmantsev, chairman of the Verkhovna Rada Committee on Finance, Taxation, and Customs Policy, [said](#) that excise taxes on LPG may be raised in a few months. According to the official, the ratio between the excise rates for LPG and other petroleum products should reflect the ratio between their energy intensity. Based on this principle, the excise rate for LPG should be more than tripled to 160-170 EUR per 1000 liters.

International Cooperation

The State Agency for the Reconstruction and Development of Infrastructure of Ukraine will [receive](#) 20,000 tonnes of metal for the construction of second-level protection structures for energy facilities. The transfer will take place as part of the Energy Security Project implemented by Tetra Tech ES, funded by the United States Government through the United States Agency for International Development (USAID). The company purchases metal from a Ukrainian producer and transports it from the production site to the construction site. Since March this year, concrete structures have been constructed around Ukrenergo's transmission grid. The second level of protection covers 22 substations and 63 autotransformers in 14 regions. The decision to protect energy facilities was made by the Government and the General Staff of the Armed Forces of Ukraine; the Agency works together with Ukrenergo, which forms the design and construction tasks.

During the United Nations Climate Change Conference (COP28), the German Federal Ministry for Economic Affairs and Climate Action (BMWK), the European Investment Bank (EIB), and the Ministry of Communities, Territories and Infrastructure of Ukraine agreed to [sign](#) a €20 million grant for the Renewable Energy Solution Programme, which is designed to implement energy-efficient solutions (solar energy systems, geothermal heat pumps, biomass energy use) in public buildings such as schools, hospitals and kindergartens. The grants will be allocated to communities and cities already receiving funding under EIB framework loan agreements. These include the Ukraine Public Buildings Energy Efficiency Programme (UPBEE) and two recovery programmes: The Ukraine Emergency Recovery Programme (UERP) and the Ukraine Recovery Programme (URP). The German Development Cooperation (GIZ) is expected to provide technical assistance and advisory services necessary for the successful implementation of the programme.

At COP28, with the participation of Vice-President of the European Commission for Interinstitutional Relations, Maroš Šefčovič, Director of the International Energy Agency, Fatih Birol, representatives of the World Bank and the International Finance Corporation (IFC), the [report](#) "Clean Energy Roadmap: from reconstruction to decarbonization in Ukraine", developed by Ukrainian scientists and experts under the US Net Zero World initiative in cooperation with the US National Laboratories, with the assistance of the Ministry of Energy of Ukraine was presented. The report presents scenarios comparing the development of the energy system and greenhouse gas emissions under different conditions, including the achievement of Ukraine's important goal of becoming a European energy hub.

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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)

SUPPORT UKRAINIAN ARMY

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