

Weekly Alert

**Russian War Against
Ukraine: Energy Dimension**

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Russian War Against Ukraine: Energy Dimension
DiXi Group weekly review

(February 5 – 11)

#StopRussianAggression
#StandWithUkraine**Summary**

- As of February 12, 386 settlements remained without electricity due to hostilities and technological disruptions.
- Namely, on the night of February 12, Russia launched another drone strike on the energy infrastructure, damaging equipment at an Ukrenergo substation in the Dnipropetrovsk region. Over 53,000 consumers were left without electricity supply.
- February 7 missile strikes on Kyiv resulted in damage to two 110 kV high-voltage lines, with substations, 19,400 consumers and healthcare facilities offline. The attack also disconnected a section of the district heating network, leaving 355 residential buildings, 5 healthcare and 27 educational institutions, and 84 public buildings without heat supply.
- While visiting the occupied Zaporizhzhia NPP, the IAEA Director General Rafael Grossi noted that the site has lost external power supply eight times - the last time in December – and switched to back-up diesel generators.

- Electricity exports increased 7 times to 10.2 GWh; imports increased by 3% to 34.8 GWh. Ukrenergo prepares to launch joint auctions with TSOs of Hungary (February 22) and Slovakia (March 4), which will be held on the JAO platform.
- For the first time in a long period, electricity prices in the markets of Eastern Europe were lower than in Ukraine. The ratio between the Base DAM indices in Poland, Hungary, Romania, Slovakia and Ukraine ranged from 0.70 to 0.97.
- In 2023, the total volume of electricity sales and purchases on the DAM increased by 14% year-on-year to 20,750.4 GWh, but did not reach the pre-war level. Also, market concentration ratio (CR5) is high both among buyers (77%) and sellers (74%)
- The Verkhovna Rada adopted in the first reading draft law No.9456, which provides for the settlement of customs clearance of biomethane.
- GTSOU announced a reduction in the use of natural gas as fuel by 33% in 2023, and of natural gas for technological processes by 59%. One of the likely reasons was reduction of transit volumes by 28% YoY (to 14.65 bcm).
- According to the media, LPG imports from Poland with signs of Russian origin amounted to 8,790 tons in the first five weeks of 2024, which is 17% of the total volume of imports.
- The Cabinet of Ministers approved the basic standards for the share of SOEs' profits to be paid as dividends based on the 2023 results. For Naftogaz, this share is set at 95%, for Ukrhydroenergo – at 50%, for Ukrnafta - at 30%. The government recommended paying part of dividends in advance by February 29.
- The Procedure for recalculating the cost of utility services for the period of non-performance, incomplete performance or inadequate quality was adopted.
- The government approved the Action Plan for the implementation of the European Commission's recommendations presented in the Ukraine Progress Report within the 2023 Enlargement Package. The plan defines more than 350 measures for all negotiating chapters.
- The Cabinet of Ministers also allocated almost 4.5 billion UAH in subventions to local budgets in 11 regions to rebuild social and critical infrastructure through 136 projects.
- Sweden has allocated 26.4 million EUR to support energy efficiency projects in Ukraine through the E5P Fund.

IMPACT OF THE WAR

Attacks

[According to](#) Ukrenergo, as of February 12, 386 settlements in Ukraine remained without electricity due to hostilities and technological disruptions. Hostile attacks and, consequently, supply disruptions occurred:

Donetsk region. On [February 5](#), 10,100 consumers in 12 settlements were disconnected from electricity. On [February 9](#), a 110 kV line was disconnected due to hostilities, leaving 31,000 consumers in 21 settlements without electricity supply. A 110 kV substation and a coal mining enterprises were also [offline](#); 20 workers were trapped underground at one of the mines, and later brought to the surface. On [February 11](#), 13,600 consumers in 9 settlements were cut off from electricity supply.

Kharkiv region. On [February 6](#), the enemy launched an artillery attack at one of Ukrenergo's 330 kV substations in the Kupyansk district, damaging equipment and causing no injuries. On [February](#)

7, power grids were damaged in the city of Kharkiv, and about 1,000 consumers were cut off from electricity supply. On [February 8](#), gas distribution networks were damaged; on [February 9](#), gas distribution pipelines in the Kupyansk district were damaged, resulting in supply disruption. On [February 10](#), as a result of UAV strikes on Kharkiv, fires broke out, and 450 electricity and 22 gas consumers were disconnected to extinguish them. On [February 11](#), an overhead power line was disconnected, which led to an outage of a 110 kV substation and household consumers.

Dnipropetrovsk region. On [February 5](#), 142 consumers were disconnected. On [February 6](#), a gas distribution network worker in the city of Marhanets was injured by a drone strike. On [February 8](#), 228 consumers were cut off from electricity supply. On [February 9](#), a gas distribution pipeline was damaged in the city of Nikopol, resulting in supply disruption. On the night of [February 12](#), Russia launched another UAV strike on the energy infrastructure, damaging equipment at an Ukrenergo substation. More than 53,000 consumers were [left without electricity](#) supply in the Pavlohrad district, and 10,000 consumers in the city of [Ternivka](#) were left without water supply.

Kherson region. On [February 5](#), 2,300 consumers in Kherson were left without electricity supply as a result of shelling, with about 6,000 consumers in the city and about 26,000 in the region. On [February 8](#), 866 consumers were offline in Kherson; on [February 9](#) - 281 consumers. On [February 11](#), power lines were damaged in Kherson, and there may be interruptions in water supply.

Zaporizhzhia region. As of [February 5](#), 5,300 consumers in 50 settlements were left without electricity supply in full or partially as a result of the hostilities. On [February 11](#), 451 consumers in 3 settlements were without electricity supply.

Mykolaiv region. On [February 7](#), 220 residential and 6 legal consumers in Mykolaiv were disconnected from electricity supply, and two gas pipelines were [damaged](#). An electrician repairing and maintaining electrical equipment of gas distribution networks was killed in a rocket attack. On [February 8](#), district heating networks in Mykolaiv were damaged, leaving 9 residential buildings without heat supply and 82 residential consumers without electricity. Overhead power lines were also damaged, resulting in an outage in 9 settlements. On [February 9](#), 558 residential and 27 legal consumers in 2 settlements were disconnected from electricity supply. On [February 10](#), a 150 kV overhead line was cut off, leaving 25,000 residential and 815 legal consumers in 51 settlements and [3 wind farms](#) without power.

Sumy region. As of [February 5](#), 2,200 consumers in 56 settlements were without electricity supply. On [February 6](#), 110 kV overhead lines and substations were cut off, affecting 2,200 consumers in 55 settlements. On [February 11](#), 285 consumers in 3 settlements were disconnected from electricity supply.

Chernihiv region. On [February 8](#), more than 900 consumers in 16 settlements were offline due to hostilities. On [February 11](#), 849 consumers in 5 settlements were cut off from electricity supply.

Kyiv city. On [February 7](#), due to damage to two 110 kV high-voltage lines, substations, 19,400 consumers and healthcare facilities in two districts of the city were cut off. The attacks also [disconnected](#) a section of the district heating network, leaving 355 residential buildings, 5 healthcare and 27 educational institutions, and 84 public buildings without heat supply.

Nuclear and Radiation Safety

The International Atomic Energy Agency (IAEA) Director General Rafael Grossi [visited](#) Ukraine and met with the President Volodymyr Zelenskyy, the Minister of Energy Herman Halushchenko, the State Nuclear Regulatory Inspectorate (SNRI) Chair Oleh Korikov, and the CEO of Energoatom Petro Kotin. On February 7, Grossi [visited](#) the occupied Zaporizhzhia NPP, where he noted the absence of shelling since the UN Security Council established five principles for protecting the facility in May 2023. At the same time, the IAEA Director General noted there is no need to be complacent about this, as the site has lost external power supply eight times - the last time in December - and was forced to switch to back-up diesel generators.

Grossi also [raised](#) the issue of ZNPP staffing after the occupiers announced last week that no Energoatom employees would be allowed on the site from February 1. The occupiers said the current staff is sufficient, given the state of units' shutdown, and that further recruitment is ongoing.

The SNRI Chair Oleh Korikov, in turn, [noted](#) that the processes of nuclear and radiation safety degradation at the ZNPP tend to intensify and accelerate (in the context of military occupation, lack of legitimate licensed personnel, routine maintenance and repairs of equipment and systems, and ongoing "experiments" of the occupiers to alternately heat up power units in violation of the SNRI license).

At [the public event](#) "Building US nuclear energy independence: The Russia connection" organized by the Atlantic Council, the Minister of Energy Herman Halushchenko [noted](#) that Russia continues to occupy a significant place in the markets of nuclear technology and uranium, despite the fact that its terrorist actions in Ukraine and the seizure of nuclear facilities violated the seven basic principles of nuclear and radiation safety and exposed the world to a nuclear disaster. Halushchenko also expressed his belief that Ukrainian-American cooperation can significantly accelerate the process of ousting Russia from global markets and cited specific results of successful cooperation.

Countermeasures

The Deputy Minister of Energy Yaroslav Demchenkov [noted](#) that, despite the challenges posed by Russia's military aggression against the Ukrainian energy sector, the integration of energy markets into European ones and sectoral reforms that Ukraine is implementing as the EU candidate country continues. Demchenkov also [said](#) that the Ministry of Energy has developed a draft concept to incentivize the development of renewable energy by consumers.

Meanwhile, the Ukraine Energy Support Fund continues to meet the requests of energy companies to purchase the necessary equipment, machinery, and fuel. E.g., special equipment was delivered to the [Kharkiv](#) and [Zaporizhzhia](#) regions.

On February 6, the government [supported](#) the allocation of almost 4.5 billion UAH in subventions to local budgets in 11 regions to rebuild social and critical infrastructure through 136 projects. The projects include the restoration of educational and healthcare institutions, administrative service centers, and life support facilities. The [source](#) is the funds allocated by the European Investment Bank under the joint Ukraine Recovery Program.

On February 9, the Cabinet of Ministers approved the Action Plan for the implementation of the European Commission's recommendations presented in the Ukraine Progress Report within the 2023 Enlargement Package. [As noted](#), the document defines more than 350 measures to implement the political recommendations, as well as key recommendations for all negotiating chapters in accordance with the cluster approach, the timing of their implementation, the responsible government agencies, and the algorithm for monitoring. As of the morning of February 12, the document has not yet been published.

On the same day, the Interagency Working Group [recommended](#) allocating 9.45 billion UAH from the Fund for Elimination of the Consequences of Armed Aggression for more than 230 projects that help restore the lives of communities and territories, as well as strengthen the national resilience, which were launched in 2023.

MARKETS PULSE

Electricity Sector

Power system operation

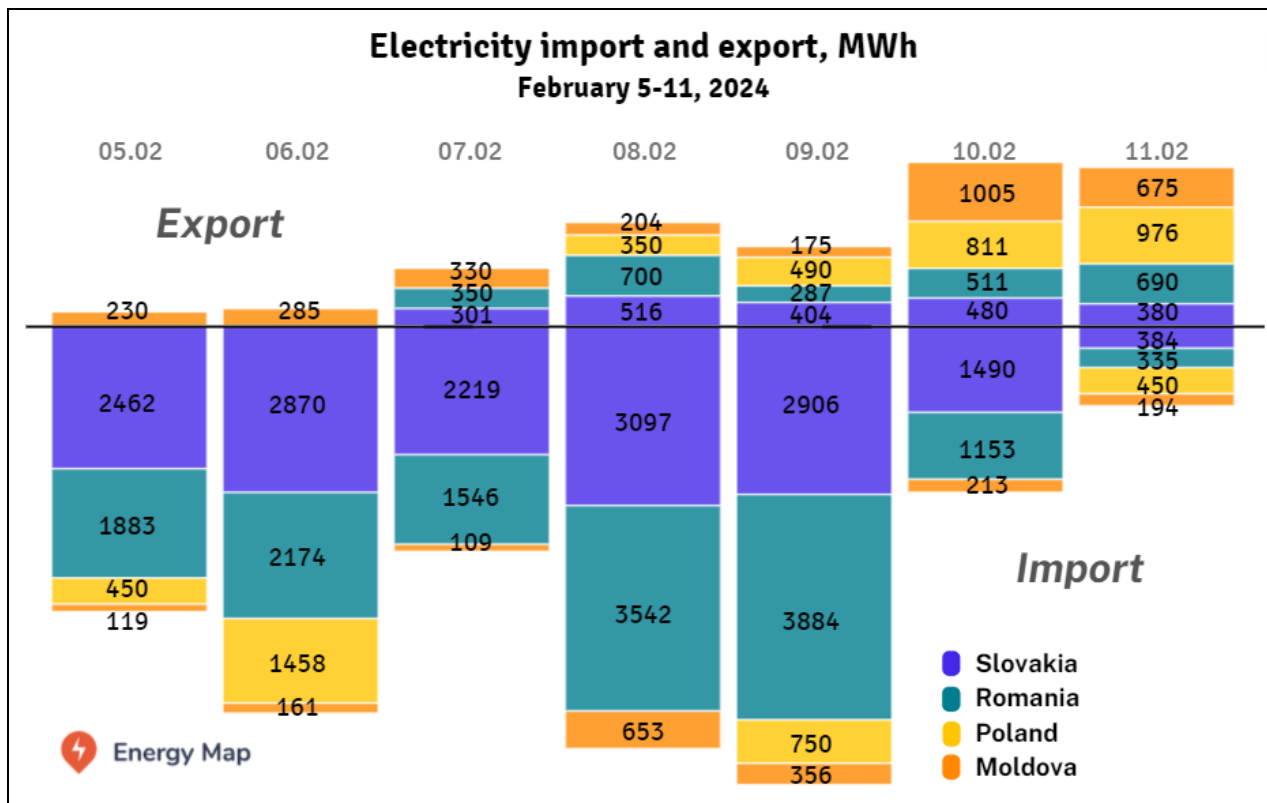
According to [Ukrenergo](#) and the [Ministry of Energy](#), electricity consumption was covered by domestic production, as well as by imports from Romania, Slovakia, Poland, and Moldova. On February 7, from 00:00 to 06:00, at the request of the Polish system operator PSE, [emergency assistance](#) was activated in the form of urgent reception of surplus electricity in the total amount of 1,200 MWh.

On February 5, due to **technological disruptions**, equipment at a substation in the Dnipropetrovsk region was disconnected, cutting off power supply to more than 19,000 consumers and industrial facilities in the city of Kryvyi Rih; the load of local CHP was also reduced, resulting in a heat supply interruption. On the same day, in the Donetsk region, overhead lines, 330 kV and 110 kV substations, a utility company, and household consumers were disconnected. On February 6, a 110 kV overhead line was disconnected in the Zhytomyr region, which resulted in an outage of 145 consumers in 6 settlements, industry and disruption of train traffic. In addition, 4,400 consumers were cut off in the Dnipropetrovsk region and 2,100 in the Kyiv region. On February 8, 2,985 consumers in 4 settlements of the Odesa, 1,202 consumers in the Kherson, 121 consumers in the Kirovohrad, and 63 consumers in the Sumy regions were offline; an overhead line in the Lviv region was disconnected, cutting off power supply to households and the railway; substation equipment in the Dnipropetrovsk region was disconnected, cutting off power supply to households and industry. On February 9, 5,900 consumers in the Dnipropetrovsk region, 398 consumers in the Kyiv region and 120 consumers in the Kharkiv region lost power supply. On February 10, 205 consumers in 2 settlements of the Odesa region were offline. On February 11, 576 consumers in 4 settlements in the Sumy region, 151 consumers in the Odesa region, and 146 consumers in the Zakarpattia region were disconnected from electricity supply.

According to the [NEURC](#) and [ENTSO-E](#), during the week, commercial exports and imports of electricity were performed to 4 countries: Slovakia, Romania, Poland and Moldova. Exports increased 7 times to 10.2 GWh; imports increased by 3% to 34.8 GWh. Thus, imports exceeded exports by more than 3 times.

Commercial exports to Moldova [amounted](#) to 2.9 GWh (+94%), with the capacity ranging from 10 to 100 MW at certain hours. Deliveries to Poland were performed on February 8-11 with a total volume of 2.6 GWh (no exports in the previous week), with a capacity range of 26 to 100 MW. Electricity was exported to Romania on February 7-11 with a capacity of 10-100 MW at certain hours, with a total volume reaching 2.6 GWh (no exports in the previous week). On February 7-11, exports to Slovakia amounted to 2.1 GWh (no deliveries in the previous week), with a capacity range of 40-100 MW. The maximum export capacity in all directions amounted to 337 MW (on February 10, from 08:00 to 10:00), with the maximum capacity allowed by ENTSO-E at 400 MW.

Commercial imports from Slovakia amounted to 15.4 GWh (+20%), with capacity ranging from 3 to 350 MW at certain hours. Electricity supplies from Romania amounted to 14.5 GWh (+42%), with the capacity ranging from 8 to 425 MW. Imports from Poland were performed on February 5, 6, 9 and 11, with a total volume of 3.1 GWh (-68%) and capacity range of 100-342 MW. Deliveries from Moldova were performed in small volumes (from 1 to 72 MW), with a total volume of 1.8 GWh (+64%).



Source: [Energy Map](#)

Import capacity in the Slovakia-Ukraine direction [was booked](#) by 12 to 19 companies, with the largest volumes distributed among Energy Company of Ukraine, D.Trading, Tviy Energopostachalnyk, and Trade Energy Solution. The marginal price ranged from 0.15 to 78 UAH/MWh, and Ukrenergo's revenue amounted to 226,600 UAH. Capacity from Romania was booked at daily auctions by 6 to 9 companies, including Energy Company of Ukraine, Euromin Energy, Synapse Electric, CPG Energy, and others. The marginal price was set on all days except of February 6 at 0.01 to 15.5 EUR/MWh, and Ukrenergo's total revenue amounted to 68,900 EUR (about 2.8 million UAH). Access to the Moldova-Ukraine capacity was booked by 6-9 companies, the most active ones being Artlex Group, D.Trading, CPG Energy, and Synapse Electric. The marginal price was set on all days except of February 7, ranging from 0.02 to 35 UAH/MWh, and Ukrenergo's total revenue amounted to 54,900 UAH.

According to [JAO](#), capacity for the Poland-Ukraine direction was distributed between 1-2 companies. The marginal price was set on February 6 at 0.01-2.05 EUR/MWh, with total revenue amounting to 4,200 EUR. According to the auction rules, Ukrenergo received 50% of this amount (about 85,000 UAH).

Export capacity in the Ukraine-Moldova direction was booked by 1-3 companies: Ukrhydroenergo, CPG Energy, and Energy Resource Ri Group, with no marginal price set. The capacity to Romania was booked on February 7-11 by 1-2 companies: DTEK Zakhidenergo and Ukrhydroenergo, the marginal price was set on February 9-11 at 0.02 to 0.6 EUR/MWh, and Ukrenergo's total revenue amounted to 94.3 EUR (about 3,800 UAH). Capacity in the Ukraine-Slovakia direction was booked by 1-2 companies: DTEK Zakhidenergo, ERU Trading, and D.Trading, with no marginal price set. On February 8-11, 1 company [booked](#) access to the capacity in the Ukraine-Poland direction, with no marginal price set.

Ukrenergo [prepares](#) to launch joint auctions with TSOs of Hungary and Slovakia, which will be held on the JAO platform. The first joint capacity auctions between Ukraine and Hungary will be held on February 22, and between Ukraine and Slovakia – on March 4. The procedure of joint auctions stipulates that capacity in both directions will be distributed simultaneously with Hungary and Slovakia. The launch of the joint auctions will allow resuming commercial electricity exchange with Hungary and allocate the Ukrainian and Slovak parts of cross-border capacity.

Market performance

Bilateral contracts market (BCM): After the rapid growth in the previous week (typical for the beginning of a new month), the dynamics of trading on the Ukrainian Energy Exchange (UEEX) showed a sharp decline. Between February 5 and February 11, UEEX [held](#) 16 auctions for the purchase/sale of electricity (8 in commercial and 8 in specialized sections). Among the initiators of the auctions were Guaranteed Buyer, Ukrhydroenergo, Centrenergo, universal service suppliers, distribution system operators, etc. In total, 277.0 GWh were sold at UEEX (13.7 times less week-on-week). The monthly Base BCM index for February remained at 3,107.6 UAH/MWh.

Guaranteed Buyer sold 23.5 GWh of block positions (daytime hours) at prices ranging from 2,756.5 to 3,210.8 UAH/MWh with delivery on February 16-29. Centrenergo sold 20 GWh of block positions (24-07) at prices ranging from 2,000.0 to 2,011.8 UAH/MWh with delivery in February. Ukrhydroenergo sold 5 GWh of block positions (16-23) at a weighted average price of 3,805.0 UAH/MWh with delivery in February, as well as 66.2 GWh of block positions (16-23) at prices of 3,659.5-3,720.5 UAH/MWh and 25.3 GWh of block positions (08-15) at a weighted average price of 3,010.2 UAH/MWh with delivery in February-March. In the commercial sections, the companies purchased/sold electricity under individual load profiles.

Day-ahead market (DAM): According to the [Energy Map](#) service, on February 5-11, DAM prices demonstrated quite high [volatility](#): the deviation of hourly prices from price caps ranged from 0% to 93.3%, with an average of 32.9%. The number of cases of significant price deviations (over 50%) from the upper price caps decreased significantly and was observed in 22% of the settlement periods (hours of the week). At the same time, the number of hours when prices were close (with a deviation under 1%) or at the level of price caps was 1.8% (no such hours in the previous week).

After a several-week downward trend, the average hourly electricity price for the week (Base DAM index) slightly increased to 3,429.2 UAH/MWh (+4.7%), while the weighted average daily price [ranged](#) from 2,929.6 to 4,545.7 UAH/MWh. At the same time, for the first time in a long period, electricity prices in the markets of Eastern Europe were lower than in Ukraine, and the ratio between the Base DAM indices in Poland, Hungary, Romania, Slovakia and Ukraine [ranged](#) from 0.70 to 0.97.

After several weeks of decreasing, the total volume of electricity sales on the DAM of Ukraine increased moderately and [amounted](#) to 449.7 GWh (+6.7% week-on-week). The daily trading volume varied in the range of 54.9-71.8 GWh. The DAM remained in surplus: the ratio between the total daily volume of sale and purchase bids ranged from 1.29 to 1.91. The decline in market surplus was caused by two factors - a decrease in total supply to 719.4 GWh (-4.9%) and an increase in demand to 451.3 GWh (+6.8%). At the same time, no deficit hours were observed during the week. Suppliers [prevailed](#) in the purchase structure (85.9-89.1%), the share of system operators was 10.0-13.0%, and the rest (0.1-1.2%) belonged to producers and traders.

In 2023, the total volume of electricity sales and purchases on the DAM [increased](#) by 14% year-on-year to 20,750.4 GWh, but did not reach the pre-war level. On the intraday market (IDM), 1,657.2 GWh (-38.5% YoY) were sold. The total cost of electricity purchased on the Market Operator's platform amounted to 81.5 billion UAH (excluding VAT).

In 2023, 119 new companies became participants in the DAM and IDM. As of December 31, 2023, 573 agreements on participation in the DAM and IDM with energy companies trading on the Market Operator's platform were in force. The market concentration ratio (CR5) on the DAM demonstrated a high level both among buyers (an average of 77%) and sellers (74%).

Policy and regulation

According to the NEURC, on February 2, the provisions of Article 77 of the Electricity Market Law [came into force](#), which define the liability of wholesale energy market participants for failure to disclose insider information or disclosure with violation of the requirements set and for violation of restrictions on the use of such information. At the same time, the need to disclose insider information comes into force after the Regulator approves the requirements for its disclosure. The NEURC has developed a draft resolution "On Approval of the Requirements for Ensuring Integrity and Transparency in the Wholesale Energy Market"; an open discussion procedure is currently underway. Thus, the application of liability to wholesale energy market participants will be possible only after this resolution is adopted and enters into force.

The Cabinet of Ministers [has approved](#) the basic standards for the share of state-owned enterprises' profits to be paid as dividends based on the results of operations in 2023. For Ukrhydroenergo, this share is set at 50% (subject to 30% of net profit being allocated to restore destroyed and damaged property as a result of missile attacks, construction of protective structures, anti-drone defense, and other engineering and technical measures to counter Russia's aggression).

Other

On January 25-26, Guaranteed Buyer [signed](#) 716 additional agreements with RES electricity producers to bring the power purchase agreements under the feed-in tariff in line with the newly revised standard agreement and 712 agreements on participation in the balancing group of Guaranteed Buyer. In addition, the existence of a load reduction service agreement is a new requirement for concluding an agreement on balancing group participation, as provided for by the NEURC Resolution No.178 of January 24, 2024, and the provisions of the Law No.3220-IX. As of February 5, Guaranteed Buyer has concluded agreements on participation in its balancing group with 801 market players.

Gas

Gas system operation

On February 4-10, the volume of gas transit through the territory of Ukraine amounted to 41.8-42.9 mcm per day, i.e. 38-39% of the capacity contracted by Gazprom (109 mcm per day). In the reporting week the average daily transit was 42.3 mcm (corresponds to the indicator of the previous week).

Physical imports from European countries were minimal. 6.2 mcm of gas arrived from Moldova through the Căușeni interconnection point, but it was probably a transit of gas, which later returned to Moldova through the "Consumers of Moldova" virtual interconnection point (VIP). 5.9 mcm were delivered through the Bereg VIP from Hungary.

At the same time, gas exports from Ukraine continued. In the circumstances of the ban on the exports of Ukrainian-produced gas, exports are the gas volumes withdrawn from the storage facilities by non-residents, who previously injected it for storage in the "customs warehouse" mode. The volume of such exports on February 4-10 was 15.9 mcm (-25% WoW), which were transported through the Drozdowicze/Hermanowice interconnection point with Poland.

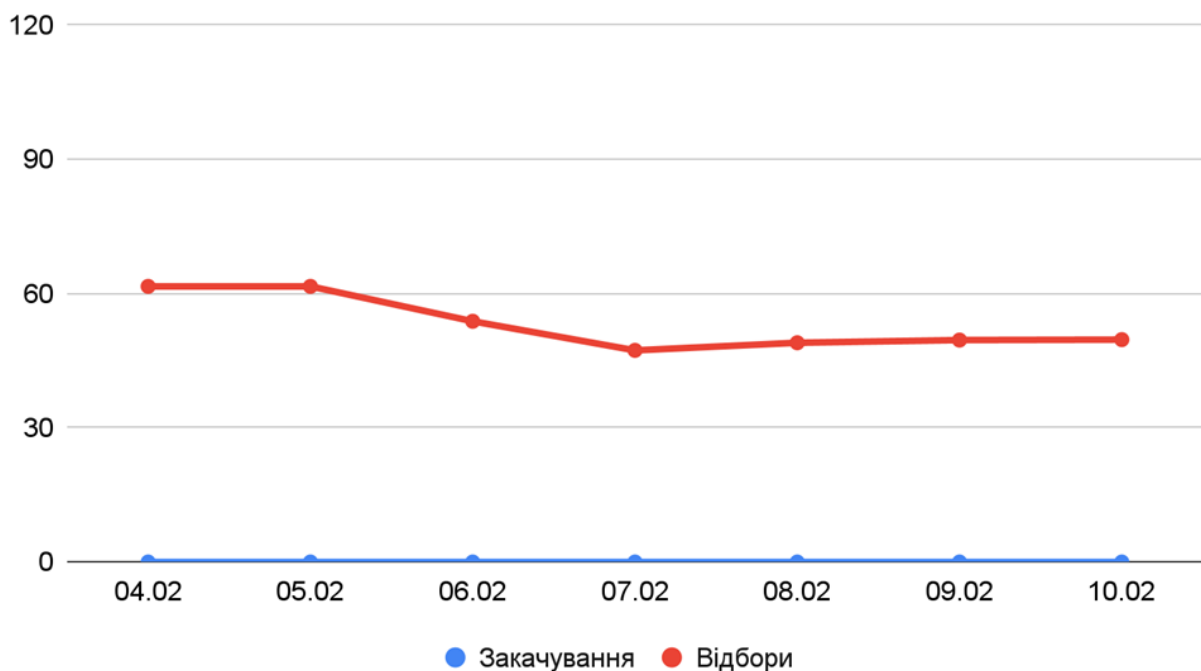
Commercial exports through the VIP Ukraine-Poland were performed at 16.2 mcm (close to physical volumes). Another 1.5 mcm was exported through the Bereg VIP to Hungary. It is also likely that part of the volumes exiting the Ukrainian system to Moldova is the transmission of gas stored by foreign companies in Ukrainian storages. This assumption is due to the fact that the

volumes of gas transported from the system in the "customs warehouse" mode exceeded the indicators of commercial exports to Poland and Hungary and amounted to 62.1 mcm (-25% WoW).

Underground storage facilities

According to the [AGSI platform](#), as of February 10, 5.24 bcm of gas was accumulated in the Ukrainian storage facilities (-1.2% as compared to February 3). It corresponds to 17.4% of the total working capacity, i.e. without 4.662 bcm of "long-term storage" buffer gas. Withdrawals from storage in the reporting week amounted to 372.6 mcm; the average daily withdrawal amounted to 53.2 mcm (-17.4 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 February 5-9, three companies (one buyer and two sellers) submitted bids for purchasing gas at the Ukrainian Energy Exchange (UEEX). In the reporting period, UEEX received bids for 126.6 mcm of gas (+16.4% WoW) with a total starting cost of 1.48 billion UAH (+16.6%). The weighted average starting price of bids was 11.68 UAH/cm (excluding VAT, almost without change).

In the monitoring period, 1.5 mcm (-38%) at a weighted average price of 11.7 UAH/cm (without VAT) (-0.8%) were purchased. All of the resource was sold to GSC Naftogaz Trading on the terms of transfer in storage with delivery in February 2024.

Policy and regulation

The Verkhovna Rada [adopted](#) in the first reading [draft law](#) No.9456 on amendments to the Customs Code, which provides for the settlement of issues of customs clearance of biomethane.

The Cabinet of Ministers [approved](#) the basic standards for the share of state-owned enterprises' profits to be paid as dividends based on the results of operations in 2023. For Naftogaz, this share is set at 95%, for Ukrnafta - at 30%. At the same time, the government recommended paying

dividends in advance by February 29, in particular at least 50% of the amount for Naftogaz and at least 3.9 billion UAH for Ukrnafta.

Also, the Cabinet of Ministers adopted the [Procedure](#) for recalculating the cost of utility services for the period of non-performance, incomplete performance or inadequate quality. This act, in particular, determines the conditions and amounts of recalculating payments for the consumption of heat energy and hot water. In the field of heat supply, indicators of poor service provision are non-compliance of the heat carrier temperature with the temperature schedule of the district heating system, non-compliance of the heat carrier pressure with the hydraulic regime of the district heating system, non-compliance of the air temperature in the consumer's premises with the standard temperature. In addition, Annex 1 to the resolution sets additional qualitative and quantitative characteristics that are taken into account during the recalculation. For heat supply, one of these characteristics is the timely start and end of the heating season.

Other

Naftogaz reported that its subsidiary JSC Ukgazvydobuvannya (the largest gas producer in Ukraine) [achieved](#) the highest daily production since December 2018. According to the results of February 8, 2024, the company received 38.5 mcm of natural gas as a commodity (i.e. net volume). The company also commissioned two wells with a total daily output of 550 tcm.

Gas Transmission System Operator of Ukraine LLC announced a reduction in the use of natural gas as fuel by 33% in 2023, and of natural gas for technological processes by 59%. The total savings amounted to over 3 billion UAH. According to GTSOU, significant savings were [caused by](#) a program of 40 measures, which include optimization of routine and repair works and prompt response of the dispatching staff in emergency situations. It is also likely that the decrease in the consumption of gas by GTSOU was also influenced by certain performance indicators, e.g. reducing the transit volumes, which in 2023 [amounted](#) to 14.65 bcm (28% less than in 2022 [20.46 bcm]).

Oil and Motor Fuels

The Antimonopoly Committee of Ukraine [fined](#) Naftogaz Oil Trading (a subsidiary of Naftogaz) for carrying out the concentration without the AMCU permission. It is about the transfer by the Cabinet of Ministers to its management of the Glusco retail chain, which was associated with Viktor Medvedchuk's structures, in May 2022.

As reported by specialized media, on February 5-9, the average retail price of LPG [decreased by](#) 0.52 UAH/l - to 26.78 UAH/l. The imports of LPG in January 2024 amounted to 50,900 tons, which is 41% less than in December 2023 and 35% less year-on-year. Among the reasons - a drop in demand and sufficient reserves, contracted in November against the background of acute shortages due to the blockade of the border crossings.

Also, there are two signs that suggest the Russian origin of the commodity: the price and the basis of shipment. The Russian origin of LPG is indicated by an unreasonably low price (650 USD/t), while the cheapest LPG shipments arriving from Polish seaports cost 780 USD/t at the Polish border, and from Kazakhstan - 720 USD/t. In addition, 100% of the suspicious resource was sent from the Sokolka, Białystok, Wólka Dobryńska and Narewka stations, which are located near the eastern border of Poland and are known as recipients of LPG from Russia.

International Cooperation

Sweden [has allocated](#) 26.4 million EUR to support energy efficiency projects in Ukraine. The funds have been received by the Eastern Europe Energy Efficiency and Environment Partnership (E5P).

The decision to allocate them was made by the Swedish government through the Swedish International Development Cooperation Agency (Sida). The funds will be used as grant support to communities, at the discretion of E5P donors. Among communities eligible for this support will be those that receive credit funds from European financial institutions/banks for projects in the areas of centralized heating, water supply, increasing energy efficiency in municipally-owned buildings, developing urban electric transport, and renewable energy. Currently, the total amount of funds accumulated in the E5P is 240 million EUR. Earlier, in December, Sweden had already provided 18.1 million EUR to support Ukraine through the E5P.

According to Anna Yurchenko, the Deputy Minister of Communities, Territories, and Infrastructure Development of Ukraine for European Integration, the third Rapid Damage and Needs Assessment (RDNA3) report, prepared collaboratively by the government team, the European Commission, and the World Bank, [will be presented](#) in mid-February. This data will be used to further develop sectoral strategies and enhance intersectoral coordination. Additionally, during the meeting of the operational coordination group of international financial organizations, key criteria for effective and transparent cooperation with these organizations were agreed upon. One of the crucial anti-corruption measures is DREAM – the Digital Restoration Ecosystem for Accountable Management, designed to track and disclose all expenses at each stage of implementation of recovery projects.

During preparations for the visit of the President of France, Emmanuel Macron, Ukrainian government representatives met with the Special Envoy of the President of France for Ukraine's Relief and Reconstruction Pierre Heilbronn. In the course of discussions:

- The team of the Ministry of Communities, Territories and Infrastructure Development of Ukraine, led by the Minister Oleksandr Kubrakov, [focused on](#) the current status of joint projects' implementation. The priority areas of cooperation include the development of the transportation sector and the modernization of critical infrastructure facilities. One of the important directions is direct support for communities' recovery. Notably, since September 2023, the French international technical cooperation agency, Expertise France, has been implementing the mAIDan Ukraine multi-sectoral technical assistance project. The three-year project is funded by the French Ministry for Europe and Foreign Affairs, the total amount of funding is 14.5 million EUR.
- The Minister of Energy of Ukraine Herman Halushchenko [informed](#) about the situation regarding the recovery after massive Russian attacks on energy infrastructure facilities, emphasizing nuclear and radiation safety due to the threats posed by the Russian occupation of the Zaporizhzhia NPP. The Minister emphasized the significance of French co-chairmanship in the working group "Radiation and Nuclear Safety" within the framework of the President Zelenskyy's Peace Formula. The parties also discussed the implementation of cooperation projects between energy companies aimed at development of renewable energy sources, distribution and "smart" grids, as well as gas and hydrogen sectors.

The Minister of Energy of Ukraine Herman Halushchenko, [met](#) with the Special Envoy of the Italian Minister of Foreign Affairs for Reconstruction of Ukraine, Davide La Cecilia. The meeting was attended by the Ambassador Extraordinary and Plenipotentiary of the Republic of Italy to Ukraine, Pier Francesco Zazo, as well as Deputy Ministers of Energy Yaroslav Demchenkov and Svitlana Grynchuk. The parties focused on joint efforts to restore the energy sector within the G7 and G7+ frameworks, as well as the implementation of projects in renewable energy development, cooperation in the gas sector, and decentralization of energy generation in Ukraine. An important topic of the meeting was the completion of preparations for the launch of the Emergency Restoration of Hydroelectric Power Plants project, which will allow Ukrhydroenergo to raise loans (in particular, from Italian banks) for the supply and installation of critically important equipment for the Dniprovsk and Serednodniprovsk HPPs. The meeting also highlighted opportunities for implementing joint infrastructure projects for natural gas transmission.

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