

Weekly Alert

**Russian War Against
Ukraine: Energy Dimension**

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Russian War Against Ukraine: Energy Dimension
DiXi Group weekly review

(March 18 - 24)

#StopRussianAggression
#StandWithUkraine**Summary**

- On March 22, Russia carried out the largest attack on the energy infrastructure of Ukraine since the beginning of the full-scale invasion. The enemy used 151 airborne weapons (UAVs, ballistic and cruise missiles). Thermal and hydropower generation facilities, Ukrenergo's main substations, transmission and distribution networks were affected.
- Almost 1.6 GW of the Dnipro HPP in the city of Zaporizhzhia capacity was temporarily lost. 8 missiles were reported to impact the facility, with equipment and hydraulic units, and a significant number of construction structures damaged.
- One of the thermal power plants operators - DTEK - lost almost half of its generating capacity. In Kharkiv, the cogeneration plant and all transformer substations were destroyed.
- On March 23, Russian troops attacked energy infrastructure facilities in the Dnipropetrovsk region, on March 25 - two substations in the Odesa region (195,000 consumers disconnected).
- On March 24, missile strikes damaged the on-ground infrastructure at one of the underground gas storage facilities (probably the largest one - Bilche-Volytsko-Ugerske facility). The attack

will not affect gas supply to consumers and nominations of customers of storage services – so the CEO of Naftogaz Oleksii Chernyshov.

- Emergency assistance from Romania, Slovakia and Poland was activated on March 22 to support the safe operation of the power system. The volume of imports doubled to 49.1 GWh, exports dropped more than 3 times to 10.6 GWh.
- As of March 25, electricity consumption restrictions were applied in the Odesa and Kharkiv regions. Due to hostilities and technological disruptions, 401 settlements were offline.
- Specialists also restored the operation of the 750 kV line connecting the temporarily occupied Zaporizhzhia NPP with the power system of Ukraine. The occupiers at the ZNPP informed the IAEA experts they have postponed the maintenance of some safety systems.
- Protective structures at all energy facilities withstood direct and indirect impact, ensuring full protection of autotransformers and power equipment - the Head of the State Reconstruction Agency Mustafa Nayyem.
- The Base DAM index increased to 3,456.9 UAH/MWh (+19.5%), while the Base BCM index remained stable - at 2,409.0 UAH/MWh for March and 2,473.4 UAH/MWh (+2.7%) for April.
- Ukrnafta and the Asset Recovery and Management Agency (ARMA) signed acts of acceptance/transfer of the assets seized from Glusco group. Also, in the next three years, Ukrnafta plans to commission 160 new wells and lateral shafts.
- The government approved procedures for compensating the cost of engineering and transport infrastructure facilities and the costs of grid connection for the implementation of investment projects under state support.
- A resolution was also approved that regulates the exports of electricity purchased by Guaranteed Buyer from RES producers.
- The Verkhovna Rada adopted the law on amendments to the Customs Code and other laws regulating the customs clearance of biomethane transported via pipelines for exports.
- The Cabinet of Ministers approved the draft law aiming a gradual (in 4 years) increase of excise tax rates on fuels to the minimum levels set in the EU.
- The government approved the draft Ukraine Plan under the Ukraine Facility, a basis for the implementation of the EU financial support in 2024-2027. The Plan includes over 150 indicators for 69 directions of reforms in 15 sectors. Energy is identified as having one of the greatest potentials for accelerating economic growth.

IMPACT OF THE WAR

Attacks

On the morning of **March 22**, Russia launched the largest attack on Ukraine's energy infrastructure since the beginning of the full-scale invasion, using attack UAVs, ballistic and cruise missiles, a total of **151** airborne weapons. The Minister of Energy Herman Halushchenko [said](#) the attack was indeed the largest one, with consumers in 12 regions feeling its impact, and the Kharkiv, Odesa and Khmelnytskyi regions suffering the most.

Throughout Ukraine, thermal and hydropower generation facilities, Ukrenergo's main substations, transmission and distribution networks were [damaged](#), and the main power line connecting the Zaporizhzhia NPP with the grid was taken out of service. In the city of Kharkiv, the enemy [targeted](#)

generation facilities, high-voltage substations, and distribution substations, leaving at least [700,000](#) consumers without electricity.

Between 4:10 and 7:00, Russian missiles attacked the **Dnipro hydroelectric power plant** in Zaporizhzhia, [8 missiles were](#) reported to impact the facility, and the fire erupted at the damaged site was extinguished around 8:00. The strikes [damaged](#) electrical equipment and hydraulic units, a significant number of building structures, and the power plant operation was suspended. Ukraine's power system has lost over 1,500 MW of regulating capacity for an indefinite period of time. Ukrhydroenergo is taking all possible measures to pass water downstream of the Dnipro river, and there is no threat of a dam breach.

DTEK has lost almost half of its generating capacities, as [reported](#) by the DTEK Executive Director Dmytro Sakharuk. According to him, damage to the facilities is extensive and estimated at billions of hryvnias, and Ukrainian energy companies will not be able to restore on their own. Some equipment is tailor-made by order, and only prompt requests and the engagement of partners will help restore the destroyed equipment as soon as possible.

In Kharkiv, the city's cogeneration plant and all transformer substations were destroyed, making the energy situation the most difficult in Ukraine, [reported](#) the Mayor Ihor Terekhov. The exact date of full restoration of power supply in the entire city is unclear.

To maintain the safe operation of the power system, emergency outages have been introduced in the Kharkiv, Odesa, Kirovohrad, Dnipropetrovsk, Donetsk, Poltava and Sumy regions, and emergency assistance has been requested from the power systems of Romania, Slovakia and Poland.

On the night of **March 23**, Russians again [targeted](#) energy infrastructure facilities in the Dnipropetrovsk region. Using UAVs and artillery, they damaged some of the substation's equipment and cut off two 330 kV lines, which led to a short-term shutdown of the Zaporizhzhia NPP backup power line. In the city of Kryvyi Rih, there were [interruptions](#) in district heating and disruptions in production processes at some industrial enterprises.

Another Russian attack on **March 24** damaged Naftogaz's facilities in western Ukraine. The damage to the on-ground infrastructure at one of the underground gas storage facilities (probably the largest one, Bilche-Volytsko-Uherske facility) was [confirmed](#) by the CEO of Naftogaz Oleksii Chernyshov. According to him, there are no critical consequences for the operation of the gas storage facilities, as the gas is kept at a considerable depth. The damaged part of the on-ground infrastructure will need to be restored, for which the company has sufficient backup capacities. According to Chernyshov, the attack will not affect gas supplies to Ukrainian consumers. All nominations of customers for storage services and capacity booking also continue to be performed in full.

On the night of **March 25**, Russian UAVs [attacked](#) two substations in the Odesa region, damaging one of them and cutting off [power supply](#) to 195,000 consumers. To reduce the load, emergency outages were applied, electric transport was stopped, and industrial consumption was limited. If power equipment and grids are overloaded, the number of consumers offline may increase. The strike resulted in the shutdown of a wind farm and a local CHP. The enemy also attacked an Ukrenergo substation in the [Mykolaiv region](#), and the consequences are being assessed.

During the first day after the massive attack, specialists [restored](#) electricity supply to more than 1 million consumers; more than 1,000 miners who were trapped underground due to the outage in the Dnipropetrovsk and Donetsk regions were brought to the surface. As of [March 25](#), electricity supply restrictions were in place in the Odesa and Kharkiv regions. As of March 25, 401 settlements were offline due to hostilities and technological disruptions.

Nuclear and Radiation Safety

On March 22, during the large-scale missile attack, at 5:10 local time, the 750 kV Dniprovskaya overhead line connecting the temporarily occupied Zaporizhzhia NPP to the United Power System of Ukraine was [disconnected](#). In a [few](#) hours, Ukrainian engineers restored the line's operation.

The IAEA experts at the South Ukraine NPP [reported](#) that connection with one 750 kV line and one 330 kV line was temporarily lost due to the shelling.

The occupiers at the Zaporizhzhia NPP [informed](#) the IAEA experts they had postponed maintenance of some reactor safety systems due to the "general situation in the vicinity of the site", without specifying. The IAEA team at the ZNPP also reported an increase in the number of daily explosions occurring at different distances from the facility, including artillery and machine gun fire from areas outside the site perimeter.

Countermeasures

[According](#) to the Prime Minister Denys Shmyhal, about 20 substations were hit, but the power system is intact and operating stably. With additional protection of power facilities, Ukraine has withstood the attack. Shmyhal said that power supply will be restored in three stages. The first stage is to power critical infrastructure, district heating and water supply facilities, and hospitals. The second stage is to restore power supply to households, and the third one - to the industry.

[According to](#) the Ministry of Energy, the city of Kharkiv has the most difficult situation with electricity supply. The Minister Herman Halushchenko said that teams of power engineers from other regions had been sent to the region to speed up the recovery operations. He also added that passive security systems have been installed, but stressed that the best solution to protect energy infrastructure is to strengthen Ukraine's air defense.

Mustafa Nayyem, the Head of the State Agency for Infrastructure Restoration and Development, [said](#) that the fortifications at all facilities had withstood direct and indirect impact during the massive missile and drone attack on Ukraine's power system, ensuring full protection of autotransformers and power equipment.

The Cabinet of Ministers [approved](#) the procedures for compensating the cost of engineering and transport infrastructure facilities and the costs of connection to engineering and transport networks necessary for the implementation of an investment project with significant investments. They provide for the possibility for an investor to apply annually for compensation from the state budget for the cost of engineering and transport infrastructure and/or networks' connection. The investor may receive full or partial compensation if the budget provides for the relevant expenditures and if the compensation is provided under the terms of a special investment agreement and does not exceed the total volume of state support allowed by law.

[According to](#) the Deputy Minister of Energy Svitlana Hrynychuk, the 2050 Hydrogen Strategy of Ukraine is expected to be approved in 2024, which envisages the production of hydrogen for domestic consumption and exports (up to 1.5 million tons per year), as well as the reconstruction of industrial sector, in particular the chemical industry, and the development of green metallurgy.

MARKETS PULSE

Electricity Sector

Power system operation

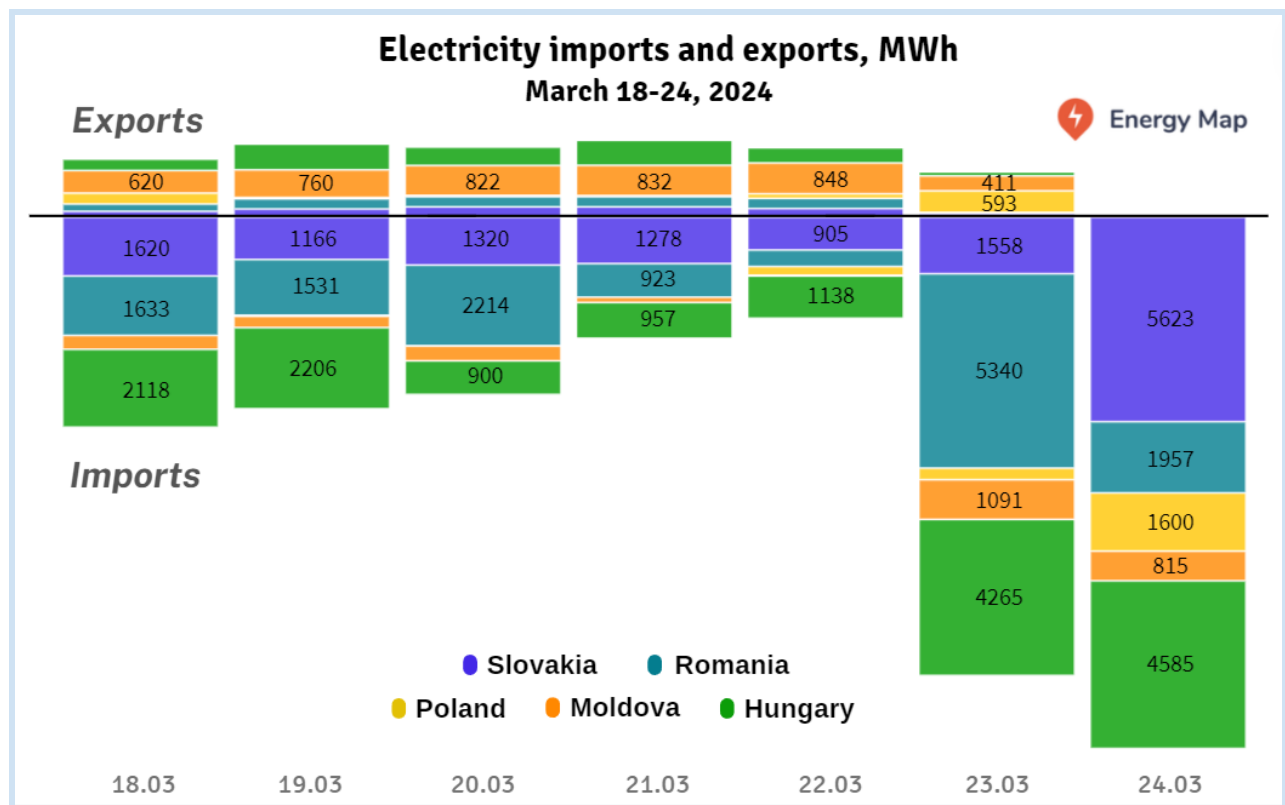
According to [Ukrenergo](#) and the [Ministry of Energy](#), the massive attacks on March 22 and subsequent days did not result in a blackout, and Ukraine's power system is operating stably. Emergency support from Romania, Slovakia, and Poland was activated on March 22 to maintain

the safe operation of the system. For several days, power supply limitations were applied in different regions of Ukraine, mainly on the left bank of the Dnipro River. As of March 24, emergency and hourly power outage schedules were implemented only in Kryvyi Rih, the Odesa region, and the Kharkiv region. Throughout the week, commercial electricity imports have been carried out, which have increased significantly after the Russian attacks.

According to the [NEURC](#) and [ENTSO-E](#), during the week, commercial exports and imports of electricity were performed with 5 countries: Moldova, Romania, Poland, Slovakia, and Hungary. Imports doubled to 49.1 GWh; exports decreased by more than 3 times to 10.6 GWh. Thus, weekly imports exceeded exports by 4,6 times.

Commercial imports from Hungary [amounted](#) to 16.2 GWh (+70%), with capacity ranging from 46 to 475 MW at certain hours. Electricity supplies from Romania amounted to 14.1 GWh (+125%), with a capacity range of 5-255 MW. Imports from Slovakia amounted to 13.5 GWh (+116%), with a capacity ranging from 3 to 255 MW. Imports from Moldova amounted to 3.2 GWh (+74%), with a capacity ranging from 1 to 96 MW. Deliveries from Poland were performed on March 19-20, 22-24, with a total volume of 2.2 GWh (+273%), with capacity ranging from 10 to 255 MW.

Commercial exports towards Moldova were carried out on all days and amounted to 4.3 GWh (+175%), with capacity ranging from 15 to 62 MW. Exports to other countries were carried out on March 18-23. Deliveries to Hungary amounted to 2.6 GWh (-52%), with a capacity range from 27 to 92 MW. Exports to Romania amounted to 1.4 GWh (-53%), with a capacity range from 5 to 37 MW. Deliveries to Slovakia amounted to 1.3 GWh (-42%), with a capacity range of 19-37 MW. A total of 1.1 GWh (-95%) was supplied to Poland, with a capacity range of 19-83 MW.



Source: [Energy Map](#)

Access to the Hungary-Ukraine capacity [was booked](#) by 2-5 companies. The marginal price was set on March 19, 23-24 at 0.17 to 62.24 EUR/MWh; the total TSOs revenue was EUR 217,000, and Ukrenergo's revenue amounted to about UAH 4,600,000. Access to the Romania-Ukraine capacity was booked by 8-10 companies, the marginal price ranged from 0.03 to 42.48 EUR/MWh; the total revenue amounted to EUR 126,400, and the Ukrainian TSO's revenue amounted to about UAH 2,680,000. 8-10 companies competed for the Slovakia-Ukraine interconnector capacity, which was distributed among 6-9 companies. The marginal price was set at 0.05-23.59 EUR/MWh; the

total revenue amounted to EUR 101,800, and Ukrenergo's revenue amounted to about UAH 2,160,000. Access to the Moldova-Ukraine capacity was booked by 6-7 companies; the marginal price ranged from 0.02 to 10.6 EUR/MWh, the total revenue amounted to EUR 10,300, while Ukrenergo's revenue amounted to about UAH 218,000. Access to the Poland-Ukraine capacity was booked by 1-4 companies. The marginal price was set on March 18, 20, and 22-24 at 0.01-3.03 EUR/MWh; the total revenue amounted to EUR 5,700, and the Ukrainian TSO's revenue amounted to about UAH 121,000.

Export capacity in the Ukraine-Moldova direction on March 18-23 was booked by 2-3 companies, the marginal price ranged from 0.01 to 7 EUR/MWh, and the total revenue amounted to EUR 6,700, while Ukrenergo's revenue was about UAH 142,000. On March 18-23, 1-3 companies competed for export capacity in the Ukraine-Hungary direction, which was distributed among 1-2 companies. The marginal price was set on March 18-22 and ranged from 0.1 to 8.47 EUR/MWh, and the total revenue amounted to EUR 8,400, while Ukrainian TSO's revenue was about UAH 177,000. Export capacity in Ukraine-Romania direction was booked on March 18-22 by 3-4 companies, the marginal price ranged from 0.85 to 6 EUR/MWh, and the total revenue amounted to EUR 4,000, Ukrenergo's revenue was about UAH 84,000. 1-4 companies were competing for the Ukraine-Slovakia capacity, which was distributed among 1-3 of them. The marginal price was set on March 18-21 and 23 at 0.15-6.26 EUR/MWh, with a total revenue of EUR 2,900 and the Ukrainian TSO's revenue of about UAH 62,000. On March 18-19 and 21-23, 1-3 companies were competing for the Ukraine-Poland capacity, which was distributed among 1-2 of them. The marginal price was set on March 18, 21, and 23 at 0.1-5.36 EUR/MWh, and total revenue amounted to EUR 407, Ukrenergo's revenue - about UAH 8,600.

Market performance

Bilateral contracts market (BCM): After a two-week decline, trading on the Ukrainian Energy Exchange (UEEX) has ramped up significantly. On March 18-24, UEEX [held](#) 21 one-side auctions for trading electricity (7 in commercial and 14 in specialized sections). Trades were initiated by Guaranteed Buyer, Energoatom-Trading, Ukrhydroenergo, Centrenergo, DTEK Zakhidenergo, Nyzhniodnistrovska HPP, universal service suppliers, distribution system operators, etc. In total, 1,293.7 GWh were sold at UEEX (6,3 times more week-on-week). The monthly Base BCM index for March remained at 2,409 UAH/MWh, and the index for April amounted to 2,473.4 UAH/MWh (+2.7% compared to March).

In particular, Energoatom-Trading sold 823.7 GWh of base load at a weighted average price of 2,478.5 UAH/MWh with delivery in April. Guaranteed Buyer sold 103.8 GWh of block positions of daytime hours at prices ranging from 1,680 to 2,421.5 UAH/MWh with delivery in April. Ukrhydroenergo sold 17.7 GWh of base load at prices ranging from 2,504.7 to 2,550 UAH/MWh, 2.1 GWh of block positions (24-07) at prices ranging from 1,856.7 to 1,962.3 UAH/MWh and 1.3 GWh (08-23) at a weighted average price of 2,767.5 UAH/MWh with delivery in March. The company also sold 26.9 GWh of base load at prices ranging from 2,318.5 to 2,525 UAH/MWh, 19.4 GWh of block positions (24-07) at prices ranging from 1,829.1 to 1,930 UAH/MWh, 0.2 GWh (16-23) at a weighted average price of 3,601 UAH/MWh with delivery in the first half of April.

Centrenergo sold 26.2 GWh of base load at a weighted average price of 2,354.5 UAH/MWh with delivery in the first decade of April and 167.8 GWh at prices ranging from 2,443.9 to 2,456.1 UAH/MWh with delivery in April. DTEK Zakhidenergo sold 32.9 GWh of block positions (01-24) at a weighted average price of 2,332.7 UAH/MWh with delivery in the third decade of March. In the commercial sections, companies traded electricity by individual load profiles.

Day-ahead market (DAM): According to the [Energy Map](#) service, on March 18-24, DAM prices demonstrated high [volatility](#): the deviation of hourly prices from price caps ranged from 0% to 98.2%, with an average deviation of 34.2%. The number of cases with significant price deviations (over 50%) from the price caps was observed in 25.6% of the settlement periods (hours of the week). At the same time, the number of cases when prices were close (with a deviation under 1%) or at the level of price caps was observed in 8.3% of the settlement periods.

After several weeks of downward trend, the average hourly electricity price (Base DAM index) continued to increase and amounted to 3,456.9 UAH/MWh (+19.5%), while the weighted average daily price [ranged](#) from 2,485.2 to 4,361.7 UAH/MWh. At the same time, the ratio between the Base DAM indices in the markets of Eastern European countries (Poland, Hungary, Romania, Slovakia) and Ukraine significantly [ranged](#) from 0.42 to 1.45.

The total volume of electricity sales on the DAM of Ukraine slightly [increased](#) and amounted to 461.8 GWh (+1.1%). The daily trading volume varied in the range of 58.3-76.5 GWh. The DAM remained mainly in surplus: the ratio between the total daily volumes of sell and purchase bids ranged from 1.07 to 1.75. The relative decrease in the DAM surplus for the week was caused by two factors: a simultaneous decrease in total supply to 682.4 GWh (-7.6%) and an increase in demand to 469.7 GWh (+1.6%). At the same time, a deficit on the DAM was observed in 5.4% of the settlement periods. Suppliers [prevailed](#) in the purchase composition (87.3-91.1%), the share of system operators was 4.2-7.1%, and producers accounted for the rest (4.3-5.7%).

Policy and regulation

On March 19, the government [approved](#) a resolution that allows the SOE Guaranteed Buyer to sell electricity purchased from renewable energy producers not only on the domestic but also on the European market. As noted, this will increase the efficiency of "green" electricity sales, reduce curtailments of RES producers in conditions of surplus, and improve the capability of Guaranteed Buyer to deliver payments to RES producers.

The Regulator [has published](#) a draft resolution, "On Approval of Amendments to the Rules of the Retail Electricity Market," aimed at

- improvement of contractual relations for the distribution/transmission/supply of electricity for lighting public areas, powering elevators, and functioning of other common property of multi-apartment buildings if the functions of managing the building are performed by a condominium association or a manager of the building;
- improving the regulation of consumer activities within the aggregated group;
- conclusion of debt restructuring agreements between consumers and the supplier of last resort for a period longer than 90 days;
- preventing households from using electricity for non-household needs.

The Regulator [has published](#) a draft resolution, "On Amendments to the 2024-2033 Transmission System Development Plan". In particular, the amendments provide for adjustments to the timing and scope of implementation/financing of some measures envisaged by the Plan, as well as the inclusion of measures to improve the reliability of the power system operation.

The NEURC [has published](#) draft amendments to the Methodology for the Formation, Calculation, and Setting of Tariffs for Electricity and/or Heat Generated by Combined Heat and Power Plants, Thermal Power Plants, and Cogeneration Plants. The proposed regulatory changes are aimed at strengthening energy security and are caused by the problem of coal shortage in the domestic market due to the lack of domestic coal production and the impossibility of delivering imported coal by sea. The resolution amended the methodology for determining prices for domestic and imported coal used at CHPs, TPPs, and cogeneration plants for the production of electricity and heating.

Gas

Gas system operation

On March 17-23, the volume of gas transit through the territory of Ukraine amounted to 41.9-42.7 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 (almost corresponds to the indicator of the previous week).

At the same time, active physical imports of gas from Hungary began in March: for the reporting week, it amounted to 40.4 mcm (-8%). Probably, these flows or part of them pass through Ukraine in transit and are further transported to Moldova, Poland or Slovakia.

Gas exports from Ukraine continued. In the circumstances of the ban on the exports of Ukrainian-produced gas, it can be: a) gas volumes withdrawn from the storage facilities by non-residents, who previously injected it for storage in the "customs warehouse" mode, b) transit of non-Russian gas through the territory of Ukraine. The volume of such exports on March 17-23 was 7.2 mcm (-8% WoW), which were transported through the Drozdowicze/Hermanowice interconnection point with Poland. Probably, physical exports also took place to Slovakia and Moldova, but it is impossible to determine its volumes due to parallel transit flows of Russian gas.

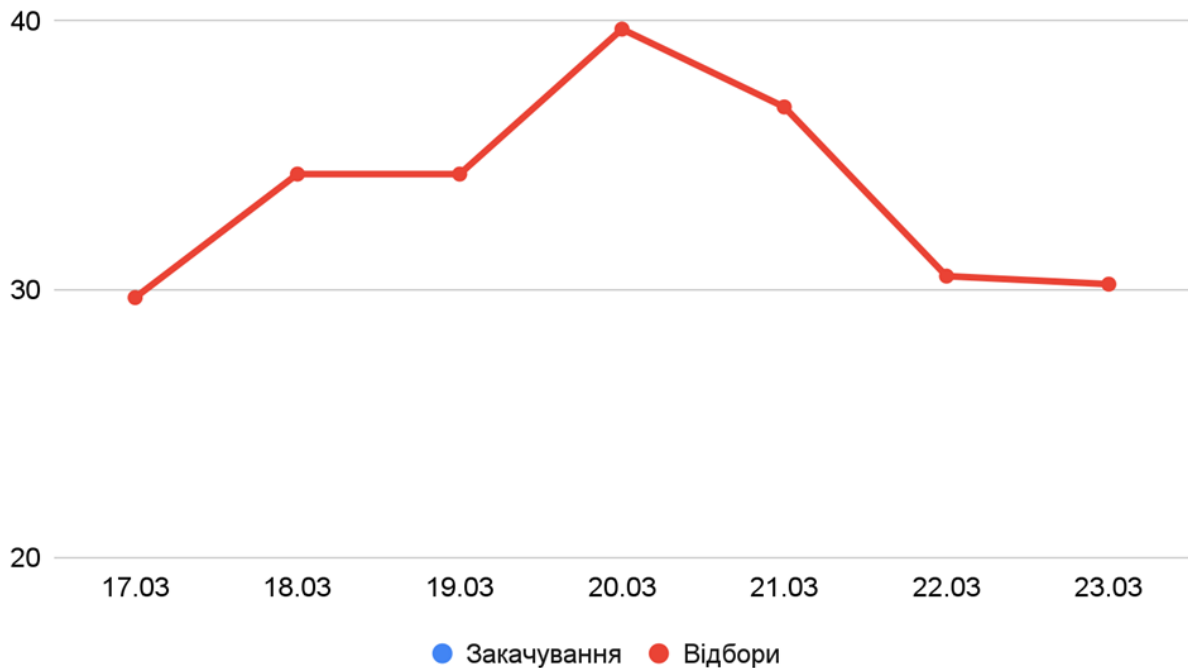
Commercial flows into the Ukrainian system from Hungary almost corresponded to the physical indicators (40.1 mcm). In particular, 10.8 mcm arrived in the "customs warehouse" mode and 15.7 mcm in the short-haul mode (service of the TSO, which provides a discount in the transmission tariff for transit over short distances).

Commercial exports through the VIP Ukraine-Poland were performed at 8.2 mcm (close to physical volumes, of which 7.5 mcm in the "customs warehouse" mode). It is also likely that part of the volumes exiting the Ukrainian system to Moldova is the transmission of gas, which either was stored by foreign companies in Ukrainian storages or was previously imported from Hungary. 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 amounted to 29.1 mcm (+17%). Also, in the reporting week, 19.4 mcm were transported to the exit interconnection points in the "short-haul" mode (unchanged compared to last week), which is probably the transit of gas from Hungary.

Underground storage facilities

According to the [AGSI platform](#), as of March 23, 3.5 bcm of gas was accumulated in the Ukrainian storage facilities (-0.59% as compared to March 16). It corresponds to 11.6% 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 235.5 mcm; the average daily withdrawal amounted to 33.6 mcm (-18%).

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)

Naftogaz [reported](#) that the tariffs for storage, injection and withdrawal of gas will remain unchanged until April 1, 2025. Ukrtransgaz has already started preparations for the start of the active gas injection season, which will start in April this year.

Gas market performance

In the [trading sessions](#) of March 18-22, ten companies (five buyers and five sellers) submitted bids for purchasing gas at the Ukrainian Energy Exchange (UEEX). In the reporting period, UEEX received bids for 269.5 mcm of gas (+16.4% WoW) with a total starting cost of 3 billion UAH (+15.8%). The weighted average starting price of bids was 11.13 UAH/cm (excluding VAT, -0.5%).

In the monitoring period, 23.6 mcm (-29.6% WoW) at a weighted average price of 11.12 UAH/cm (without VAT) (-0.2%) were purchased. 80.4% of the resource was bought by GTSOU LLC, 17.4% was purchased by GSC Naftogaz Trading LLC, 1% was bought by NEP LLC, 0,8% - by Gasservicetrade LLC, 0.4% - by Energy Trade Group LLC. 96% of gas was sold with transfer at a virtual trading point, 4% - with transfer in storages. 42% was sold with delivery in March 2024, 58% - in April 2024.

Policy and regulation

The Verkhovna Rada [adopted](#) the Law "On Amendments to the Customs Code of Ukraine and other laws of Ukraine regarding the specifics of customs control and customs clearance of certain categories of goods." The law regulates the customs clearance of biomethane transported through pipelines. According to the general rule, the export of biomethane is allowed if the producer has an account in the register of guarantees of origin of biomethane and provides the customs authority with guarantees of origin for the volume of the exported resource. At the same time, until the European Union recognizes Ukrainian guarantees of origin, it will be sufficient to submit a certificate of compliance with biomethane sustainability criteria and a Proof of Sustainability for the respective volumes of biomethane.

Other

At the off-site meeting, Naftogaz management [outlined](#) the main goals and priorities of the company for 2024. The first is to further increase gas production, this year's goal is +0.5 bcm. The second priority is to stimulate the use of Ukrainian underground gas storages by foreign companies, the goal for 2024 is to ensure the accumulation of 4 bcm of gas by non-residents. The third is the modernization of 6 CHPs transferred to the Naftogaz group.

Also, in an interview with the media, Naftogaz CEO Oleksii Chernyshov [said](#) that due to the high temperature, this year's heating season will end earlier, i.e. in late March, and not in the middle of April, as it usually is.

The delegation of Gas Transmission System Operator of Ukraine LLC (GTSOU) [held a working meeting](#) with representatives of the Moldovan gas TSO Vestmoldtransgaz (VMTG) and the Ministry of Energy of the Republic of Moldova. One of the main topics of the meeting was the development of the Trans-Balkan route, in particular the creation of a joint product for providing services to customers. Such a product will contribute to the increase in the use of capacities of the Ukrainian and Moldovan gas transmission systems, increased injections in Ukrainian underground gas storages, and further transmission to the countries of Central Europe.

Oil and Motor Fuels

PJSC Ukrnafta and the Asset Recovery and Management Agency (ARMA) [signed acts](#) of acceptance/transfer of assets seized from Glusco group. ARMA and Ukrnafta also changed the terms of the management agreement under which the assets were transferred. The government will receive 90% of the net profit (instead of 85%), with 10% as management fee. The guaranteed monthly minimum payment that Ukrnafta will pay regardless of profits has been increased from 5 to 7 million UAH.

Also, Ukrnafta [received](#) the first special permit for subsoil use in the last 14 years. The seller of the special permit was another state-owned company Chernihivnaftogazgeologiya (subsidiary of PrJSC NJSC Nadra Ukrainy). With the new license, Ukrnafta will receive an increase in total reserves by 1.01 bcm of natural gas and 100,000 tons of crude oil. Also, Director of Ukrnafta's drilling department Danyil Agafonov said that the company plans to commission 160 new wells and lateral shafts over the next three years.

As [reported by](#) the Ministry of Finance, the government approved the draft law "On Amendments to the Tax Code of Ukraine on Approximation of Ukrainian Legislation to the European Union Legislation in Excise Tax". Inter alia, the draft proposes a gradual (in 4 years) reduction of excise tax rates on fuels to the minimum levels set in the EU.

According to the published schedule of successive increases, excise duties on **petroleum** will increase as follows: from 2H 2024 - 242.60 EUR/'000 I, from 2025 - 271.70 EUR/'000 I, from 2026 - 300.80 EUR/'000 I, from 2027 - 329.90 EUR/'000 I, from 2028 - 359 EUR/'000 I.

Proposed excise duties for **diesel fuel**: from 2H 2024 - 177.60 EUR/'000 I, from 2025 - 215.70 EUR/'000 I, from 2026 - 253.80 EUR/'000 I, from 2027 - 291.90 EUR/'000 I, from 2028 - 330 EUR/'000 I.

Proposed excise duties for **liquefied petroleum gas** (propane or a mix of propane and butane): from 2H 2024 - 55.60 EUR/'000 I, from 2025 - 59.20 EUR/'000 I, from 2026 - 62.80 EUR/'000 I, from 2027 - 66.40 EUR/'000 I, from 2028 - 70 EUR/'000 I.

International Cooperation

Under the coordination of the Ministry of Energy, GTSOU [has received](#) another supply of aid from Japan. This supply includes generators with capacity ranging from 6.5 kW to 160 kW, which will be allocated to GTSOU facilities to ensure backup power, as well as 1,800 gabions to protect GTSOU facilities in different regions of Ukraine. The equipment was provided by Sumitomo Corporation and the Japan International Cooperation Agency (JICA).

The Minister of Energy of Ukraine Herman Halushchenko [held](#) an online meeting with the Chair of the U.S. Senate Committee on Energy and Natural Resources, Senator Joe Manchin. The main topic of discussion was the situation at the Zaporizhzhia NPP, which is currently occupied by Russian forces, and the measures being taken by Ukraine at the international level and, in particular in the IAEA framework, to ensure nuclear and radiation safety at the facility. Senator Manchin expressed support for Ukraine in its confrontation with the Russian aggressor and assured of the readiness of the United States to contribute to enhancing Ukraine's energy security and independence.

On March 18, the Cabinet of Ministers [approved](#) the draft Ukraine Plan under Ukraine Facility, which will serve as the basis for implementing the EU financial assistance to Ukraine in 2024-2027. On March 20, the Prime Minister Denys Shmyhal [submitted](#) the document to the President of the European Commission Ursula von der Leyen for further consideration.

In general, the Ukraine Plan includes over 150 indicators across 69 reform areas, which are scheduled to be implemented by 2027. The reforms cover 15 sectors, among which the energy sector is identified as one of those with the greatest potential for accelerating economic growth:

- reforms and investments in the energy sector will lead to its transformation and contribute to Ukraine's decarbonized future, as well as ensure further integration into the EU energy market. In addition to prioritizing and creating favorable conditions for the development of renewable energy, including by simplifying permitting procedures according to EU rules and introducing competitive auctions, they will promote efficient energy consumption in buildings and district heating, while also ensuring the independence of the Regulator;
- development of a roadmap for a gradual transition towards prices/tariffs liberalization and reform of public service obligations (PSO) in the gas and electricity markets, while ensuring adequate protection of vulnerable consumers and taking into account the martial law;
- prioritize energy security and transition to low-carbon and renewable energy sources, with a focus on the continued development of energy resilience. This will increase Ukraine's export potential to European markets and expand opportunities for attracting investment.

In turn, the Ministry of Economy [has to implement](#) 7 indicators in 2024, which are defined in the Ukraine Plan. The priority task is to develop and approve the integrated National Energy and Climate Plan (NECP). Additionally, the strategy for the development of priority sectors includes the implementation of requirements for energy-efficient procurement in accordance with the Energy Efficiency First and Build Back Greener principles. In the energy sector, the main investment priorities for 2024 are: 1) protection and restoration of energy facilities, 2) expansion of generation capacities, and 3) development of RES and energy storage systems.

On March 20, the European Commission [disbursed](#) 4.5 billion EUR of assistance under the Ukraine Facility. With this funding, the EU is providing Ukraine with crucial liquidity which will help finance budget expenditures.

The report was prepared on the basis of carefully checked and analyzed reports from more than 100 official sources: ministries, state agencies, network operators and energy companies. The information was collected from official websites and social media pages, and in some cases, media reports. For subscription, comments and other questions, please write 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)

SUPPORT UKRAINIAN ARMY

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