

Weekly Alert

**Russian War Against
Ukraine: Energy Dimension**

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Russian War Against Ukraine: Energy Dimension
DiXi Group weekly review

(July 15 - 21)

#StopRussianAggression
#StandWithUkraine**Summary**

- On the night of July 20, Russian UAVs attacked the facilities of Ukrenergo in 3 regions.
- Russia has also intensified the disinformation campaign, with recent fakes including reports of an alleged accident at the South Ukraine NPP and power supplies to Poland.
- Ukraine's grid experienced an electricity deficit, with emergency outages. The planned restrictions on consumers lasted for 96% hours of the week.
- The Strategy for the Development of Distributed Generation by 2035 was approved.
- A government hotline 15-49 on energy issues was launched, along with interest-free lending programs for households, housing associations and cooperatives to purchase RES generation and energy storage equipment.
- The government has extended the list of critical facilities that are guaranteed priority electricity supply to those within a 20-km zone from the frontline and borders with Russia and Belarus.

- The Verkhovna Rada adopted laws on integrated industrial pollution prevention and control, on increase of excise taxes on fuel to the minimum EU levels, and voted in the first reading the draft Climate Law.
- Among legislation adopted are laws exempting from import duty and VAT demining machines, power generators, wind and solar generation equipment, and large batteries.
- Additional sanctions on Lukoil led to the suspension of crude oil transit to Slovakia.
- Among the first deals under the Ukraine Investment Framework - a 100 million EUR grant between KfW and Ukrenergo for the reconstruction, rehabilitation and expansion of infrastructure.
- The EBRD will provide a 200 million EUR loan to support Naftogaz in creating strategic gas reserves and maintaining energy security.
- Lithuanian energy companies will transfer another tranche of equipment for 50+ million EUR.

IMPACT OF THE WAR

Attacks

On [July 16](#), in the **Dnipropetrovsk region**, an enemy shelling damaged the equipment of a power facility, which led to outages for household consumers and an industrial enterprise.

On the night of [July 20](#), Russian UAVs attacked the facilities of an electricity transmission system operator in the **Poltava, Sumy, and Chernihiv regions**. As a result, [fires](#) broke out on the territory of high-voltage substations, which led to blackouts in households and industry facilities. In the [Sumy region](#), a power facility in Konotop district was damaged; in the [Poltava region](#), 3,800 consumers in the Poltava district lost power supply and 700 consumers lost water supply; in the [Chernihiv region](#), 26,700 consumers lost electricity supply.

In addition, between July 15 and July 21, other hostile attacks and, accordingly, interruptions of electricity and gas supply took place:

Donetsk region. During the week, at least 39,600 consumers were disconnected from electricity. A high-voltage line was disconnected due to the hostilities, which caused a substation to lose power supply. A fire broke out on the territory of a mine as a result of shelling, and 24 workers were evacuated. As of [July 21](#), 80,700 consumers in 137 settlements were without power supply. Gas supply was cut off to 217 customers.

Kharkiv region. The number of de-energized consumers reached more than 5,000 over the week. Overhead power lines were disconnected twice during the shelling, which resulted in the disconnections of household consumers and the railway. As of [July 21](#), 38,200 consumers in 107 settlements were without electricity supply, and 136 consumers were without gas supply due to damage to the gas pipeline.

Sumy region. On [July 15](#), due to damage to the distribution gas pipeline and the threat of an explosion, 46 consumers were disconnected from gas supply. On [July 20](#) and [21](#), about 17,200 consumers were cut off from power supply as a result of the attacks; the total number of disconnected consumers as of [July 21](#) was over 12,000 in 95 settlements.

Chernihiv region. Overhead power lines were repeatedly cut off during the week as a result of shelling, which resulted in the disconnection of more than 31,000 household consumers. As of [July 21](#), 2,200 customers in 33 settlements were left without electricity.

Kherson region. As a result of constant shelling, about 16,000 consumers were cut off from power supply, most of them in the city of Kherson. As of [July 21](#), 27,500 metering points in 56 settlements remained without power supply.

Dnipropetrovsk region. The shelling resulted in several disconnections of overhead lines, including high-voltage lines, which led to power outages at substations, household consumers, and local industry facilities. On [July 18](#) and [20](#), a total of 23,300 consumers were cut off from electricity supply.

Zaporizhzhia region. On [July 15](#), a rocket attack resulted in a wire break on an overhead line, which was later restored. As of [July 21](#), 3,731 customers in 51 settlements had no electricity supply due to the hostilities.

Mykolaiv region. As of the end of the week, 340 households and 32 non-household customers were [without electricity](#) and 128 customers without [gas supply](#) due to the hostilities.

Information attacks. Russia has intensified the spread of disinformation, with recent fakes including reports of an alleged [accident](#) at the South Ukrainian NPP and electricity [supplies](#) to Poland from the Khmelnytsky NPP. The Center for Strategic Communications, the Ministry of Energy, and other official sources denied these reports. According to their information, Ukraine's nuclear power plants, including the South Ukrainian NPP, are operating without technical violations and in normal mode. Also, Ukraine does not export electricity to the EU, but only provides transit flows between European countries.

The Center for Countering Disinformation [highlights](#) the following narratives in the posts of hostile telegram channels:

- Ukraine is on the verge of an energy catastrophe;
- Ukrainians are facing a 'black winter';
- The government is incompetent in the face of the energy crisis;
- Ukraine sells electricity abroad while its own population is without electricity;
- The government is profiting from raising tariffs.

By spreading manipulations about the alleged “mass protests of Ukrainians against blackouts,” Russia is trying to create the illusion that Ukraine is on the verge of a social explosion. At the same time, social media is artificially promoting a trend about the “unbearability” of life in Ukraine with calls to go abroad. In this way, the enemy seeks to provoke a new wave of migration.

Nuclear and Radiation Safety

The IAEA experts [continued](#) to hear explosions and shooting at different distances from the site of the occupied Zaporizhzhia NPP. On Wednesday, July 17, a substation was hit, causing a power outage in Enerhodar and affecting the water supply. The IAEA experts visited the central control rooms of units 3, 4, 5, and 6 and some security rooms and entered the turbine building of unit 1. Still, again, they were not allowed access to the western side of the building.

Countermeasures

On July 20, a government hotline 15-49 “STRUM” was [launched](#), which can be used by citizens and businesses to address issues related to the energy sector, including the installation of RES facilities to ensure their own energy independence. In particular, by calling the hotline, one can find out how to increase the energy independence of one’s household or business, get information about government financial programs supporting the installation of additional generation capacities, and other related issues.

Representatives of the Office of the President, the government, regional military administrations, local authorities, and diplomatic missions have [launched](#) joint briefings. They will take place every two weeks and will be dedicated to promptly responding to community requests and coordinating with international partners.

Since July 20, the government launched interest-free [lending programs](#) for citizens and extended the 'Affordable Loans 5-7-9' program to condominium associations and housing cooperatives to purchase renewable energy generation equipment and energy storage facilities. The first program provides preferential lending at 0% for households for the purchase of equipment and installation of solar panels with storage systems and wind turbines. The second program provides condominiums and housing cooperatives with the opportunity to use the 'Affordable Loans 5-7-9%' program. Under this program, it is possible to purchase and install renewable energy installations, as well as electricity storage facilities and auxiliary equipment. The conditions of the program are as follows: a loan amount of up to UAH 5 million for up to 5 years at 7% per annum.

Following the recent decision to apply the state program "Affordable Loans 5-7-9%" to energy recovery needs, Sense Bank has issued the [first loan](#) for the purchase and installation of a 1 MW solar power plant by a Ukrainian manufacturer. The annual generation of the plant will amount to 1150 MWh, the total loan amount is UAH 14.2 million, and the maturity is 5 years.

Following communication with the regional military administrations, the government has [updated the list](#) of critical facilities that are guaranteed priority electricity supply. In addition to hospitals and gas, heat, electricity, water supply and drainage facilities, settlements and facilities within a 20-kilometer zone from the border with Russia and Belarus and within 20 kilometers of the frontline zone will not be cut off from electricity supply.

[According](#) to Prime Minister Denys Shmyhal, the government is also working to improve the algorithm for the uniform sequencing and duration of power outages. In particular, the government is developing a list of critical facilities that will receive priority power supply, including water supply facilities and hospitals.

On July 18, the Cabinet of Ministers held an offsite meeting in the Zaporizhzhia region, which resulted in [amendments](#) to the Regulation on the Allocation of Housing Subsidies and Provision of Benefits for Housing and Utility Services. The amendments remove the requirement to draw up an act of inspection of power grids for the calculation of subsidies and benefits for the heating season. Now, the calculations will be made on the basis of a report on the material and living conditions of the household or the actual place of residence of a person if consumers use electricity appliances for heating after disconnection from centralized heating.

On the same day, the Strategy for the Development of Distributed Generation until 2035 was [approved](#). It envisages strengthening and improving flexibility of the power system by developing distributed generating capacities, such as gas turbine, gas engine, cogeneration units, renewable energy facilities and energy storage facilities. An operational action plan for the implementation of the strategy for 2024-2026 was also approved.

The National Center for Operational and Technical Management of Telecommunications Networks (NCM) [issued](#) an order aimed at improving the quality of mobile communication services and Internet access in the conditions of planned, emergency, unplanned and/or forced power outages. Compliance with the order will ensure that 100% of the equipment providing mobile communications and Internet connection will be available for 10 hours. Providers of electronic communication services are also obliged to provide their facilities with mobile power generators or batteries, ensuring 72 hours of operation in the absence of a power supply. To ensure the appropriate level of service quality, the tasks are to be implemented in stages over time, with 100% of the indicators to be achieved by February 1, 2025.

On July 16, the Verkhovna Rada [adopted](#) the Law On Integrated Prevention and Control of Industrial Pollution. The law establishes the legal and organizational framework for the prevention, reduction and control of industrial pollution through the introduction of an integrated environmental permit. It defines the requirements for the permit, the types of activities that require it, the issuance

procedure, the grounds for refusal and revocation, and the application of best technologies and management practices. The law will come into force 12 months after its publication.

The Verkhovna Rada [adopted](#) in the first reading the draft law “On the Basic Principles of State Climate Policy”. Minister of Environmental Protection and Natural Resources Ruslan Strilets noted that this step will facilitate the transition to practical actions for climate change adaptation, the introduction of climate financial instruments and the post-war recovery of Ukraine, taking into account the climate agenda. The act will help integrate climate issues into other areas of public policy, fulfill Ukraine's European integration and international commitments, and harmonize national legislation with EU law.

The Parliament also [passed](#) two important laws aimed at the rapid restoration of energy infrastructure and demining. The laws exempt from taxation demining machines, power generating equipment, wind and solar generation equipment, and large batteries.

MARKETS PULSE

Electricity Sector

Power system operation

According to [Ukrenergo](#) and the [Ministry of Energy](#), Ukraine's grid experienced an electricity shortage during the week, which the TSO covered by importing electricity and emergency support from European countries. Emergency support was received daily, except July 17 and 20, only from Poland, in the form of requests for urgent supplies to Ukraine and the acceptance of surplus Polish electricity.

However, due to the scale of the damage, these measures are insufficient to maintain the balance, especially during peak consumption hours. Therefore, scheduled and emergency load-sheddings were additionally applied to industrial and household consumers. At the same time, electricity supply was not restricted to critical infrastructure facilities, and companies importing over 80% of their electricity needs.

Consumption restrictions, in the form of scheduled hourly outages, were applied throughout the working days and most weekends, except for short 3-hour intervals without cut-offs. Overall, the restrictions lasted for 96% of the week.

Emergency outages were introduced on July 15 in certain areas of the Kharkiv region. On the night of July 16, equipment at one of the energy facilities broke down, leading to increased shortages and emergency outages in the Kharkiv, Sumy, Poltava, Zaporizhzhia, Donetsk, Dnipropetrovsk, and Kirovohrad regions. On July 17, power companies returned the equipment to operation, and the outages were canceled. On July 18, emergency outages were reintroduced in the Dnipropetrovsk region to prevent overloading the power system.

On July 17, following the completion of scheduled repairs and nuclear fuel reloading, a 1,000 MW power unit was connected to the grid, which positively impacted Ukraine's grid stability.

Ruslan Slobodian, Head of the State Inspectorate of Energy Supervision, [said](#) that abnormal heat and constant hostile shelling of Ukraine's infrastructure are the main factors behind the additional load on the power system and the increased number of emergencies. Due to reduced heat expectations, the load is supposed to decrease shortly, slightly stabilizing the grid.

The State Inspectorate of Energy Supervision [checked](#) the application of hourly outage schedules in six regions: Vinnytsia, Dnipropetrovsk, Zhytomyr, Ivano-Frankivsk, Kirovohrad, and Odesa regions. It was found that there is no uniform distribution of outages among consumers in all regions. In particular, some consumers who do not belong to the critical infrastructure were not included in the schedules, while for others, the outages lasted longer. Most violations were found in the Dnipropetrovsk and Zhytomyr regions. The DSOs must eliminate the violations in a week,

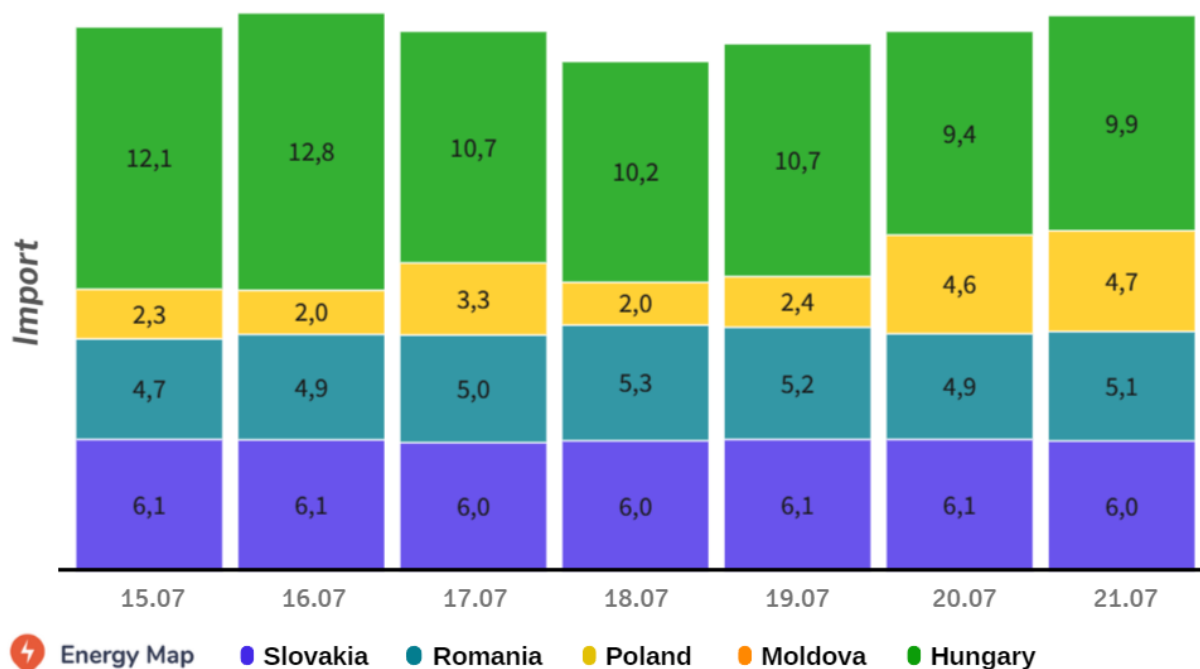
after which repeated inspections will be conducted. Also, starting July 22, inspections will be conducted in Kyiv city and Kyiv, Poltava, Lviv, Zakarpattia, and Zaporizhzhia regions.

According to the [NEURC](#), no commercial electricity exports were performed during the week. Due to the scorching weather and increased consumption in Europe, electricity imports were reduced, amounting to 174.5 GWh, 11% less than the previous week. Deliveries were carried out from all available destinations except Moldova.

	County	Supply days	Supply volume, GWh	Week-on-week dynamics	Capacity range, MW
I M P O R T S	Moldova	-	-	-	-
	Poland	all	21.2	-18%	33-255
	Romania		35.0	-8%	113-320
	Slovakia		42.4	+1%	220-255
	Hungary		75.9	-13%	110-865

Electricity imports and exports, GWh

July 15-21, 2024



Source: [Energy Map](#)

Cross-border capacity allocation based on the results of daily auctions

	Direction	Number of bidders/winners of the auction	Clearing price, EUR/MWh	Total revenue, thousand EUR	Ukrenergo's revenue, thousand UAH
IMPORTS	Moldova	-	-	-	-
	Poland	1-5 / 1-4	0.05-49	48.8	1,103.6

	Romania	9-11	0.09-125	181.1	4,091.0
	Slovakia	13-15 / 10-14	24-106	1,707.3	38,462.0
	Hungary	4-6	0.01-11	123.8	2,783.1

Market performance

Bilateral contracts market (BCM): Trading intensity on the Ukrainian Energy Exchange (UEEX) decreased compared to the second week of July. On July 15-21, UEEX [held](#) 12 one-side auctions for trading electricity (6 in commercial and 6 in specialized sections). Auctions were initiated by Energoatom Trading, Guaranteed Buyer, Ukrhydroenergo, universal service suppliers, distribution system operators, etc. In total, 319.1 GWh were traded at UEEX (1.7 times less week-on-week). The monthly Base BCM index for July remained at 5,353.1 UAH/MWh, and the index for August was set at 5,299.7 UAH/MWh (-3.5% compared to July). Trading results for the week:

Company	Sales volume, GWh	Product	Price, UAH/MWh	Delivery period
Energoatom Trading	143.6	base load	5,299.7	August
Ukrhydroenergo	14.9	base load	5,500.5	July 22-31
Guaranteed Buyer	25.1	block positions	1,418.1 - 2,800.0	July 21-31
	80.3	block positions of daytime hours	1,403.5 - 2,800.0	August
	0.1	block positions of daytime hours	1400.0	July 26-31

In the commercial sections, companies traded electricity by individual load profiles.

Day-ahead market (DAM): According to the [Energy Map](#) service, on July 15-21, DAM prices demonstrated high [volatility](#): the deviation of hourly prices from price caps ranged from 0 to 98.2%, with an average deviation of 24.2%. The number of cases with significant price deviations (over 50%) from the price caps was observed in 20.2% 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 price caps level decreased to 47.6% of the settlement periods (compared to 53.6% in the previous week). Thus, price caps remained a decisive factor in restraining the growth of wholesale prices and determining the market conditions (this situation was typical mainly for evening and morning consumption peaks and partially for the night hours).

As a result of the decrease in the deficit of generating capacity, the average hourly electricity price for the week (Base DAM index) went downward to 5,300.7 UAH/MWh (-7.7%), while the weighted average daily price [ranged](#) from 5,044.1 to 6,250.7 UAH/MWh. At the same time, the ratio between the Base DAM indices in the markets of Eastern European countries (Poland, Romania, Slovakia) and Ukraine has become more volatile and [varied](#) in a broader range of 0.53-2.63. Moreover, on most days of the week (except for July 21), prices in European markets were higher than in Ukrainian markets.

The total volume of electricity sales on the DAM of Ukraine slightly increased and amounted to 429.6 GWh (+0.7%). The daily trading volume varied in the range of 53.7-68.9 GWh. The market was entirely in surplus during the week: the ratio between the total daily volumes of sell and

purchase bids ranged from 1.02 to 1.22. This trend was caused by two factors: the total weekly supply increased to 487.6 GWh (+1.9%), while demand decreased to 447.1 GWh (-2.2%). As a result, the number of deficit settlement periods decreased to 28.4% (compared to 34.5% the previous week). Suppliers [prevailed](#) in the purchase composition (92.4-93.2%), the share of network operators was 6.7-7.5%, and producers accounted for the rest (0.1-0.3%).

Policy and regulation

The Verkhovna Rada adopted in the first reading [draft law No. 9596](#), which establishes a zero-rate environmental tax on CO₂ emissions for facilities using biofuels.

The Guaranteed buyer calculated the cost of the service under the market premium mechanism for producers under the feed-in tariff. The Regulator [approved](#) the cost of services for February-May 2024 amounted to: for February - UAH 880.93 thousand, March - UAH 13,229.07 thousand, April - UAH 39,561.61 thousand, May - UAH 52,352.08 thousand (excluding VAT).

The NEURC published a draft [resolution](#) on changing the licensing conditions for heat production, aiming to optimize licensing and ensure sufficient heat production. The document proposes that heat production will not be subject to licensing if cogeneration plants have a capacity under 5 MW (4.3 Gcal/h) and are a backup energy source for critical infrastructure facilities.

In August, the NEURC [plans](#) to launch creating accounts for users of the register of guarantees of origin of electricity from RES. Producers and consumers seeking to receive such guarantees must provide the required information to distribution and transmission system operators for the Datahub platform. This will allow Ukraine to implement mechanisms for issuing, circulating, and redeeming guarantees of origin of electricity from RES and facilitate trade with the EU. This is expected to attract additional funding and positively impact the energy sector's recovery.

Gas

Gas system operation

On July 14-20, the volume of gas transit through the territory of Ukraine amounted to 41.9-42.8 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 42.2 mcm (-0.2 mcm WoW).

Naftogaz of Ukraine is looking for alternatives to ensure the operation of the gas transmission system after the termination of the agreement with Russia's Gazprom in 2024. The CEO of Naftogaz Oleksiy Chernyshov, [informed](#) the media that negotiations are underway with companies, in particular with Azerbaijan's Socar, but there is no final solution yet. Ukraine does not plan to extend the contract with Gazprom, and options are currently being considered to preserve the GTS as an important asset for future gas exports.

At the same time, in the reporting week, physical imports of gas from Hungary amounted to 49.1 mcm (almost without changes WoW). Probably, these flows or part of them pass through Ukraine in transit and are further transported to Moldova, Slovakia, or Poland. Also, part of these flows could be subsequently injected into Ukrainian underground storage. Commercial flows into the Ukrainian system from Hungary were at 49.1 mcm (corresponds to physical volumes). In particular, 7.8 mcm arrived in the "customs warehouse" mode and 49.1 mcm in the short-haul mode (service of the TSO, which provides a discount in the transmission tariff for transit over short distances).

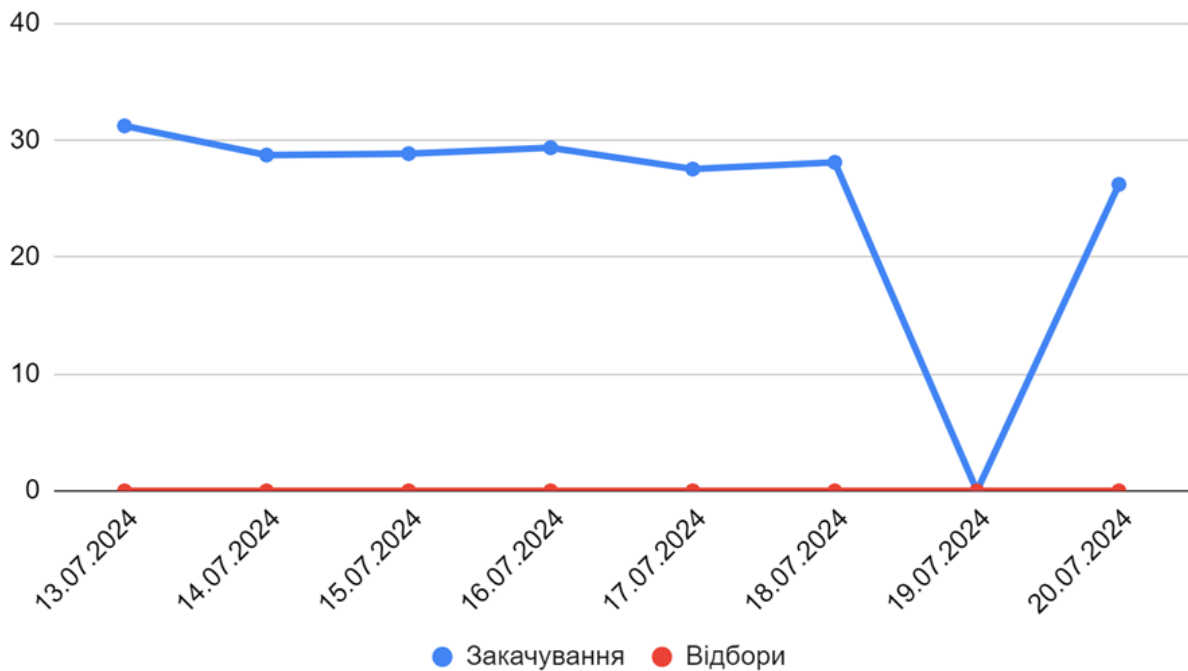
Commercial exports through the VIP Ukraine-Poland amounted to 23.7 mcm (+79.6% WoW). Also, it is likely that part of the volumes exiting the Ukrainian system to Moldova and Slovakia is the transmission of gas, which was either previously stored by foreign companies in Ukrainian storage

facilities or imported from Hungary. In total, on July 14-20 no natural gas was transported to the exit from the Ukrainian GTS in the "customs warehouse" mode (without changes WoW). Also, in the reporting week, 43 mcm of gas exited Ukrainian GTS in the "short-haul" mode (+27.6% WoW).

Underground storage facilities

According to the [AGSI platform](#), as of July 20, 5.84 bcm of gas was accumulated in the Ukrainian storage facilities. It corresponds to 19.39% of the total working capacity, i.e., without 4.662 bcm of "long-term storage" buffer gas. Injections in storage in the reporting week amounted to 168.9 mcm (-3.4% WoW); the average daily injection amounted to 24.1 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 July 15-19, four companies (three buyers and one seller) submitted bids for purchasing gas at the Ukrainian Energy Exchange (UEEX). In the reporting period, UEEX received bids for 359.9 mcm of gas (+14% WoW) with a total starting cost of 4.63 billion UAH (+13.3). The weighted average starting price of bids was 12.87 UAH/cm (-0.6%).

In the reporting week, within the new trading section "Purchasing: import, customs warehouse" bids for the purchase of 399.6 GWh of gas were submitted with a total cost of 10.8 million EUR. The weighted average starting price was 26.93 EUR/MWh (-2.2% WoW). The Gas Transmission System Operator of Ukraine LLC (GTSOU) was the sole initiator of the auctions.

In the reporting week, 19.7 mcm of gas was purchased (7 times more WoW) at a weighted average price of 12.97 UAH/cm (without VAT) (-0.3% WoW). 97% of the resource was bought by GTSOU, and 3% was sold by Ukrnafta. In addition, 77.2% of gas was sold with transfer in August 2024, 27.8% - in July 2024. 97% of gas was sold with delivery at a virtual trading point (transfer to GTS) and 3% - in underground storages. There were no successful gas trades within the new section "Purchasing: import, customs warehouse".

Policy and regulation

The NEURC has [started](#) an investigation into possible abuses in the wholesale energy market by Moldovagaz. The company carried out gas transmission operations from April to June 2024 without registering as a market participant. Due to the control of Gazprom over Moldovagaz (50% of shares), the registration was refused. The investigation was initiated on the basis of GTSOU reports.

Other

JSC "Ukrgezvydobuvannya" [launched](#) a new well in the east of Ukraine with daily production of 145 tcm of gas. This is already the sixth new well that the company put into operation this year. Another 13 wells are planned to be launched by the end of the year. The development project included the use of modern technologies, in particular 3D modeling.

Ukrgezvydobuvannya also [set](#) a six-month gas production record, having received 6,913 mcm of sales quality gas, which is 8.8% more than in the same period last year. The company put 41 new wells into operation, 14 of which have high production indicators, achieving daily production of more than 400 tcm per well. During this period, 165,864 meters were also drilled, which is 9,117 meters more than last year. In total, Naftogaz Group produced 7.3 bcm of natural gas (+8%) in the first six months of 2024.

Naftogaz of Ukraine made mandatory payments on Eurobonds in accordance with the restructuring schedule, as [reported](#) by the CEO of Naftogaz Oleksiy Chernyshov. The next payment is scheduled for November 2024. Fulfillment of obligations following the default demonstrates the reliability of Naftogaz to international partners and promotes the attraction of new capital investments.

Oil and Motor Fuels

The Verkhovna Rada [adopted](#) a law (draft law No. 11256-2) that increases excise tax rates on fuel. This decision will bring additional 2.7 billion UAH per month to finance the armed forces. The increase of excise taxes to the minimum rates in the EU will take place gradually, until 2028. It is expected that because of this, the retail price of petroleum and diesel will increase by 1.5-2 UAH per liter. Chairman of the VRU Committee on Finance, Taxation and Customs Policy, Danylo Hetmantsev, emphasized that this decision is necessary to support the army and fulfill European integration obligations.

Ukraine [introduced](#) additional sanctions against the Russian oil company Lukoil, which led to the suspension of oil supplies to Slovakia through the Druzhba oil pipeline. Slovakia, which received 500,000 tons of oil per month for its Slovnaft refinery, has now lost more than half of these volumes. Other countries, such as Hungary and the Czech Republic, which also have exemptions from the European embargo on Russian oil, have so far received largely unchanged supplies. The Lukoil company accounts for more than a third of the volumes pumped through the Druzhba oil pipeline, and now it is planned to replace these volumes with resources from other Russian companies that did not fall under Ukrainian sanctions.

The media [reported](#) that Ukrnafta installed 29 modern electric centrifugal pumps at its wells. This equipment helps stabilize production and increase the intermaintenance period.

These steps are part of the company's strategy. Over the past 10 years, Ukrnafta has [drilled](#) only 52 wells due to financial difficulties, and in recent years - only two or three wells annually. However, the company has already commissioned 8 new wells in 2023 and plans to start work on 20 more in 2024. In the next five years, the company intends to drill about 200 wells. An important part of the plan is the restoration of old wells that have been liquidated, using modern technologies. For this purpose, 30 out of more than 4,200 such wells were selected. Ukrnafta aims to increase oil production to 2.07 million tonnes by 2028, which is one and a half times more than the current volume.

The Asset Recovery and Management Agency (ARMA) [provided](#) the state budget with 747.7 million UAH from the management of assets under seizure, in particular the corporate rights of VC Ukrnaftoburinnia PJSC. ARMA has also initiated a redistribution of shareholder shares to accelerate the distribution of dividends and is working to resume gas production at the Sakhalinske field. To this end, a number of legal and administrative measures have been taken, including appeals to the Prosecutor General's Office, the National Security Service of Ukraine and the Supreme Court, as well as the initiation of changes to the legislation.

[According to](#) the media, the international auditing company Crowe Erfolg conducted an audit of Ukrnaftoburinnia PJSC and found a significant improvement after the transfer of the company's management from ARMA to Ukrnafta in July 2023. Natural gas production increased from 1.262 to 1.56 mcm per day, and the volume of gas in underground storages increased by 3.2 times. Average daily production of hydrocarbons also increased, and the company's net profit for the second half of the year reached 831 million UAH, compared to 186 million UAH before the transfer of management. Now the company is struggling in court for the restoration of the special permit for gas production at the Sakhalin field.

International Cooperation

First Deputy Prime Minister and Minister of Economy of Ukraine Yulia Svyrydenko [announced](#) that Ukraine has taken all the necessary actions to meet the indicators for the second quarter of 2024, envisaged by the Ukraine Plan under the EU's Ukraine Facility programme and has submitted a request for 4.1 billion EUR. The European Commission [has provided](#) a positive assessment of the indicators that Ukraine has fulfilled under the Ukraine Plan by the end of the second quarter of 2024.

Ukrainian businesses have already started [raising](#) funds under the Ukraine Investment Framework (UIF) grant program, which is part of the investment component of the Ukraine Facility program. The first agreement for 100 million EUR was signed by KfW and NPC Ukrenergo. The funds will be used for the reconstruction, rehabilitation and expansion of the electricity infrastructure.

Minister of Finance of Ukraine Sergii Marchenko and Managing Director for Ukraine and Moldova at the European Bank for Reconstruction and Development (EBRD) Arvid Tuerkner [signed](#) a guarantee agreement under which Ukraine will receive 200 million EUR from the EBRD to support Naftogaz in creating strategic reserves of natural gas and maintaining energy security. Additionally, the Ministry of Economy and the EBRD [discussed](#) the priorities of their cooperation, initiatives to stimulate investment in Ukraine, and opportunities to expand the Bank's portfolio in the energy sector, which urgently requires restoration.

During an online meeting between the Prime Minister of Ukraine Denys Shmyhal and the Prime Minister of Belgium Alexander De Croo, an Agreement on Technical and Financial Cooperation was [signed](#). According to the Agreement, Belgium will finance reconstruction projects in Ukraine for 150 million EUR. In particular, the funds will be directed towards the restoration of energy and social infrastructure in Kyiv and Chernihiv regions.

Lithuanian energy companies [will transfer](#) another tranche of humanitarian aid to Ukraine in the form of energy equipment worth more than 50 million EUR. The shipment includes more than 300 pieces of recovered equipment, including equipment from Vilnius CHP-3, which will help restore Ukraine's energy infrastructure.

Ukraine and the Czech Republic [signed](#) a Memorandum of Cooperation in Energy Security, Renewable Energy Development and Distributed Generation. The parties agreed to cooperate to facilitate Ukraine's further integration into the EU, energy security and the restoration of Ukraine's energy sector through the implementation of green transition strategies and advanced technologies.

Deputy Ministers of Finance of Ukraine Olha Zykova and Yuriy Draganchuk and KfW Office Director for Ukraine and Moldova Lorenz Gessner [discussed](#) the implementation of joint projects and plans for further cooperation. KfW makes a significant contribution to the development and recovery of the energy sector, infrastructure, and small and medium-sized businesses in Ukraine. Currently, KfW's portfolio consists of eight investment projects, which is the largest for the entire period of cooperation and reaches 265.1 million EUR.

During the meeting between the Deputy Minister of Economy of Ukraine Volodymyr Kuzio and representatives of the Swiss organization for the implementation of sustainable development initiatives Helvetas (Recovery Coordinator in Ukraine Thomas Maier and Country Director in Ukraine Peter Basche), the parties [discussed](#) the expansion of the program to support Ukrainian small and medium-sized businesses. Several more areas are planned to be added to the existing humanitarian projects and programs to support exporters and the professional development of employees, such as construction and processing, renewable energy and cogeneration, agriculture, and logistics.

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

As a result of intensified Russian missile attacks on the energy infrastructure, Ukraine urgently needs energy equipment and funds for emergency restoration.

Please contact the team of the Ukraine Energy Support Fund of the Energy Community Secretariat at UkraineSupportFund@energy-community.org to get support for details on how you can financially assist the Ukrainian energy infrastructure. Please contact the Ukraine Support Task Force of the Energy Community Secretariat at UkraineEmergencySupport@energy-community.org for assistance with the donation process, including the possibility of arranging transportation.



SUPPORT UKRAINIAN ARMY

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