

DIXI GROUP

2014 ACTIVITY REPORT

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MISSION AND MAIN ACTIVITIES

DiXi Group is a think tank founded in 2008 in Kyiv. Its objective is to provide research and consultations on information policy, energy sector, security and investments.

Our mission is to be an engine for the quality changes in energy policy, achieving new standards and practices of decision making in the sector – through promotion of policy analysis products, strengthening of the role of expert communities and civil society, creation of open platforms for interaction and professional discussions, dissemination of best practices, knowledge and skills for successful reforms.

DiXi Group works in the following activity areas:

1. Promoting system reforms in accordance with the European model (improved management and regulation of the energy industry, transforming the fundamental principles of work of the markets according to the EU norms and practices).
2. Fighting corruption, enhancing transparency and accountability of companies and government bodies working in the energy sphere. Involving civil society in the energy policy development and control.
3. Strengthening public dialogue in the energy sector, establishing interaction between various groups of stakeholders to develop a comprehensive approach to the (strategic) development of the industry.
4. Facilitating Ukraine's integration in European and global energy space, building common European energy space.
5. Ensuring organizational development of DiXi Group, building its capacity.

Our activities include:

- Research, monitoring and evaluation of energy policy
- Development and preparation of proposals and draft decisions on energy policy
- Advocacy for the drafted solutions, including public campaigns
- Education and trainings, creation of an educational resource center for energy policy

- Organization of public events (round tables, conferences, workshops, press conferences)
- Networking (creation of coalitions and partnerships)
- Provision of consultations
- Information (maintenance of an industry-specific information and analytical resource)
- List of events (co-)organized and carried out by DiXi Group in 2014 – see Appendix.

PROMOTING SYSTEM REFORMS IN ACCORDANCE WITH THE EUROPEAN MODEL

In March 2014, DiXi Group took part in the conference organized by the Think Tanks Liaison Office in Brussels, *Ukrainian Revolution - on the Road to Transformation? Ukrainian Experts' View* supported by the European Endowment for Democracy, where reforms in different sectors, including the energy sector, were discussed and series of meetings with representatives of the European Commission, European Parliament and international experts took place. In April, DiXi Group President Olena Pavlenko was invited to Vienna Energy Club session, where the issue of collective energy security and Ukraine's participation in it was discussed.

Also, supporting the initiative of the Energy Community Secretariat on adoption of a new version of the law on gas market by Ukraine, DiXi Group in conjunction with the American Chamber of Commerce organized in July 2014 a round table discussion of a draft law developed and presented by the Energy Community Secretariat. Having analyzed the positions of all the stakeholders, DiXi Group with the support of the International Renaissance Foundation involved lawyers in order to reconcile the version suggested by the Secretariat with the Ukrainian legislation. The draft was published for public discussion in October, and later it was attached to the materials processed by the Working Group under the Ministry of Energy finalizing the draft law on gas market. In December, the draft law approved by the Working Group was posted on the website of the Ministry of Energy for public discussion.

In 2014, within the framework of a project supported by the EU, DiXi Group together with partner organizations started publishing monthly and quarterly monitoring reports on Ukraine's implementation of its commitments to the European Energy Community. Monthly monitoring reports are published in Ukrainian, and quarterly – in Ukrainian and English. All documents are accessible on the *Ukrainian Power Sector* website via the link <http://ua-energy.org/post/view/5>.

In March 2014, upon the initiative of DiXi Group and partner organizations, a coalition of experts and think tanks called *Energy Reforms* was founded. The coalition united the expert community's efforts to promote reforms in the energy sector within the framework of Ukrainian commitments to the Energy Community. The coalition accounts for nearly 20 experts, and it is open for other members. There is a website of the coalition, <http://enref.org/>, where materials and products of all members of the Energy Reforms are published.

The coalition initiated amendments to the Action Plan for the implementation of commitments under the Treaty establishing the Energy Community, and sent a respective letter to the Ministry of Energy. On September 17, the Cabinet of Ministers published its Order No. 864-p, which approved changes to the Plan.

Besides, the coalition suggested establishing a Multi-Stakeholder Working Group attached to the government on implementation of the commitments within the Energy Community, which would bring together relevant ministries and agencies, business and public representatives. The Energy Community Secretariat supported this idea. In September 2014, according to the abovementioned Order No. 864-p the Ministry of Energy was instructed to establish the Multi-Stakeholder Group. Order No. 766 of the Ministry of Energy dated 28 October 2014 approved the membership of the Multi-Stakeholder Group, which included representatives of the government, business, the public, and the Energy Community Secretariat. Representatives of DiXi Group also joined the group. Currently, the coalition is working to support activities of this group.

In September, the Energy Reforms Coalition together with the Ministry of Energy organized the conference “Implementation of the European Energy Acquis in Ukrainian Legislation”, where they presented the results of the monitoring of fulfillment by the new government of Ukraine’s commitments within the Energy Community in 2014. The conference was attended by more than 70 participants. Furthermore, DiXi Group members presented the coalition’s monitoring results during the parliamentary committee hearings on the Energy Community issues.

In November 2014, five representatives of the Energy Reforms Coalition, including two DiXi Group representatives, presented an English version of the monitoring in the Energy Community Secretariat (Vienna) and at the conference “Ukraine and European Energy Security: From Cooperation to Integration”, with the support of the Think Tanks Liaison Office in Brussels, International Renaissance Foundation, and Konrad-Adenauer Stiftung in Brussels.

Members of the Energy Reforms Coalition develop their own versions of draft laws aimed at ensuring implementation of Ukraine’s commitments within the Energy Community, more specifically – in the sphere of environment and energy efficiency. Coalition members also participate in Working Groups on drafting normative legal acts in ministries and agencies namely in the group on development of the draft law on gas market, on amending the law on electricity market, development of the National Emission Reduction Plan, groups under the State Committee on Energy Efficiency and NEPURC (National Energy and Public Utilities Regulatory Commission).

In 2014, DiXi Group representatives became members of coordination bodies of several international initiatives. Anton Antonenko, DiXi Group Executive Director, chaired Working Group 3 of the National Platform of the Eastern Partnership Civil Society Forum. Olena Pavlenko, DiXi Group President, became a member of the Supervisory Board of the PWYP Global Coalition as a Eurasian representative, and she also became a coordinator of Working Group 12 of the Ukrainian part of the EU-Ukraine Civil Society Platform. Roman Nitsovych, DiXi Group Program Manager, joined the group of experts developing the Eastern Partnership European Integration Index with the support of the International Renaissance Foundation.

FIGHTING CORRUPTION AND ENHANCING TRANSPARENCY

DiXi Group continues to be an active member of the EITI Multi-Stakeholder Group and promote Ukraine's fulfillment of its commitments within the framework of the EITI. In February, DiXi Group, within the framework of a project supported by the National Resource Governance Institute, published the brochure "EITI and Public: Participation as Guaranty of Success". The brochure was distributed among participants of roundtable discussions on the Transparency Initiative, which took place in Lviv and Donetsk. Also in February, DiXi Group participated in a seminar on requirements of the new EITI standard, carried out by Q-club in Kyiv with the support of the International Renaissance Foundation. During the seminar DiXi Group presented a new website of Extractive Industries Transparency Initiative in Ukraine, which became a national EITI website in Ukraine.

As a member of a group on analysis of legislative obstacles for the EITI implementation, DiXi Group organized such a study within the framework of a project supported by the National Resource Governance Institute. Its results were presented by Svitlana Golikova, Head of the TransEnergoConsulting company, at a session of Multi-Stakeholder Group in April. In 2014, DiXi Group participated in all sessions of MSG which took place in April, July and December. In June, DiXi Group took part in preparing MSG's annual report on EITI implementation. The report was sent by the Ministry of Energy and posted on the national EITI website (section "Official").

In May, DiXi Group together with the Ministry of Energy participated in negotiations with the Deutsche Gesellschaft für Internationale Zusammenarbeit (*GIZ*) on possible cooperation in the EITI implementation. The negotiations resulted in a workshop on development of a new Work Plan held in September, and finalization of the EITI Communication Strategy in November. In December, the Multi-Stakeholder Group (MSG) approved a new draft of the Work Plan and preliminarily approved the Communication Strategy. It is also expected that in 2015, additional seminars on the Communication Strategy initiation will be organized.

In May-June, DiXi Group addressed the Ministry of Ecology, which was finalizing the new Draft Subsoil Code of Ukraine, and requested it to include a provision on the EITI in the document. DiXi Group attended several sessions of the Working Group under the Ministry of Ecology, where, together with other MSG members, it received consent of the responsible ministerial officials to include the EITI in the Draft Subsoil

Code. Unfortunately, the draft had not been approved by the government or sent to the Parliament for discussion by the end of 2014.

In September, DiXi Group together with other members of the “EnergoTransparency” Association participated in a meeting of Eurasian regional coalitions, where the status of the EITI implementation in Ukraine was presented, and implementation experience of other countries of the region was discussed. In October, upon the initiative of one of the Association members, Q-club, the conference “Status and Prospects of the Extractive Industries Transparency Initiative Implementation in Ukraine” was held in Kyiv. The conference was attended not only by energy companies, non-governmental organizations and representatives of authorities, but also by members of the EITI Secretariat and the World Bank representatives. DiXi Group participated in the conference and presented its vision of the following steps necessary for the EITI implementation in Ukraine.

Throughout the year, DiXi Group representatives participated in other events, presenting the EITI in Ukraine and the need to strengthen transparency in the extractive sector. In particular, in March DiXi Group President Olena Pavlenko took part in the conference “Beyond extractive sector transparency: driving prosperity and stability through good governance”, Wilton Park (Great Britain), where mechanisms and the best governance principles for strengthening the energy sector transparency were discussed; in December, she participated in a roundtable discussion of the American Chamber of Commerce, where the White Book of reforms in the energy sector was presented. The Extractive Industries Transparency Initiative was among the priorities supported by companies as well as public and the government.

Also, with the support of the International Renaissance Foundation, in autumn 2014, the project “Development of Monitoring System to Identify Key Indicators of Corruption in the Sphere of Extraction of Energy Resources” was launched. Within the framework of this project, DiXi Group monitored the media space and conducted an opinion poll among experts and officials identifying the most widespread corruption schemes in the extractive sector. The task for 2015 is to identify a monitoring system that would allow such schemes to be revealed and prevented, and to suggest legislative amendments to reduce possibilities of abuse in the extractive industry.

BUILDING PUBLIC DIALOGUE

In 2014, a project supported by the British Embassy in Ukraine was implemented with an aim to improve regulation in the unconventional gas extraction sphere. Within the framework of this project, DiXi Group conducted a survey among extractive companies working in Ukraine regarding the main obstacles in extractive activities, and tools for their elimination. An analytical brochure was published on the basis of the survey results, which was presented in April at the workshop “Regulation of Unconventional Gas Production” in Ukraine. Representatives of state authorities, including the Ministry of Energy, Ministry of Ecology, State Service for Geology and Mineral Resources, Ministry of Economy, and oblast state administrations participated in the seminar. The speakers were top-managers of *Shell*, Ukrainian experts, representatives of Pennsylvania regulator (USA), Department of Energy and Climate Change of the British Government.

Within the framework of the project, in December DiXi Group organized another workshop on improving a permitting system for activities in the field of gas extraction, including unconventional gas extraction. The event, which took place in the building of the American Chamber of Commerce, was dedicated to exchange of different countries’ experience related to organization of a permitting system for extractive activities. Representatives of Alberta regulator (Canada) were among the guests of the event; a speech of a representative of the Department of Energy and Climate Change of the British Government was broadcasted. Taking into consideration the speeches and presentations, DiXi Group has prepared the second analytical document, which will be published in 2015.

DiXi Group together with its Polish partners, including Dr. Andrzej Sikora from the Energy Studies Institute, published an analytical publication on regulating unconventional gas in Poland – analysis of the political situation, development of legislation, and evaluation of permitting policy. The material was published on the website of the Kyiv Unconventional Gas Institute, www.newgas.org.ua.

Besides, within the framework of a project supported by the U.S. Embassy in Ukraine, DiXi Group initiated conduct of a separate panel during Adam Smith conference, which took place in June in Kyiv. Among the speakers at the panel “Roadmap to Energy Security in Ukraine” were U.S. Ambassador in Ukraine Geoffrey Pyatt, Head of the Energy, Transport and Environment Section of the EU Delegation to Ukraine Walter Tretton, representative of the Regional Hub of the U.S. Department of State Raffi Balian, representatives of state and private extractive companies, and bankers.

Also, within the framework of the abovementioned project, winners of a contest on the best energy security strategy for Ukraine received awards; the contest took place at the end of 2013. The contest finalists received presents from the principal sponsors of the project, and the main winner – postgraduate student Andrian Prokip from Lviv – continued his cooperation with DiXi Group and participated on its behalf in a conference on security, which took place in Bulgaria in autumn.

In July, DiXi Group took part in a roundtable discussion organized by the American Chamber of Commerce on the improvement of land legislation for extractive activities. Based on the discussion results, a Working Group on developing the respective draft law was established at the Ministry of Energy, which included participants from DiXi Group. Unfortunately, no relevant changes to legislation had been introduced by the end of 2014.

In 2014, DiXi Group received a grant within the framework of a contest conducted by the Ukrainian Unconventional Gas Institute (UGI), administered by the British Council in Ukraine. According to the project, DiXi Group will publish a study on social and economic consequences of unconventional gas extraction in Kharkiv Oblast. Non-governmental organization “Nova Energiya” (“New Energy”) from Kharkiv and a researcher from Ohio University, Iryna Lendel, became partners of the project. The study is expected to be presented in 2015.

In December 2014, DiXi Group, with the support of the International Renaissance Foundation, organized the debate “Should shale gas be extracted during crisis?”, where views were expressed by representatives of non-governmental organizations that do not support shale gas extraction as well as authorities of Ivano-Frankivsk Oblast and researchers who consider shale gas extraction to be suitable under certain conditions. The debate was moderated by a well-known TV presenter, Andrii Kulykov.

During 2014, we also added contents to the website dedicated to unconventional gas extraction in Ukraine – a platform of the Kyiv Unconventional Gas Institute (<http://newgas.org.ua/>).

The Ukrainian Energy website remains a leading information resource in the energy sphere. In 2014, the number of website readers exceeded 1,000 unique visitors a day, and its daily mailing list includes more than 650 addresses for the Ukrainian version, and 350 – for the English version.

The Ukrainian Energy website continued to publish unique translations of world news in the energy sector, enhancing awareness of the Ukrainian audience, including officials, journalists, and experts. The website continues to be a partner of the main

public events that take place in Ukraine in the sphere of energy security, energy efficiency, renewable energy sources, etc.

Last year, the website began to publish some journalist investigations. In particular, one of the investigations related to holding an auction for granting permissions for subsoil usage together with publications of other mass-media proving that the non-transparent process of granting permissions is still in place, resulted in the change of leadership of the State Geological and Mineral Resources Survey (Derzhgeonadra). The *Ukrainian Energy* also prepared journalist investigations related to such issues as electricity trade, appointment of deputy ministers in the European integration sphere, etc.

In 2014, some publications on the Ukrainian Energy website – weekly analytical reports – became paid. At the same time, the willingness of both Ukrainian and English-speaking consumers to pay for analytical products is the best appreciation of their proper quality. In 2015, DiXi Group plans to develop a new product line, which would be interesting for Ukrainian and foreign consumers.

ORGANIZATIONAL DEVELOPMENT

In 2014, DiXi Group became a member of a project supported by the International Renaissance Foundation, Think Tank Fund, and SIDA on organizational development of the organization. Within the framework of this project, our organization had to undergo a series of trainings on analytical work, strategic planning, organization management, gender policy, etc.; to carry out strategic sessions and to develop a strategic plan, to develop policies of the organization. From July to November, DiXi Group employees participated in all study workshops and trainings.

In September-November 2014, DiXi Group carried out strategic activity planning. Strategic sessions involved DiXi Group representatives (members and the Board), external consultants (in particular, within the framework of the Think Tank Development Initiative, implemented by SIDA and the International Renaissance Foundation), representatives of donors and partners. A Strategic Plan was developed, which presents a holistic vision of the mission, strategic objectives and activities of DiXi Group.

To support the Strategic Plan, DiXi Group developed and approved a Communication Strategy as well as a number of internal practices and procedures related to project activities management, human resources management, analytical products quality control, anticorruption activities and avoiding a conflict of interest, conflict resolution, procurements, financial and business operations, job responsibilities.

DIXI GROUP STRUCTURE

Within the framework of an institutional development project, DiXi Group radically changed its management model; currently, it has the following structure:

DiXi Group decision-making bodies include:

- General Assembly;
- Board;
- Supervisory Board;
- President;
- Vice-president.

The General Assembly is the main body that makes decisions, appoints the Board and Supervisory Board members, and elects President, who reports to the Board.

The competence of the Board includes approving and amending the Strategic Plan, annual budget and annual operational plan, hearing of the President report on the annual budget and the annual operations plan implementation, approving and making changes to the structure, staff schedule and job responsibilities, delegating DiXi Group representatives to consultative and advisory groups and other representative bodies, making decisions on property issues within the scope identified by the Statute and the General Assembly decisions, convening the General Assembly, approving public reports on activities, etc.

In December 2014, DiXi Group conducted a meeting of the General Assembly of the organization, which resulted in appointing a new Board of DiXi Group. Andrii Duda, Public Administration PhD; Iryna Solonenko, historian and political scientist, PhD student at European University Viadrina, Germany; Bohdan Sokolovskyi, a former Authorized Representative of the President of Ukraine on International Issues related to Energy Safety, became members of the Board.

Besides, in 2015 DiXi Group plans to continue its work on the institutional development – in particular, establish the Supervisory Board of the organization, develop a special DiXi Group website, and organize a series of trainings in the sphere of the energy sector analysis.

BUDGET

	Donors	2013, thousa nd UAH	% of all revenue s or expens es	2014, thousand UAH	% of all revenue s or expens es
1. Balances at beginning of year		20.1		1,739.3	
2. Receipts					
2.1. International donor programs and funds		1,919.2	86.0	578.2	46.7
2.1.1. Project "Raising Public Awareness in Ukraine on Specific Features of Unconventional Gas Development"	Embassy of Great Britain	16.0	0.7		
2.1.2. Project "Increasing Civil Society Capacity in Support and Control of the EITI Implementation in Ukraine"	The Revenue Watch Institute	399.7	17.9		
2.1.3. Project "Improving Implementation of Ukraine's Commitments to the Energy Community by Strengthening the Role of Civil Society" ENPI/2013/ 333-142	European Commission	1,297.4	58.1		
2.1.4. Project "Energy Security Roadmap Online Discussion Platform"	Embassy of the USA in Ukraine	206.1	9.2		
2.1.5. Project "Increasing Public Support for Unconventional Gas Development as a Part of Economic Reforms"	British Council, Ukrainian Unconventional Gas Institute (UGI)			473.9	38.2
2.1.6. Project "Shale Gas Seminar"	Embassy of Great Britain			82.0	6.7
2.1.7. Project "UK-Ukraine Regulatory Dialogue on Unconventional Gas"	Embassy of Great Britain			22.3	1.8
2.2. Ukrainian donors		287.4	12.5	654.9	52.8
2.2.1. Project "Information and Analytical Support of the Process of Ukraine's Accession to the Extractive Industries Transparency Initiative (EITI)" No. 46470	International Renaissance Foundation	33.2	1.5		
2.2.2. Project "Raising Public Awareness about Conditions of Unconventional Gas Extraction" No. 47145	International Renaissance Foundation	81.5	3.6		

2.2.3. Project "Monitoring of the Implementation of Ukraine's Commitments within the Energy Community after Two Years of Its Membership" No. 47243	International Renaissance Foundation	172.7	7.4		
2.2.4. Project "Monitoring of the Implementation of Ukraine's Commitments within the Energy Community after Two Years of Its Membership" No. 48453	International Renaissance Foundation			167.5	13.5
2.2.5. "Mini-Grants for Institutional Development" No. 48686	International Renaissance Foundation			103.6	8.4
2.2.6. Project "Improving Implementation of Ukraine's Commitments within the Energy Community through Enhancing Impact of Civil Society", No. 48666	International Renaissance Foundation			110.0	8.9
2.2.7. Project "Development of Monitoring System of Key Indicators to Detect Corruption in the Sphere of Energy Resources Extraction", No. 48757	International Renaissance Foundation			88.0	7.1
2.2.8. Project "Preparation and Advocacy of the Legislation on Corporate Disclosure of Payments in the Extractive Sector in the Context of the Extractive Industries Transparency Initiative Implementation in Ukraine", No. 49140	International Renaissance Foundation			185.8	15.0
2.3. Grants from companies		26.1	1.2		
2.4. Donations from individuals		0.2	0.01	6.4	0.5
Total revenues		2,232.9	100.0	1,239.5	100.0
3. Expenses					
3.1. Administrative					
3.1.1. Office rent and utilities				189.2	7.4
3.1.3. Stationery		19.7	3.1	74.9	2.9
3.2. Project-related		607.9	96.2	2,280.1	89.5
3.2. Other		4.1	0.6	2.4	0.1
3.2. Equipment				47.7	
Total expenses		631.7	100.0	2,546.6	100.0

2014 DIXI GROUP IN FIGURES

27 presentations

12 analytical brochures and publications

49 weekly analytical reports

14 monitoring reports on Ukraine's moving forward within the Energy Community framework

11 public events

Achievements 2014

January – analytical document on regulation of unconventional gas production in Poland

February – survey on regulation of gas extraction in Ukraine; Ukrainian national EITI web-site

March – conference in Wilton Park, Great Britain; creation of the Energy Reforms coalition

April – 9th meeting of the MSG EITI; Energy Reforms web-site; workshop on regulation of unconventional gas production for representatives of the authorities

May – analytical report on Ukraine's progress within the Energy Community framework; presentation of report in Kyiv, Vienna, and Brussels;

June – awards presentation to the winners of the Roadmap to Energy Security; panel at the Adam Smith's Conference;

July – round table on the Draft Law on Gas Market; 10th meeting of the MSG EITI;

August – report of the Energy Reforms coalition on the efficiency of the new government with regard to implementation of the Energy Community requirements;

September – presentation of the report in Kyiv; conference on the Energy Community membership held jointly with the Ministry of Energy; workshop on development of the EITI Work Plan; CMU Order No. 864-p dd. 17 September 2014

October – survey regarding corruption schemes in the sphere of oil and gas extraction; Decree of the Ministry of Energy No. 766 dd. 28 October 2014

November – presentation by the Energy Reforms coalition of an analytical report on Energy Community in Vienna and Brussels

December – round table on the system of permits in the mining industry; debates on shale gas extraction; 11th meeting of the MSG EITI

Main events, (co-)organized by DiXi Group in 2014

- Workshop “Regulation of Unconventional Gas Production in Ukraine”, 15 April, Kyiv, Ukraine
- Presentation of the Third Annual Monitoring of Implementation of Ukraine's Commitments within the Energy Community, 19 May, Vienna, Austria
- Expert Discussion “Enhancing European Energy Security through EU - Ukraine Cooperation”, 20 May, Brussels, Belgium
- Round table “Ukrainian Gas Market and the Third Energy Package: What is the Readiness to Change”, 9 July, Kyiv, Ukraine
- Round table “Regulation of Land Issues for the Needs of Oil and Gas Industry”, 23 July, Kyiv, Ukraine
- Roundtable “Implementation of the European Energy Acquis in Ukrainian Legislation”, 23 September, Kyiv, Ukraine
- Conference “Status and Prospects of EITI Implementation in Ukraine”, 23 October, Kyiv, Ukraine
- Presentation of the independent monitoring of Ukraine's commitments in the Energy Community, 24 November, Vienna, Austria
- Expert Discussion “Ukraine and the European Energy Security: from Cooperation to Integration”, 25 November, Brussels, Belgium
- Workshop “Regulation of Unconventional Gas Production: Effective Permitting System”, 4 December, Kyiv, Ukraine
- Debate “Is It Worth Developing Shale Gas Extraction During the Crisis?” 15 December, Kyiv, Ukraine

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