Ukraine gas legislation – a success cooperation story

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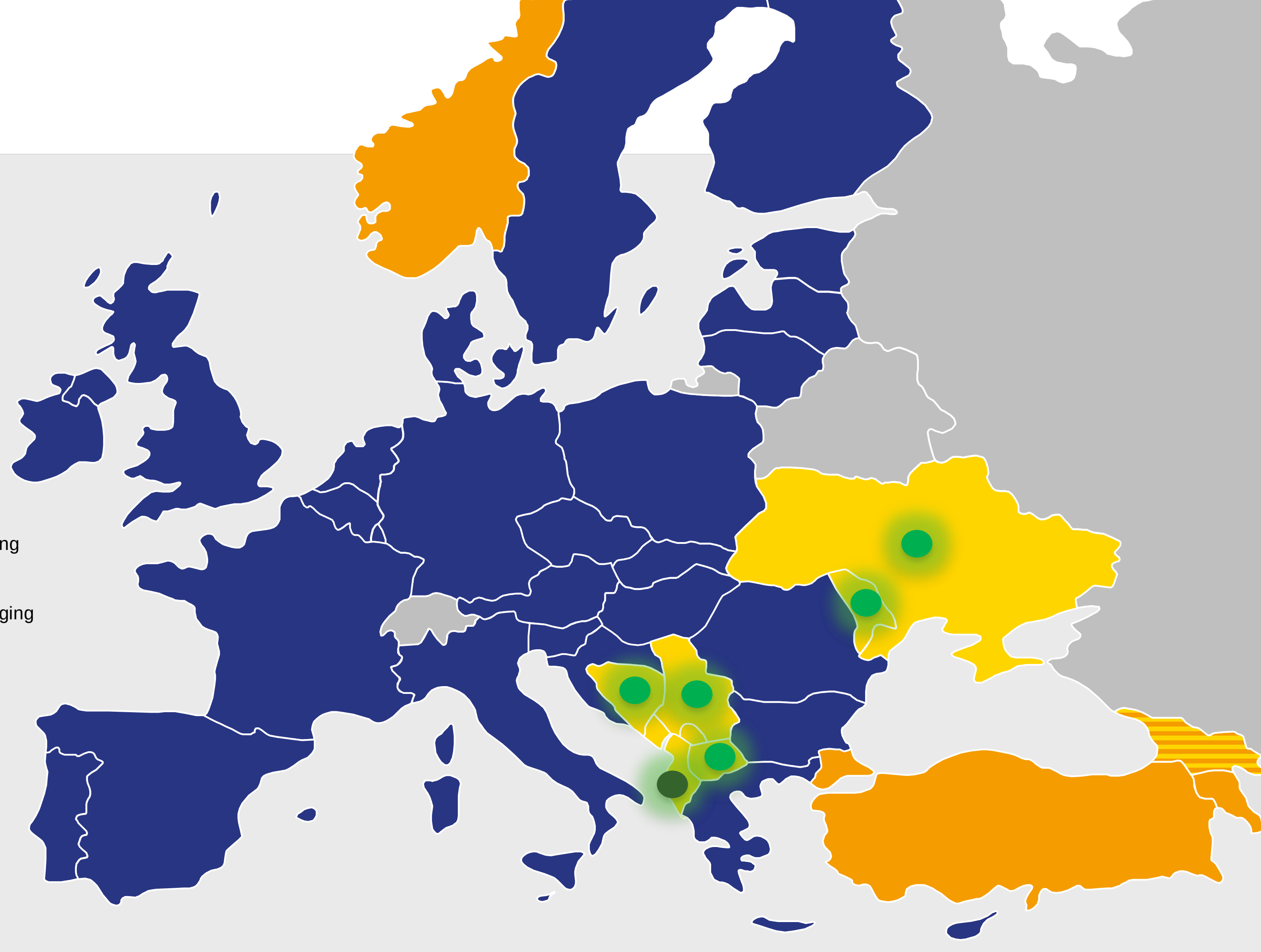
Energy Community



Contracting Parties with existing gas markets

Contracting Parties with emerging gas markets

European Union

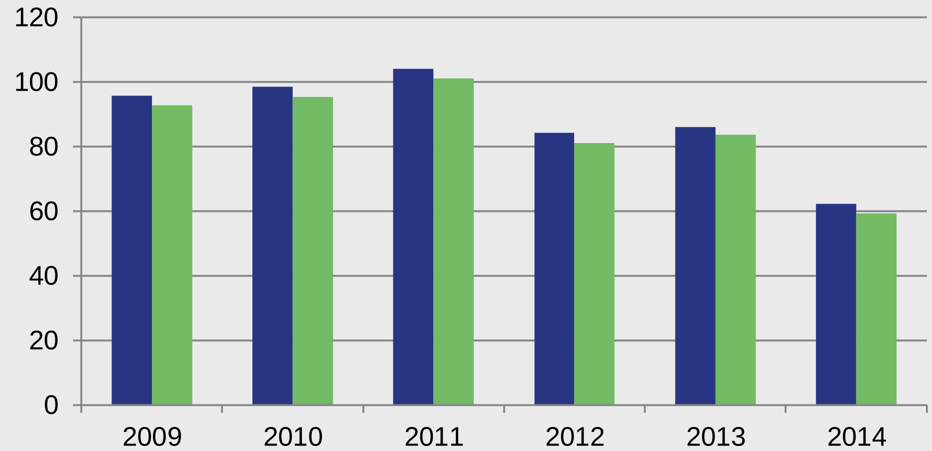
Contracting Parties

Candidate

Observers

Transit via Ukraine

	total (incl CIS)	Europe, Turkey (bcm)
2009	95,8	92,8
2010	98,6	95,4
2011	104,2	101,1
2012	84,3	81,2
2013	86,1	83,7
2014	62,2	59,4



Gas crisis Jan 2009

Nord Stream – start of operation in Nov 2011

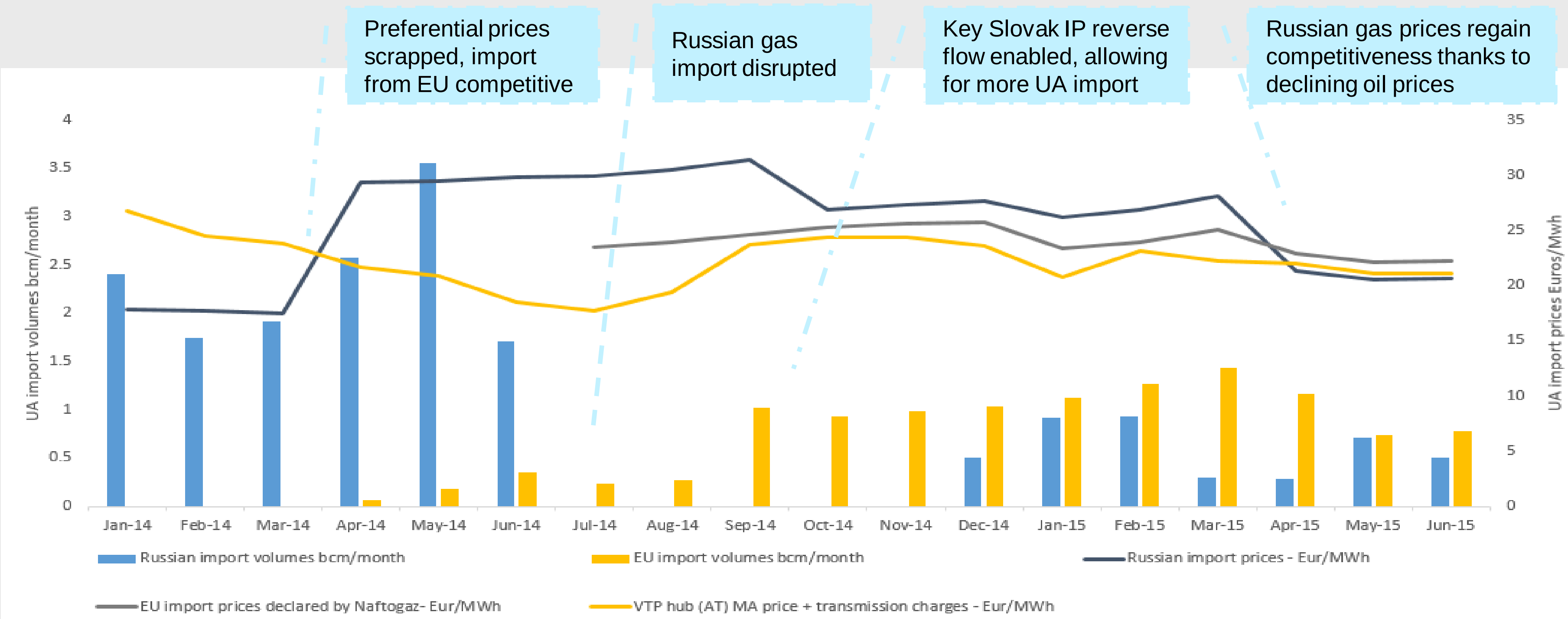
Gas crisis 2014

Average prices and quantities supplied to Ukraine in 2014/2015

Month	Volume of imports from all directions, bcm	Volume of imports from Russia, bcm	Volume of imports from Europe, bcm
December 2015	**0.02**	**0.00**	**0.02**
November 2015	**0.83**	**0.39**	**0.44**
October 2015	**2.18**	**2.00**	**0.18**
September 2015	0.76	0.00	0.76
August 2015	1.03	0.00	1.03
July 2015	0.57	0.00	0.57
June 2015	1.29	0.51	0.78
May 2015	1.53	0.79	0.74
April 2015	1.45	0.29	1.16
March 2015	1.63	0.30	1.33
February 2015	2.12	0.93	1.19
January 2015	1.97	0.92	1.05
Total	**15.38**	**6.14**	**9.24**

	Average import price from all directions, including transport to Ukrainian border, US$/tcm	Average import price from Europe, including transport to Ukrainian border, US$/tcm	Average contractual price in Europe, at the delivery point, US$/tcm
3Q14	353	353	348
4Q14	360	355	346
1Q15	315	301	293
2Q15	268	275	267
3Q15	266	266	258
4Q15	228	232	224

Ukraine gas imports (bcm/month) and estimated Ukrainian gas import prices



The Energy Community and Ukraine

EnC: Third Energy Package adopted in 2011 – binding from 1 January 2015

- Directive 2009/73/EC and Regulation (EC) 715/2009
- All customers *eligible* (free to choose supplier) from 1 January 2015

Security of supply

- Directive 2004/67/EC – from 1 January 2009 *(1 January 2012 for Ukraine)*

Ukraine became a Contracting Party to the EnC in 2011 upon adopting the first Gas Market Law in 2010 (however, the Law fail short of transposing the second package)

In 2012, 2013 slow progress in Ukraine:

Discussions on reverse flow ECS support to meetings on reverse flow (Slovakia – Ukraine)

ECS facilitation of ENTSOG-Ukrtransgaz cooperation

Legal unbundling of Ukrtransgaz

2014 was a turning point for Ukraine

ECS drafted the first version of a Third Package compliant Gas Law (April 2014)

Halt of gas import from Russia (June 2014) - Winter package prolonged by the end of June 2015

Reverse flow from Poland, Slovakia, ICA with Hungary

Ukrtransgaz/Naftogaz increased transparency and diversification of imports - Participation at ENTSOG and GSE Transparency platforms

Pilot project: UA-PL bundled capacity allocation

Plan on Gas Market Reform adopted in March 2015

Law on Gas Market adopted on 30 April 2015 - a big leap forward for Ukraine (and beyond) …the role of ECS significant …

- ***Develop licensing conditions, PSO decrees, general rules on supply and rules on supplier of last resort upon consultation with the ECS***
- ***notify the ECS about regional cooperation, emergency measures and SoS action plan***
- ***ECS shall issue an opinion for TSO certification and TPA exemptions for new infrastructure***

Ukraine disputed gas transit and supply contracts with Gazprom and the Nord Stream 2 project

Law of Ukraine on natural gas market 2015

Energy Community

Directive 2009/73/EC

- Definitions
- Main principles and responsibilities
- Unbundling of transmission and supply – TSO, ISO models; certification
- Role, tasks, responsibilities, independence, power of Regulatory authority in gas sector
- Unbundling of DSO, UGSSO, LNGSO
- General rules of access to infrastructure
- Regional cooperation
- Supply / general and specific rules
- As adapted by the Ministerial Council – role and tasks of the Secretariat (PSO, certification, exemptions for new infrastructure)

Directive 2004/67/EC + Regulation 994/2010

•Monitoring of security of supply and reporting

•Security of supply measures / tasks and responsibilities / Risk Assessment

•National Plan of actions in emergency

Regulation (EC) 715/2009

• Basic principles of capacity allocation, congestion management, balancing, regional cooperation

•Further development of secondary legislation – network codes required

Entered into force on 1 October 2015

Secondary gas legislation

The Secretariat assisted in development of secondary legislation and in process of choosing an effective unbundling model for Naftogaz

Public Service Obligation Decree

Supply Rules

Security of Supply Rules

National Action Plan

Transmission System Code

Storage System Code

Distribution System Code

Criteria for access to storages

Decree on mandatory reserves

Tendering procedure for Supplier of Last Resort

Standard gas supply contract (households and SoLR)

Standard access contract (transmission, storage, distribution)

Order for protection of vulnerable customers

Entry-exit transmission tariff methodology

Storage tariff methodology

Distribution tariff methodology

Certification rules

Compliance programme (for TSO, for SSO)

Compliance officer contract

Methodology for connection fee

NRA Dispute Resolution Rules

Licensing Conditions and Forms

Follow up

Assessment of compliance of secondary acts with the Third Package; monitoring of proper implementation

ECS in TSO certification process

Signing ICAs with all neighbouring TSOs

Increase of regulated prices (PSO Decree, IMF agreement) – April 2016

Unbundling of TSO in line with the Third Package by June 2016

Last step of price increase –complete abolishment of regulated prices – April 2017

Thank you for your attention!

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