

EU-Ukraine energy relations

On 21st February 2005, the General Affairs and External Relations Council underlined that, with the appointment of a new Government in Ukraine and its ambitious programme of reforms, the EU was committed to supporting Ukraine at this crucial moment. As part of this, it was decided to enhance co-operation in the energy sector, where the priorities for EU action are:

- development of appropriate conditions for facilitating the creation of an internal Ukrainian gas and electricity market through a reform based on the convergence of the regulatory framework with that of the EU.
- promotion of concrete infrastructure projects of common interest with the aim of enhancing the security of energy supplies of both the Ukraine and of the EU. This should include the safe, transparent and reliable transit of energy resources across the Ukraine.
- implementation of the action plan in the framework of EURATOM in order to improve nuclear safety.
- co-operation to effectively address the challenge of improving energy efficiency and energy savings, as well as promoting new and renewable energy.
- enhancing the physical safety and security of the energy infrastructure, including energy installations, networks and maritime transportation of energy resources.

In order to develop a more ambitious cooperation, a [Memorandum of Understanding on energy](#) was signed at the margins of the EU-Ukraine Summit in December 2005. The Memorandum establishes a joint strategy towards the progressive integration of the Ukrainian energy market with that of the EU and consists of road maps covering four specific areas, namely:

- Nuclear safety,
- The integration of electricity and gas markets,
- Enhancing the security of energy supplies and the transit of hydrocarbons,
- Improving the effectiveness, safety and environmental standards in the coal sector.

In addition, as foreseen in the Memorandum of Understanding on energy, a **roadmap covering the fields of energy efficiency, renewables and measures to tackle climate change** was agreed in March 2008.

Since the signing of the Memorandum in 2005, significant progress has been achieved in implementing the objectives outlined for individual sectors and annual **Progress Reports** are regularly endorsed at the EU-Ukraine Summits.

On **nuclear safety**, the European Union has cooperated extensively with Ukraine to improve the safety of its nuclear power plants and the Chernobyl site. The TACIS Nuclear Safety Programme, which started in 1991, was instrumental in improving the nuclear safety culture and the shortcomings identified by the International Atomic Energy Agency (IAEA). The comprehensive assistance provided under TACIS included design safety, operational safety, the nuclear fuel cycle and waste management, off-site emergency preparedness, regulatory authorities and their technical support organizations. Since 2007, this effort is being continued under the Commission's Instrument for Nuclear Safety Cooperation. Euratom/EBRD loans have also been made available to Ukraine for the purpose of improving nuclear safety.

In the context of the first roadmap under the Memorandum of Understanding on Energy between the EU and Ukraine, the European Commission is currently participating in a joint EC-IAEA-Ukraine project to assess the safety of the Ukrainian nuclear power plants. This project is expected to demonstrate the improvements which have been made and determine any corrective actions that may still be required in relation to the latest IAEA Safety Standards.

The Community is also the largest contributor to the Chernobyl projects related to the conversion of the site to make it environmentally safe. In this respect, the Commission provides direct contributions to projects such as the Industrial Complex for Radioactive Waste Management (ICRSM) and to international funds managed by the EBRD, namely the Chernobyl Shelter Fund and the Nuclear Safety Account.

Significant progress is also being made in the second roadmap on the integration of Ukraine's **electricity and gas markets** with those of the EU, including with respect to the strengthening of the National Energy Regulatory Committee (NERC). In November 2006 Ukraine became an observer in the Energy Community Treaty. It has since applied for full membership of this Treaty, under which participants commit themselves to fully implement the *acquis communautaire* on electricity and gas sectors and renewable energy, including the respective frameworks in the field of competition and environment.

With respect to the third roadmap on the **security of energy supplies** and the transit of hydrocarbons, Ukraine is committed to taking measures to establish minimum oil stocks, a welcome step that should help enhance security of supply. Another significant development is Ukraine's commitment to reverse the flow of the Odessa-Brody pipeline in the South-North direction. This, combined with the realisation of the project to extend the pipeline to Plock in central Poland, should allow in the future an increased flow of hydrocarbons from the Caspian region

With respect to Ukraine's **gas network**, the Commission, together with the EIB, EBRD and World Bank, is examining how to mobilize funds in order to help support the modernization of the Ukrainian gas transit system, which will increase the efficiency the reliability and the predictability of gas supplies. In this context, a Joint EU-Ukraine ministerial level Investment Conference on the Modernisation of Ukraine's Gas Transit System is scheduled to take place in Brussels on 23rd March 2009.

The fourth roadmap is focused on the **coal sector**, which plays a crucial role in the Ukrainian economy, in particular for electricity generation and consumption. This co-operation is channelled through the Coal Sector Policy Support Programme, which aims to support Ukraine's stakeholders in reforming and restructuring the coal-mining industry in a socially-responsible and cost-effective manner. EU support is also envisaged for improving occupational safety standards and for institutional strengthening in the Ukrainian coal mining industry. Implementation of the preparatory phases of the project started in September 2008, which included expert missions to Ukraine's coal mining regions (Donetsk and Luhansk).

Ukraine has a large potential for **energy savings** and further strengthening of the co-operation between the EU and Ukraine on **energy efficiency and renewable energy** sources has been agreed in the fifth roadmap. The co-operation areas include the building

sector and the development of alternative and renewable energy sources, with a special focus on biomass

On 17 November 2006, Ukraine became **an observer in the Energy Community Treaty**. It has since applied for full membership of this Treaty, under which participants commit themselves to implement the *acquis communautaire* on energy, namely the respective legislative frameworks for the electricity and gas sector and the fields of renewable energy, competition and environment. The negotiations are currently ongoing.