

Kyiv, March, 2026

Power-sector reforms in Ukraine: Aligning donor conditionality with results-focused delivery

Policy report

Prepared by **Igor Piddubnyi**

Disclaimer

This report has been prepared with support from the European Climate Foundation. Responsibility for the information and views set out in this report lies with the author. The European Climate Foundation cannot be held responsible for any use which may be made of the information contained or expressed therein.

Opinions expressed in this publication are those of the authors alone. They do not necessarily reflect the views of the National University of Kyiv-Mohyla Academy or the Scientific Center of NaUKMA “Kyiv Energy and Climate Lab”, joint initiative with Helmholtz-Zentrum Berlin für Materialien und Energie

Contact Information

keclab@ukma.edu.ua
Scientific center of NaUKMA “Kyiv Energy and Climate Lab”, joint initiative with HZB
Voloska Str. 8/5, 02000 Kyiv (5-303)

Table of Contents

Executive Summary	3
List of abbreviations	7
List of figures	8
List of tables	8
1. Context and Rationale	9
2. Priority Electricity-Sector Reforms	12
2.1 NEURC Independence and Institutional Capacity	12
2.2 Energy SOE Corporate Governance	13
2.3 Electricity Market Liberalization	16
2.4 Debt resolution on balancing market	19
2.5 EU Electricity Market Integration: Electricity Integration Package Implementation	21
2.6 Renewable Support Reform – Auctions & Premium Mechanism	23
2.7 Wholesale Market Integrity & Transparency: REMIT Implementation	26
2.8 Greenhouse Gas Emission Reduction Policy & CBAM Readiness	28
2.9 Grid Access & Connection Procedures for RES and BESS Projects	30
3. Implementation Sequencing & Recommendations for Donor Conditionality Design	32
References	36
Annexes (Reform Delivery & Conditionality Matrix)	

Executive Summary

Ukraine’s power system faces wartime stress that demands investment and reform in tandem. Russia’s attacks have driven available generation and transmission capacity below demand, triggering emergency curtailments and exposing deep structural weaknesses. With public finance constrained, recovery now hinges on funding from international partners and private capital – both contingent on credible signals that rule of law, governance standards, and transparency will be delivered in practice. Stable electricity supply and trust to the energy sector governance are therefore inseparable pillars of economic recovery and EU integration.

International frameworks have set a clear strategic direction, yet implementation gaps persist, and the corruption investigation made public in November underscores the urgent need for a fundamental shift in sector policy and governance. EU accession, IMF/EU macro-financial support and IFI programmes define expectations for energy markets liberalisation, Regulator’s independence, fair competition, and climate alignment. While Ukraine has progressed in many areas, implementation in politically sensitive issues often stalls, many politically sensitive benchmarks are still “roadmaps on paper” rather than operational results, and others lack efficient implementation and durable enforcement. To reassure investors and international partners and sustain reform momentum, donor support should put a stronger emphasis on execution and measurable outcomes, linking disbursements to functioning mechanisms and verifiable KPIs.

Regulatory independence is the foremost cornerstone of all further policy initiatives, impacting market development, regulatory stability, and investor confidence. A complete reset of the Regulator’s composition is necessary, given its full political dependence and documented affiliations with parties involved in a major corruption scandal. Strengthening NEURC’s autonomy and institutional capacity through depoliticised, transparent, and timely appointments, alongside secure budgetary and staffing arrangements, is essential for credible regulatory work, tariff-setting, market oversight, and REMIT enforcement. Conditionality should therefore extend beyond legislative alignment to include clear requirements for transforming the commissioner appointment process into a timely and prudent procedure, potentially with international participation, following precedents set in the selection of supervisory boards in energy SOEs and the appointment of the Head of the Bureau of Economic Security of Ukraine. These measures should be underpinned by durable safeguards against executive and legislative interference into Regulator’s activity, ensuring lasting institutional integrity and regulatory credibility. The absence of a reset and reform of the Regulator’s appointment and operating framework renders the implementation of other structural benchmarks ineffective, as it would fail to ensure durability and enforcement.

SOE governance aligned with OECD standards must be durably insulated from political interference to restore credibility. While previous reform benchmarks were successfully completed at the legislative level, implementation has often lagged, with repeated instances of delayed supervisory board appointments and cases of political or other external interference in the work of key energy SOEs – Energoatom, Ukrenergo,

and Ukrhydroenergo. Such practices have undermined reform credibility, especially given that energy SOEs are major recipients and implementers of support from international partners and IFIs. Ensuring fully functional and independent supervisory boards, competitively selected executives, and regular performance evaluations aligned with OECD standards is critical to maintaining efficient operations and safeguarding access to concessional and commercial financing. These elements should therefore form a lasting benchmark within Ukraine's broader reform obligations, rather than one-off milestones. Moreover, the state enterprise Guaranteed Buyer, which purchases renewable electricity under the feed-in tariff and then sells it on the market, remains non-corporatised, underscoring the need to extend governance reform across the entire portfolio of energy-sector SOEs.

Electricity market liberalisation should shift from the existing non-binding roadmap to practical, phased steps that can be implemented even during wartime, creating the foundation for improved system resilience against continued Russian attacks and beyond, during the first period of recovery.

Maintaining administrative price caps and household Public Service Obligation (PSO) suppresses investment, increases fiscal pressure on energy state-owned enterprises (SOEs), and distorts the efficient allocation of at least €3 billion annually. Progress should be achieved through the phased removal of wholesale price caps and a transition from the universal PSO with regulated household tariffs to a market-based model with lump-sum subsidies for financially vulnerable consumers. The full transition should be guided by time-bound steps, including harmonisation of price caps with neighbouring EU markets, pilot programmes for targeted support, and the gradual liberalisation of regulated tariffs.

Resolving the debt overhang in the balancing market is a prerequisite for unlocking investment in flexible generation and restoring system adequacy.

Accumulated consumer arrears to the TSO have reached UAH 42 billion, while payment delays to balancing-energy providers extend to 9–14 months, rendering new gas-fired and other flexible generation projects fundamentally unbankable. The root cause lies in the ineffective and excessively broad protected customer regime, which allows large state-owned and municipal consumers to avoid payment without operational consequences, thereby destabilising market settlements and transmitting financial stress across the sector. Targeted reform, that is aimed at limiting protected status to narrowly defined government-approved cases and introducing automatic settlement mechanisms via special accounts, would reduce systemic arrears, restore cash-flow discipline, and unlock the existing pipeline of flexible generation projects, including municipally owned cogeneration units supplied as international support. This is critical for addressing structural capacity shortages, enabling distributed generation, and improving the financial sustainability of Ukraine's power system during recovery.

EU market integration depends on the Electricity Integration Package implementation. Transposition of the relevant legislation, transparent designation of NEMO(s), and removal of distortive price caps are prerequisites for day-ahead and intraday market coupling. The key challenge remains the delayed transposition of the package into national legislation. Political debate continues over whether to introduce

a dual-session Day-Ahead Market structure and on the risk of retained practice of administrative price caps – both of which risk diverging from EU market practice. Going forward, monitoring will be required to ensure effective implementation through secondary legislation, IT systems, and institutional processes. To enable the government, as the shareholder, to define strategic priorities for key state-owned companies without resorting to operational control, a more formalised and structured procedural exchange between the government and independent supervisory boards could be established, aimed at aligning objectives and performance expectations.

Renewables support conditionalities should prioritise results delivered through credible, bankable auctions while addressing legacy risks. A predictable auction framework with transparent rules, stable settlements, and attractive conditions for investors must be accompanied by a credible plan to clear feed-in tariff arrears and ensure tariff sufficiency or alternative guaranteed funding. To date, RES auctions have largely failed to attract investors, and the current legislative amendments to the auctions may deliver only limited improvement. While Ukraine’s existing commitments focus mainly on revising auction design, future conditionality should shift toward results-based KPIs – such as the share of auctioned capacity successfully awarded and commissioned – to guide disbursements and reinforce implementation credibility.

REMIT practices should evolve from formal adoption to evidence-based enforcement. While Ukraine has transposed REMIT and established basic reporting systems, NEURC’s enforcement capacity remains limited and vulnerable to political influence, undermining credibility. Existing obligations focused on legislative and procedural steps rather than practical enforcement outcomes. In addition to other NEURC independence milestones, donor conditionality should now target institutional capacity of the Regulator – quality of specialist surveillance units, reliable data flows, public reporting, and transparent evidentiary standards – alongside successful external review of early cases by ACER to ensure impartiality and alignment with EU practice.

Carbon-pricing reform should accelerate to mitigate CBAM impacts and retain carbon tax revenues domestically. Ukraine has met formal milestones by restoring GHG reporting and approving a carbon-pricing roadmap, yet implementation is delayed and timelines remain too distant and hence misaligned with CBAM’s 2026 start. Without a domestic ETS or transitional reform of its carbon tax, Ukraine risks losing significant fiscal revenue to the EU and facing adverse effects on foreign trade competitiveness, particularly for energy-intensive exports. Donor conditionality should require faster and measurable progress: a reformed and increased carbon tax, moving to an upstream, fuel-based carbon tax in line with Ukraine’s National Revenue Strategy, early ETS legislation and its further staged introduction. This is critical for the strategic and investment planning of energy-intensive industries in Ukraine, particularly amid wartime uncertainty.

Grid access and permitting should move from planned reforms to measurable and transparent implementation that clearly reflects investor engagement in new projects. Ukraine still has time to take its first concrete steps: a draft bill introducing

EU-style permitting and connection procedures has been prepared but not yet registered in Parliament. In the meantime, developers continue to face opaque capacity allocation, long approval timelines, and no public visibility over available grid capacity. Current benchmarks focus mainly on legislative adoption, without verifying whether EU standards are implemented effectively in practice. Conditionalities should therefore be result-oriented, ensuring efficient enforcement of EU principles through measurable outcomes: standardised technical requirements, reduced connection timelines, published capacity maps, and additional capacities commissioned. The current grid-connection framework effectively prevents a large number of new generation facilities and energy storage systems from connecting to existing connection points, as it is based on the nominal maximum capacity reserved for other users – even where a substantial share of this capacity is either unused or utilised only marginally. Introducing flexible connection arrangements, as applied in EU countries, would help remove this bottleneck and unlock the construction phase for many projects currently stalled at the development stage.

List of abbreviations

Abbr.	Full name
ACER	EU Agency for the Cooperation of Energy Regulators
BESS	Battery Energy Storage System
BtM	Behind-the-Meter
CBAM	Carbon Border Adjustment Mechanism
CfD	Contract for Difference (renewable support mechanism)
DAM	Day-Ahead Market
DSO	Distribution System Operator
EC	European Commission
EBRD	European Bank for Reconstruction and Development
EFF	Extended Fund Facility (IMF programme)
ENTSO-E	European Network of Transmission System Operators for Electricity
ETS	Emissions Trading System
FiP	Feed-in Premium (renewable support mechanism)
FiT	Feed-in Tariff
GHG	Greenhouse Gas
IFI	International Financial Institution
IMF	International Monetary Fund
NECP	National Energy and Climate Plan
NEURC	National Energy and Utilities Regulatory Commission (Ukraine's energy regulator)
NEMO	Nominated Electricity Market Operator
PSO	Public Service Obligation
REMIT	Regulation on Wholesale Energy Market Integrity and Transparency
RES	Renewable Energy Sources
MRV	Monitoring, Reporting and Verification
SOE	State-Owned Enterprise
TSO	Transmission System Operator

List of figures

Figure 1: Available installed capacity of dispatchable power generation in Ukraine	9
Figure 2: Cross-Subsidisation of Household Electricity via PSO: Contributions by Company.....	17
Figure 3: Upper price cap on Ukraine's Day-ahead market	18
Figure 4: Cross-border trade and wholesale electricity prices for CBAM and no-CBAM scenarios (GDU PyPSA modelling results for 2026)	29

List of tables

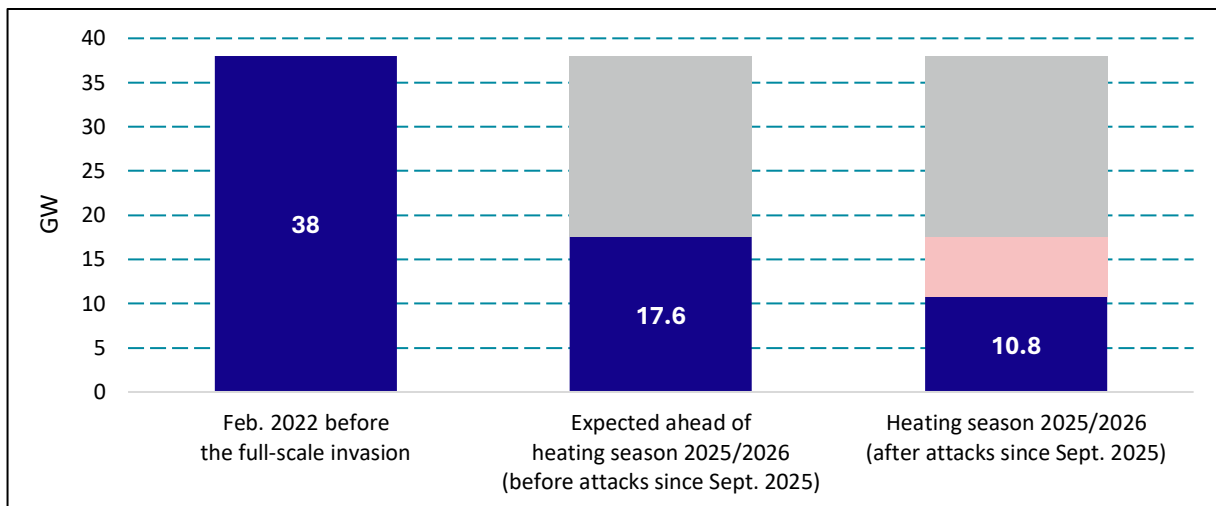
Table 1: Performance of RES Auctions: Placed vs Awarded Capacity (MW) ...	24
----------------------------------------------------------------------------------	-----------

1. Context and Rationale

War-Time System Stress and the Need for Accelerated Reform

Ukraine’s power system continues to operate under unprecedented pressure as a result of Russia’s full-scale invasion. Occupation of territory and ongoing massive strikes on energy infrastructure have severely affected electricity generation assets, high-voltage substations and distribution networks, leaving the power grid highly vulnerable, despite its huge initial redundancy. Ahead of the 2025-26 winter season, available capacity was expected to reach only **17.6 GW** (Ministry of Energy (Ukraine), 2025b) – roughly half of the level prior to the invasion – while peak demand may reach **18 GW** (IEA, 2025). In practice, however, Russia’s continued and recurrent strikes on the power system during the 2025–26 heating season further reduced operational flexibility: available estimates suggest that installed dispatchable generation capacity fell to approximately **10.8 GW**. This figure is inherently volatile: each new attack and subsequent repairs can shift the total, yet the system has nonetheless faced a persistent electricity deficit of roughly **5–6 GW** (Interfax, 2026) on most days over this heating season, intensifying reliance on imports and emergency operating measures. In different periods, this imbalance between available generation or transmission capacity and consumption resulted in large-scale emergency interventions, including forced curtailment for industrial and household consumers, which puts a toll on economic activity.

Figure 1: Available installed capacity of dispatchable power generation in Ukraine



Source: Source: IEA (2025), Ukraine’s Energy Security, IEA, Paris <https://www.iea.org/reports/ukraines-energy-security>; Green Deal Ukraina estimates

Note: Available capacity is not publicly disclosed and is also constantly changing because of ongoing attacks and reconstruction works

The immediate need to repair damaged assets and build new capacity is vast. In conditions of limited public resources, this requires significant external support in the form of credit finance, grants and mobilisation of private capital. A stable and affordable power supply will be a pillar of Ukraine’s economic recovery, industrial competitiveness

and reintegration into European markets. Yet wartime risks, limited access to finance, regulatory uncertainty, administrative intervention, and governance weaknesses remain key barriers for investors' entry. Without credible, transparent and irreversible reform signals, Ukraine risks under-investment, slower modernisation and insufficient readiness for further EU market integration.

At the same time, policy interventions that are being prolonged at least partially due to the war – including end-user tariff regulation, administrative price caps on the wholesale electricity market, and broad cross-subsidisation – increasingly constrain market development. As Ukraine

needs to move from crisis stabilisation to recovery, a shift towards predictable and staged transition toward market-based arrangements, targeted social support and European market rules is critical.

Strategic Reform Commitments and International Financial Support

Ukraine's energy-sector reform agenda is shaped by a combination of EU accession requirements, combined with Energy Community Treaty obligations, IMF and EU macro-financial assistance, and conditionality embedded in IFI-supported reconstruction programmes. Together, these frameworks establish core expectations for market liberalisation, regulatory independence, transparent price formation, competition, system security, and climate alignment.

A range of international financing instruments reinforces this reform trajectory:

- **EU accession and Energy Community acquis** – legislative and market-design requirements for electricity market integration, independent regulation, REMIT implementation, and competitive renewable support mechanisms.
- **EU macro-financial assistance and the Ukraine Facility** – a €50 billion programme for 2024–27, including more than €38 billion in direct budget support, disbursed quarterly against reforms aligned with EU acquis and governance standards (Ukraine Facility, 2024).
- **IMF Extended Fund Facility (EFF)** – commitments on tariff reform, transparency of public service obligations (PSO), SOE governance and regulator independence, underpinning macro-economic stability.
- **World Bank, EBRD and other IFI investment programmes** – financing for system resilience, grid modernisation, flexible capacity, and corporate governance reforms in key state-owned enterprises.
- **US and G7 energy resilience initiatives** – emergency support, distributed generation deployment, and grid reinforcement, with governance and transparency principles embedded.

Reform progress has been acknowledged by the European Commission (European Commission, 2025). However, implementation gaps persist, particularly in politically sensitive areas requiring **institutional independence, full market liberalisation, and durable transparency and oversight mechanisms**. Moreover, in some more politically sensitive areas, structural benchmarks focus on adopting strategies or roadmaps, rather than ensuring that reforms are fully implemented and operational with clear results. This

creates uneven depth, sequencing and enforcement across programmes. Certain essential reforms, especially those critical for mobilising long-term private capital, are not yet comprehensively covered by existing conditionality frameworks. In addition, challenges in meeting certain reform benchmarks stem from weak implementation and insufficient adherence to the legislative frameworks adopted under those commitments.

Targeted Conditionality for Accelerated Reforms

The dual imperatives of sustaining and expanding financial support for Ukraine, and accelerating structural reforms at the same time, create a clear need for **converged, implementation-focused, and outcome-based conditionalities**. Such an approach would ensure that reforms are not only adopted in legislation but delivered in practice – strengthening market confidence and enabling the investment conditions required for Ukraine’s recovery and EU integration.

International support has been indispensable in stabilising Ukraine’s economy and energy system. Going forward, more **targeted conditionality can play a catalytic role**, ensuring reform continuity and creating incentives for implementation, not just policy announcements.

Experience shows that reforms framed as **practical, sequenced and measurable objectives** are more likely to be delivered and sustained.

Current commitments provide a valuable foundation, but they can be strengthened by:

- shifting from *roadmaps on paper* to **result-based conditionality**,
- prioritising operational milestones – market coupling readiness, reserve auctions, competitive SOE appointments, PSO transparency – not simply adoption of certain legislation.
- requiring clear **implementation of KPIs and monitoring**,
- aligning EU, IMF and IFI conditions to avoid duplication and policy gaps.

A consolidated, actionable, and outcome-oriented reform agenda will empower Ukraine’s partners to provide support effectively, enable stronger accountability, and send investors a clear signal that reforms are durable, coordinated, and accelerating.

This analytical note aims to provide a concise, structured overview of priority electricity-sector reforms in Ukraine, linking them to existing commitments under EU accession, Energy Community obligations, IMF programmes, and IFIs requirements. It identifies where progress is strong and where gaps remain, and proposes result-based conditionality to support effective implementation. The aim is to offer international partners and Ukrainian policymakers a shared reference point to guide coordinated support, accelerate market-building reforms, and unlock private capital for reconstruction and integration into the European energy market.

2. Priority Electricity-Sector Reforms

2.1 NEURC Independence and Institutional Capacity

Existing Commitments

Under the IMF Extended Fund Facility, the Ukraine Facility, and the Energy Community acquis, Ukraine has committed to strengthening the independence and institutional capacity of the National Energy and Utilities Regulatory Commission (NEURC). These commitments include aligning with EU principles on regulatory governance, preventing political interference in regulatory decisions, and exempting regulatory acts from state registration, with phased benchmarks set for Q4 2024 and Q4 2025.

While some limited legislative steps have been taken, the legal framework for NEURC's independence – and, especially, its practical enforcement – remains incomplete and stalled. The Government's Priority Action Plan for 2025, for example, does not include any measures in this area.

Current Status & Gaps

Although certain legal provisions have been adopted, the **appointment of NEURC commissioners** remains exposed to political influence, and the **regulator's operational autonomy** continues to be vulnerable to external pressure. **Budgetary constraints and insufficient staffing capacity** undermine effective market oversight and enforcement, particularly given NEURC's expanded powers under the REMIT framework for energy-market transparency and integrity.

Political interventions periodically undermine the regulator's authority. For example, in late June 2023, NEURC approved an increase in water supply tariffs, the first adjustment since 2021, for 33 water supply companies, averaging a 32% rise, justified by rising costs and mounting debt burdens (NERC, 2023b). Within days, the decision drew public criticism from the President and members of the Government, despite no formal requirement for NEURC to seek approval. Four days later, NEURC reversed its decision, stating that the President's statement "constituted sufficient grounds for cancellation" (NERC, 2023a). As of August 2025, the accumulated debt of water utilities for electricity consumption and distribution exceeded **€260 million** (Energy Map, 2025).

NEURC commissioners' appointment process also demonstrates vulnerabilities. Following the expiration of a commissioner's mandate in May 2023, the Cabinet of Ministers did not act on the shortlist of two candidates submitted by the selection commission. The vacancy was ultimately filled only in September 2025, through a new competition (ExPro, 2025). Additionally, since July 2024, a former First Deputy Minister of Energy became NEURC's chairman, raising concerns about potential political influence over regulatory decisions.

Full compliance with EU-acquis requirements for the regulator's special status may, in some aspects, require constitutional amendments – achievable only after martial law ends (Ukrinform News, 2024a). However, crucial elements, including protection from external interference, depoliticised selection of commissioners, and adequate

institutional capacity, can and should be ensured through legislative changes and enforcement practices even under current conditions.

Recommended Actions

The core reform requirement is to establish a **transparent, competitive, and politically neutral** process for appointing NEURC commissioners – with participation of independent international experts – supported by **safeguards against executive and legislative interference. Ensuring budgetary and staffing autonomy is also essential.** Given the structural importance of regulator independence, conditionality in this area should prioritise sustained monitoring and compliance, rather than a one-off milestone approach.

Suggested milestones include:

- **Alignment of NEURC legislation with EU-acquis** provisions ensuring impartiality, transparency, and autonomy.
- **Reform of the selection procedure for NEURC commissioners**, with independent international experts – modelled on supervisory board appointments in state-owned energy enterprises or the 2025 procedure for appointing the Head of the Bureau of Economic Security.
- **Competitive and timely filling of NEURC commissioner vacancies** under reformed procedures paired with a reset of its current composition.
- **Strengthening NEURC’s institutional capacity**, including enforcement capabilities under the REMIT regime.
- **Annual public reporting on regulatory independence indicators** and the transparency of appointment processes.

Why It Matters

An independent regulator is fundamental to predictable and transparent regulatory framework, credible tariff-setting, effective enforcement of REMIT, ensuring protection against market manipulation. It is also critical for the credibility of electricity market liberalisation, restructuring of the PSO mechanism, investor confidence, and readiness for EU market coupling. Without robust institutional independence and capacity, other sector reforms cannot be fully implemented or sustained.

2.2 Energy SOE Corporate Governance

Existing Commitments

Corporate governance reform of key state-owned enterprises, notably Ukrenergo, Energoatom, and Ukrhydroenergo, forms part of Ukraine’s obligations under the IMF Extended Fund Facility and Ukraine Facility Plan. These commitments include the establishment and proper functioning of supervisory boards, competitive appointment of

CEOs, and annual independent evaluation of governance performance. In addition, IFI-linked financing (including EBRD and IBRD) requires compliance with OECD corporate governance standards. While legal frameworks exist, enforcement and political respect for corporate governance norms remain inconsistent.

Current Status & Gaps

Despite formal commitments, appointments in the energy SOE sector are frequently delayed, politicised, or reversed.

Energoatom, the largest state-owned company in the electricity sector, generating €4-5 billion annually and providing roughly 50% of domestic electricity, experienced **prolonged delays in corporatisation**. Following the adoption of the corporatisation law in February 2023, the Government approved a corporatisation plan in June 2023, which envisaged appointing a supervisory board by end-2023 and executive bodies by March 2024 (Cabinet of Ministers of Ukraine, 2023a). However, implementation lagged significantly, raising concerns among domestic stakeholders and international partners.

A competition for independent supervisory board members was announced in December 2023, but the Government only approved the board composition in June 2024 – with further delays in signing contracts (Cabinet of Ministers of Ukraine, 2023b, 2024). One independent member never signed a contract, and the Government did not immediately launch a replacement competition (Ukrinform News, 2024b). In August 2025, the Government amended the company's charter to expand the board from 5 to 7 members (4 of whom must be independent), and in September announced a new competition for two independent members (Cabinet of Ministers of Ukraine, 2025a). As of November 2025, the board had still not begun operating in full composition, and since late August 2025, the company has been led by an acting CEO. The large-scale corruption scheme uncovered by anti-corruption agencies in November 2025,

involving payments to suppliers for completed services or delivered goods, caused a governmental decision by the government to select a whole new supervisory board, and then the CEO of the company. This underscores the urgent need for robust enforcement and sustainable corporate governance standards in the company (NABU, 2025).

At **Ukrhydroenergo**, after the CEO resigned in May 2025, a competitive selection process for a permanent replacement had not been announced as of November 2025, highlighting **potential challenges in the timely implementation of corporate governance procedures** (Ukrhydroenergo, 2025). After the corruption scandal, in November 2025, the government announced plans to speed up the start of the selection process for a new CEO.

Concerns also escalated around **Ukrenergo** due to a series of politically sensitive governance events. In September 2024, the **CEO was dismissed**, prompting the **resignation of two independent supervisory board members**, including the chair, who stated that the decision was politically motivated and unjustified (Ukrenergo, 2024). G7 Ambassadors emphasised the importance of preserving OECD-standard governance practices (@G7AmbReformUA, 2024). In 2025, after new board and management appointments, the board reported political pressure and attempted interference – voting

to **dismiss the new CEO** but later reversing the decision following discussions with the Government (Energoreforma, 2025). Simultaneously, a sixth executive board member (Chief Risk Officer) was appointed to strengthen governance and transparency (Ukrenergo, 2025).

These developments highlight a core issue: **adherence to corporate governance obligations remains fragile**, with instances of attempted political intervention through delays, ad-hoc charter amendments, and selective decision-blocking.

Particular attention is required for **Ukrainian Distribution Grids**, which consolidate six nationalised DSOs and serve as a key recipient of donor support, given the extensive destruction of distribution networks. Strengthening corporate governance standards is equally essential for **Centrenergo**, the largest state-owned operator of thermal power plants. The company's generating assets are under constant attack and consequently rely on state funding for restoration. However, Centrenergo has also been at the centre of multiple corruption scandals, the most recent involving non-transparent coal procurement (Bihus.Info, 2025). Establishing an independent supervisory board, a professional management board, and robust internal anti-corruption mechanisms is therefore critical for ensuring integrity and effective use of public and donor resources.

Currently, the Government's Priority Action Plan for 2025 includes a commitment to finalise the appointment of full supervisory boards and competitively selected CEOs, consistent with OECD standards, across all major energy state-owned companies by year-end. Recent government announcements also include plans to accelerate the comprehensive renewal of supervisory boards in state-owned energy companies. However, the quality and integrity of this process remain uncertain and will require close monitoring and sustained effort to ensure genuinely independent and effective corporate governance.

Recommended Actions

Reform requires **continuous safeguarding of SOEs from informal political influence**, competitive and transparent appointment procedures for supervisory board and executive positions, and regular publication of board evaluations and performance KPIs.

Energoatom's protracted corporatisation and repeated governance pressures illustrate the need for **more detailed and sequential reform benchmarks** covering the full cycle of corporate governance implementation and compliance. Embedding robust and ongoing monitoring requirements in Ukraine's reform commitments would help prevent ad-hoc government interventions and ensure stability of governance structures.

Suggested milestones include:

- Approval of Energoatom's supervisory board through transparent competitive procedures and its further sustainability.
- Appointment of permanent CEOs for Energoatom and Ukrhydroenergo via open competition.

- Full corporatisation of **Guaranteed Buyer**, the entity responsible for purchasing renewable electricity under the feed-in tariff and supplying electricity for household needs under the PSO.
- **Transparent and competitive appointment processes** for the supervisory boards and executive boards of Ukrainian Distribution Grids and Centrenergo, accompanied by sustained internal anti-corruption measures
- Annual independent assessments of compliance with OECD corporate governance standards across major state-owned energy companies, serving as the primary benchmark for continued donor support
- Failed annual or interim evaluations of corporate governance quality should trigger conditionality measures – including suspension of financial support programmes or the right of creditors to request early repayment of funds provided under such conditions.
- Going forward, further efforts to strengthen governance in state-owned energy companies should prioritise individual DSOs as well as Ukrinterenergo, which acts as the supplier of last resort and accumulates a significant share of market debt.

Why It Matters

Energy SOEs are central to Ukraine’s power system stability, EU integration pathway, and ability to access capital markets. They rank among the country’s largest enterprises by revenue and rely heavily on concessional loans, grants, and direct support from foreign governments and IFIs. Weak governance erodes investor confidence, increases fiscal and operational risks, and undermines regulatory credibility. Strong, independent, and transparent governance in all major energy SOEs is essential to maintain credibility with investors, preserve access to concessional and commercial financing, and ensure efficient and corruption-resistant sector development – particularly during wartime reconstruction.

2.3 Electricity Market Liberalization

Existing Commitments

Ukraine’s commitments to electricity market liberalisation are embedded in the Ukraine Facility, the IMF Extended Fund Facility, and the Energy Community Treaty. These frameworks require a gradual removal of administrative price caps, restructuring of the Public Service Obligation (PSO) towards targeted support for vulnerable consumers, and a transition to a competitive pricing environment aligned with EU rules.

While policy-level commitments exist, they are not yet accompanied by binding, time-specific implementation obligations. For example, the Ukraine Facility includes a requirement to liberalise energy markets, including electricity. However, its structural benchmark envisages the development of a **roadmap by Q2 2026**, applicable after the end of martial law – **without clear interim measures** that would lay the groundwork for phased liberalisation during wartime or the early recovery period. Existing government action plans likewise do not provide clear milestones or timelines for electricity market

liberalisation. Notably, the Government’s Priority Action Plan for 2025 contains no specific measures aimed at advancing this reform.

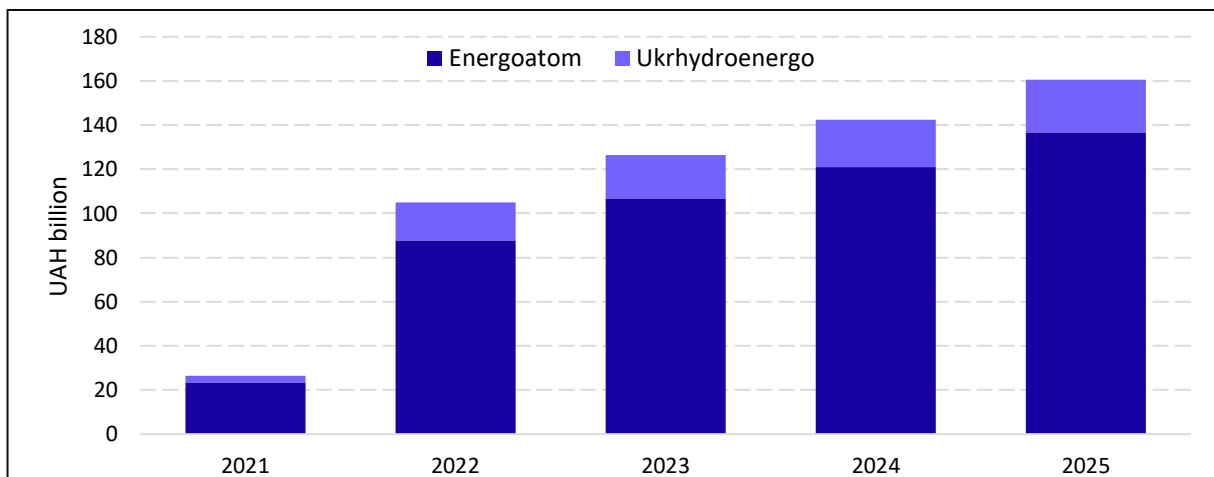
Current Status & Gaps

Tariff adjustments for households in June 2024 and price cap changes throughout 2024-2025 helped partially reduce cross-subsidisation and enabled the clearance of more than **€360 million** in accumulated debt. Nevertheless, the market remains heavily distorted by administrative price caps and a universal PSO. Retail competition exists in law, but in practice remains dormant due to regulated end-user pricing and the absence of incentives for switching suppliers.

Currently, the regulated household tariff is financed by state-owned energy companies – **Energoatom** and **Ukrhydroenergo** – at a cost exceeding **€3 billion annually**. These funds are transferred to suppliers to cover the gap between the regulated tariff and the actual cost of supply, which ranges between **8-10 UAH/kWh** versus the fixed tariff of **4.32 UAH/kWh**.

The full-scale invasion has deepened economic inequality (The World Bank, 2025), meaning that even under regulated tariffs, economically vulnerable households bear a disproportionate burden of energy poverty. As such, a **flat subsidised tariff fails to provide effective consumer protection**. Public funds that currently subsidise electricity for all households could instead flow to the state budget as taxes and dividends and be directed towards **targeted subsidies, energy-efficiency programmes, and the reconstruction and modernisation of energy infrastructure**.

Figure 2: Cross-Subsidisation of Household Electricity via PSO: Contributions by Company

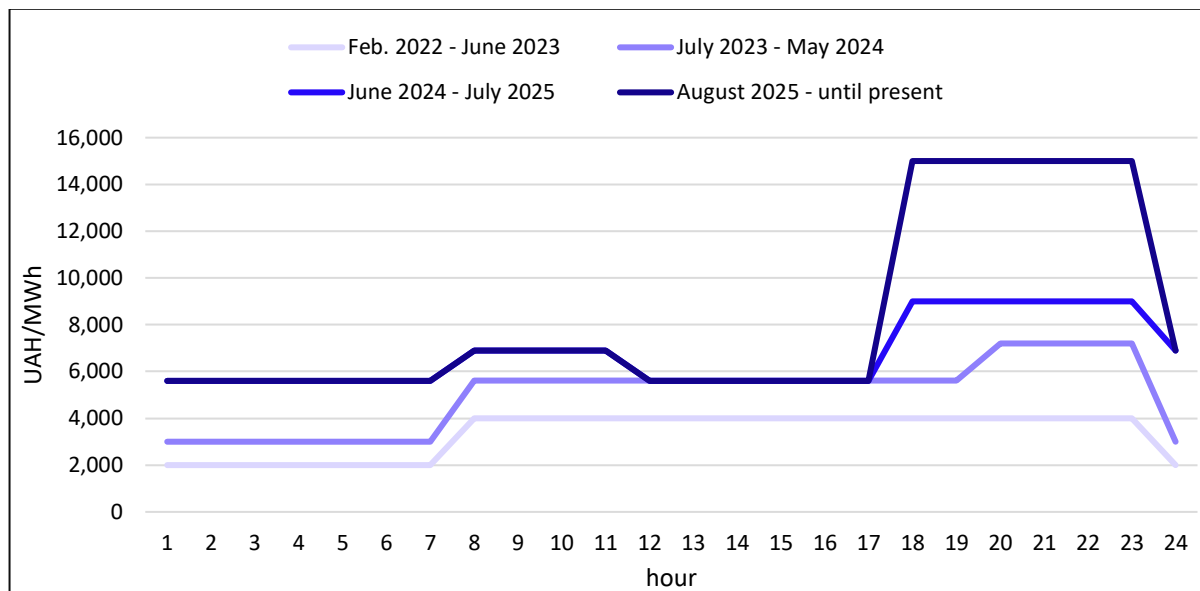


Source: Author’s estimate based on financial statements data, companies’ announcements.

Another key liberalisation component is the **removal of administrative wholesale market price caps**. Prolonged price restrictions have weakened price signals for imports and reduced investment incentives for flexible capacity, such as gas peakers and battery energy storage systems. In late July 2025, evening peak price caps were increased to above

300 EUR/MWh (15,000 UAH/MWh), still atypical in the EU context. As of November 2025, following the price-cap adjustment, the share of hours in which the Day-Ahead Market (DAM) price reached the cap stood at 6%, compared with 12% prior to the increase.

Figure 3: Upper price cap on Ukraine's Day-ahead market



Source: Own representation based on NEURC data.

Recommended Actions

The priority reform outcome is a **binding and phased electricity market liberalisation plan**. This should include a staged removal of administrative price caps, restructuring of the PSO into a targeted support mechanism, and creation of the regulatory and competitive conditions necessary for supplier switching and fair retail competition.

To operationalise this transition, key milestones could include:

1. **Design a targeted support framework** – define eligibility criteria, delivery mechanisms (means-tested or hybrid), and integration with the digital social registry.
2. **As a transitional measure, during the period of critical stress in the power system and capacity shortages, a flexible price-cap regime should be introduced.** Its primary objective would be to ensure full access to available import resources while also creating adequate price signals for investment in new flexible generation capacity. Under this approach, caps could be set on a daily basis in accordance with an approved methodology determining maximum daily price caps across market segments, based on the results of day-ahead market clearing in neighbouring EU countries. This would help ensure that available imported electricity can be effectively purchased by market participants to meet Ukraine's domestic needs.
3. **Introduce mandatory PSO transparency reporting** – quarterly disclosure of PSO costs, financial flows, and beneficiaries.

4. **Pilot targeted support and launch a communication strategy** – roll out pilot lump-sum or bill-credit assistance for vulnerable groups and implement a public information campaign.
5. **Publish and adopt a phased price-cap removal schedule** – establish a staged and time-bound plan for lifting caps across DAM/IDM/balancing markets.
6. **Scale targeted support and begin PSO restructuring** – extend targeted aid to all eligible households and reduce universal PSO coverage.
7. **Complete the transition to targeted PSO and remove remaining caps** – end the universal PSO, fully liberalise price formation, and enable effective supplier competition.

Successful implementation will also require strengthened market monitoring and transparency to prevent manipulation during the transition, including effective enforcement of **REMIT rules** and bolstered independence and capacity of the energy regulator (NEURC).

Why It Matters

Market liberalisation is essential to attract private investment, mobilise flexible generation and storage, and establish cost-reflective price signals to sustain system reliability. A structured shift from a universal PSO to targeted, expanded lump-sum support for vulnerable consumers will **protect low-income households and incentivise energy efficiency, reduce fiscal pressure, and optimise the flow of financial resources** within the sector.

Without credible price signals and regulatory predictability, Ukraine risks persistent under-investment, prolonged reliance on public financing, and slower integration with the European electricity market.

2.4 Debt resolution on balancing market

Existing Commitments

To date, Ukraine has not undertaken any major binding commitments to address the critical and rapidly growing debt accumulated in the balancing market, that prevents major investments in new flexible generation capacity, including gas-fired plants, hydropower, and hybrid RES projects combined with energy storage systems. At the same time, strategic policy documents and assessments by the TSO clearly point to the urgent need to develop such capacities.

While the current 2035 decentralised generation development strategy acknowledges the importance of timely settlement for electricity supplied on the balancing market as a prerequisite for the effective operation of flexible gas generation, it envisages only the development of non-binding recommendations in this area by the end of 2026. Given the ongoing capacity shortages and the accelerating debt overhang in the balancing market, this timeline and level of commitment are critically insufficient.

Current Status & Gaps

The current situation with debt in the balancing market is critical and remains unaddressed. As of end-2025, the cumulative debt of consumers to the TSO in the balancing market reached UAH 42 billion (EUR 840 million). The main debtors are state-owned and municipal entities, primarily coal mines, water utilities, and industrial enterprises.

These consumers have been granted protected customer status, which prevents their disconnection from the electricity supply despite persistent non-payment. In practice, such entities are transferred to the Supplier of Last Resort, which procures electricity that is subsequently settled as a negative imbalance, thereby generating additional debt to the TSO.

As a result, the TSO lacks sufficient cash flow to remunerate balancing-energy providers. Outstanding payables to market participants amounted to UAH 23 billion (EUR 460 million) at end-2025. Payment delays to generators currently range from 9 to 14 months. Moreover, the debt dynamics remain negative: in 2025 alone, the total debt chain in this segment increased by 26%.

A key structural problem is the ineffective design and enforcement of the protected customer mechanism. The current scope of this status is excessively broad, partly due to wide discretion exercised by local authorities in assigning critical-infrastructure designation. Even more problematic is the settlement mechanism for these consumers. In its present form, the protected-status framework effectively allows such entities to consume electricity without payment and without material consequences for their operations, thereby perpetuating non-payment and destabilising the balancing market.

Recommended Actions

The issue requires targeted reform of both the designation and the functioning of the protected customer regime. The classification of critical infrastructure that cannot be disconnected from the electricity supply should be reserved exclusively for government-level decisions, based on clear and exhaustive criteria.

In addition, the payment mechanism for such entities should be restructured through the introduction of dedicated special accounts, under which a predefined share of their revenues would be automatically channelled toward settling electricity bills and accumulated arrears. This would allow the scope of protected customers to be significantly narrowed to those that genuinely require such status, ensure uninterrupted supply to facilities that are truly critical during wartime, reduce overall market indebtedness, and eventually help unlock investment in flexible generation capacity.

Suggested milestones may include:

- Amending the current framework for designating protected customers by limiting this authority to the central government, based on an exhaustive list of eligibility criteria, and establishing a formal public register of such entities.
- Designing and implementing a special-account mechanism for protected customers to ensure regular and automatic settlement of electricity payments.

- Introducing KPIs for reducing total debt in the balancing market and shortening the average payment delay to generators.

Why It Matters

Outstanding arrears and settlement delays of 9–14 months for electricity supplied to the balancing market make flexible generation projects fundamentally unbankable. Resolving this problem would unlock the existing pipeline of gas-fired generation projects, facilitate the market entry of gas units already owned by municipal utilities and procured with support from international partners, and attract new private investors into flexible generation.

This is critical for restoring the power system with a stronger focus on distributed generation, addressing the structural shortage of flexible capacity, and improving the overall financial sustainability of Ukraine’s energy sector.

2.5 EU Electricity Market Integration: Electricity Integration Package Implementation

Existing Commitments

Ukraine is obliged to adopt and implement the EU electricity acquis under the Energy Community Treaty, the EU-Ukraine Association Agreement, and milestones under the Ukraine Facility.

During 2024-2025, draft laws transposing elements of the EU Electricity Market Integration Package were developed. However, **full legislative transposition and subsequent implementation remain pending**. Market-coupling design and regulatory rules still **require finalisation in Parliament**, and **political debate** continues regarding the model for **coupled DAM sessions**¹ and the retention of **administrative price caps**.

Under the Ukraine Facility, transposition of the electricity package was initially expected by end-2025 and later adjusted to Q3 2025. This benchmark is currently overdue, although adoption is anticipated by end-2025. Expected legislative alignment includes the EU Electricity Directive 2019/944 (recast), EU Electricity Regulation 2019/943, Risk-Preparedness Regulation 2019/941, ACER Regulation 2019/942, and five Network Codes. Additionally, by **Q2 2026**, legislation is to be adopted to amend the indirect taxation regime for electricity-market participants to facilitate coupling of the Day-Ahead and Intraday markets.

Under EU Regulation 2015/1222 (CACM), adopted via the Energy Community framework, Ukraine is also required to designate a Nominated Electricity Market Operator (NEMO) to participate in EU-wide market coupling. This requirement is also referenced in the Ukraine Facility milestones. The plan foresees NEMO designation by the Regulator by the end of 2025.

¹ Coupled with EU-market format of organising electricity spot trading on day-ahead market.

Current Status & Gaps

Progress on primary legislation remains incomplete: the draft law transposing the electricity package is still under Parliamentary consideration, pending Energy Committee approval for the second reading and subsequent vote. Although the bill's objective has broad stakeholder support, political disagreement regarding price-caps and the number of Day-Ahead Market sessions is slowing progress.

The first-reading version envisaged a **two-session Day-Ahead Market structure** within market coupling. Combined with a potential continuation of administrative price caps and existing market concentration, this raised concerns among independent market experts over possible distortions and divergence from EU practice (Nies et al., 2025). Following finalisation of the second-reading text, an assessment of compliance with the EU acquis will be carried out by the Energy Community Secretariat.

Designation of a NEMO requires amendments to primary legislation, currently under Parliamentary consideration as part of the broader Electricity Integration Package. The draft law passed first reading, but its final approval, followed by the adoption of secondary legislation by the Government and NEURC, remains pending. Given the legislative timeline and subsequent implementation steps, timely designation by end-2025 currently appears unlikely.

In addition, there remains a political debate regarding the model for NEMO operations — whether to designate a single operator or allow multiple NEMOs to operate in parallel. The current draft legislation provides for a multi-NEMO model, aligned with EU-acquis requirements transposed into national law.

Recommended Actions

Full implementation requires not only accelerating the adoption of primary legislation, but also developing secondary rules, IT systems, and institutional processes to enable Day-Ahead and Intraday market coupling with the EU.

Key elements include close coordination with the Energy Community Secretariat, removal of market-distorting interventions (including price caps) and unified coupling session design, full transparency in price-formation, operational capacity within NEURC and the market operator to enforce coupling rules and **REMIT** standards.

There's also a need for a timely adoption of secondary rules and transparent, competitive designation of the NEMO(s). Clear oversight and monitoring procedures must be established, with alignment of NEMO functions to CACM requirements.

Subsequently, **technical implementation** is required, including coupling-related IT systems and operational processes, coordinated with European market operators.

Suggested milestones may include:

- Transposition of the EU electricity package, aligned with EU acquis and designed to improve liquidity and transparency (including a unified coupling session model and phase-out of price caps) and line with CACM

- Adoption of secondary legislation, IT systems, and operational procedures enabling technical and procedural readiness for Day-Ahead and Intraday market coupling.
- Transparent designation of NEMO(s) by NEURC
- Establishment of a regulatory oversight and monitoring regime for NEMO activity

Why It Matters

EU electricity-market integration will unlock cross-border trade opportunities, enhance system resilience and security of supply, support efficient price formation, and integrate Ukraine's generation, flexibility, and storage assets into the European market. It is a core prerequisite for deeper economic integration with the EU and long-term energy security. Delays risk slowing synchronisation, reducing export/import and flexibility-market revenues, weakening price-signals for investment, and eroding investor and partner confidence.

2.6 Renewable Support Reform – Auctions & Premium Mechanism

Existing Commitments

Ukraine's NECP, Energy Community recommendations, and Ukraine Facility commitments require a transition to competitive market-based RES support schemes. This includes the introduction of renewable energy auctions and the functioning of feed-in premium and contract-for-difference mechanisms, in line with common EU practice.

The Government's 2025 Action Plan foresees strengthening the efficiency of the competitive support model for RES through improvements to auction organisation and procedures.

Current Status & Gaps

Preparations for large-scale auctions have stalled, and investor confidence remains weakened due to **FiT debt accumulation and curtailment risk**. Legislative initiatives exist but require refinement, clarity, and market stakeholder alignment. Access to financing from commercial banks and IFIs must be reflected in auction design.

Ukraine's transition from feed-in tariff to competitive, market-oriented support has not yet succeeded. As of November 2025, **auction participation remains limited**. In Q4 2024, three pilot contracts for difference auctions with a combined quota of 110 MW failed due to a lack of bids. In 2025, auctions for solar, hydro, and biogas projects had no participants, and a wind auction attracted only one bidder.

Table 1: Performance of RES Auctions: Placed vs Awarded Capacity (MW)

Technology	2024 (pilot auctions)		2025	
	Placed on auctions	Successfully awarded	Placed on auctions	Successfully awarded
Wind	88	0	250	120
Solar	11	0	33	0
Small hydro, bioenergy	11	0.9	47	0

Source: own representation based on the Guaranteed buyer and Cabinet of Ministers of Ukraine announcements.

Key deterrents include:

- investor mistrust caused by accumulated feed-in tariff debt (~UAH 15.5bn – approx. EUR 320m)
- insufficient transmission-tariff level to fund support payments
- CfD design that may require **reverse payments** to the state
- demanding financial guarantees and administrative burdens
- continuing curtailment uncertainty in the system (Kubrushko et al., 2025).

As of early Q4 2025, the Verkhovna Rada is reviewing Draft Law No. 13219, which aims to improve auction functioning and address identified barriers. Having passed first reading, the draft would:

- extend the auction mechanism from 2029 to 2034, ensuring policy stability
- introduce a **temporary feed-in-premium model without reverse payments** for auctions up to end-2029
- relax financial guarantee requirements to facilitate entry (Verkhovna Rada, 2025c).

If adopted and backed by **adequate tariff funding**, these changes could partially restore investor confidence. However, the current design remains conservative and may be insufficient to stimulate strong participation, especially in solar – with wind investors currently exploring financing outside state support due to favourable market signals and potential cooperation with IFIs (Pidubnyi & Mykhailenko, 2025).

Recommended Actions

Ukraine should establish a **bankable RES auction framework** with transparent capacity volumes, technology baskets, and predictable premium contracts.

A temporary feed-in-premium model without reverse payments could support investor appetite – although current design constraints may still limit the attractiveness for solar, and wind projects may continue to pursue merchant or corporate PPA financing.

Resolving accumulated feed-in tariff debt is critical to restoring investor trust. Independent and depoliticised tariff-setting by the regulator must ensure a transmission tariff sufficient to fund RES support, or the state must establish alternative guaranteed sources of financing.

For example, in 2025, the approved tariff covered ~95% of RES obligations; yet risks exist for 2026, when the TSO proposal of 823.77 UAH/MWh was reduced by NEURC to 786.74 UAH/MWh.

Future conditionality could emphasise **results-based criteria**, such as the share of allocated auction quotas that were commissioned, rather than focusing only on the introduction of new mechanisms.

Additional momentum could come from upgrading the **existing market-premium framework** for legacy feed-in tariff producers. Aligning settlement procedures with European practice could encourage more RES producers to voluntarily shift to a premium model, improving integration and reducing fiscal pressure.

Suggested milestones may include:

- **Alignment of RES support schemes with EU standards**, including reforms to auction, feed-in premium (FiP), and contract-for-difference (CfD) mechanisms. This includes introducing feed-in premium as the sole mechanism for RES auctions, following widely used EU practice, at least until outstanding market debt issues are resolved
- **Share of auctioned capacity successfully awarded** relative to approved Government quotas (based on TSO recommendations and climate targets)
- **Setting a sufficient and economically justified transmission and dispatch tariffs²** by the Regulator to ensure the timely fulfilment of payment obligations under all support mechanisms (feed-in tariff, RES auctions, special ancillary service auctions, 10-year generation development scheme, etc.), or introducing alternative state-backed guarantees to secure timely and predictable compensation flows
- Adoption and phased implementation of a **feed-in tariff debt-repayment roadmap**

² In this paper, the term tariffs refers to regulated end-user service prices (electricity transmission, distribution, supply for household consumers) set by the Regulator or other authorised public bodies, rather than market-based prices.

- **Incentives for hybrid RES-plus-storage projects**, consistent with TSO planning recommendations

Why It Matters

A credible and modern framework for renewable support is central to strengthening Ukraine’s energy system resilience, including during wartime recovery, and to advancing decarbonisation objectives. It is also a core requirement for integration with the EU electricity market and alignment with European state-aid practice. Robust, predictable, and bankable support mechanisms, combined with the resolution of legacy feed-in-tariff debt and a transparent approach to tariff-funding, are essential to unlock large-scale private investment and reduce dependence on public resources. If designed and implemented effectively, competitive RES auctions can mobilise substantial capital, accelerate deployment of renewable and hybrid storage-integrated projects, and support a stable transition away from the legacy feed-in tariff model.

2.7 Wholesale Market Integrity & Transparency: REMIT Implementation

Existing Commitments

Ukraine adopted a REMIT-style framework via Law No. 3141-IX (2023), aligned with Energy Community requirements, and committed under the Ukraine Facility to strengthening transparency and anti-manipulation measures in wholesale energy markets. NEURC has also adopted secondary regulations on market participant registration, data reporting, and monitoring platforms. However, enforcement capacity remains nascent, reflecting limited institutional resources and the need to further strengthen the Regulator’s operational independence from political influence.

Current Status & Gaps

Core legislation and implementing rules are now in place, meeting formal compliance benchmarks. However, institutional capacity at NEURC remains constrained: data reporting processes are not yet fully reliable, and inspections and enforcement mechanisms are questioned.

In November 2025, NEURC published a draft decision in the first REMIT-related market manipulation case, initiated in February 2025 (NEURC, 2025a, 2025b). The case involved a small renewable producer alleged to have numerous high-priced downward-regulation bids (within price caps) on the balancing market that, according to NEURC, contributed to elevated balancing prices and misleading market signals.

However, the economic logic and market impact remain under question. Under market rules approved by NEURC, balancing prices are set based on the lowest activated bid, meaning that high-priced bids do not necessarily determine the price. Balancing prices and imbalance settlements are also published only 3-10 days after delivery, limiting the possibility of sending “misleading signals”. Moreover, when submitting high-priced downward bids, producers typically face higher financial losses themselves, which weakens the incentive to manipulate. One scenario in which such bids could theoretically

influence the balancing price is if a high-priced bid is activated for part of an hour, and lower-priced bids are activated during the remaining periods. Because the hourly price is calculated as a volume-weighted average of 15-minute intervals (as defined by NEURC's own rules), a short activation of a high-priced bid could marginally affect the final price. However, this arises from existing regulatory design, and given the closed nature of bid data and publication lags, the investigation is raising concerns.

The company subject to the sanction is owned by an outspoken critic of government energy policy. While this does not determine the merits of the case, it questions impartiality and whether REMIT enforcement is being applied objectively. This highlights a broader challenge: although the legislative framework is now in place, **effective, transparent, and unbiased enforcement practices are still developing** and require continued strengthening.

Recommended Actions

The key priority is to ensure **operational independence and professional capacity at NEURC** to conduct market surveillance, data analysis, and enforcement free from political influence.

During martial law, the current legislation significantly restricts public access to certain categories of information that, under normal conditions, should be disclosed in accordance with REMIT. A range of REMIT-related data, including the location and available capacity of individual generation units, equipment status, and information on outages or constraints, may pose security risks and therefore cannot be published in real time. At the same time, aggregated data, reporting with a time delay, or anonymised indicators could be made publicly available, which would minimise security risks while still providing a higher degree of market transparency.

The current regime, under which the full REMIT dataset is effectively accessible only to the Regulator, complicates independent monitoring, reduces trust among market participants and potential investors, and creates risks of perceived bias in investigations. Ensuring a balanced approach to transparency, with due regard to wartime restrictions, is essential for effective REMIT oversight and for Ukraine's further integration into European electricity markets.

This requires specialist market-monitoring and investigative capabilities, fully functioning data-reporting and disclosure systems, consistent application of sanctions based on objective market evidence, clear and transparent public reporting on REMIT enforcement actions. Effective REMIT implementation should protect market integrity **without deterring legitimate commercial behaviour** in the developing Ukrainian power market.

Suggested milestones may include:

- **Strengthening a dedicated REMIT enforcement unit** within NEURC with specialist staffing and training.
- **Publication of REMIT enforcement guidelines**, including evidentiary standards and methodology.

- **Annual public report on REMIT investigations and enforcement actions**, including anonymised case summaries.
- **External review/monitoring of early REMIT enforcement decisions** by ACER or Energy Community Secretariat to ensure impartiality and alignment with EU practice.

Why It Matters

Effective REMIT implementation is fundamental to **ensuring transparent and competitive wholesale energy markets**. It underpins price liberalisation, protects consumers and investors from manipulation, and strengthens confidence in EU market coupling. A credible enforcement regime, based on impartiality, professional standards, and clear evidence, builds trust in market institutions and reassures private investors and European partners that market opening will not be undermined by abuse or political interference.

Without a robust and fair REMIT system, liberalisation could expose the market to distortions, reduce investor participation, and weaken the credibility of Ukraine's integration into the EU energy market.

2.8 Greenhouse Gas Emission Reduction Policy & CBAM Readiness

Existing Commitments

Ukraine has obligations under its NECP, the EU-Ukraine Association Agreement, and the Ukraine Facility to advance decarbonisation and align climate policy with EU requirements, particularly through the introduction of carbon-pricing mechanisms. EU accession requires the establishment of an **Emissions Trading System (ETS)** consistent with the EU acquis, which is not yet operational.

The Ukraine Facility includes relatively modest requirements in this area, focusing on the development of a government action plan for carbon-pricing reform and the **resumption of mandatory monitoring, reporting and verification (MRV)** of greenhouse-gas emissions at the installation level.

Despite long-term climate commitments and the entry into force of the **EU Carbon Border Adjustment Mechanism (CBAM)** from 2026, with major implications for Ukrainian exports in metals, chemicals, and potentially electricity, political action for carbon pricing reform remains limited (Chepeliev et al., 2025).

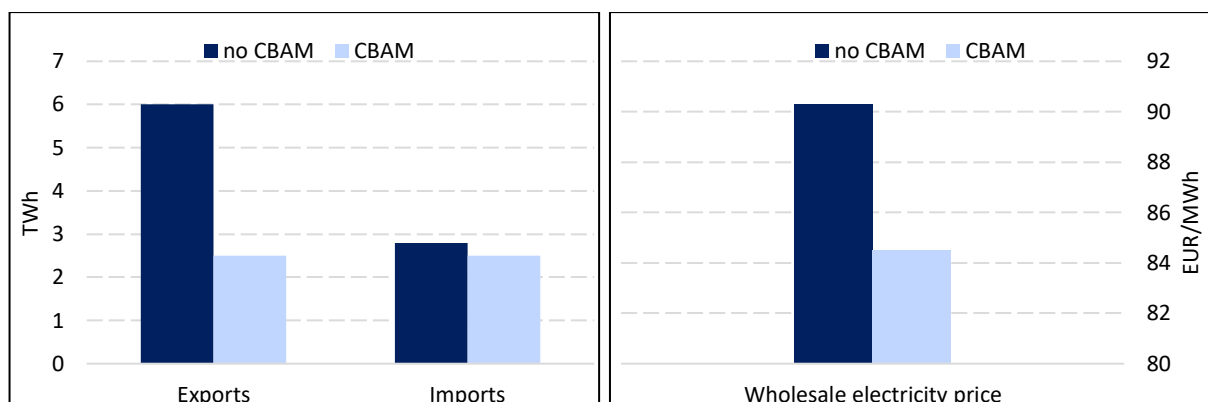
Current Status & Gaps

The current carbon tax rate in Ukraine – UAH 30/tCO₂ (~€0.6/tCO₂) – remains far below the EU ETS price range (€60-€80/tCO₂) and is largely based on self-reporting, resulting in limited environmental and fiscal impact (Stubbe, 2024). Despite this, Ukraine **formally met two Ukraine Facility milestones in early 2025** by restoring mandatory MRV and approving a roadmap for the introduction of a national ETS (Verkhovna Rada, 2025a, 2025b). However, the roadmap's timeline is modest: **pilot ETS trading is planned only for 2028**, with a full launch not earlier than three years after the end of martial law.

The roadmap also envisaged preparation of an analytical report on ETS design options in 2025 as a basis for draft legislation. As of November 2025, this report had not been published, and no public consultations had taken place. Moreover, contrary to roadmap sequencing, the Government’s 2025 Priority Action Plan foresaw submitting ETS draft legislation to Parliament by August 2025, which did not occur (Cabinet of Ministers of Ukraine, 2025b).

Meanwhile, **the EU Carbon Border Adjustment Mechanism (CBAM) will become fully operational from 2026**, replacing transitional reporting with financial carbon-price adjustments for imports of steel, fertilisers, chemicals, cement and, potentially, electricity. This poses significant competitiveness risks for Ukrainian exporters, given the high carbon intensity of key industrial products and the large carbon-pricing gap between Ukraine and the EU (Chepeliev et al., 2025; Nies et al., 2025). Without domestic carbon-pricing reform, CBAM-related payments will accrue to the EU budget rather than remain in Ukraine for industrial modernisation.

Figure 4: Cross-border trade and wholesale electricity prices for CBAM and no-CBAM scenarios (GDU PyPSA modelling results for 2026)



Source: GDU (2025). Ukraine cross-border electricity trade: From short-term security of supply imperatives to flow-based market coupling.

A challenge is the **data requirement for full CBAM implementation**. CBAM requires the use of **verified installation-level emissions data**, with annual reporting based on near-**real-time measurement**, not historical averages. Recent analysis shows that Ukraine’s restored MRV framework still lacks the digital infrastructure, verifier capacity, methodological harmonisation and data timeliness required for CBAM-compliant reporting (Chepeliev et al., 2025). While transitional rules allow the use of default emission factors, these will no longer apply once CBAM is fully phased in, starting from 2026. Many Ukrainian producers, therefore, risk administrative non-compliance and higher CBAM liabilities unless MRV is fully operationalised and aligned with EU methodologies.

Beyond the immediate CBAM implications, **Ukraine’s progress on carbon pricing is directly linked to its prospects for deeper electricity market integration with the EU**. CBAM rules envisage that electricity from third countries may be exempted from CBAM **only if** the country has a carbon-pricing system aligned with, or equivalent to, the EU ETS,

and the electricity market is integrated with the EU internal market through market coupling.

Without credible progress towards ETS-aligned carbon pricing and the institutional prerequisites for market coupling, Ukraine will have limited capacity to negotiate favourable terms for electricity trade with the EU. Consequently, Ukraine's electricity exports would remain exposed to CBAM charges based on default emission factors, significantly undermining competitiveness and the economic rationale for future market integration.

Recommended Actions

Reform requires **revising and accelerating Ukraine's carbon-pricing trajectory** to ensure alignment with the EU ETS and prevent carbon tax revenue leakage to EU carbon funds instead of Ukraine's budget once CBAM applies.

Priority actions should be concentrated on the phased introduction of a domestic ETS, or a substantial increase and restructuring of the carbon tax as a transitional measure, moving to an upstream, fuel-based carbon tax in line with Ukraine's National Revenue Strategy. This would allow revenues from carbon taxation to be retained in Ukraine and reinvested in decarbonisation and industrial transition.

Suggested milestones might be aligned with the existing Government roadmap, but with more ambitious timelines:

- **Increase and reform the carbon tax**, moving to an upstream, fuel-based carbon tax in line with Ukraine's National Revenue Strategy, enhancing compliance monitoring, as a transitional measure recognised under CBAM
- **Draft and adopt enabling ETS legislation** and establish the institutional and registry infrastructure
- **Pilot ETS trading**, in particular for the power sector
- **Full launch of the national ETS**, aligned with the EU ETS architecture

Why It Matters

Effective carbon-pricing reform is essential to safeguard Ukraine's industrial competitiveness, retain value domestically under CBAM, and mobilise financing for modernisation and decarbonisation. Without credible progress, Ukrainian exporters will face increasing costs with revenues accruing to the EU, while delayed reform limits investment in low-carbon technologies and slows Ukraine's alignment with the EU single market.

2.9 Grid Access & Connection Procedures for RES and BESS Projects

Existing Commitments

The Ukraine Facility and Energy Community recommendations require the introduction of transparent and efficient grid-connection rules. Developers, including RES, BESS, and

behind-the-meter projects, continue to face long procedures, opaque capacity allocation, and inconsistent technical requirements. The Ukraine Facility includes a benchmark to adopt legislation about **permitting procedures for renewable investments in line with EU rules by Q3 2026**. The Government Action Programme also envisages implementing EU-aligned permitting principles for renewable energy projects by **2026** (Cabinet of Ministers of Ukraine, 2025c).

Current Status & Gaps

Initial steps have been taken to simplify grid-connection and permitting procedures for RES and hybrid RES-plus-storage projects. However, developers still encounter a **high bureaucratic burden, limited transparency, and evolving technical criteria**.

A key structural barrier is the lack of **publicly accessible maps of available grid-connection capacity**, despite unused capacity on the system – particularly due to industrial demand reduction following structural changes in the economy and the war. Better visibility and optimisation of available capacity could enable more distributed generation and storage deployment.

In August 2025, the Government published draft legislation introducing EU-style permitting principles for renewables, clarifying connection rules for heat pumps, extending preferential grid-connection terms for storage, and defining special zones for RES, storage, and network infrastructure development (Ministry of Energy (Ukraine), 2025a). As of November 2025, however, this draft law had **not yet been submitted to Parliament**.

Recommended Actions

Given past examples where legal milestones were formally met but implementation lagged in practice, future conditionality should combine **legislative requirements with measurable performance indicators**. Beyond adopting permitting reforms, benchmarks should reflect practical outcomes — such as reduced timelines, higher utilisation of available capacity, and scale-up of RES and BESS connections.

Priority actions should include adopting EU-aligned permitting frameworks, establishing transparent connection capacity maps and allocation rules, streamlining procedures and standardising technical requirements, enabling fair and predictable access for BESS and BtM projects

Suggested milestones might include:

- Adoption of EU-aligned permitting and grid-connection reforms
- Publication and regular update of grid-connection capacity maps at transmission and DSO level

- Reduction in average grid-connection processing time with defined target
- Annual KPI on utilisation of available connection capacity
- Annual target for newly connected RES and BESS capacity

Why It Matters

Efficient and transparent grid-connection processes are decisive for unlocking private investment in renewables and storage, particularly as distributed generation and BESS have become central to Ukraine's wartime resilience strategy. Without predictable and timely connection procedures, viable projects face delays, increased financing costs, and higher risk premiums. Clear, rules-based and transparent access, including visibility of available capacity and streamlined approvals, will accelerate deployment, support system stability, reduce curtailment, and enable Ukraine to meet energy-security and decarbonisation objectives.

3. Implementation Sequencing & Recommendations for Donor Conditionality Design

Successful delivery of Ukraine's electricity-sector reforms requires credible implementation mechanisms – a gap highlighted by the number of formally “completed” benchmarks where execution has been partial or delayed. Many reforms are mutually reinforcing: investor confidence in market liberalisation or state-backed support schemes depends on an independent regulator; EU market integration cannot proceed without NEMO designation and effective market surveillance; auction reform requires tariff-setting credibility and resolution of legacy debt. Donor conditionality, therefore, needs to move beyond legislative adoption and road-map drafting and be anchored in demonstrable implementation, transparency, and institutional performance.

Sequencing and Reform Interdependencies

The priority is **institutional credibility**, particularly in regulatory independence, market oversight, and governance of state-owned energy enterprises. The foremost is focusing on **establishing a professional, demonstrably independent and depoliticised NEURC** as the sector regulator. Without it, all subsequent market and corporate-governance reforms risk being delayed, diluted, or reversed in practice.

Regulatory capture undermines market oversight, distorts investment incentives, and weakens governance across state-owned energy enterprises. Strengthening NEURC's autonomy, establishing a transparent and merit-based appointment process, operationalising REMIT enforcement, and safeguarding SOE corporate-governance standards should therefore be treated not as parallel technical steps, but as a single foundational reform pillar on which the credibility and durability of the entire reform agenda depends.

Institutional capacity within the Ministry of Energy is also pivotal, given its role as the sector's principal policymaking authority. The Ministry's current weaknesses, most notably the sustained loss of qualified staff due to uncompetitive remuneration and aggressive recruitment by the private sector and international projects, severely constrain its ability to design and implement effective policies.

Persistently **low public-sector pay** has also created an **adverse-selection problem**: only a limited pool of highly qualified professionals is willing to join or remain in the Ministry under current conditions, further eroding institutional quality and integrity. This structural deficiency is particularly problematic considering recent corruption scandals, which heighten the need for strong, professional, and independent policymaking capacity.

Addressing this challenge may require temporary, targeted support from international partners to help finance competitive remuneration schemes, at least during the recovery and reform phase, in order to stabilise staffing levels and rebuild institutional capability.

On this basis, Ukraine can accelerate **market-building reforms**, including phased removal of administrative price caps and a shift from universal household PSO arrangements toward targeted support. Market liberalisation should proceed in stages, demonstrating steady movement away from ad-hoc administrative interventions and towards predictable, rules-based pricing and consumer protection.

Simultaneously, **RES auctions and BESS deployment, and grid-access reform** must be operationalised to unlock private investment, supported by credible mechanisms to address legacy feed-in-tariff debt. Distributed generation and storage play a vital role both in wartime resilience and long-term decarbonisation, making practical delivery in these areas a priority.

EU market-integration steps, including full preparation for day-ahead and intraday coupling, depend on regulatory capacity, functioning REMIT oversight, and removal of price caps that distort cross-border price formation. Technical and institutional milestones for market coupling should therefore follow demonstrated progress in these enabling measures.

Finally, **carbon-pricing reform** must accelerate. With CBAM being phased in, Ukraine requires mechanisms that retain value domestically, rather than transferring it to EU budgets. The introduction of an ETS, or a transitional strengthening of the carbon tax, should be sequenced alongside credible MRV implementation and institutional readiness.

Principles for Conditionality Design

Given this sequencing, donor conditionality could be structured to support delivery, not simply legal transposition. The following principles are key:

1. Implementation over formal transposition.

Disbursements should be tied to operational steps – functioning mechanisms, published data, executed procedures, rather than legislative adoption alone or roadmaps that do not impose binding actions.

2. **Outcome-based and measurable.**

Benchmarks should be linked to results: awarded RES auction volumes, PSO transparency, REMIT enforcement issued with clear methodology and in coordination with ACER, measurable reduction in grid-connection timelines.

3. **Institutional durability.**

Where reforms depend on sustained institutional performance (e.g., NEURC independence, SOE governance), conditionality should emphasise continuity and monitoring rather than one-off milestones. Much as IFI financing already includes corporate-governance continuity clauses, similar durability conditions should apply at the government level.

Priority Conditionality Instruments

To align financing with delivery, conditionality should combine:

- **role-based requirements** (e.g., transparent and timely Regulator appointments, functioning supervisory boards),
- **system-readiness indicators** (e.g., market-coupling systems tested, NEMO designation),
- **market-operation indicators** (e.g., successful RES auction rounds, price caps effects on market pricing),
- **transparency and reporting requirements** (e.g., quarterly PSO disclosures, REMIT enforcement reports, SOE corporate governance reports),
- **financial safeguards** (e.g., tariff sufficiency for RES support or alternative funding guarantees).

Such an approach would sustain reform momentum while supporting priority sectoral advances, particularly in the challenging wartime environment.

Risks of Weak Conditionality

If conditionality continues to focus largely on the adoption of laws or roadmaps without enforceable implementation triggers, risks include:

- **Slower reform delivery and policy reversals**, especially in politically sensitive areas.
- **Continued cross-subsidisation and fiscal strain**, delaying market liberalisation.
- **Investor hesitation and limited private capital mobilisation**, increasing reliance on public funds.
- **Delayed EU electricity-market integration**, including postponed NEMO designation and market coupling.
- **Slower decarbonisation and higher long-term system costs**, particularly if carbon-pricing reforms lag behind CBAM.

Clear, implementation-oriented conditionality that is tied to measurable outcomes and institutional performance, will reinforce reform credibility, ensure efficient use of international support, and help Ukraine transition from emergency stabilisation to sustainable, investment-driven reconstruction and integration with the EU energy space.

References

Bihus.Info. (2025). *“Центрэнерго” злило фірмі-“прокладці” понад 130 млн за вугілля для ТЕС, яке так і не приїхало.* <https://bihus.info/czentrenergo-zlylo-firmi-prokladczii-ponad-130-mln-za-vugillya-dlya-tes-yake-tak-i-ne-priyihalo/>

Cabinet of Ministers of Ukraine. (2023a). *Про затвердження плану перетворення державного підприємства “Національна атомна енергогенеруюча компанія “Енергоатом” в акціонерне товариство, 100 відсотків акцій якого належать державі.* <https://zakon.rada.gov.ua/laws/show/571-2023-%D1%80#Text>

Cabinet of Ministers of Ukraine. (2023b). *Про оголошення конкурсного відбору кандидатів на посади незалежних членів наглядової ради акціонерного товариства “Національна атомна енергогенеруюча компанія “Енергоатом.”* <https://zakon.rada.gov.ua/laws/show/1227-2023-%D1%80#Text>

Cabinet of Ministers of Ukraine. (2024). *Деякі питання наглядової ради акціонерного товариства “Національна атомна енергогенеруюча компанія “Енергоатом.”* <https://www.kmu.gov.ua/npas/deiaki-pytannia-nahliadovoi-rady-aktsionernoho-tovarystva-natsionalna-atomna-enerhoheneruiucha-t210624>

Cabinet of Ministers of Ukraine. (2025a). *Про внесення змін до Статуту акціонерного товариства “Національна атомна енергогенеруюча компанія “Енергоатом.”* <https://zakon.rada.gov.ua/laws/show/983-2025-%D0%BF#Text>

Cabinet of Ministers of Ukraine. (2025b). *Про затвердження плану пріоритетних дій Уряду на 2025 рік.* <https://www.kmu.gov.ua/npas/pro-zatverdzhennia-planu-priorytetnykh-dii-uriadu-na-2025-rik-180225-131r>

Cabinet of Ministers of Ukraine. (2025c). *Програма діяльності Кабінету Міністрів України.* <https://priorities.gov.ua/wp-content/uploads/2025/09/programa-diyalnosti-kmu-2.pdf>

Chepeliev, M., Sicheneder, A., Yevstihnieiva, O., & Zachmann, G. (2025). *CBAM’s effects on Ukraine’s economy & its decarbonisation efforts.*

Energoreforma. (2025). *Наглядова рада “Укрэнерго” заявила про перешкоджання її роботі з боку Міненерго.* <https://reform.energy/news/naglyadova-rada-ukrenergo-zayavila-pro-pereshkodzhannya-ii-roboti-z-boku-minenergo-23931>

Energy Map. (2025). *Заборгованість підприємств водопостачання та водовідведення за електроенергію.* <https://energy-map.info/uk/datasets/bbc946a1-0ad2-4426-8587-da4b9672fea2#download>

European Commission. (2025). *Ukraine Report 2025*.
https://enlargement.ec.europa.eu/document/download/17115494-8122-4d10-8a06-2cf275eecd7_en?filename=ukraine-report-2025.pdf

ExPro. (2025). *Кабмін призначив нових членів НКРЕКП*.
<https://expro.com.ua/novini/kabmn-priznachiv-novih-chleniv-nkrekp>

@G7AmbReformUA. (2024). *1/2 Following the dismissal of @NPCUkrenergo 's CEO and the resignation of two Supervisory Board members, G7 Ambs underscore the importance of quickly organizing an OECD-standard process to identify competent, professional and independent experts for the Supervisory Board. X.*

IEA. (2025). *Ukraine's energy security: A pre-winter assessment*.

Interfax. (2026). *Electricity deficit in Ukraine decreases from 5-6 GW to 4.3-4.5 GW due to warming – Minister of Energy*. <https://en.interfax.com.ua/news/economic/1144224.html>

Kubrushko, Y., Gruzinskaya, O., & Zachmann, G. (2025). *How to attract investors via renewable auctions in Ukraine going forward*.

Ministry of Energy (Ukraine). (2025a). *Повідомлення про оприлюднення проекту Закону України «Про внесення змін до деяких законів України щодо імплементації законодавства Європейського Союзу у сфері відновлюваних джерел енергії»*.
<https://mev.gov.ua/rehulyatornyy-akt/povidomlennya-pro-oprylyudnennya-proyektu-zakonu-ukrayiny-pro-vnesennya-zmin-do-9>

Ministry of Energy (Ukraine). (2025b). *Україна готується до четвертої воєнної зими, підготовка енергосектору до ОЗП триває за графіком—Світлана Гринчук*.
<https://Mev.Gov.Ua/Novyna/Ukrayina-Hotuyetsya-Do-Chetvertoyi-Voyennoyi-Zymy-Pidhotovka-Enerhosektoru-Do-Ozp-Tryvaye-Za>.

NABU. (2025). *Operation “Midas”: High-level criminal organisation operating in energy sector exposed*. <https://nabu.gov.ua/en/news/operatciia-midas-vykryto-vysokorivnevu-zlochynnu-organizatciiu-shcho-diiala-u-sferi-energetyky/>

NERC. (2023a). *НКРЕКП скасувала рішення від 29 червня 2023 року щодо коригування тарифів на централізоване водопостачання та водовідведення*.

NERC. (2023b). *НКРЕКП ухвалила рішення щодо коригування тарифів на водопостачання та водовідведення з 1 липня 2023 року*.

NEURC. (2025a). *Обґрунтування до проекту постанови НКРЕКП «Про прийняття рішення за результатами розслідування, проведеного на підставі постанови НКРЕКП від 18 лютого 2025 року № 225»*.

https://www.nerc.gov.ua/storage/app/sites/1/Docs/Postanova_obgruntuvannya/2025/lystopad/11.11.2025/p37_11.11.2025.pdf

NEURC. (2025b). *ОБҐРУНТУВАННЯ до проекту постанови НКРЕКП «Про початок розслідування зловживань на оптовому енергетичному ринку ТОВ «ЕНЕРГІЯ-1».* https://www.nerc.gov.ua/storage/app/sites/1/Docs/Postanova_obgruntuvannya/2025/lytuy/18.02.2025/p18_18.02.2025.pdf

Nies, S., Stubbe, R., Piddubnyi, I., Schrade, M., & Zachmann, G. (2025). *Ukraine cross-border electricity trade: From short-term security of supply imperatives to flow_based market couplin.*

Piddubnyi, I., & Mykhailenko, O. (2025). *ПІДТРИМКА БЕЗ ЕФЕКТУ: ЕКОНОМІЧНІ ЧИННИКИ, ЩО СТРИМУЮТЬ АУКЦІОНИ ВДЕ В УКРАЇНІ.*

Stubbe, R. (2024). *Pathways for reforming Ukraine's carbon tax: Towards an ETS-compatible upstream tax with an expanded scope.* https://www.lowcarbonukraine.com/wp-content/uploads/LCU_PPr_02_2024_Pathways_for_Reforming_UKR_Carbon_Tax.pdf

The World Bank. (2025). *Monitoring Living Conditions in Ukraine.* <https://thedocs.worldbank.org/en/doc/bf81d702093c4e7ce911cb00603d3fb9-0080012025/original/Listen-to-Ukraine-Update-2025.pdf>

Ukraine Facility. (2024). *План для Ukraine Facility.* <https://www.ukrainefacility.me.gov.ua/wp-content/uploads/2024/03/plan-ukraine-facility.pdf>

Ukrenergo. (2024). *ЗАЯВА ГОЛОВИ НАГЛЯДОВОЇ РАДИ НЕК УКРЕНЕРГО ДАНІЄЛЯ ДОББЕНІ та ЧЛЕНА НАГЛЯДОВОЇ РАДИ ПЕДЕРА АНДРЕАСЕНА.* <https://ua.energy/zagalni-novyny/zayava-golovy-naglyadovoyi-rady-nek-ukrenergo-daniyelya-dobbeni-ta-chlena-naglyadovoyi-rady-pedera-andreasena/>

Ukrenergo. (2025). *Офіційна заява Наглядової ради НЕК «Укренерго».* <https://ua.energy/zagalni-novyny/ofitsijna-zayava-naglyadovoyi-rady-nek-ukrenergo/>

Ukrhydroenergo. (2025). *Ігор Сирота завершує свою каденцію на посаді генерального директора Укргідроенерго.* https://uhe.gov.ua/media_tsentr/novyny/ihor-syrotazavershuye-svoyu-kadentsiyu-na-posadi-heneralnoho-dyrektora

Ukrinform News. (2024a). *Артур Лорковський, директор секретаріату Енергетичного співтовариства У сфері електроенергетики відбувається прискорена інтеграція України в ЄС.* <https://www.ukrinform.ua/rubric->

economy/3923216-artur-lorkovskij-direktor-sekretariatu-energeticnogo-spiivtovaristva.html

Ukrinform News. (2024b). *Мінекономіки очікує на підписання контрактів із членами наглядової ради Енергоатома*. <https://www.ukrinform.ua/rubric-economy/3939523-minekonomiki-ocikue-na-pidpisanna-kontraktiv-iz-clenami-nagladovoi-radi-energoatoma.html>

Verkhovna Rada. (2025a). *Про внесення змін до деяких законів України щодо відновлення моніторингу, звітності та верифікації викидів парникових газів*. <https://zakon.rada.gov.ua/laws/show/4187-20#Text>

Verkhovna Rada. (2025b). *Про затвердження плану заходів щодо створення національної системи торгівлі квотами на викиди парникових газів*. <https://zakon.rada.gov.ua/laws/show/146-2025-%D1%80#Text>

Verkhovna Rada. (2025c). *Проект Закону про внесення змін до деяких законів України щодо удосконалення конкурентних умов виробництва електричної енергії з альтернативних джерел енергії*. <https://itd.rada.gov.ua/billinfo/Bills/Card/56245>

Annexes (Reform Delivery & Conditionality Matrix)

Reform Area	Key Actions Required	Expected Results / Value Added	Existing Obligations	KPIs (Result Indicators)	Political Economy Risks / Resistance
NEURC independence & capacity	<ul style="list-style-type: none"> – Competitive, transparent commissioner selection (option for international partners' participation); – Protect from political interference; – Secure budget & staffing; 	<ul style="list-style-type: none"> – Credible regulation – Stable tariff policy – Enforcement of REMIT – Investor trust 	IMF EEF, EU acquis, Ukraine Facility	<ul style="list-style-type: none"> – New selection rules in force; – Commissioners' seats filled on time; – Annual independence report; – Enforcement staffing & budget KPIs 	<ul style="list-style-type: none"> – Political interference in appointments – Attempts to retain state control tools
Energy SOE governance	<ul style="list-style-type: none"> – Competitive CEO/board appointments – Complete corporatisation of Energoatom (Board nominations) 	<ul style="list-style-type: none"> – Depoliticized SOEs – Improved efficiency – IFI confidence & access to finance 	IMF EEF, Ukraine Facility, EBRD/IBRD covenants	<ul style="list-style-type: none"> – Energoatom SB fully operational; – Permanent CEOs appointed; – Guaranteed Buyer corporatised; – Annual OECD compliance evaluation 	<ul style="list-style-type: none"> – Political pressure on SOEs – Attempts to influence boards
Electricity market liberalisation	<ul style="list-style-type: none"> – Adopt binding roadmap; – Phase out wholesale price caps – Restructure PSO → targeted support; – Publish PSO transparency; – strengthen market monitoring 	<ul style="list-style-type: none"> – Competitive pricing – Investor confidence – Reduced fiscal risks – EU-consistent price signals 	IMF EFF, Ukraine Facility, Energy Community	<ul style="list-style-type: none"> – Roadmap adopted & published; – % hours hitting cap ↓, later full removal; – PSO quarterly reports public; – Targeted support pilot → national rollout instead of PSO; 	<ul style="list-style-type: none"> – Populist pushback due to tariffs – Industrial lobby for cheap power
Debt resolution on balancing market	<ul style="list-style-type: none"> – Reform criteria and procedure for protected customer status (government-level decision only, exhaustive list); – Establish formal public register of protected customers; 	<ul style="list-style-type: none"> – Reduction of systemic debt and payment delays; – Bankability of flexible generation projects (gas, hybrid RES+BESS, hydro); 	None	<ul style="list-style-type: none"> – Government decree revising protected-customer designation adopted; – Public register of protected customers operational; 	<ul style="list-style-type: none"> – Resistance from municipal utilities and state-owned industrial consumers; – Pressure from local authorities

Reform Area	Key Actions Required	Expected Results / Value Added	Existing Obligations	KPIs (Result Indicators)	Political Economy Risks / Resistance
	<ul style="list-style-type: none"> – Introduce mandatory special accounts for protected customers with automatic debt servicing. 	<ul style="list-style-type: none"> – Mobilisation of private and municipal investment in flexible capacity. 		<ul style="list-style-type: none"> – Special-account mechanism implemented (% of protected customers covered); – Total balancing-market debt reduced (UAH, % YoY); – Average payment delay to generators reduced (months). 	<ul style="list-style-type: none"> to retain discretion over “critical” status; – Social sensitivity around disconnections and service continuity
EU electricity market integration	<ul style="list-style-type: none"> – Transpose relevant legislation; – Single-session coupling design; – Price-caps removal; – Prepare systems for coupling; – Transparent NEMO(s) selection. 	<ul style="list-style-type: none"> – Cross-border market entry – Increased liquidity – Transparency 	EU acquis, Ukraine Facility	<ul style="list-style-type: none"> – Package transposed; – Secondary acts adopted; – ENTSO-E/ACER readiness test passed; – No dual session with different price-caps in place – NEMO(s) designated; – NEURC oversight procedures adopted and executed accordingly 	<ul style="list-style-type: none"> – Resistance to lifting price caps – Institutional delay in IT/market rules – Lobbying to maintain single NEMO or otherwise
RES market-oriented support	<ul style="list-style-type: none"> – Pass auction & premium reforms; – Fix FiT arrears and ensure support funding or alternative source – Switch to results-oriented KPIs (% of RES auctions quota placed successfully) 	<ul style="list-style-type: none"> – Private capital attraction – RES and BESS deployment – Lower support cost 	NECP, Ukraine Facility, IFI agendas	<ul style="list-style-type: none"> – Auction law passed; – Auction rounds completed (MW awarded); – FiT settlement mechanism in place; – FiT debt decrease; – RES support financing secured. 	<ul style="list-style-type: none"> – Populist pushback on RES support – Rigidity towards further RES support improvement
REMIT enforcement	<ul style="list-style-type: none"> – Build surveillance/enforcement unit; – Annual public REMIT report; – Optional Energy Community/ACER review 	<ul style="list-style-type: none"> – Market integrity and transparency for consumers protection 	EU acquis, Ukraine Facility	<ul style="list-style-type: none"> – Market monitoring reports – % of approved by Energy Community/ACER of cases. 	<ul style="list-style-type: none"> – Incumbent resistance to transparency – NEURC capacity limits

Reform Area	Key Actions Required	Expected Results / Value Added	Existing Obligations	KPIs (Result Indicators)	Political Economy Risks / Resistance
ETS & CBAM readiness	<ul style="list-style-type: none"> – Accelerate ETS roadmap; – Prepare ETS bill & registry; – raise and reform carbon tax, moving to an upstream, fuel-based carbon tax in line with Ukraine’s National Revenue Strategy 	<ul style="list-style-type: none"> – Export competitiveness – EU-compliance – Energy transition traction 	EU-Ukraine AA, NECP, Ukraine Facility	<ul style="list-style-type: none"> – ETS bill submitted & passed; – Pilot ETS launched; – Carbon-tax increase & reform in line with Ukraine’s National Revenue Strategy; – Share of revenues reinvested for GHG reduction 	<ul style="list-style-type: none"> – Industrial lobbying – Narrative: “not wartime priority”
Grid access & connection (incl. RES & BESS)	<ul style="list-style-type: none"> – Adopt EU-aligned permitting; – Publish capacity maps (TSO/DSO); – Streamline timelines; – Switch to results-oriented benchmarks 	<ul style="list-style-type: none"> – Investments attraction for RES & storage rollout 	Ukraine Facility	<ul style="list-style-type: none"> – Capacity map introduced; – Average connection time ≤ target; – Utilisation of available capacity ↑; – Target for new RES+BESS connected 	<ul style="list-style-type: none"> – Bureaucratic inertia

Kyiv
ENERGY 
& CLIMATE
Lab

