

Import and storage of gas in Ukraine: seeking a sustainable, long-term solution

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Content

CONTENT	2
EXECUTIVE SUMMARY	3
LIST OF ABBREVIATIONS	5
LIST OF FIGURES	5
1 INTRODUCTION	6
2 IMPORTANCE OF STORING GAS IN UKRAINE	7
3 CHALLENGES WITH FILLING UKRAINIAN STORAGE FACILITIES	8
4 IMPORT NEEDS IN 2025/26 HEATING SEASON	10
5 POSSIBLE SOLUTIONS	11
6 CASE STUDY – MOLDOVA	13
7 UKRAINE: GAS PRICES TODAY	15
8 AND HOW TO MAKE THEM MORE REALISTIC	18
WHEN	18
HOW TO IMPLEMENT IT?	18
PROTECTING THE VULNERABLE CONSUMERS	20
ATTRACTING NEW COMPANIES TO UKRAINIAN GAS MARKET	20
CONCLUSIONS AND RECOMMENDATIONS	21
REFERENCES	23

Executive Summary

Since the beginning of 2025, Ukraine has faced difficulties in importing gas in volumes sufficient to fill storage facilities and secure supply throughout the heating season. The problem stems from a combination of factors: (i) mistakes made in 2024 left Ukraine with record-low gas reserves after the 2024/25 heating season (0.7 bcm in storage at the beginning of April 2025, excluding technical gas); (ii) Russia's autumn attacks on Ukraine's gas infrastructure, which significantly disrupted domestic production, leading to a temporary output drop of around 45% in October 2025; and (iii) a systemic lack of a sustainable financing model for gas imports.

By the end of October 2025, about 14 bcm of gas had been accumulated in storage (including 4.6 bcm of technical gas), only marginally exceeding the minimum level required to ensure security of supply during the heating season. By the end of January 2026, available gas in storage had declined to around 7.5 bcm (excluding technical gas). At the same time, because of intensified Russian attacks on upstream infrastructure, import needs for the 2025/26 heating season increased to around 4.4 bcm, creating an additional financing need of EUR 2 billion, which Naftogaz and the Ukrainian government want to close with foreign and domestic loans and state support. To address the gas shortage, Ukraine signed new contracts with Poland's ORLEN and Greece's DEPA to import U.S. LNG.

A key systemic barrier to Ukrainian Naftogaz's ability to finance gas imports and gain simpler access to external loans is the continued use of regulated gas prices in Ukraine. These regulated prices apply to the majority of customers, accounting for around 80% of annual gas consumption. Most of the regulated prices are below market and import prices. Household prices are fixed and currently stand at less than a third of the average import price of gas. This results in financial losses for Naftogaz, limits its creditworthiness, and discourages private companies from supplying gas to the Ukrainian market and using its storage facilities. In addition, it makes the repayment of already contracted loans more difficult, leading to an accumulation of debts and worsening prospects for securing financing, importing gas and filling storage in subsequent years. As a result, despite obtaining further foreign and domestic loans and state support, Naftogaz and Kyiv must still find the missing financing for gas imports for upcoming heating periods.

This could be facilitated, as shown by the example of Moldova and the reforms implemented there in recent years, by moving towards market-based gas prices for all customers in Ukraine. Despite the challenges posed by the war and the damage it has caused, it appears feasible to prepare a detailed plan for introducing market pricing and, potentially, begin implementing it immediately after the 2025/26 heating season. Market prices could be introduced either for all customers at once or in stages. In a phased scenario, market pricing could apply immediately to power plants and regional distributors' technical gas needs (~1.1

bcm/year), while regulated prices for households and district heating could be retained temporarily.

In any scenario, a systemic, well-targeted social protection scheme is indispensable. This could be based on a strengthened Housing and Utility Subsidy system, that would be adapted to wartime and post-war conditions characterised by large-scale population displacement and infrastructure destruction. A precondition for identifying vulnerable customers, changing gas consumption patterns and encouraging savings is universal metering and efficient processing of gas-consumption data. Subsidies for higher bills could be financed from both domestic and external sources, including EU funds.

Introducing market-based gas prices is not a simple task amid war and severe economic challenges. At the same time, with scarce financial and energy resources at Ukraine's disposal and a harsh international context, it could become a priority for the Ukrainian government. Aligning gas consumption with economic reality would ease the fiscal burden on the state budget and increase Naftogaz's profitability, while also paving the way for broader sectoral gas and energy reforms and greater competition from third-party suppliers.

List of Abbreviations

BGK – Bank Gospodarstwa Krajowego (Poland)

DFC – International Development Finance Corporation (US)

EBRD – The European Bank for Reconstruction and Development

EIB – The European Investment Bank

ERU – Energy Resources Ukraine (company)

EU – The European Union

HUS – Housing and Utility Subsidy (Ukraine)

IMF – International Monetary Fund

LNG – Liquefied Natural Gas

MWh – Megawatt-hour

NBU – National Bank of Ukraine

NEURC - National Energy and Utilities Regulatory Commission (Ukraine)

PSO – Public Service Obligation

TSOUA – Gas Transmission System Operator of Ukraine

UAH – Ukrainian Hryvnia

US – The United States of America

List of Figures

Figure 1. EU reverse flows into Ukraine, 2022-2026	9
Figure 2. Storage fill levels, 2021–2026	10
Figure 3. Regulated gas prices in Ukraine, 2025	16
Figure 4. Options for the introduction of market gas prices	20

List of Tables

Table 1. Gas prices for different Ukrainian consumers, October 2025	17
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1 Introduction

Since the beginning of 2025, Ukraine has struggled to import sufficient gas volumes to fill its underground storage facilities and get through the heating season. This results from a combination of factors. On one hand, errors committed in the previous year, resulting in a record-low level of storage fill after the 2024/25 heating season. On the other hand, Russian attacks in autumn 2025 destroyed Ukrainian production capacities and, on the eve of the heating season, increased the need for imports. A key challenge – both this year and in the years ahead – is to secure sufficient funds to purchase gas on foreign markets. Regulated, low gas prices for most consumers on the domestic market generates cumulative losses for Naftogaz, the main supplier, and discourages other gas companies from importing gas to Ukraine. This, in turn, makes it impossible for Naftogaz to import “secure” levels of gas, repay loans (leading to debt accumulation) and secure funds for subsequent years.

This article presents the current situation on Ukraine’s gas market, including import needs and storage fill levels, analyses the main challenges and, using Moldova as a case study, discusses possible solutions for Ukraine.

I am particularly grateful for the comments and discussions on earlier drafts of this text with Sergiy Makogon, Senior Fellow at CEPA² and Maciej Woźniak, EU High Level Advisors Mission Senior Expert to Moldovan State-Owned power and gas trade company ENERGOCOM JSC³. They were kind to share their own private views and opinions that contributed a lot to my understanding of the situation in respectively Ukrainian and Moldovan gas sectors. I would also like to thank Andrii Chubyk (Associated Analyst at the Centre for Global Studies Strategy XXI), Predrag Grujic (Head of Gas Unit, Energy Community Secretariat), Sławomir Matuszak (Senior Fellow, Centre for Eastern Studies OSW), Aura Sabadus (Energy and cross-commodity writer, ICIS) and Torsten Woellert (Minister Counsellor on energy, environment, climate of the EU Delegation to Ukraine) for reviewing this text. Special thanks to Robert Carr and Anna Piddubna from Green Deal Ukraïna for thorough language editing. All remaining mistakes are of course my own.

All comments and feedback for this paper are welcome at the Green Deal Ukraïna project. Readers are encouraged to contact greendeal.ua@helmholtz-berlin.de.

² Sergiy Makogon was earlier CEO of GasTSO of Ukraine (2019-2022).

³ Maciej Woźniak was earlier inter alia deputy CEO at Polish PGNIG/ORLEN (2015-2020), Advisor to Minister of Environment and Geology (2011-2013) and Polish PM Chief Energy Advisor (2008-2010)

1 Importance of storing gas in Ukraine

To get through the winter and ensure stable gas supplies, especially in the event of spikes in demand and/or supply disruptions, it is essential to accumulate sufficient gas reserves in underground storage facilities and have the ability to purchase any additionally required volumes on the market. The minimum required storage level is variable and depends on expected demand during the autumn–winter period (the heating season). In a stable domestic and market environment, it is possible to store smaller amounts of gas and purchase greater additional volumes when needed, depending on market conditions and price opportunities. However, this is currently not a feasible option for Ukraine. Even in the EU, due to the profound changes in the gas market in recent years and the continuing risks and uncertainty, filling gas storage facilities remains an important instrument for ensuring security of supply and smoothing potential price spikes in winter. The obligation to fill storage facilities to a certain level before the heating season was introduced in 2024 and remains in force both in the EU (EU Amended Gas Storage Obligation, 2025) and in the Energy Community Contracting Parties (Energy Community, 2024).

In Ukraine, Russia's ongoing war of aggression has caused infrastructure destruction, population displacement, a decline in industrial production, and data restrictions under martial law. These factors make it difficult to estimate gas demand and, in turn, to determine a minimum secure storage level.

This is illustrated by the events in the first half of October 2025, when Russian attacks and the destruction of Ukrainian gas production infrastructure reportedly reduced domestic output by about 45% temporarily⁴. This, in turn, led to a sudden increase in import needs – primarily in order to secure current consumption and, if possible, to inject additional volumes into storage. Although the damages were repaired relatively quickly and production was largely restored, the future level of domestic production remains uncertain because of constant Russian attacks on energy and gas infrastructure.

According to mid-2025 estimates by Sergiy Makogon, Ukrainian storage facilities should contain at least 13–13.5 bcm of gas prior to the start of the heating season, which includes 4.6 bcm of so-called technical gas. This would enable the country to meet increased winter demand that cannot be covered by domestic production (which amounted to around 19 bcm in 2024 and was expected to reach 21 bcm in 2025).

Despite some challenges, this minimum level of required gas storage was achieved. However, in October the gap between production, constrained by Russian destruction, and consumption widened sharply. The lack of any buffer made higher levels of gas imports necessary during the

⁴ based on information from market participants and market intelligence expert

heating season, when prices on global markets are typically at their peak. Going forward there remains a persistent risk of temperatures and sudden spikes in both gas demand and prices.

2 Challenges with filling Ukrainian storage facilities

Filling storage facilities – particularly with imported gas – has been a challenge for Ukraine since the beginning of the 2025/26 season. This is linked to several factors.

Firstly, the volume that needed to be stored following the last heating season was historically large. By the end of the 2024/25 heating season, storage was almost completely depleted. At the beginning of April 2025, apart from the untouchable volume of technical gas, the storage level stood at only 2.2% full (equivalent to 0.7 bcm), which was a historic low.

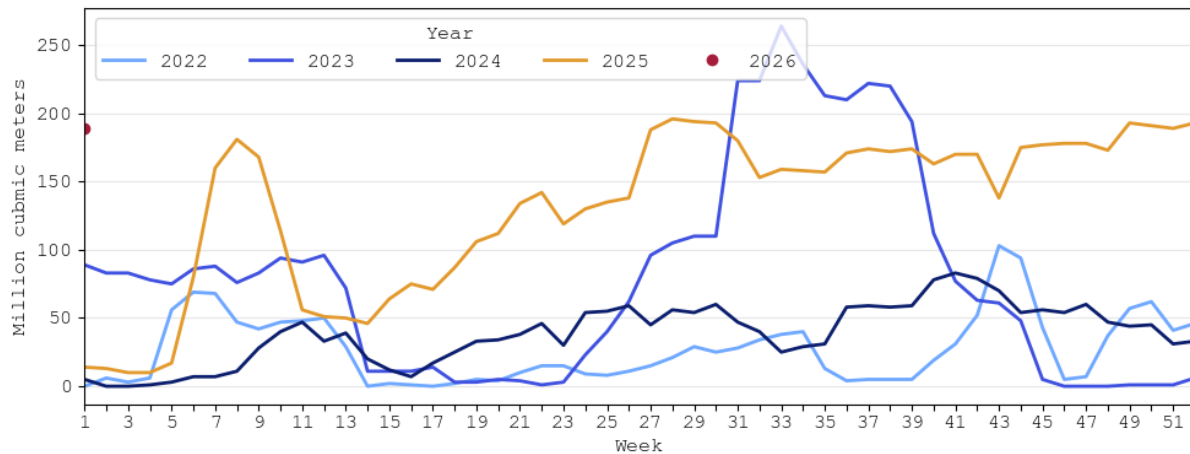
More importantly, almost⁵ no domestic or foreign private companies were willing to inject gas into Ukraine. Foreign entities were concerned about risks associated with the war, political instability and related uncertainties, even when storing gas under the existing “warehouse regime”⁶. For traders, selling gas in Ukraine is currently simply unprofitable. Further, in 2025, the seasonal price difference between summer and winter did not favour large-scale gas storage (also, in the EU, gas wholesale prices were higher in summer than in autumn). On the domestic market, no enterprise can profit from such arbitrage operations because most prices remain regulated. According to the IMF, household gas prices equal about 50% of cost-recovery levels and are set at around one-third of market rates (see below) (IMF, 2025). Naftogaz holds a monopolistic position with huge public service obligations (PSOs).

Lastly, Naftogaz lacks the funds to purchase gas, leaving it reliant on foreign assistance. In the first half of 2025, there were no straightforward credit or loan options, since artificially low domestic prices undermined Ukraine’s ability to repay such loans. What was needed, therefore, was mostly non-repayable grants or very long-term loans on favourable terms. These were thankfully provided by international financial institutions, notably the EBRD and EIB, which together contributed EUR 800 million. This was complemented by a EUR 140 million grant from the Norwegian government (EBRD, 2025) and UAH 9.4 billion in total (equivalent of around EUR 200 million) from two Ukrainian banks (Naftogaz, 2025b).

⁵ One company that injected gas and made use of Ukrainian storage was Moldovan ENERGOCOM

⁶ The customs warehouse regime (CWR) enables customers to place gas in Ukrainian underground gas storage facilities for a period of up to 1,095 days without being subject to taxes or customs duties.

Figure 1. EU reverse flows into Ukraine, 2022-2026



Source: Bruegel, based on ENTSO-G. Graph produced by Green Deal Ukraine

Note: Includes Hungary, Poland, Romania and Slovakia

Following the cash injections from the various institutions mentioned above, gas imports increased steadily, and before October 2025, Naftogaz managed to fill storage with what was estimated to be the minimal necessary volumes of gas (see Diagram 1). New financial needs nevertheless emerged in connection with the Russian attacks in October-December 2025, which triggered the reduction in domestic production and the increased import requirement.

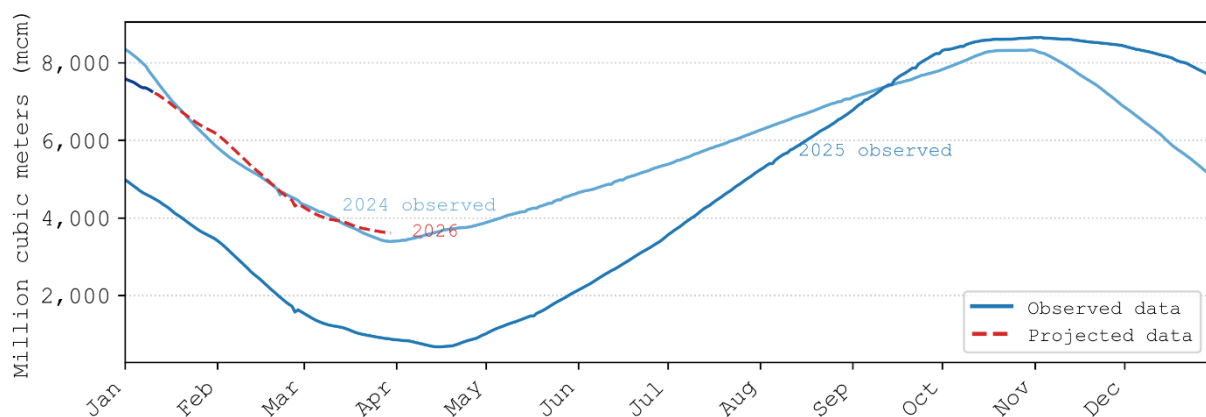
Difficulties in financing the filling of Ukrainian storage facilities recur every year, leading to growing gas-related debt. Foreign partners are aware of this problem and – apart from extraordinary situations involving massive attacks – might be decreasingly willing to offer grants or preferential financing. This reluctance is reinforced by the lack of a clear, sustainable long-term gas supply strategy and by the perception that the problems in early 2025 were largely self-inflicted.

First, the political decision to maintain prices for most domestic customers well below market levels undermined the profitability of gas procurement and storage. Second, in 2024, Naftogaz deliberately pursued a strategy centred on increased domestic production, under the assumption that winter demand could be met without significant reliance on imports (Naftogaz, 2023). Third, despite efforts in 2024, Naftogaz’s long-term production is forecast to decline due to underinvestment. This is evidenced by the minimal volumes of gas injected into storage ahead of the 2024/25 heating season, leaving storage facilities almost empty by early 2025.

3 Import needs in 2025/26 heating season

Despite significant challenges at the outset of 2025, Ukraine succeeded in accumulating just under 14 bcm of gas in storage by the end of October 2025, including 4.6 bcm of technical gas, which placed storage levels slightly above the suggested minimum threshold. By the end of January 2026, available gas in storage had declined to around 7.5 bcm (excluding technical gas). Imports during this period amounted to just under 5 bcm. However, the reduction in domestic production capacity caused by Russian attacks meant that import requirements during the heating period would exceed original expectations.

Figure 2. Storage fill levels, 2021–2026



Source: Bruegel, AGSI, Estimated forecast and graph: Green Deal Ukraina Note: Presented storage data does not include technical gas

According to Naftogaz estimates, between November 2025 and March 2026, Ukraine needs an additional 4.4 bcm of imported gas (Naftogaz, 2025). As half of the heating season has already passed, and lot of gas have already been bought by Naftogaz, the current needs are significantly lower.⁷ The required volume is contingent on weather conditions, the pace of repairs and restoration of production capacity, the risk of additional attacks, and the availability of financial resources and import capacity.

Before the heating season, Kyiv and Naftogaz authorities estimated that an additional EUR 2 billion will be required to purchase the necessary gas volumes for the whole heating season. Currently these needs are substantially lower⁸. These funds were expected to come both from domestic and international sources. Domestically, the Ukrainian government allocated UAH 8.4 billion (around EUR 172 mln) from the budget reserve at the end of November (Government of

⁷ the needs as for the mid January 2026, see Interfax Ukraine (2026)

⁸ estimated by Ministry of Economy on January 22 at 100 mln USD – see Interfax Ukraine (2026)

Ukraine, 2025); while loans from local banks are also anticipated, for example, in December, PrivatBank extended a UAH 5 billion loan (around EUR 100 mln) to Naftogaz (Naftogaz, 2025). Most of the funding is expected to come from foreign partners. The EBRD has pledged support, with negotiations underway for an additional EUR 500 million loan (Kyiv Post, 2025). Further contributions are expected from Norway (Government of Norway, 2025) the EU (via EIB), and individual EU Member States.

The heating season in Ukraine officially began on 28 October 2025, with net gas injections into storage continuing until early November. Imports through Hungarian, Polish and Slovakian border points elevated all December, and decreased to some extent in January. If the average flows from November-mid January were maintained at around 26 mcm per day (TSOUATT), Ukraine import could equal 3.9 bcm between November and March. However, if demand approaches the upper end of the forecast range, these volumes will likely be insufficient⁹. To supplement supply, on 5 November 2025, Ukraine resumed gas imports from Greece via the Trans-Balkan pipeline, with initial import volumes remaining modest (Reuters, 2025). The pipeline Greece had previously been used only sporadically, largely due to high transmission charges in Romania and Moldova. Gas imports, supplied by the Greek public natural gas supplier DEPA, consist primarily of U.S. LNG (Venture Global, 2025). What is more, additional volumes of U.S. LNG (0.6 bcm in 2025 and 1 bcm in 2026) will be delivered from Poland, under the agreement between the U.S. suppliers, Ukraine's Naftogaz and Poland's Orlen (Naftogaz, 2025c).

Purchasing gas on the market during the heating season without prior booking (volumes and capacity), when demand is high across Europe, is significantly more expensive than acquiring it in advance. It is therefore in Ukraine's best interest to develop an effective approach for both filling storage and financing gas purchases, allowing storage volume to remain above the minimum level. The engineering design and location of Ukraine's storage facilities make them resilient to attacks, enabling a safety buffer and surplus storage that enhances redundancy and operational flexibility amid the ongoing war.

4 Possible solutions

In the short term, the key issue is to secure financing for gas imports needed to meet domestic demand and reduce withdrawal rates from underground storage. Although funding has thus far come primarily from external sources, domestic sources could potentially cover part of the required financing needs.

⁹ as Ukrainians witness very cold winter since early January, but also intensified Russian attacks destroying inter alia generation and heating infrastructure it is very difficult to assess gas needs for the rest of the heating season

Experts¹⁰ identify at least two domestic financing options. First, Naftogaz could receive more support from the state budget to finance a larger share of gas imports. Such support could take the form of either a direct transfer from the state budget or as an increase in the company's charter capital, with the injected capital used to cover gas procurement costs. Second, Naftogaz could seek ex-post compensation to cover the gap between market-based gas procurement costs and revenues from regulated supply, which in effect constitutes a budgetary public service (IMF, 2025). A similar mechanism could apply to regional distribution companies, from which Naftogaz attempt to recover outstanding debts of approximately EUR 1 billion. This is possible, as under Public Service Obligations (PSO), these companies are legally entitled to government compensation to maintain regulated, below-market prices for protected customer groups. Any support from the state budget can be regarded as a temporary measure only. This is particularly relevant, given the large budget deficit and significant reliance on external financial assistance for non-defense expenditure (Reuters, 2025b).

At the same time, it is crucial to develop a sustainable model for financing gas purchases that can be applied not only this year but also in the future. Most experts consider the reintroduction of market-based pricing to be the only realistic, long-term solution (e.g. Razmukov Centre, 2025). Between 2015 and 2020, Ukraine undertook a series of substantial gas market reforms, including initiating the transition toward market-based pricing. However, the planned 2020 liberalisation was never fully implemented. Initially, it was temporarily suspended during the COVID-19 pandemic and replaced with a price cap, and following the commencement of the full-scale war in 2022, a moratorium on household price increases was imposed. These measures have placed a significant financial burden on Naftogaz (Vox Ukraine, 2025). If the company were permitted to sell gas from storage at market prices, the resulting revenues would enable it to repay existing debts, secure new loans for future heating seasons and/or independently finance gas purchases. This could also allow Naftogaz to re-establish itself as one of Ukraine's largest taxpayers. Politically, however, implementing such measures remains challenging, which has prevented household gas prices from increasing since 2019. So far, both the government and President Zelensky have refrained from action, and Ukraine's National Energy and Utilities Regulatory Commission (NEURC), which is formally responsible for overseeing such matters, has been largely absent.

Such a solution – and a move away from price caps and Public Service Obligation mechanisms in the gas sector – is also suggested in the European Commission's annual Enlargement Ukraine Report 2025 (European Commission, 2025). Additionally, in its 2025 Country Report on Ukraine (IMF, 2025), the IMF calls for a plan where electricity and gas prices enable the sector to truly cover costs, which would heal the sector inter alia by alleviating its huge debt burden. It also

¹⁰ here Serhii Makogon and Andriy Chubyk, both interviewed in July 2025

describes the intent of Ukrainian authorities to gradually liberalise the gas and electricity markets within six months after the end of martial law.

5 Case Study – Moldova¹¹

Unlike Ukraine, Moldova ensured its gas needs for the 2025-2026 winter would be met by procuring the necessary gas volumes in advance. As of late September 2025, 90% of winter demand (700 mcm of gas) had been contracted, including 96% of the volumes needed for the heating period (October–March) (Government of Moldova, 2025). This was made possible by measures and reforms undertaken since the first major gas crisis took place in late 2021.

Since the outbreak of Russia’s full-scale war against Ukraine, Moldova has financed gas purchases in crisis situations through revolving loans from the EBRD, offered on favourable interest terms (EBRD, 2025b). These loans were launched as soon as the Moldovan importer Energocom obtained the capacity to receive them and were granted in a pre-payment model: a public tender was organised, the supplier chosen and relatively small volumes (around 10 mcm) contracted in a single slot, and the EBRD then transferred funds directly to the supplier. The gas was subsequently sold to consumers, who paid their bills, enabling full repayment of the loans. Each year, any outstanding indebtedness was required to be reduced to zero. This mechanism was partially based on Ukraine’s 2013–2014 model.

Moldova’s first major gas crisis, triggered by Russian actions, occurred in 2021, prompting initial steps to diversify supply sources, strengthen cooperation with the EU, and introduce the first increases in domestic gas prices (Sabadus, 2025). In 2022, a series of five price increases effectively aligned gas prices for final consumers in line with market levels. Wholesale prices were liberalised, whereas retail tariffs for households, medium-sized and most of large enterprises remained regulated in 2025, but on a cost-recovery basis, ensuring the coverage of gas procurement and transportation costs. Tariffs set by the Moldovan regulator “represent an annual forecast of price trends on international markets, plus transportation costs, operating costs, depreciation, network losses, and a profitability margin” (Moldova, 2024). Any deviations from actual market prices are reconciled through subsequent tariff revisions¹². Additionally, similar measures were implemented in the electricity and other utilities markets.

Between 2021 and 2024, the European Union provided direct support to Moldovan energy consumers through several tranches of grants ranging from EUR 60–75 million each, aimed at reducing end-user payments (Sabadus, 2025). Disbursement of these grants was made conditional upon the implementation of energy market reforms. These subsidies were non-

¹¹ based to a significant extent on an interview with Maciej Wozniak EU Senior NonKey Expert to Moldova’s state power and gas trade company ENERGOCOM

¹² As of April 2026 all large companies are to switch to market prices

repayable and explicitly indicated on consumers' bills. In the early stages, the discounts covered 50–70% of the bill, though the coverage was subsequently reduced (ibidem). In 2025, the European Commission and Moldova agreed on an additional support package of EUR 250 million, a substantial portion of which is intended to mitigate the impact of rising gas and electricity prices on consumers.

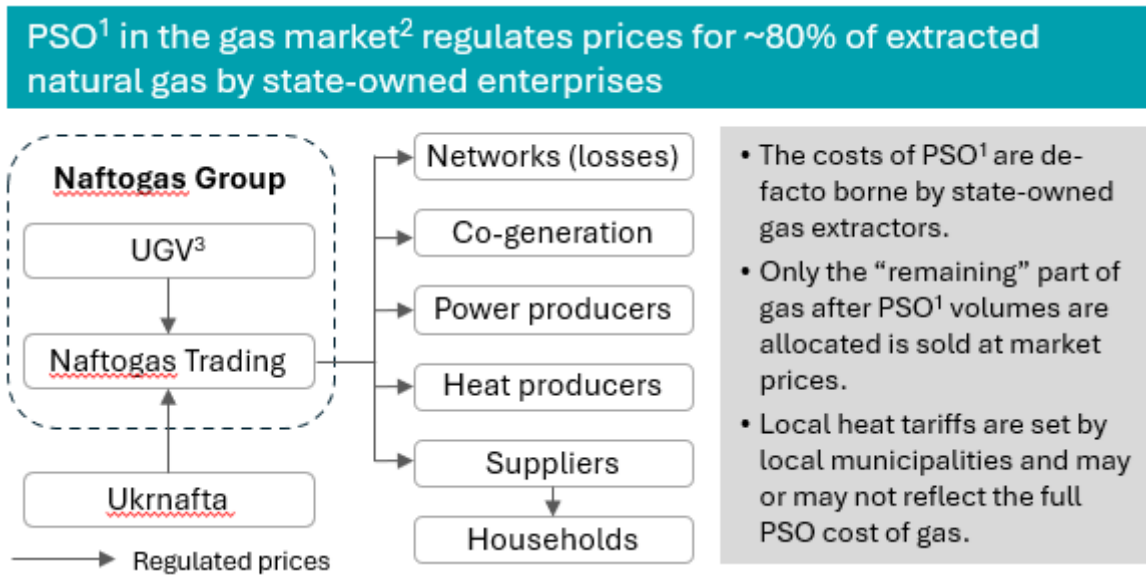
An additional EUR 60 million is to be allocated to support the population in Transnistria, the unrecognized separatist republic located on the left bank of the Dniester River (European Commission, 2025b). Transnistria is an internationally unrecognized separatist republic located on the left bank of the Dniester river, which broke away from Moldova in 1990. For decades it has been supported by Russia and used instrumentally by it, including in the gas and energy sphere. Traditionally, it used to receive Russian gas at highly preferential prices, which was crucial for local industry, economy, and oligarchs. Since the end of Russian gas transit through Ukrainian territory at the end of 2024, Transnistria has had to rely on alternative routes and gas delivery methods. As a result, both the volumes and reliability of Russian gas supplies to Transnistria have declined significantly, with only small volumes of gas now supplied by Gazprom through an intermediary on European markets (Calus, 2025), leading to periodic gas shortages in the region (Calus, 2025). Gas prices in Transnistria have risen significantly, from levels previously 10 times lower than in Moldova to roughly half of the current Moldovan rates. The region is experiencing a financial crisis, with bankruptcies in Tiraspol and delays in wage payments. The ability of Transnistria to manage the remainder of the current winter, and future heating seasons, remains highly uncertain. Concerns are mounting regarding the potential for systemic collapse in the region and the likely response from Moscow. Disruptions in gas supply are also affecting electricity generation in Transnistria's largest power plant, a significant share of whose output was used to be sold to right-bank Moldova. This has created an urgent need to diversify electricity sources and has contributed to rising electricity prices. The situation is being closely monitored by Moldovan authorities, highlighting the imperative of achieving energy independence and decreasing reliance on Russian energy imports.

As a result of higher prices and targeted subsidies, household gas consumption in Moldova has declined in recent years. In 2020, the gas price was 4 Moldovan lei/m³; it has since risen to nearly 17 lei/m³ in November 2025 (Logos, 2025) and at times reached 32 lei/m³. It is, however, difficult to assess the overall effectiveness of market pricing from a social perspective. Many households do not feel adequately supported, as the EU assistance in the form of discounts and grants offset only a limited portion of the tariff increases. A widespread sense of impoverishment persists. The effectiveness of “derussification” remains a subject of public debate, with many citizens viewing life under the Russian energy umbrella as comparatively easier, irrespective of the broader European context.

6 Ukraine: gas prices today

Currently, a large share of consumers in Ukraine receive gas at regulated prices. Consumer groups and the rules governing wholesale and retail markets are defined under the Regulation on the Imposition of Special Obligations (PSO), whose validity was extended again in October 2025 until the end of March 2026 (Ministry of Energy, 2025). Additionally, the PSO regulates the prices of approximately 80% of domestically extracted gas. The cost of PSO is borne by domestic gas producers, as this gas is sold at below the market prices to households, budgetary institutions, district heating companies, power producers, and gas distribution companies needing technical gas (see the Diagram 3 below).

Figure 3. Regulated gas prices in Ukraine, 2025



Source: O. Mykhailenko, *Debts in the Ukrainian electricity market, status as of mid-2025*, Green Deal Ukraine, 17.09.2025

Note: 1) Public Service Obligation; 2) As ruled by the Decree of the Cabinet of Ministers of Ukraine #812 from 19/06/2022 and #222 from 06/03/2022; 3) Ukgasvydobuvannya; 4) Excluding Crimea.

The regulated price levels differ across consumer categories, but for many, it is almost two and a half times lower than unregulated prices and three times lower than the price of imported gas. In the first half of 2025, prices were in most cases kept at the previous year’s level¹³, with households in Kyiv paying the lowest gas prices among all European capitals (Dixi Group, 2025). At the same time, price increases of several dozen percent were observed – compared to the same period a year earlier – both on the unregulated domestic market and on European markets. According to the regulator, the price of imported gas in the second quarter of 2025 averaged about 22.4 UAH/m³ (NEURC, 2025), well above the regulated domestic prices, which led to an increase in losses from selling gas at those regulated rates.

Households constitute the largest gas consumer group, accounting for around 40% of total gas consumption. In October 2025, their gas prices were set at 7.42 UAH/ m³ (including VAT) and would remain fixed through the end of March 2026. By contrast, regulated prices for power plants were increased significantly compared to the previous year, ranging from 16 to 21 UAH/m³. Nevertheless, the vast majority of gas supplied to domestic consumers continues to be sold below market price or imported gas price (see Table 1 below).

¹³ and according to available information, they have remained at almost the same level since 2021.

Table 1. Gas prices for different Ukrainian consumers, October 2025

Group of consumers	Price UAH/m ³	Price €/MWh*	Price ¢/kWh*
Households (PSO, regulated)	7.42 (Government of Ukraine, 2025b)	14.23	1.42
Budgetary institutions (PSO, regulated)	16.39 ¹⁴	31.41	3.14
District heating for households (PSO, regulated)	7.42 (Government of Ukraine, 2025b)	14.23	1.42
Gas distribution companies – technical gas (PSO, regulated) (Government of Ukraine, 2022)	7.42	14.23	1.42
Power producers (depending on type of producer) (regulated)	16-21 (ExPro Consulting, 2025)	30.66-40.24	3.07-4.02
Average price of on internal, non-regulated market (est)	25.3-25.7 (Fixygen, 2025)	48.48-49.24	4.85-4.92
Average import prices in Ukraine **	22.4 (NEURC, 2025)	42.92	4.29

Note: * exchange rate from Dec 15, 2025, NBU. Assumed conversion factors for gas: 1 cm³ ~ 10,55 kWh = 0,01055 MWh

** average import price in the second quarter of 2025, for comparison reasons

¹⁴ ibidem

Ukrainian industrial consumers pay unregulated, near-market prices and are supplied mainly with domestically produced gas. Industrial demand has declined due to war-related damage, which also caused the fall in production activity.

7 Achieving realistic gas prices

At present it is difficult to say whether and when political conditions will emerge in Ukraine to initiate the process of converging gas prices to market levels.

When

Suggestions from institutions such as the IMF (2025) indicate that liberalisation of the gas and electricity sectors could realistically take place upon the conclusion of the war and martial law. Nonetheless, in line with commitments outlined, inter alia, in the Ukraine Facility Plan, a detailed roadmap for gas market liberalisation should already be developed, including lifting the price moratorium and introducing tariffs that reflect actual costs.

While some voices¹⁵ are calling to begin liberalization measures without delay, practical implementation is expected only after traditionally difficult heating season. Ultimately, the decisions, actions and their timelines will undoubtedly depend on the will of President Volodymyr Zelensky and figures around him, who exert considerable influence on the new Ukrainian government appointed in January 2026 (Jędrysiak, 2025).

How to implement it?

Based on interviews conducted within the frameworks of this study, the process of converging gas prices to market levels could be implemented under one of two scenarios¹⁶. First, following the necessary preparations and detailed planning, market-based pricing could be introduced across all consumer groups, with tariff levels gradually adjusted toward market levels as was done in Moldova in 2022. Second, the process of raising prices could proceed in stages, as was done during earlier gas market reforms (2015-20). This approach would provide temporary protection for vulnerable groups until institutional capacities are developed and adequate funding for subsidies is secured. Gradual phasing out of the PSO, as recommended by the Energy Community, could accompany this process, along with the stepwise opening of market segments to competition (Energy Community (2024b)).

Furthermore, in a second scenario, market prices could initially be introduced for two groups:

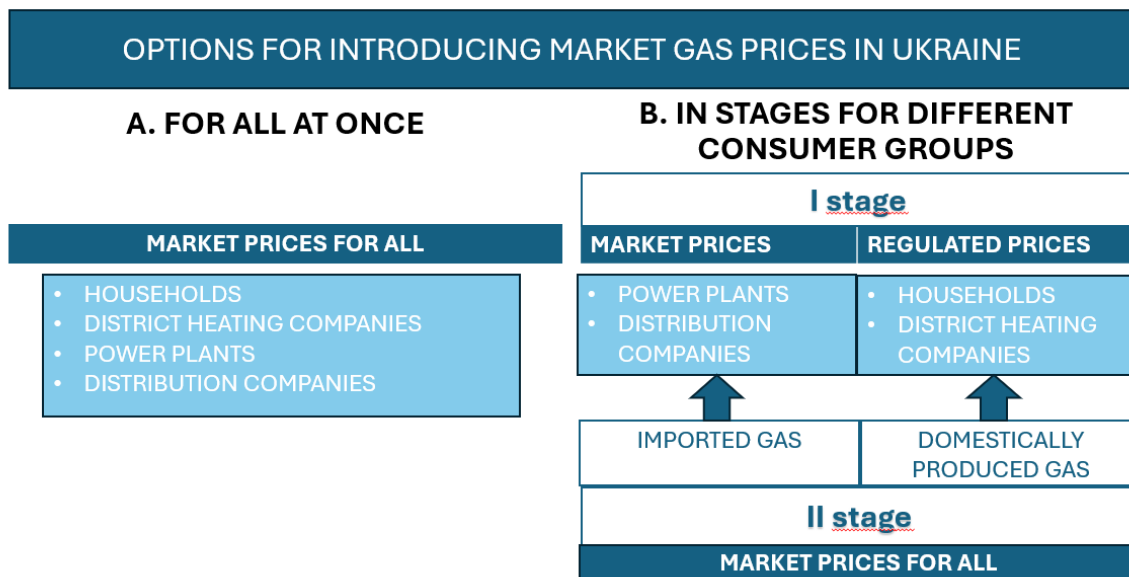
¹⁵ among others of V. Omelchenko and S. Makogon

¹⁶ with S. Makogon

- Power plants, whose regulated prices were significantly increased in October 2025 and which, in the event of excessively high gas prices, have the option of switching to alternative energy sources. It should be noted that power plants account for up to 10% of total Ukrainian gas consumption.
- Distribution companies, which need approximately 1.1 bcm of technical gas per year.

Given the social sensitivity of the issue, below-market regulated prices could initially be maintained for households and district heating companies. Under conditions of stable domestic production, the needs of the mentioned two groups could likely be met almost exclusively with domestically extracted gas. Imported gas could, at least in the first phase, be allocated exclusively or primarily to consumers paying market-based prices. At a later stage, market-based prices could be extended to all consumer groups. Price increases for households could be implemented gradually, with differentiated tariffs applied across various consumer groups (Makogon, 2025).

Figure 4. Options for the introduction of market gas prices



Protecting the vulnerable consumers

In both scenarios, it would be essential to identify the most vulnerable consumer groups and implement the existing social protection system, adapted to specific war/post-war needs, with financing shared jointly between the Ukrainian government and the EU. Such support could be itemized on energy bills, providing visible evidence of ongoing EU support.

Ukraine is considered to have a solid system for tailoring assistance to individual consumers' needs through the Housing and Utility Subsidy (HUS) scheme, which was implemented in 1995. In 2019, the scheme, particularly its gas component, was reformed into a targeted cash transfer. The scheme will have to be adapted not only to war-related changes, which have made identifying vulnerable consumers even more difficult, but also to enhance its effectiveness in helping them reduce gas consumption, while affording their bills (Pidubna, 2025). Accurate metering of individual gas consumption, combined with transparent collection and processing of this data, will be essential to achieving this goal.

Attracting new companies to the Ukrainian gas market

The introduction of gas prices based on market would make gas trading and storage in Ukraine more attractive to private companies and would likely reduce Naftogaz's dominant market position.

Greater participation by foreign companies in Ukraine's gas storage sector would help to raise pressure in the storage system, improve withdrawal capacity, and generate revenues. To achieve this, it would be advisable to introduce comprehensive insurance, particularly war-risk insurance, which would help lower perceived investment risk and associated costs. The US International Development Finance Corporation (DFC, formerly OPIC) already provided war-risk

guarantees to the company ERU (with US capital), enabling it to actively trade and sell gas both in Ukraine and Moldova. Other companies present in Ukraine include the Hungarian firm MET and the Dutch firm Vitol. In 2025, Norwegian Equinor stored gas in Ukrainian facilities with a view to selling it on the domestic market when prices would. However, most international companies remain cautious due to the perceived risk.

Every European country has a national institution responsible for insuring or guaranteeing smaller transactions and investments (e.g., Polish BGK and German Hermes). These institutions could play a key role in the current situation by providing guarantees or insurance to companies considering gas storage in Ukraine.

Conclusions and Recommendations

Introducing market-based gas pricing for all consumer groups in Ukraine appears to be the only way to sustainably fill storage facilities and to prepare the country annually for the heating season. Yet, a decision to raise the price of a strategic commodity such as gas inevitably carries considerable political risk, particularly in a country entering its fourth year of resisting Russian aggression, where the energy and gas sectors remain frequent targets of Russian attacks.

Key questions concern the timing of such reforms and whether market pricing should be introduced simultaneously or gradually for all consumer groups. It seems feasible to start the transition toward market-based pricing after the end of the heating season, even if hostilities persist. Despite severe challenges facing Ukrainian society, there is a reason to believe that higher prices could be absorbed. Moldova provides an example of how gas and energy crises can create critical, unique windows of opportunity for implementing the necessary, long-delayed market reforms.

It also seems feasible to introduce higher prices simultaneously for all consumer groups, provided this is complemented by direct subsidies tailored to clearly identified needs and designed to incentivize changes in consumption behaviour. Such subsidies could initially be applied quite broadly and co-financed with EU funds. Higher prices would encourage households to reduce consumption and, under conditions of stabilization and reconstruction, to shift toward more efficient heating solutions. As a result, gas demand among certain consumer could decline, thereby reducing overall import requirements.

The move towards market-based gas pricing will require further reforms, especially in the gas market. It will be necessary, among other things, to curb Naftogaz's dominant role by increasing third-party companies' participation in the market. A universal obligation for gas metering is necessary, which would likely require reform of the country's gas distribution system. Finally, to prevent undesirable shifts in energy consumption (from gas to electricity), it may prove sensible to implement electricity market reforms in parallel with, or shortly after, the changes in the gas market.

Carrying out comprehensive reforms amid an ongoing war and mounting international and economic challenges is a daunting but crucial step forward. The effective introduction of market-based gas prices alone could help Naftogaz repay its debts and regain agency. It would also enable the company to operate more effectively on the domestic and European markets, strengthen its credibility with Western partners, and improve the profitability of Ukraine's internal gas market. Ultimately, rather than being a burden, it could become a source of revenue for the Ukrainian budget, thereby enabling greater sums to be allocated to defence and reconstruction.

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