



Європейсько-українське
енергетичне агентство
European-Ukrainian Energy Agency

RE & EE: Where Is Ukraine Going?

Global Forum on Sustainable Energy
Session 4: Enabling Investments in RE and EE
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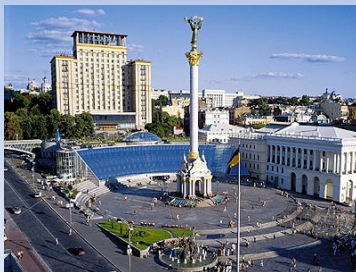


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Ukraine today



- RE clearly prioritized by the government, included in 10 National Projects
- EE high on agenda, though significantly relying on donor support



- Lack of incentives for savings at neither of the stages of production, transportation or consumption of energy
- *Production* driven instead of *Demand* driven development
- Tariffs setting tied to politics
- Poor legal and technical norms/regulations, which influence the investment climate



Estimates:

In order to increase efficiency by 50% (up to 2030) – **USD 1 bil.** Investments needed **yearly** (World Bank estimate)

EE in Housing stock requires **USD 15 bil.** during **10-15 years.** (IFC estimate)

Heat and power network modernization requires **USD 12 bil.** (experts estimate)



Government Incentives

1. VAT Free regime for import of equipment and materials for EE and RE projects

- Identical equipment is not produced in Ukraine.
- The list is approved by Cabinet of Ministers of Ukraine (CMU)

2. Corporate Profit Tax (CPT)

- Exemption for **80%** of profits originating in Ukraine from sales of one's own produced goods as per the list of the CMU
 - ❖ 5 years from the moment of the first profit from increase of the energy efficiency of production process
- Exemption for **50%** of the CPT on profits from energy saving measures and energy saving projects made by the companies that are listed on the state register (NAER) of EE companies
 - ❖ 5 years from the first date of the first profit from EE measures

Government Incentives (3)

- FULL CPT exemption until 2020, for profits from sales on electricity (generated from renewable energy sources)
 - Savings shall be directed to increase the production, repairs, implementation of the new technologies, loan repayment
- 14th July, 2010 - changes to National economic programme on energy efficiency for 2010-2015
 - 285,32 billion UAH (~EUR 28,5 bill.), including 30,1 bill.UAH (~EUR 3 bill.) – from the National Budget, 240,22 bill. UAH (~EUR 24 bill.) – “From other sources”.

“Green Tariff”

- Aims at stimulating development of RE
- Tariff is tied to EURO and effective until 2030
- The Wholesale Electricity Market is obliged buying renewable energy by law
- The grid operator cannot refuse connection and shall reimburse grid connection expenses by law
- Local content requirement from January 2012 – 30%



» Green Tariff for biogas expected!

Minimal fixed GT rates

Type of energy	Power station capacity and other factors influencing the rate of GT	Rate of the tariff (€ / kW)
Wind	less 600 kW	0,0646
	600-2000 kW	0,0754
	more 2000 kW	0,1131
Solar energy	Power plants on ground surface	0,4653
	Power plants on the roofs of buildings with power capacity exceeding 100 kW	0,4459
	Power plants on the roofs of buildings with power capacity of up to 100 kW	0,4265
Biomass	Should be at least partially of plant origin to be eligible	0,1239
Small hydropower plants	not more than 10000 kW	0,0775

Latest Legislation

- October 2010, Law "On peculiarities of renting or concession facilities of centralized water supply, heat supply and drainage systems, which are in municipal ownership. "
 - Licensing issues
 - Tariff setting questions
- Dec. 2010 Law on Housing Unions of Ukraine
 - 1 March 2011 – 12 286 HU (15,2 % of housing stock applicable for HU)
 - 349 of which have been established since beginning of 2011
 - According to government reform programme, until the end of 2014 – estimated 45530 HU (70% housing stock)

Current RE status

Sector	Declared	Implemented
Solar Power	2 GWt	7,8 MWt
Wind	14 GWt	87,5 MWt
Small Hydro	50 MWt	Less 1 MW (102 MWt before)
Biogas	-	Less 2 MWt
Biomass; solid biofuel	1 GWt	Less 5 MWt

Sources: Ukrainian Wind Energy Association, Fuel Alternative

Donor Involvement

- World Bank (infrastructure programs, EE focus)
- EBRD (USELF, UKEEP, technical assistance)
- EIB (official representative office March 2011, close cooperation with EBRD)
- IFC (industrial focus, Ukraine Residential Energy Efficiency Project)
- NEFCO (small loans!)
- USAID (Municipal Heating Reform Project)

- SIDA, Swiss cooperation office, Norwegian MFA, UNIDO, UNDP, INOGATE, GTZ, and others.

Instruments for Financing E5P

Eastern Europe Energy Efficiency and Environment Partnership (E5P) “Swedish Initiative”

- 90 million EURO in grants contributed to the fund by EU, SIDA, EBRD, NEFCO, NIB, EIB, others
- 10 million EURO contribution from Ukraine (February 2011)
- Up to 30% of total project cost in grant, 70% - loan from one of the donors

New Budget Code to cause problems for Municipal financing !

Conclusions

Politically driven decision making

- Efficiency vs Renewable Energy
- Limits establishment of sustainable market mechanisms for similar project implementation

Not always lack of investment, but legal and functioning framework

Lack of local competence for project implementation (Project quality!)

Insufficient small scale financing tools

Lack of understanding among population of potential savings for households

Often declarative type of legislative reforms



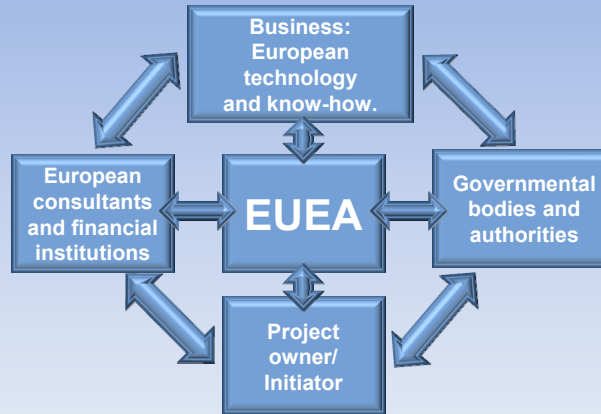
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About EUEA

EUEA - is a non-profit Association founded in Kyiv in 2009

with the goal to establish a solid platform for joint EU-Ukrainian actions

to create energy efficient society, support the development of renewable energy sector as well as promote the energy friendly technology transfer.



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Members





2nd European-Ukrainian Energy Day
Kyiv, May 31 – June 1, 2011

Thank You!

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