



CHAPTER 2

Improving the legal framework for attracting investment in electricity generation

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In recent years, Ukraine has adopted a number of legislative changes to increase the investment

attractiveness of power generation projects and simplify their implementation.

01

In 2023, the Verkhovna Rada of Ukraine adopted **Law of Ukraine №3220-IX dated 30 June 2023 “On Amendments to Certain Laws of Ukraine on the Restoration and Green Transformation of the Energy System of Ukraine”** in order to facilitate the

development of the renewable energy sector in Ukraine. To this end, the Law introduced a number of **new mechanisms to support the development of a competitive RES market framework**. These include:

The introduction of the so-called Corporate PPAs, which offer the possibility to conclude long-term direct electricity purchase and sale agreements between a RES producer and a consumer, electricity supplier or trader

(Article 9-5 of the Law of Ukraine “On Alternative Energy Sources”). These agreements are virtual financial contracts and provide for the possibility of long-term fixing of the price of electricity produced by RES facilities. The physical purchase and sale of electricity is carried out separately in different market segments, while the counterparties settle the

difference between market and contract pricing in cash. That is, if the price of electricity on the market is lower than the price specified in the contract, the consumer pays the difference to the RES producer, or, on the contrary scenario, the RES producer compensates the difference to the consumer.

The establishment of a mechanism for issuing guarantees of origin for electricity produced from RES, with the NEURC being designated as the authorised body for issuing guarantees of origin

to ensure their recognition in the European Union (Article 9-7 of the Law of Ukraine “On Alternative Energy Sources”). This is an important development for consumers, especially exporters, in view of the upcoming introduction of the carbon border adjustment mechanism (CBAM) with the European Union, as well as for the effective implementation of direct contracts.

Furthermore, the Government has approved the Procedure for Issuing Guarantees of Origin and the Procedure for Determining the Environmental Value of Electricity from RES⁸. Since October 2024, the register of guarantees of origin has been successfully operating while the first guarantees of origin have been issued and are being traded. The average price of a guarantee of origin is about UAH 13 per 1 MWh.

The improvement of the so-called “green” auctions, namely the mechanism for conducting auctions for the distribution of support quotas, taking

into account the world’s leading experience (Article 9-3 of the Law of Ukraine “On Alternative Energy Sources”). A model of contracts for difference was introduced instead of a fixed tariff, and the list of documents for participation in the auction was simplified.

in accordance with the Procedure for conducting auctions for the allocation of support quotas⁹.

The winners of the auctions will receive a long-term contract with the State Enterprise “Guaranteed Buyer” for a period of 12 years. The maximum price bid from 2025 will be 8 euro cents per 1 kWh for SPP and WPP and 12 euro cents per 1 kWh for other types of RES (biomass, biogas, small HPP). The auctions will be held

The Government announced pilot auctions in 2024, with a total capacity of 110 MW (11 MW of solar, 88 MW of wind and 11 MW of other energy sources¹⁰). The first auction was held for 11 MW from other energy sources, attracting 2 participants. By the end of 2024, the Government must approve the decision to hold auctions in 2025 and determine the volume of quotas for 2026-2029.

⁸ - <https://zakon.rada.gov.ua/laws/show/227-2024-%D0%BF#Text>

⁹ - <https://zakon.rada.gov.ua/laws/show/1175-2019-%D0%BF#Text>

¹⁰ - <https://zakon.rada.gov.ua/laws/show/757-2024-%D1%80#Text>

The creation of conditions for attracting investments in RES on the consumer side, in particular through the introduction of the Net Billing Model, a self-production mechanism

(Article 9-6 of the Law of Ukraine “On Alternative Energy Sources”). Household and non-household consumers have the right to acquire the status of an active consumer and install generating and/or ESF to cover their own consumption with the possibility of selling surplus electricity to electricity suppliers on market terms.

help attract investment in new RES projects.

At the same time, a recent NEURC resolution¹¹ provided existing RES facilities that received support under the “green” tariff model with the option to leave the balancing group of the Guaranteed Buyer, sell electricity independently on the electricity market and receive a market premium (feed-in premium model).

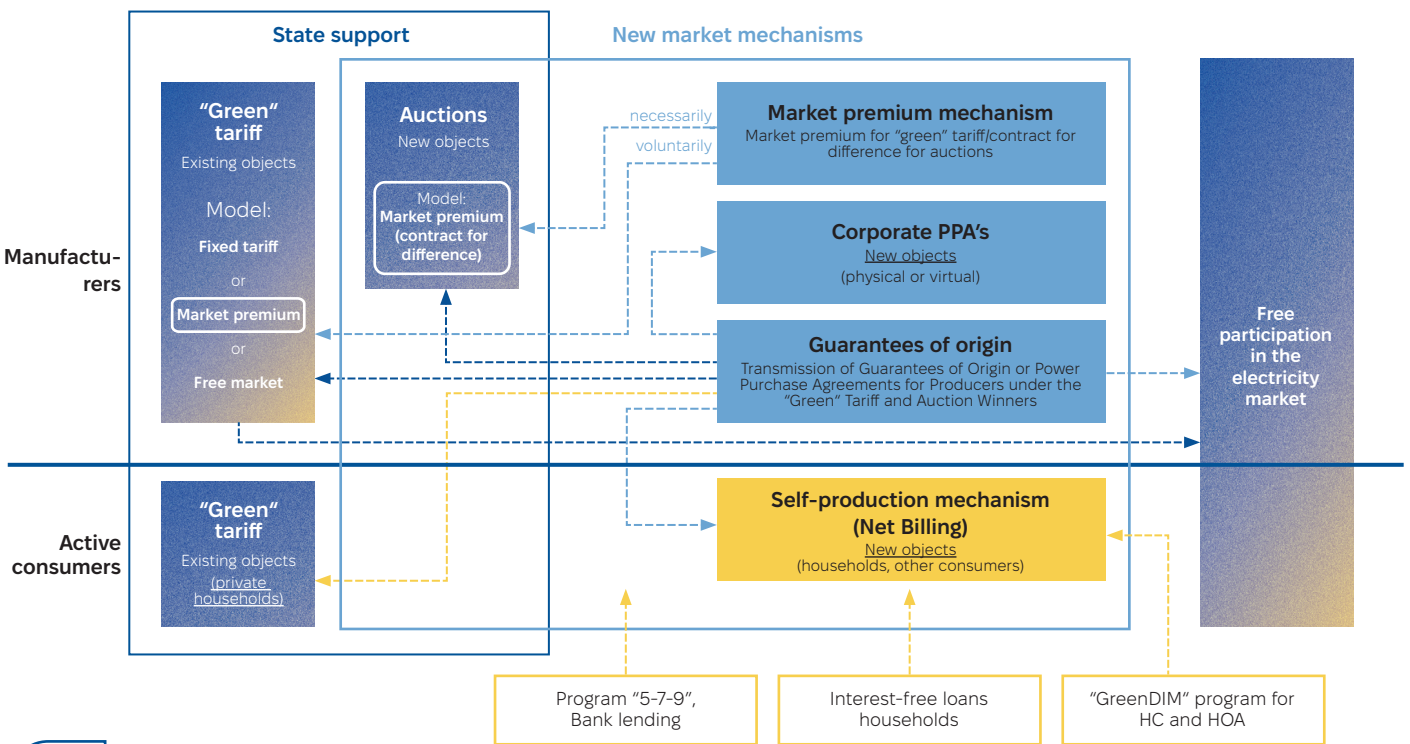
These market-based support models are expected to

The development of a mechanism to resolve the issues with the debts incurred by the Guaranteed Buyer to producers under the “green” tariff model.

In particular, the Ukraine Facility 2024-2027 plan envisages eliminating the causes of the current debt by developing a roadmap for unbundling the

renewable energy surcharge from the transmission tariff and further liberalising/reforming the energy market.

Simplifying and stimulating the implementation of distributed generation projects



02

Deliberate destruction of the energy infrastructure by the aggressor state has led to a shortage of generating capacity and necessitated a revision of plans for the development of Ukraine’s energy sector. Thus, in July 2024, the Government approved **the Distributed Generation Development Strategy for the period up**

to 2035¹².

The Strategy outlines the pathways and measures for the development of distributed generation, identifying private business entities as the main group for its implementation.

¹¹ - <https://zakon.rada.gov.ua/laws/show/v0641874-19>

¹² - <https://zakon.rada.gov.ua/laws/show/713-2024-%D1%80#Text>

In 2024, **a number of important legislative and organisational steps** were taken to develop distributed generation in Ukraine, in particular by private investors. These included:

- The provision of tax¹³ and customs¹⁴ benefits for the import of energy equipment into Ukraine;
- Simplification of the conditions for the construction and/or placement of gas piston and gas turbine plants (including cogeneration plants¹⁵), as well as the procedure for environmental impact assessment¹⁶;
- Simplification of the procedures for procuring equipment and connecting to distribution systems¹⁷, gas distribution networks¹⁸ and heating networks¹⁹;
- The establishment of a legislative framework and the holding of long-term special auctions for the procurement of ancillary services (various types of reserves) with a 5-year fixed price contract linked to the euro has been announced²⁰.

On 15 August, Ukrenergo held a long-term special auction for the procurement of frequency maintenance reserves, with 11 winners financially guaranteeing the construction of 99 MW of power generation. These facilities are expected to start operations by October 2025. In addition,

on 22 August, Ukrenergo held an auction for automatic frequency restoration reserve services, which allocated 240 MW of reserves for the load service (41% of the required volume), and 260 MW of symmetrical reserve (62% of the need)²¹.

- The CMU has announced a tender for the construction of 700 MW of generating capacity and determined its terms and conditions²². The tender will follow the statutory procedure approved by the CMU on tenders relating to installation of generation capacity and implementation of demand management measures²³.

The Verkhovna Rada of Ukraine registered and adopted in the first reading the draft law on simplification of the business environment N° 11392 dated 02.07.2024²⁴. The draft law, which is currently awaiting its second reading, was **developed to significantly simplify the business environment** in terms of:

- Connecting customers to electricity, gas, heating and centralised water supply networks;
- Reducing time spent by customers on connection and eliminating barriers in the procedure for connection to utility networks;
- Launching the process of creating a nationwide geodetic information and technical system with accessible information on all utility networks;
- Creating favourable conditions for attracting investment in the development of energy and utilities markets;
- Ensuring the protection of the customers' rights, in terms of receiving high quality, timely and reasonably priced connection services.

¹³ - <https://zakon.rada.gov.ua/laws/show/3853-20#n2>

¹⁴ - <https://zakon.rada.gov.ua/laws/show/3854-20#n2>

¹⁵ - <https://zakon.rada.gov.ua/laws/show/1320-2023-%D0%BF#Text>

¹⁶ - <https://zakon.rada.gov.ua/laws/show/1010-2017-%D0%BF#n12>

¹⁷ - <https://zakon.rada.gov.ua/rada/show/v0352874-22#n13>

¹⁸ - <https://zakon.rada.gov.ua/rada/show/v0355874-22>

¹⁹ - <https://zakon.rada.gov.ua/rada/show/v1823874-23#n10>

²⁰ - <https://www.nerc.gov.ua/storage/app/uploads/public/667/d19/6fd/667d196fd62b6077612409.pdf>

²¹ - <https://ua.energy/dopomizhni-poslugy/#1724134294973-419ecfbb-7d12>

²² - <https://zakon.rada.gov.ua/laws/show/756-2024-%D1%80#Text>

²³ - <https://zakon.rada.gov.ua/laws/show/677-2019-%D0%BF#n42>

²⁴ - <https://itd.rada.gov.ua/billInfo/Bills/Card/44521>

05

In order to address the problematic issues of the electricity market and advance integration with the EU, the draft law on the **unification of the electricity markets of Ukraine and the European Union** №12087 dated 02.10.2024 has been prepared²⁵. The purpose of the draft law is to establish integrated European spot

electricity markets (day-ahead and intraday), as well as to create a single market to implement exchanges of balancing services through pan-European platforms. This unification of markets will help to increase market liquidity.

06

In addition, to improve payment discipline in the electricity market, draft law №11301-d of 18.07.2024²⁶ is being developed to ensure that **certain market participants open current accounts with a special regime of use**. The draft law will introduce an algorithm

for the distribution of funds from such accounts and will increase liability for unauthorised electricity withdrawals. Currently, the draft law is awaiting a second reading.

07

Lastly, the state has taken significant steps to **implement the REMIT Regulation**, a set of European rules and practices aimed at preventing abuse in wholesale energy markets and establishing liability for manipulation of the market. This allows NEURC to better supervise the wholesale energy market, including by adopting all necessary secondary

legislation and implementing organisational, IT and data protection requirements. In particular, the regulator has established the Register of Wholesale Energy Market Participants and adopted a number of bylaws aimed at implementing the provisions of the Regulation.

²⁵ - <https://itd.rada.gov.ua/billInfo/Bills/Card/44974>

²⁶ - <https://itd.rada.gov.ua/billInfo/Bills/Card/44584>