

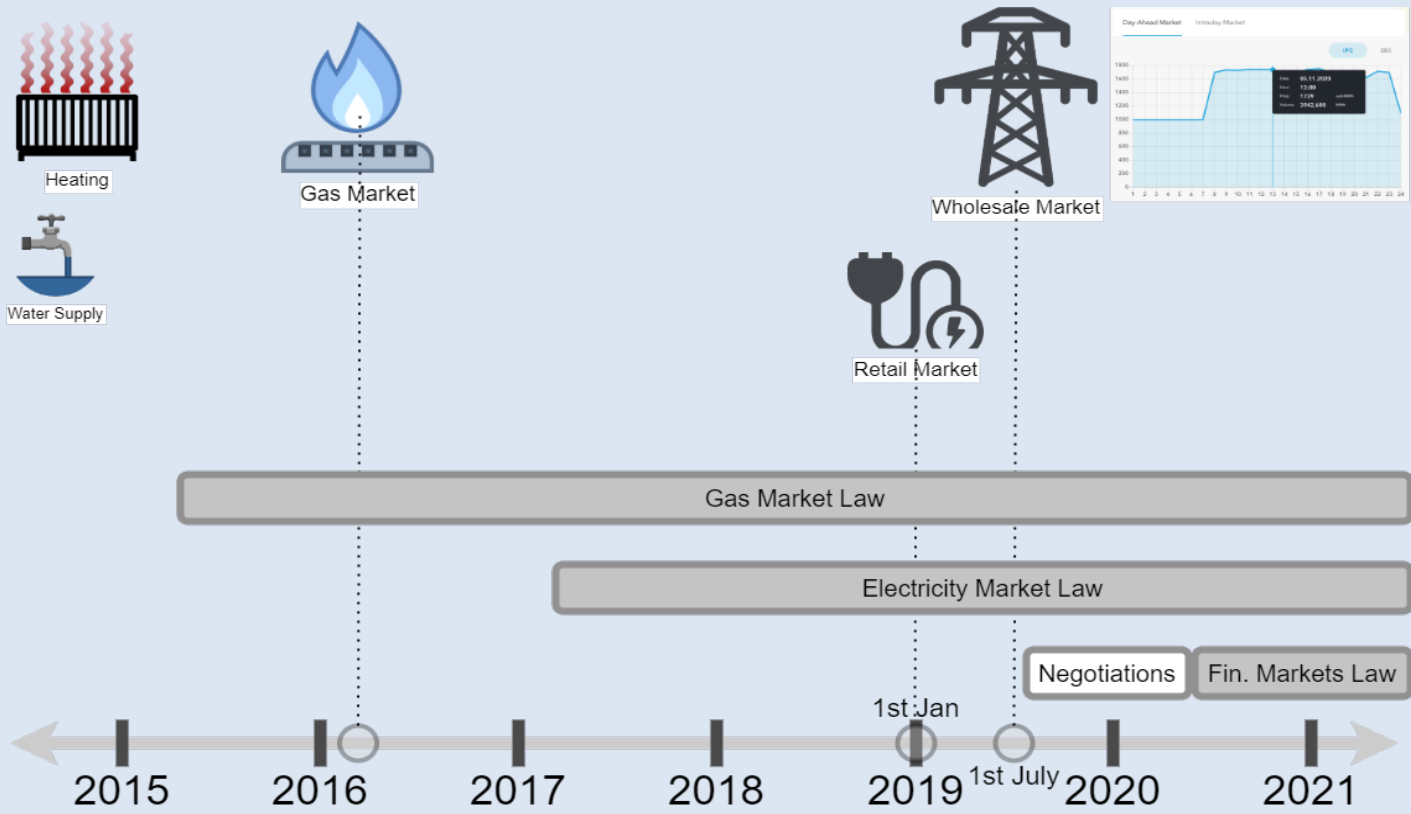
Energy Derivatives Coordination Group
3rd meeting

Ukraine case study

Olena Antonova
29th March 2023

OUTLINE

- **Timeline of legislation for energy markets and financial markets/instruments law in Ukraine**
- **How we did it in Ukraine in the legislative process**
- **Financial Regulator & Energy Regulator: Rivals or Partners?**



Wholesale Gas Market of Ukraine



Producers

- NPPs
- TPPs, CHPPs
- HPPs, HPSPPs
- RES
- Guaranteed Buyer

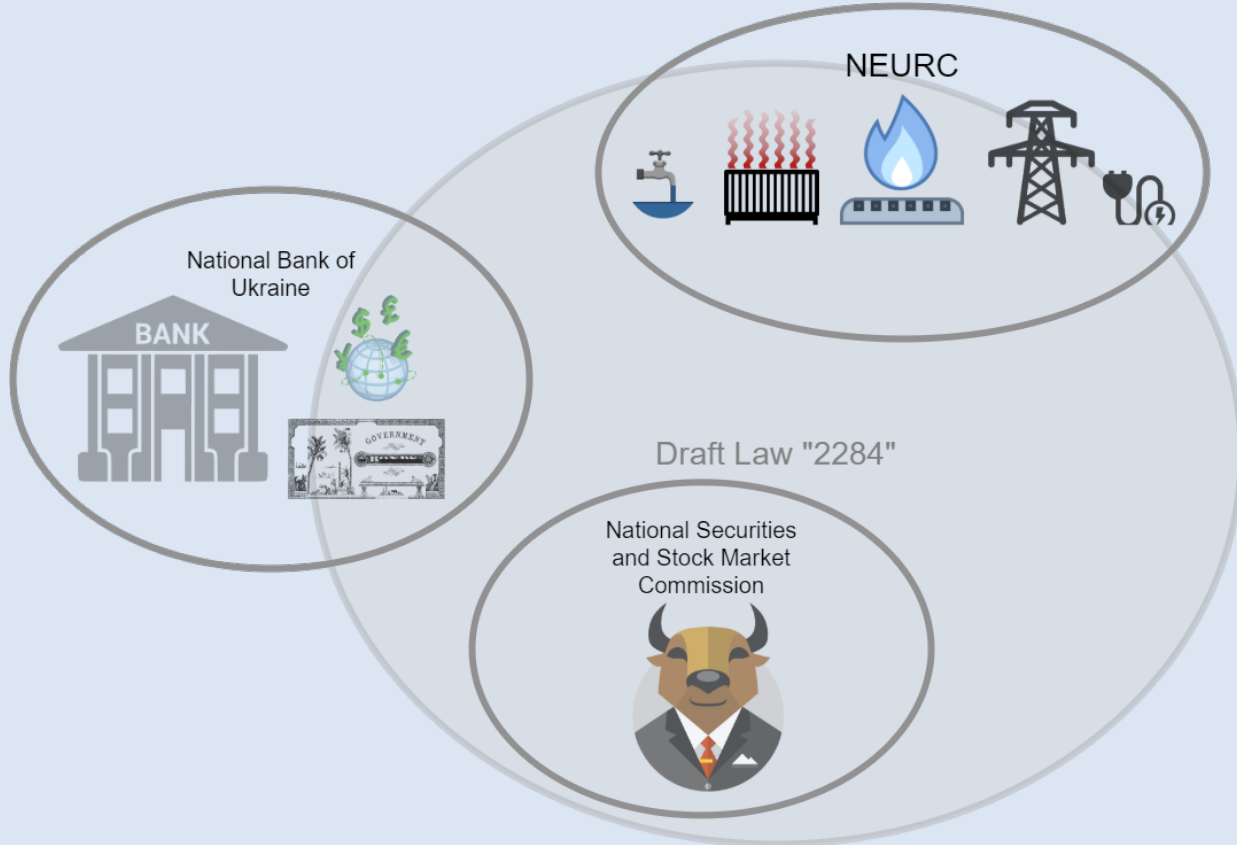


- ### Consumer
- Supplier
 - Final customer
 - DSO
 - Trader



- **Why energy derivatives are beneficial in general and in Ukraine in particular?**
 - Need to understand the price for the future
 - Electricity spot price is hourly, but fluctuates as market is rather immature
 - Gas spot price is “borrowed” from European jurisdictions
 - No price risk hedging instruments available
 - Advanced settlement mechanism (“clearing”) need to be introduced to increase liquidity and decrease transactional costs of market participants

- **But**
 - Electricity & Gas can hardly be equal in regulatory treatment with other tradable commodities
 - Markets operate under many restrictions: price caps in electricity, PSOs, non paying consumers, debts
 - Though nicknamed “derivatives law”, the draft FinMarkets Law 2284 clearly intended to regulate commodities trading, incl. electricity & gas



- **Overlapping regulation resulting from FinMarkets draft law “2284”**
 - Licensing of Market Operators
 - Market Rules
 - Market Oversight
 - Penalties

- **MIFID & REMIT not Implemented. No evolutionary development like in Europe**

- **No business process for cooperation/information exchange in place**

- **Antimonopoly Committee, 3rd regulator, has to “join the game”**

Solution 1: a set of “carve outs”

Sphere of the Financial Markets Law excludes

- TSOs Gas & Electricity
- DAM Operator Electricity
- Electricity & Gas & Heating markets functioning
- Reference to specialized laws

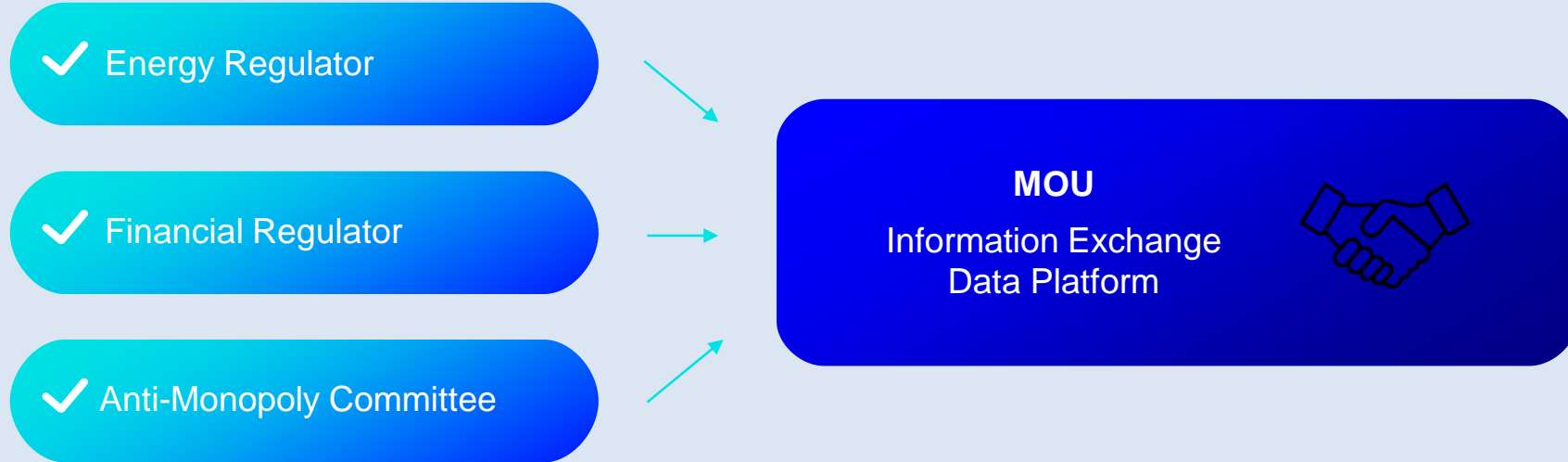
- **Wholesale Energy Products defined as**

- Sale & purchase agreements for electricity and gas with delivery in Ukraine
- Derivative contracts for electricity & gas produced, supplied or traded in Ukraine or EnC
- Contracts for transportation of electricity & gas & their derivatives
- Contracts for electricity or gas supply and distribution to large end-users, threshold established by NEURC

Financial Instruments exclude

- Deliverable options, futures, swaps, forwards and other derivatives with commodity being underlying asset to which a party is gas or electricity TSO or concluded for physical balancing of supply and demand, incl. ancillary services
- Commodity based forward contracts with physical delivery
- Derivative contracts concluded at OTF or organized market, the subject of which is sale & purchase of electricity & gas, transmission, distribution, supply
- **Wholesale Energy Products**

Solution 2: Legislatively Mandated Cooperation & Information Exchange



■ Changes to Criminal Code

- REMIT based definition of manipulation in the energy market. Definition, penalties, size of damage, severe damage, illegal disclosure of insider information

■ Changes to Commercial Code

- Legal basis, organization of sale & purchase and settlements in the electricity and gas markets, to be carried out according to sectoral laws

■ Changes to Electricity Market Law

- Special features of implementing clearing at electricity and gas markets to be decided by the Energy Regulator



THANK YOU
FOR YOUR ATTENTION!

olena.antonova@energy-community.org

GET IN TOUCH

-  www.energy-community.org
-  [Ener_Community](https://twitter.com/Ener_Community)
-  [/company/energy-community](https://www.linkedin.com/company/energy-community)
-  [/Ener.Community](https://www.facebook.com/Ener.Community)
-  [/EnergyCommunityTV](https://www.youtube.com/EnergyCommunityTV)