



CLEARING ESTABLISHMENT IN UKRAINE

June 15, 2021

USAID Energy Security Project background

- ESP is a 5 year project, started in 2019, and being implemented by Tetra Tech.
- The team includes +80 people including up to 20 permanent and part-time international experts.
- ESP is active in the electricity, gas and renewable markets; district heating and cross-cutting areas.
- A key target is the establishment of competitive energy markets and clearing.
- ESP's recipients include various state authorities (Ministry of Energy, energy regulator), key energy markets participants (e.g., Market Operator, gas and electricity TSOs) and various non-governmental organizations.

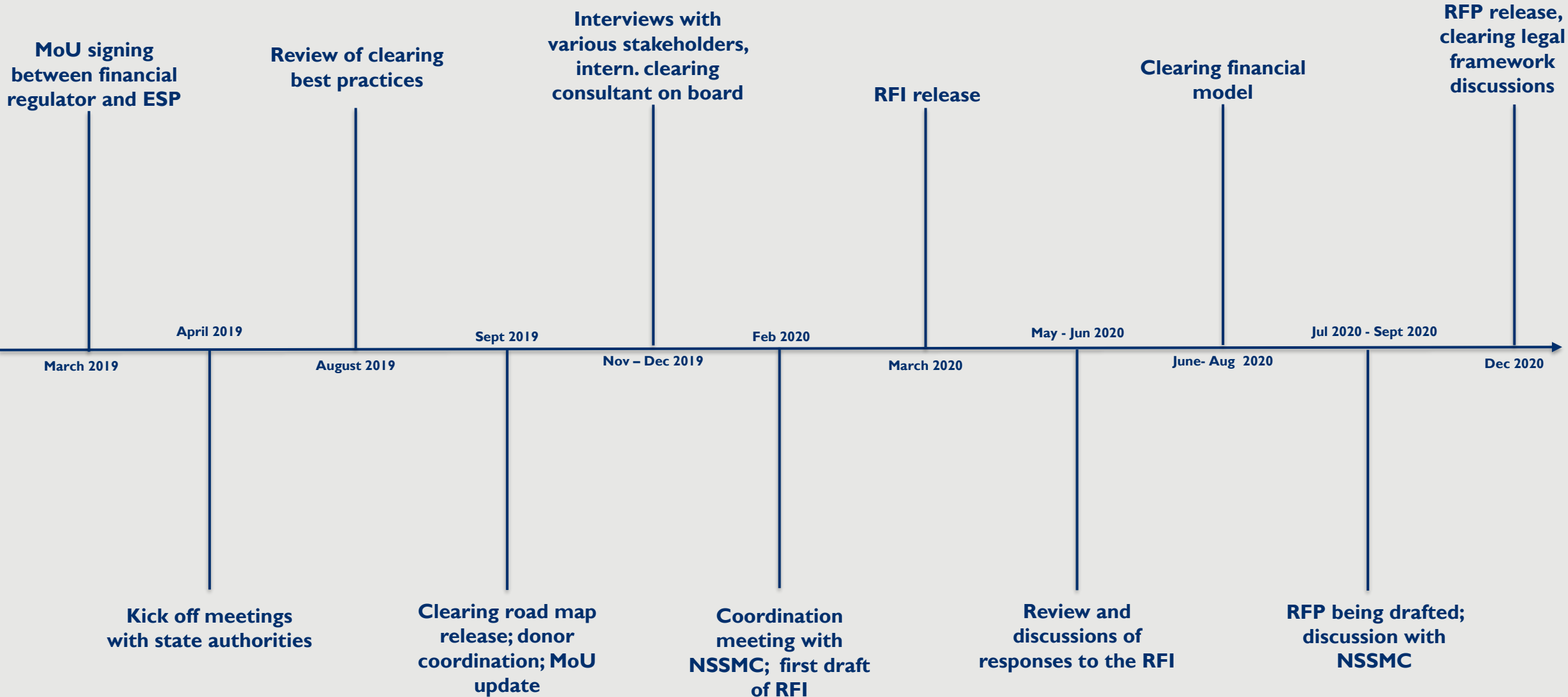
Clearing in Ukraine

- Clearing is limited to the financial market and provided by the majority state-owned Settlement Center (a bank with limited coverage and old technology).
- For a long period, Ukraine lacked energy market clearing, leading to a huge accumulation of debts, namely in the electricity markets (e.g., Energorynok – the former single buyer, accumulated 30.9 bln UAH [US\$1.1 bln] of debts as of August 2019).
- Today, the energy markets have limited settlement using prepaid mechanisms, escrow accounts and bank guarantees (only the electricity DAM/ IDM have guaranteed settlement).
- The gas market is rapidly developing with both a spot and forward market with physical delivery.
- In 2020, Ukraine adopted a new law for capital and organized commodity market that sets the basis for clearing activity at various markets and introduces derivatives.
- Energy markets are becoming the driving force for clearing.

Clearing and ESP

- ESP views clearing as an essential part of energy security and competitive energy markets.
- ESP's target is establishment of one clearing institution to service different capital and commodity markets with energy as a core market, several marketplaces, settlement banks, TSOs and CSD.
- ESP supports this effort via technical assistance covering consultancy, legal services, procurement of clearing system software and other initial costs associated with a Central Clearing Party.

Key milestones 2019 - 2020



Next steps

- Finalization of selection for the software system.
- Legal and organizational support for establishment of the clearing institution.
- Design of clearing system software with the vendor and dedicated stakeholders (working group consisting of financial and energy regulators, SC, NDU, gas and electricity TSOs, MO, UEEEX, settlement banks).
- Finalization of the clearing operating model to be implemented in Ukraine.
- Further support of Ukrainian financial and energy regulators within the clearing and commodity trading framework (e.g., clearing licensing conditions, principles of energy regulator oversight).

THANK YOU

DISCLAIMER

This document is made possible by the support of the American people through the United States Agency for International Development (USAID). The contents of this report are the sole responsibility of Tetra Tech, Inc., and does not necessarily reflect the views of USAID or the United States Government. This document was prepared by Tetra Tech, Inc., for the USAID Energy Security Project (ESP).