

## Ukraine Energy Market Observatory

### Background

In coordination with other institutions in Europe and worldwide, the Energy Community Secretariat is currently engaged in supporting the Ukraine energy sector in maintaining its resilience in the face of the Russian attacks. The support focuses on coordinating the logistics of in-kind donations and of managing the Ukraine Energy Support Fund of currently some 160 million EUR. At the same time, the Secretariat continues to support the Ukraine energy sector reforms under the Energy Community *acquis communautaire*. To continue monitoring and assistance in this regard is not only the task assigned to the Secretariat under the Treaty establishing the Energy Community. Keeping the Ukrainian authorities and companies firmly on their European reform path is of crucial also and in particular during martial law, for the following reasons

- Measures intervening in the market governance for electricity and gas are constantly taken by various Ukrainian authorities under martial law. The same goes for the corporate governance of state-owned undertakings, including the transmission system operators. While there may be understandable reasons for each of these interventions, taken together they risk shifting the governance of the energy sectors in Ukraine further away from the European model and may back-slide from the previous achievements. Some of the recent interventions are not limited in time to the expiry of martial law.
- Under the conditions of war and martial law, transparency has been drastically decreasing. What is more, it can be observed that the domestic institutions mandated to monitor the development – such as the energy regulator – can fulfill their tasks only to a limited extent. The Secretariat has already signed a memorandum of understanding with the regulator meant to improve the cooperation between both institutions when it comes to designing public service obligations in a manner compliant with the *acquis*.
- The increased oversight by and involvement of the Secretariat can be fed into existing processes such as the High Level Dialogue on Electricity led by the European Commission (DG ENER). It will be crucial also for the reconstruction of the Ukraine energy sector, where the success of the support provided by public donors and private investors alike will depend not only on clear and unbiased monitoring of the market development but also on Ukrainian authorities and companies living up to their commitments. With its responsibilities under the Treaty and as part of TeamEurope, the Secretariat is best placed to fulfil the function of an independent monitoring and compliance assessment institution. In this capacity, it will support the Donor Coordination Platform currently established in the G7+ format by the European Commission.
- This will also benefit Ukraine's full integration in the European energy markets and systems, and facilitate the country's path towards full EU accession.

## **Activities of the Ukraine Energy Market Observatory**

The Ukraine Energy Market Observatory will be established within the Secretariat under the coordination of the Director and Deputy Director. It will not require new resources but focus the activities by the Secretariat, with the full involvement of its Kyiv office, on

- Systematic monitoring and reporting on all energy-market data and developments, including but not limited to the activities of authorities and companies. This will include the publication of quarterly reports.
- Systematic assessment and communication of compliance of all measures taken (ex ante and ex post) with the Energy Community acquis
- Recommendations to Ukrainian authorities for further improving of their reform efforts and maintaining commitments, to be made available to international stakeholders engaged in support to Ukraine.
- Mediation of disputes under the auspices of the Secretariat's Dispute Resolution and Negotiation Center, based on the experience gained in the renewable energy sector up[on request by investors and other domestic and international stakeholders.
- Supporting the activities enhancing further integration with neighbouring countries (including Moldova) and systems (with an imminent focus on cross-border capacity allocation and the transmission system operators' full membership in ENTSO-E and ENTSO-G)
- Any other activities agreed upon with Ukrainian authorities and international stakeholders.