

IN SHORT

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Ukraine Energy Support Fund

1H 2023 REPORT

Reporting Period:
01.01.2023 – 30.06.2023



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Executive Summary

In the first six months of 2023 (the Reporting Period), contributions amounting to a total of EUR 30,124,821 have been transferred by nine donors to the Special Purpose Account, adding up to a total of EUR 165,892,812 (or EUR 166,879,735 including accrued interest) by altogether 14 donors since the establishment of the Ukraine Energy Support Fund (the UESF or the Fund) in 2022.

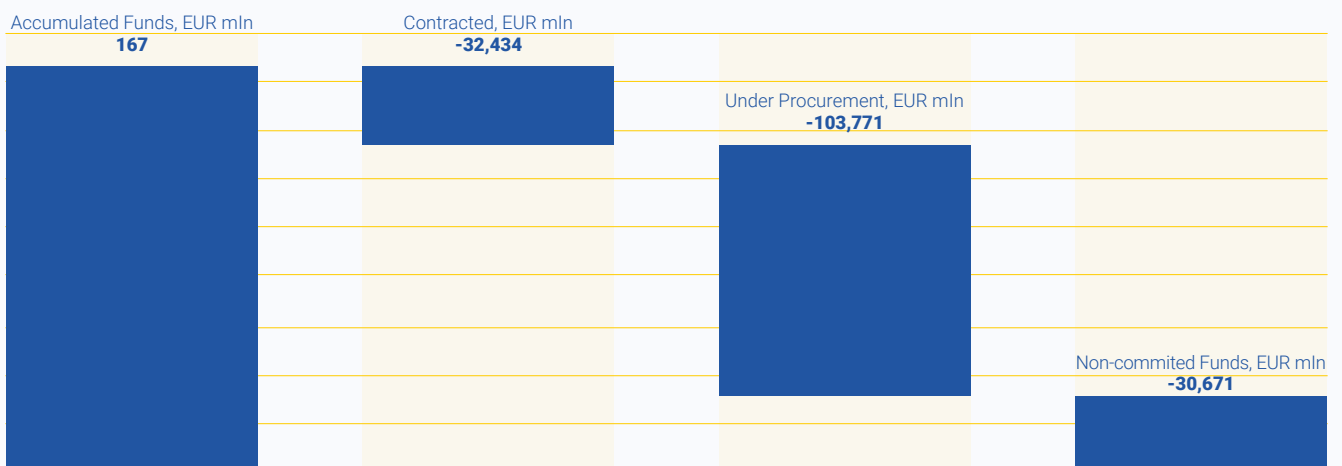
Further pledges of a total of EUR 50 million by two donors have been made and are expected to be finalised in 2023.

At the end of the Reporting Period (30 June 2023), essentially all funds credited to the Special Purpose Account have been committed to finance items requested by 42 different Ukrainian Counterparties (82% effectively allocated to items requested,

while the remaining share is set aside due to discrepancies between the estimated price and the actual price). The majority of the beneficiaries are active in electricity distribution and combined heat and power generation (CHP) (in terms of numbers) while the category of items most requested are transformers (in terms of value).

In the Reporting Period, procurement resulted in the conclusion of 53 Purchase Agreements. The total value of items contracted in the Reporting Period amounts to EUR 32.0 million (EUR 16.1 million already disbursed and EUR 16.3 million to be disbursed at predefined stages of contract implementation). In case of 43 Purchase Agreements, the items procured were delivered in the Reporting Period.

FIGURE 1.
Implementation Fund as of June 30, 2023, EUR mln



Artur Lorkowski
Director

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Deputy Director

01 Introduction

This first semi-annual report covers the operational activities and financial affairs of the Fund for the first six months of 2023 (the Reporting Period).

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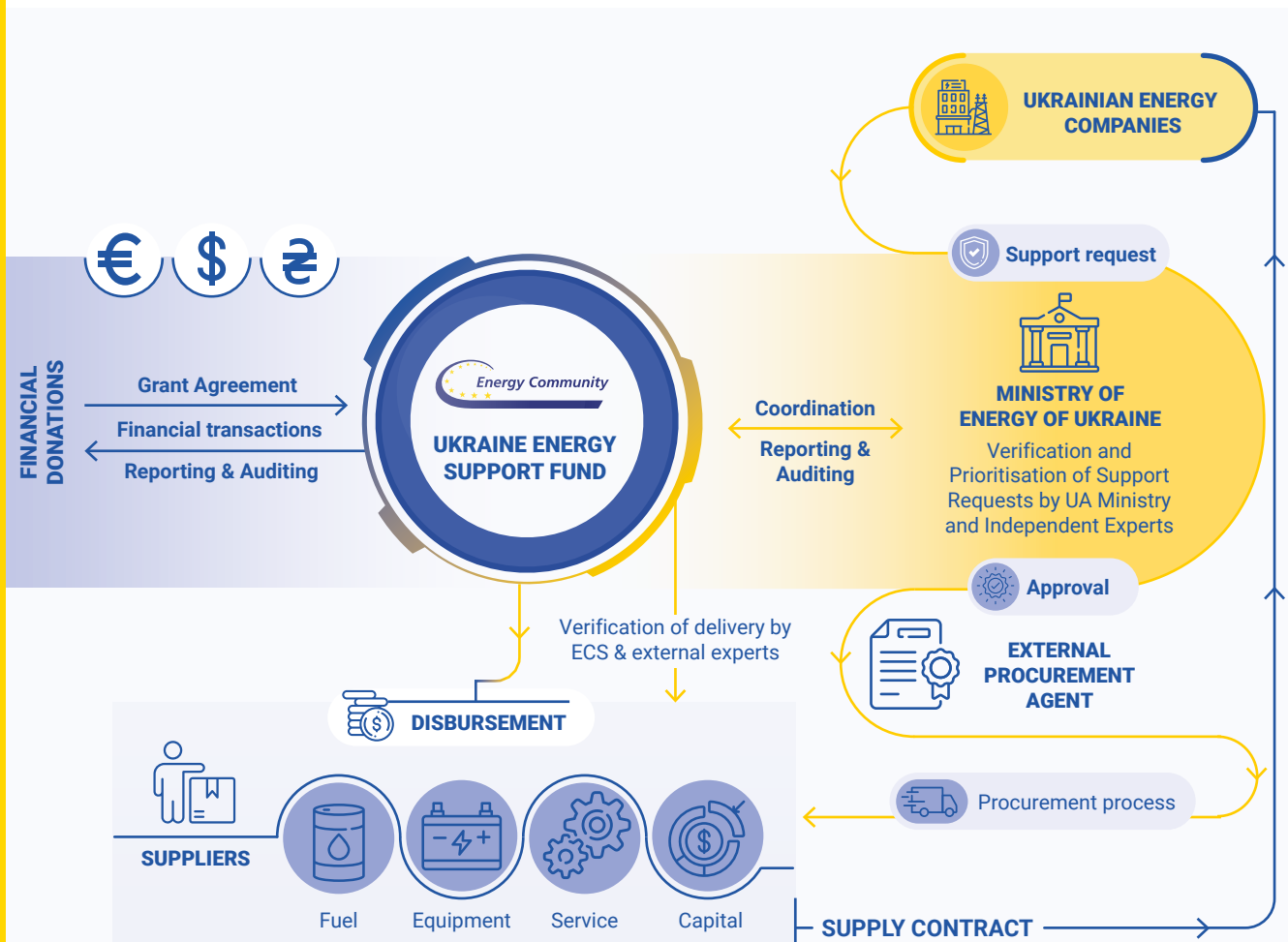
The UESF was established in April 2022 with the agreement of the European Commission and the Ministry of Energy of Ukraine to counteract the impact of Russian attacks on critical energy infrastructure. The UESF allows governments, international financial institutions, international organizations, and corporate donors to provide financial support to repair the damage and keep the Ukrainian energy sector functioning.

Contributions to the Fund are used to finance the most urgent needs of Ukrainian energy companies such as equipment, spare parts and other technical items, as well as fuels and services needed to repair infrastructure and maintain energy and heat supply in Ukraine.

The Fund is managed by the Energy Community Secretariat, the independent executive institution of the Energy Community based in Vienna, Austria.

The following diagram depicts the general structure of the Fund.

FIGURE 2
Process flows of the Ukraine Energy Support Fund



Significant changes since the last Report



While the contractual framework and the relevant stakeholders remained the same since the establishment of the Fund, all stakeholders have reorganised and streamlined their internal processes and stocked up on human resources available to implement the Fund. In particular, the Secretariat has adopted in early January 2023 a Procedural Act¹ laying down in detail the different responsibilities and processes for implementing the Fund and hired additional staff. In cooperation with the USAID funded Energy Security Project (USAID ESP), acting as procurement agent under the Fund, the Secretariat has developed workflows to clarify and streamline the procurement processes. Also, USAID ESP has reorganised and increased its

team responsible for Fund operations. These changes have been communicated to the stakeholders, including the Ukrainian energy companies, through webinars and targeted messages.

Since spring 2023, the Ministry of Energy of Ukraine, the Secretariat and the European Union's Emergency Response Coordination Centre (ERCC) have also entered into a cooperation to support Ukraine by covering costs of transporting goods procured under the Fund from within the UCPM. The agreement enables the ERCC to organize and pay for transportation whenever items are procured under the Fund from a location within a UCPM participating state.



¹ https://www.energy-community.org/dam/jcr:f2d3d305-e8ca-44c3-894c-2bf319156589/ECS-2023_PA_01_10-01-2023_Fiduciary.pdf

Status of Contributions

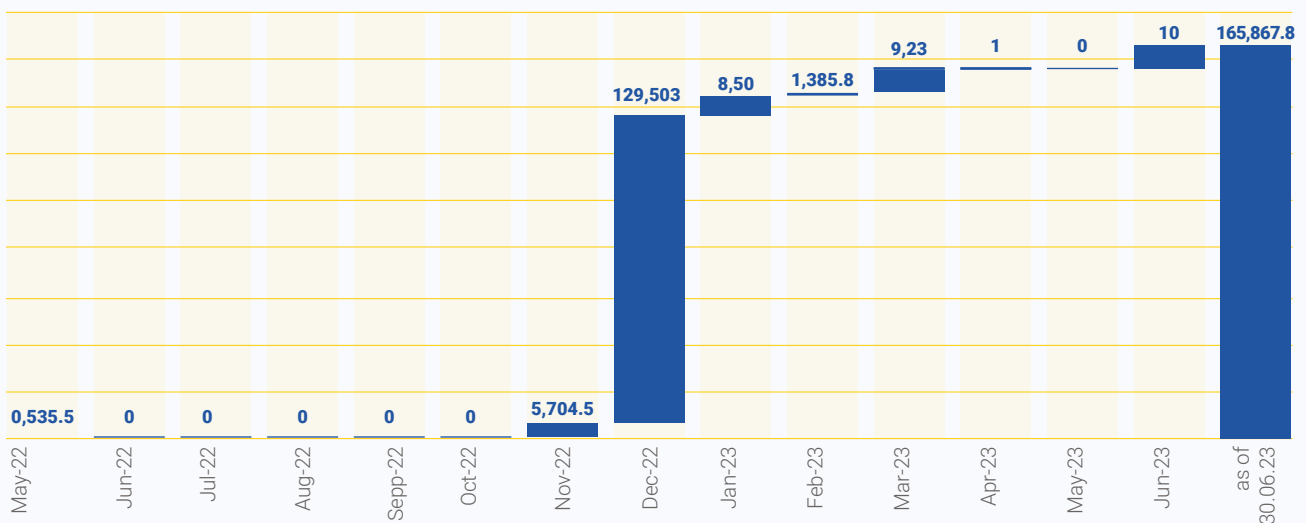


During the Reporting Period, grants amounting to a total of EUR 30,124,821.25 have been transferred by nine donors (Ministry for the Ecological Transition and the Demographic Challenge of Spain, European Union, Ministry of Foreign Affairs of Iceland, LeasePlan Corporation N.V., Windpark Krammer B.V., Foreign Commonwealth and Development Office of the United Kingdom

and Northern Ireland, [Confidential: private company], Federal Ministry for Climate Action, Environment, Energy, Mobility, Innovation and Technology on behalf of the Republic of Austria, and Parliament of Rioja) to the Special Purpose Account, adding up to a total of EUR 165,892,811.72 by altogether 14 donors since the establishment of the Fund in 2022.

FIGURE 3

Accumulation of Grants since the establishment of the Fund, EUR mln

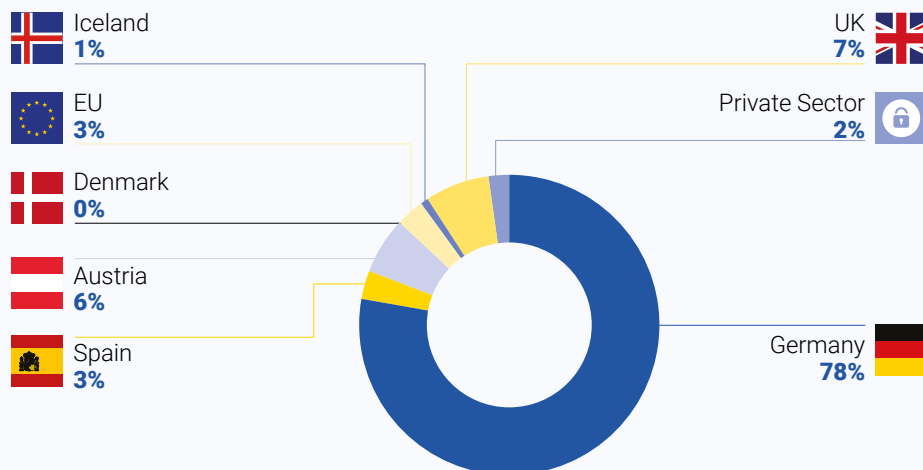


Moreover, the total number of donors to the Fund rose from six in 2022 to 14 at the end of the current reporting period. It is worth noting that, besides governmental contributors, three contributions in the Reporting Period were obtained from private sector companies. Private donations currently account for approximately 2.2% of the total contributions to the Fund.

Additional commitments to the Fund have been made by Sweden (through Sida, Swedish International Development Cooperation Agency) and the United States (through USAID, U.S. Agency for International Development). Sweden has pledged SEK 300 million, equivalent to EUR 27 million, while USAID has committed USD 25 million, which translates to EUR 23 million. The completion of the necessary contractual agreements and the actual transfer of these contributions are anticipated in the second half of 2023.

TABLE 1*Overview of pledges and contributions to the Fund as of 30.06.2023, in EUR*

| Donor | Pledged | Credited to Fund Account |
|---|--------------------|--------------------------|
| Public sector: | 212,374,812 | 162,254,812 |
| Germany (through FFO and KfW) | 129,500,000 | 129,500,000 |
| Sweden (through Sida) | 27,000,000 | - |
| USA (through USAID) | 23,000,000 | - |
| United Kingdom (through FCDO) | 11,327,519 | 11,327,519 |
| Austria (through BMK) | 10,000,000 | 10,000,00 |
| European Union (through European Commission) | 5,000,000 | 5,000,000 |
| Spain (through Ministry of Environment and Parliament of Rioja) | 4,506,000 | 4,506,000 |
| Iceland (through Ministry for Foreign Affairs) | 1,385,799 | 1,385,799 |
| Denmark (through Danish Energy Agency) | 535,494 | 535,494 |
| Private sector: | 7,138,000 | 3,638,000 |
| Energy Regulators Regional Association (ERRA) | 25,000 | 25,000 |
| REKK Limited Liability Company | 3,000 | 3,000 |
| LeasePlan Corporation N.V. | 50,000 | 50,000 |
| Windpark Krammer B.V. | 60,000 | 60,000 |
| [Confidential: private company] | 7,000,000 | 3,500,000 |
| TOTAL | 219,512,812 | 165,892,812 |

FIGURE 4*Share of contribution by donor in total contributions credited to the Fund, in %*

Status of Implementation

All approved Support Requests undergo a verification process first within the Ministry of Energy of Ukraine and then by experts of the USAID Energy Security Project, to ensure they adhere to the requirements laid out in the contractual framework, particularly regarding necessity, urgency, the absence of alternative financing, and prioritisation.

The majority of Support Requests submitted in the Reporting Period were approved by the Ministry of Energy in January 2023 (30 separate Support Requests) which coincided directly with the transfer of major contributions to the Fund. Additional Support Requests were received during the months of February and March and at the end of June 2023. Appropriate funds to cover the items requested have been reserved in accordance with respective requests by the Ministry of Energy of Ukraine.

The Support Requests forwarded to procurement under the Fund originate from 42 different Ukrainian Counterparties (four Ukrainian Counterparties submitted two Support Requests each).

In terms of numbers, the majority of Ukrainian Counterparties requesting support through the Fund are active in electricity distribution (33%) and combined heat and power generation (33%), followed by gas distribution (19%). In terms of value of the items requested, companies active in combined heat and power generation and electricity distribution are supported predominantly (35% and 26% respectively).

FIGURE 5

Activity of Ukrainian Counterparties supported through the Fund, in % on the basis of their number

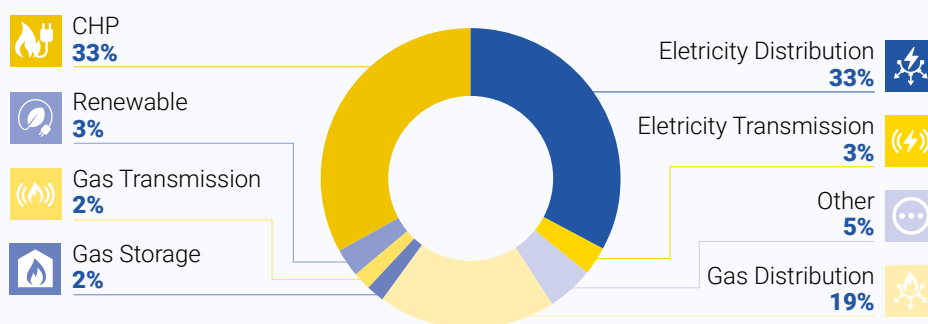
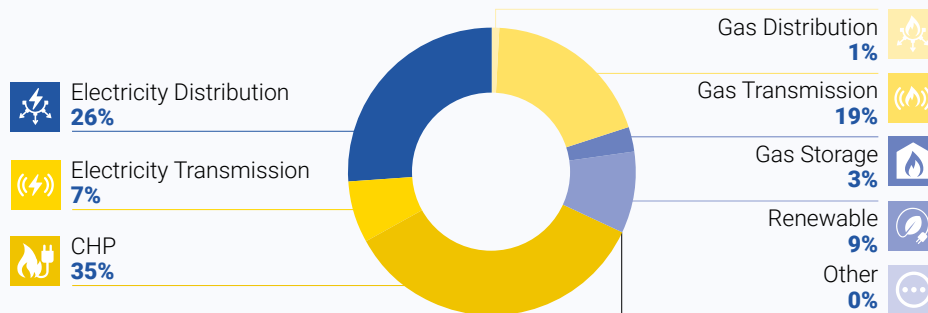


FIGURE 6

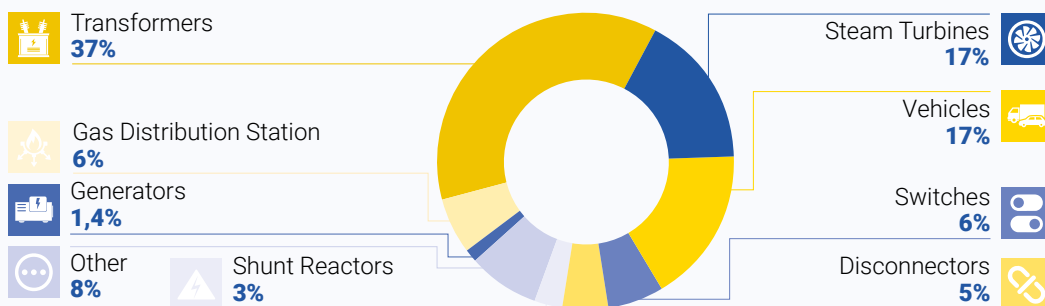
Activity of Ukrainian Counterparties supported through the Fund, in % on the basis of the value of the items requested



Among the categories of items requested by these companies, in terms of value, 37% account for transformers, followed by steam turbines (17%) and special purpose vehicles (17%).

FIGURE 7

Categories of items supported through the Fund, in % on the basis of value



The total value of items contracted during the Reporting Period amounts to EUR 32.0 million, compared to EUR 0.5 million in 2022. Within this amount, EUR 16.1 million have been disbursed and EUR 16.3 million are contractually committed for disbursements after achievement of the relevant payment milestones.

In the Reporting Period, procurement resulted in the conclusion of 53 Purchase Agreements, compared to 13 in 2022, which in turn resulted in 72 payment transactions in the Reporting Period, compared to 2 in 2022.

The Ukrainian Counterparties benefitting from these Purchase Agreements are mostly active in combined heat and power generation (32%), electricity distribution (28%) and gas distribution (24%), in terms of numbers of companies. Taking into account the value of the items requested, the companies benefitting most are active in gas transmission (30%), combined heat and power generation (25%) and electricity transmission (16%).

FIGURE 8

Activity of Ukrainian Counterparties supported through the Fund in the Reporting Period, in % on the basis of their number

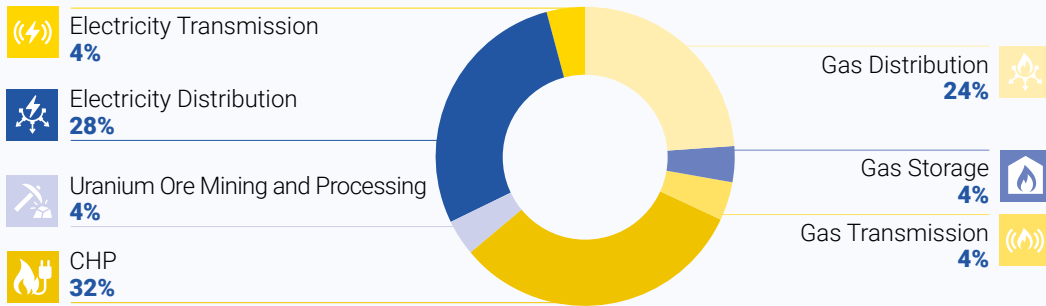
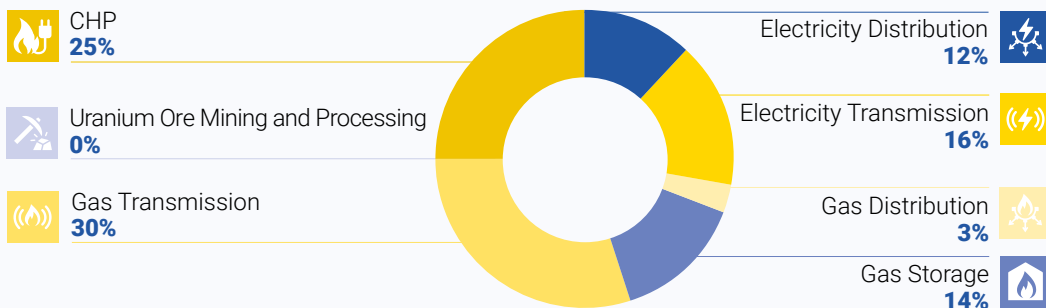


FIGURE 9

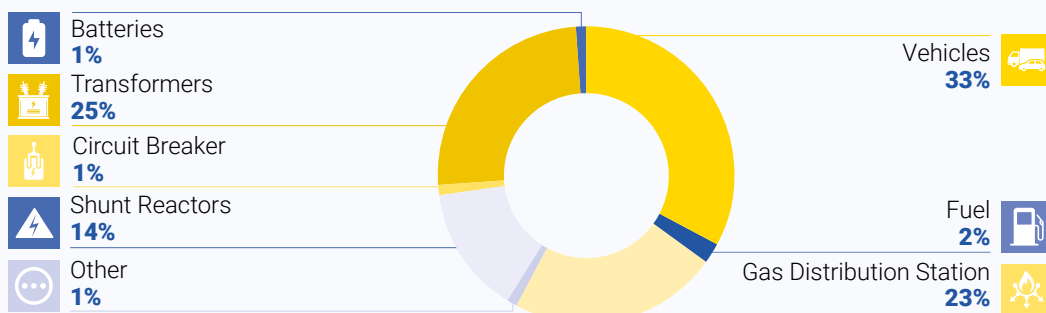
Activity of Ukrainian Counterparties supported through the Fund in the Reporting Period, in % on the basis of the value of the items requested



The Purchase Agreements concluded in the Reporting Period concerned mostly special purpose vehicles (33%), transformers (25%) and gas distribution station (23%).

FIGURE 10

Categories of items contracted under the Fund in the Reporting Period, in % on the basis of value



Status of Verification and Tracking



The verification and tracking system of the Fund is a critical component of ensuring the efficient and effective implementation of the Fund's activities. The Secretariat is engaged in day-to-day technical and financial monitoring of the implementation of the Fund's actions. This involves closely tracking the use of funds and implementation of Purchase Agreements by Ukrainian energy companies that benefit from the support provided through the Fund. The Secretariat has a dedicated staff member in Ukraine who is responsible for monitoring delivery and conducting on-site verifications to ensure compliance with the Fund's guidelines and procedures.

In the Reporting Period, items subject to 43 Purchase Agreements have already been delivered to 20 Ukrainian Counterparties in total, who have formally accepted the items, as evidenced by their signed acts of acceptance.

Deliveries are tracked by the Secretariat and appropriate documentation is provided by the Ukrainian energy companies.

The Secretariat verified one delivery on the ground (Lviv region), having been able to access the locations without security risks and encountering full cooperation by Ukrainian energy company subject to the on-site verification.

Following the start of the deliveries in the last six months, the Secretariat is preparing ex post verification of the use of the items delivered starting in autumn 2023. A concept for this activity and cooperation with USAID ESP and the national regulatory authority NEURC are under preparation and will be shared with donors.



Communication

The Secretariat's communication efforts aim at promoting transparency and accountability while increasing awareness and engagement among various stakeholders.

In terms of raising awareness among donors (existing and future), the Secretariat actively cooperates with the Ministry of Energy to attract new contributions to the Fund. The Secretariat has developed promotional material and has organised an ambassadors' dinner to inform governments about the Fund and Ukraine's needs. Participation in industry events to promote donations to the Fund is also important to engage with potential donors and sponsors through targeted outreach and other activities aimed at raising awareness and support for the Fund.

Furthermore, the Secretariat organised targeted seminars for Ukrainian companies that will benefit from the Fund. These seminars provide an opportunity for companies to learn about the Fund and how it can help them and provide a forum for companies to ask questions, share their experiences, and provide feedback to the UESF team. In the Reporting Period, the Secretariat in cooperation with the USAID Energy Security Project and the Ministry of Energy organised two such webinars with a significant attendance rate.

Another important component of the communication efforts is events aimed at increasing awareness and response from the suppliers/vendors. These events provide an opportunity for vendors to learn about the UESF and the procurement process, and to engage with the UESF team and other stakeholders. These events include workshops, conferences, and other gatherings that bring together vendors, stakeholders, and experts to discuss issues related to the UESF. In the Reporting Period, the Secretariat has been regularly invited to speak and present the Fund at industry conferences.

The publication of news items on the Energy Community website and in social media is another key element of the communication work of the Secretariat. In the Reporting Period, the Secretariat published 18 news items, 15 posts on LinkedIn, 20 on Twitter and 3 on Facebook.

These news items provide updates on the progress of the UESF, highlight success stories and case studies, and share information on upcoming events and activities. The website also serves as a hub for information on the fund, including guidelines, forms, and other resources.


The Secretariat actively cooperates with the communications team of USAID ESP as well as the Ministry of Energy. Due attention is paid to the sensitivity of any information shared publicly and its potential impact during wartime.




UKRAINE ENERGY SUPPORT FUND

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