

## The Ukraine Energy Support Fund Explained

### Why a Ukraine Energy Support Fund?

The Ukrainian population depends, now more than ever, on the backbone of a functioning energy sector and infrastructure. Under the conditions of war, this backbone has become fragile and is under serious risk of breaking. Millions of Ukrainian citizens are without electricity and heating. Support given to the energy sector is humanitarian by nature and strengthens the resilience of Ukraine.

### What value does the Ukraine Energy Support Fund add?

Much support is already offered to the Ukrainian energy sector in its struggle to keep the light and the heat on, by private and by public donors. The Fund aims at complementing these efforts by providing capital to the energy companies not able to raise the financial means to pay for their most-needed procurements. This is based on the assumption that the energy companies generally know best what they need, how urgently they need it and whether or not their financial situations allows them to engage in a procurement. The Fund matches demand for financing necessary procurements upon initiative of the companies and thus effectively channels available donations to where they can make the most useful impact. The Fund also makes it possible to support the Ukraine energy sector for those donors unable to provide assistance in kind.

### What is the Ukraine Energy Support Fund?

The Fund is the sum of all grants to Ukraine (represented by the Ministry of Energy of Ukraine) transferred by donors to a special purpose bank account at a bank in Austria.

### What kind of purchases does the Ukraine Energy Support Fund cover?

Eligible for disbursement from the Fund are 1) purchases of necessary equipment, spare parts, other gear etc., 2) all types of fuels needed to generate heat and electricity as well as electricity itself, 3) services such as repairs or reinforcements and 4) capital inflow. Besides the four categories of eligible purchases, the Fund will also cover necessary ancillary costs such as transportation. Donors will be able to earmark their donation for specific purposes.

### Which energy companies in Ukraine are eligible for grants on the Ukraine Energy Support Fund?

The Ministry of Energy of Ukraine keeps and updates a comprehensive list of eligible energy companies in Ukraine, public and private. Donors can further narrow down the list of companies eligible for disbursements from their funds.

### **How will energy companies in Ukraine procure the necessary equipment, fuels, services or capital inflow?**

Under normal circumstances, an energy company in Ukraine would use its established supply channels, markets and follow Ukrainian procurement rules. Since this is not possible during the state of war, the procurement of equipment, fuels or services will be supported by independent governmental procurement agencies. This introduces transparency in the process and makes it faster. Given the time-sensitivity, the time for procurement through these agencies is strictly limited. The supply contract will be concluded directly between the Ukrainian energy company and the selected supplier. Procurement is ongoing.

### **What is the procedure for grants made to the Ukraine Energy Support Fund to reach their beneficiaries?**

Before a supply contract is procured, an amount corresponding to the likely price of the supply will be reserved by the Fund, to guarantee that a transaction will be financed and to avoid that grants get stuck. Upon the conclusion of a supply contract, grants corresponding to the transaction price (as well as associated costs, if any) will be disbursed either directly (by a bank transfer to the bank account of the supplier with whom the Ukrainian energy company has concluded a contract), or a guarantee in favour of the latter will be issued. Thus, grants go straight to the provider of needed equipment, fuel, services or capital inflow, and not indirectly through the energy companies' or the Ministry's accounts. Before any disbursement is being made, however, independent international experts will assess the necessity, usefulness, urgency, lack of capital etc. based on information provided by the energy companies, on which basis the Ministry will approve or reject the transaction.

### **Is there any prioritization in the demand of Ukrainian energy companies to be matched with grants from the Ukraine Energy Support Fund?**

To ensure a certain level of prioritization, the Ministry of Energy of Ukraine classifies requests for support in accordance with objective and predetermined prioritization criteria. The criteria do not allow for discretionary decisions. The Ministry will be supported by international experts in this task.

### **Will the donor be involved in any individual transactions?**

The donor is not involved in individual transactions to be made between a Ukrainian energy company and its suppliers, confirmed by the Ministry of Energy of Ukraine and settled by disbursements from the Fund. Disbursements can be attributed to individual donors upon their request. Donors may unilaterally limit the use of their grants to certain types of purchases and/or companies.

### **Under which circumstances will grants be returned to the donor?**

Grants not disbursed will be returned to the donor upon termination of the Fiduciary Agreement, the contract which creates the legal framework of the Fund. Donors may terminate the Fiduciary Agreement unilaterally and at any time with a notice period to be agreed bilaterally. Immediate termination and repayment is envisaged in events defined as 'change in control' or 'force majeure' or in case the grant is not used for the purpose for which it has originally been requested for, as monitored by international experts.

### **What is the contractual framework for the Fund?**

The contractual framework is set up in two alternative ways:

- A bilateral agreement between the donor and the fiduciary, which is further implemented through a Fiduciary Agreement between the Secretariat and the Ministry of Energy
- A trilateral Fiduciary Agreement between a donor, the Ministry of Energy and the fiduciary of the special purpose account.

In both cases, the Fiduciary Agreement is complemented by a so-called Framework Agreement between the Ministry of Energy of Ukraine and individual Ukrainian energy companies. The Framework Agreement stipulates the binding rules and procedures leading up to the disbursement of funds.

### **Who manages the Ukraine Energy Support Fund?**

The Fund is managed by the Energy Community Secretariat, the independent executive institution of the Energy Community, an international organization based in Vienna, Austria. The Secretariat acts as fiduciary of the grants made by donors, and disburses them strictly in line with the provisions of the Fiduciary Agreement and its accounting, reporting and auditing rules. The Secretariat will report regularly to the donors and ensure an independent auditing of the special purpose account and all related records. Its services are free of charge.