



# CLEARING ESTABLISHMENT IN UKRAINE

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# 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.

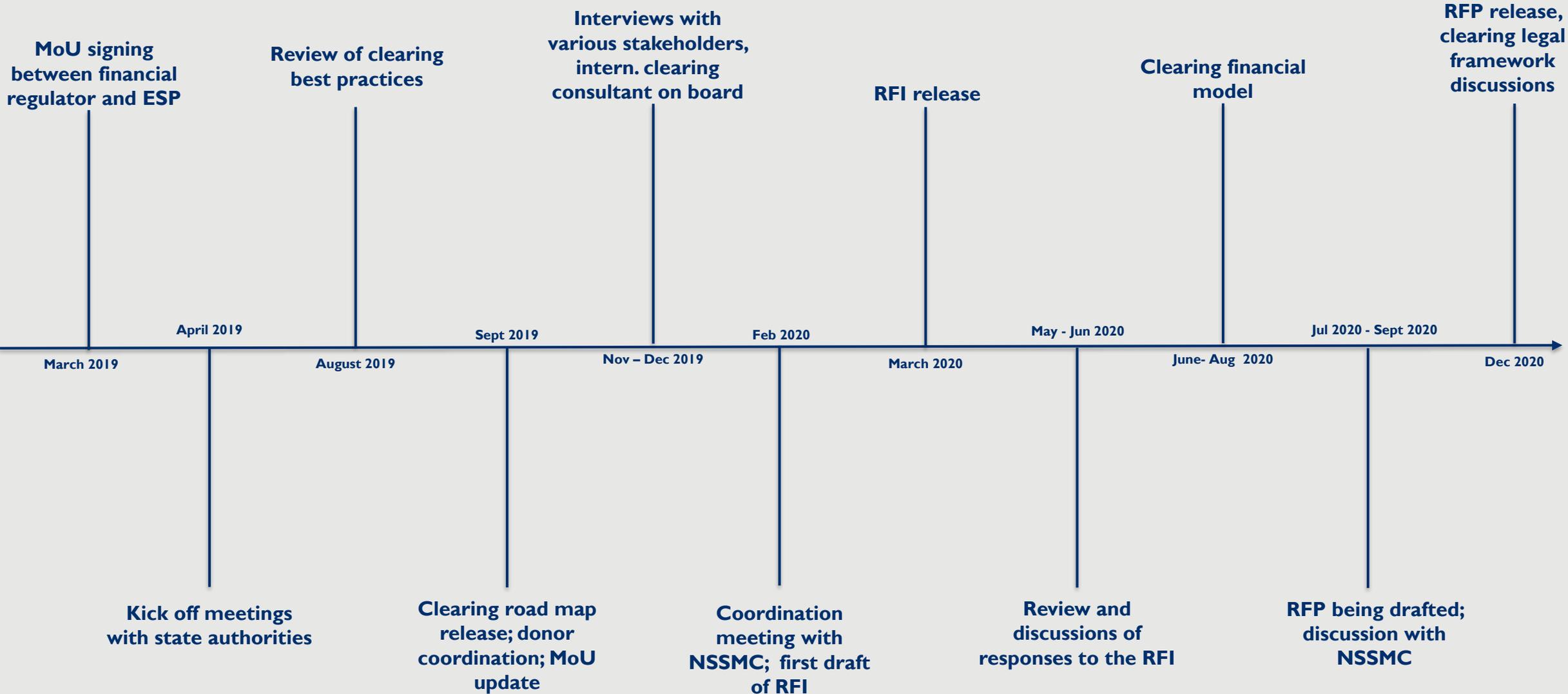
## Clearing in Ukraine

- 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).

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# THANK YOU

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