



EU-Ukraine: Partners for securing gas to Europe

International investment conference
on the modernisation of Ukraine's
gas transit system

Brussels, 23rd March 2009



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Foreword

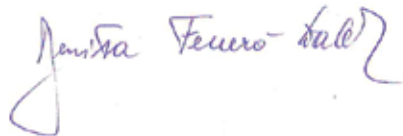
The secure flow of energy is fundamental for our economies and our way of life. And energy security has become, along with climate change, one of the key global challenges of the 21st century.

The European Union is becoming ever more dependent on supplies of energy from outside its borders. Competitive, transparent and well-functioning energy markets that provide security of demand, security of supply and security of transit and which are based on a modern, efficient and reliable transportation infrastructure are a key policy objective.

Ukraine is an important neighbour for the EU and a crucial energy partner, particularly as a transit country for oil and gas flows from Russia and,

in the future, for electricity. It is also a country that has expressed, on many occasions, its desire to be fully integrated into the EU's internal energy market.

The gas transit system of Ukraine represents the backbone of gas supplies to the rest of Europe, accounting for 20% of the EU's gas consumption and 80% of Russia's gas exports to the EU, as well as carrying substantial quantities of Central Asian gas. It is our common responsibility to ensure that this infrastructure operates at the highest levels of efficiency, transparency and reliability. We are convinced that the new phase of strategic cooperation between Ukraine and the EU, that we will start today, will bring Europe closer together and not only in the sphere of energy security.



Benita Ferrero Waldner

Commissioner for External Relations
and European Neighbourhood Policy



Yulia Tymoshenko

Prime Minister of Ukraine



Andris Piebalgs

Commissioner for Energy



E U - U K R A I N E

EU-UKRAINE ENERGY RELATIONS

Ukraine is a key transit country for oil and gas supplies from Russia to the EU and has expressed its wish to be integrated in the EU and South East Europe electricity markets. Energy is therefore a sector that will continue to be at the centre of EU-Ukraine relations and where co-operation will continue to grow substantially over the coming years.

On 21st February 2005, the General Affairs and External Relations Council underlined that, with the appointment of a new Government in Ukraine and its ambitious programme of reforms, the EU was committed to supporting Ukraine at this crucial moment. As part of this, it was decided to enhance co-operation in the energy sector, where the priorities for EU action are:

- development of appropriate conditions for facilitating the creation of an internal Ukrainian gas and electricity market through a reform, based on the convergence of the regulatory framework with that of the EU;
- promotion of concrete infrastructure projects of common interest with the aim of enhancing the security of energy supplies of both Ukraine and EU. This should include the safe, transparent and reliable transit of energy resources across Ukraine;
- implementation of the action plan in the framework of EURATOM in order to improve nuclear safety;
- co-operation to effectively address the challenge of improving energy efficiency and energy savings, as well as promoting new and renewable energy;
- enhancing the physical safety and security of the energy infrastructure, including energy installations, networks and maritime transportation of energy resources.

In order to develop a more ambitious cooperation, a **Memorandum of Understanding on energy**¹ was signed at the margins of the EU-Ukraine Summit in December 2005. The Memorandum establishes a joint strategy towards the progressive integration of the Ukrainian energy market with that of the EU and consists of road maps covering four specific areas, namely:

- Nuclear safety;
- The integration of electricity and gas markets;
- Enhancing the security of energy supplies and the transit of hydrocarbons;
- Improving the effectiveness, safety and environmental standards in the coal sector.

In addition, as foreseen in the Memorandum of Understanding on energy, a roadmap covering the fields of energy efficiency, renewables and measures to tackle climate change was agreed in March 2008.

Since the signature of the Memorandum in 2005, significant progress has been achieved in implementing the objectives outlined for individual sectors and annual Progress Reports are regularly endorsed at the EU-Ukraine Summits.

On nuclear safety, the European Union has cooperated extensively with Ukraine to improve the safety of its nuclear power plants and the Chernobyl site. The TACIS Nuclear Safety Programme, which started in 1991, was instrumental in improving the nuclear safety culture and the shortcomings identified by the International Atomic Energy Agency (IAEA). The comprehensive assistance provided under TACIS included design safety, operational safety, the nuclear fuel cycle and waste management, off-site emergency preparedness, regulatory authorities and their technical support organizations. Since 2007, this effort is being continued under the Commission's Instrument for Nuclear Safety Cooperation. Euratom/EBRD loans have also been made available to Ukraine for the purpose of improving nuclear safety.

In the context of the first roadmap under the Memorandum of Understanding on energy between the EU and Ukraine, the European Commission is currently participating in a joint EC-IAEA-Ukraine project to assess the safety of the Ukrainian nuclear power plants. This project is expected to demonstrate the improvements which have been made and determine any corrective actions that may still be required in relation to the latest IAEA Safety Standards.

(1) For the Memorandum of Understanding on energy, see page 7.

(2) For the progress reports, see pages 13, 19 and 25 respectively.

The Community is also the largest contributor to the Chernobyl projects related to the conversion of the site to make it environmentally safe. In this respect, the Commission provides direct contributions to projects such as the Industrial Complex for Radioactive Waste Management (ICRSM) and to international funds managed by the EBRD, namely the Chernobyl Shelter Fund and the Nuclear Safety Account.

Significant progress is also being made in the second roadmap on the integration of Ukraine's electricity and gas markets with those of the EU, including with respect to the strengthening of the National Energy Regulatory Committee (NERC). In November 2006 Ukraine became an observer in the Energy Community Treaty. It has since applied for full membership of this Treaty, under which participants commit themselves to fully implement the *acquis communautaire* on electricity and gas sectors and renewable energy, including the respective frameworks in the field of competition and environment.


With respect to the third roadmap on the security of energy supplies and the transit of hydrocarbons, Ukraine is committed to taking measures to establish minimum oil stocks, a welcome step that should help enhance security of supply. Another significant development is Ukraine's commitment to reverse the flow of the Odessa-Brody pipeline in the South-North direction. This, combined with the realisation of the project to extend the pipeline to Plock in central Poland, should allow in the future an increased flow of hydrocarbons from the Caspian region.

With respect to Ukraine's gas network, the Commission, together with the EIB, EBRD and World Bank, is examining how to mobilize funds in order to help support the modernization of the Ukrainian gas transit system, which will increase the efficiency, the reliability and the predictability of gas supplies. In this context, a Joint EU-Ukraine ministerial level Investment Conference on the Modernisation of Ukraine's Gas Transit System is taking place in Brussels on 23rd March 2009.

The fourth roadmap is focused on the coal sector, which plays a crucial role in the Ukrainian economy, in particular for electricity generation and consumption. This co-operation is chan-

nelled through the Coal Sector Policy Support Programme, which aims to support Ukraine's stakeholders in reforming and restructuring the coal-mining industry in a socially-responsible and cost-effective manner. EU support is also envisaged for improving occupational safety standards and for institutional strengthening in the Ukrainian coal mining industry. Implementation of the preparatory phases of the project started in September 2008, which included expert missions to Ukraine's coal mining regions (Donetsk and Luhansk).

Ukraine has a large potential for energy savings and further strengthening of the co-operation between the EU and Ukraine on energy efficiency and renewable energy sources has been agreed in the fifth roadmap. The co-operation areas include the building sector and the development of alternative and renewable energy sources, with a special focus on biomass.

A low-angle photograph of a white wind turbine with three blades, each featuring a red stripe near the tip. The turbine stands tall against a clear blue sky. In the foreground, a field of bright yellow flowers, likely rapeseed, is in full bloom. A semi-transparent white circle with a decorative orange dashed border is positioned on the right side of the image, containing the title text.

MEMORANDUM
OF UNDERSTANDING
ON CO-OPERATION
IN THE FIELD OF ENERGY
BETWEEN THE EUROPEAN
UNION AND UKRAINE

PREAMBLE

Having regard to the Communication of the Commission to the Council and the European Parliament on the Development of Energy Policy for the Enlarged European Union its neighbours and Partner Countries.

Considering the Memorandum of Understanding between the Governments of the G7 Countries and the Commission of the European Communities and the Government of Ukraine on the Closure of the Chernobyl NPP of 20 December 1995, which included, *inter alia*, the Power Sector Restructuring, an Energy Investment Programme and Nuclear Safety.

Considering the call for an enhanced energy co-operation and increased access for Ukraine to EIB financing envisaged in the joint letter of the Commission and the Council dated 24 January 2005, and confirmed in the Council Conclusions on Ukraine of 21 February 2005.

Recognising that, in the field of energy, the EU and Ukraine share convergent interests and both could benefit from the integration of their respective energy markets, thereby enhancing the energy security of the European continent. In this context, the gradual adoption by Ukraine of the EU energy *acquis* would constitute a significant step towards Ukraine's objective of gradual economic integration and deepening of political co-operation with the EU.

Considering that in the framework of the European Neighbourhood Policy (ENP), the EU and Ukraine have decided to step up their energy co-operation and that the EU-Ukraine Action Plan (AP) ¹ includes seven specific energy-related objectives aimed at the gradual convergence of EU and Ukraine's energy legislation and integration of their respective energy markets.

Considering that the EU and Ukraine are determined to advance rapidly in realising these objectives, as was confirmed during high-level meetings.

Recalling that nuclear safety has always been a key issue in the relations between the EU and Ukraine and that the Community has granted a Euratom loan for K2R4 by which Ukraine is committed to perform important actions to improve the

situation of the power sector in general and of the nuclear sector in particular ².

Recalling the existing agreement between Euratom and Ukraine in the field of nuclear safety and the new Agreement for Co-operation in the Peaceful Uses of Nuclear Energy between Euratom and the Cabinet of Ministers of Ukraine.

Taking note of the new EU initiative in energy efficiency, detailed in the recent Green Paper.

Taking note that Ukraine has expressed its intention to become an observer as soon as the Energy Community Treaty enters into force and, later on, to work towards becoming a member of the Energy Community³.

Considering, in connection to the above, that the EIB and the EBRD should be closely involved in the implementation of this Memorandum.

Recalling that the energy sector remains a key element in EU-Ukraine bilateral relations and Ukraine has benefited of substantial Community assistance under the Tacis programme for restructuring of the energy sector and improvements of nuclear safety (under the Tacis Nuclear Safety Programme).

Whereas:

- (1) The Ukrainian energy sector is strategic for the economic and social development of Ukraine and constitutes also a substantial potential external source of revenue. Its gradual convergence with the EU's internal energy market, aiming ultimately at its integration, remains a shared priority for the EU and Ukraine.
- (2) The EU and Ukraine face common energy policy challenges. The diversification and security of energy supplies, nuclear safety, energy market reforms, the development and modernisation of energy infrastructures, energy efficiency and the use of renewable energy sources are key concerns for both parties. An enhanced energy co-operation with the EU could boost the necessary reforms and, together with an improved investment climate, facilitate the attraction of the necessary investments both

(1) Endorsed by the Ukraine Co-operation Council on 21 February 2005.

(2) Loan Agreement between Energoatom and Euratom and Guarantee Agreement between Ukraine and Euratom both signed on 29 July 2004.

(3) The Energy Community covers the European Community and the states and territories of South-East Europe.

from IFIs' and the private sector in Ukraine's energy sector.

- (3) The nuclear sector is a key element of Ukraine's security of energy supplies, with 13,835 MW of installed capacity, representing 26.1% of total installed generating capacity in Ukraine. During the past 10 years it has accounted for about half of the electricity generated in the country and offers a significant potential for electricity exports. Ukraine, with the support of the Community, has elaborated and committed to implementing safety improvement programmes for all the NPP's. Therefore ensuring the highest levels of safety and security remains a key priority for both parties.
- (4) Ukraine is a key transit country for hydrocarbon's supplies to the EU with 40% of the EU's imports of natural gas transiting through the Ukraine network and for oil, in addition to the transit through the existing Druzhba network, the ongoing extension of the Odessa-Brody oil pipeline to Poland would open a new major transit route for EU oil imports from the Caspian basin and the international market. In this context, ensuring a safe, transparent and reliable transit system is of paramount importance for both the EU and Ukraine.
- (5) The coal sector plays a key role in Ukraine's security of energy supplies, accounting for some 50% of indigenous energy production. Key challenges include the continued necessity to reform and restructure the sector, while mitigating the social and regional consequences, as well as improving mine safety and reducing the environmental impact of coal combustion through joint implementation projects in the field of clean coal technologies.

Both sides recognise that, in order to adopt a comprehensive and balanced approach in terms of respective commitments and incentives and given the linkages between the various energy sectors, they resolve to co-operate in roadmaps covering the following four specific areas:

- I. Nuclear safety,
- II. The integration of electricity and gas markets,
- III. Enhancing the security of energy supplies and the transit of hydrocarbons,

IV. Structural reform, enhancing safety and environmental standards in the coal sector.

Both sides further recognise the importance of developing a roadmap for increasing co-operation in energy efficiency that will also address the promotion of renewable energies and measures to tackle climate change, including the emissions from fossil fuel power plants and the use of the joint implementation mechanism under the Kyoto Protocol.

1. Road Map for Nuclear Safety of Operating Ukrainian Nuclear Power Plants

1.1 Ukraine, having 15 nuclear power plants in operation, two of the type VVER 440 V213 models and 13 VVER 1000, intends to maintain the nuclear option at a significant level. These plants entered into operation between 1980 and 2004. In this context, both parties emphasise the importance of a sustainable improvement of nuclear safety for an efficient and reliable energy sector.

1.2 In order to strengthen public confidence and for the EU to reinforce the role of Ukraine as a trading partner in the electricity market, Ukraine must meet internationally recognized nuclear safety and environmental standards. Hence, the safety of nuclear installations is a primary objective for both parties, who will continue to promote in Ukraine an efficient nuclear safety culture in line with the principles of the Convention on Nuclear Safety.

1.3 Ukraine will ensure that the nuclear regulator fulfils its mandate as an independent and competent safety authority.

1.4 Both parties recognise the importance of suitable radioactive waste and decommissioning programmes. (Ukraine is committed in the framework of the K2R4 agreements to establish the Decommissioning Fund and to keep in line with the Overall Radioactive Waste and Spent Fuel Plan).

1.5 Taking into account on-going work, the parties agree to conduct a safety evaluation of Ukrainian NPP's by the end of 2006 in which Ukrainian and European Commission experts will be involved alongside external experts. The Phare/TACIS Nuclear Experts Group will be kept informed on all relevant activities planned to be implemented in 2006. This overall assessment will verify the compliance with



international nuclear safety standards and requirements, on the basis of the work carried out so far and scheduled for the future in order to identify the need for any additional actions, including financial aspects. Future EU technical assistance may be considered in the context of the possibilities that will be offered by the new financial instruments in order to support the implementation of the ongoing NPP upgrading programmes. Subsequently, both parties agree to jointly monitor the implementation of the upgrade measures identified.

1.6 A joint working group composed of representatives of the European Commission and the relevant Ukrainian authorities and organisations will be established to define the work programme for, and co-ordinate the implementation of this section of the Memorandum of Understanding. Both Parties will ensure that full support is given to this working group to carry out the planned evaluation activities in terms of provision of the necessary documentation, information evaluation, verifications and eventual recommendations.

1.7 The working group will submit a report to both parties proposing a concrete work programme not later than March 2006.

2. Road map for the integration of electricity and gas markets

2.1 The parties will devote their best endeavours to enable the integration of the Ukrainian electricity and gas markets into the European Union's internal energy market. For this to be realised requires the implementation of key elements of the *acquis communautaire* on energy, environment, competition and renewables⁴. A level playing field in terms of equivalent basic rules with respect to market access, infrastructure and opening, as well as compatible environmental and safety standards will facilitate substantial electricity trade between the EU and Ukraine. With the help of the EU technical assistance, Ukraine will endeavour to align its legislation with the relevant Community rules in line with the timetable envisaged in the annexes to the Energy Community Treaty.

2.2 In order to allow a smooth transition from the existing market structure to an open market, Ukraine will also endeavour to cover the following issues:

- a) Reform of electricity tariffs and gas pricing,
- b) Approaches to ease the impact of reforms on vulnerable customers,
- c) The reduction of unregulated losses,
- d) The reduction of network losses, in particular transmission losses,
- e) An increase in energy efficiency necessary to abate demand,
- f) Measures to ensure full payments for providing electricity and gas,
- g) Diversity of supply, including energy substitution by, e.g., renewable energy sources, whilst maintaining a free market framework,
- h) Optimisation of the energy mix in the electricity generation with a view to increase efficiency, environmental safety, operational reliability, and security of supply.

2.3 With a view to facilitating the creation of an open market, Ukraine will endeavour, where necessary, to create or strengthen the role of institutions for the operation of an open electricity and gas market, namely:

- a) By the end of 2006, an Energy Regulatory Authority independent of the interests of the electricity and gas industry, having, as a minimum, the responsibilities referred to in the Electricity and Gas Directives⁵.
- b) By the end of 2006, electricity and gas transmission system operators, having the tasks referred to, and fulfilling the criteria contained in the relevant articles of the Electricity and Gas Directives⁶ with respect to their independence from other activities not related to transmission.

2.4 As only a minor part of the Ukrainian electricity system is physically connected to the EU system, the parties will devote their best endeavours to contribute to the establishment of an interconnection between the UCTE system and the Ukrainian electricity grid system.

(4) Notably those listed in Title II of the Treaty establishing the Energy Community.

(5) Article 23 of the Directive 2003/54/EC of the European Parliament and of the Council of 26 June 2003 concerning common rules for the internal market in electricity and repealing Directive 96/92/EC, published in the Official Journal L176 of 15.7.2003, and Article 25 of the Directive 2003/55/EC of the European Parliament and of the Council of 26 June 2003 concerning common rules for the internal market in natural gas and repealing Directive 98/30/EC, published in the Official Journal L176 of 15.7.2003.

(6) Articles 9 and 10 of the Directive 2003/54/EC of the European Parliament and of the Council of 26 June 2003 concerning common rules for the internal market in electricity and repealing Directive 96/92/EC, published in the Official Journal L176 of 15.7.2003, and Articles 8 and 9 of the Directive 2003/55/EC of the European Parliament and of the Council of 26 June 2003 concerning common rules for the internal market in natural gas and repealing Directive 98/30/EC, published in the Official Journal L176 of 15.7.2003.

2.5 Recognising the need for technical standards of networks, generation equipments and network operation in Ukraine which are compatible with UCTE standards, the parties note positively the objective of Ukraine to become synchronously connected to the UCTE network.

2.6 The parties welcome the co-operation foreseen under the EU technical assistance programmes to support Ukraine for its progressive integration in the Trans-European Electricity Network.

3. Road map for enhancing the security of energy supplies and the transit of hydrocarbons

3.1 The Ukraine's gas transmission system consists of 37,600 km of pipelines, 73 compressor stations, and 13 underground gas storages. It ensures supplies to the Ukrainian gas internal market, and transit to the EU, the Balkan countries and Turkey.

3.2 The Ukraine's oil transmission network consists of 4,600 km of pipelines. It also supplies up to six Ukrainian refineries and ensures the transit of Russian oil to central Europe. Currently, Ukraine is developing the extension of the Odessa-Brody oil pipeline to Poland, which would open a major new transit route for EU oil imports from the Caspian basin and the international market.

3.3 In view of increasing its security of energy supplies, Ukraine also gives a high priority to implementing the appropriate conditions to permit additional sources of hydrocarbons to reach its market via new routes.

3.4 Due to this importance of this network both for the EU and Ukraine, the parties will define and create before the end of 2005 a joint EU-Ukraine Hydrocarbon Technical Support Group to provide expertise and recommendations for EU-Ukraine energy cooperation for:

- a) auditing the existing hydrocarbon transit and supply network with a view to developing a modernisation and infrastructures master plan;
- b) developing a safety and security monitoring system for the Ukraine hydrocarbon transit and supply network, including through satellite monitoring systems;

c) studying the possible reform options for oil and gas transit, taking into account the strategic interests of Ukraine;

d) identifying and promoting additional sources and supply routes for gas and oil to Ukraine and onwards to the EU, including the potential for LPG and LNG;

e) promoting the harmonisation of technical norms and standards in the Ukrainian hydrocarbons sector with EU industrial practices;

f) implementing a modern laboratory for independent certification of oil products quality, in addition to the implementation of a modern gas metrology systems under completion in the Boyarka Metrology centre;

g) assisting Ukraine in the implementation of the EU oil and gas regulation (gas directives, oil products specifications and quality);

h) assisting Ukraine in the implementation of its oil national security of supply strategy. In particular the parties undertake to start joint work towards designing a framework for the management of Ukraine's strategic oil reserves in line with EU practices.

3.5 With the objective of optimising the use of existing structures and resources, the parties will endeavour to build up the EU-Ukraine Hydrocarbon Technical Support Group on the basis of the Eastern European Boyarka Gas Metrology Centre and the EU INOGATE Programme.

3.6 Due to the need for specialised expertise, the EU-Ukraine Hydrocarbon Technical Support Group may use EU and Ukrainian experts to work together to implement the above mentioned hydrocarbon road map. In this context, the EU technical assistance may be used as a support.

4. Road map for enhancing effectiveness, safety and environmental standards in the coal sector

4.1 The parties recognise the important role played by coal in the security of the European continent energy supplies and the necessity of not only continuing to reform and restructure the Ukrainian coal industry but also enhancing mine safety standards and improving the environmental impact of coal combustion towards EU levels, and raising the effectiveness of the industry.

4.2 The parties welcome the reinforced co-operation foreseen within the framework of the Tacis Programme towards achieving the above-mentioned goals, in particular through the Ukraine National Action Programme 2005 «Coal policy support» project.

5. Final considerations

5.1 Energy Community

As a first step, the parties agreed that it would be useful for Ukraine to be given observer status in the Energy Community as soon as the Treaty enters into force. The European Union will support this request. The condition for EU support to the ultimate accession of Ukraine to the Energy Community is the satisfactory assessment of the level of nuclear safety in all Ukrainian operating NPPs.

5.2 Enhancing the security and transit of hydrocarbons

In view of jointly enhancing the hydrocarbons security and transit conditions and operations, the parties agree to create, by December 2005, a joint EU-Ukraine Hydrocarbon Technical Support Group.

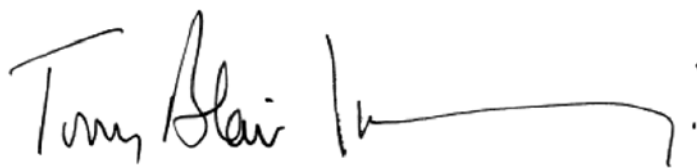
5.3 Legal modality

The present document is a document that records political intent alone and provides for no legal commitment.

This Memorandum of Understanding enters into force on the date of its signature by both parties.

Done in Kyiv on 1 December 2005, in Ukrainian and English languages, both texts being equally authentic.

On behalf of the European Union



Tony Blair
*President of
the European Council*

José Manuel Barroso
*President of the Commission
of the European Communities*

On behalf of Ukraine



Victor Yushchenko
President of Ukraine



JOINT EU-UKRAINE
REPORT
IMPLEMENTATION OF THE
EU-UKRAINE MEMORANDUM
OF UNDERSTANDING
ON ENERGY COOPERATION
DURING 2006

IMPLEMENTATION OF THE EU-UKRAINE MEMORANDUM OF UNDERSTANDING ON ENERGY COOPERATION DURING 2006

CONTEXT

Re-enforced co-operation between the EU and Ukraine in the field of energy, with the common objective of bringing the respective energy markets closer together, is a key element of the increasingly close relationship as expressed in the EU-Ukraine Action Plan agreed in February 2005. The Action Plan was endorsed by the EU-Ukraine Cooperation Council under the Partnership and Cooperation Agreement.

The Memorandum of Understanding (MoU) on co-operation in the field of energy between the EU and Ukraine, which was signed on 1 December 2005 within the context of implementation of the EU-Ukraine Action Plan, sets out how the two sides plan to organise their work to bring their energy markets closer together.

The MoU establishes a joint strategy towards the progressive integration of the Ukrainian energy market with that of the EU and consists of road maps covering (1) nuclear safety; (2) the integration of electricity and gas markets; (3) security of energy supplies and the transit of hydrocarbons; (4) the coal sector. Both sides further recognised the importance of developing a fifth roadmap for increasing co-operation in energy efficiency that would also address the promotion of renewable energies and measures to tackle climate change.

KEY PROGRESS DURING 2006

In order to ensure practical progress in all areas covered by the MoU, an overall steering committee was established, along with implementing groups for each of the five roadmaps (including energy efficiency), consisting of representatives from the Ukrainian authorities and the Commission services. As a result of the work of the past nine months, the following developments in particular can be noted:

1. In order to underpin the security of energy supplies, Ukraine is politically committed to meeting the requirements of EU Directives on minimum levels of oil stocks, to be implemented through a newly established public agency.

2. The Ukrainian side has undertaken to substantially increase the efficiency, transparency and reliability of its gas transit system. In this context, several important gas rehabilitation projects have been identified as well as equipping all Ukraine's international borders with oil and gas metering stations to ensure fiscal and commercial transparency. In this context, the EU side, in cooperation with the EBRD and EIB, is considering providing finance for a first package of oil and gas infrastructure projects in 2006. The Commission recalls, however, that it is vital for the Ukrainian side to confirm its acceptance, in principle, of this finance by the end of October 2006.

3. Following the 2005-2006 winter gas crisis, which for the Ukrainian side represented a "wake-up" call on the need to improve energy efficiency and develop renewable energies, the EU is preparing to provide know-how and expertise for the elaboration and implementation of a comprehensive Action Plan to reduce substantially Ukraine's energy intensity. In this context, a twinning project is under preparation to support the Ukrainian energy efficiency agency.

4. Ukraine has confirmed its political commitment to reforming its gas sector, both for transit and for domestic supplies. The EU is currently providing technical assistance to help Ukraine identify the best options for the reform of its transit system.

5. Ukraine will take further steps to help ensure the security of its energy supplies in cooperation with the EU in the framework of the Boyarka gas metrology centre, co-financed by the EU and Ukraine, through its extension to cover oil metrology, satellite monitoring and training.

6. The EU-funded study regarding the South-North use of the Odessa-Brody pipeline and its extension to Plock has demonstrated, via a business plan, that the project is technically, economically and environmentally feasible. The Commission and Ukraine intend to continue to support this important project. The EU and Ukraine have also launched feasibility studies regarding the possibili-

ties for gas supplies from the Caspian basin and Central Asia to Ukraine and the EU.

7. The Ukrainian side has undertaken to implement further reforms of its coal sector, including privatisation and the improvement of state support to the coal sector in compliance with the EU and WTO norms, and has made preliminary steps with the view to increasing the safety of coal mines.

The Tacis funded project “Coal sector support programme” established in 2006 will play an important role in the implementation of the MoU.

8. Regarding market integration, progress has been achieved towards establishing Twinning projects on energy market issues, notably electricity, gas, and minimum oil stocks. In the electricity sector, Ukraine’s application for membership of UCTE has been approved, together with that of Moldova: trade between Ukraine, Moldova and the EU in

electricity will become possible once the relevant UCTE requirements are met. The Commission will continue to assist in this process.

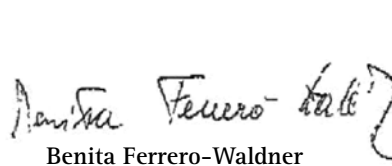
9. With respect to the safety of operating Ukrainian nuclear power plants, the Ukraine side is in the process of developing a self-assessment of their safety. Information about the scope and methodology to be used for this self-assessment has been submitted to the European Commission.

10. The EU side has undertaken to help pave the way for Ukraine to participate as a full member of the Energy Community Treaty. In this context the Commission recalls that the condition for EU support to the ultimate accession of Ukraine to the Energy Community is the satisfactory assessment of the level of nuclear safety in all operating Ukrainian nuclear power plants, as highlighted in the Memorandum of Understanding.

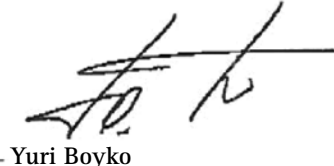
Done in Brussels, 18th October 2006



Andris Piebalgs
EC Commissioner for Energy



Benita Ferrero-Waldner
EC Commissioner for External
Relations and European
Neighbourhood Policy



Yuri Boyko
Ukrainian Minister
of Fuel and Energy

ANNEX – REPORTS OF THE FIVE WORKING GROUPS ON THE IMPLEMENTATION OF THE MEMORANDUM OF UNDERSTANDING

1. Working Group on Nuclear Safety

Following the first meeting of the implementing group in February 2006, the European Commission presented a proposal for a Work Programme that covers the four main areas relevant to nuclear safety, namely: design safety, operational safety, radioactive waste/decommissioning and regulatory issues. In the area of Design Safety, this foresees, in accordance with point 1.5 of the Memorandum of Understanding, that a Report on execution of the IAEA Safety Issue Books’ measures for the WWER – 440/213 and WWER-1000 reactors at all the operating Ukrainian NPP’s will be drafted and submitted to the EU. For the other areas, it is intended that best use will be made of the existing

documentation of relevant reviews made earlier in the framework of IAEA Operational Safety Review Team (OSART) missions, national strategy/legislation, IAEA International Regulatory Review Team (IRRT) missions and peer reviews.

A self assessment of the nuclear safety of the operating Nuclear Power Plants has been started by Ukraine and a preliminary report will be submitted for the consideration of the European Commission in October 2006. This self-assessment will need to be reviewed by international experts, including the IAEA, including with respect to its scope, methodology and completeness.

2. Working Group on the Integration of Electricity and Gas Markets

Following the first meeting of the implementing group on 1st June 2006, the Commission has presented the Ukrainian side with a detailed list of the key issues to be addressed, namely the responsibilities of the regulatory authority, unbundling, technical standards and statistics.

The Commission has also proposed a short term work programme that includes a verification of the Ukraine legislation and its implementation in order to determine whether the existing and foreseen laws and regulations comply with the provisions of the EU's Electricity and Gas Directives. This will firstly identify the shortcomings and secondly develop an agreed calendar for making the necessary legislative and other modifications in Ukraine. It is also designed to strengthen the role of the institutions necessary for the operation of open electricity and gas markets, particularly the National Energy regulatory committee of Ukraine and the electricity and gas transmission system operators. In this context, work will be carried out during 2007 in the context of a twinning project in the electricity sector and this is expected to be followed shortly by one in the gas sector.

The Commission is also providing technical assistance for the progressive integration of Ukraine into the electricity trans-European networks and is supporting the request for full integration of the Ukrainian electricity system (together with Moldova) into the UCTE system.

A technical support project on the best EU commercial practices for the establishment of gas supply prices as well as transit and underground storage pricing services in an open market has also been launched recently.

3. Working Group on the Security of Energy Supplies and the Transit of Hydrocarbons

Gas sector projects: Work has progressed on (i) identifying infrastructure projects for gas metering on North, South, East, West borders of Ukraine; (ii) infrastructure projects for further metering of domestic gas consumers; (iii) projects to improve the efficiency of gas-compressor stations; (iv) options for reforms of the gas transit system; (v) plans for a joint evaluation of the gas transit system to begin in January 2007; (vi) development of the Boyarka Metrological Centre. Additional project proposals from UkrTransGas regarding rehabilitation of the gas transit system may also be received by end-October.

Minimum oil stocks: The EU has funded studies of different options for Ukraine's eventual compliance with Council Directives 68/414/EEC and 98/93/EC. The relevant reports would be sent to the Energy Ministry. So far, the best option seemed to be the

establishment of a public agency dealing with oil stocks. If the Ukrainian Government's Cabinet of Ministers establishes this agency, the EU could assist with a Twinning project between Ukraine and an EU Member State and provide assistance for the agency's establishment.

Oil sector infrastructure projects: Progress has been made on (i) plans for investment of 6 project proposals including the establishment of metering stations on oil pipelines: JSC "UkrTransNafta" has identified border sites for the stations and had provide some initial cost estimates of this and the other above mentioned projects. The JSC "UkrTransNafta" is in the process of negotiations with the EBRD and EIB concerning the scope and financial conditions of projects defined by banks; (ii) plans for investment project proposals for a 52km oil pipeline between Odessa and Pivdenniy, as well as for development of the Odessa oil terminal: UkrTransNafta has provided some initial cost estimates; (iii) the South-North use of the Odessa-Brody pipeline, for which the EU has funded a study (business plan) taking into account the commercial interests of suppliers and consumers. Ukraine needs an effective dialogue with interested producers and consumers in order to make sufficient arrangements to deliver and consume 8 million tonnes/year, which is the minimum throughput of oil needed for the South-North flow of the pipeline to be advisable. In this context, it should be noted that Poland has now agreed to the Brody-Plock section of the project and the intergovernmental agreement as well as creation of a public-private partnership would also be needed to implement the project.

The EU and Ukrainian sides have reached a common understanding of all the above hydrocarbons issues, and have expressed their full support, in principle, to the mentioned projects. The next steps should be for the two sides to go through the relevant appropriate procedures for the various projects' implementation, and for the Working Group to identify possible new issues and projects.

4. Working Group on the Coal Sector

The first meeting of the implementation group on 1st June 2006 recognised that three key issues faced the Ukrainian coal sector when examining how to improve the effectiveness, safety and environmental standards, namely privatisation, the use of methane gas and coal mine safety and the protection of the labour force. A concept paper presented by the Commission side also highlighted the importance of addressing the environmental standards and efficiencies of the coal-fired thermal power plants. It was agreed that a joint work programme would be prepared as rapidly as possible that would be supported by the coal sector policy support project whose terms of reference should likewise be agreed rapidly.

Based on the results of the progress in the implementation of the MoU that has been achieved in 2006 and with a view to the **potential prospects** of the **reformed** Ukrainian coal sector for the security of energy supplies of Ukraine and Europe as a whole, great importance is attached to consolidating the EU and Ukraine's efforts in the following directions:

- Reforming the coal sector within a market environment in compliance with the EU practices and WTO requirements;
- An efficient use of Ukraine's coal resources for the supply of heat and power, as well as for use in coking and the steel industry;
- Examining the possibility of technology cooperation, particularly for economically increasing coal production volumes and introducing clean coal combustion technologies at thermal power plants and steel-production enterprises;

- Enhancing coal mines' safety, security and environmental standards;
- Attracting investment and technological support to the coal methane gas commercial production and application.

5. Working Group on Energy Efficiency and Renewable Energies

An implementation group was established and met on 14th July 2006 to explore the priorities for a roadmap on energy efficiency and renewable energies. Key areas for cooperation that were identified for inclusion in the road map, inter alia – the improvement of normative and legal frameworks in the sphere of energy efficiency, alternative and renewable energy sources and approximation of relevant Ukrainian legislation with that of the EU *acquis*; establishment of Twinning and other programmes promoting the introduction of energy efficient technologies, alternative and renewable energy; improvement of the **domestic** metering system and creation of an **information** system covering energy production and consumption; creation of a single energy audit system; ensuring an increased share of alternative energy sources in the context of energy supply and demand. In this context, a twinning project is under preparation to support the Ukrainian energy efficiency agency. It has been agreed to hold a further meeting in October 2006 to begin work on detailed practical recommendations.

The background of the page is a photograph of an industrial facility, likely a refinery or chemical plant, featuring tall distillation columns, complex piping, and metal walkways. The sky is blue with scattered white clouds. A large, semi-circular graphic element is overlaid on the right side of the image. It consists of a white semi-circle with a blue dashed border, and a series of blue vertical lines of varying lengths extending from the top edge of the semi-circle, resembling a stylized sun or a signal indicator.

SECOND JOINT
EU-UKRAINE REPORT
IMPLEMENTATION OF THE
EU-UKRAINE MEMORANDUM
OF UNDERSTANDING
ON ENERGY COOPERATION
DURING 2007

IMPLEMENTATION OF THE EU-UKRAINE MEMORANDUM OF UNDERSTANDING ON ENERGY COOPERATION DURING 2007

CONTEXT

The Memorandum of Understanding (MoU) on co-operation in the field of energy between the EU and Ukraine was signed on 1 December 2005 within the context of implementation of the EU-Ukraine Action Plan. It sets out how the two sides plan to organise their work to bring their energy markets closer together.

The MoU establishes a joint strategy towards the progressive integration of the Ukrainian energy market with that of the EU and consists of road maps covering (1) nuclear safety; (2) the integration of electricity and gas markets; (3) security of energy supplies and the transit of hydrocarbons; (4) the coal sector. Since the MoU was signed, a fifth roadmap has been developed for increasing co-operation in energy efficiency and the promotion of renewable energies.

A first report on the progress achieved during 2006 was presented to the EU-Ukraine Summit held in Helsinki on 27 October 2006. This second report highlights the progress which has been achieved since then.

KEY PROGRESS DURING 2007

1. WORKING GROUP ON NUCLEAR SAFETY

Agreement has been reached on the Terms of Reference for the joint European Commission-International Atomic Energy Agency-Ukraine evaluation of the nuclear safety of the Ukrainian Nuclear Power Plants (NPP) with a view to supporting the implementation of the nuclear safety provisions of the Memorandum of Understanding.

The Work Programme for the project covers the four main areas relevant to nuclear safety, namely: design safety, operational safety, radioactive waste/decommissioning and regulatory issues:

- The detailed Technical Guidelines for the design safety review (task 1) have been agreed amongst the parties concerned and are annexed to the Terms of Reference of the joint project;
- The operational safety task will be performed following the format, procedures and guide-

lines of the IAEA OSART (International Atomic Energy Agency's Operational Safety Review Team) missions;

- For the radioactive waste/decommissioning task, the agreed Terms of Reference indicate that the specific technical guidelines, which will include the questionnaires, will be prepared by the IAEA and agreed by all parties involved in the kick-off meeting;
- For the regulatory issues task, the Terms of Reference indicate that the review will be conducted by a team of international peers (senior regulators) and that the final detailed scope of the work, including all procedural and organisational details, will be fixed and agreed in the joint project kick-off meeting.

The Joint Project will be mainly supported by the Instrument for Nuclear Safety Cooperation. The matter is currently under consideration within the Commission and the project is expected to start in the third quarter of 2007.

After the project kick-off meeting, the Ukrainian side will resume the self assessments according to the Technical Guidelines, at selected pilot Nuclear Power Plants, in order to check whether an eventual revision of the Technical Guidelines will be required prior to the evaluation of the remaining units.

2. WORKING GROUP ON THE INTEGRATION OF ELECTRICITY AND GAS MARKETS

At the second meeting of the implementing group on 23 March 2007, progress on the legal approximation in the electricity and gas sectors was reviewed, along with the implementation of the UCTE project on the integration of Ukraine into the UCTE and the reform of electricity and gas tariffs.

Over the past year considerable progress has been made in Ukraine in moving consumer prices towards cost recovery levels, although further progress is required to ensure a full recovery of costs and to allow the further necessary investments, bearing in mind the social impact of these measures.

With respect to the objective of reinforcing the independence of the National Energy Regulatory Committee (NERC), the Ukrainian authorities have prepared a draft law that has the objective of completely separating the regulator from the electricity and gas industries, and ensuring that the NERC is funded through a special fund under the state budget. The law is under examination in the Parliament and, once adopted, the Ukrainian side will provide a copy to the Commission for a detailed examination of its conformity with the relevant EU *acquis*.

In this context, a capacity-building Twinning project is underway to assist with strengthening the regulatory and legal capacity of the NERC with respect to the electricity sector. The project will, in particular, concentrate on strengthening the NERC's capacity in policy design and implementation in incentive regulation, quality of supply standards, unbundling of distribution and supply, transmission pricing and general support to the harmonisation of energy legislation with the EU energy *acquis*. A similar project for NERC to cover the gas sector is under preparation and is expected to start before the end of the year.

With respect to the joint application of Ukraine and Moldova to join UCTE (Union for the Co-ordination of Transmission of Electricity), a joint working group has been established which has held regular meetings, with the last meeting on 26th June 2007 in Bucharest. On this occasion, the draft «Terms of Reference of the project for the interconnection of Ukraine and Moldova with the electrical system of the UCTE was presented and it is intended that this will be submitted for the consideration and approval by the UCTE's Steering Committee in September 2007. It is important to ensure co-ordination between this work and the ongoing TACIS study to support the progressive participation of Ukraine in the electricity Trans-European Networks (TENs), as well as to ensure its relation with the wider study on the feasibility of a possible synchronous interconnection of the UCTE and IPS/UPS systems.

Following the application of Ukraine to join the Energy Community Treaty, the Commission presented a summary report on the status of the Ukrainian energy sector and the feasibility of extending the Energy Community to Ukraine at the Ministerial Meeting of the Energy Community on 29th June 2007. The Ministerial Council requested the Com-

mission to continue to coordinate Ukraine's eventual accession to the Energy Community Treaty.

3. WORKING GROUP ON THE SECURITY OF ENERGY SUPPLIES AND THE TRANSIT OF HYDROCARBONS

A list of priority projects in the electricity, gas and oil sectors for 2007 was prepared and agreed by the two sides during 2006. Significant funding by the International Financial Institutions has been secured to implement these projects and there is an objective to have the financing for all these projects agreed by the end of 2007. These projects include the initial batch of gas and oil metering stations on the borders of Ukraine.

A preliminary audit of the Ukrainian gas transit network has been completed in the framework of the EU's technical assistance, which has identified the need for substantial investments that have been estimated at around £2,500 million over the period 2007-2013. Work is now underway to define a list of the necessary investments to be considered for support at a pledging conference involving the International Financial Institutions such as the EIB, EBRD and the World Bank, private sector financial bodies, Ukraine and the national financial agencies of the EU Member States and non-Elf countries that could take place in late 2007 or early 2008. In line with the MoU, the Parties have also agreed to organise a joint monitoring of the progress of work on the rehabilitation of the Ukrainian oil and gas transit system.

Following the technical assistance provided by the EU to analyse the various options for Ukraine's eventual compliance with the Community *acquis* on oil stocks, a draft law has been prepared and should be adopted by the end of 2007. Once adopted, the Ukrainian side will provide a copy to the Commission for a detailed examination of its conformity with the relevant EU *acquis*.

A capacity-building Twinning project is also now under preparation to assist Ukratransnafta, the body designated to be in charge of the process to develop an oil stocks mechanism. It is foreseen that Ukraine will establish an oil stock-holding agency as a second step. In addition, further to a request from Ukratransnafta, the Commission is providing technical expertise to address the managerial and financial restructuring options for the company.

Following the support from the ED-funded technical assistance project which has demonstrated the commercial viability of the extension of the Odessa-Brody pipeline to Plock in central Poland, the Parties recognise the importance of moving ahead with this important infrastructure project. A step forward was taken recently to enlarge the Ukraine-Polish joint venture to include Azerbaijan, Georgia, Kazakhstan and Lithuania.

Following the inauguration of the Boyarka Gas Metrology Centre in December 2006, the final work is underway to make the centre fully operational. Discussions are also now ongoing to give the Centre a regional dimension and further work is expected to begin before the end of the year to extend the scope of the Centre's work to cover crude oil and oil products, as well as to offer training facilities.

Upon a request from the Ministry of Fuel and Energy of Ukraine, a team of three European experts has been recruited to provide technical assistance and advice on issues related to hydrocarbons as well as on any other energy issue as appropriate.

Further to a request from the Security Council of Ukraine, the Commission is currently developing a technical assistance project to cooperate in the area of statistical and forecasting methodologies and models for energy balances.

4. WORKING GROUP ON THE COAL SECTOR

The coal sector policy support project is being finalised following a second meeting of the implementation group on 23 March 2007 and is foreseen to start in the end of 2007. The project will have three objectives, namely:

- To further develop and maintain a programme for the coal industry for the period 2007-2016, paying due respect to the role of the coal industry in Ukraine's security of energy supply strategy, the ongoing economic reforms and the government's social obligations;
- To provide the various stakeholders with the capabilities and means to implement the coal sector reform programme;
- To improve coal mining safety;

The project has been divided into five components, namely:

- Institutional strengthening of the Ukrainian Coal Mining Industry;

- Elaboration of Master Plan for the development of the Ukrainian Coal Industry;
- Setting up a social development fund;
- Improving occupational safety;
- Development of the catalogue of contaminated Sites.

In addition, the importance of addressing the issue of the capture and use of methane from the coal mines has been recognised by both Parties as a key area of importance, both from an environmental and safety perspective. With the objective of attracting external investments to address this issue, further technical assistance is under preparation to address co-operation in this area. The possibility of cooperation in clean coal technologies should also be further examined, particularly with respect to thermal power plants.

5. WORKING GROUP ON ENERGY EFFICIENCY AND RENEWABLE ENERGIES

Upon a proposal from the European Commission in January 2007, the European Council of March 2007 adopted ambitious targets to improve energy efficiency and promote renewable energy sources. These targets included a reduction of at least 20% in greenhouse gas emissions by 2020 compared to 1990, an objective of 20% savings in energy compared to the projections for 2020 and a binding target of a 20% share of renewable energies in the overall EU energy consumption by 2020.

In this context, recognising the very significant opportunities for energy savings in Ukraine and to fulfil the objective in the Memorandum of Understanding, subsequent to a second meeting of the implementation group in February 2007, a roadmap on energy efficiency, renewable energies and measures to tackle climate change, with an initial focus on developing initiatives towards improving the energy efficiency of buildings and on ensuring a continual exchange of information on energy efficiency and renewable energy projects is under preparation.

In this context, TAIEX (Technical Assistance Information Exchange Instrument) workshops for officials from Ukraine took place on 9th July 2007 on «financing instruments available for promoting energy efficiency and renewable energy sources in Ukraine» and on 17th July 2007 on «policy issues

and practical details concerning the raising of building standards for energy efficiency in Ukraine towards those in the European Union”.

6. COMMISSION SUPPORT

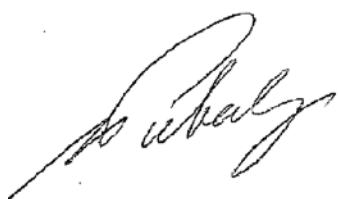
With respect to the 2007 ENPI (European Neighbourhood and Partnership Instrument) National Action Programme for Ukraine, the energy component will be implemented in the form of a sector policy support programme (including sector budget support) as all the necessary pre-conditions are met in this sector.

This support is linked to progress and the achievement of benchmarks in the implementation of the

energy component of the EU-Ukraine Action Plan, as well as the MoU on co-operation in the field of energy. Out of a total budget of EUR 142 million for the 2007 National Action Programme for Ukraine, the assistance linked to the energy sector will amount to EUR 87 million.

In this context and in accordance with the second paragraph of the first joint EU-Ukraine report on the implementation of the MoU and the aide memoire signed on 14th September 2006, both sides recognise the importance of investments in oil and gas infrastructure, in particular the metering of oil and gas flows at Ukraine’s international borders to improve transparency and in order to upgrade the existing transit infrastructure.

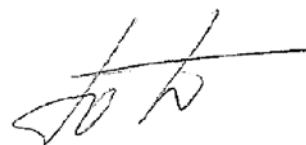
Done in Kiev on 14 September 2007:



Andris Piebalgs
EC Commissioner for Energy




Benita Ferrero-Waldner
EC Commissioner for External Relations and European Neighbourhood Policy



Yuri Boyko
Ukrainian Minister of Fuel and Energy



The image shows a landscape with several white wind turbines in a field. The turbines are positioned on a rocky shore next to a body of water. The sky is blue with some light clouds. A large white circle is overlaid on the right side of the image, containing the title text. The circle has a decorative border of blue rectangular dashes. The text is centered within the circle.

THIRD JOINT
EU-UKRAINE REPORT
IMPLEMENTATION OF THE
EU-UKRAINE MEMORANDUM
OF UNDERSTANDING
ON ENERGY COOPERATION
DURING 2008

IMPLEMENTATION OF THE EU-UKRAINE MEMORANDUM OF UNDERSTANDING ON ENERGY COOPERATION DURING 2008

CONTEXT

Re-enforced co-operation between the EU and Ukraine in the field of energy, with the common objective of bringing the respective energy markets closer together, is a key element of the increasingly close relationship as expressed in the EU-Ukraine Action Plan agreed in February 2005. The Action Plan was endorsed by the EU-Ukraine Cooperation Council under the Partnership and Cooperation Agreement.

The Memorandum of Understanding (MoU) on co-operation in the field of energy between the EU and Ukraine was signed on 1 December 2005 within the context of implementation of the EU-Ukraine Action Plan. It sets out how the two sides plan to organise their work to bring their energy markets closer together.

The MoU establishes a joint strategy towards the progressive integration of the Ukrainian energy market with that of the EU and consists of road maps covering (1) nuclear safety; (2) the integration of electricity and gas markets; (3) security of energy supplies and the transit of hydrocarbons; and (4) the coal sector. The MoU also envisaged a fifth roadmap which has now been developed for increasing co-operation in energy efficiency and the promotion of renewable energies.

Two reports on the progress achieved in 2006 and up to August 2007 were presented respectively to the EU-Ukraine Summits held in Helsinki on 27 October 2006 and in Kyiv on 14 September 2007. This third Joint Report highlights progress which has been achieved since September 2007.

KEY PROGRESS SINCE SEPTEMBER 2007

1. WORKING GROUP ON NUCLEAR SAFETY

In December 2007 the joint European Commission-International Atomic Energy Agency-Ukraine evaluation of the nuclear safety of the Ukrainian Nuclear Power Plants (the Joint Project) with a view to supporting the nuclear safety provisions of the Memorandum of Understanding got underway.

The terms of reference for this project had been agreed in Spring 2007 by the Joint Working Group on Nuclear Safety. It is estimated that the Joint Project will take about two years to be completed. The involvement of external experts, as foreseen by the MoU, is essential to attain the required level of credibility of the project, necessary to obtain the acceptance of the EU Member States.

Ukrainian experts have started self assessments in the different areas relevant to nuclear safety. The Joint Project foresees these self assessments to be based on common task guidelines. These guidelines were presented by the International Atomic Energy Agency (IAEA), then discussed at the Joint Project Steering Committee meetings and approved by the parties.

The design safety (Task 1) work schedule and self-assessment forms have been revised and reconciled. In addition, a training seminar has been conducted for the Ukrainian organisations that will be involved in the self-assessment.

The self-assessment report for operational safety (Task 2) has been drafted considering the recommendations and findings of OSART missions to the Ukrainian Nuclear Power Plants in operation. In May 2008, the related working group approved the timetable of works.

In the area of radioactive waste management and decommissioning (Task 3), the first expert meeting took place in February 2008. In July 2008 a training seminar was held for the representatives of all Ukrainian NPPs that will be involved in the self-assessment in this area.

In relation to regulatory aspects (Task 4), the Ukrainian nuclear regulator (the State Committee of Nuclear Regulation of Ukraine) has completed its self-assessment in terms of its compliance with the IAEA standards. The results of this self-assessment were discussed on 1-2 April 2008 during a visit of the IAEA experts to the Ukrainian nuclear regulator. The IRRS mission for the assessment of regulatory safety aspects was conducted on 8-20 June 2008.

The Joint Project is mainly supported by the Community's Instrument for Nuclear Safety Cooperation.

2. WORKING GROUP ON THE INTEGRATION OF ELECTRICITY AND GAS MARKETS

Ukraine has confirmed its commitment to move towards opening up its gas and electricity markets, and the National Energy Regulatory Committee (NERC) has undertaken concrete steps to adapt its electricity and gas tariff-setting methodologies towards cost recovery levels. Further progress is however required to ensure the effective implementation of this commitment, bearing in mind its possible social impact.

At the same time, NERC is finalising its reform plan to move away from the current wholesale electricity market model to a balancing market model. In November 2007, the Ukrainian Government adopted a Resolution envisaging a three-staged Action Plan to implement this reform:

- Stage 1 (2008-2009) - Creation of the legal and regulatory basis and partial introduction of bilateral contracts between electricity market participants;
- Stage 2 (2010) - Introduction of mechanisms for balancing the sale and purchase electricity volumes, while maintaining a centralized load scheduling;
- Stage 3 (2011-2014) - Introduction of self-compilation of load schedules by the electricity market participants and establishment of a full-fledged exchange for the trade of electricity.

With respect to the objective of strengthening the independence of the NERC, a draft law is under discussion in the Ukrainian Parliament and is expected to be adopted soon. This draft law also foresees the establishment of a special fund under the state budget to support the activities of the NERC.

A Community-funded twinning project is actively assisting the NERC in strengthening its capacity with respect to the regulation of the electricity market. The project concentrates on regulatory policy design, implementation of incentive regulation, quality of supply standards, unbundling of distribution and supply, transmission pricing and legal harmonisation with the *Acquis communautaire* in the field of electricity. However, the implementation of

some components of the project remains suspended pending the adoption of the above-mentioned draft law on the regulation of energy markets.

A similar twinning project with respect to the regulation of the gas market was published in July 2008 and is expected to start in the beginning of 2009. It is important to continue the reform of the gas market and finalise the draft law on the principles of the gas market functioning.

The draft Law of Ukraine «On the Principles of the Natural Gas Market Functioning», commented by the ministries and institutions, is currently being modified by the Ministry of Fuel and Energy of Ukraine. This law will be discussed with the European Commission in view of its possible conformity with the EU *acquis*.

With respect to the joint application of Ukraine and Moldova to join UCTE, co-ordination between this work and the ongoing Tacis study in support of the progressive participation of Ukraine in the trans-European electricity networks has been ensured on a regular basis. The Tacis project has now delivered a series of technical reports on the legal and technical requirements for Ukraine's integration into trans-European the electricity networks that are currently under consideration within the Ministry of Fuels and Energy.

Following the Ministerial Council meetings of June and December 2007 in Montenegro and in Serbia, the Energy Community requested the European Commission to coordinate the process for the possible accession of Ukraine to the Energy Community. The Commission carried out exploratory talks with Ukraine on 27-29 February 2008 in Kiev. A mandate for the Commission to undertake negotiations with Ukraine on its possible accession was adopted by the EU Council on 15 July 2008.

3. WORKING GROUP ON THE SECURITY OF ENERGY SUPPLIES AND THE TRANSIT OF HYDROCARBONS

Following up on the second Joint Report, the European Commission has been in discussions with the European Investment Bank, the European Bank for Reconstruction and Development and the World Bank to develop a concept for a financial mechanism to be open to Ukraine, the national financial

agencies of the EU Member States and non-EU countries private sector financial bodies and other participants, to provide and oversee the financing which is needed to support the rehabilitation and modernisation of Ukraine's main gas transit infrastructure. The final report of the Audit of the Ukrainian gas transit system carried out under the Tacis Programme, which was submitted to the Ukrainian government in 2007, estimated the cost of the rehabilitation plan at € 2.5 billion over the period 2009-2015. To ensure the development of a master plan detailing how the rehabilitation and modernisation should proceed, the Ukrainian side will prepare «The Concept Paper on the Ukrainian Gas Transit Network Development, Modernisation and Re-equipment» and, with the view of implementing the above-mentioned Concept Paper, will elaborate «The Programme on the Gas Transit Network Operation's Safety and Security Improvement by «Ukrtransgaz» for the Period of 2008-2015». In parallel, the European Commission and Ukraine will continue to discuss the overall approach for the reconstruction and modernisation of the gas transit system in Ukraine as presented by the Commission on 2nd July 2008. These documents will form part of the master plan and be presented and discussed at the Investment conference to be arranged jointly by Ukraine and the EU.

Following technical assistance provided by the European Commission to analyse the various options for Ukraine's eventual compliance with Community *acquis* in the field of oil stocks, a draft law was prepared. Although its adoption was planned initially for the end of 2007, it is still under examination in the Cabinet of Ministers of Ukraine. Once approved by the Cabinet of Ministers, the Ukrainian side will provide a copy to the European Commission for a detailed examination of its conformity with the Community *acquis*.

The European Commission, together with Ukrtransnafta, has been also preparing a twinning project aiming at building the institutional capacity of the body to be defined in the above-mentioned draft law which would be responsible for the management of the oil.

Drawing on the conclusions of the EU-funded feasibility study which demonstrated the commercial viability of the extension of the Odessa-Brody crude oil pipeline to Plock, there is a recognition

of the importance of moving ahead with this key infrastructure project. A step forward was taken recently to enlarge the implementing joint venture to include Azerbaijan, Georgia, Kazakhstan and Lithuania in addition to Ukraine and Poland. At the start of 2008, a new joint venture «Sarmatia Ltd» comprising DNKAR (Azerbaijan), GNGK (Georgia) and «Klaipedos Nafta» (Lithuania), in addition to «Ukrtransnafta» (Ukraine) and «Przyiazn» (Poland), was established. In May 2008, «Sarmatia Ltd» concluded a contract to update the above-mentioned feasibility study. According to «Sarmatia Ltd», the total cost of the extension of the pipeline to Plock is now estimated at € 252 million.

Following the inauguration of the Boyarka Gas Metrology Centre in December 2006, the final work is underway to make the centre fully operational. Discussions are now ongoing to give the Centre a regional dimension and further work is expected to begin before the end of the year to deliver international accreditation of the Centre, extend the scope of its activities to crude oil and oil products, and to organise the delivery of internationally recognised training in its facilities. A regional commercialisation conference will be organised by Ukraine before the end of the current year.

Further to a request from the Security and Defence Council of Ukraine, the European Commission launched in 2007 a technical assistance project to work out state-of-the-art statistical and forecasting methodologies as well as models for energy balances for Ukraine, based on EU methods and practices, with a view to harmonising Ukraine's decision-making processes in the field of energy security with international practice.

4. WORKING GROUP ON THE COAL SECTOR

With constant support of the members of the Working Group on the Coal Sector, the Tacis-funded coal sector policy and reform project was finalised in November 2007 and, following minor refining, published on tender in April 2008. The implementation phase of the project started on 1 September 2008.

The project has three main objectives:

- To further develop and maintain a programme for the coal industry for the period 2009-

2016, paying due respect to the role of the coal industry in Ukraine's energy security strategy, the ongoing economic reforms and the government's social and environmental obligations;

- To provide the various stakeholders with the capabilities and means to implement the coal sector reform programme;
- To improve occupational safety in coal mines.

In addition, the importance of addressing the issue of the capture and use of methane from the coal mines has been recognised as a key area of importance, both from an environmental and a safety perspective. The European Commission is therefore developing, jointly with the Ministry of Coal Industry of Ukraine, a project to be funded under the Community thematic programme «Environment and sustainable use of natural resources, including energy (ENTRP)» 2007-2013. Also, with the objective of attracting external investments to address this issue, further technical assistance has been prepared to address co-operation in this area. The possibility of cooperation in clean coal technologies should also be further examined, particularly with respect to coal-fired thermal power plants.

5. WORKING GROUP ON ENERGY EFFICIENCY AND RENEWABLE ENERGIES

Upon a proposal from the European Commission in January 2007, the European Council of March 2007 adopted ambitious targets to improve energy efficiency and promote renewable energy sources. These targets included a reduction of at least 20% in greenhouse gas emissions by 2020 compared to 1990, an objective of 20% savings in energy compared to the projections for 2020, a binding target of a 20% share of renewable energies in the overall EU energy consumption by 2020 and a binding minimum target for all EU Member States of 10% of biofuels in overall EU transport oil consumption, subject to production being sustainable, second generation biofuels becoming commercially available and the Fuel Quality Directive being amended accordingly to allow for adequate levels of blending.

In this context, recognising the very significant opportunities for energy savings in Ukraine

and to fulfil the objective in the Memorandum of Understanding, a roadmap on energy efficiency, renewable energies and measures to tackle climate change, was signed on 26 March 2008 following a second meeting of the implementation group in February 2007. This roadmap, attached as annex 2, has an initial focus on developing initiatives towards improving the energy efficiency of buildings and on ensuring a continual exchange of information on energy efficiency and renewable energy projects.

The Working Group has also discussed recent progress in relation to the building sector and building standards and domestic energy metering systems, as well as priorities in the area of renewable energy (projects development and database and programmes for heat supply to housing and communal services). Institutional issues in the energy efficiency and renewable energy sector have also been addressed.

Within the activities outlined in the Roadmap and following TAIEX workshops for Ukrainian officials on “financing instruments available for promoting energy efficiency and renewable energy sources in Ukraine” and on “policy issues and practical details concerning the raising of building standards for energy efficiency in Ukraine towards those in the European Union”, the possibility of a twinning project in support of NAER, the Ukrainian Agency for Efficient Use of Energy Resources, is currently under discussion.

6. COMMISSION SUPPORT

With respect to future EU-Ukraine cooperation in the framework of the European Neighbourhood and Partnership Instrument (ENPI), the second Joint Report on the MoU identified that the energy component of the ENPI Ukraine Annual Action Programme 2007 will be implemented in the form of a sector policy support programme (including budgetary support), the Financial Agreement which is currently being prepared for signature. This support amounts to € 87 million (including up to € 82 million of budgetary support) and is seen as a financial contribution to the implementation of all the provisions of the Memorandum of Understanding on Energy cooperation. Disbursements are conditioned to the attainment of jointly agreed benchmarks (attached as annex 1).

With respect to the ENPI Ukraine Annual Action Programme 2008, the European Commission has proposed to allocate € 70 million (including € 66 million of budgetary support) to support Ukraine's plans in the area of energy efficiency and renewable sources of energy.

Signed on 29th August 2008:



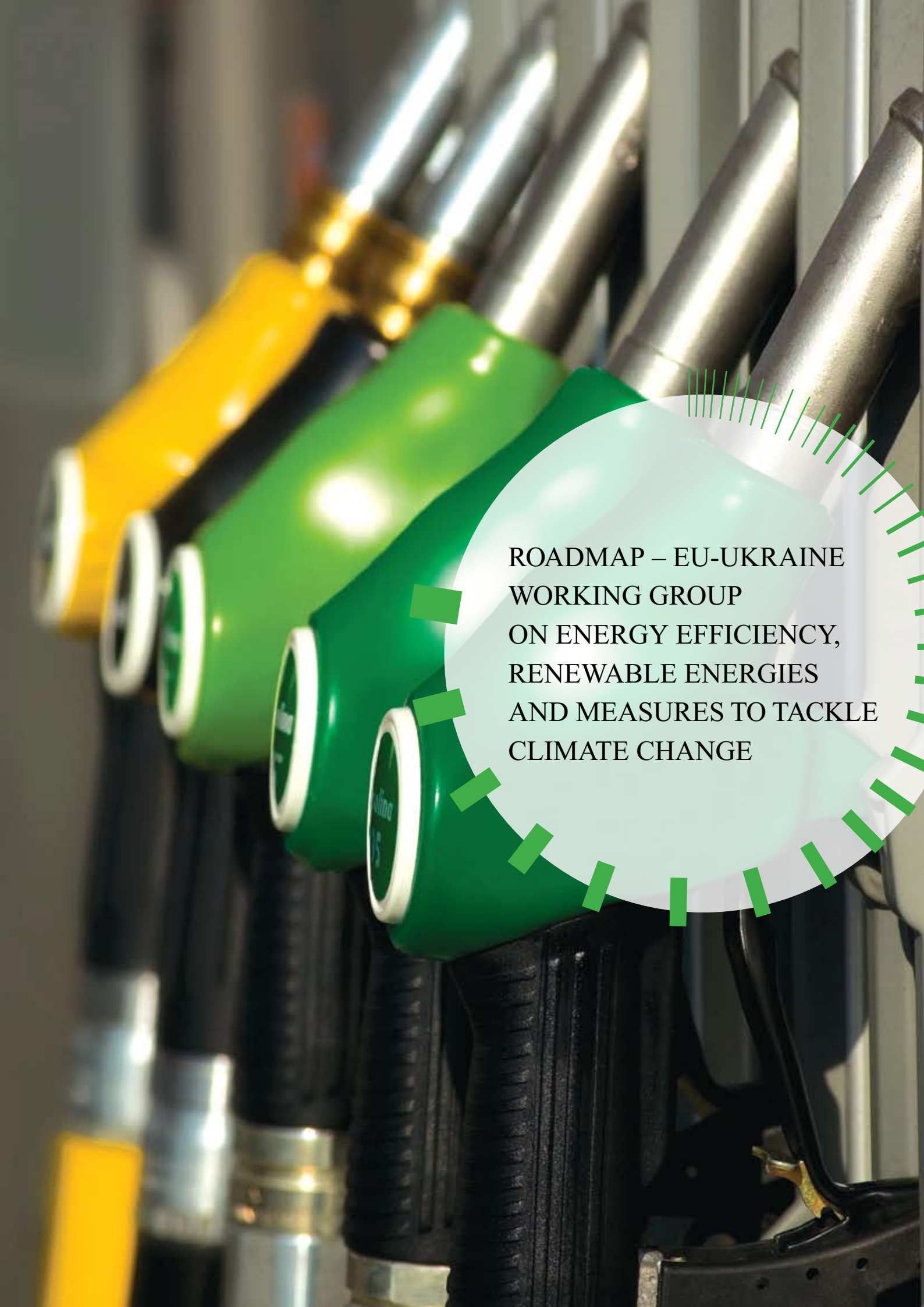
Andris Piebalgs
EC Commissioner for Energy

Benita Ferrero-Waldner
EC Commissioner for External Relations and European Neighbourhood Policy

Yuri Prodan
Ukrainian Minister of Fuel and Energy

ANNEXES:

1. The agreed benchmarks for the 2007 budget support.
2. The roadmap on energy efficiency, renewable energies and measures to tackle climate change.



ROADMAP – EU-UKRAINE
WORKING GROUP
ON ENERGY EFFICIENCY,
RENEWABLE ENERGIES
AND MEASURES TO TACKLE
CLIMATE CHANGE

ROADMAP – EU-UKRAINE WORKING GROUP ON ENERGY EFFICIENCY, RENEWABLE ENERGIES AND MEASURES TO TACKLE CLIMATE CHANGE

1. The improvement of normative and legal frameworks in the sphere of energy efficiency, alternative and renewable energy sources and approximation of relevant Ukrainian legislation with that of the EU *acquis*.

- Making proposals to support and review the implementation of the existing action programs as well as the Energy Strategy of Ukraine until 2030 in the field of energy efficiency and alternative and renewable energy sources. Take stock of existing plans in this field;
- The Ukrainian side will provide copies of the existing action programs as well as copies of the relevant draft laws that are under preparation, notably the draft laws on biofuels and energy savings. The EU side will provide comments on these documents with a view to share experience and best practices and make recommendations for approximation with the EU *acquis*.

2. Priority fields for co-operation to promote energy efficiency and the introduction of energy efficient technologies.

- Making proposals to support and review the implementation of existing plans for improving energy efficiency in the Ukrainian building sector. Development of new proposals in this area, including financing plans and timetables for implementation. The Ukrainian side will provide the EU side with the current Ukrainian regulatory framework in this area as well as any relevant draft legislation by the 15th of April, 2008. The Parties will jointly organize a follow-up workshop for Ukrainian officials on the EU experience of implementing building standards and improving energy efficiency in the EU building sector. The Ukrainian side will initiate and complete an inventory of energy efficiency in the Ukrainian building sector by the end of 2008;
- Elaboration of methodology for the improvement of the domestic metering system of energy resources measurement in the housing

sector. The Ukrainian side will provide the ED side with the current regulatory framework, administrative practices and state of play in this field by the 15th of April, 2008. The EU side will review the situation and make proposals for improvements by the end of 2008;

- Creation of an information system covering energy production and consumption and a single energy audit system. The Parties will exchange information about existing regulatory bases and administrative practices in this field. The EU side will review the existing situation and give its recommendations about its improvement in Ukraine;
- Development of a twinning project – currently under identification – for the National Agency of Ukraine on Ensuring Efficient Use of Energy Resources (NAER) on the optimization of administrative structures and procedures in the domain of energy efficiency (precise scope to be confirmed). With the assistance provided through a Framework Contract to be managed by the Delegation, NAER will draft an application for the 1st semester of 2008 which will then be reviewed by the EU side and submitted to the relevant institutions.

3. Priorities to promote and facilitate the commercial production and use of renewable and alternative energy sources in Ukraine.

- Development of proposals for switching heat supply systems of public buildings (schools, hospitals and other institutions) to use local fuels, including synthesis-gas. Take stock of existing programs for the improvement of heat supply systems for housing and communal services. The Ukrainian side will provide the EU side with information on ongoing projects in this field by the 1st of April, 2008;
- The Ukrainian side, with EU support, will develop a database of projects for the promotion of alternative energy sources, in particular

biomass, accompanied by financing plans, estimated production costs, and timetables for implementation. The EU side will consider supporting and participating in a workshop in Ukraine, whose aim shall be to help Ukrainian decision-makers develop a full understanding of the potential contribution that various renewable energy sources can make to Ukraine's energy balance, and of what would need to be done on the policy side to make effective progress in this regard;

- Review of progress in developing alternative fuels in the transportation sector, including bio-fuels. Cooperate on regulatory standardization in this field. The Parties will provide each other with relevant legislative measures and applicable standards in this field periodically. The EU side will share information on the development of sustainability requirements.

4. Cooperation with International Financial Institutions and other donors in the field of energy efficiency and Renewable energy sources.

- Ensure a continued exchange of information on energy efficiency and renewable energy

projects, including those implemented with the help of financing from International Financial Institutions and other donors;

- The EU side will continue to assist Ukraine in taking advantage of available funding for the preparation of lending operations in the energy efficiency and renewable energy sources fields in Ukraine.

5. Support and promote the establishment and development of energy services companies (ESCO).

- With the EU side promotion, establishment of institution of energy services companies network aiming at ensuring of practical implementation of energy efficient projects and technologies in regions of Ukraine and ensuring of further service and permanent work of equipment.

6. Financing.

- The EU side will inform the Ukrainian side about possibilities to take part in EU financial programs in the field of efficient use of energy resources and energy efficiency.



E U - U K R A I N E

The image features a low-angle shot of a modern glass skyscraper against a clear blue sky. A large, semi-transparent white circle is superimposed on the right side of the frame. The circle's border is decorated with a series of vertical orange lines at the top and a dashed orange line at the bottom. Inside the circle, the text 'ENERGY COMMUNITY TREATY' is centered in a black, serif font. The background is a grid of solar panels, with several bright yellow stars scattered across them, mimicking the European Union flag. A bright sun flare is visible in the lower-left quadrant, partially overlapping the solar panels and the white circle.

ENERGY COMMUNITY
TREATY

ENERGY COMMUNITY TREATY

The Treaty establishing Energy Community was signed in October 2005 in Athens, Greece and entered into force on 1 July 2006. The Parties to the Treaty are the European Community, on the one hand, and seven Contracting Parties, namely, Albania, Bosnia & Herzegovina, Croatia, Former Yugoslav Republic of Macedonia, Montenegro, Serbia and the United Nations Interim Administration Mission in Kosovo. As of December 2007, 14 European Union Member States have the status of Participants. Georgia, Moldova, Norway, Turkey and Ukraine take part as Observers. Furthermore, international donors¹ and market operators also contribute to the process. The Istanbul Conference under the auspices of the Stability Pact in 2001 invited the European Commission to take over the co-ordination role. As a consequence, the Commission chairs the donors' community and highlights the Energy Community's political and technical goals.

The mission of the Energy Community is to extend the EU internal energy market to Contracting Parties in South East Europe and beyond. It thereby provides a stable investment environment based on the rule of law, and ties the Contracting Parties together with the European Union. More specifically, the Energy Community aims to create a stable regulatory and market framework in order to:

- Attract investment in power generation and networks in order to ensure stable and continuous energy supply that is essential for economic development and social stability;
- Create an integrated energy market allowing for cross-border energy trade and integration with the EU market;
- Enhance the security of supply;
- Improve the environmental situation in relation with energy supply in the region;
- Enhance competition at regional level and exploit economies of scale.

The process is supported by a strong institutional setting, comprising a Ministerial Council, a Permanent High Level Group, a Regulatory Board, two Fora and a Secretariat. The Secretariat, seated in Vienna and funded by the European Commission, is responsible for reviewing, reporting and assisting the implementation process.

Goals

The Energy Community paves the way for cooperation between the EU and the Contracting Parties, which builds on the EU's energy policy. This comprises three parallel objectives: combating climate change, limiting vulnerability in relation to imported hydrocarbons, and promoting growth and jobs, thereby providing secure and affordable energy to consumers.

The Energy Community is based on legally binding obligations taken by all the Contracting Parties to implement the relevant *acquis communautaire*, to set up regulatory structures and to liberalise their energy markets. This requires a strong commitment by the Contracting Parties towards market oriented reforms in order to: improve overall energy conservation and efficiency, reduce an excessively high energy intensity of production compared to international standards, strengthen national institutional capacities and adapt legislation and regulation to EU norms and practices. It also means that countries should be prepared to draw fully on the substantial gains which can result from energy trading among themselves and with their neighbours.

Involvement of Ukraine

On 17 November 2006, Ukraine became an observer in the Energy Community Treaty. It has since applied for full membership of this Treaty, under which participants commit themselves to implement the *acquis communautaire* on energy, namely the respective legislative frameworks for the electricity and gas sector and the fields of renewable energy, competition and environment. The negotiations are currently ongoing.

(1) The reform process of the Energy Community is particularly supported by the following donors: Canadian International Development Agency (CIDA), European Agency for Reconstruction (EAR), European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), European Commission, KfW Bankengruppe, World Bank and United States Agency for International Development (USAID).



EASTERN PARTNERSHIP

EASTERN PARTNERSHIP

The European Commission presented in December 2008 its proposal for an Eastern Partnership¹. The Eastern Partnership is a major EU strategic policy initiative. It concerns our six Eastern partners Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. The aim is to promote stability, prosperity and security of the EU's Eastern neighbourhood by anchoring partners to the EU, supporting internal reform and furthering convergence with the EU rules and practice. The European Commission put forward concrete proposals for enhancing the bilateral and multilateral relationships between the EU and its Eastern partners. Ukraine and the other Eastern partners have already indicated their interest in working together with the EU on the Eastern Partnership and expressed their wish to come closer to the EU *inter alia* by carrying out political, social and economic reforms.

The bilateral side of the Eastern Partnership includes proposals for new contractual relations with the partners, the gradual integration in the EU economy, the establishment of 'mobility and security' pacts, enhancing energy security and supporting economic and social development.

The new multilateral track of the Eastern Partnership proposals, which are framed in 'thematic platforms' aims to enhance co-operation on the following areas:

- promoting democracy, good governance and stability;
- economic integration and convergence with EU policies;
- strengthening energy security;
- encouraging people to people contacts.

Multilateral energy co-operation

On the multilateral level, the Eastern Partnership Communication proposes the establishment of a thematic **Energy Security Platform**. The purpose of this Platform is to bring the Eastern Partnership countries closer to the EU and enhance energy security in the EU and Eastern partners while contributing to the achievement of the energy security objectives put forward in the Second Strategic Energy Review².

It is intended that the Energy Security Platform would concentrate on issues of mutual interest for the benefit of both the EU and the Partner countries. The work of the Platform could also be promoted by specific energy ministerial meetings. Third countries could be involved in the work of the Energy Security Platform on a case by case basis and if there is agreement that enough common interest in a topic, geographical proximity or existing economic links would make this beneficial. The Platform would, in turn, be supported by an **Energy Security Panel** for the implementation of energy support and security mechanisms.

The Energy Security Platform would work on the basis of its programme of work with realistic, periodically updated, core objectives, in three broad areas:

Energy support and security mechanisms

The Platform would elaborate on the development of mutual energy support and security mechanisms between the EU and the Partner countries in order to enhance energy crisis preparedness. An **Energy Security Panel** would be established to support actions in this area.

Actions to be developed could include early warning mechanisms as well as more elaborate joint security measures. Examples may include the monitoring of energy flows, the exchange of information on national measures to deal with emergencies (e.g. fuel switching, targeted measures to reduce consumption), practical modalities for mutual assistance in case of severe energy crises situations (e.g. possibilities for emergency supplies including from oil and gas stocks).

To achieve this, the energy security contacts between the EU and the Partner countries should be strengthened. The panel may consider formalising the Partner countries' interaction, on an ad-hoc basis, with the EU's Network of Energy Security Correspondents, and would build on existing arrangements with the EU Gas Coordination Group and the EU Oil Supply Group. It should be noted that the Partner countries that are members or

(1) Communication from the Commission to the European Parliament and the Council 'Eastern Partnership', Brussels, 3.12.2008, COM(2008) 823 final; and Commission Staff Working Document accompanying the Communication (SEC 2008) 2974.

(2) Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of Regions, Second Strategic Energy Review, "An EU energy security and solidarity action plan", COM (2008) 744 of 13 November 2008.

observers of the Energy Community will also participate in the Energy Community Security of Supply Coordination Group.

Interconnections

In conformity with the actions foreseen under the Second Strategic Energy Review, the Trans-European Networks Energy (TEN-E) guidelines and the EU Priority Interconnection Plan, the Platform should develop a detailed Energy Infrastructure Action Plan for the Eastern Partnership region. This would include the modernisation of existing and the development of new energy infrastructures, including energy interconnections between Partner countries and with the EU. Partners' storage capacities for oil and gas could also be improved, including through the encouragement of joint storage arrangements.

The political and practical support for the realisation of the Southern energy corridor would be enhanced. The development of similar measures in support of the extension of the Odessa-Brody oil pipeline to Plock and other projects emanating from the western shore of the Black Sea should also be considered (including LNG).

Concerning key infrastructures that face heightened non-commercial risks, the development of partnerships bringing together the EU with the Partner countries may also become increasingly important.

Actions in this field will require the mobilisation of additional technical assistance and loans from the EIB (and other International Financial Institutions), notably through the NIF (Neighbourhood Investment Facility).

Regulatory development

The Platform will intensify cooperation with key stakeholders in the Partner countries in order to explore best practices and means for a gradual harmonisation of the Partners' energy policies, legislation and regulation with EU practice and *acquis*. Measures should be taken in all energy areas, including electricity, gas, oil, renewable energy, and energy efficiency. Such measures should be advanced through seminars, workshops, training sessions and the exchange of information. It should

be noted that members of the Energy Community have a legal obligation to implement a significant part of the EU energy *acquis*, including security of supply. Ukraine and Moldova (currently observers) launched their membership talks in 2008. Georgia is observer in the Energy Community.

The Platform should contribute, where appropriate, towards the ongoing strengthening of the Baku Process, taking advantage of the participation of the key energy producing countries of Central Asia in this forum. The Platform will provide useful input for the Baku process/INOGATE programme and will take full account of the ongoing work in order to avoid duplication of resources and efforts.

Bilateral co-operation

At bilateral level, the Eastern Partnership will aim to strengthen the energy security of the EU and of the partners with regard to long-term energy supply and transit. The European Commission proposes, taking account of the Second Strategic Energy Review, a number of bilateral measures, including:

- Inclusion of “Energy interdependence” provisions in the Association Agreements, in coherence with, inter alia, EU trade, competition and energy policies, to be negotiated with partners, taking account, where appropriate, of existing Memoranda of Understanding;
- Swift completion of negotiations on Ukraine's and Moldova's membership in the Energy Community. When appropriate, an extension of observership to other partners should be considered;
- Enhanced support for the full integration of Ukraine's energy market with that of the EU, recognising the importance of a satisfactory assessment of the level of nuclear safety in all 12 Ukraine's operating nuclear power plants. Rehabilitation of the Ukrainian gas and oil transit network is a priority, including through improvement of the monitoring of gas and oil flows into Ukraine. Today's conference is important in this context;
- Encouragement to all partners to participate in the Intelligent Energy Europe Programme.