

Joint Statement of EUEA and UWEA

Kyiv, Ukraine

4 March 2020

Members of the European Ukrainian Energy Agency (“EUEA”) and the Ukrainian Wind Energy Association (“UWEA”) have always been committed to help Ukraine attract new investors, technologies, financing, know-how to the renewable energy (“RE”) sector and to enhance the country’s energy independence.

Shortly after Ukraine’s adoption of the EU electricity market model on 1 July 2019, malicious litigation blocked the payments of the transmission tariffs to the transmission system operator. The Government of Ukraine (“GoU”) responded with amendments to the public service obligations (“PSO”) mechanism that are not consistent with that market model and have produced serious financial and operational distress. This has resulted in a non-bankable environment for RE sector.

To help the GoU restore orderly financial and technical operation of the sector, RE investors in October 2019 proposed a set of measures to make the Guaranteed Buyer (“GB”) bankable and expressed willingness as one of those measures to accept a voluntarily “green” tariff restructuring. This was confirmed in December 2019 with a joint letter to the President of Ukraine, signed by companies representing a large majority of Ukraine’s current and prospective RE capacity.

While supporting the idea of a “green” tariff restructuring, we have always made it clear that a restructuring of “green” tariffs can only represent a part of the solution. In parallel, the GoU needs to make the GB bankable. The Government and the Regulator now have all of the tools required to unwind their temporary fixes and implement the original EU market model in full, while also addressing the GB deficit and ensuring long-term RE PSO sustainability.

Investors tried, but failed, to agree with the Ministry of Energy and Environmental Protection (“MEEP”) on the required transition. In light of the matter’s urgency and importance, we requested the Energy Community Secretariat (“EnCS”) to enter as an independent mediating party early December 2019. Our aim was to reach a comprehensive agreement that would extend beyond the “green” tariff restructuring and that would ensure long-term stable operations of the electricity sector.

Since the mediation started in late January 2020, we made good faith efforts to deliver high quality and constructive input to all of the mediator-requested working groups and discussions. We were therefore surprised and disappointed when the MEEP unilaterally published its latest proposal on its web site on February 27th, the day after it was sent to the mediator. This violates the agreed mediation confidentiality rules and undermines the effectiveness of mediation.

We remain determined to find arrangements which will promptly achieve full implementation of the EU market model in Ukraine and stabilize operations of electricity sector, while respecting the rule of law and ensuring the protection of investor rights which are essential for attracting future FDI.

We remain convinced that the EnCS mediation is the best way forward and express our appreciation for the positive role played by the EnCS in that process.

After internal consideration by our members of last week’s MEEP proposal, we will provide our comments within the mediation framework and will continue to participate in mediation in good faith with the hope of finding a reasonable solution in the interest of Ukraine, its investors and above all, its electricity consumers.