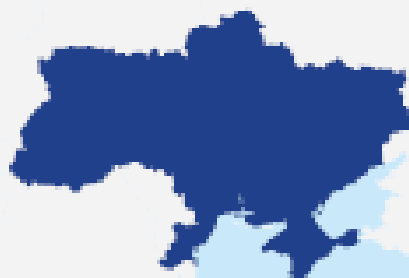


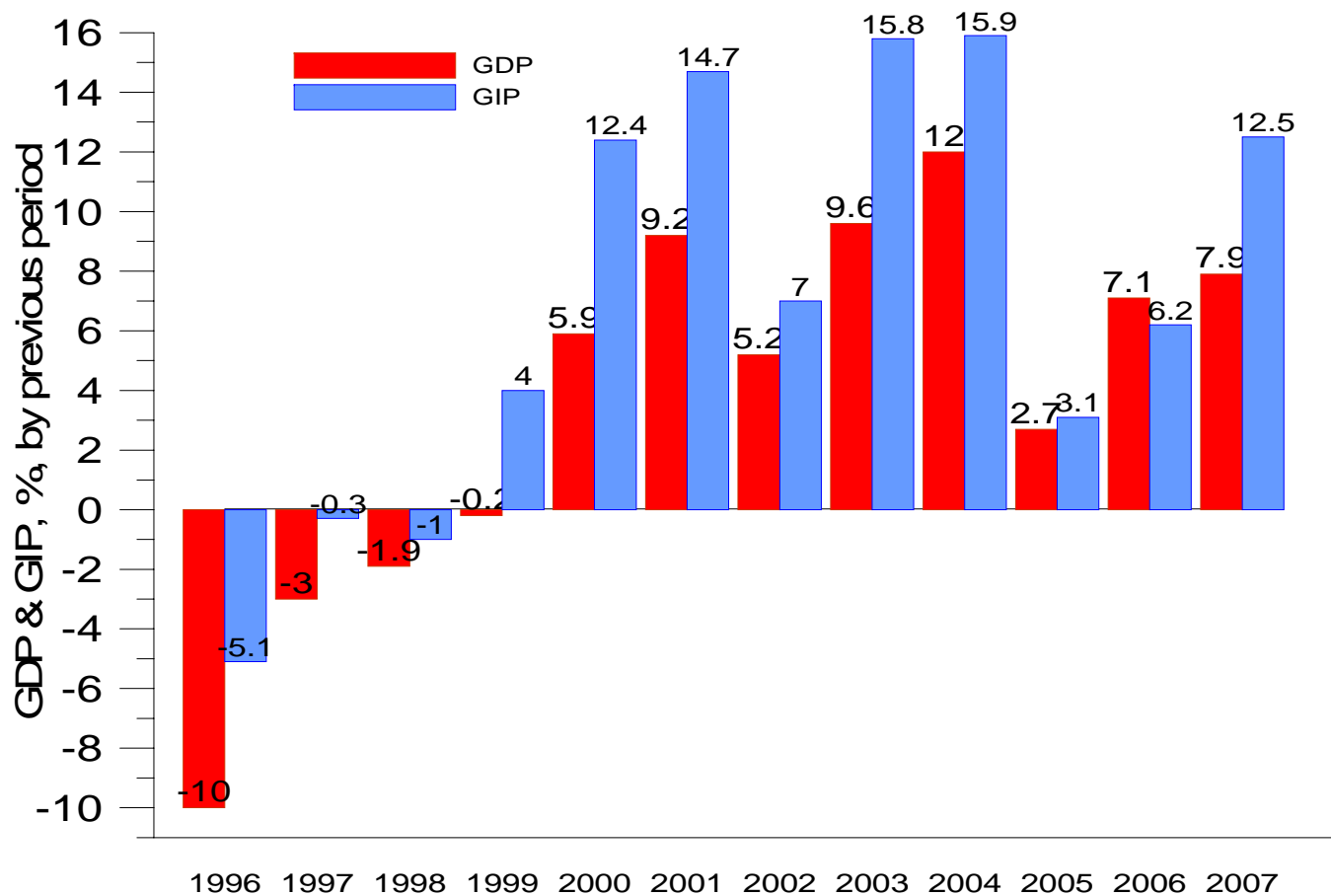
# UKRAINE: RECENT EFFORTS TO BOOST INVESTMENTS IN ENERGY EFFICIENCY AND CLIMATE CHANGE MITIGATION



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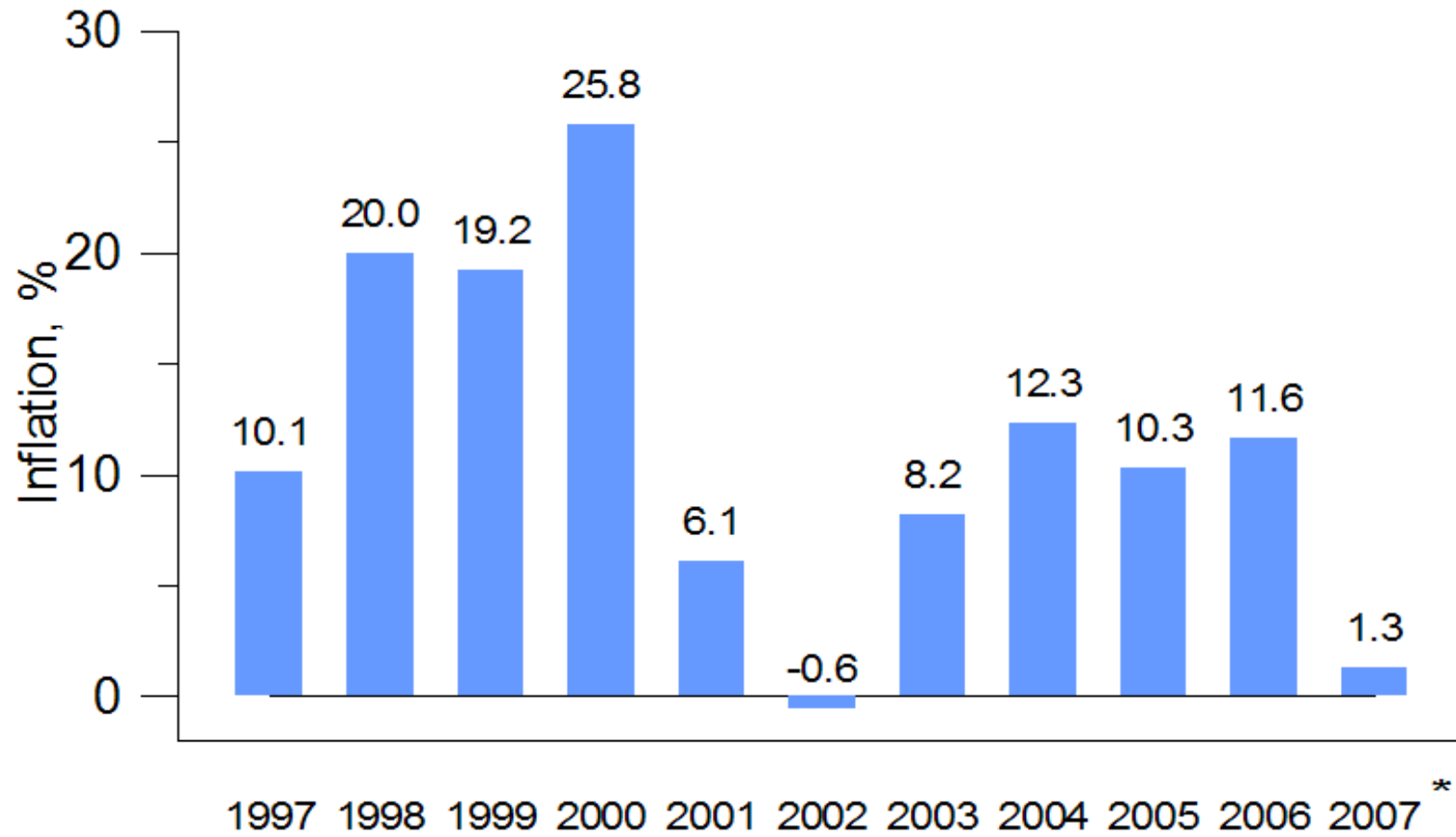
## INVESTMENT CLIMATE IN UKRAINE: ECONOMIC GROWTH IN NEW MILLENNIUM



\* Four months of 2007 to same period of 2006

Source: Ukrainian State Statistics Committee

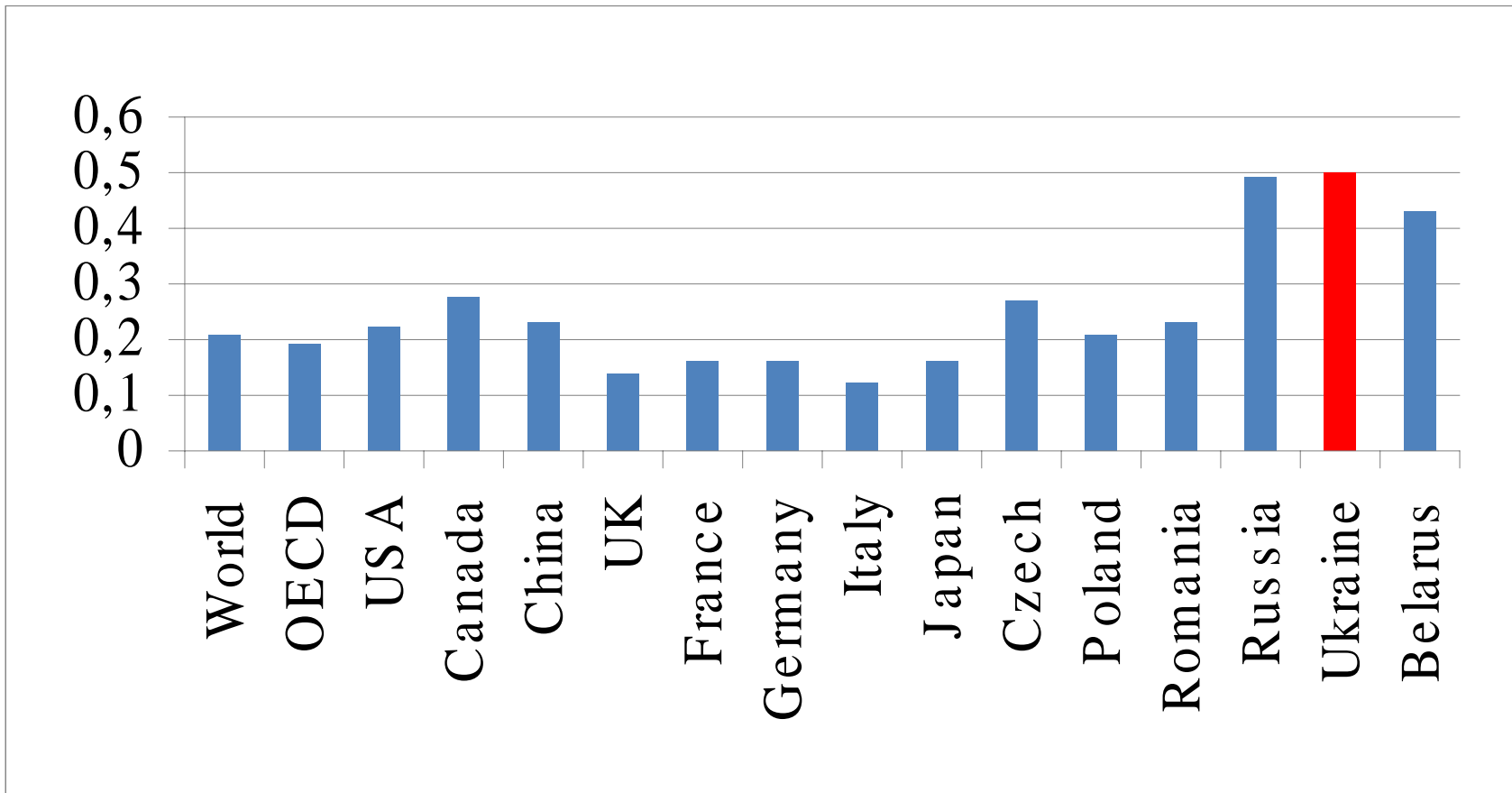
## INVESTMENT CLIMATE IN UKRAINE: INFLATION



\* - first quarter

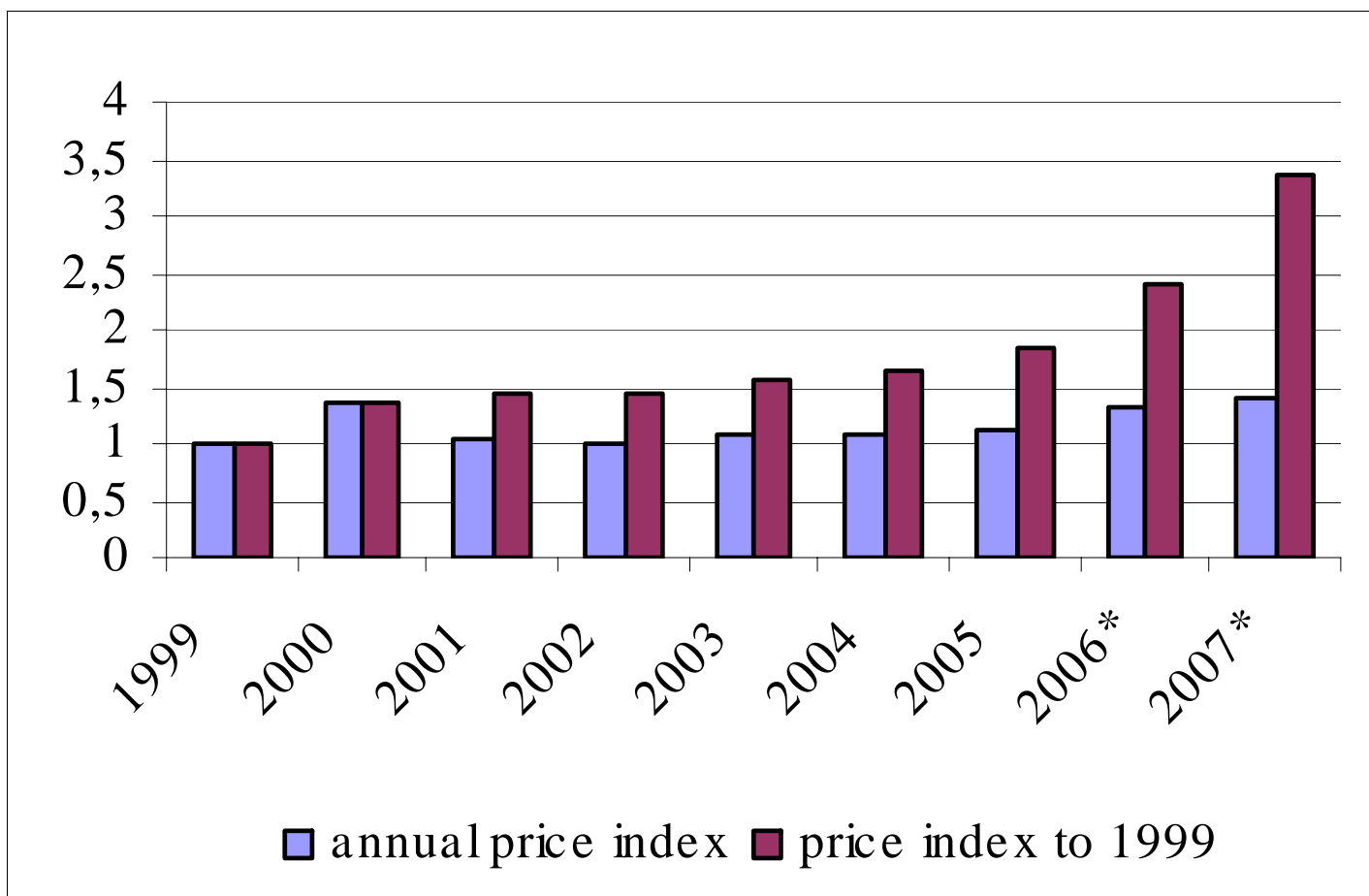
## GDP ENERGY INTENSITY

*toe/1000\$ (2000) purchasing power parity*



Source: Energy Statistic Manual, OECD/IEA, 2005

## DYNAMIC OF COMPOSITE PRICE&TARIFF INDEXES (ELECTRICITY, NATURAL GAS, HEAT AND WATER FOR END-USERS)



\*Estimates for 2006 and first quarter of 2007

## MAJOR ENERGY EFFICIENCY POLICIES IN UKRAINE(1)

- **1994 – Law on Energy Conservation**
- **1995 – State Committee on Energy Conservation**
- **1997 – National Energy Saving Program**
- **1998 – Wind Energy Program**
- **1999 – EBRD/UkrESCO I**
- **2002 - National Energy Saving Program (updated)**
- **2004 – Law on Cogeneration**
- **2005 – National Energy Efficiency Agency**

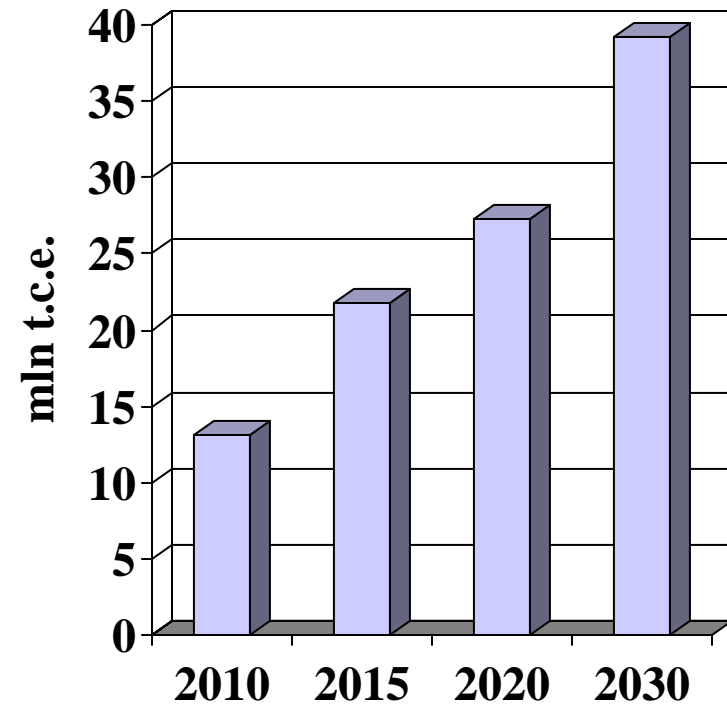
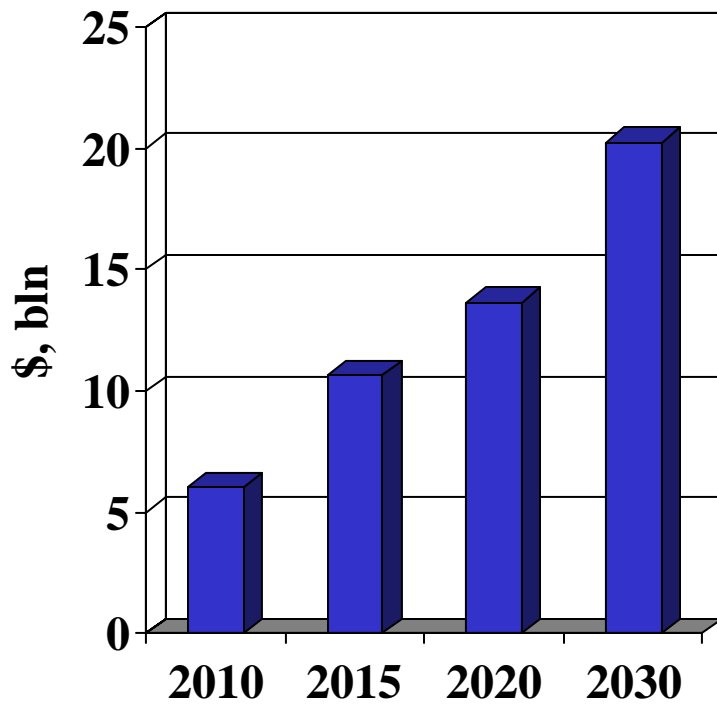
## **MAJOR ENERGY EFFICIENCY POLICIES IN UKRAINE(2)**

- **2006 – National Energy Strategy till 2030**
- **2006 – EBRD/UkrESCO II**
- **2006 – Program on Diesel Bio-fuel Development**
- **2007, Mar – Amendment to the Law on Energy Conservation**
- **2007, Mar – Amendment to the Laws on Profit Taxation and Customs Tariffs**
- **2007, Mar – Governmental Resolution on Partial Compensation of Interest Rates for Credits Used for Energy Efficiency Improvements in Power Sector;**
- **2007, Apr – Governmental Resolution on Subventions from State Budget to Local Budgets for Energy Efficiency Measures;**
- **2007, Apr – National Environmental Investments Agency**

## NATIONAL ENERGY STRATEGY TILL 2030: MAIN GOALS

YEAR	GDP ENERGY INTENSITY,%	ENERGY IMPORT,%
2005	100	55
2030	48	12

## ENERGY STRATEGY OF UKRAINE TILL 2030: Investments And Energy Savings



## LAW ON COGENERATION (2004)

- Obligations for power generation utilities and distribution networks to buy electricity from CHPs;
- Some tariff incentives.

## AMENDMENT TO THE LAW ON ENERGY CONSERVATION (2007, MAR )

### CREATION OF STATE FUND FOR ENERGY CONSERVATION

#### Sources for Fund formation:

- State Fund for Environmental Protection
- Payments for fuel and energy use;
- Penalties for violations of legislation on energy conservation.

## AMENDMENTS TO THE LAWS ON PROFIT TAXATION AND CUSTOMS TARIFFS ( 2007, MAR)

**Tax and customs fee credits and incentives for  
manufacturers and service providers of:**

- Energy saving equipment and materials;
- Equipment for production of renewable and alternative energy and fuels;
- Energy metering and control devices and systems;

## **GOVERNMENTAL RESOLUTION (2007, Apr) ON SUBVENTIONS FROM STATE BUDGET TO LOCAL BUDGETS FOR ENERGY EFFICIENCY MEASURES:**

- installation of heat and water metering and controls for multifamily residential buildings - \$60mln;
- upgrade of existing and installation of new energy efficient boilers, heat substations and heat distribution networks -\$60 mln;

**GOVERNMENTAL RESOLUTION (2007, Mar) ON PARTIAL  
COMPENSATION OF INTEREST RATES FOR CREDITS USED  
FOR NEW CONSTRUCTION AND ENERGY EFFICIENCY  
UPGRADE OF:**

- fossil fuel power plants;
- hydro and hydro accumulation power plants;
- power substations and networks.

## **EBRD/UKEEP - ENERGY EFFICIENCY PROGRAMME FOR BANKS IN UKRAINE**

Status: Board approved

Total project cost: EUR 100 million from EBRD.

Sub-projects:

- UKEEP - State Export Import Bank of Ukraine (UkrExim)
- UKEEP - Kreditprombank

The project would result in:

- i) demonstration of the benefits of rational energy usage
- ii) building expertise (among the participating banks (PBs) and sub-borrowers)
- iii) increased financial intermediation targeted at rational energy utilization which will also improve operating efficiency.

The client: Ukrainian PBs which will on-lend the funds to sub-borrowers planning to undertake energy efficiency investments and renewable energy projects in the private sector.

## **EBRD PROJECT - UKRESKO II (2006)**

Status: Signed

The client: Ukrainian UkrEsco, a state owned joint stock company

Total project cost: US\$ 20 million

Project objective:

Enabling UkrEsco to continue its energy saving activities in Ukraine by financing energy saving investments which are repaid on the basis of future energy savings.

## TOP UKRAINIAN BANK BY SIZE OF CREDIT- INVESTMENT PORTFOLIO

Name	Billion USD
PrivatBank	7.6
Raiffeisen Bank Aval	6.2
Ukrsibbank	4.9
Ukrsotsbank	4.0
UkrEximBank	3.8
Oshchadniy Bank	2.8
OTP Bank Plc.	2.4
Nadra Bank	2.3
Finance & Credit Bank	1.7
Forum	1.6

## PRESENCE OF FOREIGN BANKS IN UKRAINE

The share of foreign banks in authorized capital of Ukrainian banks makes up 29.8%

The number of banks with 100% foreign capital is 18 and 40 of 173 local banks are partly owned by foreign investors

Foreign Banks	Share, %	Ownership in Ukrainian Bank
Raiffeisen (Austria)	93.5	Raiffeisen Bank Aval
BNP Paribas (France)	51	Ukrsibbank
UniCredit Group (Italy)	N/D	UNI-Credit Bank
VTB (Russia)	98	Mriya
OTP Bank Plc. (Hungary)	100	OTP Bank
“Credit Agricole” (France)	99.7	Indeks-bank
Swedbank AB (Sweden)	N/D	TAS-Kommerzbank
Swedbank AB (Sweden)	N/D	TAS-Investbank

## JI PROJECTS PORTFOLIO IN UKRAINE (as for October 2006)

- Number of submitted projects – 46 (**73\***)
- Number of projects obtained LoE – **42**
- Number of projects obtained LoE/LoA – **4**
- Cost range: **\$2-60** million
- Emission reduction range during 2008-2012: **0.16 - 8.7** million t CO<sub>2</sub>-e.
- Total average annual emission reduction – **9.1** million t CO<sub>2</sub> eqv.

\* For May 2007

## PROJECTS OBTAINED LOE/LOA BY SECTORS OF ECONOMY (as for October 2006)

Landfill gas utilization	14	30.4%
CHP installation	9	19.6%
Energy efficiency / waste energy use	7	15.2%
District heating rehabilitation	5	10.9%
Coal mine methane utilization	4	8.7%
Biomass utilization	2	4.3%
Non-traditional and renewable sources of energy	2	4.3%
Technology improvements	2	4.3%
Processing of liquid wastes	1	2.2%
Total number of projects	46	100