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To First Deputy Prime Minister of Ukraine -  
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Ministry for Communities, Territories and  
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*On the joint position of NGOs Ecoaction and  
Ecoclub to be considered in the development of  
the Ukraine Plan*

**Dear Ms. Svyrydenko**

NGOs "Ecoaction" and "Ecoclub" work in the field of conservation of natural resources, combating climate change effects, implementation of renewable energy sources, and represent public opinion in these matters.

To fulfill objectives of the organizations and support the achievement of Ukraine's high energy and environmental goals, NGO "Ecoaction" and NGO "Ecoclub" find it necessary to address you with the following.

During the Ukraine Recovery Conference (URC-2023), held in London on June 21-22, 2023, the European Commission announced the creation of a special Financial Instrument for Ukraine (Ukraine Facility), which provides funding of up to EUR 50 billion.

As part of this program, a Ukraine Plan<sup>1</sup> is being developed to encompass a comprehensive vision of the country's recovery and development for 2024-2027, which includes chapters on European integration, digitalization, regional development, and climate.

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<sup>1</sup> <https://www.kmu.gov.ua/news/vidbulosia-pershe-zasidannia-mizhvidomchoi-robochoi-hrupy-z-pytan-pidhotovky-planu-ukrainy-v-ramkakh-prohramy-ukraine-facility>

The relevant ministries and agencies coordinated by the Ministry of Economy are responsible for the preparation of the Plan. As of today, consultations of specialized and sectoral groups with businesses are actively underway, particularly in energy<sup>2</sup>, agriculture<sup>3</sup>, and infrastructure<sup>4</sup>.

**However, to ensure a more transparent and inclusive approach to decision-making, it is important to involve the business community and civil society organizations in the discussions.** We have repeatedly addressed this issue to the Ministry of Economy of Ukraine and the Ministry for Communities, Territories and Infrastructure Development of Ukraine, but have not received any response.

At the same time, we would like to draw your attention to the fact **that representatives of environmental NGOs have received a letter from EU Commissioner for Environment, Oceans and Fisheries, Vygirijus Sinkevicius, which emphasizes that the civil society is a key partner of the European Commission in assessing Ukraine's progress in the areas of legislation and implementation.** The importance of public input for the future Ukraine Plan under the Ukraine facility was highlighted.

NGO "Ecoaction" and NGO "Ecoclub" have developed a joint statement and are sending it for further consideration in the development of the Ukraine Plan.

We express our respect and readiness to be involved in the process of developing the Ukraine Plan under the Ukraine Facility program of the European Union.

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Sincerely yours,  
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Executive Director of NGO Ecoclub, Andriy Martynyuk



<sup>2</sup> <https://kse.ua/ua/about-the-school/news/za-pidtrimki-kse-vidbulasya-ustanovcha-zustrich-sektoralnoyi-robochoyi-grupi-z-energetiki-v-ramkah-roboti-nad-planom-ukrayini-v-ramkah-ukraine-facility/>

<sup>3</sup> <https://kse.ua/ua/about-the-school/news/za-pidtrimki-kse-vidbulasya-persha-zustrich-sektoralnoyi-robochoyi-grupi-z-predstavnikami-agrarnogo-biznesu-v-ramkah-ukraine-facility/>

<sup>4</sup> <https://kse.ua/ua/about-the-school/news/za-pidtrimki-kse-vidbulasya-persha-zustrich-sektoralnoyi-robochoyi-grupi-z-logistiki-ta-transportnoyi-infrastrukturi-v-ramkah-ukraine-facility/>

## **The position of the NGO "Ecoaction" and the NGO "Ecoclub" on the "Ukraine Plan" under the Ukraine Facility program**

### **Challenge 1: Defining tariffs for heat and electricity according to market indicators.**

The transition to a market-based model of electricity market regulation, the corporatization of national gas companies, and the transfer of the power to set tariffs for heat and utilities to local governments have unfortunately not led to the introduction of market-based mechanisms for determining the heat and electricity prices.

Despite the increase in price caps for the electricity market and the establishment of gas price benchmarks, the electricity and heat prices for households do not cover the economically sound energy cost. This, in turn, blocks opportunities for modernization of existing CHPs/TPPs, creates distorted price signals to consumers, and is one of the biggest obstacles to payback investments in energy efficiency and renewable energy sources (RES) in communities. According to various estimates, administrative interference in the market operations of producers, suppliers, and traders based on political decisions leads to GDP losses of 7% to 15% of GDP. In addition, the lack of liberalization in tariff policy not only hinders the prospect of reducing energy consumption through energy efficiency measures but also blocks the development of the production market of high-quality materials and equipment for energy efficiency, which is in demand in Europe and the world.

### **Proposed solutions:**

Prepare and implement an action plan that ensures that tariffs are set according to market indicators rather than political needs. The main items of such an action plan should include the following provisions:

- conduct an information and awareness campaign for the population, including information about tariffs in other countries, explanations of the impact of tariffs on the modernization of production equipment, the impact of the cost of electricity and heat for business on the prices of customer goods and services, and information on the available state support in case it is impossible for a household to pay higher tariffs;
- bring electricity, gas, and heating prices to economically justified levels;
- enable public access to the information on the instruments of state control over the implementation of investment programs on equipment modernization, the introduction of energy-efficient technologies in production, etc, funded out of the revenues from increased tariffs. and involving the public in the implementation of such instruments;
- Increase the level of responsibility of producers and suppliers for the quality of services (including district heating), including, but not limited to, by simplifying the procedures for filing and reviewing complaints from consumers and civil society;
- allow paying for consumed energy services only according to energy metering data;
- provide only exclusively targeted subsidies in cash to households that need it due to the inability to pay for consumed services at the new tariffs. At the same time, the methodology for calculating subsidies should encourage recipients to invest in thermal renovation of their households and in renewable energy.

The action plan outlined above is proposed to be enshrined in a legislative act, including amendments to the related regulations and developing the necessary secondary regulation.

The implementation of the action plan would become a positive signal to investors, securing the source of repaying the investments in the energy sector and contributing to the development of civil society, which bears financial obligations but has influence over the use of the funds paid.

### **Challenge 2. Lack of a strategic vision for the development of district heating.**

District heating is preserved in Ukrainian cities mostly. This asset significantly reduces the cost of low-carbon heating transition. However, much of the district heating infrastructure in Ukraine is depreciated and has not been modernized for many years. In addition, district heating uses, mainly, natural gas, which makes the country dependent on limited, expensive, and harmful resource for the environment and climate. Consequently, heating prices and state regulations of the district heating sector are pushing local authorities and residents to move away from district heating.

**Proposed solutions:**

1. Approve a state-level position paper declaring the need to preserve district heating to provide heat to the population, with diversification options to compensate for risks caused by the ongoing war.
2. Develop and adopt new legislation that establishes:
  - economic incentives for local governments and end users to use district heating;
  - requirements for modernization and renewal of the district heating infrastructure;
  - diversification of energy sources for heating and transition to (a) electric heating with the use of heat pumps or (b) sustainable biomass;
  - stimuli for using biomass to produce biogas, which should become a carbon-neutral alternative to natural gas.
3. Establish support programs at both the state and local levels for the installation of heat pumps to provide heat supply in multi-story buildings.

Implementation of such a program would allow to move away from gas for space and water heating and result in up to 80% savings. Currently, most European countries subsidize the installation of heat pumps, thus contributing to their own energy independence. According to the European Heat Pump Association (EHPA), about 16% of EU residential and commercial buildings are equipped with these devices. According to the RePower EU plan, which aims to reduce the EU's dependence on fossil fuels, heat pumps are the main technology for replacing natural gas in the heating of residential and commercial buildings.

**Challenge 3: The need for more than declarative support for the development of electricity production from renewable sources.**

Currently, support for the production of electricity from renewable energy sources and the use of renewable energy sources is a goal enshrined in the Law of Ukraine "On the Electricity Market", the Law of Ukraine "On Alternative Energy Sources", the Energy Strategy of Ukraine until 2035 "Security, Energy Efficiency, Competitiveness" approved by the Cabinet of Ministers of Ukraine on 18.08.2017 No. 605, and the National Action Plans for the development of the energy sector.

support as such.

However, the state manages to pay for only 50% of the generated renewable electricity; producers suffer from never-ending changes in tariff coefficients, formulas for calculations of the costs of imbalances, and conditions for state support in general.

Connecting new facilities is complicated by the lack of transparency of current connection procedures and the lack of codification of building codes related to the requirements for the construction of RES generation.

The lack of stability in the sector's regulation is a major problem for attracting investment in the sector, and complicating procedures by introducing new complex mechanisms does not encourage the public to adopt such mechanisms.

**Proposed solutions:**

1. Ensure full and timely payments to RES producers by:
  - removing the manual restraints of electricity prices and allowing the Guaranteed Buyer to maximize revenues from selling electricity;
  - opening the export for electricity from RES;
  - timely adjustment of the transmission tariff to promptly take into account additional revenues or adjust for the amount of the deficit;
  - abolition of regulatory documents limiting payments on the market;
  - adjusting the mechanism for calculating the cost of the RES development service and approving its cost, which does not make RES producers dependent on the actions of the Guaranteed Buyer and the network operator.
2. Exercise parliamentary control over the correct implementation of secondary legislation to implement the Law of Ukraine "On Amendments to Certain Laws of Ukraine on Restoration and Green Transformation of the Energy System of Ukraine".
3. Simplifying connection procedures for RES generation and codification of requirements for its construction.
  - Creating a simple and accessible procedure for accessing the self-production mechanism for the development of distributed generation.
  - Introduce effective state programs to support participants of the self-production mechanism by providing affordable loans.
  - Enshrine stable support conditions for renewable energy.

#### **Challenge 4: The necessity to consider the climate change challenges already taking place in Ukraine.**

To attract European investments, post-war reconstruction plans must meet the criteria set out in EU legislation, where climate change adaptation must be an integral part of sectoral and local policies, addressing the impact of climate change on society, economy, infrastructure, and the environment. It is necessary to integrate climate adaptation measures into local economic and social development renewal strategies, which compensate for the inevitable consequences of climate change. By 2040, according to the optimistic scenario, the average annual temperature in Ukraine is expected to rise by 0.8-1.1°C, as well as the redistribution of precipitation throughout the year to increase by  $\pm 20\%$ , with an increase in the cold season, a decrease in the warm season, and an increase in the number and frequency of natural hydrometeorological events. Such changes will require rebuilding the infrastructure of cities and communities over the next 10-15 years. Therefore, carrying out post-war reconstruction with adaptation measures in mind is more effective.

Some communities in Ukraine that are signatories to the Covenant of Mayors have already produced detailed plans to reduce carbon emissions and develop adaptation measures. These Sustainable Energy and Climate Action Plans (SECAPs) calculate the community's potential to reduce carbon dioxide emissions based on real-world indicators and propose specific measures to be taken to achieve this goal. The measures include a description of the necessary steps and economic justification. Many of the adaptation measures do not require significant investments, if they are considered at the planning stage (e.g., the color of buildings, the placement of nature-based adaptation measures in road infrastructure, such as green strips for rainwater accumulation and drainage to reduce the risk of road flooding, etc.).

#### **Proposed solutions:**

1. Enshrine the main provisions of the already developed action plan at the legislative level, with the next necessary steps and components:  
In the short term - 2023-2024:

- approve the state methodology for assessing vulnerability to climate change;
- approve the state methodology for developing climate change adaptation measures;
- conduct a climate change vulnerability assessment in each of the regions of Ukraine;
- conduct vulnerability assessments in communities that are already preparing recovery plans based on regional assessments;

• Ensure the possibility of public participation in the process of preparing proposals and recommendations for the development of the National Energy and Climate Plan, which should become part of the post-war reconstruction plan.

In the medium term - 2025-2027:

- conduct vulnerability assessments in all communities of Ukraine based on regional assessments;
- develop community climate change adaptation plan in all communities of Ukraine;
- integrate the results of the vulnerability assessment into all strategic documents of the community, including recovery plans;
- implement adaptation measures in the communities where they were developed.

In the long-term perspective - 2028-2033:

- reassessment of the implemented adaptation measures and assessment of community vulnerability to climate change every 4 years from the date of its approval;
  - implement adaptation measures in the communities where they were developed.
2. Train local officials on vulnerability assessment and development of adaptation plans in cooperation with competent NGOs and the Covenant of Mayors.
  3. Ensure access of communities to climate and statistical data and expert consultations.
  4. Establish a special body (department, position) within the city council structure responsible for developing a vulnerability assessment, coordinating/implementing adaptation measures, and organizing monitoring of implementation and review of the vulnerability assessment (every 4 years).

### **Challenge 5. The need to reform environmental impact assessment.**

Environmental Impact Assessment (EIA) is a key tool for public participation and consideration of environmental requirements when planning activities that may threaten the environment and/or human health. However, appeals against EIA decisions, public dissatisfaction, protests, and litigation are precedents that show that the approach to the EIA procedure in Ukraine has the following shortcomings:

From the civil society:

- Limited public access to information and participation in the EIA procedure (limited access to the EIA register; information on post-project monitoring is not available; representatives of competent bodies do not always have time to process public submissions, respond to them, and provide relevant information)
- low level of responsibility for violating environmental impact assessment requirements;
- limited human, financial, and expert resources of the respective authorities, which are objectively unable to provide a qualified assessment of the environmental impact assessment report.

From business entities:

- lack of competent providers to produce EIA reports;
  - EIA report providers bear no responsibility for the information in the report;
  - excessive requirements for low-risk projects;
  - money and time (delays in implementation).
- From the government:
- the sanctions prescribed by law are weak and ineffective;
  - lack of mechanisms to monitor compliance with environmental impact assessment requirements.

General:

- The procedure is limited due to the martial law (in particular, it is canceled for the territories affected by military actions, and during the mitigation of the consequences of the war; there are no in-person public consultations, some activities are canceled for EIA);
- inadequate quality of EIA reports and lack of accountability for this.

### **Solutions proposed:**

1. To reform the environmental impact assessment in accordance with Directive No. 2011/92/EU and considering the need to implement measures ensuring fast procedures for low-risk projects and prevent environmental risks for facilities that could significantly threaten the environment and public health. The basic EIA reform may include:
  - assigning responsibility for a prepared EIA report to the providers of the service;
  - free access through the EIA register to post-project monitoring materials, as well as to up-to-date environmental monitoring data;
  - introduction of screening at the early stages to identify low-risk projects;
  - institutional capacity, transparency, and accessibility of inspectors, controlling bodies, accredited certified providers, analyzing laboratories, etc.
  - qualified and sufficient staffing of the structural units of the competent state and local bodies dealing with EIA, defined by the workload and the number of EIA conclusions prepared. Continuous professional development of the staff through courses (related to environmental protection, sustainable development, best available technologies), etc.
2. Provide free online access to monitoring data on water and land resources.
3. Ensure continuity of observations at monitoring sites.

### **Challenge 6. Implementation of projects and reforms in the livestock and agricultural sectors without compliance with environmental requirements.**

Through its responsible ministries, Ukraine continues to prioritize the development of livestock farming as a priority for the agricultural sector. According to the Agricultural Development Strategy<sup>5</sup> (hereinafter referred to as the Strategy) for the next 10 years, which was presented at the Ukraine Recovery Conference in London in June this year, one of the goals is to increase meat production by 2 times in 10 years. In addition, according to the Strategy, it is planned to increase the average fertilizer application per hectare by 40%, i.e. to 180-290 kg/ha, which does not meet the goals and aspirations of the European Green Deal.

At the same time, using fertilizers, intensive livestock development, and generating huge amounts of waste without proper management pose serious risks to water, air, soil, biodiversity, and human health. And such cases are not just risks, but real disasters<sup>6</sup> that communities face today. Agriculture, both crop and livestock, is one of the sources of nitrate contamination of water (surface and groundwater). Despite the underdeveloped system of water quality monitoring, Ecoaction, through public testing of water quality in rural communities, has learned that the problem of nitrate pollution, particularly of groundwater, is widespread in Ukraine.

### **Proposed solutions:**

1. Update and improve environmental requirements and standards for agriculture, in line with EU strategies.
2. Establish proper infrastructure for the management of waste and by-products of the

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<sup>5</sup> <https://minagro.gov.ua/investoram/strategiya-rozvitku-agropromislovogo-kompleksu>

<sup>6</sup> <https://www.epravda.com.ua/columns/2023/07/25/702533/>

industry (storage, transportation, disposal, recycling, etc.) according to EU best practices, in accordance with the Nitrate Directive and the Industrial Pollution Prevention Directive.

3. Implement an effective system of monitoring and control over agricultural business activities, as well as the environment (soil, water, including underground water), and timely prevention of pollution by agricultural producers.

4. Introduce accessible and modern training for farmers (small and medium-sized) and agricultural experts to reduce the negative impact of their activities on the environment and human health.

The implementation of the measures above should apply not only to new enterprises but also to those that have been polluting the environment and harming human health for many years.

### **Problem 7. Increasing minimum energy efficiency standards for buildings.**

As part of the Association Agreement with the EU, Ukraine has committed to implement energy efficiency reform in accordance with the EU Energy Efficiency and Energy Performance of Buildings Directives. According to the latter, Member States must ensure that by December 31, 2020, all new buildings are Near-Zero Energy Buildings; and after December 31, 2018, new buildings owned by public authorities are Near-Zero Energy Buildings. In addition, amendments to the Directive are currently being considered, which will define a new standard for buildings – ZEB (zero emissions building). ZEB requirements should be applied from January 1, 2030 to all new buildings, and from January 1, 2027 to all new buildings used or owned by public authorities.

At the same time, Ukraine is only discussing the implementation of the NZEB standard from 2027. It should be noted that the reconstruction of the destroyed housing sector has already begun and takes up a large share of capital investments, but the construction process is taking place according to existing energy efficiency standards, and in a few years it will be necessary to seek funding for thermal modernization again.

### **Proposed solutions:**

1. Accelerate the start of the implementation of measures to implement NZEB standards (buildings with near-zero energy consumption) or start developing the implementation of more ambitious Zero emissions buildings standards, mandatory banning the connection to gas infrastructure, and replacing such connection with heat pumps, connecting buildings to district heating or other RES-based solutions.

2. Establish a financial program or support mechanism for construction companies to stimulate the implementation of pilot projects for the construction of energy-efficient buildings (commercial, residential, and public) with a high energy efficiency class and NZEB/ZEB standards. Such a program would help to relieve pressure and investment risks from the business.

3. Provide and support capacity-building measures to improve the skills of Ukrainian construction companies that would build houses according to the new energy efficiency standards.

4. Introduce mandatory minimum energy efficiency criteria in public procurement, which is a requirement of the European Green Deal, especially when purchasing building materials for new construction.

5. Stimulate localization of domestic production of energy-efficient building materials and renewable energy equipment. This will provide new jobs in a rapidly growing sector that is critical to the post-war reconstruction process. Positive effects will be felt both for local economies where new businesses will emerge (for example, in regions dependent on hydrocarbon production and where such production facilities are planned to be closed) and for the energy transition of the whole country. Own production of construction materials and renewable energy equipment would allow to meet both domestic Ukrainian needs and enter the European Union market, helping to diversify EU countries' dependence on China.