DIW ECON
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Renewable energy in Ukraine: Regulatory issues

Regulatory scope & market design

Ukrainian **regulation** on renewable energy (RES) uses two terms in parallel: **alternative** and **renewable** energy sources.

Renewable energy sources include solar, wind, geothermal, hydrothermal, aerothermal, wave and tidal energy, hydropower, biomass, gas from organic waste, gas from sewage treatment plants, and biogas	**Alternative energy sources** include **renewable energy sources** plus **secondary energy sources**: blast furnace and coking gases, methane recovered from coal deposits, and recovery of waste energy from technological processes

The legal regulation of alternative energy sources in Ukraine is carried out by the Cabinet of Ministers of Ukraine or, on its behalf, the National Energy and Utilities Regulatory Commission (NKREKP). The central executive body for energy policy is the Ministry of Energy of Ukraine.

The regulation of the wholesale **electricity market** was reformed in 2019. The market was liberalised and divided into different segments: bilateral, day-ahead, intraday, balancing, and ancillary services markets. However, *RES producers* still sell electricity mainly at feed-in tariffs directly to the State Enterprise Guaranteed Buyer on the *bilateral market*, where contracts for the supply of electricity over longer time periods are negotiated and concluded between two parties. Regulated electricity tariffs, disproportionate feed-in tariffs (FiT) and the growing debt of the Guaranteed Buyer posed significant challenges to the further development of RES. In addition, the war severely disrupted the RES market.

Regulation-related bottlenecks

Issue	Possible solution steps
General lack of coordination	□ Harmonisation of strategic documents, subordinate action plans and roadmaps, and sectoral state programmes □ Creation of an efficient national oversight mechanism
Retroactive FiT cuts and government failure to meet its commitments	□ Strengthening the legal framework to protect market participants □ Government intervention to resolve the web of mutual debts and potentially support debt restructuring
Absence of the announced “green” auctions that partially replaced feed-in tariffs	□ Resolving the payment problems of the Guaranteed Buyer □ Speeding up the process of setting up auction procedures and planning of the “green” auctions
Problems with issuance of technical conditions for grid connection	□ Reduction of bureaucratic barriers for grid connection □ Strengthening the regulatory framework for the protection of project developers
Uncertainty regarding completing ongoing works	□ Provision of clear guidelines and regulatory opportunities for the completion of ongoing projects, especially in the occupied areas
Market design barriers to public RES investment	□ Facilitation of electricity sharing for (municipal) RES owners □ Creation of a specialised "market agent" with appropriate qualifications to take over the buying and selling operations from the local authorities