

# Proposals for EU-Ukraine Cooperation on Energy

By INFORSE-Europe, CEE-Bankwatch, WWF-DCP, Ukraine Wind Energy Ass., 6/10-08

EU-Ukraine Cooperation on energy is the largest part of EU-Ukraine cooperation, covering more than half this budget in 2007, or approximately €87 million. In spite of this, the cooperation has scarcely addressed the sustainability of the Ukrainian energy supply and consumption, as it puts little emphasis on energy efficiency and renewable energy. The cooperation includes an agreed target for Ukraine to reduce its energy intensity by 3 percent per year, but this figure is far lower than the current rate of economic growth (some 7.3 percent per year on average between 2000-2007). The result of this target together with continued economic expansion will be a significant increase rather than decrease in energy consumption as well as Green House Gas emissions

Regarding renewable energy, the assistance does not support development of these resources to utilise Ukraine's large potential for renewable energy within a reasonable timeframe. The cooperation also has as a target to substantially increase electricity exports from Ukraine to the EU. Such export will primarily be based on unsustainable electricity production and is neither a benefit for Ukraine nor for the EU. Ukraine will have to produce more power with significant environmental impacts and low efficiencies, and the EU countries will have less incentives to develop own, sustainable power production and demand.

If the EU is to continue to give energy-assistance to Ukraine, it is crucial that it is targeted to efficient measures to increase energy efficiency and promotes the development of renewable energy.

## **Better Framework Needed**

The framework must be that Ukraine sets targets for energy efficiency and renewable energy similar to the targets that the EU countries are setting as part of the EU energy and climate package that is currently under negotiation. For renewable energy this will be an increase of renewable energy use of 13 percent of energy consumption from 2005 to 2020, as the EU countries will do. For energy efficiency, the obvious target will be that the energy intensity is reduced by at least as much as the growth in GDP, so that the primary energy demand of Ukraine will be stable or declining.

## **Proposals**

Energy efficiency and renewable energy should be promoted with comprehensive strategies that raise awareness, encourage institutional development in energy management, enable markets, make financing available, and inform consumers and investors. This will include a revision of the Energy Strategy of Ukraine up to 2030 to give priority to local renewable energy sources and energy efficiency. Special attention should be given to knowledge transfer from the European Union and to effective policy tools aiming to manage demand for energy efficiently, rather than increasing supply.

Elements should include:

### Efficiency of Equipment

Ukraine should adopt the same requirements as the EU countries for energy using equipment following the EU's "ecodesign" Directive 2005/32. This will set limits to stand-by consumption and enhance efficiency of most energy using products within the coming few

years. The first requirement, on standby, will enter into force with the start of 2010. In certain cases (such as lamps) Ukraine can also adopt stronger requirements. If Ukraine follows EU energy efficiency requirements, it will not become a dumping ground for inefficient equipment.

### Efficiency of Buildings

Improve building codes with higher energy efficiency requirements and better implementation as an important step for improving energy efficiency in Ukraine. Ukraine should urgently develop and adopt laws for implementation of the EU Directive 2002/91/EC on "Energy performance of buildings", including:

- Application of minimum requirements for energy performance of new buildings.
- Developing and displaying energy certificates for buildings.
- Energy audits, also for apartment houses and other dwellings.
- Requirements of obligatory installation of heat meters and controls for all houses connected to district heating networks, starting with the larger houses.

The application of the requirements will ensure that new buildings are up to modern standards with low heat demand. Efficiency levels set at cost-effective levels will yield lower total costs for users over the lifetime of the building..

Requirements of low-energy windows for all thermo-windows for new and old buildings, to reduce U-values to below 1.5 W/m<sup>2</sup>K. This is a very cost-effective measure because the extra price for the low-energy coating is very small.

The renovation programs for existing buildings should be strengthened with better loan schemes, revolving funding mechanisms, clearer rules for Energy Service Companies (ESCOs) and training of building administrators and managers.

Energy management institutional capacity of government bodies and private companies should be raised according to new EU standard EN 160001 "Energy Management Systems"- Requirements with guidance for use.

Campaign for promoting energy certification, including participation of Ukrainian municipalities in Display Campaign ([www.display-campaign.org](http://www.display-campaign.org)).

Demonstration of buildings with high energy efficiency, such as passive house construction as part of a school or other public building in each region.

### Energy Efficiency in Industry

Stronger energy efficiency program for industry, with taxes and energy efficiency agreements for all industries with large consumption, for instance covering industries with energy consumption greater than 1 GWh/year for fuel and electricity together (1 GWh is equal to 100.000 m<sup>3</sup> gas). With the program the industries should pay a tax that can be reduced if they implement energy efficiency measures included in the energy efficiency agreements. If necessary, a financing mechanism (loans) can be added, to help start the energy efficiency investments.

### Energy Pricing to Promote Efficient Use of Energy

Introduction of full cost recovery tariffs for energy and elimination of cross subsidy mechanisms. As appropriate this should be followed with social measures for low-income people, covering a minimum consumption of poor families.

Improved collection of energy payments according to tariffs. Today, a noticeable amount of electricity is being stolen from the grid and accounted as network losses

Legislation to stimulate energy-saving through tariff policy, to reduce fixed payments to a minimum, so that the payment reflects the consumption.

A small levy on energy prices for energy efficiency information, campaigns, and promotion. In this way these activities do not burden the state budget and consumers will benefit as the activities will lead to greater savings than costs.

### Improvement of Heat Supply

Strengthen renovation program for heat supply networks, including renovation plans for all public/municipal heat networks and a financing mechanism (loans) for the exchange of pipes and installations.

Conversion program for district heating stations from gas heating to biomass and/or CHP, with conversion plans, subsidies (20-40 percent) for demonstration plants in all regions, and a financing mechanism (loans) for investments in the new heating/CHP stations.

### Measures for Renewable Energy

The recently agreed "green" feed-in tariff for renewable energy electricity (windpower, biomass CHP, biogas and landfill plants, small hydro etc.) should be implemented in practice. The price should optimise security of investments with a guaranteed level for 20 years for each investment; while the tariff for new investments can be revised up to 10 percent from year to year depending on the development.

Campaign for solar heating. The campaign should include improvement of supply of imported as well as local components and systems, consumer information on opportunities and products, quality control and quality enhancement activities, installer training, demonstration plants on public buildings (schools etc.), promotion of self-built systems as has been done in Austria to reduce costs. The campaign should start in southern Ukraine including Crimea, where solar heating is most cost-effective.

Campaign for clean and efficient use of biomass with promotion of clean and efficient equipment targeting smaller users, including households, farms, and smaller businesses. The campaign should include improvement of supply, quality control and enhancement activities, installation training, and market information, including exhibitions, demonstration plants.

Improve biomass markets, including wood-chip and straw markets with promotion of supply, quality standards, etc. to build a functioning market in all regions.

### Information and campaign

Free, unbiased information for consumers on how to increase energy efficiency and use more renewable energy. The information should be on the internet as well as with information centres, with at least one centre in each region. Each information centre should have information freely available at the centre, should give personal advice, and should organise outreach activities such as exhibitions in the region. The centres can be organised by NGOs and local authorities.

Broad public campaign for energy-efficiency and renewable energy using best foreign practices (including practices in EU countries) with:

- Outreach via mass-media
- Mobile exhibitions throughout Ukraine on energy-saving technologies with demonstration of local and EU technologies in energy-efficiency

### Higher Education

Program to improve the level of higher education (universities, institutes, technical high schools) that educate specialists in energy efficiency and renewable energy. It should include improvement of education materials and the technical base of the institutions as well as demonstration facilities.

### International Cooperation

Participation of Ukrainian local authorities in the Covenant of Mayors - an ambitious initiative of the European Commission that will bring together the mayors of Europe's most pioneering cities in a permanent network.

Better involvement of Ukraine in international information exchange on energy-efficiency and renewable energy issues.

## **Contact persons for the proposals**

Gunnar Boye Olesen, Coordinator  
International Network for Sustainable Energy – Europe (INFORSE-Europe)<sup>1</sup>  
e-mail: [ove@inforse.org](mailto:ove@inforse.org), website: <http://www.inforse.org/europe>

Iryna Holovko, National Coordinator for Ukraine  
CEE Bankwatch Network  
e-mail: [iryna@bankwatch.org](mailto:iryna@bankwatch.org), website: <http://www.bankwatch.org>

Andreas Beckmann, Deputy Director  
WWF International - Danube Carpathian Programme  
e-mail: [abeckmann@wwfdcp.org](mailto:abeckmann@wwfdcp.org), website: <http://www.panda.org/dcpo>

Andriy Konechenkov, Chairman of the Board  
All Ukrainian public organisation "Ukrainian Wind Energy Association"  
e-mail: [info@uwea.com.ua](mailto:info@uwea.com.ua), website: <http://www.uwea.com.ua>

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<sup>1</sup> INFORSE-Europe is a network of 72 NGO, including NGOs from the EU, Norway (Norges Naturvernforbund), Ukraine (Renewable Energy Agency, Mama86, Rivne Environmental Brotherhood), and other countries.